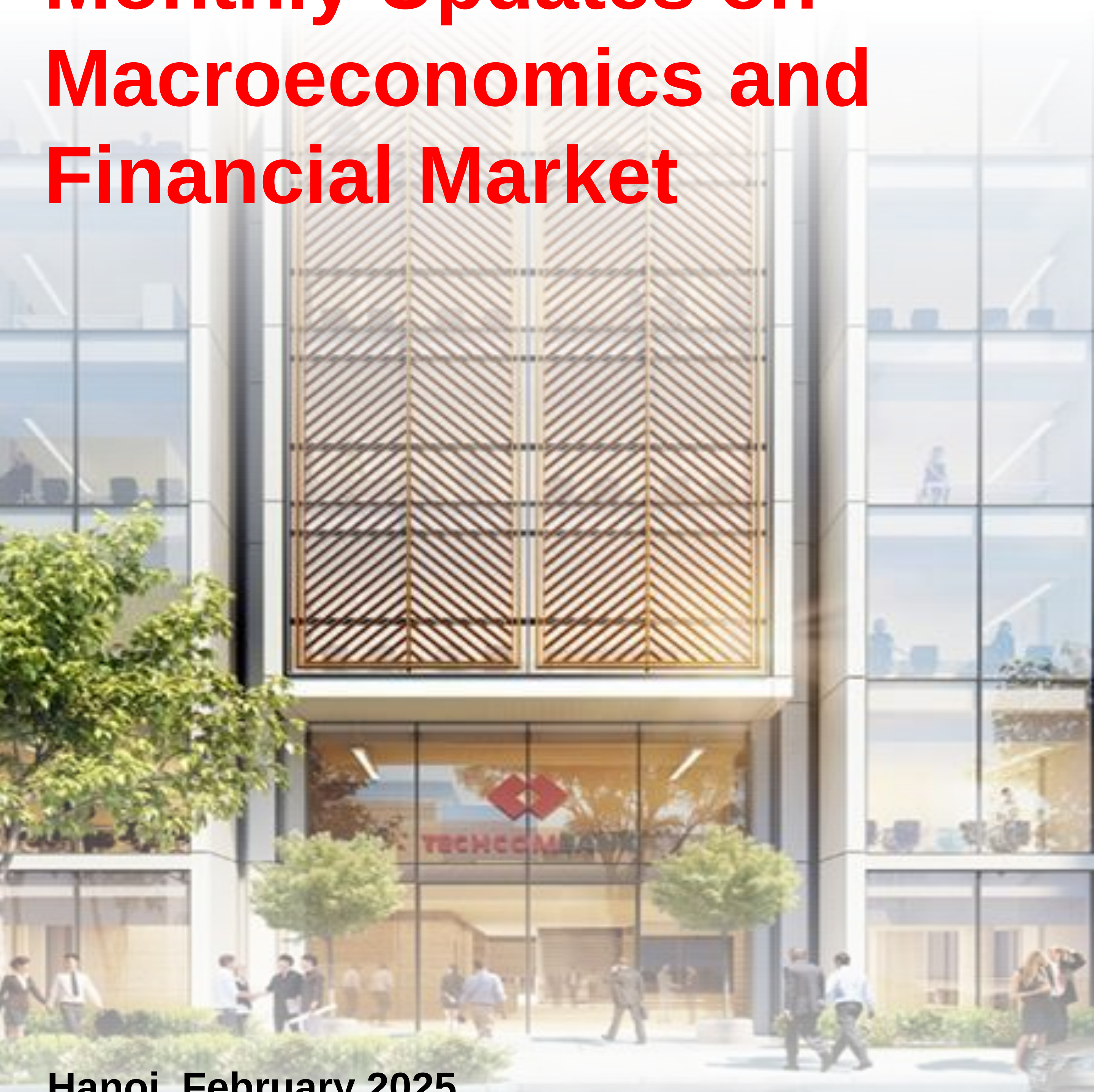
Monthly Updates on Macroeconomics and Financial Market



Hanoi, February 2025

Prepared by Economic and Financial Market Analysis Team

BE GREATER

The trade war has officially begun, Vietnam strives to rise up amidst numerous challenges

Section 1

TECHCOMBANK

Executive Summary

Global Economy:

- *Global trade tensions have escalated into a large-scale trade war, with the US imposing broad tariffs on key trading partners. In response, China has implemented countermeasures, contributing to volatility in trade flows. The potential for further escalation remains high, particularly as the US adopts a reciprocal tariff approach, heightening risks to multilateral trade frameworks and global economic stability.*
- *In the US, strong consumer spending supports growth, with 4Q24 GDP growth reach 4.2% YoY. Inflation surprised markets in January 2025, with CPI rising by 3.0% YoY, fuelled by elevated costs in food, healthcare, and automotive sectors. Tariffs pressures are expected to drive inflation in the upcoming time. In addition, the labour market stays strong, reinforcing expectations that the Fed will delay rate cuts.*
- *In the EU, external economic headwinds have intensified due to newly imposed US tariffs on steel and aluminium exports, exacerbating challenges for major economies like Germany and France. The region's economic performance remains sluggish, with weak consumer confidence and contraction in industrial activity. The likelihood of ECB monetary easing continues while the European Commission has outlined a five-year strategy focusing on long-term growth.*

Vietnamese Economy:

- *The government has shown its determination to boost the economy this year by proposing to the National Assembly to change the growth target to over 8%. Global economic risks will directly impact Vietnam's two main growth drivers: (1) Exports & production, (2) FDI, and recent figures indicate some points to watch in the near future.*
- *The manufacturing sector's (PMI) has declined for two consecutive months below the threshold of 50, with a stronger downward trend. Total registered FDI has increased by 79% YoY, yet this indicator need to minitor closely as newly registered FDI has decreased for 2 consecutive months.*
- *We have not yet changed our relatively optimistic base scenario that Vietnam will not be directly subject to punitive tariffs from the US; if there are any, the tariffs will not be higher than those of competitor countries. Mr. Trump's plan to implement reciprocal import tariffs from April 1, 2025, is something that Vietnamese businesses and the government need to pay attention to.*
- *Consumer demand has not recovered well, as seen from the January inflation figures.*
- *The government's new proposal for development investment spending to reach 875 trillion VND in 2025, an increase of about 11% from the initial estimate, shows a strong determination to support economic growth this year.*
- *We have not changed our forecast that the exchange rate will fluctuate in both directions this year and depreciate by approximately 3.5% against the USD, and deposit interest rates are forecasted to increase by about 20 to 30 basis points.*

Section 2

Global Economy

Global trade tensions have escalated into a renewed trade war, with broad US tariffs triggering swift retaliation from China, heightening global economic risks. In the US, resilient consumer demand supports growth, but inflation remains elevated, and the labour market stays strong, reinforcing expectations that the Fed will delay rate cuts. In the EU, external headwinds from US tariffs and sluggish industrial activity persist. The likelihood of ECB monetary easing continues while the European Commission has outlined a five-year economic roadmap focusing on long-term growth.

