RONG VIET SECURITIES

MACRO OUTLOOK Q2/2025

BE CAUTIOUS AMID ESCALATING TRADE WAR SPIRAL

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- The tariff shock announced by the US on April 2, 2025 has had a negative impact on Vietnam's economic outlook as the US imposed the highest reciprocal tariff on Vietnam's exports to the US market.
- Although the 46% tariff has been suspended for 90 days pending the outcome of negotiations, the uncertain period ahead will weaken Vietnam's growth momentum in 2025. In this month's macroeconomic outlook report, we focus on assessing some of the direct and indirect impacts of the recent tariff shock on export growth, GDP growth and the export sector.
- Initial assessments show that the 10% tariff currently applied to Vietnam's exports to the US market will not pose too great an economic risk. We can hope for a positive outcome from the negotiation process, but we also need to prepare for worse scenarios, thereby having appropriate responses and expectations for the impact of the shock on the economy.

Sensitivity analysis of Vietnam's economic exposure to exports to the U.S. market (% of GDP), based on tariff levels and price elasticity of demand

		Tariff							
		10%	15%	20%	25%	30%	35%	40%	46%
Elasticity	-0.50	0.6%	0.9%	1.2%	1.5%	1.8%	2.1%	2.4%	2.8%
	-0.75	0.9%	1.4%	1.8%	2.3%	2.7%	3.2%	3.6%	4.1%
	-1.00	1.2%	1.8%	2.4%	3.0%	3.6%	4.2%	4.8%	5.5%
	-1.25	1.5%	2.3%	3.0%	3.8%	4.5%	5.3%	6.0%	6.9%
	-1.50	1.8%	2.7%	3.6%	4.5%	5.4%	6.3%	7.2%	8.3%
	-1.75	2.1%	3.2%	4.2%	5.3%	6.3%	7.4%	8.4%	9.7%
	-2.00	2.4%	3.6%	4.8%	6.0%	7.2%	8.4%	9.6%	11.0%

Sources: OECD, Tax Foundation, RongViet Securities

Q1 2025 ECONOMIC GROWTH NOT YET IMPACTED BY TARIFF SHOCK

- **Vietnam's GDP growth in Q1 2025 reached 6.9%,** below our forecast range of 7.3%–7.5%, primarily due to weaker-than-expected recovery in the industrial and construction sectors, despite favorable base effects.
- **The industrial manufacturing sector remained the key growth driver,** expanding by 9.3% YoY and contributing approximately 30% to overall Q1 GDP growth.
- **Retail and accommodation & food services maintained solid momentum,** with YoY growth of 7.5% and 9.3%, respectively, jointly accounting for nearly 20% of Q1 growth.
- **Q1 economic performance was recorded prior to the material impact of U.S. tariff policy.** Growth in the coming quarters is expected to face more headwinds as Vietnam's key growth engines—manufacturing and exports—begin to feel the drag from escalating trade barriers.

Vietnam's GDP by selected economic sectors

	1Q24	2Q24	3Q24	4Q24	1Q25	1Q24	2Q24	3Q24	4Q24	1Q25
	% YoY					% Contribution to growth				
Economic growth	**5,9**	**7,1**	**7,4**	**7,6**	**6,9**	**5,9**	**7,1**	**7,4**	**7,6**	**6,9**
Agriculture	3,4	3,6	2,9	3,0	3,7	0,4	0,4	0,3	0,3	0,4
Mining	(5,3)	(8,6)	(8,7)	(6,5)	(5,8)	(0,2)	(0,3)	(0,2)	(0,1)	(0,2)
Manufacturing	7,2	10,4	11,3	10,0	9,3	1,6	2,3	2,7	2,4	2,1
Construction	7,7	7,8	7,4	8,3	8,0	0,4	0,5	0,5	0,6	0,4
Retail	7,0	7,7	8,0	9,0	7,5	0,7	0,7	0,7	0,8	0,7
Transportation	10,5	11,5	9,9	10,0	9,9	0,6	0,7	0,5	0,5	0,6
Accommodation services	8,7	11,1	9,0	10,3	9,3	0,2	0,3	0,2	0,2	0,2
Financial services	4,6	6,1	7,7	9,3	6,8	0,3	0,3	0,4	0,5	0,4
Real estate	1,8	2,4	3,9	4,8	3,7	0,1	0,1	0,1	0,2	0,1
Others	6,5	7,1	7,8	8,2	7,3	1,8	2,0	2,1	2,1	2,1

Source: GSO, RongViet Securities

THE 8% GROWTH TARGET FOR 2025 BECOMES INCREASINGLY CHALLENGING

Selected economic indicators in Q1/2025 compared to full-year growth targets

% YoY	Implementation Q1/25	Target 2025	Implementation 2024	Ave. 2020-2024	Ave. 2022-2024
GDP growth	**6.9%**	8.0%	7.1%	5.1%	6.8%
- Agriculture	3.7%	3.9%	3.3%	3.5%	3,5%
- Forestry & fisheries	**7.4%**	9.5%	8.2%	4.5%	6.6%
- Industry & construction	**7.7%**	8.1%	7.4%	5.6%	8.1%
- Taxes and subsidies	**5.0%**	6.1%	5.7%	3.6%	4.9%
Industrial Production Index	**7.8%**	9.5%	8.4%	5.2%	5.9%
Retail sales of goods and consumer services	**9.9%**	12.0%	9.0%	6.3%	11.9%
Merchandise export turnover*	**13.8%**	12.0%	15.4%	9.2%	6.0%
Electricity production and consumption	**4.0%**	13.0%	10.1%	na	na
Public investment**	**19.8%**	32.4%	-4.1%	11.2%	14.6%
Private investment	**5.5%**	12.4%	7.7%	5.8%	6.3%
FDI	**7.2%**	10.5%	9.4%	4.6%	8.8%
Inflation	**3.2%**	5.0%	3.6%	3.0%	3.3%
Credit growth***	**17.9%**	16.0%	15.1%	13.8%	14.3%

Source: GSO, RongViet Securities
** Exports grew by 10.7% YoY and imports increased by 17.2% YoY in Q1/2025.*
*** According to GSO estimates, public investment capital from the state budget was implemented as planned. However, data from the MoF showed that public investment disbursement in Q1 declined by 12.4% YoY.*
**** As of March 31, 2025.*

- At present, the Government has not revised its 2025 GDP growth target. However, we believe the target has become increasingly challenging following the U.S. tariff announcement on April 2, regardless of the negotiation outcomes, due to the uncertainty surrounding trade policy and its negative impact on business and consumer confidence.
- In the worst-case scenario with a 46% tariff rate, preliminary estimates by the Ministry of Finance suggest the tariff shock could reduce full-year 2025 GDP growth by 0.7 to 1.5%.
- While the tariff shock may not weigh on short-term growth as heavily as the COVID-19 shock in 2021, the medium- and long-term impact could be more significant due to prolonged trade policy uncertainty.

IMPACT OF THE TARIFF SHOCK ON VIETNAM'S EXPORT SECTOR

The moderate 10% tariff imposed by the U.S. on Vietnamese exports

- Sharing the tariff burden among producers, importers, and end consumers
  - ➢ Trade remains largely unaffected at moderate tariff levels
  - ➢ Importers may increase stocking inventories in the short term to avoid the risk of increased tariffs after the negotiation results are available.

Additional tax rate

- Producers' and importers' ability to absorb cost increases through margin compression gradually diminishes, forcing them to pass on additional costs to end consumers
  - ➢ Importers seek alternative products or suppliers
  - ➢ Consumers reduce discretionary spending

U.S. retaliatory tariffs on Chinese goods

- For products with no viable substitutes
  - ➢ Importers and consumers are forced to purchase at significantly higher costs, leading to a decline in demand.
- Full or partial cessation of exports to the U.S. due to commercial infeasibility
  - ➢ Trade flows shift as exporters leverage tariff differentials with third-party countries
  - ➢ Global supply chains are restructured, including potential reshoring of production to the U.S.

IMPACT TO VIETNAM

Direct

Depends on the ability of the exporting enterprise to increase production capacity in a short time.

Potential risks

Dependent on negotiation outcomes; see the next slide's comparative assessment of Vietnam's negotiation leverage versus peers.

Indirect

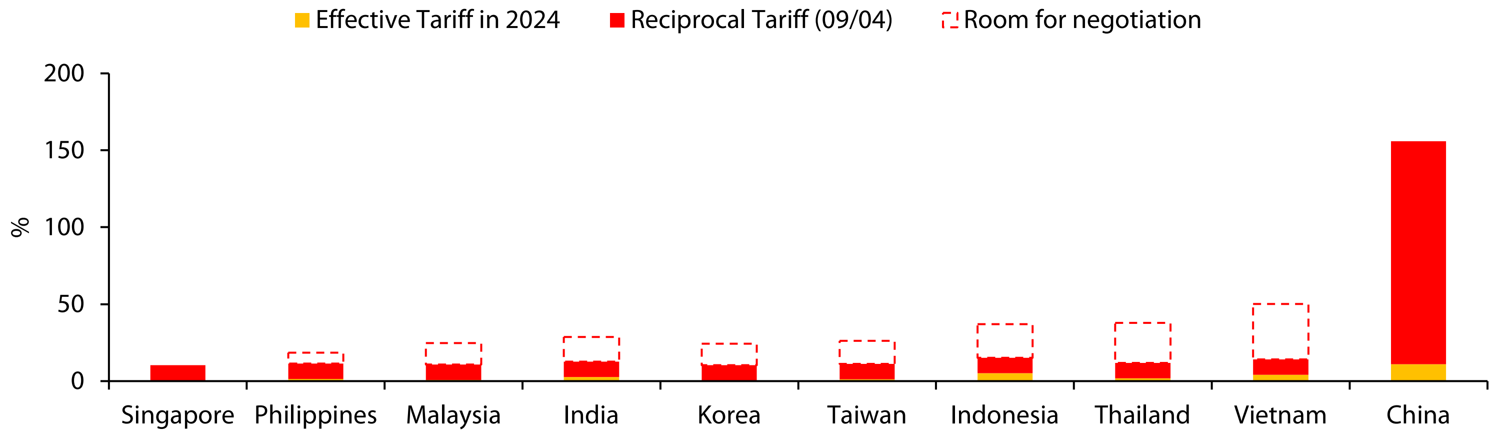
Chinese goods may be rerouted through Vietnam to circumvent high U.S. import tariffs.

