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Monthly Updates on Macroeconomics and Financial Market

Hanoi, May 2025

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BE GREATER

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US-China Trade Truce: What it means for global and Vietnam's growth paths

- SECTION 1

  EXECUTIVE SUMMARY
- SECTION 2

  GLOBAL ECONOMY
- SECTION 3

  VIETNAMESE ECONOMY
- SECTION 4

  APPENDIX

Section 1

Executive Summary

Global Economy:

- *Global trade tensions eased in May 2025 following a temporary 90-day US-China tariff truce and reduced levies with key partners, lifting near-term market sentiment. However, uncertainty persists over future trade policy, with volatility in Trump's agenda remaining a major risk*
- *In the US, domestic demand remains resilient despite a GDP contraction, but trade-related uncertainty continues to weigh on business confidence and growth prospects. Inflation risks remain elevated due to persistent effective tariffs rates, prompting the Fed to hold rates steady and adopt a cautious stance.*
- *In China, stronger-than-expected GDP and retail sales point to positive early-2025 momentum, supported by trade and proactive policy stimulus. Nonetheless, structural challenges – including deflationary pressures, a weak property sector, and softening external demand – continue to pose risks. China's monetary, fiscal, and diplomatic initiatives signal a determined effort to stabilize growth, maintaining a credible path toward its 5% target.*

Vietnamese Economy:

- *Vietnam faces multiple risks due to its high trade openness and the concentration of exports in the FDI sector. Although trade tensions have eased, it is still too early to completely rule out a pessimistic scenario. However, we are gradually leaning toward a more optimistic outlook, with economic growth projected to reach 6.5% in 2025.*
- *A trade agreement with the United States—under which Vietnam would be subject to a lower import tariff (if any) compared to its competitors—remains a necessary condition to support expectations of strong growth this year.*
- *In the near future, FDI is likely to be affected, due to: A global economic slowdown (as seen in reduced disbursement growth in 2020 and 2023), and Ongoing uncertainty surrounding tariff policies.*
- *Average inflation in 2025 is expected to range between 3% and 3.5%, with the higher end corresponding to the optimistic scenario.*
- *Vietnam's tourism – is expected to remain the most positive contributor to the economy this year.*
- *Public investment disbursement in the first four months of the year increased by approximately 11%, with April alone nearly doubling compared to the same period last year.*
- *The USD/VND exchange rate is expected to remain highly unpredictable, with the potential for continued fluctuations in both directions.*
- *Interest rates are expected to remain stable at their current low levels.*

Global Economy

Despite global trade tensions eased in May 2025 following a temporary 90-day US-China tariff truce, uncertainty persists. In the US, domestic demand remains resilient despite a GDP contraction, but trade-related uncertainty continues to weigh on business confidence and growth prospects. US inflation risks remain elevated, prompting the Fed to adopt a cautious stance. In China, stronger-than-expected GDP and retail sales point to positive early-2025 momentum. China's monetary, fiscal, and diplomatic initiatives signal a determined effort to stabilize growth, maintaining a credible path toward its 5% target.

Global trade tension ease amidst the US-China tariff truce

In mid-May 2025, the US and key trading partners took steps to ease global trade tensions through a series of tariff reductions and bilateral agreements. Most notably, the US and China agreed to a 90-day truce, cutting tariffs from 145% to 30% on US imports and from 125% to 10% on Chinese countermeasures. The US also reduced "de minimis" tariffs on small Chinese parcels to 30%. In a separate agreement, the US and UK lowered auto tariffs to 10% under a quota system and formed a steel and aluminum trading union. These actions sparked optimism in global markets, with equities rallying on reduced immediate risk. However, uncertainty remains over the direction of trade policy once the truce expires, leaving longer-term stability still in question.

Figure 1: Global stock markets

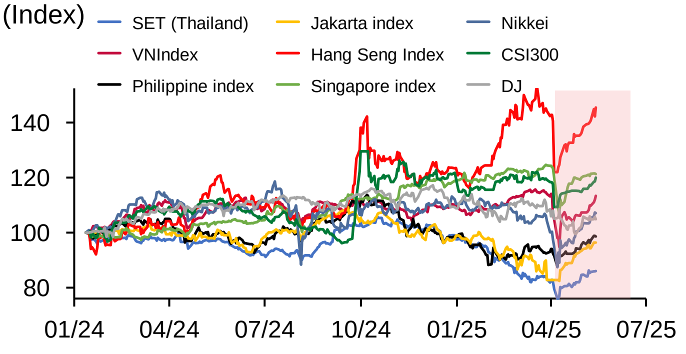
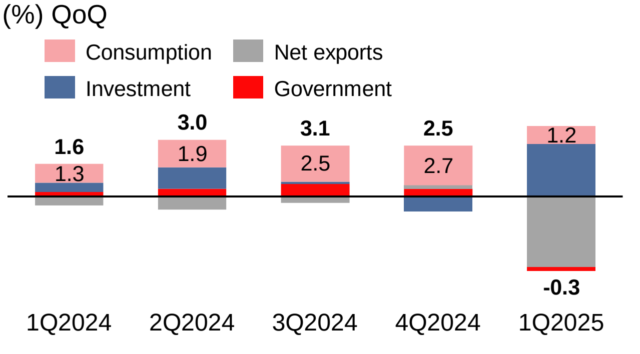


Figure 2: US GDP component contribution



Despite resilient US "core" GDP and domestic demand, uncertainty surrounding Trump's trade and policy decisions remains the greatest risk

As we noted in our previous monthly report (Report link), US GDP effectively contracted in first quarter of 2025 (1Q25). The negative growth came as little surprise, primarily driven by a sharp drop in net exports, as anticipated. The US imports surged by 14.4% YoY – the largest in recent years – subtracting a record 4.83 percentage points from GDP, as firms accelerated purchases ahead of new tariff hikes. At the same time, …

Note: US "core" GDP includes Private Consumption, Government Expenditures and Private Fixed Investment

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

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Global Economy *(Cont.)*

… inventory (Investment) accumulation added 2.25 percentage points to growth, the largest contribution since 4Q21, reflecting stockpiling before tariffs took effect. Despite the GDP contraction, underlying domestic demand remained solid with real final sales to private domestic purchasers rose 3.0%, slightly up from 2.9% in 4Q24. Following the announcement of a temporary US-China tariff truce, sentiment in US markets improved, prompting major institutions to revise their growth forecasts upward. JPMorgan raised its 2025 US GDP forecast from 0.2% to 0.6%, while Goldman Sachs increased its projection by 0.5 percentage points to 1.0%. We view this as a positive near-term signal for US markets. However, we remain cautious. As highlighted in prior reports, the greatest risk lies in the volatility and unpredictability of President Trump's trade and policy actions. With the truce set to expire in 90 days and no structural resolution in place, US economic growth remains subject to significant uncertainty.