A renewed trade war has officially taken shape, with tension escalation expected in the upcoming time

The imposition of tariffs by US President Donald Trump on China, Mexico, and Canada has officially reignited trade tensions, leading to a new phase of economic uncertainty. In response to these US measures, China retaliated with tariffs on key commodities such as coal, liquefied natural gas, and select manufactured goods while simultaneously pursuing legal recourse through the World Trade Organization (WTO). Canada and Mexico, also reacted swiftly, convincing the US to postpone certain tariffs temporarily, with negotiation for commitments on border enforcement. Notably, we see that the Trump administration's sudden tariff implementations allowed limited time for market preparation, contrasting with the Biden administration's actions, which provided businesses ample time to ready themselves. Trump's tariffs took effect swiftly, resulting in minor fluctuations in container freight rates, unlike Biden's tariffs that led to rapid rate increases due to frontloading with more preparation time by businesses before the effective date. The potential for escalating global trade tensions remains high as the Trump administration continues to expand its protectionist policies. On February 10th, Trump announced a universal 25% tariff on all steel and…

Figure 1: Key Global Container indices

(Index)

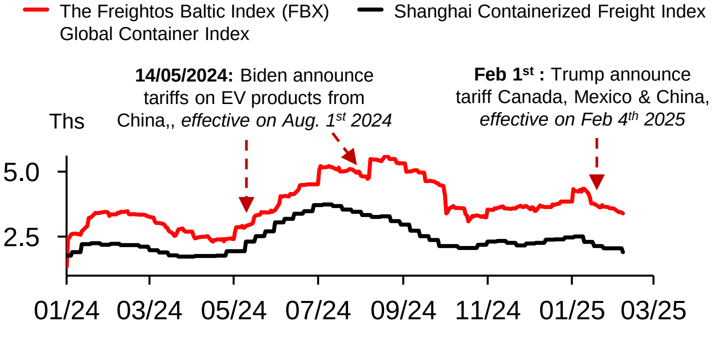
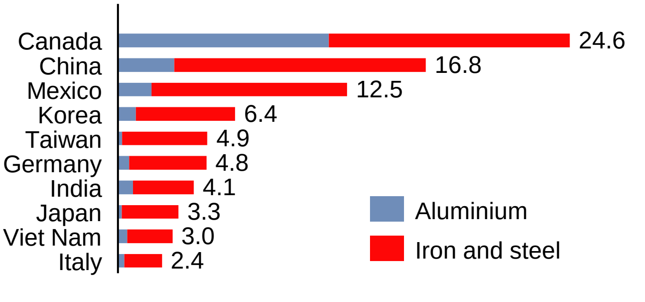


Figure 2: Top exporters of iron, steel and aluminium to the US in 2024

(US billion)



Sources: Refinitiv, Bloomberg, WTO, FBX, SSE, ITC, TCB Market Research

… aluminium imports, a sweeping measure that affects both allies and adversaries alike. This decision signals a boarder shift toward aggressive trade protectionism, with significant implications for global trade movements. Furthermore, Trump has emphasised the principle of reciprocal tariffs, stating, “Very simply, it’s if they charge us, we charge them.” This approach suggests that any retaliatory tariffs imposed by foreign governments will be met with equivalent countermeasures from the US, creating the conditions for a lengthy and potentially volatile trade conflict. While some of these tariff policies remain speculative, they highlight a strategic posture in which no country is exempt from punitive trade actions. Based on data from Bloomberg, it appears that certain key countries (Figure 3) with tariffs surpassing those of the US, could face significant pressure in the days ahead. If the administrations follow through with broad retaliatory tariffs, the likelihood of a more entrenched trade war increases, posing risks not only to bilateral relationships but also to broader multilateral trade frameworks. Given the global interconnectedness of trade, continued escalation could disrupt supply chains and dampen overall economic growth.

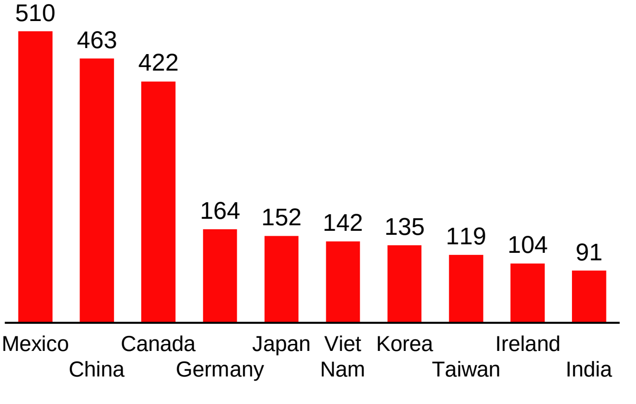
Figure 3: Gap between US tariff and other markets’

Tariff relationship with the US *(simple average)*	Key Countries
Free trade agreement	Canada, Mexico, South Korea, Oman
Lower than US tariffs	China*, UK, Iceland, Norway
Exceeds US tariffs by 0-2%	Most of EU countries, Mongolia, Myanmar
Exceeds US tariffs by 2-5%	Russia, Kazakhstan, Malaysia
Exceeds US tariffs by 5-10%	Turkey, Syria, Iran, Pakistan, Nepal, Bangladesh, Thailand, Vietnam, Indonesia
Exceeds US tariffs by 10% or more	India, Argentina, Venezuela

**: The US-China tariff gap has already included the recent additional 10% tariff on all Chinese imports to the US in Feb. 2025.*

Figure 4: Top exporters to the US in 2024

(US billion)



Meanwhile in the US, consumer demand continue showing resilient in 2024 and early 2025

Meanwhile, the US economy maintained a solid growth trajectory in late 2024, bolstered primarily by robust consumer spending. According to the fourth-quarter 2024 (4Q24) GDP report, consumer expenditures – accounting for the largest portion of economic activity – expanded by 4.2% year-over-year (YoY), surpassing the already strong 3.5% growth recorded in 4Q23. This surge was driven by heightened demand for durable goods, particularly automobiles and household appliances, reflecting continued confidence in economic stability. On the demand…

Sources: Bloomberg, Refinitiv, BEA, ITC, TCB Market Research

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Global Economy *(Cont.)*

**The Johnson Redbook Index, also known as the Redbook Retail Sales Index, is a weekly report that measures the YoY change in retail sales. It provides an overview of the sales performance of a sample of major US retailers across different sectors of the retail industry including Apparel Specialty, Books, Toy & Hobby, Department, Discount, Footwear, Furniture, Drug, Home Improvement, Home Furnishings, Electronic, Jewelry, Sporting Goods, and Miscellaneous.*

…side, consumer activity remains resilient, though recent tariff policies have introduced concerns about future inflationary pressures. As of early 2025, retail sales have sustained moderate growth, with the US Red Book Index* recording a 5.3% YoY increase, equating the 5.4% YoY rise in the CNBC/NRF Retail Monitor. These indicators suggest that consumer demand remains firm, providing a buffer against external economic headwinds. However, consumer sentiment has shown signs of worries in early February, surrounding the implications of new tariff measures and the potential resurgence of inflation. If trade tensions escalate further, leading to higher import costs and potential price pressures, consumer spending patterns may shift, posing a risk to the sustainability of current economic momentum.

Figure 5: US Redbook Retail Sales Index*

(% YoY)

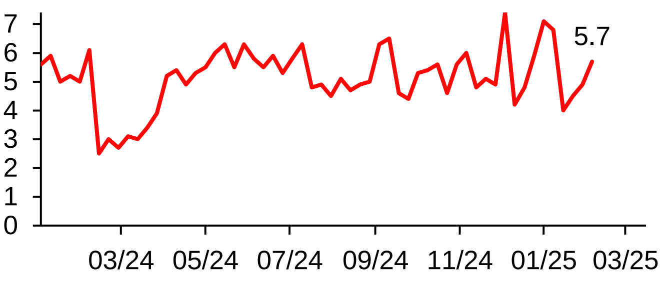
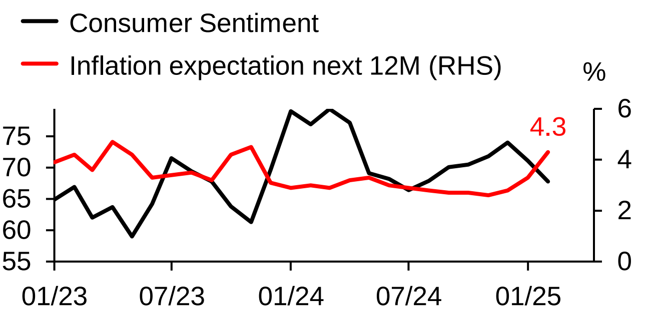


Figure 6: Michigan Consumer Sentiment and Inflation expectation

(Index, % YoY)



US inflation numbers surprised the market, expecting to stay elevated in the near term

US inflation surprised market expectations with headline inflation rising by 3.0% YoY and core CPI increasing by 3.3% YoY in January 2025. The persistence pressures is particularly evident in key expenditure categories, such as food, healthcare, and automotive-related costs. Notably, food prices have seen substantial spikes, with egg prices surging over 15% on a monthly basis due to a widespread bird flu outbreak. Additionally, healthcare costs continue to climb, and the automotive sector remains a source of inflationary strain, driven by rising used car prices and escalating auto insurance premiums. Notably, this price pressure poses a heightened risk in the near future pending recent US tariff developments in February. If tariffs continue to escalate, further disruptions to supply chains could contribute to additional cost pressures. We share the same view with the market-based Bloomberg inflation expectations, aligned with the mentioned above US consumer sentiment surveys, that inflation is likely to remain elevated in the near term.