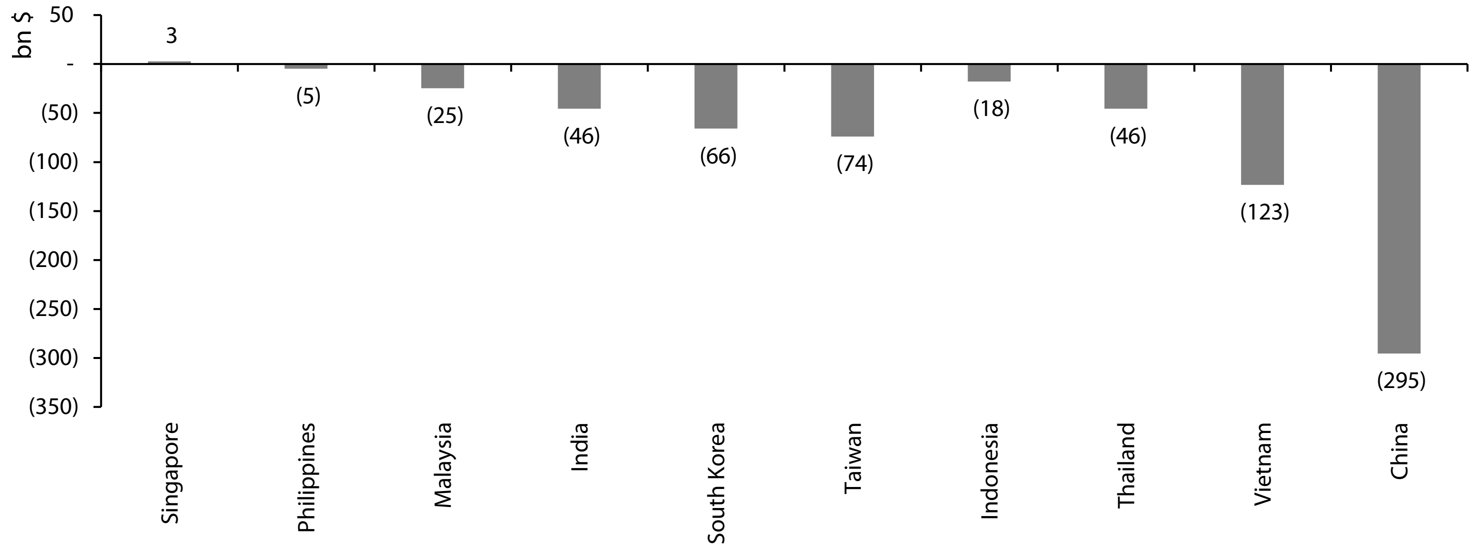
Chinese FDI manufacturers could ramp up production capacity in the short term.

=> While Vietnam may benefit, such developments could undermine its position in future trade negotiations.

VIETNAM'S RELATIVE NEGOTIATION LEVERAGE COMPARED TO PEER COUNTRIES

Negotiation room is assessed based on the baseline 10% tariff and the reciprocal tariffs announced on April 2





Source: Goldman Sachs, USITC, RongViet Securities

- Assuming a baseline tariff of 10% as the starting point for negotiations, Vietnam appears to have the broadest negotiation range—meaning final outcomes could vary widely, from highly favorable to adverse.
- The Vietnamese government has committed to reducing import tariffs on U.S. goods to 0%. Additionally, Vietnam has proactively narrowed its trade deficit with the U.S. by signing agreements in key sectors such as aviation, energy, and defense.
- However, in terms of compensating for the U.S. trade imbalance, other countries may have greater room for tariff concessions than Vietnam.
- The negotiation process remains highly uncertain and will depend on U.S. demands as well as Vietnam's ability to negotiate effectively.
- Vietnam's strongest bargaining chip lies in its strategic geopolitical position amid rising tensions in the U.S.–China trade conflict.

IMPACT OF THE TARIFF SHOCK ON ECONOMIC GROWTH

Impact of Trump's Tariff Policy on Vietnam's Economy – Scenario Highlighted in Rong Viet's 2025 Report

Scenerio	Current scenario* Negative	Base	Positive
Probability	5%	60%	35%
Tariff	- 60% on all Chinese goods - 10-20% on all Vietnamese goods	- 25% on Chinese goods - Imposing targeted anti-dumping measures on Vietnamese goods	- 60% on Chinese goods - No tariffs on Vietnamese goods
The timing of the implementation	- Q2/25 for Chinese goods - 2H25 for Vietnamese goods	- Q2/25 for Chinese goods - 1H26 for Vietnamese goods	- Q2/25 for Chinese goods
Impact	GDP growth 6.3% Exports growth 6 - 8%	GDP growth 6.8% Exports growth 10 -12%	GDP growth 7.0% Exports growth 13 - 15%

Source: RongViet Securities

** In reality, Vietnam was subjected to a 10% tariff, while China initially faced a 54% tariff rate, which was later raised to 145% following retaliatory measures.*

Sensitivity analysis of Vietnam's economic exposure to exports to the U.S. market (% of GDP), based on tariff levels and price elasticity of demand

		Tariff							
		10%	15%	20%	25%	30%	35%	40%	46%
Elasticity	-0.50	0.6%	0.9%	1.2%	1.5%	1.8%	2.1%	2.4%	2.8%
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	-1.25	1.5%	2.3%	3.0%	3.8%	4.5%	5.3%	6.0%	6.9%
	-1.50	1.8%	2.7%	3.6%	4.5%	5.4%	6.3%	7.2%	8.3%
	-1.75	2.1%	3.2%	4.2%	5.3%	6.3%	7.4%	8.4%	9.7%
	-2.00	2.4%	3.6%	4.8%	6.0%	7.2%	8.4%	9.6%	11.0%

Vietnam's value-added from exports to the U.S. market—including both direct and indirect channels—is estimated at approximately 12% of GDP.

The price elasticity of demand reflects the sensitivity of U.S. import demand to higher tariff rates. According to estimates by Amiti et al. (2020), during the 2018–2019 U.S.–China trade war, a 10% tariff led to a 10% decline in Chinese imports within the first three months and a 20% drop by the end of the second year—corresponding to elasticities of -1 and -2, respectively. A separate study by Boehm (2023) found elasticity estimates ranging from -0.76 to -2.25.

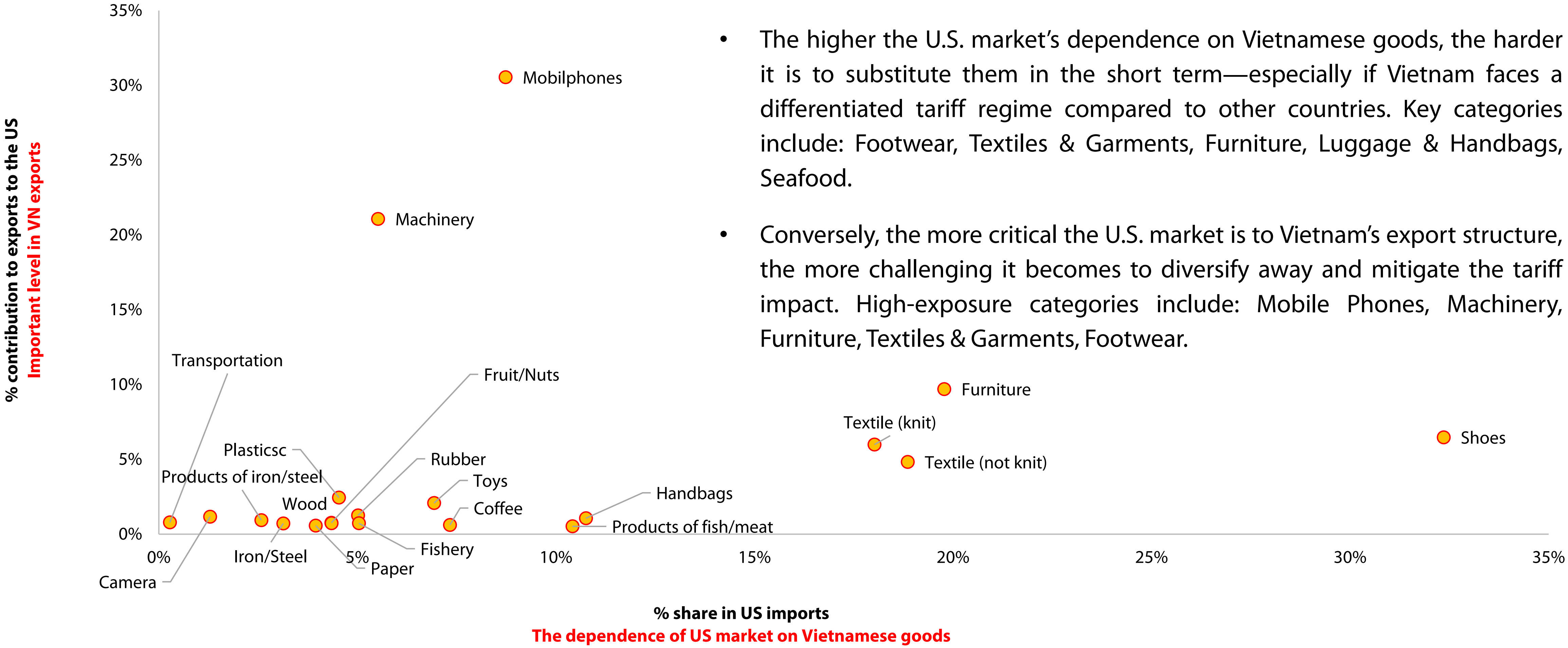
Source: OECD, Tax Foundation, RongViet Securities

Although the current tariff rate imposed on Vietnam is more favorable than the level announced on April 2, it still falls within the downside scenario outlined in our 2025 Strategy Report, under which Vietnam's GDP growth is projected to decelerate to 6.3%, with export growth ranging from 6% to 8%.