Figure 3: US PMI

(Index)

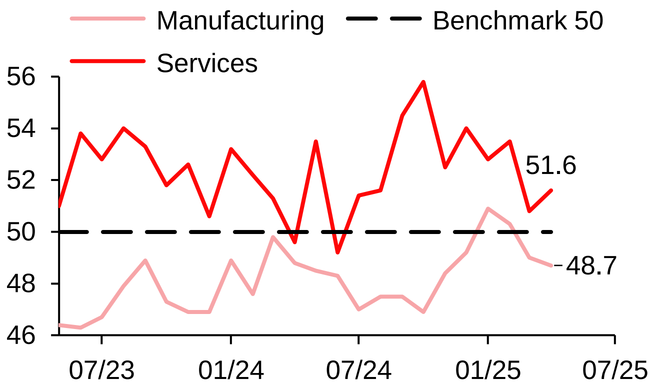
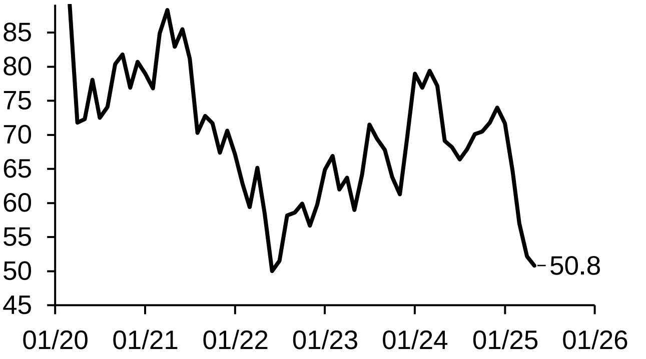


Figure 4: Michigan Consumer Sentiment

(index)



US trade policy uncertainty continue to threaten business confidence, weighing on US growth prospects

What continues to concern us – emphasized repeatedly in our recent analyses – is the potential spillover effect of trade policy uncertainty on business and consumer sentiment. A sustained erosion in confidence could weigh heavily on both consumption and investment, posing clear downside risks to US growth. This is already reflected in recent data: (1) the ISM Manufacturing PMI shows weakening business sentiment, and (2) consumer confidence has declined to its lowest level since June 2022. These indicators reinforce our view that while temporary relief may lift short-term expectations, the broader outlook for the US economy remains fragile.

Sources: Bloomberg, Refinitiv, The Budget Lab at Yale, University of Michigan, ISM, TCB Market Research

Section 2

Global Economy *(Cont.)*

Despite progress in US-China trade talks, US inflation risks remain elevated

We believe that while recent US-China trade negotiations have shown encouraging signs – particularly on tariff reductions – risks of renewed inflationary pressure remain elevated. ***Firstly***, April CPI data showed a year-over-year decline, but month-over-month figures have started to tick up again, signaling a possible reversal. ***Secondly***, May data from the University of Michigan reveals that inflation expectations surged to 7.3%, up sharply from 6.5% in the previous month. ***Thirdly***, even after factoring in the revised tariff terms from the recent US-China agreement, Yale's Budget Lab estimates the effective US tariff rate remains elevated at 14-15%, far above historical norms (around 1-3%). At the same time, the US inventory-to-sales ratio remains low while retail sales continue to rise, indicating that businesses may need to increase imports. This persistent import demand suggests that elevated tariffs could continue to feed into import prices and overall inflation. Adding to these pressures, oil prices have begun to rise in recent days, posing an additional short-term inflation risk. Looking ahead, uncertainty remains high as the 90-day US-China tariff truce nears its end, leaving inflation risks and policy direction unresolved.

Figure 5: Michigan inflation expectation and US CPI

(% YoY, MoM)

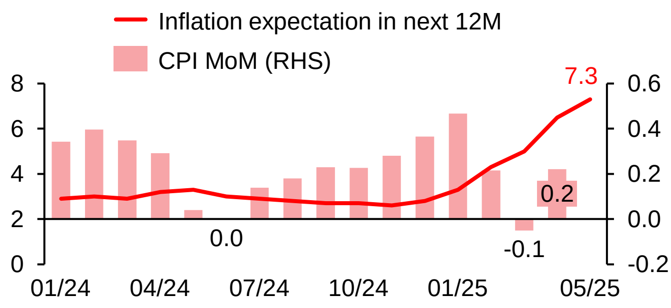
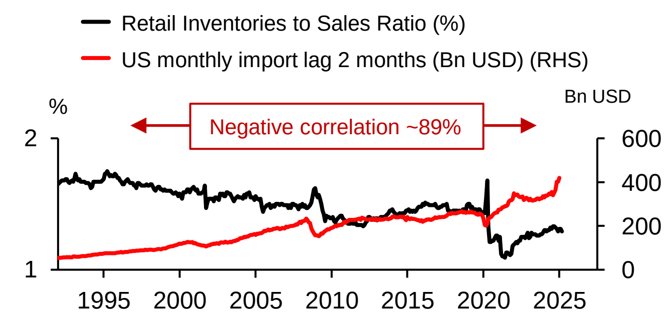


Figure 6: US inventory-to-sales ratio and import

(%, Bio USD)



Fed holds rates steady, citing inflation risks and economic uncertainty

The Federal Reserve held interest rates steady at its May meeting, reflecting a cautious stance amid modest April inflation and a stable unemployment rate of 4.2%. This decision signals the Fed's continued preference for a data-dependent approach, avoiding any abrupt rate cuts. Chairman Powell emphasized a "wait-and-see" position, noting the need for further clarity on inflation dynamics and trade developments before making additional policy adjustments. The Fed also acknowledged that "uncertainty about the economic outlook has increased further", highlighting growing concerns over the evolving policy environment…

Sources: Bloomberg, Refinitiv, Fed, Fred, University of Michigan, BLS, The Budget Lab at Yale, TCB Market Research

…Given the persistent risks of inflation, particularly from potential tariff-related shocks, and ongoing unpredictability in Trump's trade agenda, we continue to expect only one or two rate cuts by the Fed this year.

