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Monthly Updates on Macroeconomics and Financial Market

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BE GREATER

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With the global economy expected to weaken amid escalating trade tensions, Vietnam must pivot towards strengthening domestic growth engines to underpin its economic resilience.

Section 1

Executive Summary

- ## Global Economy:

  - *The US has implemented a sweeping tariff overhaul under President Trump, introducing a universal 10% baseline duty, sharply elevated reciprocal tariffs, and sector-specific levies. These actions have sparked global retaliation. The abrupt policy shift has triggered significant volatility in global markets and heightened investor uncertainty. The global economic outlook is deteriorating, with rising risks of stagflation and recession. Forecasts suggest a notable decline in global trade and GDP*

  - *Tariff-induced cost pressures are feeding into inflation expectations for the American, eroding real household income and weakening consumer demand. US Business sentiment is also deteriorating, as reflected in falling manufacturing and services PMIs. Meanwhile, labour markets show early signs of stress. The U.S. Federal Reserve may be forced into a cautious stance, balancing inflation risks and recession concerns*

  - *The European Union's response has been measured, focusing on limited retaliatory tariffs to avoid worsening inflation, while leaning on monetary easing and fiscal expansion to sustain growth.*

- ## Vietnamese Economy:

  - *GDP growth in 1Q/25 increased by 6.9%, mainly driven by the service sector and manufacturing. Amid rising risks of trade wars, we have adjusted the GDP growth forecast under two scenarios: (1) Optimistic: GDP growth would increase by 6.5%; (2) Pessimistic: GDP growth would increase by 4.0%.*

  - *The tariffs would have multi-dimensional impacts on Vietnam's economy: (1) Directly reducing exports, production, and the attraction of foreign investment flows; (2) Indirectly causing negative effects on sectors such as logistics, electricity, supporting industries, and industrial real estate; (3) Spillover effects from tariffs may reduce labor demand, especially in production.*

  - *Domestic consumption improved significantly in 1Q, with tourism revenue showing an impressive growth of 18% YoY. In the upcoming period, increasing domestic consumption is expected to support economic growth.*

  - *Public investment remains the main driver of economic growth this year. However, actual disbursement in 1Q was slow. Therefore, there is substantial pressure on public investment disbursement in the upcoming months.*

  - *CPI is forecasted to remain stable within the range of 3.0 - 3.5%.*

  - *The USDVND exchange rate is expected to be highly volatile, with fluctuations increasing by 3-4.5% by year-end.*

  - *Deposit interest rates are anticipated to remain low to support economic growth.*

Section 2

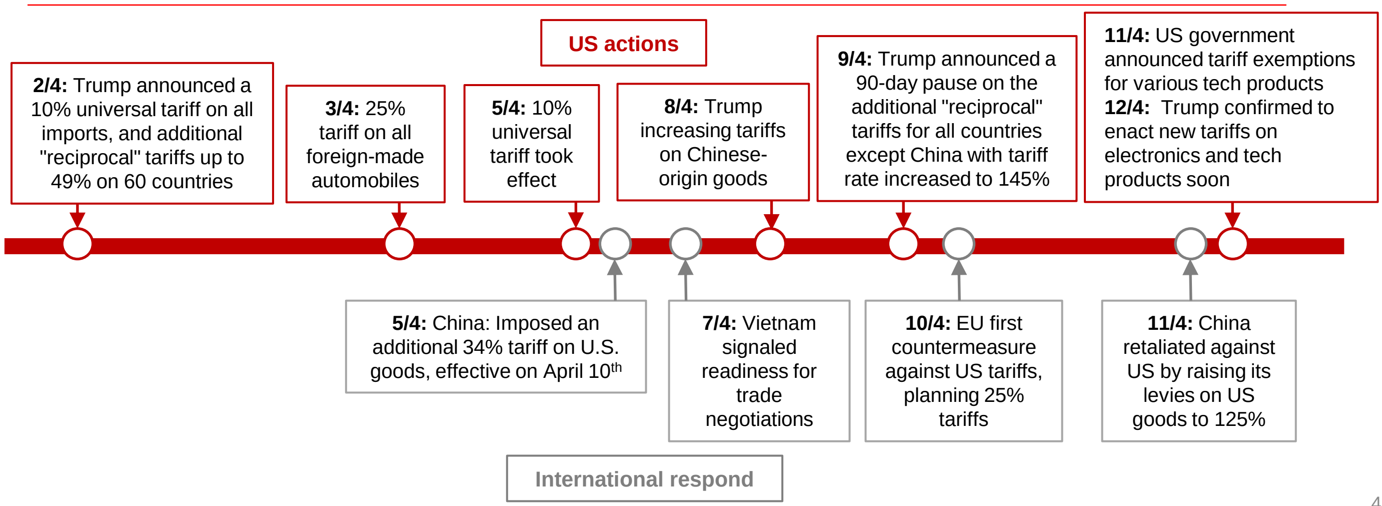
Global Economy

The US has launched a sweeping tariff overhaul, sparking global retaliation and escalating trade tensions. China raised tariffs on the US as high as 125%, while the EU also prepared retaliatory measures. The global economic outlook predicts synchronized slowdowns, with the potential for stagflation due to enormous uncertainty.

Trump's sweeping tariff overhaul spurs global retaliation with great uncertainty and trade tension escalation

As of April 2025, President Donald Trump has enacted one of the most sweeping overhauls of US trade policy in modern history, characterized by a multi-layered tariff framework that blends a universal 10% baseline duty, sharply escalated country-specific "reciprocal" tariffs, and aggressive sectoral levies. These measures – justified as tools to rebalance trade, protect US strategic industries, and counter foreign economic coercion – have triggered widespread global uncertainty. The scale and abruptness of these tariffs have significantly altered the landscape of global trade, undermining predictability for investors and multinational enterprises. In response, stock markets worldwide have fallen sharply, with major indices sliding into bear market territory amid heightened volatility and deteriorating investor sentiment. Strategic trading partners have launched coordinated retaliatory measures. China, in particular, has escalated its tariffs on US imports across sectors, with rates on products surging to 125%, including energy and heavy machinery. The EU, meanwhile, is preparing broad-based retaliatory tariffs on consumer, industrial, and agricultural imports from the US, reinforcing diplomatic efforts to restore trade parity. Other Asia-Pacific economies have adopted a cautious approach, signaling a preference for diplomatic resolution.

Figure 1: Timeline of Trump's tariffs and other countries retaliation in April 2025



Sources: Refinitiv, Bloomberg, White House, TCB Market Research

Global Economy *(Cont.)*

Tariff shock intensifies global economic downturn prospects and countries' recession risk in 2025

Similar to the 2017–2019 trade war created by the Trump administration, we can easily predict that the outcome of these trade barriers would be significantly lower merchandise trade activity globally and generally higher prices for the countries imposing the tariffs. However, this 2025 trade war could be very different in a more pessimistic way due to the enormous uncertainty stemming from the "mercurial" and unpredictable nature of the Trump administration's foreign trade policy. The recent World Trade Organization (WTO) report has emphasized this by forecasting that the volume of world merchandise trade will decrease by 0.2% in 2025 under current conditions and decline by 1.5% if the situation worsens. These figures are even lower than those from the 2019 trade war and the 2023 global economic slowdown. Consequently, global economic growth in 2025 is expected to decline by 0.6 percentage points, while Yale's Budget Lab estimated the decrease to be approximately 0.22 percentage points due to the heightened impact of the tariffs. Bloomberg estimates that several major economies face up to a 50% probability of entering recession within the year — a notable jump from earlier in the year. This elevated risk is compounded by the fact that policy coordination among major economies remains fragile, with monetary authorities constrained by inflationary pressures.