Given the uncertainty surrounding negotiation outcomes, we have constructed a sensitivity matrix to assess downside risks to Vietnam's GDP growth. The matrix quantifies potential GDP impacts based on varying tariff levels and the elasticity of U.S. import demand for Vietnamese goods.

It is important to note that this sensitivity analysis does not yet incorporate second-order effects from weaker global demand triggered by increased trade policy uncertainty in the U.S. and Vietnam's other export markets.

Impact of the Tariff Shock on Vietnam's Top 20 Export Products to the U.S. Market



- The higher the U.S. market's dependence on Vietnamese goods, the harder it is to substitute them in the short term—especially if Vietnam faces a differentiated tariff regime compared to other countries. Key categories include: Footwear, Textiles & Garments, Furniture, Luggage & Handbags, Seafood.
- Conversely, the more critical the U.S. market is to Vietnam's export structure, the more challenging it becomes to diversify away and mitigate the tariff impact. High-exposure categories include: Mobile Phones, Machinery, Furniture, Textiles & Garments, Footwear.

Source: USITC, RongViet Securities

SECTORAL IMPACT OF THE TARIFF SHOCK

U.S. tariff escalations across multiple rounds of trade tensions have increasingly isolated Chinese goods from the rest of the world in terms of market access to the U.S.

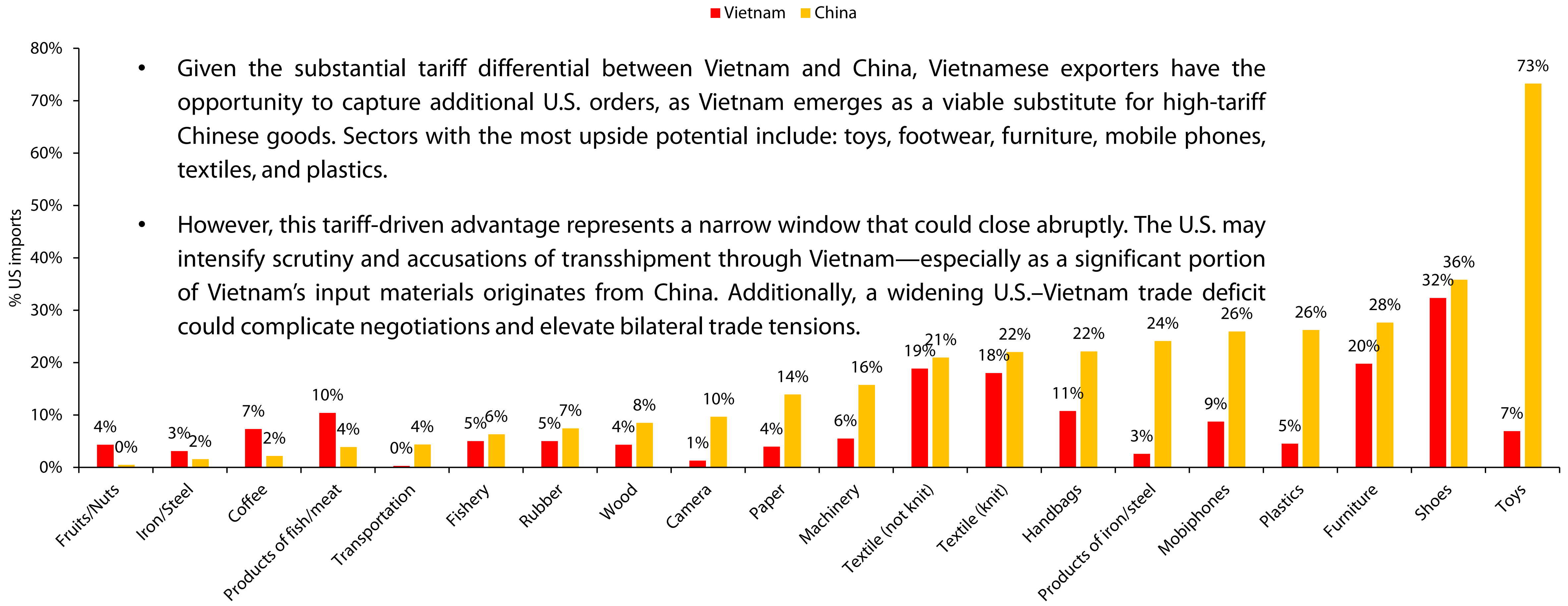
	China			Vietnam		Thailand		Taiwan		Indonesia		India		Korea		Malaysia		Philippines		Singapore	
	1	2	3	1	2	1	2	1	2	1	2	1	2	1	2	1	2	1	2	1	2
Animals	68	118	159	46	10	36	10	32	10	32	10	26	10	25	10	24	10	17	10	10	10
Fruits/Vegetables	71	121	162	46	10	40	14	34	12	32	10	28	12	25	10	25	11	17	10	10	10
Foods	78	128	169	51	15	40	14	41	19	35	13	32	16	26	11	31	17	22	15	10	10
Minerals	74	124	165	46	10	36	10	32	10	32	10	26	10	25	10	24	10	17	10	10	10
Chemicals/Pharma.	64	114	155	47	11	37	11	34	12	33	11	28	12	25	10	27	13	18	11	10	10
Rubber/Plastic	71	121	162	50	14	37	11	36	14	33	11	29	13	25	10	30	16	17	10	10	10
Leather	93	143	184	56	20	41	15	39	17	36	14	33	17	25	10	35	21	21	14	10	10
Wood	70	120	161	48	12	36	10	33	11	32	10	27	11	25	10	27	13	18	11	10	10
Textile	74	124	165	59	23	47	21	40	18	45	23	35	19	25	10	35	21	30	23	10	10
Shoes	67	117	158	61	25	45	19	37	15	45	23	35	19	25	10	32	18	25	18	10	10
Stone/Gems	72	122	163	48	12	36	10	35	13	33	11	28	12	25	10	27	13	17	10	10	10
Metals	73	123	164	48	12	36	10	35	13	32	10	28	12	25	10	26	12	17	10	10	10
Machinery/Electrical	65	115	156	46	10	36	10	32	10	32	10	27	11	25	10	24	10	17	10	10	10
Transportation	78	128	169	48	12	36	10	34	12	33	11	27	11	25	10	25	11	17	10	10	10
Toys	56	106	147	47	11	36	10	35	13	32	10	26	10	25	10	26	12	17	10	10	10
Musical Instru.	69	119	160	50	14	36	10	34	12	32	10	30	14	25	10	29	15	17	10	10	10
Furniture	69	119	160	46	10	37	11	33	11	32	10	28	12	25	10	24	10	18	11	10	10
Other	69	119	160	47	11	36	10	33	11	32	10	27	11	25	10	24	10	17	10	10	10
General Tariff	54	104	145	46	10	36	10	32	10	32	10	26	10	25	10	24	10	17	10	10	10

Source: MUFG, RongViet Securities
Round 1: reciprocal tariffs announced on April 2; Round 2: The U.S. introduced a 90-day delay but simultaneously imposed a universal 10% tariff on imports from all countries.
China:
- *Round 1: The U.S. announced reciprocal tariffs at a rate of 34% on Chinese goods, supplementing the 20% baseline set in March.*
- *Round 2: China retaliated with a 34% tariff on U.S. goods, prompting the U.S. to respond with an additional 50% tariff on Chinese imports.*
- *Round 3: China escalated by imposing a 50% tariff on U.S. goods. The U.S. countered with a further 41% tariff, raising the total tariff burden on Chinese goods to 145%.*

SECTORAL IMPACT OF THE TARIFF SHOCK

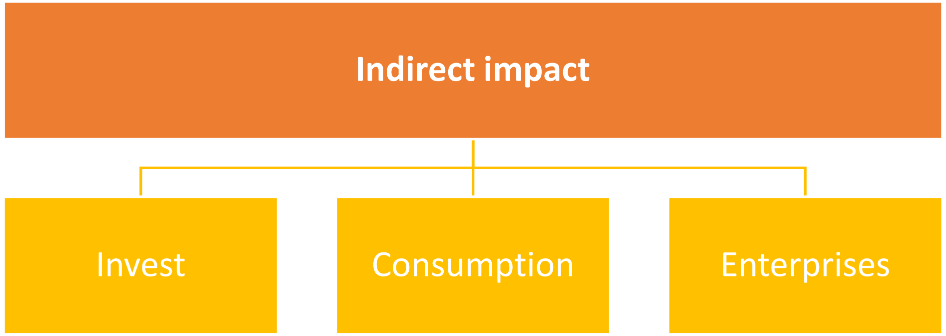
Short-term market share opportunities arising from the U.S.–China trade war

- Given the substantial tariff differential between Vietnam and China, Vietnamese exporters have the opportunity to capture additional U.S. orders, as Vietnam emerges as a viable substitute for high-tariff Chinese goods. Sectors with the most upside potential include: toys, footwear, furniture, mobile phones, textiles, and plastics.
- However, this tariff-driven advantage represents a narrow window that could close abruptly. The U.S. may intensify scrutiny and accusations of transshipment through Vietnam—especially as a significant portion of Vietnam's input materials originates from China. Additionally, a widening U.S.–Vietnam trade deficit could complicate negotiations and elevate bilateral trade tensions.