Figure 7: US unemployment rate

(%)

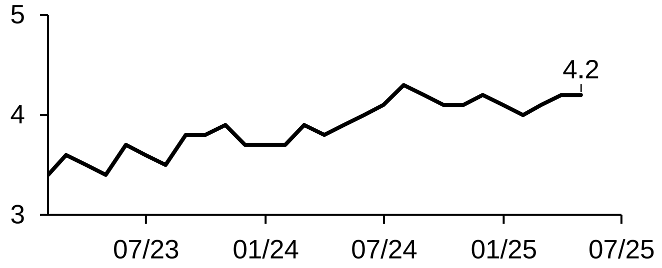
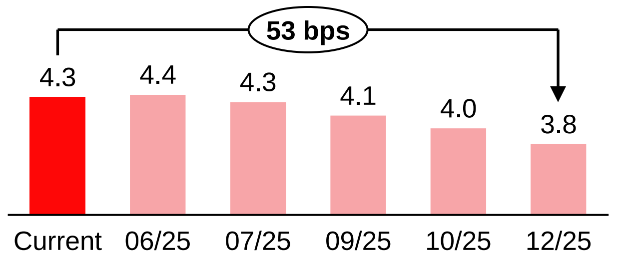


Figure 8: Market Fed funds rate expectation

(%) Forecasted by Reuters, as of May 16th, 2025



China's economy exceeded expectations in early 2025, driven by strong trade and positive domestic demand

As for China, its economy outperformed expectations in early 2025, with signs of strengthening domestic demand alongside resilient external trade. Real GDP grew by 5.4% YoY in 1Q25, exceeding forecasts due to solid export performance. Although spending by Chinese travelers during the May Day holiday remained below pre-pandemic levels, April retail sales of consumer goods rose by 5.9% YoY, well above the 4.2% consensus and the strongest monthly increase in recent months. We believe that the temporary 90-day US-China tariff truce has further supported China's market sentiment and trade flows, creating room for continued growth in the first half of 2025. Reflecting this optimism, major institutions also revised up their forecasts. JPMorgan raised its full-year China GDP growth projection to 4.8% from 4.1%, citing improved export confidence due to the tariff pause. Similarly, Goldman Sachs increased its forecast to 4.6% from 4.0%, highlighting the positive impact of reduced US tariffs and better near-term trade conditions.

Figure 9: China total retail sales growth

(% YoY)

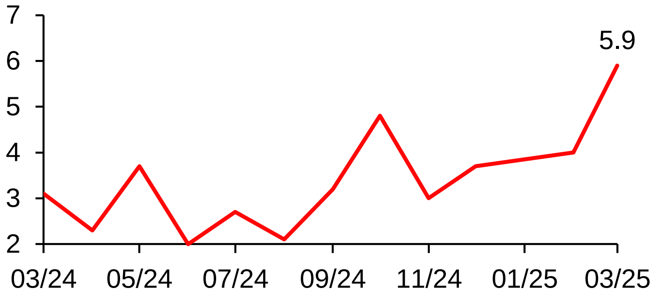
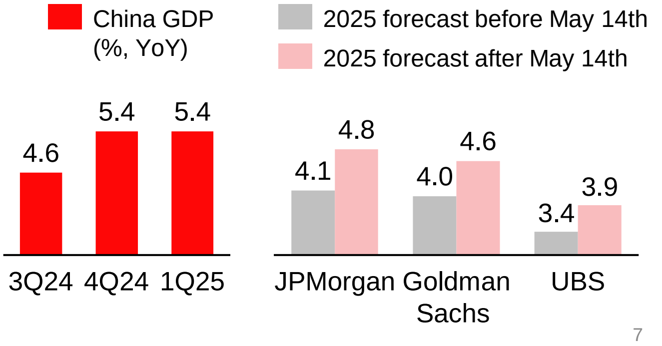


Figure 10: China GDP and 2025 revised forecasts

(% YoY), revised forecasted by major institutions



Sources: Bloomberg, Refinitiv, Fred, BLS, China NBS, JPMorgan, UBS, Goldman Sachs, TCB Market Research

Section 2

Global Economy *(Cont.)*

While recent data is positive, China still faces trade tensions uncertainty, deflation risks, and an uneven recovery

However, several risks persist for China despite recent positive data, stemming from both external pressures and internal structural challenges. ***Externally***, ongoing US-China trade tensions remain a key source of uncertainty. While the 90-day tariff truce agreed in mid-May has temporarily eased friction, the risk of renewed tariff escalation, coupled with unresolved structural and enforcement issues, continues to weigh on investor sentiment. These uncertainties could disrupt supply chains, deter new investment, and reignite market volatility. ***Internally***, the recovery remains uneven. ***Firstly***, although there have been encouraging month-on-month signals, the property sector remains under pressure, with newly built home prices continuing to decline year-on-year. ***Secondly***, deflationary concerns persist, as China posted its third consecutive month of consumer price deflation in April, with CPI down 0.1% YoY, despite the retail sales rebound. ***Thirdly***, China's NBS manufacturing PMI fell to 49.0 in May, indicating contraction. The sharp decline in the new export orders index to 44.7 (the lowest since December 2022) underscores weakening external demand and could further dampen business confidence and employment.

Figure 11: China new house prices

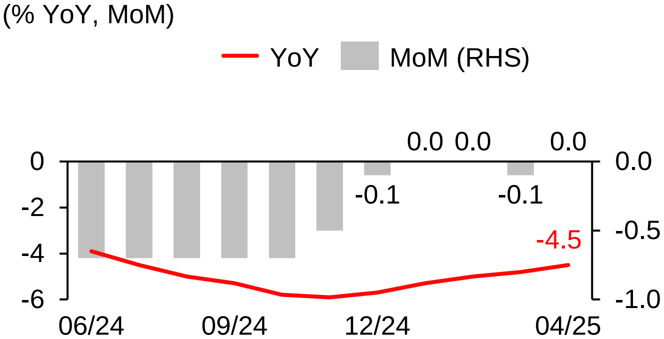
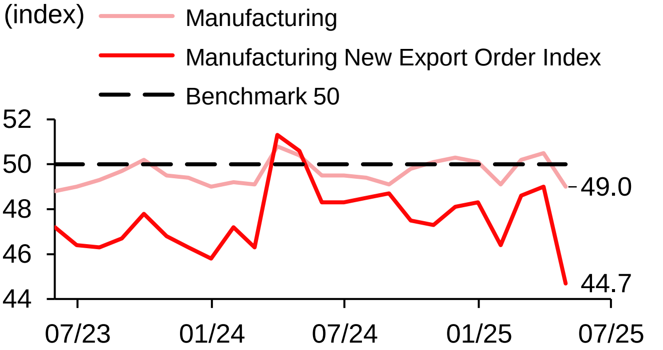


Figure 12: China NBS PMI and new export order



China is implementing stronger measures to counter economic headwinds and support growth

Despite lingering challenges, China is actively pursuing a range of measures to stimulate growth and counter both internal and external headwinds. Monetary and credit support has been a key policy lever. The People's Bank of China (PBoC) has rolled out targeted lending facilities totaling 1.1 trillion RMB, including 500 billion RMB for service-sector consumption and elderly care, and 300 billion RMB each for technological innovation and for agriculture/SMEs, aimed at channeling low-cost capital into high-priority sectors. On May 7, the PBoC also cut the 7-day reverse repo rate by 10 basis points to 1.40% and reduced the required reserve ratio (RRR) for banks by 50 basis points, releasing…

Sources: Bloomberg, Refinitiv, China NBS, PBoC, Xinhua, TCB Market Research

Global Economy *(Cont.)*

…, around 1 trillion RMB in liquidity. Additional steps included lowering mortgage rates and introducing low-cost relending programs for tech bonds, exporters, and public services.