Figure 2: Volume of merchandise Global trade growth

(%), *forecast by WTO*

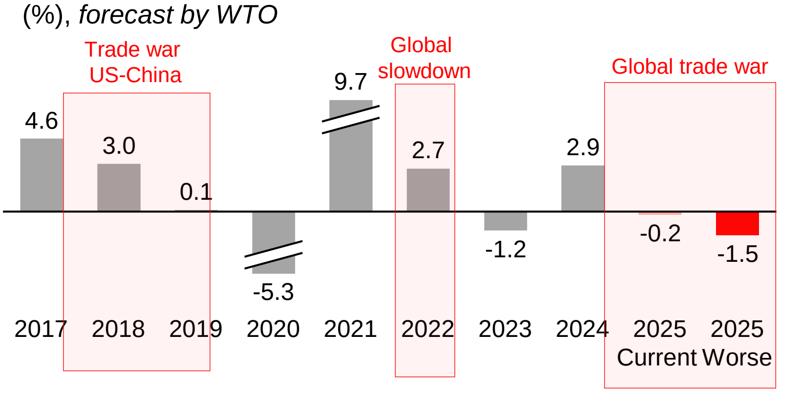


Figure 3: Recession probability

(%) *forecasted by Bloomberg*

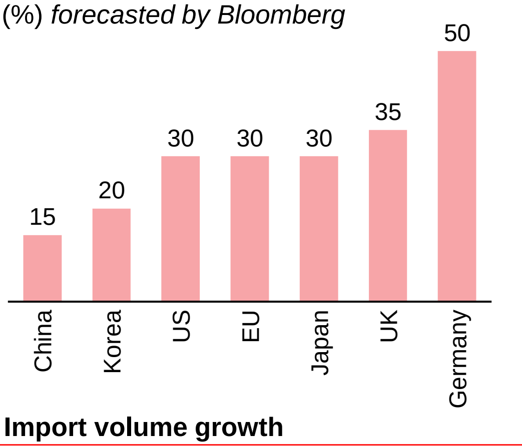


Figure 4: Export volume growth

(%), *forecast by WTO*

Before trade war Current

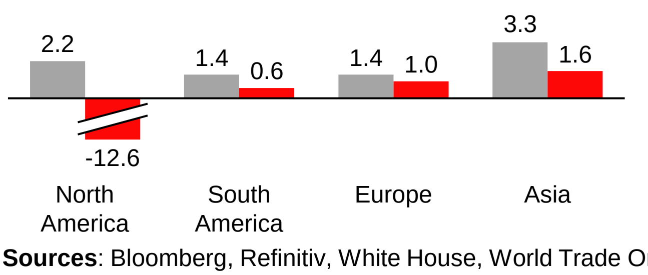
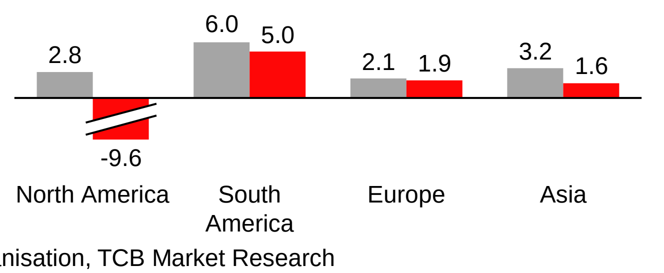


Figure 5: Import volume growth

(%), *forecast by WTO*



Sources: Bloomberg, Refinitiv, White House, World Trade Organisation, TCB Market Research

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Global Economy *(Cont.)*

Recent aggressive economic policies from the Trump administration aim to draw more companies to the U.S., yet the latest CNBC Supply Chain Survey shows that the majority of manufacturers do not think so.

The bet that the Trump administration is counting on to push the economy forward involves (i) imposing tariffs on other countries and (ii) cutting domestic taxes, including corporate income tax and specific income taxes. This approach aims to stimulate more companies to come to or reshore to the U.S., leading to greater labor demand and creating favorable conditions for the labor market. Additionally, specific income tax cuts would further support consumer spending, resulting in overall strong economic growth. However, ***the key assumption here is that these aggressive policies will indeed draw more companies to the U.S.*** The problem is that, according to a recent CNBC Supply Chain Survey of 380 top companies, a majority do not think this will happen. 61% stated it would be more cost-effective to relocate supply chains to lower-tariff countries rather than come to the US. This is because the cost of reshoring to the U.S. seems prohibitively high; 18% of respondents believe the price tag for building a new domestic supply chain would be at least double current costs, while 47% believe it would likely be more than double. Furthermore, according to the survey, establishing a U.S. supply chain would take years, with 41% stating it would take at least 3–5 years, and 33% believing it would take longer than 5 years. Most surprisingly, only 14% of respondents said that the lower tax policy proposed by the Trump administration would impact their manufacturing decision-making.

Uncertainty could dull the US private investment prospects in 2025

Recent data reinforce these concerns: ISM reported that the Manufacturing PMI declined to 49.0 in March 2025 from 50.3 in February. This downturn is attributed to elevated input costs stemming from tariffs and growing uncertainty about demand conditions. Similarly, the Services PMI fell to 50.8, its lowest expansionary reading since June 2024, while the New Orders Index – an important forward-looking indicator – also dropped, highlighting declining business activity and order volumes

US effective tariff surge at 27% reached 1900s-level, causing inflation pressures and growth concerns

It would take years to see if manufacturers would reestablish supply chains in the US, yet the tariff policy from the Trump administration comes with huge costs at present. The US faces mounting inflationary pressures as the effective average tariff rate has soared to 27%, the highest since the early 20th century, according to the Budget Lab at Yale. The April 9th adjustment – marked by a 145% tariff on Chinese imports and universal 10% tariffs across all countries – has surpassed even the prior effective rate established two days earlier that month, ...

Sources: Bloomberg, The Budget Lab at Yale Refinitiv, ISM, BEA, Federal Reserve Bank of New York, TCB Market Research

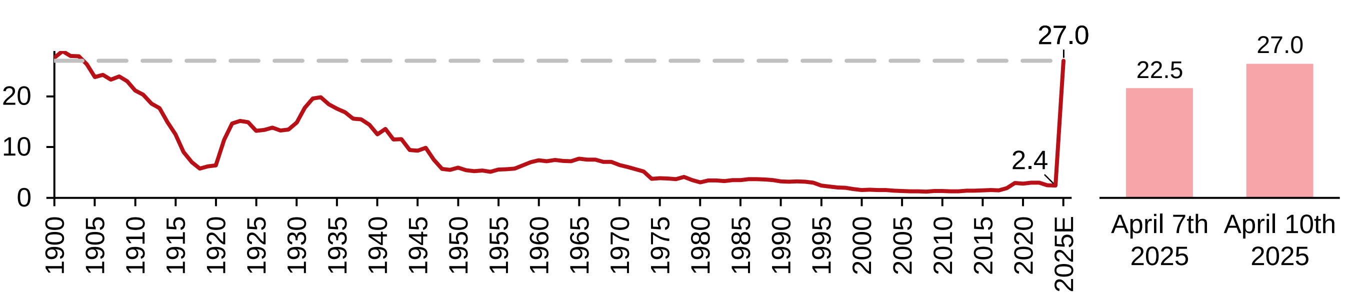
Section 2

Global Economy *(Cont.)*

…, which already included 54% average tariffs on China and reciprocal tariff rates up to 49% on imports from 60 countries. This historic escalation signals a return to tariff levels not seen since the 1900s and intensifies concerns over cost-push inflation, consumer burden, and slowdown in growth momentum.

Figure 6: US average effective tariff rate

(%) *The Budget Lab at Yale's estimation*



Despite a drop in CPI growth in March, tariffs could soon cause a big rise in inflation

The US CPI in March 2025 recorded an unexpected decline of 0.1% MoM, suggesting a temporary ease in headline inflation. However, this relief is widely viewed by economists as transitory, as recently enacted tariffs under President Trump's administration are poised to exert significant upward pressure on prices in the coming quarters. Unlike the more domestically contained economy of the 1900s, the structure of the current modern US economy is heavily reliant on global supply chains. Consequently, the continued escalation of tariffs makes the impact of rising inflation inevitable. Reflecting this concern, inflation expectations have surged across major institutions. The University of Michigan's consumer survey shows that households now anticipate inflation to rise to 6.7% over the next 12 months – a sharp jump from prior months. Federal Reserve Bank of Boston President Susan Collins also warned that near-term inflation could surpass 3%.