Source: USITC, RongViet Securities

IMPACT OF THE TARIFF SHOCK ON DOMESTIC INVESTMENT AND CONSUMPTION



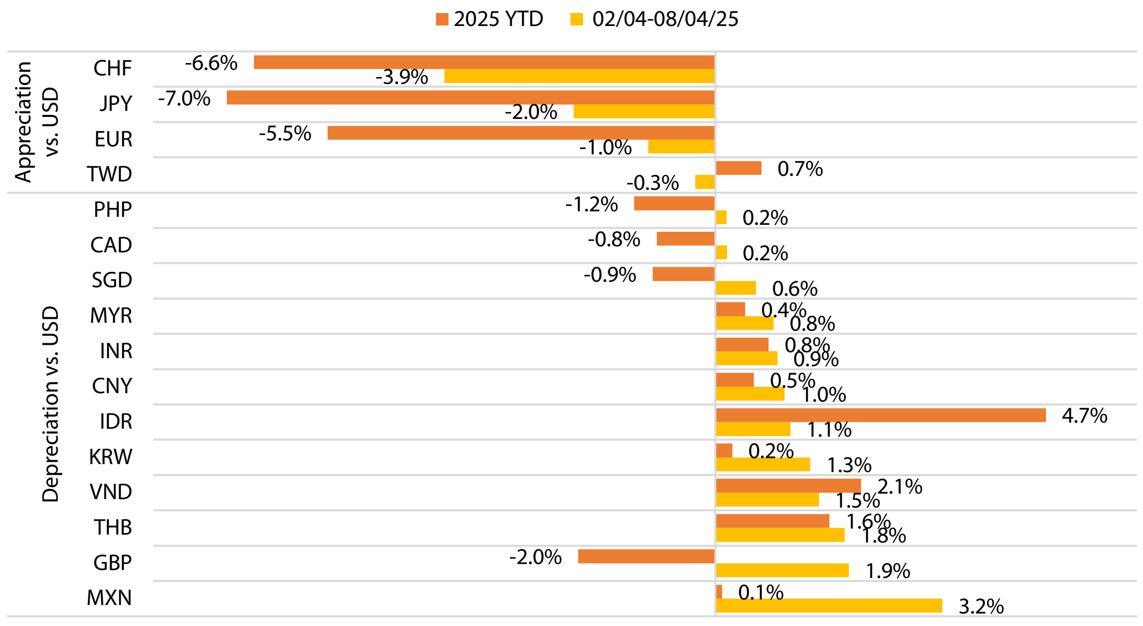
- **Weaker private and foreign investment:** The reciprocal tariff measures, heightened uncertainty surrounding trade negotiations, and a weaker-than-expected global growth outlook are expected to weigh heavily on investment activity. As a result, the implementation of domestic and FDI projects may decline substantially.
- We revise our forecast for **private and FDI investment growth down to 5.0%,** from earlier projections of 8.5% and 10.0%, respectively.
- **Private consumption falls short of expectations:** Early-year private consumption has been softer than expected due to concerns over tariff prospects. Vietnam's high export dependency will likely exert downward pressure on household sentiment and income.
- **Services sector outlook:** March 2025 tourist arrivals have returned to pre-COVID-19 levels. However, the broader economic impact of escalating global trade tensions could dampen the ongoing recovery.
- We revise our **retail and services growth forecast to 8.0%,** down from the initial expectation of 10.0%.
- **Rising competitive pressures on domestic firms:** The U.S.–China trade war may lead to excess production capacity in China, which, in turn, could drive a surge in Chinese exports to alternative markets, including Vietnam. This shift increases competitive pressure on local enterprises, particularly in manufacturing and consumer goods.

DEPRECIATION PRESSURE ON THE VND TEMPORARILY EASES FOLLOWING THE SUSPENSION OF THE 46% TARIFF

We believe that the depreciation pressure on regional currencies following the Trump administration's unexpected announcement of "reciprocal" tariff policy **has not yet fully reflected the potential outflows of both direct and portfolio investment from markets deemed high-risk.**

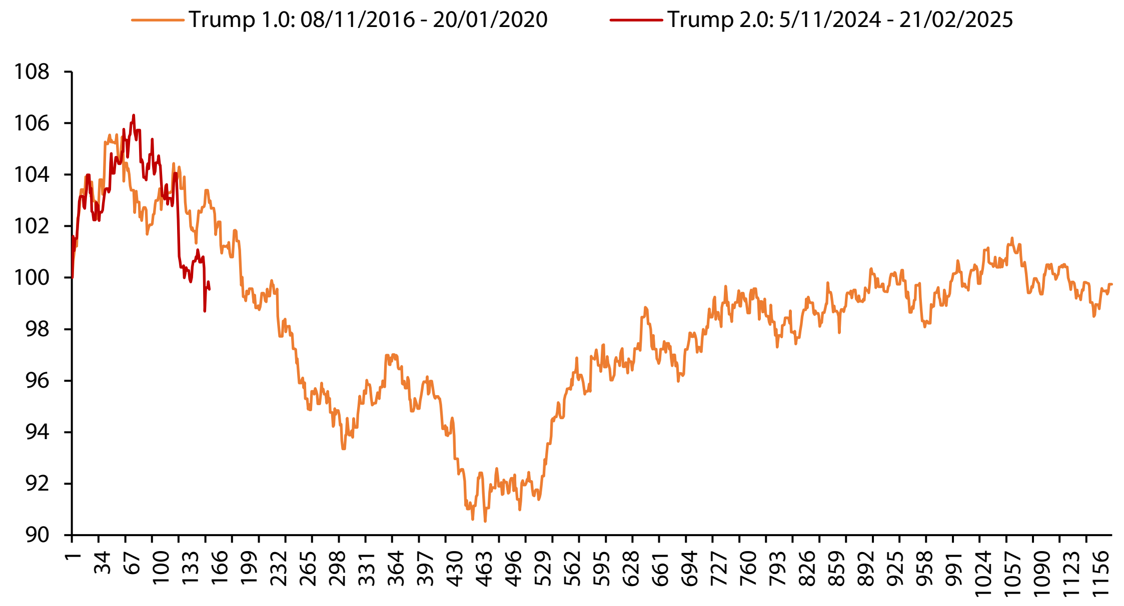
This comes amid a weakening U.S. dollar, driven by policy uncertainty and rising concerns about a potential economic slowdown in the U.S. The Vietnamese đồng (VND) depreciated by 1.5% in a short period after Vietnam was initially subjected to a 46% reciprocal tariff. However, **depreciation pressure has temporarily eased** following Trump's decision to suspend the implementation of the tariff.

Asian currencies did not exhibit strong reactions to the Trump administration's reciprocal tariff announcement



Source: Bloomberg, RongViet Securities

The initial phase of the U.S.–China trade war under Trump 2.0 has proven to be more complex and risk-laden than during Trump 1.0. However, the downward trajectory of the DXY index has shown notable similarities between both periods



Source: Bloomberg, RongViet Securities

POLICY RESPONSES TO TARIFF-RELATED RISKS

Policy Responses

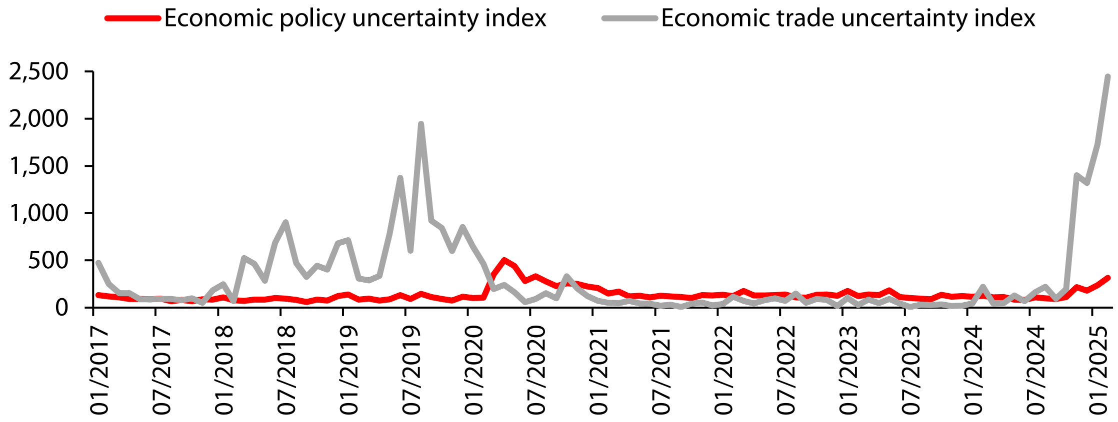
- Engage in negotiations to reduce tariff rates
  - See slide 6
- Push public investment
  - Difficult to expand in scale due to the already high scale of public investment in 2025 to serve growth targets
- Support domestic investment/consumption
  - Reduce/Postpone Corporate Tax
  - Extend VAT reduction period until the end of 2026
- Ensure monetary market stability
  - Control the depreciation of the dong at an acceptable level
  - Keep policy rates unchanged
  - Boost credit growth in domestic investment and consumption
- Reform growth model in the long-term
  - Reduce dependence on exports and foreign enterprises
  - Diversifying export markets
  - Continue to reform and streamline the apparatus combined with removing institutional bottlenecks.