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

Global Economy *(Cont.)*

Figure 7: US inflation

(% YoY)

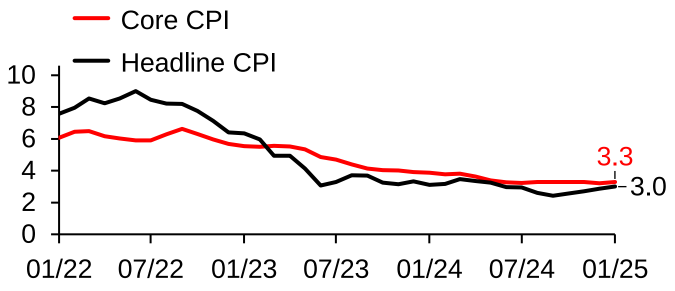
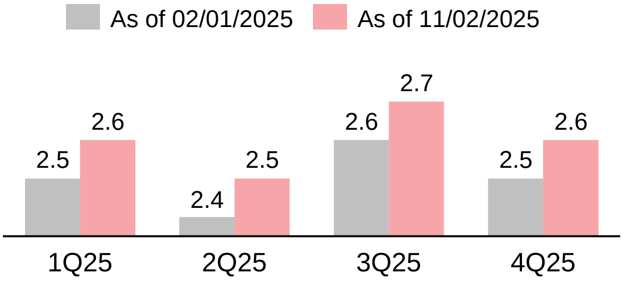


Figure 8: US inflation forecast

(% YoY, *forecasted by Bloomberg*)



Despite the ongoing uncertainty, US labour market remains resilient as of January 2025

The US labour market remains resilient as of January 2025, with the unemployment rate declining to 4.0%, its lowest level since May 2024. Despite nonfarm payrolls expanding only by 143,000, the overall strength of the labour market remains evident. The stability in job growth, despite external economic uncertainties such as trade tensions and inflationary pressures, underscores the US labour market’s capacity to absorb shocks while maintaining a relatively low level of joblessness. If current conditions persist, the tight labour market could exert upward pressure on wages, which, in turn, may fuel further inflation concerns. However, we believe that any escalation in trade restrictions or cost-driven supply chain disruptions could pose risks to employment growth, particularly in industries vulnerable to tariff-induced input cost increases.

We believe that the Fed is unlikely to cut rate in the near term

Given the resilience of US economic growth, the strength of the labour market, and persistently elevated inflation, we see that the Fed is unlikely to implement a rate cut in the short-term. Reinforcing this outlook, Fed Chairman Jerome Powell, in his testimony to the Senate on February 11, emphasised that “policy restraint for longer” is likely, particularly if labour market conditions remain strong while inflation fails to decline meaningfully toward target levels. This stance aligns with shifting market expectations, as investors have revised their forecasts for rate cuts, now anticipating only 38bps reductions till the end of 2025, a downgrade from earlier projections. While we recognise the risk of President Trump advocating for lower interest rates, we are inclined to believe that his remarks will not sway the Fed's interest rate decisions, as stated by Chairman Powell. With these factors, the Fed is expected to maintain its current policy stance in the upcoming meeting, prioritising inflation control while assessing ongoing economic developments.

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

Global Economy *(Cont.)*

Figure 9: US Non-farm payroll and Unemployment rate

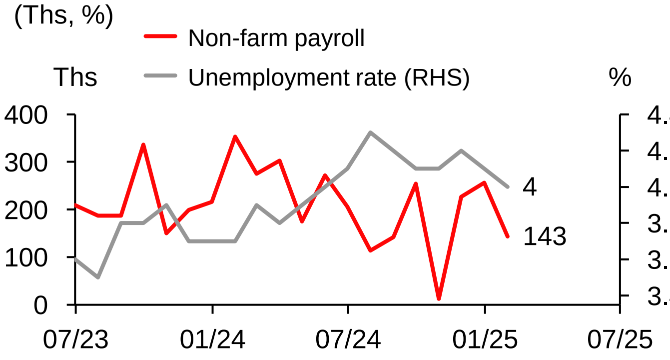
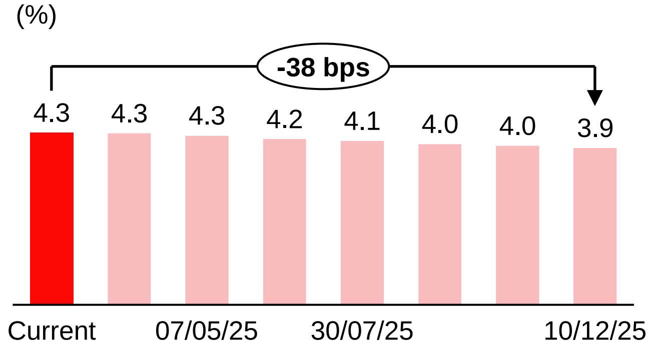


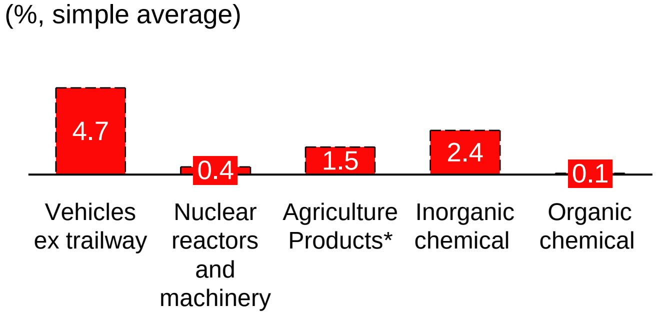
Figure 10: Market Fed funds rate expectation



As for the EU, external headwinds are intensifying as the US escalates trade tensions with newly imposed tariffs

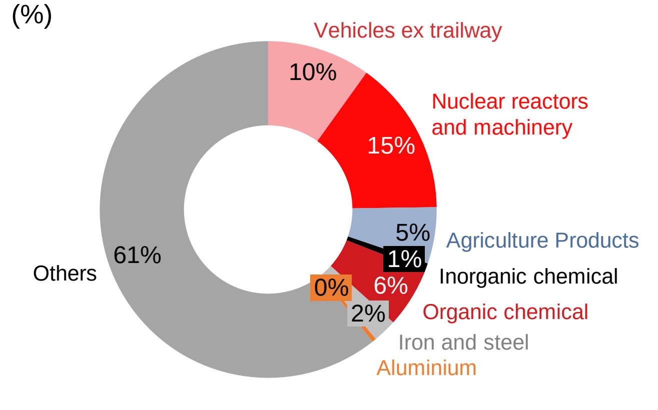
External headwinds are intensifying for the EU, particularly as the US escalates trade tensions with newly imposed tariffs on EU steel and aluminium exports. This move has created an impact on Germany (Figure 2), the EU's largest economy, raising concerns over retaliatory actions from European policymakers. Experts anticipate that the EU may implement countermeasures if negotiations fail to resolve the dispute before March 12th. Beyond steel and aluminium, the risk of broader reciprocal tariffs looms large, posing an additional challenge for EU exporters. Within the WTO framework, both the US and the EU are subject to the "Most Favored Nation" (MFN) principle, which mandates equal tariff treatment for all trading partners at the product level. Notably, WTO and ITC data indicate a disparity between the EU's average tariff on US exports and the US's average tariff on EU exports. This imbalance suggests that the US could justify higher tariffs to equalise trade conditions. Furthermore, the EU tends to impose higher tariffs on key industries such as vehicles, food, agriculture, and chemicals – sectors where it maintains a significant...