Figure 7: US 2025 CPI forecast by institutions

(% YoY)

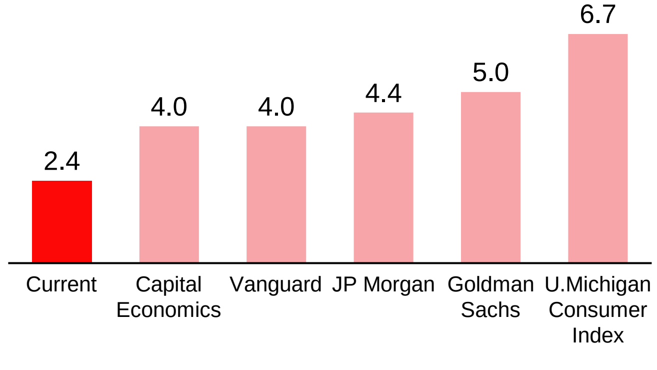
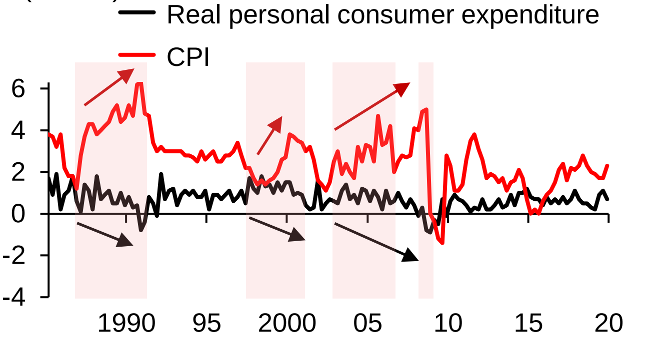


Figure 8: US real consumer expenditure and CPI

(% YoY)



Sources: Bloomberg, Refinitiv, White House, BLS, The Budget Lab at Yale, TCB Market Research

Global Economy *(Cont.)*

Tariff-driven inflation is expected to erode US consumer spending, threatening economic growth

The recent tariff-induced rise in inflation is expected to significantly weaken US consumption by eroding real household income, hence reducing purchasing power. As tariffs raise the prices of a broad range of imported goods – particularly in sectors such as apparel, electronics, and household essentials – consumers are forced to allocate a larger portion of their income toward basic necessities. This shift in spending patterns reduces discretionary consumption and dampens overall demand in the broader economy. This relationship is well illustrated in economic data (Figure 8), where spikes in inflation are followed by pronounced declines in real personal consumption expenditures.

US labour market shows fragile condition amid tariff-driven job loss risks

Furthermore, the US labour market, while still exhibiting some good numbers, is showing early signs of vulnerability amid escalating trade tensions. Major institutions have begun to revise their unemployment forecasts upward in light of the disruptive impact of Trump's sweeping tariff regime. Tariffs increase import prices, prompting firms to cut expenses (often through layoffs), while retaliatory tariffs abroad may hit US exports, threatening jobs in export-reliant sectors.

Figure 9: US 2025 unemployment rate forecasts

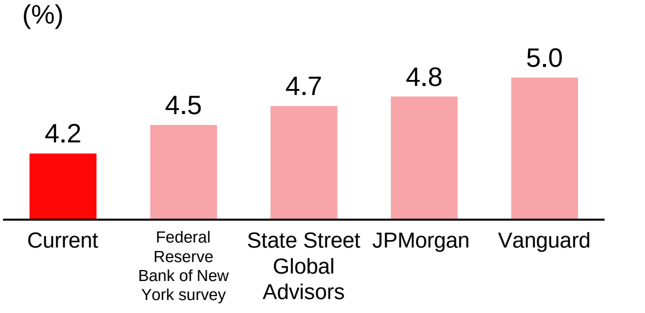
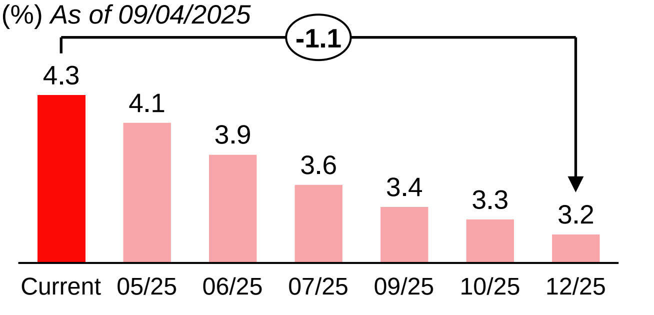


Figure 10: Market Fed funds rate expectation



Despite market expectations for sharper Fed rate cuts, we see that rising US stagflation risks may prompt a more cautious Fed stance

The risk of stagflation in the US economy is rising markedly as both inflationary pressures and unemployment expectations intensify in response to recent tariff shocks and weakening macroeconomic indicators. This stagflation dynamic – a rare combination of stagnant growth and persistent inflation – poses a significant policy dilemma for the Federal Reserve (Fed). While market participants currently anticipate a sequence of 5 rate cuts throughout the remainder of 2025, we diverge from this consensus. Given the stagflation risk, we expect the Fed to adopt a more cautious and data-dependent stance, opting to hold interest rate cuts steady rather than pursue aggressive monetary easing, with a maximum of 2 cuts this year.

Sources: Bloomberg, Refinitiv, Fred, BLS, University of Michigan, TCB Market Research

Global Economy *(Cont.)*

The way the EU dealt with this trade war problem is considered to be very thoughtful in our opinion, especially when their war with inflation is not done yet

It is quite unfortunate for the Eurozone (EU) economy, as a gradual recovery was previously expected following continuous challenges, including COVID-19 and the Russia-Ukraine war since 2020. Yet, they now have to face another "Black Swan": a trade war with the U.S. in 2025. As a result, economic slowdown or even recession might be unavoidable. Economic growth forecasts for various countries, including Germany, Poland, the Czech Republic, and Hungary, have been downgraded by S&P Global. Given that everyone knows there are no winners in this trade war and that it is very difficult to avoid it with the current Trump administration, the way the EU has addressed this issue is considered quite thoughtful, especially as their battle with inflation is not yet over. The EU government plans (pause for now) to retaliate by imposing tariffs on only $23 billion worth of selected goods, which accounts for just 6.9% of total imports from the U.S., as well as potential tariffs on U.S. digital services. These actions surely would not create any significant cost-push inflation for EU consumers.

More rate cutting from the ECB and more expansionary fiscal policy are essential for this economy to achieve gradual recovery

This is a crucial step for the EU economy, as without inflation pressure, the European Central Bank (ECB) will have more room to continue its rate-cutting policy (we anticipate three more cuts in 2025) to support gradual recovery and hope to avoid recession. Especially since the manufacturing sector has been declining for the past two years. Germany's recent fiscal expansion seems promising for the bloc, however, S&P Global warns that this package might only support the domestic German economy, with a very limited spillover effect on other EU economies. The best hope for the EU economy would be to avoid a trade war, yet this seems unlikely with the current U.S. government. Therefore, given the lowest unemployment rate in 24 years, which supports private consumption and continued growth in the services sector, further rate cuts from the ECB and more expansionary fiscal policies are essential for the economy to achieve gradual recovery and avoid recession.

Figure 10: EU Purchasing manager index

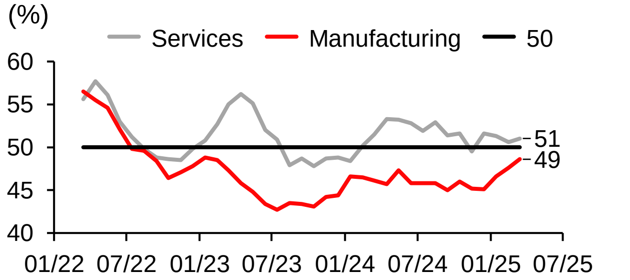
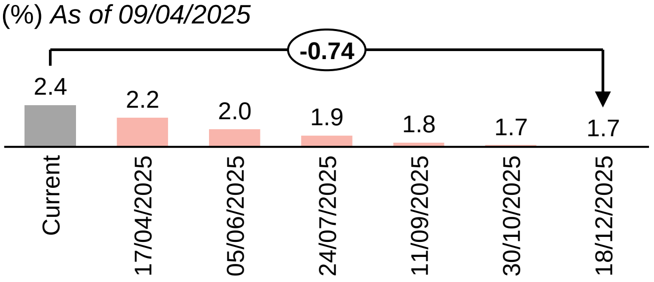


Figure 11: Market expectation ECB's policy rate



Sources: S&PGlobal Bloomberg, Refinitiv, TCB Market Research

Section 3

Vietnamese Economy

The rising risk of trade wars has slowed global economic growth, directly affecting trade activities, manufacturing, and the attraction of foreign direct investment into Vietnam. Therefore, internal drivers such as domestic consumption and the Government's public investment would need to be further strengthened to become the main drivers supporting Vietnam's economic growth in the coming period.