TRUMP'S TARIFF POLICY PUTS RISKS TO GLOBAL GROWTH PROSPECTS

- The reciprocal tariffs announced by the Trump administration on April 2 have brought the effective US tariff rate to 22.4%, a level not seen since the 1900s. This is beyond the expectations of many parties, leading to great concerns about the growth prospects and stability of the global economy in the coming time.
- Except for China's tough stance that has caused the trade war to continue to escalate between the two world powers, most countries have chosen to approach through negotiations or respond in part but still prioritize negotiations such as Canada or the EU.
- In the short term, prolonged policy instability will lead to many consequences that make consumers and businesses around the world cautious in consumption and investment. According to estimates by some organizations, the Trump administration's tariff policy could reduce US economic growth by 0.9 percentage points, China's economic growth by 1.2 percentage points (not including the scenario of an additional 50% tariff due to retaliation), Japan's and the EU's economic growth by 0.7-0.8 percentage points and 0.3 percentage points, respectively, compared to forecasts before the April 2 announcement. It should be noted that these estimates are for reference only because they depend on models and assumptions, which can change rapidly in the coming time.
- Currently, the impact of the tariff policy is only limited to psychology and expectations. Therefore, there has been no specific response from central banks. Pressure from tariffs and risks of slowing growth have led the market to expect the Fed to cut interest rates five times in 2025, while the ECB and BOJ are cautious in adjusting interest rates, waiting for economic data and the results of upcoming negotiations with the US. Meanwhile, the PBoC made its first move by raising the reference exchange rate, a sign of the possibility of devaluing the yuan to respond to the trade war.
- On the fiscal front, the EU and Germany will implement the largest fiscal expansion packages since the pandemic, focusing on infrastructure and defense investment. However, the impact on growth in 2025 will be modest due to the implementation delay, and calculations show that the impact of this fiscal package is not enough to offset the damage caused by the tariff policy. With the Trump administration raising import tariffs on Chinese goods to 104% on April 9, the Chinese government is expected to come up with stronger fiscal measures to mitigate the negative external impact.

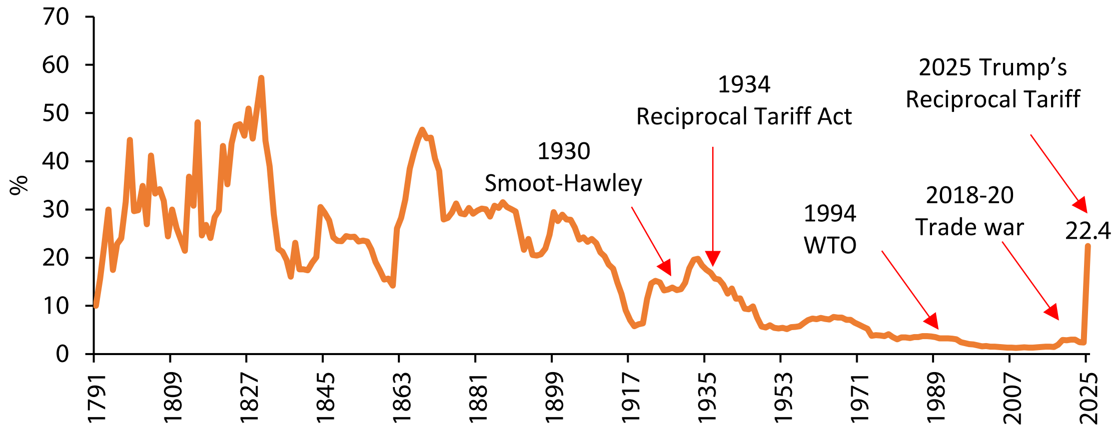
U.S: TARIFF POLICY WEIGHS ON ECONOMIC GROWTH MOMENTUM

Although recent economic data remains broadly in line with expectations, U.S policy and trade uncertainty indices have surged to their highest levels since the COVID-19 pandemic



Source: Bloomberg, RongViet Securities

Tariff package announced by the Trump administration on April 2, 2025, is set to bring U.S average effective tariff rates to their highest level since 1909

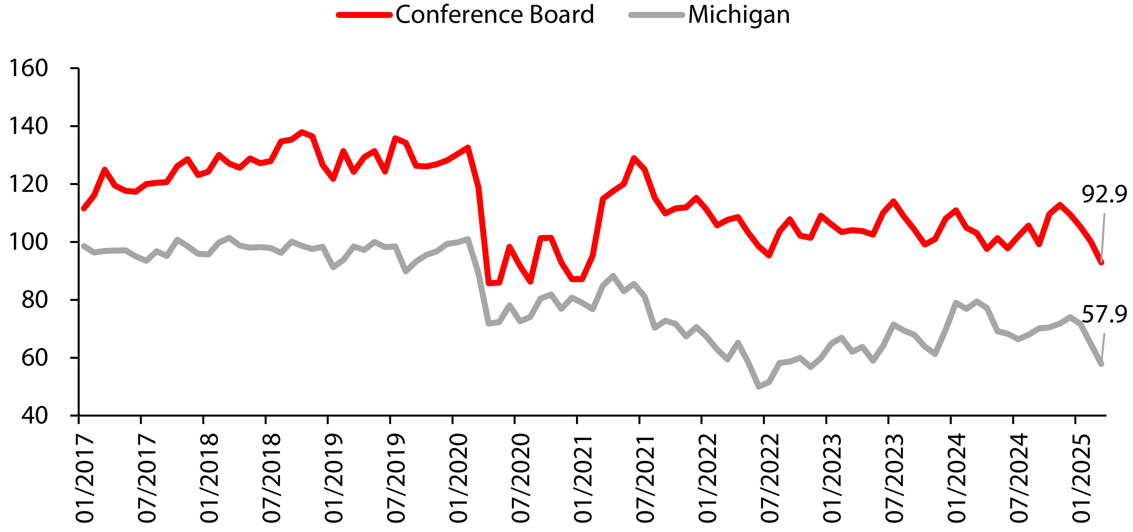


Source: Budget Lab at Yale, RongViet Securities

- Bloomberg U.S Economic Surprise Index — which tracks the gap between actual data and market expectations — hovered just slightly above zero throughout Q1/2025, indicating that most economic indicators came in close to consensus. Key data points include a 228,000 increase in nonfarm payrolls in March, a slight uptick in the unemployment rate to 4.2%, personal consumption expenditure (PCE) inflation rising 2.8% YoY, and a composite PMI reading of 53.5, signaling modest expansion.
- However, policy and trade uncertainty indices have surged to their highest levels since the COVID-19 pandemic, highlighting rising volatility in the global economic environment.
- Following the latest tariff announcement by President Trump, U.S effective tariff rates are estimated to climb to 22.4% — the highest since 1909. According to estimates by Yale Budget Lab, this trade shock could shave 0.87% off U.S. GDP growth in 2025 and reduce medium- to long-term potential output by 0.54%.

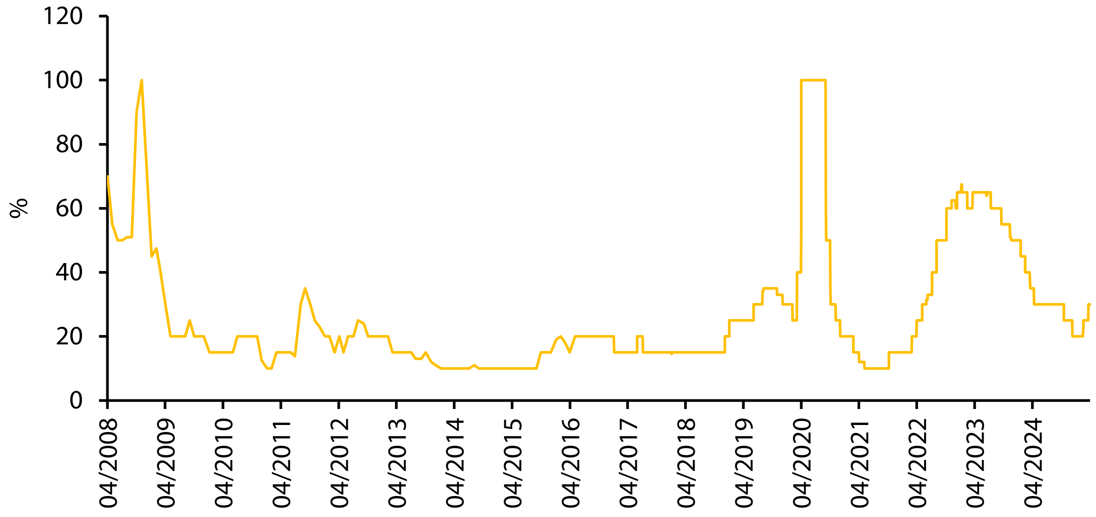
US: TARIFF POLICY DAMPENS ECONOMIC GROWTH OUTLOOK

U.S Consumer confidence



Source: Bloomberg, RongViet Securities

U.S Recession probability



Source: Bloomberg, RongViet Securities

- **U.S consumer confidence deteriorated sharply in March,** reflecting growing concerns over tariff-related policy volatility. Michigan Consumer Sentiment Index dropped from 74 in December 2024 to 57.9 in March 2025, while the Conference Board's Consumer Confidence Index fell to 92.9 — its lowest level since January 2021.
- Alongside weakening sentiment, **recession risks have also increased notably** following the Trump administration's tariff announcement. Recent forecasts place the probability of a U.S recession in 2025 at 35% to 60%, depending on scenario assumptions. The most bearish outlook comes from J.P. Morgan, which projects a -0.3% contraction in real GDP for the year, while the consensus forecast points to a more moderate growth rate of around +1.0%.