Figure 11: EU and US tariffs gap by key products**



*Agriculture products tariff data refer to 2022 from WTO; other product tariff data refer to 2024 from ITC.
** EU tariffs on US is proxied by tariffs from key EU countries to US
***Gap = EU tariffs on the US - US tariffs on the EU

Figure 12: EU export to US in 2024 by products



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

Global Economy *(Cont.)*

…trade surplus with the US. Should reciprocal tariffs be fully implemented, these industries could face heightened competitive pressures. Policymakers might need to offer concessions, particularly in industries where the EU imports heavily from the US, like mineral fuels, to address potential economic disruptions. The shifting trade environment highlights growing EU risks, urging strategic adaptations for trade and economic stability.

Figure 13: EU GDP growth by key countries

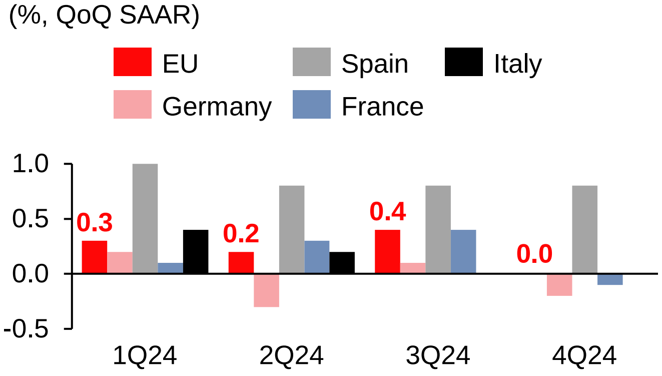
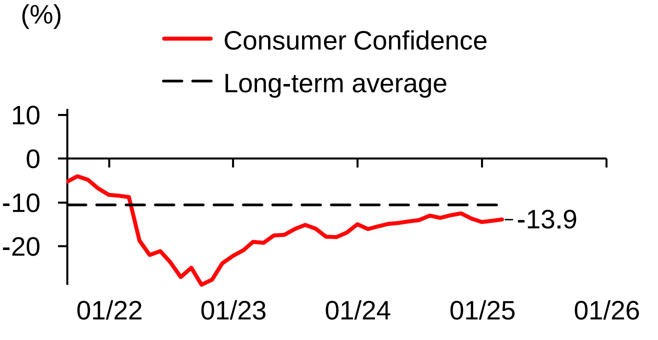


Figure 14: EU Consumer Confidence Indicator



The EU economy's 2024 performance continues to reflect sluggishness…

The EU's economic performance in late 2024 reflected sluggishness, as both external and internal pressures weighed heavily on growth. GDP remained flat compared to the previous quarter, underscoring the region's struggle to regain momentum amid heightened trade tensions and domestic economic uncertainties. Notably, the EU's two largest economies, Germany and France, experienced unexpected contractions, with Germany's GDP shrinking by 0.2% and France's declining by 0.1%. Germany's downturn was driven by weakened industrial output and could be exacerbated by the US tariffs on steel and aluminium, which directly impacted its export-driven manufacturing sector. France, meanwhile, faced slowing consumer spending and subdued business investment.

… and challenges on both demand and supply sides persist in early 2025

In early 2025, despite slight improvements, both EU supply and demand remain weak. Consumer confidence continue to be subdued, with the Consumer Sentiment Indicator (CSI) below its long-term average, reflecting cautious spending despite a slight moderation in December retail sales. On the supply side, the services sector expanded modestly, as the EU Services PMI dipped to 51.3, supported by rising domestic demand. Meanwhile, manufacturing remains in contraction, with the PMI improving to 46.6, driven by Germany's recovery, yet still indicating declining output and new orders. With sluggish consumer confidence …

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

Global Economy *(Cont.)*

… and weak industrial activity, the EU faces continued challenges for near-term recovery.

Figure 15: EU PMI

(Index)

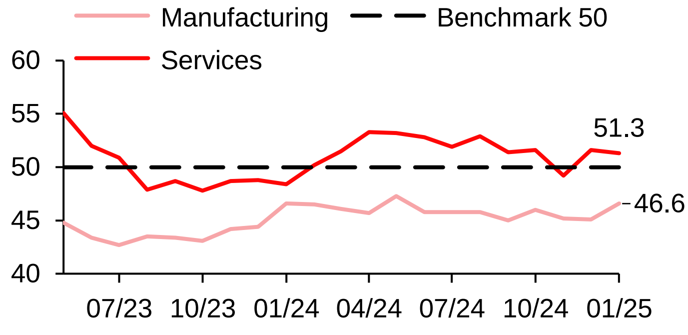
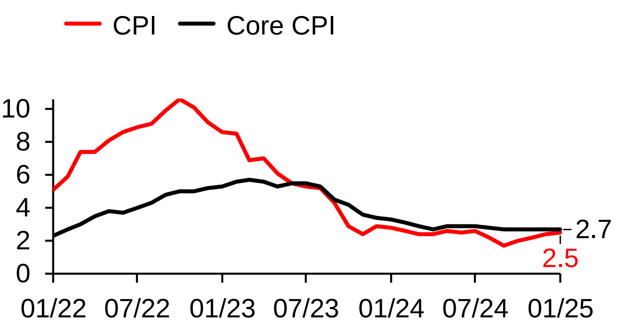


Figure 16: EU inflation

(% YoY)



EU inflation remains modest with continued short-term pressure from energy prices

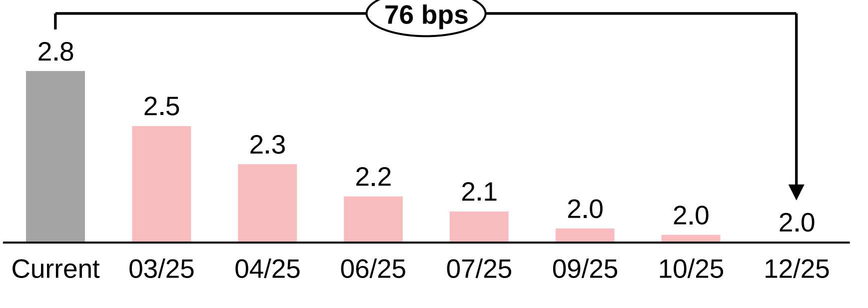
EU annual inflation rose to 2.5% in January 2025, continuing to be driven primarily by higher energy prices. The climb was fuelled by rising global oil prices, impacted by U.S. sanctions and increased weather-related demand in both the EU and US. However, global oil oversupply expectations persist due to increased production from OPEC+ and US oilfields, keeping market consensus for oil prices in 2025 on a downward trend. Meanwhile, core inflation remained steady at a low level, indicating that underlying price pressures remain modest despite the temporary energy-driven uptick.

Beside the expected ECB rate cut to boost the economy, the European Commission has outlined a five-year roadmap growth strategy, focusing on innovation, sustainability, regulatory efficiency, and skill development

We believe that in response to the above-mentioned persistent economic headwinds and with stable core inflation, the European Central Bank (ECB) is expected to continue cutting interest rates to stimulate growth. Meanwhile, the European Commission has outlined its long-term strategy through the Competitiveness Compass, a five-year roadmap aimed at strengthening resilience and global competitiveness. The plan focuses on innovation, sustainability, regulatory efficiency, and skill development to foster a more dynamic economic environment. A key initiative includes…

Figure 17: Market ECB implied rate expectation

(%)



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

Section 2

Global Economy *(Cont.)*

… the Simplification Omnibus Packages, which target a 25% reduction in regulatory costs for all firms and 35% for SMEs, potentially saving administrative costs by €37.5 billion over five years. Ultimately, with inflationary pressures moderating and demand-side weaknesses persisting, monetary easing is seen as a crucial short-term measure to support the economy while structural reforms under the Competitiveness Compass unfold in the longer run.

