Monthly Updates on Macroeconomics and Financial Market

Hanoi, December 2024

Prepared by Economic and Financial Market Analysis Team

BE GREATER

Global economic forecasts reveal uncertainty, while Vietnam is poised for accelerated growth driven by trade and investment

Section 1

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Executive Summary

- **Global Economy:**
  - *The global economic outlook remains clouded by the potential for escalating geopolitical and trade tensions, with projections suggesting two primary scenarios for 2025: global growth remaining stable or experiencing a slight slowdown.*
  - *In the US, strong consumer sentiment and a mix of supply-side factors continue to support economic resilience. But looming tariff impacts, particularly on import-dependent goods, introduce potential inflationary upside risks. While the Fed is still expected to cut rates by 25 basis points in December, signs of increasing inflationary risks could delay further easing in 2025.*
  - *In the EU, persistent challenges on both the demand and supply sides are visible. The disinflation trend is expected to persist in 2025. The ECB's December rate cut aligns with expectations, and the likelihood of additional monetary easing by 2025 remains high.*
  - *Meanwhile, China is navigating a combination of external pressures and internal vulnerabilities, prompting careful and forceful policy measures to mitigate potential economic setbacks.*
- **Vietnamese Economy:**
  - *GDP growth in 2025 is forecasted to remain at 6.8%, driven by: (1) sustained exports, (2) continued growth in FDI, (3) significant improvements in public investment, and (4) a recovery in domestic demand.*
    - *In the baseline scenario, we believe that the impact of US import tariffs on Vietnam (if any) will not be entirely negative. Combined with positive external demand, particularly from the US which is expected to remain resilient, export growth is projected to remain in double digits in 2025.*
    - *The growth momentum of disbursed and registered FDI is expected to continue in 2025, supported by significant improvements in Vietnam's Government Transparency Index and proactive support for foreign investment from the Government.*
    - *Public investment is also expected to be a key driver of economic growth, particularly in 2025, to support economic expansion.*
    - *It is anticipated that the government will sustain its efforts in implementing policies to enhance domestic demand, paving the way for a robust recovery in 2025.*
  - *The average CPI in 2025 is forecasted to fluctuate between 3.7% and 4.2%.*
  - *The USDVND exchange rate in 2025 may face pressure amid global economic fluctuations.*
  - *Interbank interest rates are projected to remain between 3-5%, while the 6-month deposit interest rates of G14 banks are expected to remain flat or increase slightly throughout 2025.*

Section 2

World Economy

Global growth faces rising uncertainty due to escalating geopolitical and trade tensions. In the US, despite the resilient economy, looming tariff impacts introduce potential risks. Fed rate cuts path is expected to be delayed. In the EU, persistent challenges on both the demand and supply sides are visible; and the likelihood of additional monetary easing by 2025 remains high. Meanwhile, China is navigating a combination of external pressures and internal vulnerabilities, prompting careful and forceful policy measures to mitigate potential economic setbacks.

Escalating geopolitical and trade tensions create uncertainty for global growth outlooks

The global economic outlook remains clouded by the potential for escalating geopolitical and trade tensions. Geopolitical risks remain heightened, with the Russia-Ukraine and Middle East conflicts persisting, adding uncertainty to international relations. Concurrently, expected trade tensions, particularly between the United States (US) and other countries, especially China, are exacerbating global economic volatility. The implementation of tariffs and retaliatory measures is anticipated to dampen global growth and weaken business sentiment. Historical evidence from the 2018-2019 US-China trade war demonstrates how such tensions can constrain global GDP growth and significantly disrupt international supply chains. Additionally, the global monetary policy environment is expected to grow more complex. While markets anticipate continued monetary easing in most countries through 2025, diverse inflationary pressures and varying local economic conditions are likely to result in heterogeneous approaches to policy normalisation by central banks. Amidst these uncertainties, projections suggest two primary scenarios for 2025: global growth remaining stable or experiencing a slight slowdown.

Figure 1: Geopolitical Risk index (GPR)

(Index, 1985-2019=100)

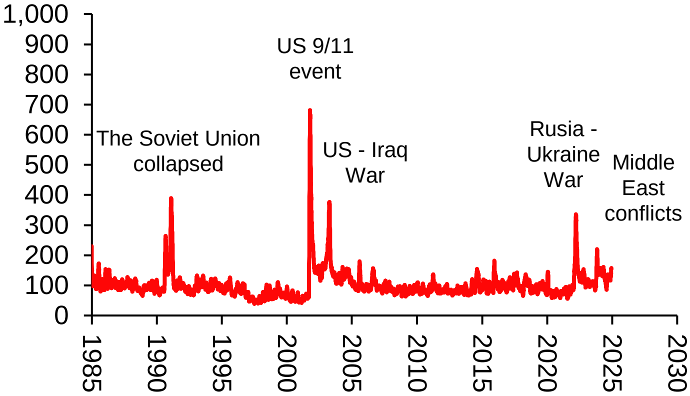
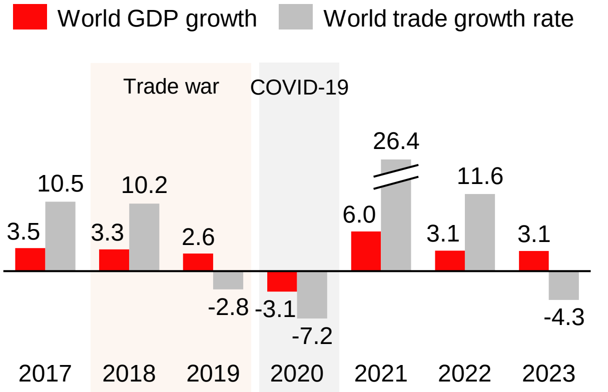


Figure 2: World GDP growth and trade growth

(%, YoY)



Sources: Refinitiv, Bloomberg, IMF, Dario Caldara and Matteo Iacoviello, UNCTAD, TCB Market Research

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World Economy *(Cont.)*

Figure 3: Rate cut trend of central banks

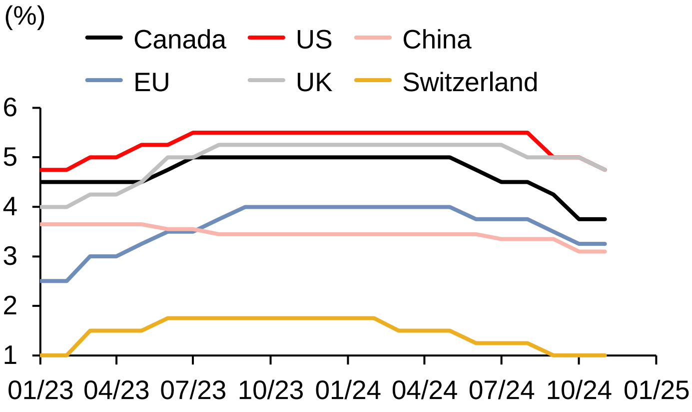
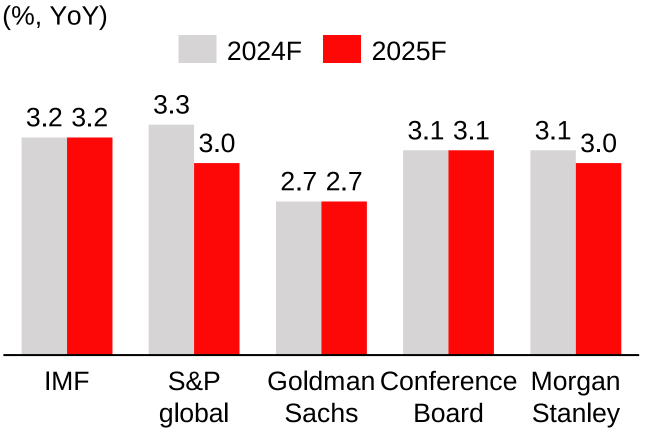


Figure 4: Global GDP growth forecasts by organisations



In the US, the robust consumer sentiment and mixed supply-side factors are bolstering the ongoing resilience displayed in the economy

Amidst global uncertain outlooks, the US growth continues to demonstrate resilience, supported by strong consumer sentiment and mixed supply-side dynamics. Consumer confidence remained robust in early December 2024, as reflected in a modest uptick in the Michigan consumer sentiment index. This optimism also reflected the steady growth in consumer expenditures, as indicated by the second estimate of GDP for the third quarter of 2024 (3Q24). On the supply side, performance varied across sectors. The services sector showed signs of easing, with the ISM Services PMI declining to 52.1 in November from 56 in October, marking the slower growth due to easing business activity, new orders, employment, and supplier deliveries. However, the indicator still sustains above the 50 benchmark, reflecting the growth of the service sector. The manufacturing sector showed signs of stabilisation, with the ISM Manufacturing PMI rising to 48.4 in November from 46.5 in October, exceeding expectations. Although still contracting, the sector saw a rebound in new orders, signalling potential recovery. Overall, amid these trends, the US economy demonstrates resilience.