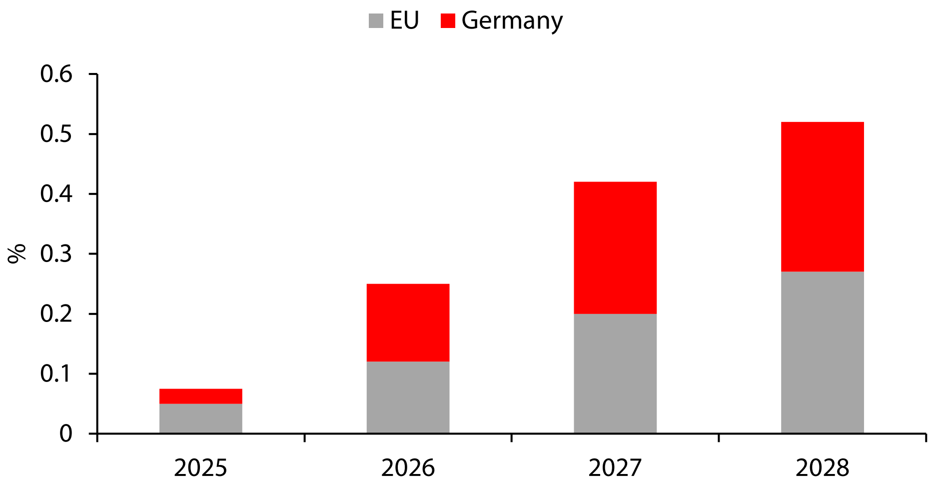
RONGVIET SECURITIES

EU: GERMANY'S EXPANSIONARY FISCAL POLICY EXPECTED TO SUPPORT REGIONAL GROWTH MOMENTUM

REGION	FISCAL POLICY	IMPLEMENTATION PERIOD	POLICY DETAILS
Germany	Relaxation of the "debt brake" rule	2025 - 2037	Doubling the structural budget deficit ceiling from 0.35% to 0.7% of GDP. Excluding all defense expenditures exceeding 1.0% of GDP from national debt caps. Establishing a €500 billion infrastructure fund over 12 years, including €100 billion earmarked for green investments.
EU	NextGenerationEU (NGEU)	2021 - 2026	Strong disbursement of the €807 billion recovery package for member states, prioritizing green and digital projects.
EU	Multiannual Financial Framework (MFF)	2021 - 2027	Support for long-term EU policies (agriculture, cohesion, innovation) under a total budget of €1.211 trillion.

Source: European Commission, RongViet Securities

Impact of EU and German Fiscal Policies on EU GDP (2025–2028)

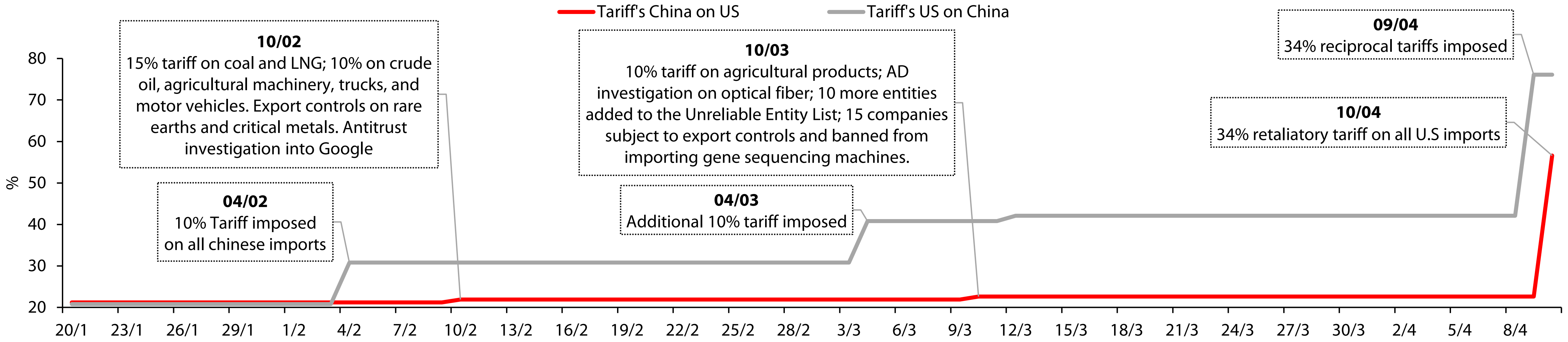


Source: S&P Global, RongViet Securities

- **Germany and EU are implementing large-scale and long-term fiscal policies** with a strategic focus on infrastructure and defense spending. From 2026 onward, EU member states are expected to raise defense expenditures by an additional 1% of GDP. In parallel, European Commission has suspended fiscal rules, thereby unlocking up to €600 billion in fiscal space.
- **The impact on GDP growth in 2025 is likely to be modest,** due to implementation lags and the relatively low fiscal multiplier associated with defense spending. However, from 2026 onward, expansionary fiscal policy is expected to support EU growth momentum, primarily through positive spillover effects from German economy.
- According to ING, newly imposed U.S tariffs under Trump administration could reduce EU GDP growth by 0.3% over the next two years. The estimated growth contributions from fiscal policy may fall short of fully offsetting the negative drag from trade tensions.

CHINA: FIRM STANCE AMID ESCALATING U.S TARIFF PRESSURE

Tariff developments in U.S–China trade war 2.0



Source: PIIE, RongViet Securities

- **The latest round of U.S tariffs on Chinese goods represents a substantial escalation in trade tensions,** pushing the effective tariff rate on Chinese imports from 10.9% in 2024 to 58.4% in 2025. This estimate excludes a potential additional 50% tariff threat from former President Trump should China fail to reverse its retaliatory measures. According to PIIE, a 60% tariff rate combined with China's reciprocal actions could shave off 0.81% from China's GDP in 2025 and 1.16% in 2026.
- **In response, Beijing has maintained a firm retaliatory stance while simultaneously preparing to ramp up policy support to cushion the blow.** On April 8, 2025, PBoC raised the daily reference rate for the renminbi to 7.2 CNY/USD — the highest since November 2023 — signaling its willingness to allow a gradual depreciation to support exports. Additional stimulus measures are expected in the near term, including interest rate cuts, reduced reserve requirement ratios, and enhanced liquidity support for both the financial and property markets. Moreover, the government may accelerate the issuance of special-purpose bonds to stimulate domestic consumption and investment, aiming to offset external headwinds and stabilize growth momentum.

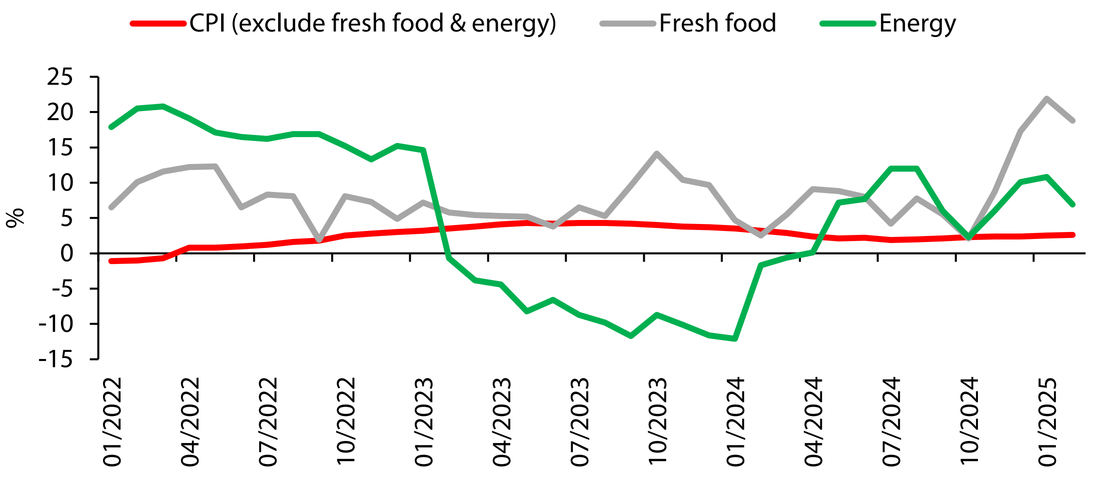
CHINA: STEPPING UP FISCAL SUPPORT TO COUNTER EXTERNAL PRESSURES

Indicator	TARGET 2025	TARGET 2024
GDP growth	Around 5%	Around 5%
Inflation (CPI)	Around 2%	Around 3%
Budget deficit (% GDP)	4%	3%
Special bonds	- Issuance of **CNY 4.4 trillion** in special-purpose bonds for local governments (~USD 605 billion) - Ultra-long treasury bond issuance expanded to **CNY 1.3 trillion** - Additional **CNY 500 billion** in special treasury bonds to inject capital into major banks	- Issuance of **CNY 3.9 trillion** in local special bonds - **CNY 1 trillion** in ultra-long bonds for 2024
Fiscal policy	Budget deficit set at around **4% of GDP**, up 1% YoY	More effective and proactive fiscal support
Private consumption	Boost and upgrade household consumption to support economic flows. Launch targeted initiatives to stimulate domestic demand and improve investment returns. Broaden measures to unlock domestic demand potential	Broaden measures to unlock domestic demand potential
Real estate	Continue efforts to stabilize housing market. Expand use of policy tools for public housing. Support refinancing of real estate firms to avoid defaults	Calibrate housing policies and meet financing needs of developers. Accelerate construction of subsidized housing
Employment	Create over **12 million** new urban jobs	Create over **12 million** new urban jobs
Unemployment	Around **5.5%** (urban)	Around **5.5%** (urban)
FX rate	Maintain broad stability at adaptive, balanced levels	Maintain broad stability at adaptive, balanced levels
Energy	Target **~3%** reduction in energy consumption per unit of GDP	Target **~2.5%** reduction