Figure 18: The European Commission's "Competitiveness Compass" key areas summarisation

Key Area	Main Initiatives	Measures
Innovation	- EU Start-up and Scale-up Strategy - Investment in AI and Cloud - AI Gigafactories	- EU R&D spending target: 3% of GDP
Decarbonization & Competitiveness	- Affordable Energy Action Plan - Focus on energy-intensive sectors	- EU Green Deal target: -55% emissions by 2030 - Renewable energy share target: 42.5% by 2030
Security & Resilience	- Reduce dependence on critical materials - Establish new trade partnerships - Clean Trade and Investment Partnerships	- Reduce Dependency on rare earths and fossil fuel imports
Regulatory Simplification	- Reduce administrative burdens - Single Market regulatory alignment	- Administrative cost reduce 25% overall, 35% for SMEs
Financing Competitiveness	- European Savings - Investments Union - Framework for low-cost saving & investment products	- Bring back European households' annual foreign investments (outflow of $312 billion)
Skills & labour Market	- Union of Skills initiative - Talent retention strategy	- The European Commission will present Quality Jobs Roadmap in detail
Policy Coordination	- Competitiveness Coordination Tool - Competitiveness Fund	- Align EU and national policies for cohesive Competitiveness

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

Section 3

Vietnamese Economy

We maintain our forecast of 7% GDP growth and 3.4-4% inflation for Vietnam's economy in 2025. The two main drivers, exports-manufacturing and FDI investment, face risks from global instability; growth will heavily depend on domestic consumption and public investment disbursement. The SBV has taken appropriate policy actions to stabilise exchange rates and bank liquidity.

The Government shows its determination to boost the economy this year by submitting to the National Assembly a proposal to change the growth target to over 8%.

The government has shown determination to boost the economy this year by proposing to the National Assembly to raise the growth target to over 8% from the previously approved 6.5%-7%. Given the high risk of trade wars and unpredictable global developments, we temporarily maintain our GDP growth forecast for this year around 7%. The aforementioned risks will directly impact Vietnam's two main growth drivers: (1) Exports & manufacturing, (2) FDI, and will require more time for monitoring and evaluation before adjusting forecasts. Notably, recent figures indicate some points to watch in the coming period.

The Manufacturing Purchasing Managers' Index (PMI) has decreased for two consecutive months.

In terms of production and exports, the industrial production index increased by only 0.61%, while exports decreased by about 4% in January, which is considered appropriate given fewer working days due to the Lunar New Year. However, looking at the manufacturing PMI, it shows a decline for two consecutive months below the threshold of 50 with a sharper downward trend. Specifically, according to S&P Global, the total number of new orders decreased for the first time after four months, and export orders also decreased for three consecutive months. Additionally, facing instability from the risk of trade wars and the threat of tariffs from the Trump 2.0 administration, domestic manufacturers are hesitant to increase inventories, as this index is also declining sharply.

Figure 19: MoM Industrial Production Index during Lunar New Year months over the years.

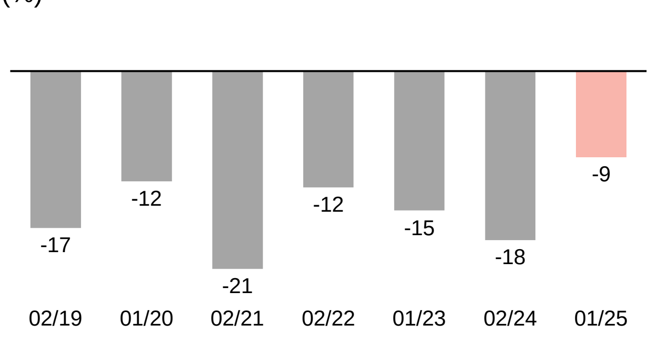
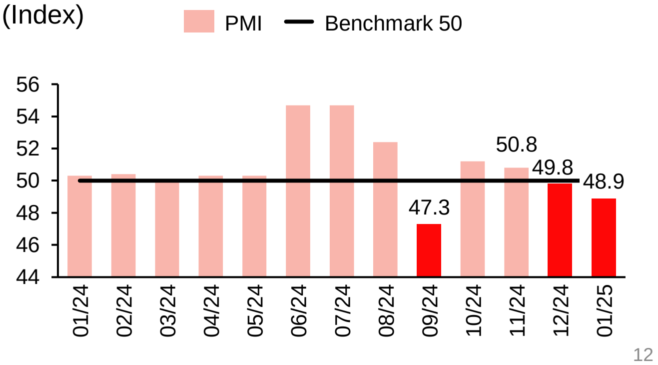


Figure 20: Manufacturing PMI



Sources: GSO, VNcustom, TCB - Market Research, S&P Global

Vietnamese Economy *(Cont.)*

Newly registered FDI capital has decreased for two consecutive months, with a YoY decline of 38% in December 2024 and 36% in January 2025

Regarding foreign investment, overall figures such as disbursed FDI and registered FDI still increased impressively in January, by 2% and 79% YoY, respectively, especially given fewer working days due to the Lunar New Year. The strong increase in registered FDI mainly comes from Samsung Display's $1.2 billion capital increase project, a large, long-standing FDI enterprise in Vietnam, and excluding this project, the growth rate still reached 26% YoY. However, on a monthly basis, newly registered FDI capital has declined for two consecutive months, at -38% for December 2024 and -36% for January 2025 YoY. Although more data is needed in the coming months to conclude whether this decline is due to global economic instability affecting FDI business sentiment or seasonal factors, this is an early warning that needs to be closely monitored in the near future.

Figure 21: FDI disbursement in January

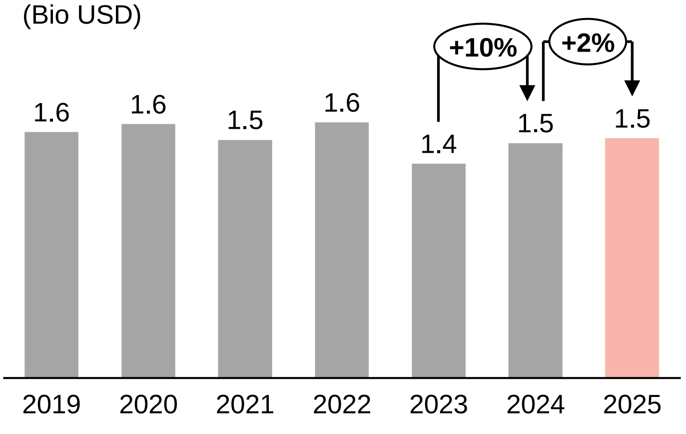
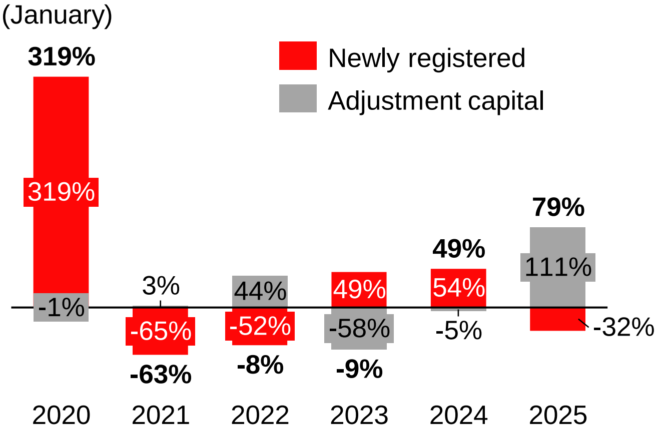


Figure 22: Contribution to registered FDI growth



We have not yet changed our relatively optimistic baseline scenario that Vietnam will not be directly subjected to punitive tariffs from the US. If any tariffs are imposed, they will not be higher than those on competing countries.

The two growth drivers mentioned above depend heavily on whether Vietnam will be subject to US import tariffs, and if so, to what extent. We temporarily maintain a relatively optimistic baseline scenario that Vietnam will not be directly subject to punitive tariffs from the US, and if so, the tariffs will not be higher than those of competitor countries. This baseline scenario is based on several assessments, including: (1) Vietnam and the US are maintaining a very good relationship as Comprehensive Strategic Partners; with Trump's corporation wanting to invest in a $1.5 billion hotel, golf course, and residential complex in Hung Yen province, (2) Vietnam is not currently on the list of countries that the US needs to pay attention to, as Trump is particularly focused on issues related to other countries such as China (main competitor...