Figure 5: Michigan Consumer Sentiment Index

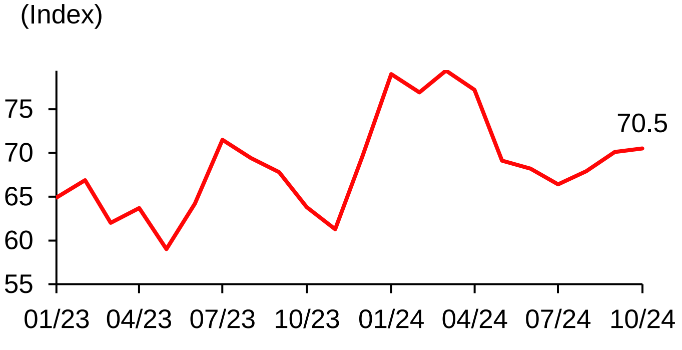
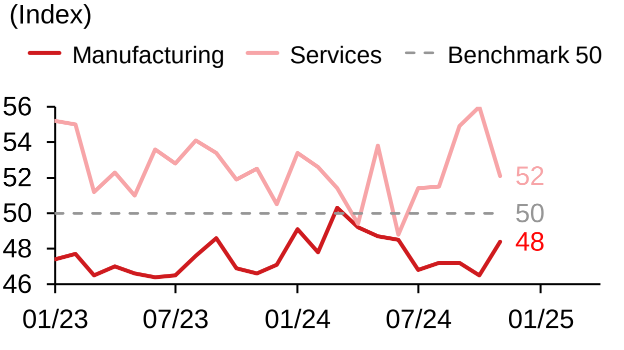


Figure 6: US ISM PMI



Sources: Bloomberg, Refinitiv, ISM, BEA, University of Michigan, TCB Market Research

Section 2

World Economy *(Cont.)*

Although the recent US inflationary pressure remains moderate, …

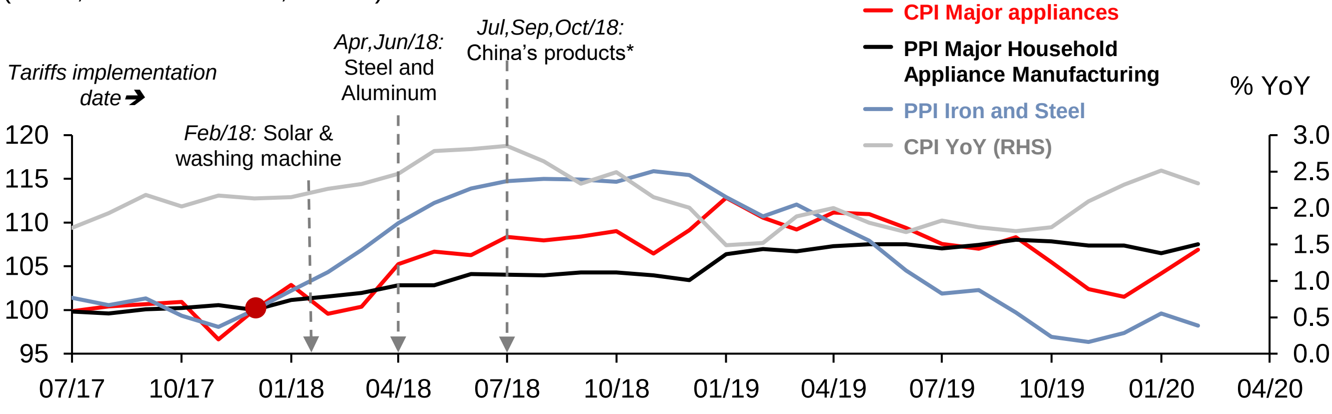
Inflation in the United States remains moderate, with headline CPI inflation at 2.7% and core CPI at 3.3% in November 2024, in line with market expectation. These figures partly influenced by low base effects from last year. This suggests that underlying price pressures remain stable during the ending months of 2024.

… we see strong impact of tariff toward the US consumer prices, especially for import-dependent sectors and products

However, we see the inflationary upside risk persists in the upcoming time, mainly from the Trump's tariff policies. The introduction of tariffs, as seen during the 2017-2021 Trump administration, had significantly disrupted inflation trends. Tariffs during that period increased consumer prices by driving up import costs, which were directly reflected in higher producer prices (PPI) and consumer price indices (Figure 7). As for the current developments, while it remains difficult to anticipate which products will be subjected to new tariffs, the repercussions are likely to be substantial for import-dependent sectors in the US, such as machinery, vehicles, and apparel. Since domestic production of these items at competitive prices would require considerable time and investment, firms may shift their import sources to countries facing fewer tariffs for short-term solution. With Trump's recent announcement of a proposed 25% tariff on goods from Canada and Mexico and a 10% tariff on Chinese imports in his first day as a president, inflationary pressures are poised to intensify. Businesses like Best Buy and TJX have already anticipated price increases, highlighting the potential for significant consumer cost burdens. If enacted promptly, these tariff policies could drive a notable spike in US inflation, affecting both consumers and the broader economy.

Figure 7: CPI and PPI components in 2017-2021 period by tariffed products

(Index, Dec-2017 = 100, % YoY)



China's products: Industrial machinery and electronic components. Chemicals and production materials. Plastic and metal products. Household items and furniture. Consumer goods. Electronic devices. Food and medical products.*

Sources: Bloomberg, Refinitiv, Investopedia, NYT, BLS, Fred, TCB Market Research

World Economy *(Cont.)*

Figure 8: US top 10 trade deficit by products and by top countries that export to the US

(USD Billion)

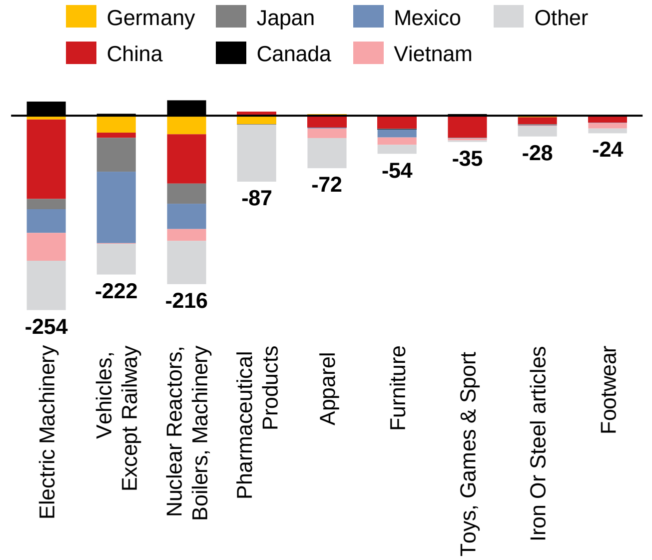
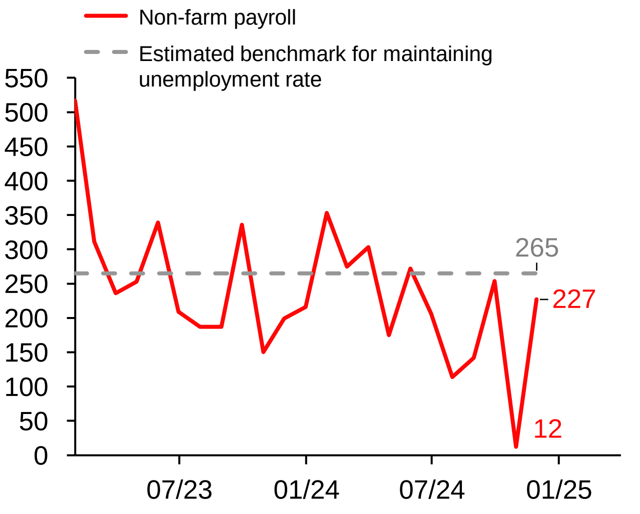


Figure 9: US monthly non-farm payroll

(thousand persons)

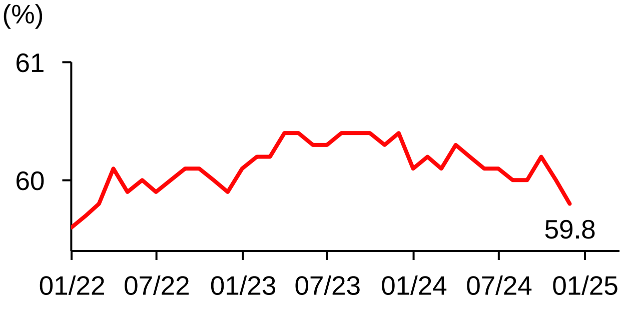


The US labour market shows weakening in November

As for the US labour market, there are signs of further easing movement. Job growth in the country rebounded to 227,000 in November 2024, following a muted performance in October that was affected by temporary disturbances such as storms and strikes. Nevertheless, overall labour market momentum appears to be weakened, as evidenced by Job Openings and labour Turnover Survey (JOLTS) data indicating a gradual loosening of labour conditions. In fact, the hiring rate in October dropped to its lowest level since the current economic cycle began, resembling conditions last observed in June 2024 and during 2013 period. Concurrently, the unemployment rate edged up to 4.2% in November, approaching the cycle high recorded in July. Furthermore, the ongoing decline in the employment-to-population ratio underscores the gradual weakening of labour market tightness. Taken together, these developments suggest a continuing trend toward easing labour market conditions.