Macroeconomic data for 1Q/25 shows that Vietnam's economy recorded good growth

1Q/25 data shows that Vietnam's economy recorded good growth. GDP growth in 1Q/25 increased by 6.9%, also the highest growth rate for the first quarter of the year in the 2019–2025 period. Specifically, this growth was contributed by the services and manufacturing sectors. Trade activities were positive, with total export growth reaching double digits. In particular, export growth to the US and EU both recorded high levels. Additionally, the growth rate of export items such as electronic products and machinery and equipment both increased by over 10%. Accordingly, domestic manufacturing also showed better improvements in March. Specifically, the Industrial Production Index (IIP) in March increased by 12% MoM, helping the cumulative IIP index for three months increase by 7.8% YoY. The manufacturing sectors with strong momentum in March included beverages, furniture, electronic equipment, and motor vehicles. Furthermore, the Purchasing Managers' Index (PMI) rose above the 50 threshold, reaching 50.2 points. Manufacturing output increased for the first time in March, and new orders rose after a series of two consecutive months of decline.

Figure 12: GDP growth contributions

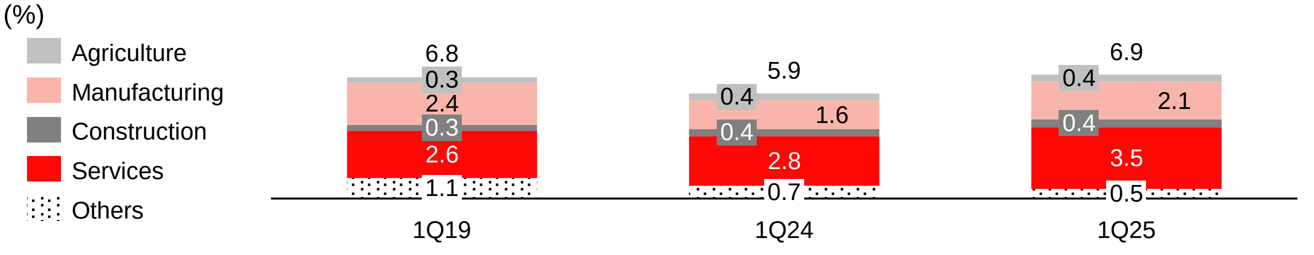


Figure 13: Export value of major commodities

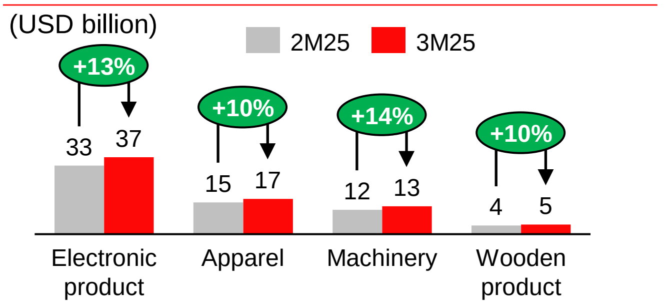
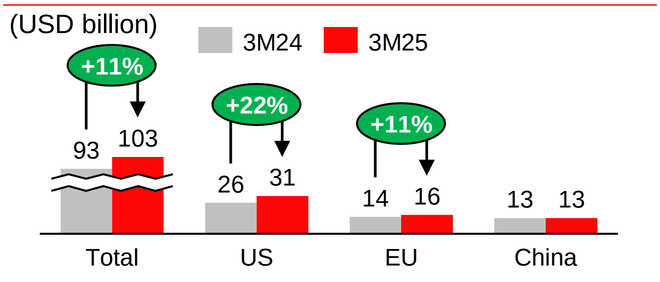


Figure 14: Import value from major markets



Sources: GSO, Vncustom, TCB Market Research, S&P Global

Vietnamese Economy

Figure 15: Industrial Production Index (IIP)

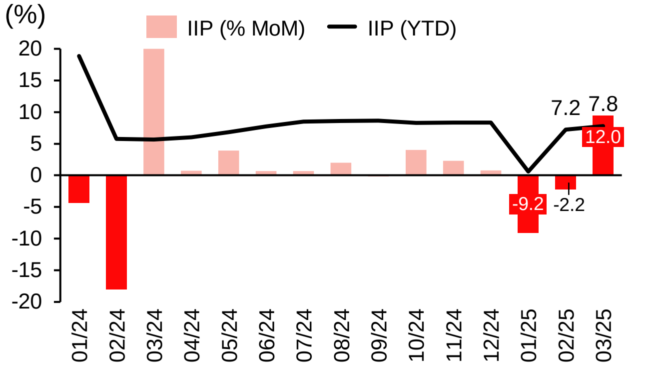
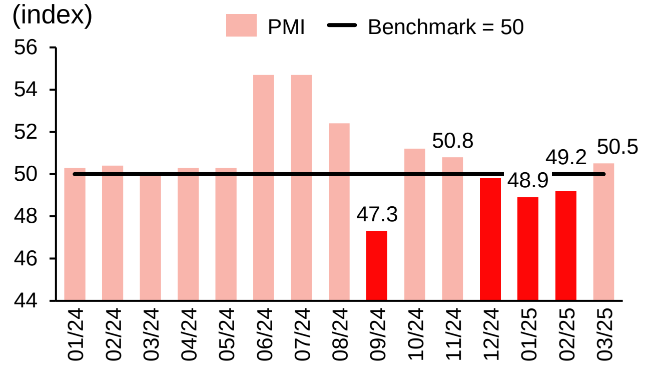


Figure 16: Purchasing Managers' Index (PMI)



In the upcoming period, Vietnam would have to face more challenges

However, the positive production and trade results that Vietnam achieved in 1Q would face more challenges in the context of the US imposing reciprocal tariffs on Vietnamese goods. Currently, Vietnam is still facing the risk of being subjected to an additional high import tariff of up to 46% and is currently in a 90-day period where the highest tariff rate is temporarily suspended and only an additional 10% tariff is being applied. Nevertheless, we believe that the Vietnamese Government would successfully negotiate to reduce the import tariff below 46% in the near future, as presented in the most recent report.

Adjusted GDP growth forecast: (1) Optimistic: GDP growth of 6.5%. (2) Pessimistic: GDP growth of 4%

In the short term, we observe that the effects of tariffs have gradually had negative impacts on production and trade activities, as well as on investor sentiment: (1) According to S&P Global, Vietnam's new export orders have declined for five consecutive months, with a significant decline rate; (2) Newly registered FDI in the first three months of the year decreased by 9.3% YoY; (3) The People's Committee of Binh Duong Province reported that from April 5–8, 2025, Binh Duong recorded 44 export declarations worth USD 708 million being canceled, 273 orders were reported by US customers as canceled or suspended, and at least 175 orders are at risk of being canceled in the near future.

On the other hand, the 90-day tariff postponement period provides an opportunity for Vietnamese enterprises to boost production and export to the US before July 10, 2025, to mitigate the impact of high tariff rates (if any) afterwards. Especially in the context that US inventory levels are not overly abundant. This may partially support export growth, manufacturing specifically, and economic growth in 2Q. Furthermore, based on the above analysis regarding the shift of some manufacturing supply chains back to the US, ...