Figure 13: China Reserve Requirement Ratio and 7-Day Reverse Repo Rate

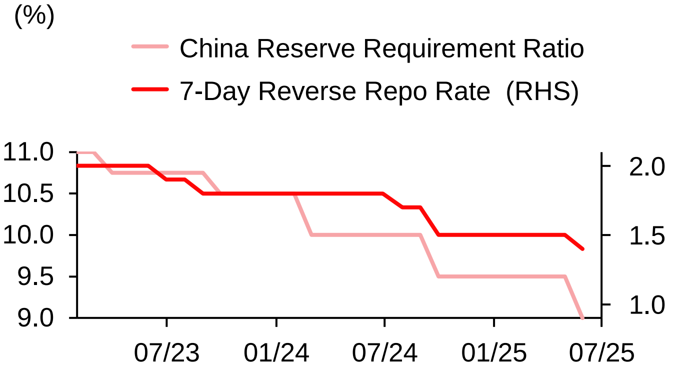


Figure 14: China's diplomatic and trade initiatives with other countries since early 2025

Country	Key New Agreement
Vietnam	Signed around 45 bilateral cooperation agreements
Malaysia	Exchanged 31 memoranda of understanding on trade facilitation
Cambodia	Signed 37 cooperation documents on building safe and stable supply chain
Colombia	Formalized a Belt and Road cooperation plan with China
Brazil	Agreed 20 bilateral accords under a broader free-trade and investment framework
Russia	Signed a statement to deepen their comprehensive strategic partnership

China diplomatic and trade initiatives are also gaining momentum. On May 14, China signed a cooperation plan with Colombia under the Belt and Road Initiative (BRI), committing to increased imports of Colombian goods and infrastructure investment. At the China-CELAC Forum on May 13, President Xi Jinping announced nearly 66 billion in new yuan-denominated credit lines for Latin America and the Caribbean, alongside visa-free access for five countries. These moves aimed at deepening economic ties and expanding use of the renminbi. Separately, China is also exploring bilateral FTA talks with Switzerland to formalize tariff reductions and broader market access.

We see that China's policy measures and economic momentum reveal a credible path to meet its 5% growth target

Taken together, these coordinated monetary, fiscal, and diplomatic efforts suggest that China is actively using multiple levers to support growth. With positive momentum in 1Q25 GDP and stronger-than-expected retail sales, we see a credible path for China to meet its full-year growth target of "around 5%."

Sources: Bloomberg, Refinitiv, China NBS, PBoC, Xinhua, TCB Market Research

Section 3

Vertnamese Economy

With a high level of trade openness, Vietnam's economy and financial markets will continue to face external risks, especially in the context of ongoing global economic volatility under the Trump 2.0. The main driving forces will come from internal factors such as public investment and consumption. To achieve a strong economic growth this year, a trade agreement with the United States will be essential.

Vietnam faces significant risks due to its high trade openness and the concentration of exports in the FDI sector.

April was a "stormy" month for both the global economy and Vietnam, as the United States effectively "declared war" on trade with nearly every country in the world on what President Trump called "America Liberation Day." Vietnam itself faced an unprecedented retaliatory tariff of up to 46% from the U.S. for about 13 hours, creating a pessimistic and anxious atmosphere regarding the country's economic growth prospects—not only for this year but also for the years ahead. This concern stems from Vietnam's high level of trade openness, with exports heavily concentrated in the foreign direct investment (FDI) sector—which has been the main driver of Vietnam's growth over the past decade, but now poses a major risk, especially in comparison to neighboring countries. Notably, the root cause of recent major and unpredictable global economic fluctuations lies in the US —Vietnam's largest export market, accounting for nearly one-third of total export turnover. Moreover, the primary target in the current trade war is China, which supplies nearly 40% of Vietnam's total imports. Clearly, when the two "main players" in this Trade War 2.0 account for 43% of Vietnam's total export & import value, external shocks will continue to pose significant risks to the country's economy in the near future.

Figure 15: Total merchandise trade as a percentage of GDP by country

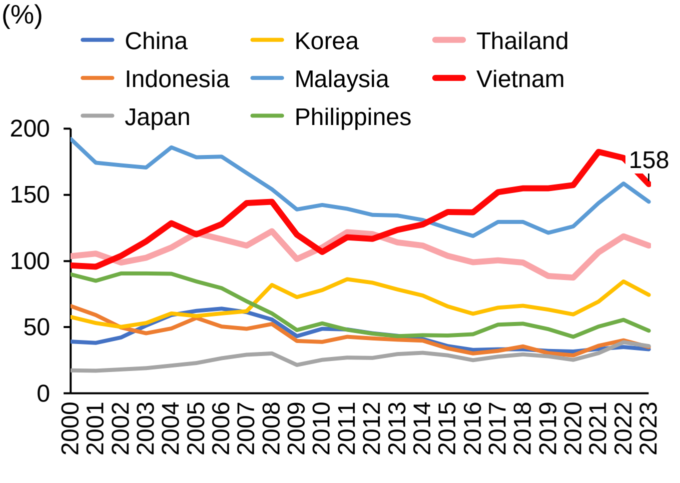
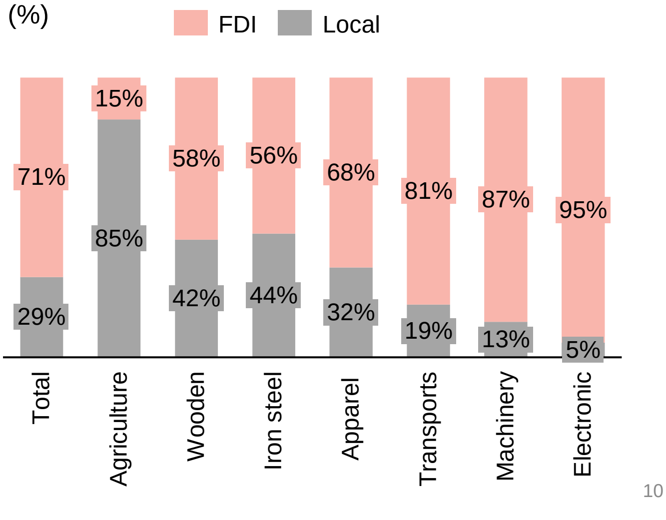