Figure 10: US unemployment rate and hires rate

Figure 11: US employment-to-population ratio



Sources: Bloomberg, Refinitiv, FRED, US Department of Commerce, BLS, TCB Market Research

World Economy *(Cont.)*

Although we anticipate the Fed to have a 25 basis point cut in December 2024, the likelihood of delays in its rate-cut plans in 2025 continues to increase

We expect that the FED will continue its monetary easing policy stance with a 25 bps rate cut at the upcoming December meeting, supported by stable inflation readings that align with expectations and persistent signs of labour market softening. However, the pace of future rate reductions may decelerate over the longer term, as solid upside risks to inflation and the potential for a stronger labour market – particularly if the Trump administration's proposed measures are promptly enacted as we have mentioned in our previous report (Report link) – could constrain further cuts. Moreover, markets appear to have already factored in the effects of new policy initiatives, with investment growth forecasts for 2025 showing a significant uptick, underscoring the anticipated resilience of the US economy. Consensus projections in Bloomberg suggest a slower decline in the Fed's target rate, with expectations that it will approach approximately 3.9% by mid-2025.

Figure 12: US investment growth and forecast

(%, QoQ SAAR)

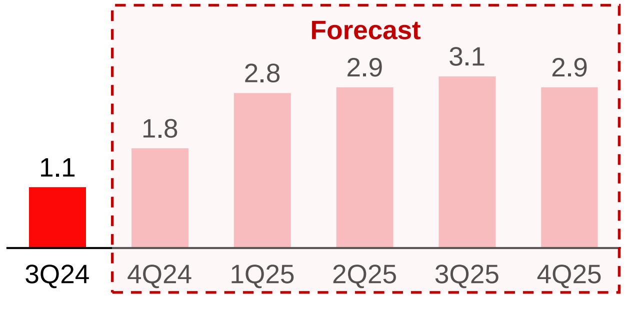
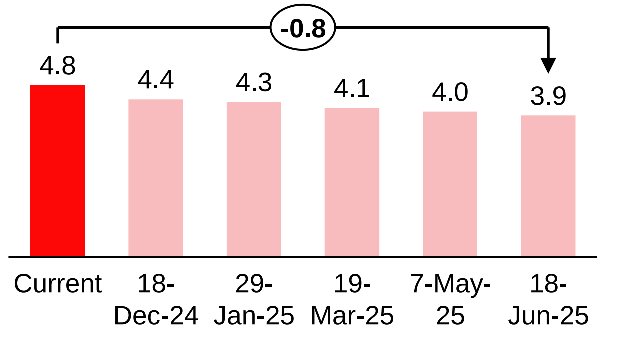


Figure 13: Market Fed funds rate expectation

(%)



In November, the EU economy continue to face challenges in both demand and supply sides

In November 2024, the EU economy contended with persistent weaknesses on both the demand and supply fronts. On the demand side, consumer-driven growth showed signs of waning as retail sales declined by 0.5% MoM and contracted to 1.9% YoY in October. This downturn was mirrored in consumer sentiment data, with EU consumer confidence falling by 1.2 points, below expectations and marking its lowest level since June. On the supply side, both the manufacturing and services sectors experienced renewed pressures. The HCOB Services PMI reading for November dropped to 49.5 which indicated the sector's first contraction since January, influenced by reduced new orders and persisting spare capacity. Simultaneously, the HCOB Manufacturing PMI dropped to 45.2, signifying a deeper contraction driven by declining production, new orders, and employment. The adverse conditions were widespread, also including major economies such as Germany, …

Sources: Bloomberg, Refinitiv, BLS, FED, S&P Global, European Commission, Eurostat, TCB Market Research

World Economy *(Cont.)*

… France, and Italy, and reflecting the broad-based challenges currently faced by the EU economy.

Figure 14: EU retail sales

(%, YoY & MoM)

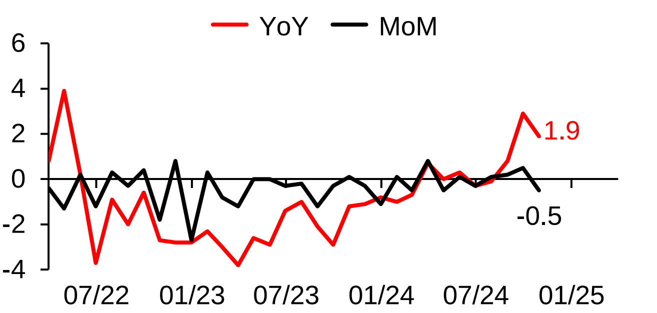
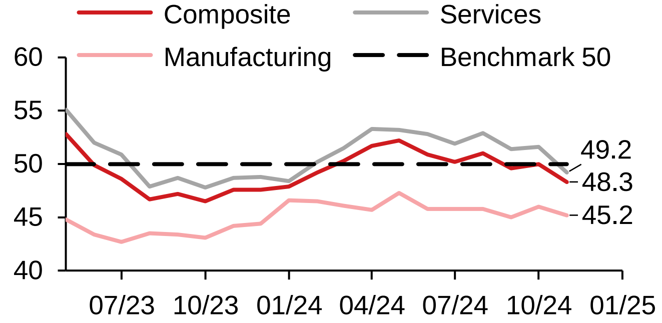


Figure 15: EU PMI

(Index)



Although the EU labour market remains stable, a disinflationary trend is expected to persist in the upcoming time

The EU labour market continues to demonstrate stability, and its disinflation path is expected to persist. The unemployment rate holding at a historic low of 6.3% in October 2024, signalling consistent tight conditions in the job market. Meanwhile, inflationary pressures appear stable, with headline inflation in the EU rising to 2.3% in November from 2.0% in October. This slight uptick primarily reflects a pickup in service sector prices and anticipated base effects following last year's sharp energy price declines. Despite the increase, inflation stands well below its peak of 10.6% observed in October 2022. And core CPI, persisting at 2.7%, suggests that the underlying disinflation trend remains in line with market consensus. The European Commission forecast that the declining trend of the inflation rate would carry through 2025, mainly due to anticipated lower energy prices and slower wage growth.

Figure 16: EU inflation and forecast

(% YoY, *forecasted by the European Commission*)

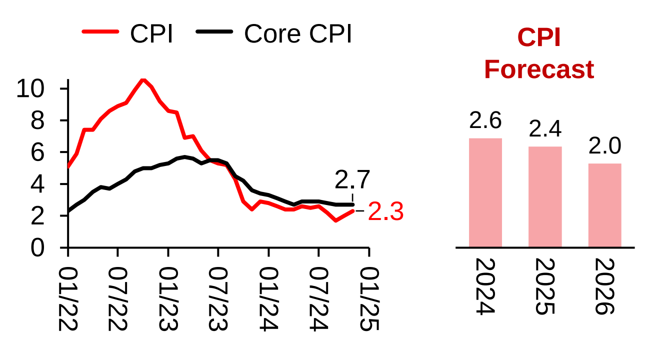
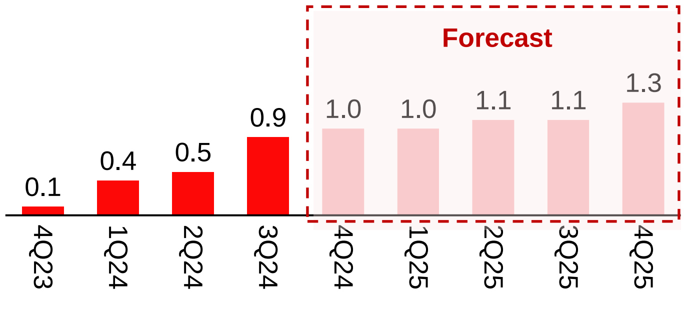


Figure 17: EU GDP growth forecast by Bloomberg

(YoY, %)



The ECB cut rate in December as anticipated, and we foresee a likelihood of additional cuts in 2025

In response to the slowing growth momentum and broadly contained inflation, the European Central Bank (ECB) proceeded with additional interest rate cuts in December, and further monetary easing is likely…

Sources: Bloomberg, Refinitiv, European Commission, Eurostat, TCB Market Research

World Economy *(Cont.)*

… We see that the recent heightened political uncertainties, including the crisis and collapse of both the German and French governments, reduce the prospect of near-term fiscal consolidation, thus placing a greater responsibility of the ECB's policy actions. Additionally, external headwinds, such as the potential imposition of US trade tariffs that we mentioned in our previous report (Report link), reinforce the need for continued policy support to sustain growth in the EU. Thus, we believe that the ECB would further reduce interest rates in 2025. According to Reuters, the market consensus anticipates that the ECB deposit rate would decline to around 1.9% by the end of 2025.