Sources: GSO, S&P Global, CoAsia Semi, TCB Market Research

Vietnamese Economy

...this is not as simple as it sounds—especially in labor-intensive sectors such as textiles, footwear, electronic device assembly, etc. Therefore, in this trade war, Vietnam's export growth scenario would largely depend on the tariff level imposed on Vietnam, and more importantly, Vietnam's relative position compared to the tariffs imposed on competing countries such as India, Malaysia, Bangladesh, China, etc.

Therefore, in the current context of high uncertainty, we temporarily present two scenarios to adjust the GDP growth forecast by evaluating the impacts on the two growth drivers: trade and FDI investment:

Optimistic scenario, expecting that Vietnam would still benefit as Chinese products face very high tariff rates

Optimistic scenario: (1) Vietnam is subjected to tariffs from 10–25% and assumed to be lower than direct competitor countries; (2) The US–China trade war continues to escalate, possibly leading to Chinese import tariffs even higher than 145% (as of the time of this report); (3) Global economic growth slows down; (4) Vietnam's public investment accelerates (disbursement reaches 85% of the annual plan). Vietnam's GDP growth in 2025 could reach 6.5%.

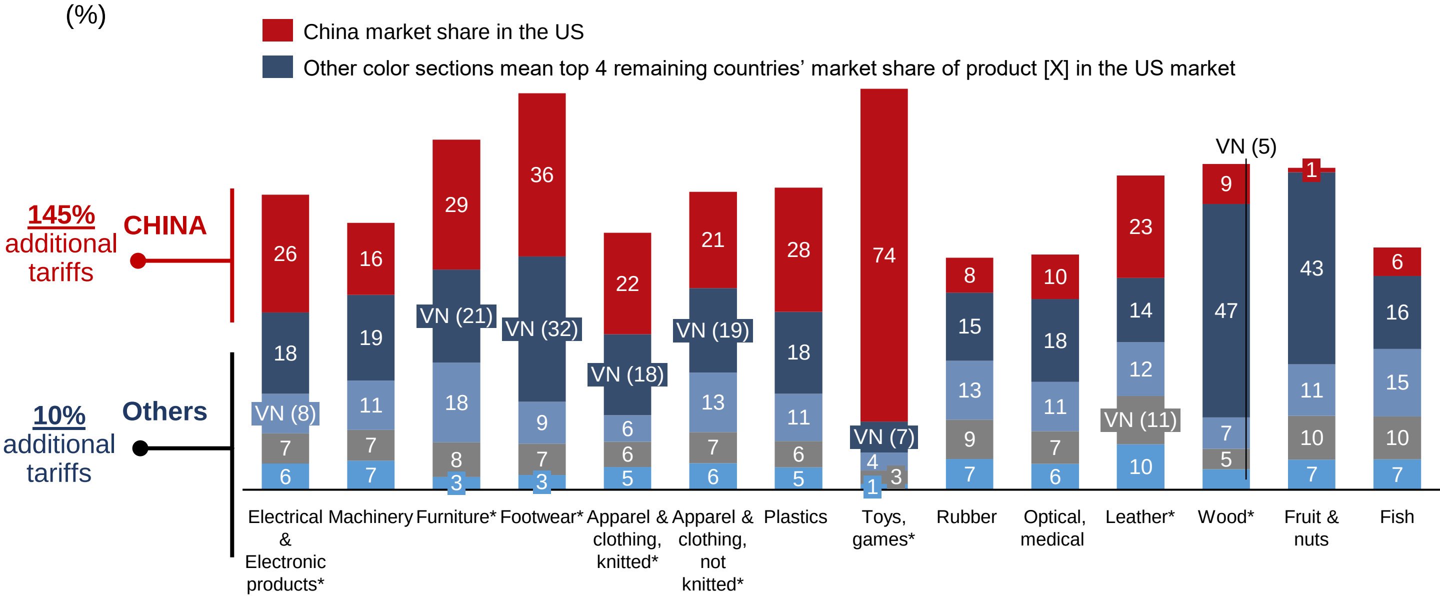
Export growth may remain positive at 9%, partly due to enterprises pushing exports in 2Q as previously shared, and Vietnam may still capture part of China's market share in US exports due to lower import tariffs for the rest of the year. However, overall exports would also be affected by the escalating trade war between the two major countries, which would slow global economic growth, thereby weakening global demand. This would partly affect the FDI situation in Vietnam in 2025 (nearly 70% of total export value comes from FDI enterprises), where we estimate disbursement would decrease by about 3% due to psychological uncertainty affecting this sector. Despite a downward forecast, we still expect that there would not be a capital shift to other countries as foreign investors still maintain confidence in doing business in Vietnam thanks to other FDI-attracting advantages (aside from tariffs): reasonable labor costs, land lease incentives, superior indicators such as the global innovation index, and government transparency index.

Sources: GSO, S&P Global, CoAsia Semi, TCB Market Research

Section 3

Vietnamese Economy

Figure 17: Top 5 countries by market share in the US by selected products, 2024



Pessimistic scenario, Vietnam falls into the group with the highest import tariffs and its goods' competitiveness significantly decreases compared to competitors

Pessimistic scenario: (1) Vietnam is subjected to tariffs from 30 to 46% and assumed to be higher than direct competitor countries; (2) The US–China trade war continues to escalate, leading to other countries' involvement and retaliation actions; (3) Major economies are at risk of recession or even stagflation; (4) Vietnam's public investment accelerates (disbursement reaches 85% of the annual plan). Vietnam's GDP growth in 2025 would reach 4%. Export growth may decline by 5%, and FDI disbursement may decline by 12%, as tariff impacts weaken the global economy, negatively affect consumer and foreign investor sentiment, and lead to more cautious spending, new investment, and expansion decisions.

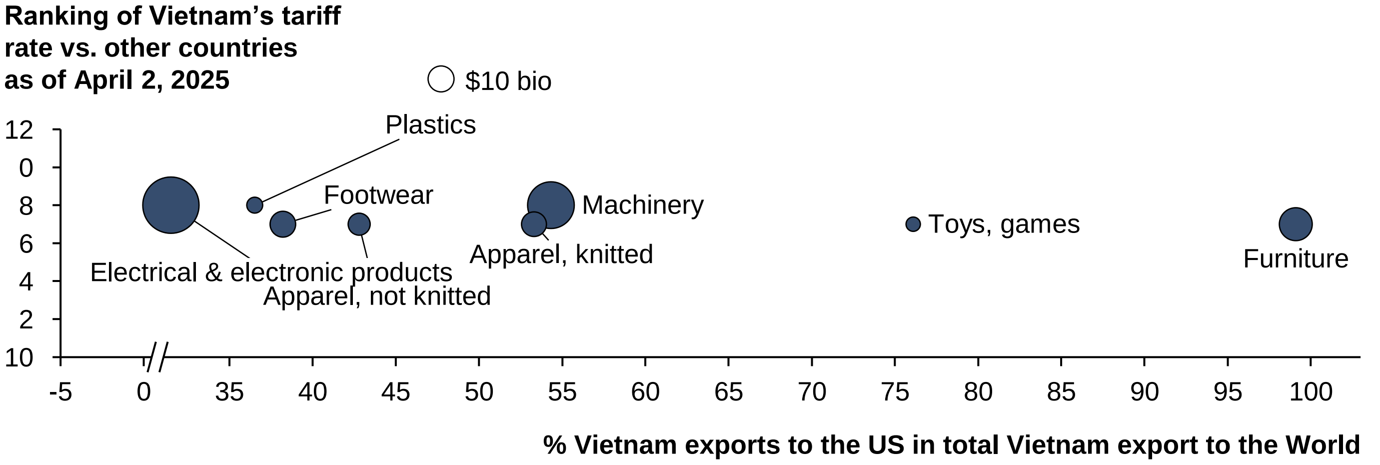
The direct impact of tariffs woud reduce the competitiveness of Vietnam's major export items.