Source: Government work report, RongViet Securities

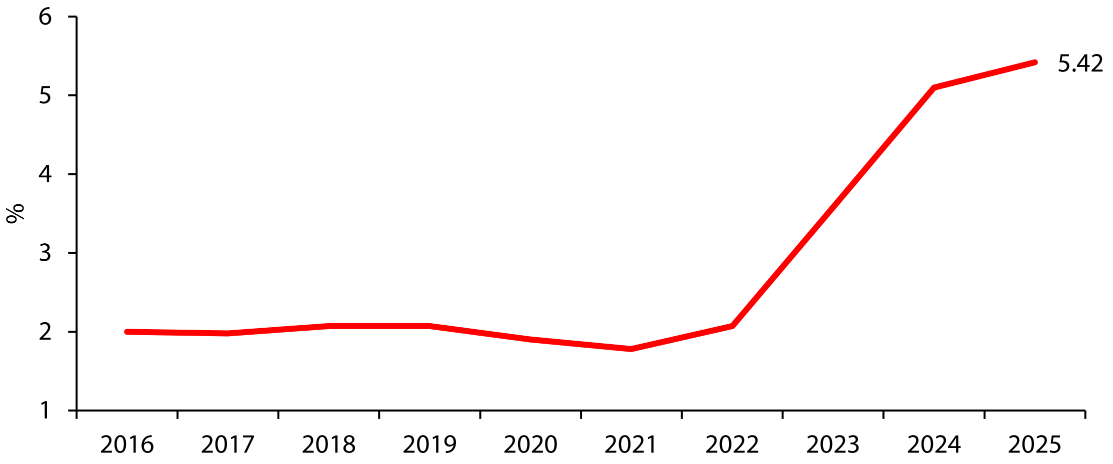
JAPAN: RATE HIKE TIMING MAY BE DELAYED AMID U.S. TARIFF PRESSURES

Fresh food and energy inflation accelerates sharply in Japan



Source: Bloomberg, RongViet Securities

Shunto wage negotiations (japan's wage growth agreement)

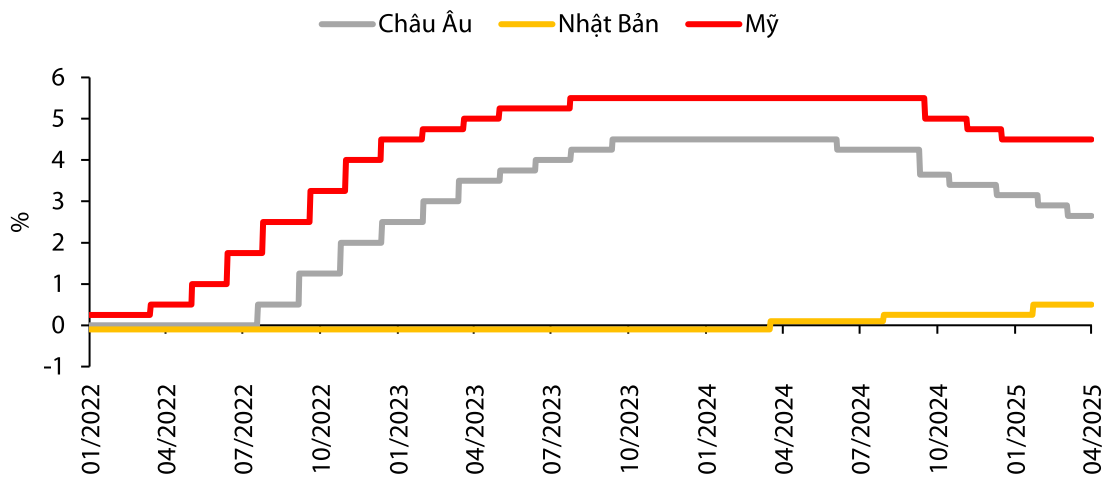


Source: JTUC, RongViet Securities

- Japan's core CPI (excluding fresh food and energy) rose to 2.6% in February 2025, the highest level since March 2024, indicating that **inflation has begun to spread across a broader range of consumer goods**. Rising inflation expectations are reinforcing this trend — according to a February 2025 Cabinet Office survey, 53.5% of households expect inflation to exceed 5.0% over the next 12 months, the highest reading since mid-2023.
- On the wage front, Spring Shunto negotiations showed a solid second-round average increase of 5.42%, nearly matching the 5.46% of the first round and well above last year's pace. This wage momentum provides partial offset to inflationary pressure and supports domestic consumption.
- Before the latest U.S. tariff announcement, **the combination of accelerating inflation and sustained wage growth had reinforced expectations that BoJ would proceed with a policy rate hike in its May 2025 meeting.**
- However, **the April 2 tariff announcement may change BOJ's calculus**. According to Nomura, reciprocal tariffs of 24% imposed by U.S on Japanese goods — including a 25% levy on automobiles — could shave 0.7 to 0.8% off Japan's GDP growth. This external shock raises the likelihood that BOJ may delay further tightening to reassess downside risks to the growth outlook.

GLOBAL MONETARY POLICY GRADUALLY PIVOTS – FED UNDER PRESSURE, ECB & BOJ REMAIN ON HOLD

Central bank policy rates



Source: Bloomberg, RongViet Securities

Fed rate cut expectations for 2025

	325-350	350-375	375-400	400-425	425-450
5/7/2025	0,0%	0,0%	0,0%	33,3%	**66,7%**
6/18/2025	0,0%	0,0%	30,6%	**63,9%**	5,6%
7/30/2025	0,0%	28,4%	**61,6%**	9,6%	0,4%
9/17/2025	20,7%	**52,6%**	23,7%	2,9%	0,1%
10/29/2025	36,4%	**38,4%**	13,5%	1,5%	0,1%
12/10/2025	**37,5%**	24,2%	6,7%	0,7%	0,0%

Source: CME Fedwatch, RongViet Securities

- Faced with the trade-off between (1) addressing temporary inflation driven by import tariffs and (2) preventing a potential economic downturn, we expect the Federal Reserve to gradually pivot toward monetary easing. Market pricing currently reflects expectations of five rate cuts in 2025.
- As highlighted in Slide 5, the spillover impact of EU fiscal policy remains limited in the near term, prompting ECB to likely proceed with further rate cuts. With core inflation in the euro area expected to continue declining, the case for additional easing is building. However, aggressive fiscal expansion may limit the room for policy rates to fall meaningfully below the 2% threshold.
- Meanwhile, BoJ kept its policy rate unchanged in March and had been on track for further tightening, supported by firming inflation trends. That said, the recent trade shock triggered by U.S tariffs may force BoJ to delay its anticipated rate hike at the upcoming May meeting as it reassesses downside risks to growth.

APPENDIX: TRADE WAR TIMELINE UNDER TRUMP 2.0 PRESIDENCY

Date	Country	Category	Measure
01/02/2025	Canada	Immigration & Fentanyl	Imposed 10% tariff on oil and energy products, 25% on all other goods.
	Mexico	Immigration & Fentanyl	25% tariff imposed on all imported goods
	China	Immigration & Fentanyl	Additional 10% import tariff on all goods.
03/02/2025	Canada Mexico	**Postponement**	Tariff implementation delayed by 1 month, conditional on cooperation over border & fentanyl issues.
04/02/2025	China	Immigration & Fentanyl	Officially added 10% tariff on Chinese imports.
04/02/2025	China	**Retaliation**	A 15% tariff was imposed on coal and liquefied natural gas (LNG) imported from the U.S., and a 10% tariff on crude oil, agricultural machinery, large trucks, and motor vehicles, effective from February 10, 2025. Export controls were implemented on certain rare earth elements and critical metals essential to high-tech equipment and the clean energy transition. An antitrust investigation was launched against Google, while several U.S. firms were added to China's "Unreliable Entity List."
10/02/2025	World	**Steel, Aluminum**	25% tariff reinstated on steel imports (effective Mar 12)
13/02/2025	World	Unidentified	A reciprocal Memorandum of Understanding (MoU) on tariffs and trade was issued.
25/02/2025	World	**Copper**	The Department of Commerce was requested to initiate a Section 232 investigation to determine whether copper imports pose a threat to national security.
01/03/2025	World	**Wood**	The Department of Commerce was requested to initiate a Section 232 investigation to assess whether imports of wood and lumber pose a threat to national security.
04/03/2025	Canada	Immigration & Fentanyl	Imposed 10% tariff on oil and energy products, 25% on all other goods.
	Mexico	Immigration & Fentanyl	25% tariff imposed on all imported goods
	China	Immigration & Fentanyl	Tariffs on all goods were raised from 10% to 20%
04/03/2025	China	**Retaliation**	A 10% tariff was imposed on U.S. agricultural products, including soybeans, poultry, wheat, corn, and cotton-related goods. An anti-dumping investigation was launched against U.S. optical fiber products. Ten U.S. companies were added to the "Unreliable Entity List," while 15 firms were subjected to export control measures and import bans on genetic sequencing machines.
06/03/2025	Mexico Canada	**Partial Reversal**	Revision to March 4 Tariffs: Import tariffs were waived for goods meeting USMCA rules of origin, and the 10% tariff on potash fertilizer was reduced.

Source: RongViet Securities

APPENDIX: TRADE WAR TIMELINE UNDER TRUMP 2.0 PRESIDENCY

Date	Country	Category	Measure
12/03/2025	World	Steel, Aluminum	Imposed a 25% import tariff on steel-related items.
	EU	Retaliation	EU is set to respond with tariffs on U.S goods worth USD 28 billion in two phases between April 1–13, 2025. Targeted products include steel, beverages (e.g., bourbon), textiles, and consumer apparel such as jeans.
	Canada	Retaliation	Canada announced a plan to impose 25% retaliatory tariffs totaling CAD 29.8 billion, including CAD 12.6 billion on steel products and CAD 14.2 billion on various consumer goods such as tools, laptops, smartphones, and sporting goods.
20/03/2025	World	Minerals	U.S has passed a law encouraging domestic exploitation and processing of strategic minerals.
25/03/2025	World	Punishment	Starting April 02, 2025, the U.S. will ban oil imports from Venezuela from any country. Entities engaging in Venezuelan oil trade will be subject to 25% import tariffs under the IEEPA.
26/03/2025	World	Auto & parts	25% import tariff on passenger vehicles will be effective April 03, 2025, with additional taxes on used vehicles implemented by May 03, 2025.
02/04/2025	World	Trade deficit	10% tariffs from April 5, 2025 for most countries, followed by additional "reciprocal" tariffs starting April 9, 2025 for countries with large trade deficits.
	China		Effective May 02, 2025, the U.S. will end tariff exemptions for low-value goods from China.
03/04/2025	World	Auto & parts	25% import tariff on passenger vehicles effective.
04/04/2025	China	Retaliation	34% reciprocal tariff on imports from U.S will come into effect on April 10, 2025. Additionally, China will: Restrict exports of rare earths including samarium, gadolinium, terbium, dysprosium, lutetium, scandium, and yttrium; Launch an antidumping investigation on U.S CT X-ray tubes; Add 11 firms to the Unreliable Entity List; Restrict exports to 15 companies and ban imports of gene sequencing machines from Illumina
05/04/2025	World	Trade deficit	10% blanket import tariff will be applied to almost all foreign countries.