As for China, the country is facing both external and internal headwinds

China continues to face a combination of domestic and external headwinds, weighing on its economic prospects. Domestically, the real estate market remains weak, with October 2024 new home prices in 70 cities declining by 5.9% YoY, marking the 16th consecutive monthly drop and the sharpest since April 2015. At the same time, consumer spending shows limited recovery: retail sales rose by 4.8% YoY in October, supported by holiday-related spending, yet this remains below the pre-pandemic growth range of 7-10%. Concurrently, external sector performance has softened, as November's export growth eased to 6.7% from 12.7% in October, while imports contracted, expanding the trade surplus to 97.4 billion USD and highlighting both subdued international demand and lingering domestic weaknesses. Externally, the reemergence of a US-China trade conflict – referred to as "Tariff War 2.0" – poses a substantial threat, with expectations that the US will raise average tariffs on Chinese goods to 60%. Historical experience from the 2018-2019 trade war, when China's GDP growth slowed to 6.0%, and import growth declined by 3.2%, suggests that renewed tariff hikes could significantly depress China's economic momentum. Given these …

Figure 18: China's new home prices

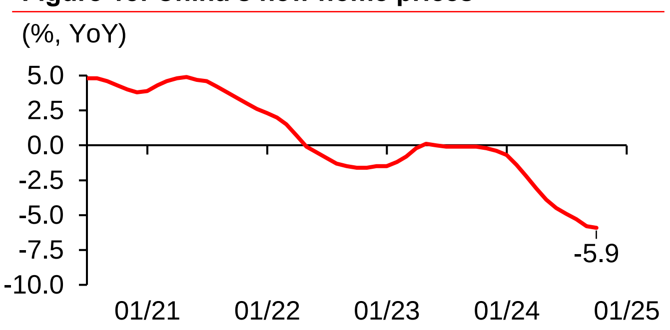
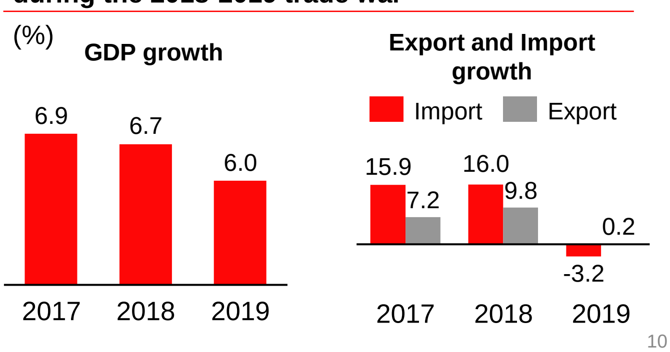


Figure 19: China's GDP, import and export growth during the 2018-2019 trade war



Sources: Bloomberg, Refinitiv, European Commission, Eurostat, China NBS, TCB Market Research

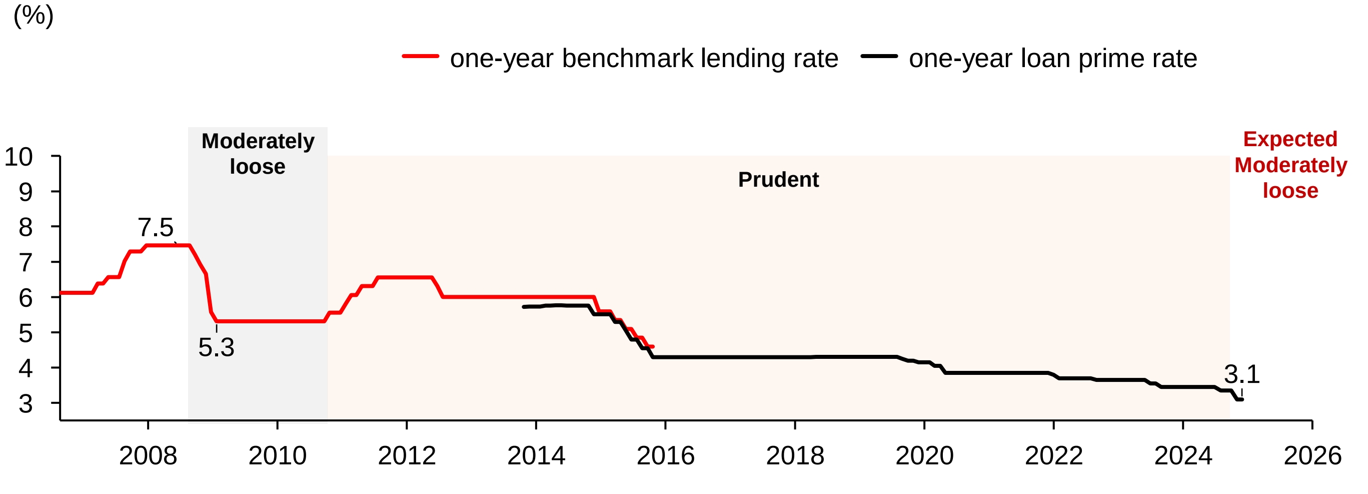
World Economy *(Cont.)*

… mounting challenges, the country's near-term outlook is increasingly sensitive to the unfolding tariff scenario and corresponding policy responses. Current forecasts, according to Bloomberg, anticipate that China's GDP growth may slow to around 4.5% in 2025, underscoring the substantial uncertainty and downside risk.

China seems to be thoughtfully adopting strong measurement to alleviate possible economic challenges

In the face of ongoing challenges, China appears to be taking measured steps to mitigate potential economic headwinds. Recent signals indicate that Chinese authorities are closely monitoring every move of the Trump administration. Anticipating the risk of heightened US tariffs and internal problems, China has shifted its monetary stance from "prudent" to "moderately loose" for the first time since the Global Financial Crisis, signaling forthcoming interest rate cuts and reductions in bank reserve requirements. Further, increased fiscal measures – such as expanding the budget deficit and issuing more debt to fund infrastructure – are expected to bolster domestic demand. In parallel, Chinese policymakers are considering allowing the yuan to depreciate in 2025 to enhance export competitiveness and cushion against external shocks. Notably, a stronger emphasis on fostering consumption by the officials suggests that domestic demand will be a central priority for 2025. Overall, we believe that these moves indicate China's readiness to implement substantial economic support measures, with more detailed assessments to follow once specific policy parameters are released.

Figure 20: China's one-year lending rate and monetary stance



Sources: Bloomberg, Refinitiv, China NBS, China's State Council, Xinhua News, TCB Market Research

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Vietnamese Economy

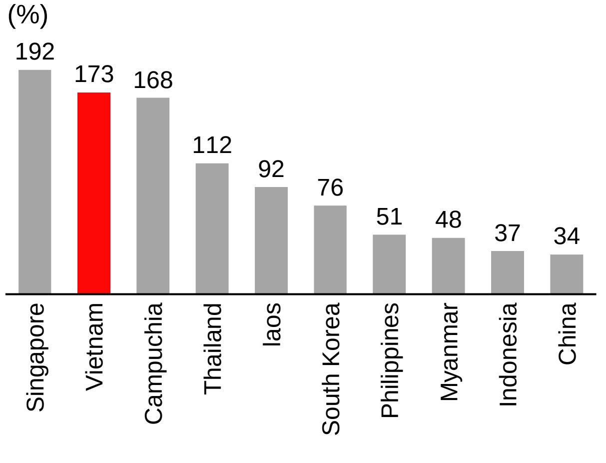
The high degree of trade openness makes Vietnam sensitive to global fluctuations. We maintain our GDP growth forecast for 2025 at 6.8% in the baseline scenario, driven by (1) sustained exports, (2) continued growth in FDI, (3) significant improvements in public investment, and (4) a recovery in overall economic demand.

The high degree of trade openness presents Vietnam with both opportunities for integration and potential risks amid global economic volatility

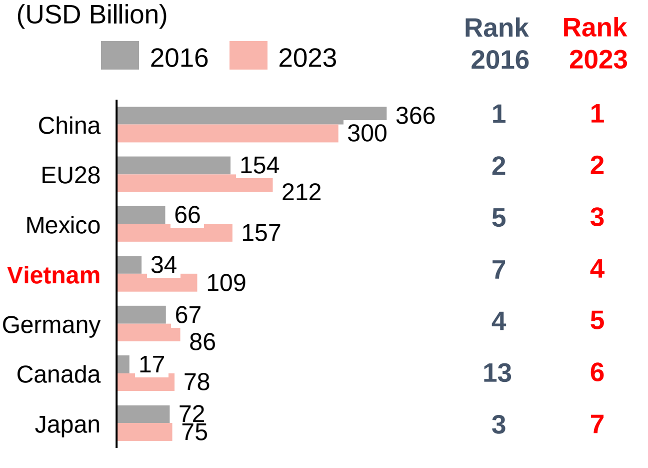
Vietnam's economy has a relatively high degree of trade openness, with total merchandise trade to GDP averaging about 173% over the three years from 2021 to 2023, far exceeding neighboring countries such as Thailand (112%), the Philippines (51%), and China (34%). Positively, Vietnam has achieved good integration into the global trade market, making exports a key driver of economic growth for over two decades. However, this also poses a risk as Vietnam's economy becomes more vulnerable to global economic fluctuations, especially with the increasing likelihood of trade wars in the near future.