Figure 16: Proportion of FDI and domestic enterprises in Vietnam's exports



Sources: GSO, Vietnam custom, TCB Market Research

Vietnamese Economy

Despite the easing of trade tensions, it is still too early to dismiss the pessimistic scenario

Fortunately, in the early weeks of May, the trade war situation has shown clear signs of easing. The first breakthrough came when the United Kingdom became the first country to reach a trade agreement with the United States. More importantly, tensions between the U.S. and China have also subsided following a successful meeting in Switzerland, where both sides agreed to mutually reduce import tariffs over the next 90 days. These developments suggest that the impact of tariffs on the global economy may be less severe than initially forecasted, and Vietnam has a real opportunity to persuade the U.S. administration to move toward a trade agreement in the near future. However, given the Trump administration's track record of rapidly shifting policies, it may still be too early to completely rule out a pessimistic scenario—despite our growing inclination toward a more optimistic outlook, with projected economic growth of 6.5% in 2025, as detailed in last month's report. The risks posed by the trade war to Vietnam's economy will significantly change if the U.S. government ends its tariff policy (which is unlikely to happen soon under Trump 2.0), or until the U.S. midterm elections in November 2026, which could potentially yield a more favorable outcome for the Democratic Party—or even further, until 2029, when President Trump's term ends.

We are gradually leaning toward a more optimistic scenario, with economic growth projected to reach 6.5% in 2025

Figure 17: Export growth to the U.S. in April

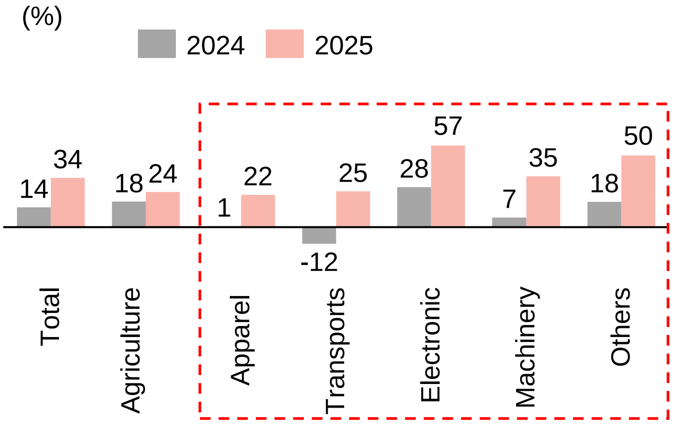
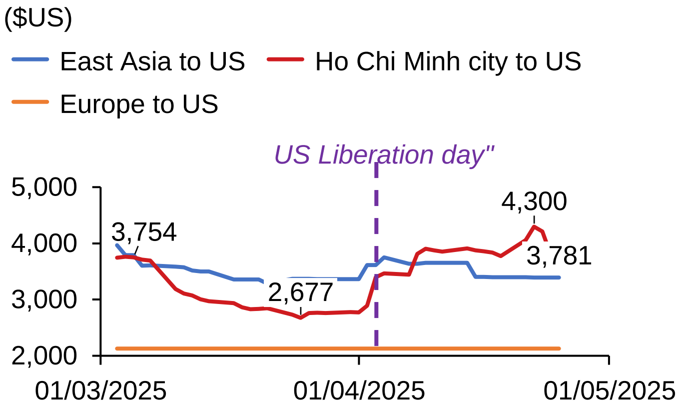


Figure 18: Container shipping costs



Export growth and industrial production surged in April due to the 90-day tariff suspension

The phenomenon of front-loading exports to the U.S. occurred just as we had anticipated, with export growth to the country surging by 34% in April. This increase was concentrated in key product categories such as garments, electronics, and others. As a result, several other indicators for the first four months of the year also improved significantly: total export growth reached nearly 14%, and the industrial production index rose by over 8%—the highest level in four years.

Sources: GSO, Freightos, TCB Market Research

Section 3

Vietnamese Economy

We do not actually have the full 90 days as initially assumed to boost exports to the U.S. in order to avoid tariffs

Sea freight costs from Ho Chi Minh City to the U.S. surged by 50% in just two weeks, reflecting exporters' rush to ship goods ahead of the July 10, 2025 deadline. As noted in our previous monthly report, the 90-day suspension of the 46% tariff may have unintentionally boosted exports and production, supporting stronger Q2 economic growth. However, upon closer review, we believe further monitoring is needed before drawing firm conclusions. Key considerations include: (1) Shipping costs have returned to early-March levels, suggesting the export surge may be easing; (2) Sea freight from Vietnam to the U.S. takes around 35 days, meaning goods must leave Vietnamese ports by June 5, not July 10, to meet the deadline—shortening the effective window for exporters

Figure 19: Shipping and customs clearance time from Vietnam to the US

From	To	Duration
Hai Phong	Los Angeles	21 days
HCM	Long Beach	27 days
HCM	New York	38 days
HCM	Houston	41 days

Customs clearance methods	Customs clearance time
Express customs clearance	1 days
Random inspection	1-2 days
Open-door inspection	3-5 days
Intensive inspection	5-7 days

Sources: GSO, TCB Market Research

A trade agreement with the United States, in which Vietnam enjoys a lower import tariff (if any) compared to its competitors, remains a necessary condition to expect strong growth this year

The easing of trade tensions, as previously mentioned, is a highly positive signal for Vietnam's economy. However, in order to realistically expect strong growth this year, securing a trade agreement with the United States—under which Vietnam is subject to lower import tariffs (if any) compared to its competitors—remains a necessary condition. The reason is that, despite the encouraging export growth figures in April (partly driven by the rush to ship goods ahead of potential tariffs), we are concerned that much of this growth stems from orders that had been signed earlier and were originally scheduled for delivery in Q3 and Q4. Due to tariff-related concerns, these orders were expedited rather than representing new demand. According to our exclusive survey, many businesses reported hesitancy in accepting new orders for the following reasons: (1) Contract negotiations have become more complex due to tariff uncertainties—for example, who will bear the tariff burden, the exporter or the importer? If shared, what is the agreed-upon ratio? (2) Logistics costs have surged, with sea freight rates increasing by 50% recently, while air freight remains prohibitively expensive