Sources: General statistic office (GSO), MPI, TCB Market Research

Vietnamese Economy *(Cont.)*

Vietnam increased imports of airplanes and liquefied natural gas (LNG) in the fourth quarter of 2024

... in technology, trade surplus...), Canada and Mexico (related to immigration, drugs, and trade surplus...), or other geopolitical tensions such as the Russia-Ukraine war, the Gaza Strip in the Middle East, and Greenland in Denmark, (3) Vietnam not only declared it would boost purchases from the US but also actively imported aircraft and liquefied natural gas (LNG) at the end of 2024, (4) The connection between businesses of the two countries is strong, exemplified by NVIDIA's partnership to build a research center in Vietnam, Vietjet negotiating with Elon Musk's SpaceX (who is very close to President Trump) to equip internet technology for its fleet, and SpaceX also planning to invest $1.5 billion in Vietnam in the near future.

Figure 23: Vietnam imports airplanes from US

(mio USD, quarterly)

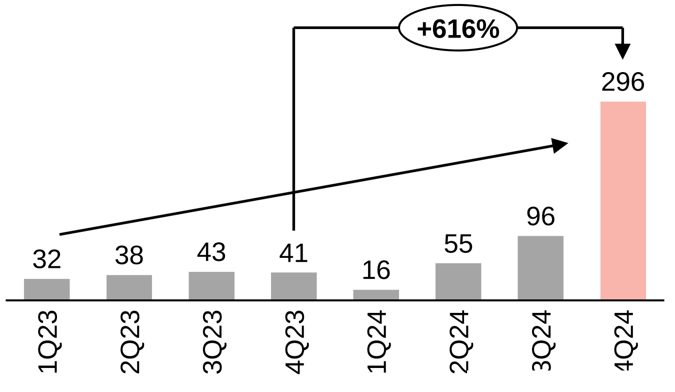
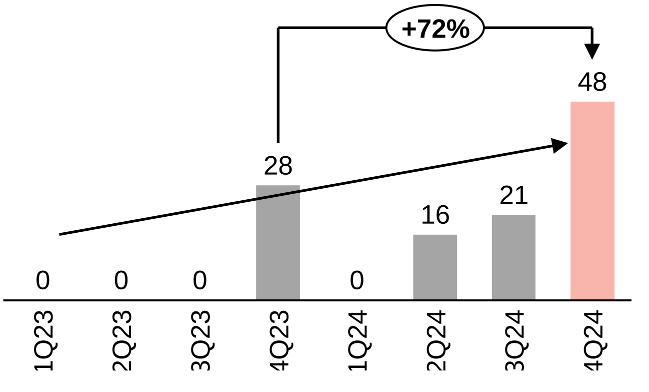


Figure 24: Vietnam imports LNG from US

(mio USD, quarterly)



President Trump's plan to implement reciprocal import tariffs from April 1, 2025, will be a point of concern for Vietnamese businesses and the Government.

Although we believe Vietnam will not become a direct target of tariffs from the Trump 2.0 administration as mentioned above, Trump's plan to implement reciprocal import tariffs from April 1, 2025, will be a point that Vietnamese businesses and the government need to pay attention to. This reciprocal import tariff will be implemented by the US imposing import tariffs on each item from countries corresponding to the tariffs that country is imposing on US imports. Trump's use of this tariff will be seen as a replacement for the 10%-20% import tariff on all countries as he declared during his campaign. The noteworthy point for Vietnam is that he threatens to apply it to countries with large surpluses and high tariffs on US goods first, and we are the fourth largest country with a trade surplus with the US in 2023.

Additionally, another factor to consider is the potential significant weakening of the Chinese economy, although the Chinese government still sets a growth target of 5% for this year.

Sources: General statistic office (GSO), WTO, TCB Market Research

Vietnamese Economy *(Cont.)*

The trade war weakening the Chinese economy also poses a risk to Vietnam's export and production activities

The new 2025 trade war is expected to significantly weaken the Chinese economy, especially in the context of the real estate sector and consumer strength being much weaker than in 2018-2019. Since 2019, China has been Vietnam's second-largest export market after the US, accounting for more than 15% and the country with the most international tourists to Vietnam before the Covid-19 years. Therefore, the weakening of the Chinese economy could impact our economy through (1) Weak import demand from China causing a decline in Vietnam's exports of goods and services to China, (2) Chinese goods, when difficult to export to the US, will flood the Vietnamese market, competing with domestically produced products and potentially creating risks related to origin fraud. The positive point is that although the overall trend of Chinese FDI investment globally has declined sharply in recent years, it still has good disbursement levels in Vietnam.

Figure 25: Registered FDI in Vietnam by country

(Bio USD)

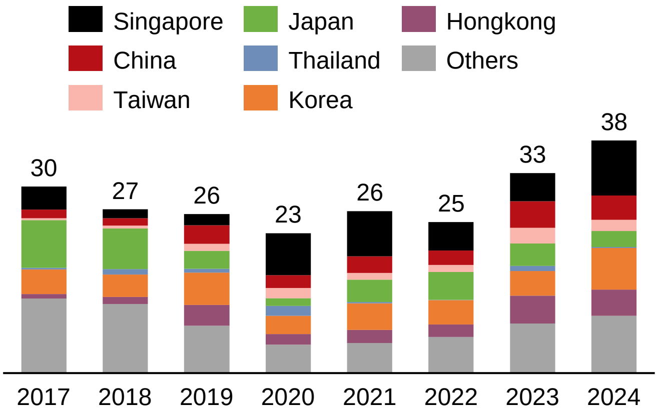
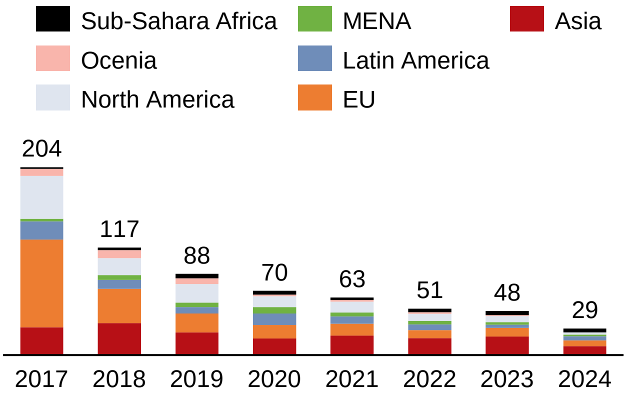


Figure 26: Chinese FDI to other countries.

(Bio USD)



The economic growth pressure this year will fall on the remaining two growth drivers: (3) the recovery of domestic consumption and (4) the disbursement of public investment

With the two growth drivers mentioned above being associated with many risks from the global economy and needing close monitoring with new data, the economic growth pressure this year will fall on the remaining two growth drivers: (3) Recovery of domestic consumption and (4) Public investment disbursement.

With a growth target of 8%, the Government has also adjusted the average inflation plan to around 4.5% to 5%. This reflects a view of allowing more room for inflation, under pressure from demand-pull, partly as a result of boosting growth through the recovery of domestic consumption. However, we assess that in 2025, Vietnam's economy will not face significant ...

Sources: General statistic office (GSO), WTO, Vietnam Custom, TCB Market Research

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Vietnamese Economy *(Cont.)*

Vietnam's economy will not face significant inflationary pressure, with an average annual forecast of about 3.6% and a range of 3.4% to 4.0%.

... inflationary pressure, with an average annual forecast of about 3.6% and a range of 3.4% to 4.0%, expecting only a slight recovery in consumer demand, and stable global oil and transportation prices.