The benefits Vietnam's economy gained from the US-China trade war in 2019 are indisputable, as highlighted in last month's report, with many Vietnamese products gaining market share lost by China. However, looking ahead, we believe the Vietnamese Government will adopt appropriate diplomatic measures, including considering additional imports from the US to adjust the trade surplus and mitigate the risk of high import tariffs. At the end of November, Donald Trump announced tariff plans on imports from Canada, Mexico, and China. Considering that countries with large merchandise trade surpluses with the US, such as China (Top 1), Mexico (Top 3), and Canada (Top 6),...

Figure 21: Total merchandise trade as a % of GDP



Hình 22: Trade surpluses with the US



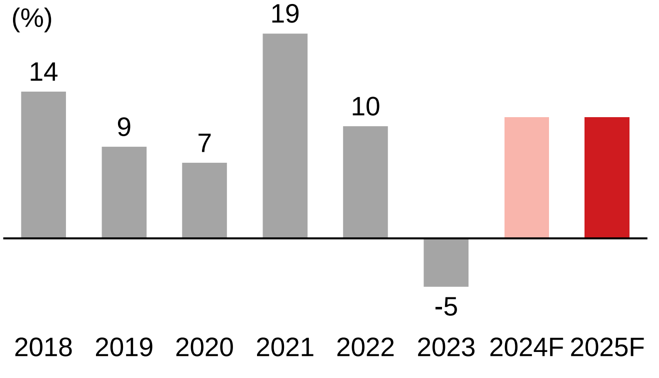
Sources: International Trade Administration, Worldbank

Vietnamese Economy *(Cont.)*

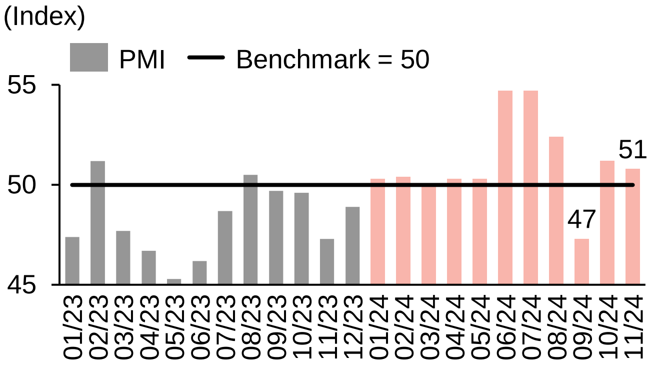
According to Vietnam Customs, Vietnam's merchandise trade surplus with the US in the first 11 months of this year (11M24) has exceeded the total for 2023 by 15%

… are at risk of being taxed, Vietnam has also climbed to the 4th position in 2023 from 7th in 2016. Notably, Vietnam's surplus with the US in the first 11 months of this year has already exceeded the total for 2023 by 15%. Additionally, according to Reuters, Trump's appointment of Peter Navarro as Senior Advisor on Trade and Manufacturing impacts the likelihood of US tariffs on Vietnam, as Navarro has previously suggested in the Project 2025 proposals that imposing tariffs on Vietnam would be highly effective in cutting the US trade deficit.

Figure 23: Export growth forecast



Hình 24: Manufacturing PMI



In the base scenario, we believe that the impact of US import tariffs on Vietnam (if any) will not be entirely negative

While there are risk factors for Vietnam's trade, it is challenging to assess the likelihood of US tariffs on Vietnamese exports, as trade surplus is just one of many reasons the US might use to impose tariffs. For example, Trump's reasons for announcing tariff plans on Mexico and Canada related to issues of illegal immigration and drugs, and on China partly because the Chinese Government did not impose the death penalty on drug traffickers!? These reasons are almost unrelated to trade activities between these countries and the US, indicating that import tariffs are used for various purposes beyond merely reducing the US trade deficit or bringing manufacturers back to the US. In the baseline scenario, we assume that US import tariffs on Vietnam (if any) will not result in entirely negative impacts. In our assessment, the potential US tariffs on Vietnam may not show negative short-term effects due to these following reasons: (1) It will take 8-14 months for Trump's tariff policies to be implemented, and (2) The tariff rates (if any) on Vietnamese goods may be lower than the rates imposed on Chinese - a strategic competitor of the US…

Sources: General Statistics Office (GSO), TCB Market Research

Section 3

Vietnamese Economy *(Cont.)*

… Meanwhile, Vietnam, as a comprehensive strategic partner of the US, is gradually attracting attention and investment from many US businesses, especially in the semiconductor industry. Recently, the President of the US Semiconductor Industry Association (SIA) visited Vietnam, and NVIDIA Corporation signed a cooperation agreement to establish an AI technology R&D center with the Vietnamese Government. Combined with positive external demand, particularly from the US which is expected to remain resilient, we forecast export growth to remain in double digits in 2025, contributing to the growth of the manufacturing and processing industry and overall GDP growth in the coming period.

Figure 25: GDP growth forecast by organisations

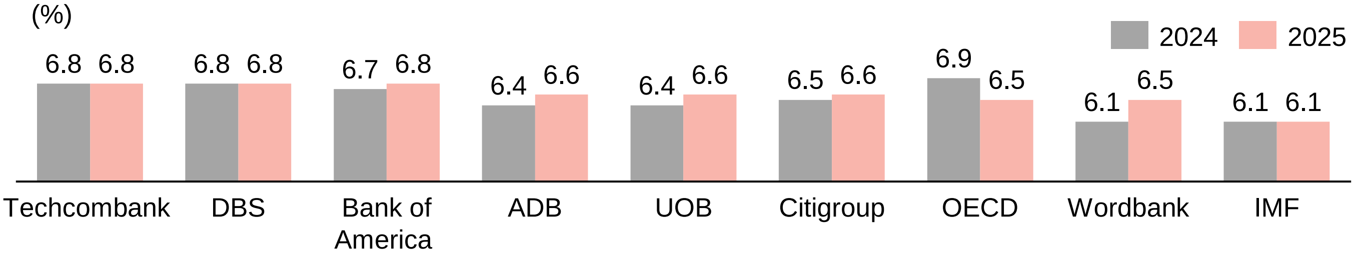
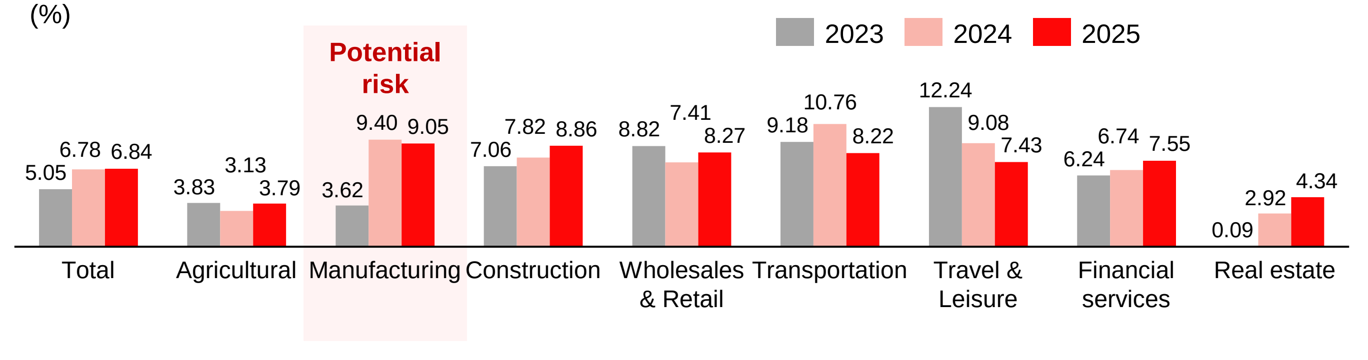


Figure 26: GDP forecast by sector



We forecast economic growth of approximately 6.8% in 2025

Our baseline scenario likely aligns with many other organizations, as GDP growth forecasts from various international organizations indicate expectations of a continued positive outlook in 2025. We project economic growth of around 6.8%, with one of the main growth drivers continuing to be the manufacturing and processing industry, although we need to keep an eye on the risks related to import tariffs as mentioned above. Additionally, from the perspective of GDP calculation by expenditure method, we also expect investment, particularly FDI, to grow well and continue to be one of the economic growth drivers in the coming period. Vietnam currently enjoys…