In this pessimistic scenario, we simulate using the reciprocal tariff rates that the US imposed on various countries, including Vietnam, on April 9, 2025, before the 90-day postponement period. We find that a total of 14 Vietnamese export items to the US (accounting for 88% of Vietnam's export value to the US) would face higher tariff rates compared to other countries. Specifically, the import tariffs on Vietnam's export products such as electronics, machinery, furniture, footwear, knitted apparel… are all ranked second or third, just after China and Cambodia. Accordingly, such high tariff rates would further reduce the competitiveness of these products in the international market.

Sources: Trademap, White House, TCB Market Research

Figure 18: Major Export Items to the US

*The bubble size means the US's import value from Vietnam in 2024, USD billion



Some manufacturing sectors would be more affected than others.

It should be noted that in both scenarios, some manufacturing sectors would face more risks than others. Besides the tariff levels Vietnam must bear compared to other countries, the export ratio of the sector to the US over total exports is also very important. For example, in Figure 18, for furniture, out of every $100 exported globally, $99 go to the US, showing this sector's near-total dependence on the US market. If heavy tariffs are imposed, it would have a significant impact on the sector as a whole. In addition, there are other risks to the manufacturing sector to consider, including the potential overflow of goods from countries (e.g., China) unable to export to the US due to high tariffs, which would compete with domestic enterprises.

Tariffs would indirectly negatively impact sectors such as logistics, electricity, supporting industries, and industrial real estate.

Moreover, the spillover effects on other sectors related to import-export and FDI activities must also be considered. Specifically, weakened manufacturing and trade activities can significantly impact sectors such as logistics, electricity, and supporting industries. Additionally, reduced FDI inflows would lower demand for leasing industrial park land, affecting industrial and residential real estate—especially in provinces with many industrial parks such as Binh Duong, Dong Nai, and Hai Phong.

Tariff spillover effects may reduce labor demand, especially in manufacturing.

More broadly, weakened manufacturing and trade activities would lead to a reduction in labor demand, especially in the manufacturing sector. As of the end of 2024, Vietnam had 12 million workers in manufacturing, accounting for 22% of the national workforce. Therefore, under the pessimistic scenario, we estimate the tariff impact could reduce 1 to 1.5 million workers nationwide.

Sources: Trademap, White House, TCB Market Research

This estimate is based on the assumption that the rate of labor reduction is similar to past difficult periods in Vietnam such as: 2015, when the global economy weakened due to the European debt crisis; and 2020–2021, when COVID negatively impacted most countries. Additionally, the decline in the labor force may negatively affect domestic consumption demand and consumer sentiment.

Figure 19: Final consumption and GDP Growth

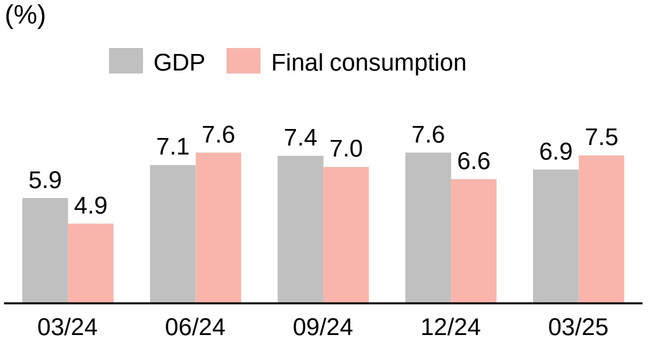
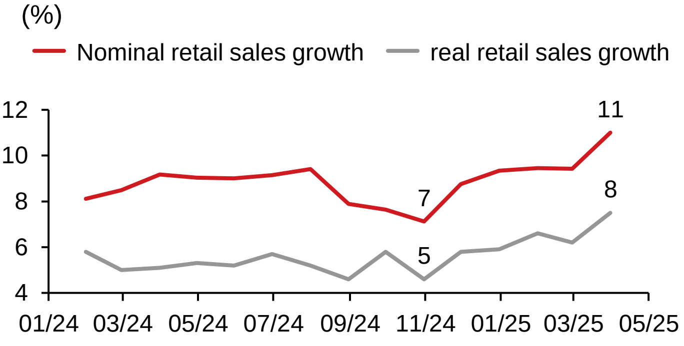


Figure 20: Growth of retail sales of goods and services



Domestic consumption shows positive improvement, mainly driven by tourism

Despite the indirect risks of the trade war, we believe there are still many positive aspects to expect that consumption would continue to provide support for this year's growth, especially from tourism services. Final consumption growth in 1Q/25 rose by 7.5%, higher than GDP growth, indicating that domestic consumption has recovered better than in previous quarters. Additionally, nominal and real (price-adjusted) retail sales of goods and services in the first three months increased by 11% YoY and 8%, respectively, improving from the lowest level in November 2024, another indicator showing more positive domestic demand signs. In particular, we clearly see more vibrant tourism, accommodation, and dining activities, with revenue growth in these two sectors of 18% and 14%, respectively. The number of international and domestic tourists in the first three months grew impressively. Chinese visitors to Vietnam alone grew nearly 80% YoY in 1Q. The Tourism Department stated that Vietnamese–Chinese tourism companies are actively collaborating to exploit tourism in both markets, especially destinations accessible by road or short flights under 3 hours. In general, domestic stimulus policies such as a 2% VAT reduction and extended stay for visa-exempt countries have started to yield good results. In the context of increasing external uncertainty, growing domestic consumption becomes one of...

Sources: GSO, Tourism Department, TCB Market Research

Section 3

Vietnamese Economy

...the two main drivers to support economic growth. Therefore, we expect the Government to continue researching new policies to support domestic consumption and boost international tourism, such as expanding the number of visa-exempt countries.

Figure 21: International and Domestic Tourists

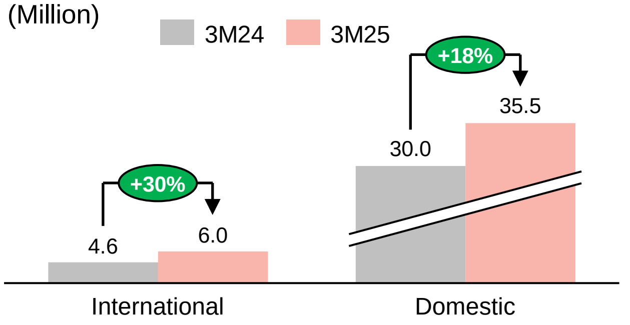


Figure 22: Development Investment

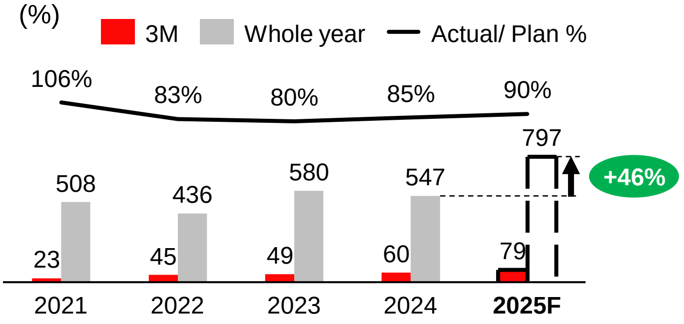
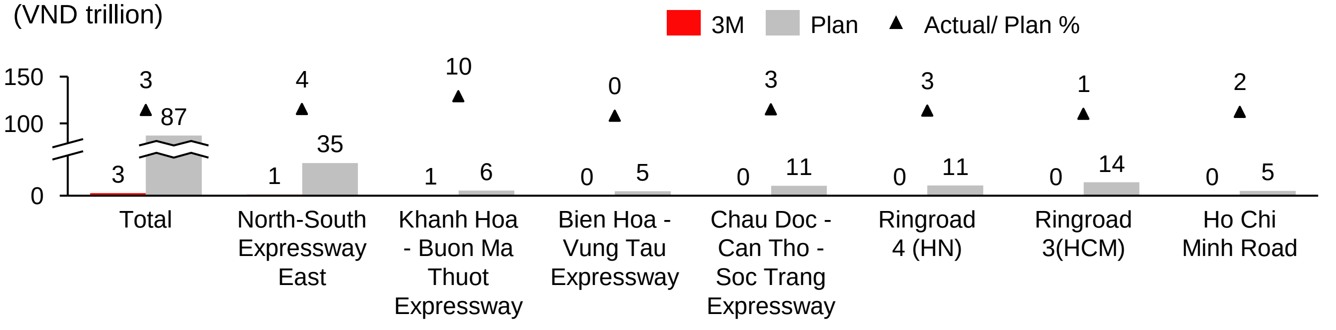


Figure 23: National Key Projects



Public investment in 1Q remains slow, and disbursement pressure will be high in the coming months.