Consumer demand has not recovered well, as seen from the January inflation figures

Looking at January's inflation this year may cause concern about our above annual inflation forecast, as it increased sharply by 0.98% from the previous month and accelerated to 3.63% YoY from 2.94% in December. This partly occurred due to seasonal factors, as inflation is usually high in months with the Lunar New Year, with prices of food-related items and transportation services rising due to increased consumer demand. Additionally, the second factor causing high inflation came from medical services, with the Medicine and Medical Services group alone contributing 0.51 percentage points to the total inflation of 0.98%. Therefore, if we exclude the price impact of government-regulated items on inflation during Lunar New Year months over the past 7 years, the demand-pull inflation pressure during the 2025 Lunar New Year is not significant, proving that consumer demand in the economy continues to show no significant improvement. Specifically, since 2018, the MoM inflation excluding government-regulated prices during the 2025 Lunar New Year is at its lowest level, equal to 2023 (when the Lunar New Year coincided with the event related to Vạn Thịnh Phát enterprise).

Figure 27: Contribution to MoM inflation during Lunar New Year months.

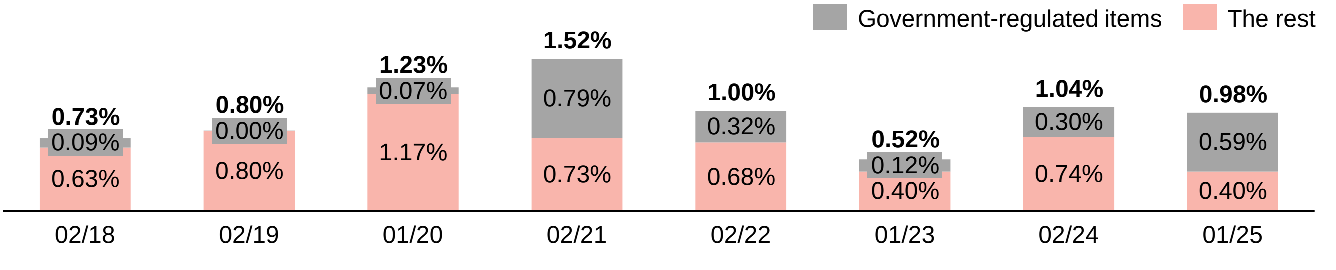


Figure 28: Development investment spending

(January, trio VND)

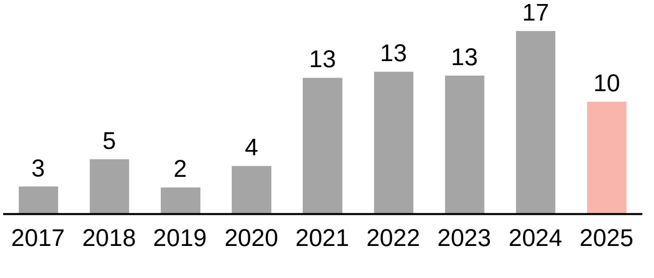
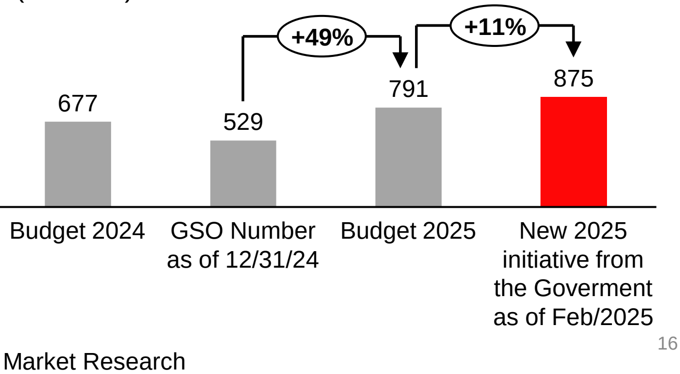


Figure 29: Development investment spending plan

(trio VND)



Sources: General statistic office (GSO), MPI, China NBS, TCB Market Research

Section 3

Vietnamese Economy *(Cont.)*

The Government's new proposal for development investment spending to reach 875 trillion VND in 2025, an increase of about 11% compared to the initial estimate, shows a strong determination to boost economic growth this year

The final growth driver in the list of four growth drivers for Vietnam comes from the Government's expansionary fiscal policy, specifically in boosting development investment spending. With the Government's new proposal reaching up to 875 trillion VND in 2025, an increase of about 11% compared to the initial estimate and about 63% higher than the actual disbursement in 2024, this is the driver we have the highest expectations for and also highly appreciate, which could pull the entire Vietnamese economy to achieve the 8% growth target. However, this driver requires a significant push from the entire political system in the coming time, as the disbursement level was very modest at about 10 trillion VND in January, much lower than the past 4 years. Along with that, the budget balance in January recorded a record surplus compared to the same period in 7 years, showing that the cash flow that the economy and the banking system's liquidity need from the Government's support has not been injected as expected.

The USDVND exchange rate has been highly volatile in recent weeks

The State Bank of Vietnam (SBV) has taken appropriate actions by proactively raising the central exchange rate and the intervention selling rate amid the context of global economic risks.

Given the recent volatility in the international foreign exchange market, partly due to President Trump's tariff story, it is not surprising to see significant fluctuations in the USDVND exchange rate recently. We measure volatility through the absolute average daily change of USDVND, showing that our exchange rate in the first weeks after the Lunar New Year holiday has experienced significant fluctuations, almost equal to the end of 2022. This large two-way volatility, as warned in previous monthly reports, will be the main scenario in 2025. Facing such a foreseeable scenario, the State Bank of Vietnam (SBV) has taken appropriate actions by proactively raising the central exchange rate and the intervention selling rate by about 1.1% compared to early February. We consider this a reasonable action as it will help ...

Figure 30: Daily Changes of USD VND

(Average Monthly Value, Absolute Change; %)

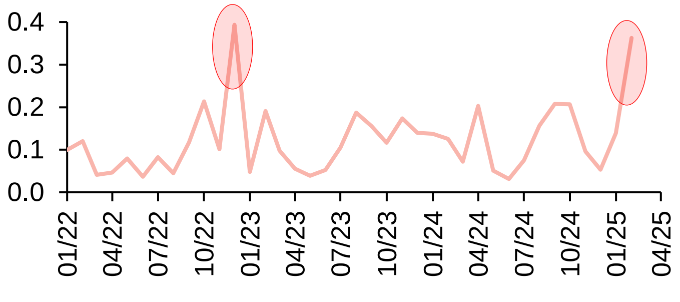
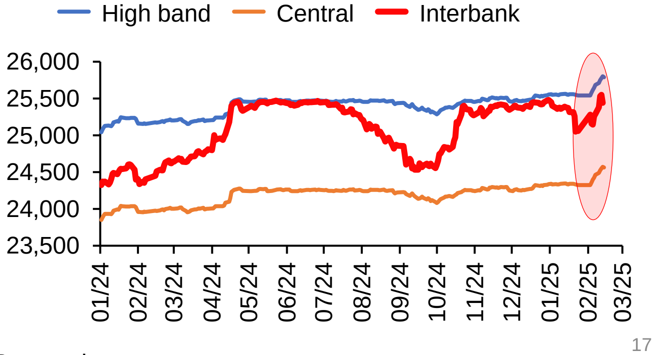


Figure 31: USDVND and SBV's policy



Sources: General statistic office (GSO), MOF, MPI, TCB Market Research

Vietnamese Economy *(Cont.)*

...(1) the exchange rate have more room for the market to operate according to supply and demand, especially important when the risk of two-way volatility is clear, (2) limiting intervention using foreign exchange reserves, which will also help by not affecting bank liquidity, ensuring stable interbank interest rates, thereby helping deposit and lending interest rates remain low, to continue supporting the economy.

We have not changed our forecast that the exchange rate will fluctuate in both directions this year and depreciate by approximately 3.5% against the USD.