Sources: GSO, TCB Market Research

Section 3

Vietnamese Economy *(Cont.)*

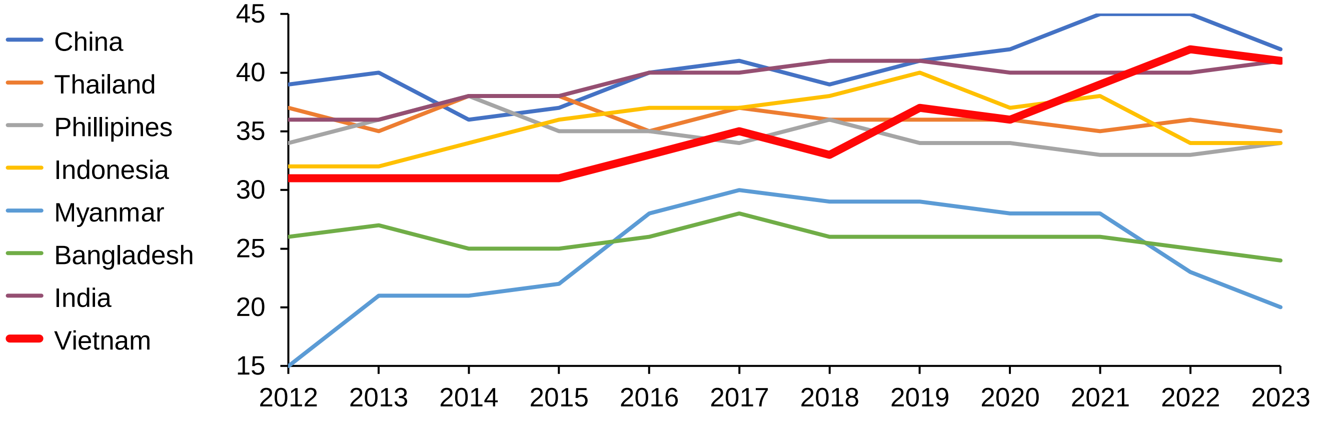
… a stable economic environment that fosters development with low geopolitical risks.

Vietnam's Government Transparency Index has significantly improved over the past 10 years, surpassing numerous neighboring countries such as Thailand, Indonesia, India, and the Philippines

According to the Corruption Perception Index by the international organization Transparency.org, Vietnam has made substantial progress over the past decade, outperforming many neighboring countries like Thailand, Indonesia, India, and the Philippines, and is now on par with China. This factor is crucial in instilling confidence among FDI investors about investing in Vietnam. Additionally, the Vietnamese Government has proactively introduced proposals to maintain the attractiveness of the investment environment in Vietnam, retaining and attracting new investments in the context of the implementation of the Global Minimum Tax. Accordingly, support levels can reach up to 50% of the actual costs of projects related to training and human resource development. These points indicate that the growth momentum of both disbursed and registered FDI will continue in 2025, focusing on two key sectors: manufacturing and processing (especially the semiconductor industry) and real estate.

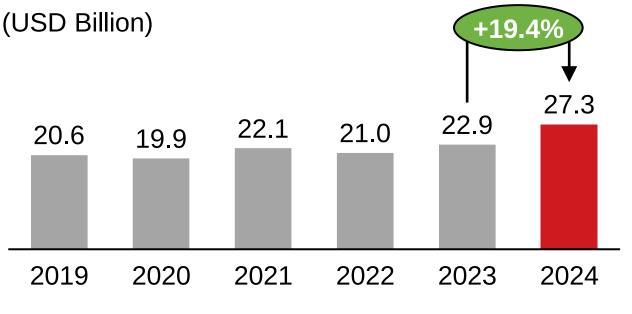
Hình 27: Vietnam's Government Transparency Index is among the top in the region

(Index)



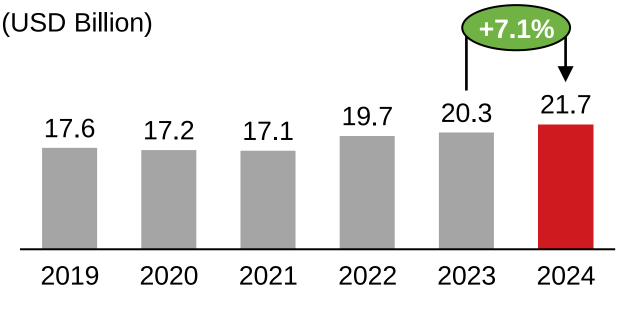
Hình 28: Newly registered and additional FDI

(USD Billion)



Hình 29: Disbursed FDI 11M24

(USD Billion)



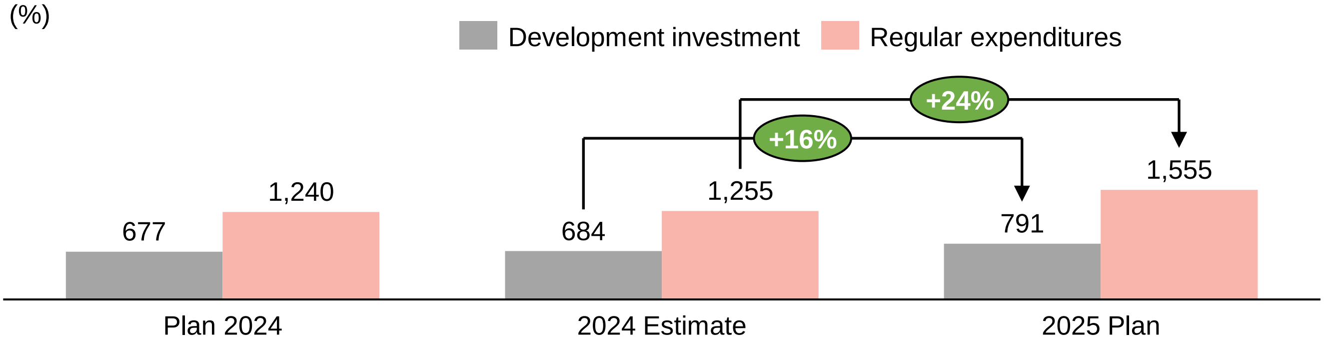
Sources: GSO, Ministry of Planning and Investment (MPI), Transparency.org

Vietnamese Economy *(Cont.)*

A growth driver that we expect to be strengthened in the near future, especially in 2025, is public investment.

As of the end of November 2024, public investment disbursement has only reached about 60%, much lower than the Prime Minister's target of 95%, showing that provinces and ministries have a lot of work to do to catch up with the progress. In 2025, we expect the government to implement stronger fiscal policies to support economic growth. The state budget estimate for 2025, recently approved by the National Assembly, reflects this determination, with regular expenditures and development investment expenditures increasing by 25% and 17%, respectively, compared to the 2024 estimate. Combined with the continued maintenance of low VAT policy until June 30, 2025, the state budget deficit in 2025 is estimated to be 471 trillion VND, higher than the estimated implementation in 2024 by about 21%. More importantly, one of the solutions expected to boost public investment disbursement in the near future is the approval of the amended Public Investment Law at the 8th session of the 15th National Assembly, effective from January 1, 2025. This law has many amendments, focusing on increasing decentralization, reforming investment procedures, improving capital use efficiency, and strengthening supervision.

Figure 30: Government expenditure in 2024 - 2025



Domestic demand is expected to recover significantly in 2025.

The demand side of the economy in 2024 is assessed as not good, despite the government implementing a series of policies such as maintaining low interest rates, reducing value-added tax, and reforming public sector wages. Evidence is that retail sales growth, excluding price factors, only increased by 5.8% in 11 months, mainly driven by the tourism sector. When international tourists to Vietnam have seen significant increases, reaching nearly 16 million visitors in 11 months, almost certainly achieving the set target. We forecast that the recovery of domestic demand would be clearer in 2025 and become the fourth economic growth driver along with exports, …

Source: Ministry of Finance

Vietnamese Economy *(Cont.)*

… FDI investment, and public investment, as mentioned above. Besides, we expect the real estate market to have a positive outlook in the coming years, thanks to recent legal reforms. Observing the lending interest rate curve in figure 32, we can see that the current lending interest rate level is as low as in the years 2015-2019, the booming period of the real estate market.