In the context of external economic uncertainties as previously mentioned, public investment has become the primary and most important driver to boost economic growth. Therefore, under both scenarios, we temporarily assess that public investment would not be affected. However, the latest figures show that the Government still has much work to do. In the first three months of 2025, public investment disbursement remains slow, reaching only 9% of the total plan and lower than the 12% level of 2024. Notably, the total investment capital for 7 national key transport projects has only disbursed just over 3% of the plan.

Reasons for the slow disbursement include: ongoing obstacles in site clearance, rising material prices, and a lack of guiding documents for implementing new laws, which create difficulties in the procedure and documentation process. Currently, the Government is making efforts to resolve these issues. Specifically, the Prime Minister has requested ministries and localities to proactively remove obstacles related to investment procedures, bidding, and site clearance. ...

Sources: GSO, MOF, TCB Market Research

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... In the context of unfavorable external factors, we believe that public investment would continue to be prioritized, and disbursement could reach 80–90% of the plan this year.

Figure 24: Contribution to inflation MoM

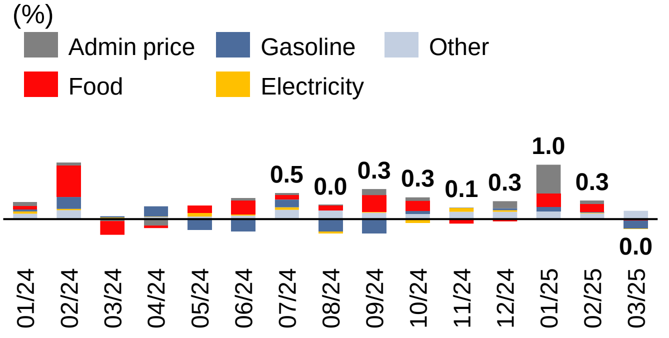
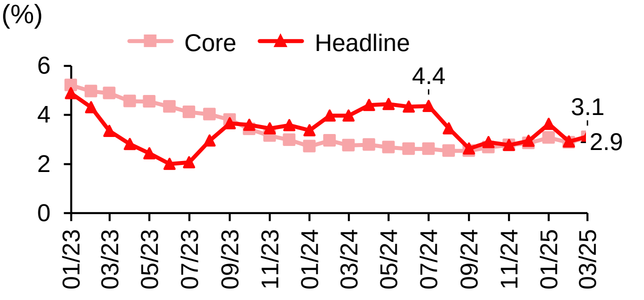


Figure 25: Inflation and core inflation YoY



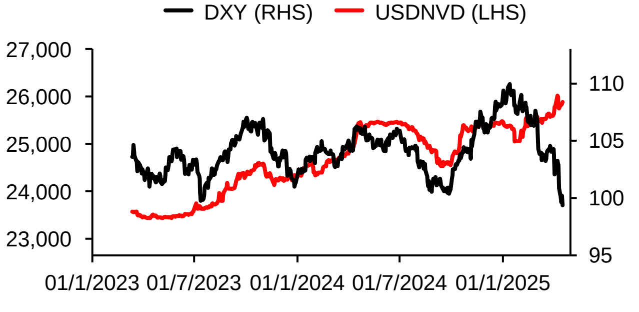
Average CPI forecast adjustment as follows: (1) Optimistic: CPI increases by 3.5%. (2) Pessimistic: CPI increases by 3%

In the scenario where the global economy declines, affecting the prices of some products such as energy and freight rates, we adjust the average CPI forecast for the year corresponding to the two GDP forecast scenarios presented above:

Optimistic scenario: Average CPI reaches 3.5%. First, Goldman Sachs has revised down the average 2025 WTI crude oil price three times in April alone to USD 58/barrel, down more than 23% YoY. A weakening global economy pulls down energy demand. Therefore, domestic gasoline prices are forecasted to decrease moderately in this scenario. Second, the stability in domestic consumption (growth of about 6% YoY) is not expected to exert pressure on inflation (demand-pull inflation).

Pessimistic scenario: Average CPI reaches 3%. First, risks of economic recession in major economies are increasing, significantly reducing crude oil demand. Therefore, domestic gasoline prices are forecasted to decrease sharply in this scenario. Second, final consumption is affected due to declining exports and FDI in 2H2025, dragging down inflation.

Figure 26: Dollar Index (DXY) and USDVND



Sources: GSO, Bloomberg, TCB Market Research

Figure 27: Import Growth (%MoM)

Month	1	2	3	4	5	6	7
2013	0%	-32%	53%	-1%	12%	-11%	2%
2014	-19%	0%	25%	-3%	5%	-5%	7%
2015	-1%	-24%	40%	-10%	13%	-3%	1%
2016	-10%	-20%	40%	-2%	4%	1%	-3%
2017	-23%	15%	22%	-6%	6%	-2%	-3%
2018	0%	-29%	34%	-8%	20%	-8%	10%
2019	4%	-30%	43%	-1%	10%	-16%	18%
2020	-17%	1%	19%	-16%	0%	11%	6%
2021	-5%	-22%	38%	-3%	2%	-2%	6%
2022	-8%	-13%	27%	-1%	2%	-2%	-4%
2023	-16%	1%	22%	-11%	4%	1%	3%
2024	4%	-25%	33%	-3%	9%	-5%	9%

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Adjustment of USDVND exchange rate forecast under two scenarios: (1) Optimistic: Exchange rate increases by 3%. (2) Pessimistic: Exchange rate increases by 4.5%

According to our observations, since the beginning of the year, the USDVND exchange rate has not moved in line with the Dollar Index (DXY). In March, the USDVND exchange rate remained flat, while the DXY dropped nearly 4% YTD. This indicates that the main factor affecting the USDVND exchange rate comes from foreign currency inflows and outflows in Vietnam. As mentioned in recent reports, the USDVND exchange rate will experience more unpredictable volatility in 2025 in the context of global economic uncertainty. Accordingly, we adjust the USDVND exchange rate forecast under two scenarios:

Optimistic scenario: USDVND exchange rate increases by 3% by year-end. Notably, foreign currency demand will rise in 2Q and 3Q. According to our observations, import enterprises usually import raw materials in March, May, and July. Additionally, in 2Q, FDI enterprises will repatriate part of their profits (seasonal factor).

Pessimistic scenario: USDVND exchange rate increases by 4.5% by year-end. With low economic growth, declining exports, and the risk of FDI and FII capital outflows from emerging markets including Vietnam, foreign currency outflows will create significant pressure on the USDVND exchange rate.