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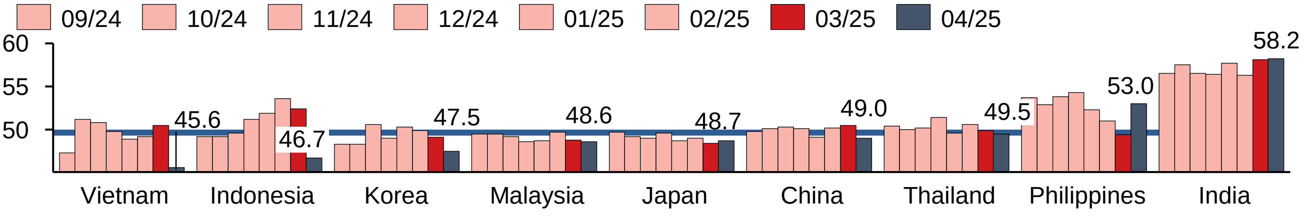
Vietnamese Economy

The PMI index reflects a clear sense of pessimism among businesses. New orders, export orders, and business confidence have all declined sharply

...(3) Labor costs have risen as companies are forced to hire additional workers and pay more for overtime to meet accelerated delivery schedules. More importantly, the U.S. economy in particular—and the global economy in general—faces a growing risk of slowdown, which could dampen both consumer and investment demand, thereby reducing import orders from Vietnam. This is evidenced by Vietnam's Purchasing Managers' Index (PMI), which dropped sharply to 45.6. Notably, new export orders have declined for six consecutive months, overall new orders have seen the steepest drop in two years, and business confidence has fallen to its lowest level in 44 months. It is worth noting that the S&P Global survey was conducted in the latter half of the month—after President Trump announced a delay in imposing the 46% tariff on Vietnam—yet the index still reflected a distinctly pessimistic sentiment. Therefore, a trade agreement with the United States remains crucial for Vietnam to sustain its growth momentum in the second half of 2025.

Figure 20: PMI figures across countries



In the near future, the impact on FDI will be hard to avoid due to (1) the global economic slowdown (with disbursed FDI growth declining in 2020 and 2023), and (2) instability caused by tariff-related issues

Reaching a trade agreement with the United States is also critically important for the potential of continued strong FDI inflows into Vietnam. Currently, data from April still shows positive signals: disbursed capital increased by 7%, while registered capital rose by as much as 44%, thanks to a significant rise in capital adjustment activities. In the near future, the impact on FDI will be hard to avoid due to: (1) The global economic slowdown (in both 2020 and 2023, disbursed FDI in Vietnam recorded negative growth); (2) Instability stemming from tariff-related issues, which is affecting investor sentiment. However, we maintain our view that there will be no "capital flight" of FDI from Vietnam. Vietnam's economy still possesses many competitive advantages that continue to attract businesses, including: (1) Ranking among the top 10 countries in the region in the Global Innovation Index; (2) Low geopolitical risk; (3) A high level of government transparency compared to regional peers; (4) Stable inflation maintained over the past decade.

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

Section 3

Vietnamese Economy

Average inflation in 2025 is expected to range between 3% and 3.5%, with the higher end corresponding to the optimistic scenario

Regarding the inflation outlook for this year, with the announcement of a nearly 5% increase in electricity prices in May, many may be concerned about inflationary pressures. However, the direct impact of this price hike on overall inflation is minimal, as we estimate it to be only around 0.2 percentage points. Indirect effects through cost-push channels are also expected to be limited, especially given forecasts that this summer will be less intensely hot than usual. In addition, other costs such as meat and rice prices are expected to remain stable; global oil prices are also not under significant upward pressure thanks to the Trump administration's policy of boosting oil production. These factors support our forecast that average inflation in 2025 will range between 3% and 3.5%, with the higher end corresponding to an optimistic scenario—where demand-pull pressures rise more strongly amid an improving economic environment.

The tourism sector is projected to remain the most prominent positive driver of Vietnam's economy this year

Domestic aggregate demand this year will also partly depend on the tariff scenario, as this factor continues to have indirect effects on household spending through its impact on income—particularly in the context of Vietnam's economy, which employs around 12 million workers in the manufacturing sector, equivalent to approximately 20% of the national labor force. At present, macroeconomic indicators related to this growth driver still show signs of positive recovery, although they remain below the levels of a normal year like 2019. The "smokeless industry" — tourism — continues to be a standout bright spot this year, especially thanks to the influx of international visitors from China. The number of Chinese tourists visiting Vietnam has increased by about 70% year-on-year and has even surpassed the level seen in 2019. In some respects, this is quite surprising, as China has been heavily affected by the trade conflict, and logically, its citizens would experience income constraints, thereby reducing demand for outbound travel. However, according to surveys by several travel companies, this assumption only holds partially true: during economic downturns, Chinese travelers tend to cut back on trips to expensive destinations such as the U.S., Europe, or Japan, and instead opt for more affordable countries—like Vietnam. Some of the reasons cited include: (1) Low travel costs due to geographic proximity; (2) Similar weather and lifestyle habits. This is a particularly important factor, as prior to the COVID-19 pandemic, Chinese tourists typically accounted for nearly one-third of all international arrivals to Vietnam.

Sources: GSO, Tourism department, TCB Market Research

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Vietnamese Economy

Therefore, if this momentum continues, we expect consumption to maintain strong growth in the near future, making a significant contribution to overall economic growth this year.

Figure 21: Contribution to retail sales growth

(4M YTD, %)

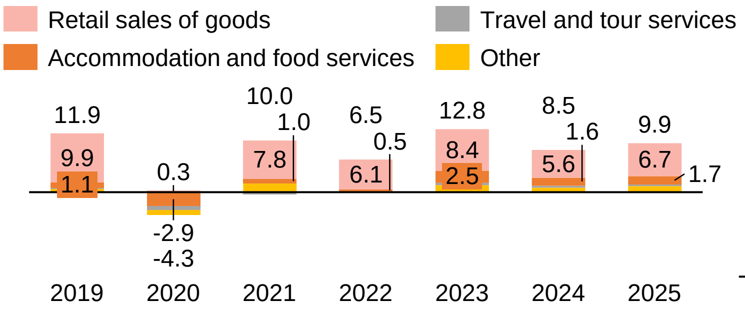
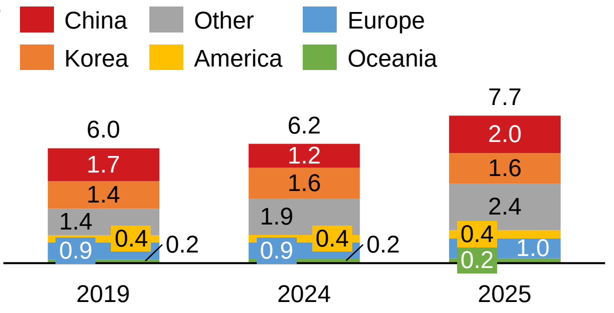


Figure 22: International tourists visiting Vietnam

(4M, mio people)



Among the drivers of economic growth, public investment by the government is the most highly anticipated this year

Public investment disbursement in the first four months of the year recorded an increase of approximately 11%, with April alone nearly doubling compared to the same period last year.