Figure 31: Tourists

(Million people)

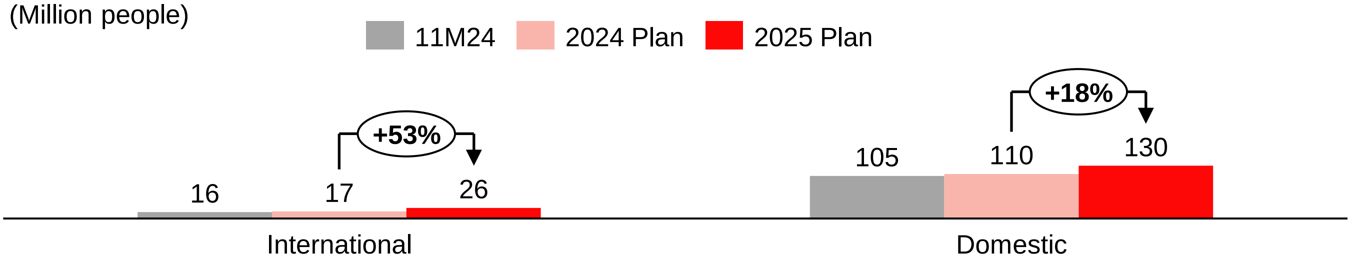
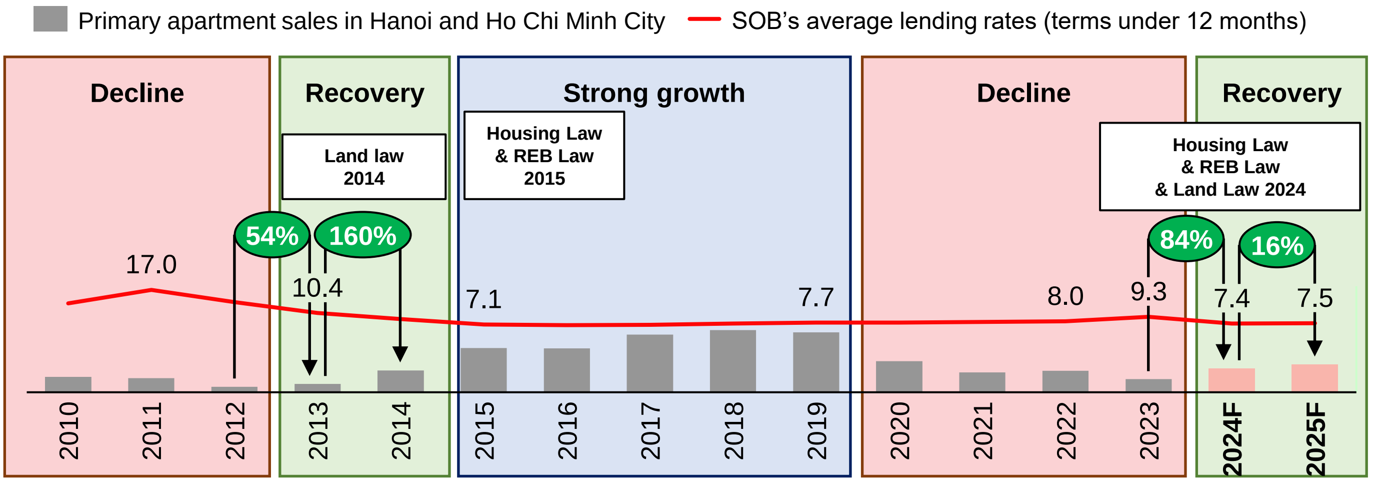


Figure 32: Real estate market trend



The average CPI in 2025 is forecasted to fluctuate in the range of 3.7 – 4.2%.

The expected recovery of domestic demand would not create excessive inflationary pressure on the economy. We forecast that the average CPI would remain stable in the range of 3.7-4.2%. The risk to inflation would mainly lie in oil prices. The strong YoY increase in oil prices was one of the reasons for the hot YoY inflation increase during the past 4 summer months, nearly reaching 4.5%, before continuously cooling down, maintaining below 3% in the last three months. In the coming time, we expect oil prices to be relatively stable due to: (1) Oil supply is expected to exceed demand (estimated at 950,000 barrels/day in 2025, according to IEA), (2) Stabilizing energy prices is something the US government needs to do to reduce overall inflation pressure in the context of increasing pressure from the Trump 2.0 administration's import tax policy. Therefore, even if domestic inflation.

Sources: GSO, Savills, TCB MR

Vietnamese Economy *(Cont.)*

may face pressure, we still believe that the average CPI in 2025 would remain stable, below the government's target.

Figure 33: Inflation and core inflation YoY

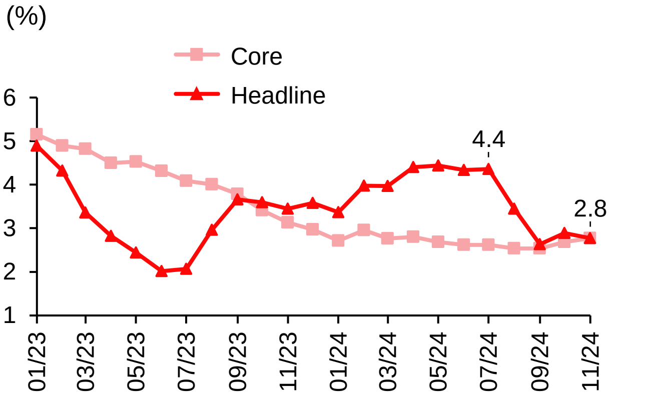


Figure 34: Average CPI forecast

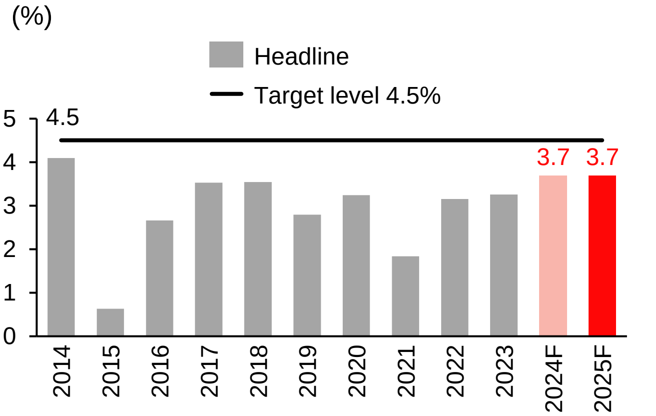
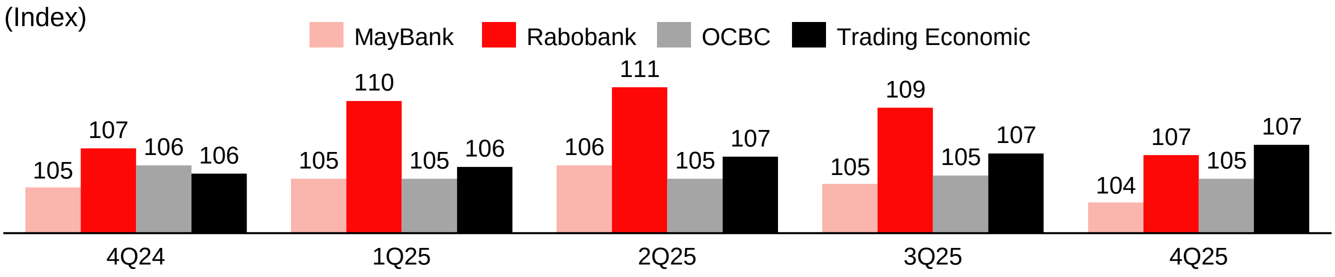


Figure 35: Forecast for the Dollar Index (DXY))



In 2025, we assess that the USDVND exchange rate may face pressure in the context of global economic volatility.

We find that the USDVND exchange rate has a high correlation (over 70%) with the Dollar Index (DXY). Recently, the USDVND exchange rate has fluctuated in the range of 25,300 – 25,450, corresponding to the DXY index fluctuating in the range of 105 – 107. We forecast that the exchange rate would continue to swing in this range until the end of 2024.

In 2025, the USDVND exchange rate may face pressure due to global economic volatility. (1) Given geopolitical risks and trade war risks, investors focus on safe-haven assets such as gold and USD; (2) The tax policies of the Trump 2.0 administration will put pressure on US inflation, making it difficult for Fed to significantly cut interest rates, thereby maintaining the demand for holding USD; (3) Import tax imposition may also impact other economies, such as the Euro of the EU, causing the DXY to strengthen. We emphasize that the volatility of the exchange rate also depends heavily on specific policies of President Trump. Regarding the US import tax imposition, questions such as "When, how much? Which countries and goods are subject to the tax? How will those countries respond?" need to be answered.