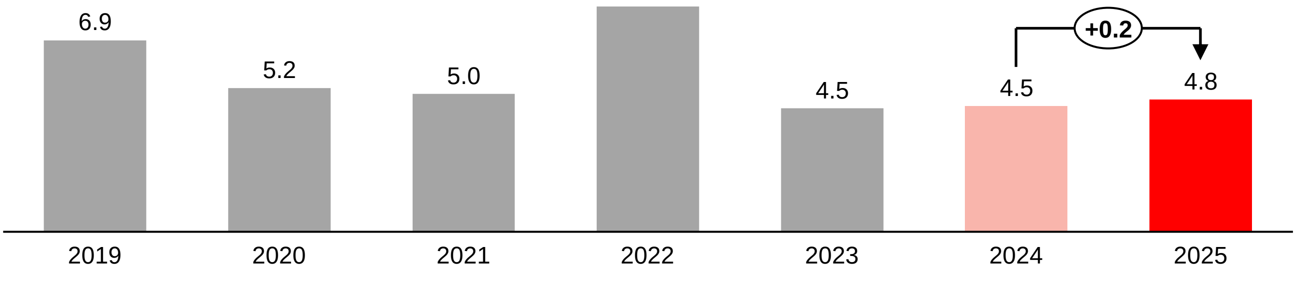
We maintain our forecast that the exchange rate this year will fluctuate both ways, but with more risks on the USDVND increase side, with a depreciation of VND by about 3.5% against USD. Key points to watch in the coming time will mainly come from the global economic situation and the tariff story of the Trump 2.0 administration.

We anticipate that deposit interest rates will trend upwards in the near future, with a forecasted increase of approximately 20 to 30 basis points.

With the clear and appropriately assessed actions of SBV related to the exchange rate as mentioned above, we understand that 8% growth is the number one resolute target of the Government and the entire political system. Therefore, interest rates must continue to remain low to support economic growth. In addition to managing the exchange rate as mentioned above, SBV will continue to adjust liquidity and use management tools in a coordinated manner as in the past, ensuring interbank liquidity with 1-week term interest rates remaining stable at 4.0% to 5.0%. Currently, we do not change our forecast that deposit interest rates will increase by about 20 to 30 basis points for the average interest rate of the group of 14 non-state-owned joint-stock commercial banks with a 6-month term in 2025. The error in our forecast may lie much in the speed and extent of public investment disbursement by the Government in the coming time, as this factor will both impact economic growth and affect the liquidity of the banking system.

Figure 32: The 6-month deposit interest rate trend for JSB 14.

(%, eop)



Sources: General statistic office (GSO), SBV, Reuter, TCB Market Research

Section 4

Appendix

Updates on macroeconomics and financial market in the world

Indicators	Country	Unit	2024	2024											2025
				02	03	04	05	06	07	08	09	10	11	12	01
Real GDP Growth	US	%, YoY, Quarterly	2.8		2.9			3.0			2.7				
	Eurozone	%, YoY, Quarterly	0.7		0.5			0.6			0.9				
	China	%, YoY, Quarterly	5.0		5.3			4.7			4.6				
	Japan	%, YoY, Quarterly	0.1		-0.9			-1.0			0.3				
CPI	US	%, YoY, Monthly	2.9	3.2	3.5	3.4	3.3	3.0	2.9	2.5	2.4	2.6	2.7	2.9	3.0
	EU	%, YoY, Monthly		2.6	2.4	2.4	2.6	2.5	2.6	2.2	1.7	2.0	2.2	2.4	2.5
	China	%, YoY, Monthly	0.2	0.7	0.1	0.3	0.3	0.2	0.5	0.6	0.4	0.3	0.2	0.1	0.5
	Japan	%, YoY, Monthly	2.7	2.8	2.7	2.5	2.8	2.8	2.8	3.0	2.5	2.3	2.9	3.6	
Fed funds target rate		%. End of month	4.5	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.00	5.00	4.75	4.50	4.5
DXY		Index. Monthly Average	104.2	104.1	103.7	105.41	104.95	105.17	104.63	102.21	101.0	103.3	105.9	107.2	108.6
USD/CNY		Index. Monthly Average	7.2	7.19	7.20	7.24	7.23	7.25	7.26	7.15	7.08	7.09	7.21	7.28	7.30
10Y UST Yields		%. Monthly Average	4.21	4.23	4.21	4.51	4.48	4.31	4.25	3.87	3.72	4.09	4.4	4.4	4.6
WTI Oil price		USD/barrel. Monthly Average	75.76	76.61	80.4	84.4	78.6	78.7	80.48	75.43	69.37	71.56	69.5	69.7	75.1

Updates on macroeconomics and financial market in Vietnam

Indicators	Unit	2024	2024											2025
			02	03	04	05	06	07	08	09	10	11	12	01
Real GDP growth	%, Quarterly, YoY	7.0		5.87			7.09			7.4			7.55	
IIP	%, Monthly, YoY	8.35	-6.81	4.13	6.30	8.90	10.92	11.23	9.50	10.84	7.02	7.95	8.84	0.61
Headline CPI	%, Monthly, YoY	3.6	3.98	3.97	4.40	4.44	4.34	4.36	3.45	2.63	2.89	2.77	2.94	3.63
Retail sales growth	%, Monthly, YoY	9.5	8.5	9.2	9.0	9.0	9.1	9.4	7.9	7.6	7.1	8.8	9.3	9.5
Registered FDI	USD billion, Monthly	33.7	1.8	1.7	2.6	1.7	3.5	2.2	2.0	3.5	2.4	3.7	6.4	4.0
Disbursed FDI	USD billion, Monthly	25.4	1.3	1.8	1.7	2.0	2.6	1.7	1.6	3.2	2.2	2.1	3.7	1.5
Trade exports	USD billion, Monthly	405.5	24.7	33.7	31.1	32.3	34.5	36.8	38.0	34.2	35.9	34.3	35.6	33.2
Trade imports	USD billion, Monthly	380.8	23.3	30.9	29.9	32.7	31.2	34.1	33.9	32.0	33.4	33.3	35.1	30.1
Trade balance	USD billion, Monthly	24.8	1.4	2.8	1.2	-0.4	3.0	2.7	4.1	2.2	2.5	1.0	0.5	3.1
Deposit growth	%, YTD		-1.70	-0.90	-0.1	0.00	2.60	2.00	3.65	5.7	6.8			
Credit growth	%, YTD		-0.75	1.42	2.01	3.43	6.10	5.93	7.31	9.1	10.2	11.9		
10Y Government bond yields	%, Monthly Average	2.7	2.32	2.50	2.78	2.80	2.80	2.79	2.73	2.68	2.67	2.74	2.88	3.02
1W Interbank rate	%, Monthly Average	3.7	2.53	1.32	4.20	4.55	4.84	4.79	4.64	4.14	3.81	4.99	4.50	4.6
6M Deposit rate**	%, Monthly Average	4.2	4.01	3.82	3.75	3.87	4.10	4.24	4.39	4.43	4.43	4.49	4.54	4.54
USD/VND	Monthly Average	25,068	24,520	24,724	25,153	25,446	25,443	25,370	25,026	24,624	25,058	25,373	25,423	25,323

Updated full-year forecasts for Vietnam

Indicators	Unit	2024	2024											2025	Forecast
			02	03	04	05	06	07	08	09	10	11	12	01	2025
Real GDP growth	%	7.0		5.87			7.09			7.40			7.55		7.0
Headline CPI	%, YoY. Average	3.6	3.98	3.97	4.40	4.44	4.34	4.36	3.45	2.63	2.89	2.77	2.94	3.63	3.60
Deposit growth	%, YTD		-1.70	-0.90	-0.1	0.00	2.60	2.00	3.65	5.7	6.8				14.4
Credit growth	%, YTD		-0.75	1.42	2.01	3.43	6.10	5.93	7.31	9.1	10.2	11.9			16.0
USD/VND	Average	25,068	24,520	24,724	25,153	25,446	25,443	25,370	25,026	24,624	25,058	25,373	25,423	25,323	26,191
10Y Government bond yields	%, 10Y, Average	2.7	2.32	2.50	2.78	2.80	2.80	2.79	2.73	2.68	2.67	2.74	2.88	3.02	3.18
1W Interbank rate	%, Average	3.7	2.53	1.32	4.20	4.55	4.84	4.79	4.64	4.14	3.81	4.99	4.50	4.6	3.95

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