Among the drivers of economic growth, public investment by the government is the most highly anticipated this year. In the context of continued external uncertainties—not only in 2025 but also in the years ahead—we place strong expectations on public investment to serve as the leading engine driving the economy forward. However, when compared to previous years in terms of the implementation rate relative to government targets or plans set by the National Assembly, current data reflects a picture that is not yet truly positive. The Ministry of Finance has pointed out several reasons, including: (1) Institutional and policy bottlenecks — such as the 2024 Land Law; (2) Delays in capital allocation due to many projects not yet completing investment procedures; (3) Implementation difficulties stemming from the restructuring of administrative bodies, among others. Given these challenges, we believe that with strong determination from ministries and relevant agencies, accelerating public investment is not an insurmountable task. Evidence of this can be seen in the recent surge in public investment, despite disbursement rates in the first four months of the year falling short of expectations. Specifically, while cumulative disbursement in the first three months still recorded negative growth compared to the same period last year, by the end of April, the growth rate had reached approximately 11%, with disbursement in April alone nearly doubling year-on-year. Although this latest growth may still be too early to form a definitive outlook for the full year, as noted in previous reports, disbursement rates often exceed 100% of the plan in the lead-up to the Party Congress. Therefore, achieving 85% of the annual target is not out of reach under either of the two scenarios we have outlined.

Sources: GSO, TCB Market Research

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Vietnamese Economy

Figure 23: Public investment ratio in 4M

(%)

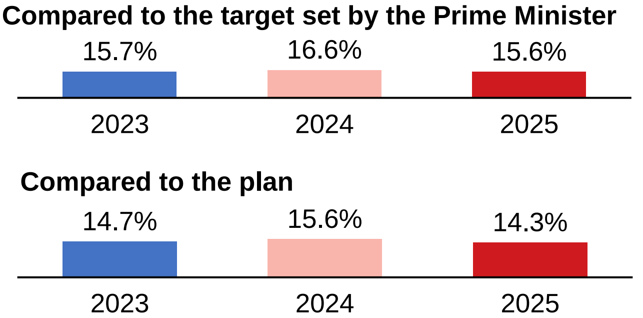
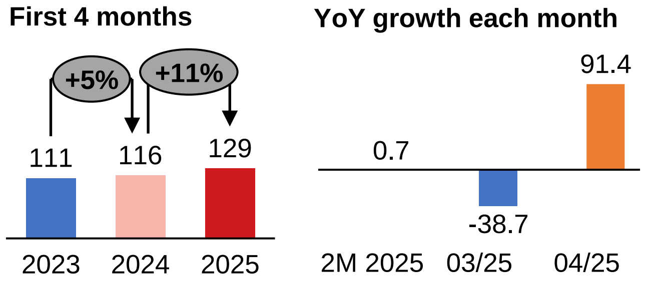


Figure 24: Public investment disbursement

(trio VND, %)



The USD/VND exchange rate is expected to remain highly unpredictable and continue to fluctuate in both directions

USD-denominated assets have experienced, are experiencing, and are expected to continue experiencing significant volatility under the Trump 2.0 administration

The USD/VND exchange rate is expected to remain highly unpredictable in the near future, with the potential for continued fluctuations in both directions. The first factor that could influence the exchange rate is the strength of the US dollar in the international market, as measured by the DXY index. According to economic theory, countries that impose tariffs often have stronger currencies. However, recent movements in the USD have surprised both us and the market to some extent. Currently, the DXY index is influenced not only by traditional factors such as: Tariffs driving up inflation, leading to higher interest rates; Weakened economies of countries facing tariffs, which strengthens the USD; but also by other elements, such as investor sentiment—particularly their doubts about whether USD-denominated assets remain a safe haven, especially following statements and actions from the Trump 2.0 administration. A clear example occurred at the end of last month, when the DXY index fell, the stock market declined, and US bond yields rose—a rare phenomenon for this advanced economy, which are typically considered safe havens for global capital, regardless of whether the turmoil originates in the US. Given all these factors, forecasting the strength of the USD in the near term is extremely challenging. Even the latest forecasts on Bloomberg from major financial institutions are offering conflicting views. This uncertainty will undoubtedly impact the USD/VND exchange rate this year. The second factor affecting the exchange rate stems from the impact of tariffs on foreign currency flows into and out of Vietnam through the following channels: Trade in goods and services; Direct and indirect investment; Profit repatriation by FDI enterprises; Remittances. Clearly, in the context of an ongoing global trade war and Vietnam still being subject to tariffs, capital flows through these channels are unlikely to show positive trends, which could put upward pressure on the USD/VND exchange rate.

Sources: GSO, TCB Market Research

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Vietnamese Economy

On a positive note, the State Bank of Vietnam (SBV) has managed policy very flexibly in recent times by both raising the central exchange rate and maintaining a stable interest rate differential between the USD and VND. This is a crucial factor in ensuring the stability of the VND exchange rate amid ongoing external risks.

Figure 25: DXY forecast Bloomberg's survey

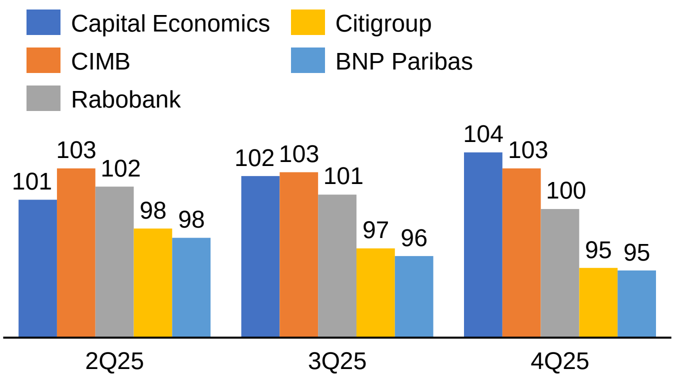
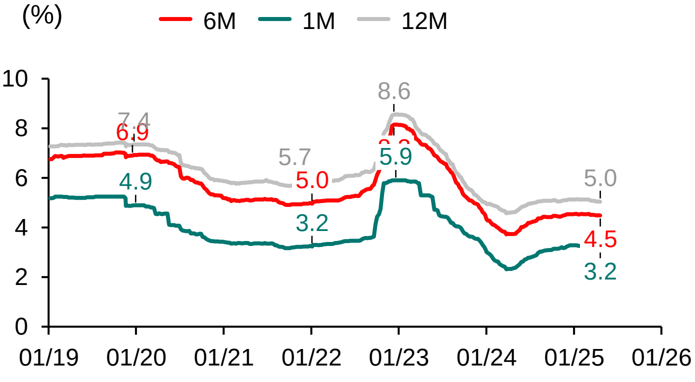


Figure 26: Deposit rate 1M, 6M, 12M tenors



Interest rates are expected to remain stable at their current low levels.