Figure 28: 6-M Deposit interest rate of G14*

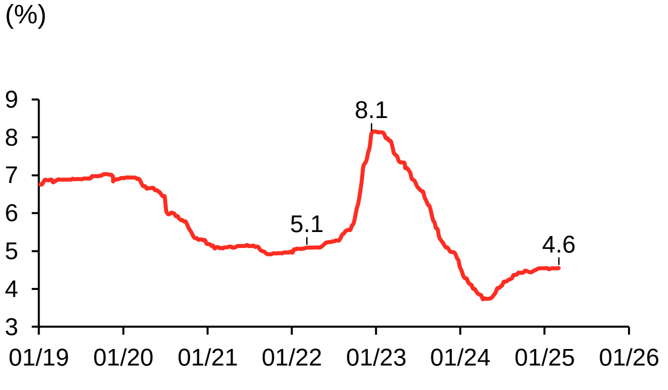
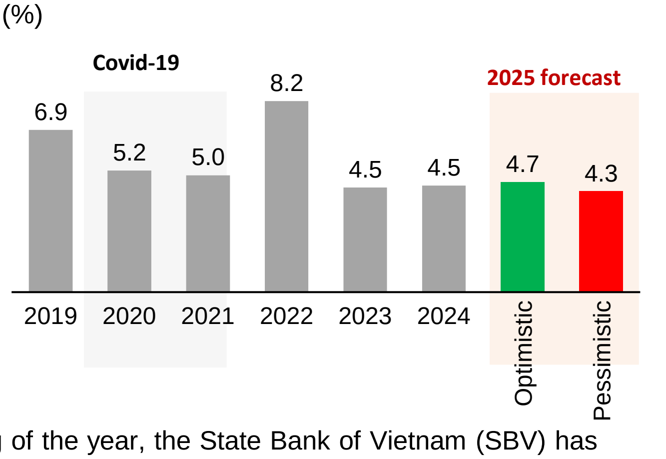


Figure 29: 6-Month Deposit Rate Trend of G14



Adjustment of deposit interest rate forecast under two scenarios: (1)Optimistic: Interest rate increases by 20 basis points. (2) Pessimistic: Interest rate decreases by 20 basis points

Since the beginning of the year, the State Bank of Vietnam (SBV) has consistently aimed to stabilize the deposit interest rate level and gradually reduce lending interest rates. According to SBV, in 1Q, lending interest rates continued to decline by 0.4% YTD and credit growth reached 3.9% YTD (1Q/24 recorded 1.42% YTD), ...

Sources: GSO, SBV, TCB Market Research

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... demonstrating efforts by the banking system to support the economy. We forecast that deposit interest rates will continue to stabilize at low levels, even lower than during the COVID period, to support the target economic growth of 8% set by the Government.

Optimistic scenario: With an economic growth forecast of 6.5%, combined with credit growth of 14%, and exchange rate pressure of 3%, we assess that deposit interest rates will tend to increase slightly and insignificantly, with a forecasted increase of about 20 basis points or will remain flat.

Pessimistic scenario: With low economic growth of 3.5%, credit growth only reaching 11%, and exchange rate pressure of 4.5%, we assess that deposit interest rates may decrease by around 20 basis points or more to focus on supporting the economy.

Sources: GSO, SBV, TCB Market Research
Note: G14* incl TCB, MBB, ACB, VPB, STB, ABB, VAB, BAB, HDB, SCB, LPB, SHB, TPB, SSB.

Section 4

Appendix

Updates on macroeconomics and financial market in the world

Indicators	Country	Unit	2024	2024									2025		
				04	05	06	07	08	09	10	11	12	01	02	03
Real GDP Growth	US	%, YoY, Quarterly	2.8			3.0			2.7			2.5			
	Eurozone	%, YoY, Quarterly	0.7			0.5			1.0			1.2			
	China	%, YoY, Quarterly	5.0			4.7			4.6			5.4			
	Japan	%, YoY, Quarterly	0.1			-1.0			0.6			1.2			
CPI	US	%, YoY, Monthly	2.9	3.4	3.3	3.0	2.9	2.5	2.4	2.6	2.7	2.9	3.0	2.8	2.4
	EU	%, YoY, Monthly		2.4	2.6	2.5	2.6	2.2	1.7	2.0	2.2	2.4	2.5	2.4	2.2
	China	%, YoY, Monthly	0.2	0.3	0.3	0.2	0.5	0.6	0.4	0.3	0.2	0.1	0.5	-0.7	-0.1
	Japan	%, YoY, Monthly	2.7	2.5	2.8	2.8	2.8	3.0	2.5	2.3	2.9	3.6	4.0		
Fed funds target rate		%. End of month	4.5	5.50	5.50	5.50	5.50	5.50	5.00	5.00	4.75	4.50	4.5	4.5	4.5
DXY		Index. Monthly Average	104.2	105.41	104.95	105.17	104.63	102.21	101.0	103.3	105.9	107.2	108.6	107.3	104.1
USD/CNY		Index. Monthly Average	7.2	7.24	7.23	7.25	7.26	7.15	7.08	7.09	7.21	7.28	7.30	7.27	7.25
10Y UST Yields		%. Monthly Average	4.21	4.51	4.48	4.31	4.25	3.87	3.72	4.09	4.4	4.4	4.6	4.5	4.3
WTI Oil price		USD/barrel. Monthly Average	75.76	84.4	78.6	78.7	80.48	75.43	69.37	71.56	69.5	69.7	75.1	71.2	67.9

Updates on macroeconomics and financial market in Vietnam

Indicators	Unit	2024	2024									2025		
			04	05	06	07	08	09	10	11	12	01	02	03
Real GDP growth	%, Quarterly, YoY	7.0			7.09			7.4			7.55			6.93
IIP	%, Monthly, YoY	8.35	6.30	8.90	10.92	11.23	9.50	10.84	7.02	7.95	8.84	0.61	17.17	8.60
Headline CPI	%, Monthly, YoY	3.6	4.40	4.44	4.34	4.36	3.45	2.63	2.89	2.77	2.94	3.63	2.91	3.13
Retail sales growth	%, Monthly, YoY	9.5	9.0	9.0	9.1	9.4	7.9	7.6	7.1	8.8	9.3	9.5	9.4	10.0
Registered FDI	USD billion, Monthly	33.7	2.6	1.7	3.5	2.2	2.0	3.5	2.4	3.7	6.4	4.0	2.4	3.1
Disbursed FDI	USD billion, Monthly	25.4	1.7	2.0	2.6	1.7	1.6	3.2	2.2	2.1	3.7	1.5	1.4	2.0
Trade exports	USD billion, Monthly	405.5	31.1	32.3	34.5	36.8	38.0	34.2	35.9	34.3	35.6	33.2	31.1	38.6
Trade imports	USD billion, Monthly	380.8	29.9	32.7	31.2	34.1	33.9	32.0	33.4	33.3	35.1	30.1	32.7	36.9
Trade balance	USD billion, Monthly	24.8	1.2	-0.4	3.0	2.7	4.1	2.2	2.5	1.0	0.5	3.1	-1.7	1.7
Deposit growth	%, YTD		-0.1	0.00	2.60	2.00	3.65	5.7	6.8	7.9				
Credit growth	%, YTD		2.01	3.43	6.10	5.93	7.31	9.1	10.2	11.9	15.1			
10Y Government bond yields	%, Monthly Average	2.7	2.78	2.80	2.80	2.79	2.73	2.68	2.67	2.74	2.88	3.03	2.88	2.97
1W Interbank rate	%, Monthly Average	3.7	4.20	4.55	4.84	4.79	4.64	4.14	3.81	4.99	4.50	4.6	4.8	4.5
6M Deposit rate**	%, Monthly Average	4.2	3.75	3.87	4.10	4.24	4.39	4.43	4.43	4.49	4.54	4.54	4.55	4.49
USD/VND	Monthly Average	25,068	25,153	25,446	25,443	25,370	25,026	24,624	25,058	25,373	25,423	25,323	25,437	25,547

Updated full-year forecasts for Vietnam

Indicators	Unit	2024	2024								2025			Forecast
			05	06	07	08	09	10	11	12	01	02	03	2025
Real GDP growth	%	7.0		7.09			7.40			7.55			6.93	4,0 - 6.5
Headline CPI	%, YoY. Average	3.6	4.44	4.34	4.36	3.45	2.63	2.89	2.77	2.94	3.63	2.91	8.60	3.0 – 3.5
Deposit growth	%, YTD		0.00	2.60	2.00	3.65	5.7	6.8	7.9				3.13	10.6 – 11.0
Credit growth	%, YTD		3.43	6.10	5.93	7.31	9.1	10.2	11.9	15.1			10.0	11.0 – 14.0
USD/VND	Average	25,068	25,446	25,443	25,370	25,026	24,624	25,058	25,373	25,423	25,323	25,437	3.1	26,000 - 26,200
10Y Government bond yields	%, 10Y, Average	2.7	2.80	2.80	2.79	2.73	2.68	2.67	2.74	2.88	3.02	2.88	2.0	2.90 – 3.20
1W Interbank rate	%, Average	3.7	4.55	4.84	4.79	4.64	4.14	3.81	4.99	4.50	4.6	4.8	38.6	3.5 – 5.0

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

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