Sources: GSO, Bloomberg, Reuters

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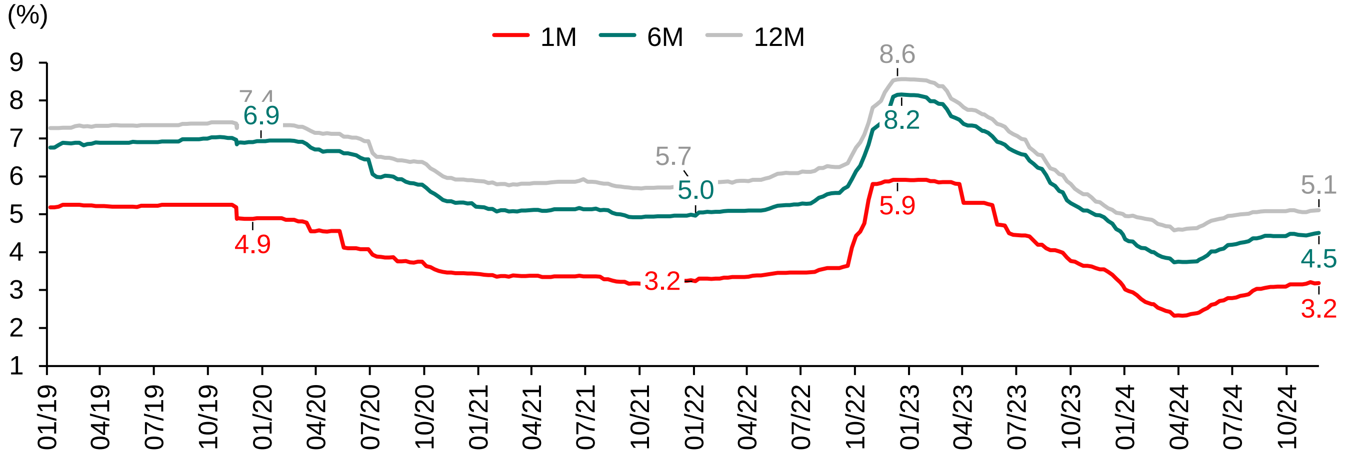
Vietnamese Economy *(Cont.)*

Therefore, we forecast that the USDVND exchange rate may increase by 2% in 2025, and we will continue to update market developments and adjust exchange rate forecasts (if necessary) in the context of global economic volatility as mentioned above.

Figure 36: Deposit interest rates of G14*



Interbank interest rates are forecasted to remain in the range of 3-5%.

In the context of exchange rate movements, we believe that the State Bank of Vietnam (SBV) would continue to manage liquidity smoothly in 2025 by using both pumping (OMO) and absorbing (issuing notes) tools. This ensures the stability of interbank interest rates (1-week term) commonly in the range of 3 to 5%, helping to limit the interbank interest rate differential between USD and VND, while ensuring stable liquidity to continue maintaining low deposit and lending interest rates to support economic growth in the coming time.

6M deposit interest rate of G14 is forecasted to remain flat or increase slightly in 2025.

Currently, it can be seen that deposit interest rates have little room to decrease further and tend to increase slightly towards the end of the year as previously forecasted. In 2025, with the expectation of improved public investment disbursement, deposit growth may reach higher levels, narrowing the gap between credit growth and deposit growth. Therefore, we forecast that the 6M interest rate of G14 would remain relatively stable throughout 2025

Sources: SBV, Reuters, TCB Market Research
Note: G14 consists of 14 joint-stock commercial banks

Section 4

Appendix

Updates on macroeconomics and financial market in the world

Indicators	Country	Unit	2022	2023	2024										
				12	01	02	03	04	05	06	07	08	09	10	11
Real GDP Growth	US	*%, YoY, Quarterly*		3.1			2.9			3.0			2.8		
	Eurozone	*%, YoY, Quarterly*		0.1			0.5			0.6			0.9		
	China	*%, YoY, Quarterly*		5.2			5.3			4.7			4.6		
	Japan	*%, YoY, Quarterly*		0.9			-0.9			-1.0			0.3		
CPI	US	*%, YoY, Monthly*		3.40	3.1	3.2	3.5	3.4	3.3	3.0	2.9	2.5	2.4	2.6	2.7
	EU	*%, YoY, Monthly*	5.46	2.90	2.8	2.6	2.4	2.4	2.6	2.5	2.6	2.2	1.7	2.0	2.3
	China	*%, YoY, Monthly*		-0.30	-0.8	0.7	0.1	0.3	0.3	0.2	0.5	0.6	0.4	0.3	0.2
	Japan	*%, YoY, Monthly*		2.60	2.2	2.8	2.7	2.5	2.8	2.8	2.8	3.0	2.5	2.3	
Fed funds target rate		*%. End of month*	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.00	5.00	4.75
DXY		*Index. Monthly Average*	103.25	102.69	102.95	104.1	103.7	105.41	104.95	105.17	104.63	102.21	101.0	103.3	105.9
USD/CNY		*Index. Monthly Average*	7.08	7.15	7.17	7.19	7.20	7.24	7.23	7.25	7.26	7.15	7.08	7.09	7.21
10Y UST Yields		*%. Monthly Average*	3.96	4.05	4.05	4.23	4.21	4.51	4.48	4.31	4.25	3.87	3.72	4.09	4.4
WTI Oil price		*USD/barrel. Monthly Average*	77.66	72.06	73.86	76.61	80.4	84.4	78.6	78.7	80.48	75.43	69.37	71.56	69.5

Updates on macroeconomics and financial market in Vietnam

Indicators	Unit	2022	2023	2024										
			12	01	02	03	04	05	06	07	08	09	10	11
Real GDP growth	*%, Quarterly, YoY*	**5.05**	6.72			5.87			7.09			7.4		
IIP	*%, Monthly, YoY*	**1.50**	5.76	18.86	-6.81	4.13	6.30	8.90	10.92	11.23	9.50	10.84	7.02	8.94
Headline CPI	*%, Monthly, YoY*	**3.25**	3.58	3.37	3.98	3.97	4.40	4.44	4.34	4.36	3.45	2.63	2.89	2.77
Retail sales growth	*%, Monthly, YoY*	**9.60**	9.3	8.1	8.5	9.2	9.0	9.0	9.1	9.4	7.9	7.6	7.1	8.8
Registered FDI	*USD billion, Monthly*	**28.10**	5.20	2.2	1.8	1.7	2.6	1.7	3.5	2.2	2.0	3.5	2.4	3.7
Disbursed FDI	*USD billion, Monthly*	**23.20**	2.90	1.5	1.3	1.8	1.7	2.0	2.6	1.7	1.6	3.2	2.2	2.1
Trade exports	*USD billion, Monthly*	**355.5**	32.1	34.5	24.7	33.7	31.1	32.3	34.5	36.8	38.0	34.2	35.9	34.3
Trade imports	*USD billion, Monthly*	**327.5**	29.6	30.9	23.3	30.9	29.9	32.7	31.2	34.1	33.9	32.0	33.4	33.3
Trade balance	*USD billion, Monthly*	**28.00**	2.40	3.6	1.4	2.8	1.2	-0.4	3.0	2.7	4.1	2.2	2.5	1.0
Deposit growth	*%, YTD*	**10.85**	13.20	-1.29	-1.70	-0.90	-0.1	0.00	2.60	2.00	3.65	5.7		
Credit growth	*%, YTD*	**13.50**	13.78	-0.68	-0.75	1.42	2.01	3.43	6.10	5.93	7.31	9.1		
10Y Government bond yields	*%, Monthly Average*	**3.07**	2.26	2.25	2.32	2.50	2.78	2.80	2.80	2.79	2.73	2.68	2.67	2.74
1W Interbank rate	*%, Monthly Average*	**2.60**	0.82	0.43	2.53	1.32	4.20	4.55	4.84	4.79	4.64	4.14	3.81	4.99
6M Deposit rate**	*%, Monthly Average*	**6.44**	4.64	4.24	4.01	3.82	3.75	3.87	4.10	4.24	4.39	4.43	4.43	4.49
USD/VND	*Monthly Average*	**23,847**	24,283	24,476	24,520	24,724	25,153	25,446	25,443	25,370	25,026	24,624	25,058	25,373

Updated full-year forecasts for Vietnam

Indicators	Unit	2023		2024										Forecast
		12	01	02	03	04	05	06	07	08	09	10	11	2025
Real GDP growth	*%*	6.72			5.87			7.09			7.40			6.80
Headline CPI	*%, YoY. Average*	3.58	3.37	3.98	3.97	4.40	4.44	4.34	4.36	3.45	2.63	2.89	2.77	3.85
Deposit growth	*%, YTD*	13.20	-1.29	-1.70	-0.90	-0.1	0.00	2.60	2.00	3.65	5.7			13.80
Credit growth	*%, YTD*	13.78	-0.68	-0.75	1.42	2.01	3.43	6.10	5.93	7.31	9.1			14.50
USD/VND	*Average*	24,283	24,476	24,520	24,724	25,153	25,446	25,443	25,370	25,026	24,624	25,058	25,373	25,600
10Y Government bond yields	*%, 10Y, Average*	2.26	2.25	2.32	2.50	2.78	2.80	2.80	2.79	2.73	2.68	2.67	2.74	2.80
1W Interbank rate	*%, Average*	0.82	0.43	2.53	1.32	4.20	4.55	4.84	4.79	4.64	4.14	3.81	4.99	3.70

Sources: GSO. Customs. VBMA. Reuters. TCB Analysis

Notes:

* Estimated numbers

** Weighted average of 14 banks

The latest trade data updated by GSO. Previous data updated by Customs