As previously mentioned, maintaining a stable interest rate differential between the USD and VND is crucial. Therefore, we expect interbank interest rates to continue being managed within the current range of 3.5% to 4.5%. Any adjustments, if necessary, will likely depend on the trend of USD interest rates in the international market, in order to ensure an appropriate interest rate spread. In our view, this is a reasonable interest rate range for the near future—high enough to support the exchange rate, yet low enough to avoid putting pressure on deposit and lending rates. Currently, the overall deposit interest rate level across the market remains stable and has been lower than during the COVID-19 period for over a year. This is a key factor that allows interest rates to continue serving as an effective tool to support the domestic economy, especially in the context of ongoing global economic uncertainties.

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

Section 4

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Appendix

Updates on macroeconomics and financial market in the world

Indicators	Country	Unit	2024	2024								2025			
				05	06	07	08	09	10	11	12	01	02	03	04
Real GDP Growth	US	%, YoY, Quarterly	2.8		3.0			2.7			2.5			2.0	
	Eurozone	%, YoY, Quarterly	0.7		0.5			1.0			1.2			1.2	
	China	%, YoY, Quarterly	5.0		4.7			4.6			5.4			5.4	
	Japan	%, YoY, Quarterly	0.1		-1.0			0.6			1.2			1.6	
CPI	US	%, YoY, Monthly	2.9	3.3	3.0	2.9	2.5	2.4	2.6	2.7	2.9	3.0	2.8	2.4	2.3
	EU	%, YoY, Monthly		2.6	2.5	2.6	2.2	1.7	2.0	2.2	2.4	2.5	2.4	2.2	2.2
	China	%, YoY, Monthly	0.2	0.3	0.2	0.5	0.6	0.4	0.3	0.2	0.1	0.5	-0.7	-0.1	-0.1
	Japan	%, YoY, Monthly	2.7	2.8	2.8	2.8	3.0	2.5	2.3	2.9	3.6	4.0	3.7	3.6	
Fed funds target rate		%. End of month	4.5	5.50	5.50	5.50	5.50	5.00	5.00	4.75	4.50	4.5	4.5	4.5	4.5
DXY		Index. Monthly Average	104.2	104.95	105.17	104.63	102.21	101.0	103.3	105.9	107.2	108.6	107.3	104.1	100.7
USD/CNY		Index. Monthly Average	7.2	7.23	7.25	7.26	7.15	7.08	7.09	7.21	7.28	7.30	7.27	7.25	7.30
10Y UST Yields		%. Monthly Average	4.21	4.48	4.31	4.25	3.87	3.72	4.09	4.4	4.4	4.6	4.5	4.3	4.3
WTI Oil price		USD/barrel. Monthly Average	75.76	78.6	78.7	80.48	75.43	69.37	71.56	69.5	69.7	75.1	71.2	67.9	63.0

Updates on macroeconomics and financial market in Vietnam

Indicators	Unit	2024	2024								2025			
			05	06	07	08	09	10	11	12	01	02	03	04
Real GDP growth	%, Quarterly, YoY	7.0		7.09			7.40			7.55			6.93	
IIP	%, Monthly, YoY	8.35	8.90	10.92	11.23	9.50	10.84	7.02	7.95	8.84	0.61	17.06	8.60	8.85
Headline CPI	%, Monthly, YoY	3.6	4.44	4.34	4.36	3.45	2.63	2.89	2.77	2.94	3.63	2.91	3.13	3.12
Retail sales growth	%, Monthly, YoY	9.5	9.0	9.1	9.4	7.9	7.6	7.1	8.8	9.3	9.5	9.4	10.0	9.9
Registered FDI	USD billion, Monthly	33.7	1.7	3.5	2.2	2.0	3.5	2.4	3.7	6.4	4.0	2.4	3.1	2.5
Disbursed FDI	USD billion, Monthly	25.4	2.0	2.6	1.7	1.6	3.2	2.2	2.1	3.7	1.5	1.4	2.0	1.8
Trade exports	USD billion, Monthly	405.5	32.3	34.5	36.8	38.0	34.2	35.9	34.3	35.6	33.2	31.1	38.6	37.5
Trade imports	USD billion, Monthly	380.8	32.7	31.2	34.1	33.9	32.0	33.4	33.3	35.1	30.1	32.7	36.9	36.9
Trade balance	USD billion, Monthly	24.8	-0.4	3.0	2.7	4.1	2.2	2.5	1.0	0.5	3.1	-1.7	1.7	0.6
Deposit growth	%, YTD		0.00	2.60	2.00	3.65	5.7	6.8	7.9	11.7	-0.5			
Credit growth	%, YTD		3.43	6.10	5.93	7.31	9.1	10.2	11.9	15.1	0.6	0.8		
10Y Government bond yields	%, Monthly Average	2.7	2.80	2.80	2.79	2.73	2.68	2.67	2.74	2.88	3.03	2.88	2.97	3.04
1W Interbank rate	%, Monthly Average	3.7	4.55	4.84	4.79	4.64	4.14	3.81	4.99	4.50	4.6	4.8	4.5	4.4
6M Deposit rate**	%, Monthly Average	4.2	3.87	4.10	4.24	4.39	4.43	4.43	4.49	4.54	4.54	4.55	4.52	4.50
USD/VND	Monthly Average	25,068	25,446	25,443	25,370	25,026	24,624	25,058	25,373	25,423	25,323	25,437	25,547	25,882

Updated full-year forecasts for Vietnam

Indicators	Unit	2024	05								2025				Forecast
			05	06	07	08	09	10	11	12	01	02	03	04	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	3.13	3.12	3.0 – 3.5
Deposit growth	%, YTD		0.00	2.60	2.00	3.65	5.7	6.8	7.9	11.7					10.6 – 11.0
Credit growth	%, YTD		3.43	6.10	5.93	7.31	9.1	10.2	11.9	15.1	0.5				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	25,547	25,882	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	2.97	3.04	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	4.5	4.4	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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