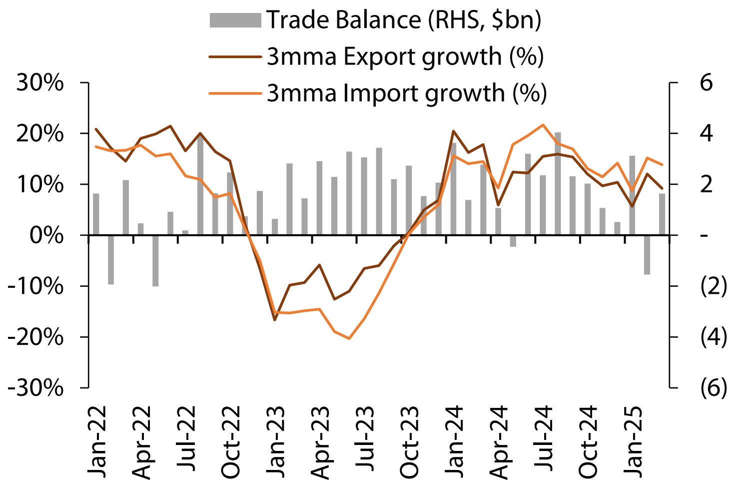
Source: RongViet Securities

APPENDIX: GOVERNMENT POLICY MEASURES TO SUPPORT ECONOMIC GROWTH IN 2025

Institutional	• Restructure administrative boundaries by merging certain provinces to expand provincial-level jurisdictions; eliminate the district level; and consolidate units to scale up commune-level administration. • Review, amend, and supplement regulations of the Party, the Constitution, and State laws.
Consumption	• Extend deadlines for payment of value-added tax (VAT), corporate income tax, personal income tax, and land rental fees in 2025. • Extend the deadline for special consumption tax payments on domestically manufactured and assembled automobiles. • Expand the scope of beneficiaries eligible for VAT reductions, applicable in the second half of 2025 and throughout 2026. • Develop a more open, friendly, and expansive visa policy, including the upgrade and expansion of the e-visa system.
Private sector economy	• Submit the Private Sector Development Strategy to the National Assembly in May 2025. • Reduce administrative processing time by at least 30%, cut at least 30% of business-related costs, eliminate 30% of unnecessary business conditions, and ensure 100% of administrative procedures are implemented independently of provincial jurisdictions. • Study the model of "Zero-Tax Port." • Promote special development policies for areas such as Van Don, Van Phong, border trade zones, and key regional economies.
Public investment	• Explore new sources of public investment including state budget, foreign aid, and development financing. • Prioritize trade infrastructure development and regularly review incentives for focused investment allocation. • Save 10% of recurring expenditures to boost 2025 capital for key transport projects like the Lao Cai – Hanoi – Hai Phong expressway. • Ensure 2025 disbursement reaches at least 95% of the government's planned capital allocation.
FDI	• Improve legal frameworks, incentive mechanisms, and national competitiveness to attract large-scale, high-tech FDI. • Advance the development of a "National Gateway Port System."
Monetary policy	• Encourage state-owned commercial banks to participate in bad debt resolution and support restructuring of weak credit institutions to boost capital flow into the economy. • Study the possibility of additional credit room allocation based on market signals. • Monitor interest rate movements and lending behavior closely; prohibit commercial banks from increasing rates outside policy guidance. • Study the deployment of a VND 100 trillion credit package for agriculture, forestry, and aquaculture. • Draft a Central Resolution on national financial reform and regional financial hubs. • Develop a pilot mechanism for regulating activities related to virtual assets and tokenized assets.
Real estate	• Remove legal barriers to allow businesses, foreigners, and workers to purchase and rent social housing. • Expand credit access for first-time homebuyers under 35 years old. • Study the establishment of a "National Housing Fund" to support the development of affordable housing in major urban areas, social housing, and homes for individuals under 35 years old. • Apply targeted measures to resolve difficulties in large-scale real estate projects in Ho Chi Minh City, Da Nang, and Khanh Hoa.
Securities market	• Finalize key market standards and upgrade national market classification by the end of 2025.

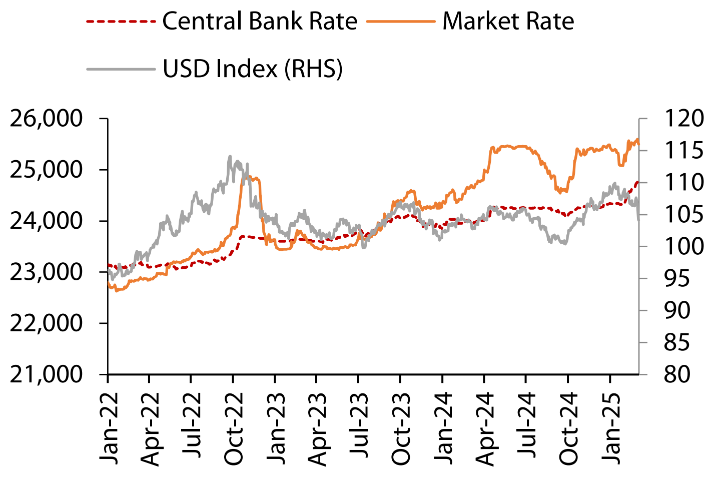
Source: RongViet Securities

Trade balance



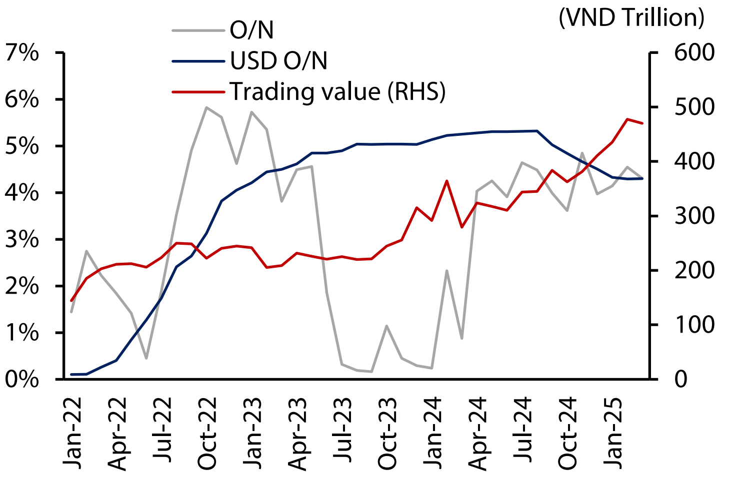
Source: GDC, RongViet Securities

USDVND exchange rate



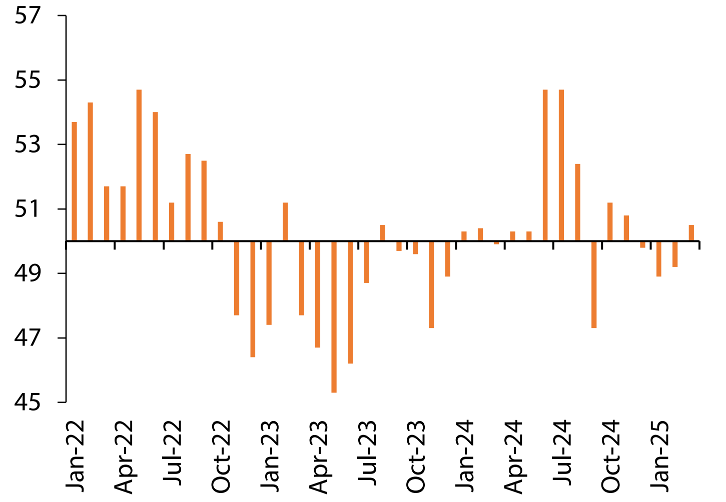
Source: Fiinpro, Bloomberg, RongViet Securities

Interbank interest rates



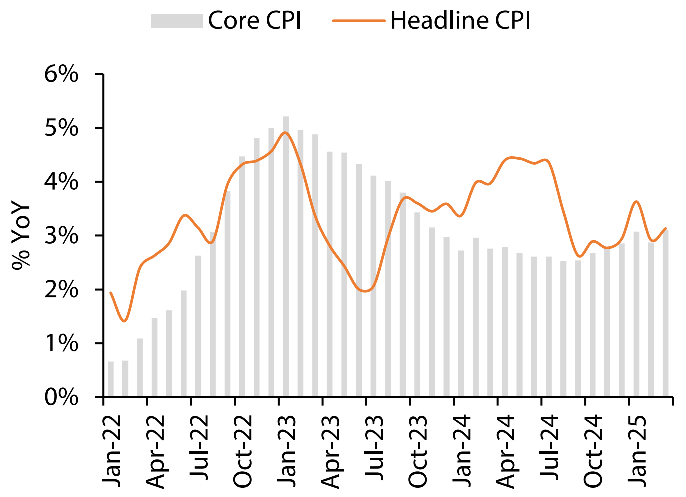
Source: SBV, RongViet Securities

Vietnam PMI Index



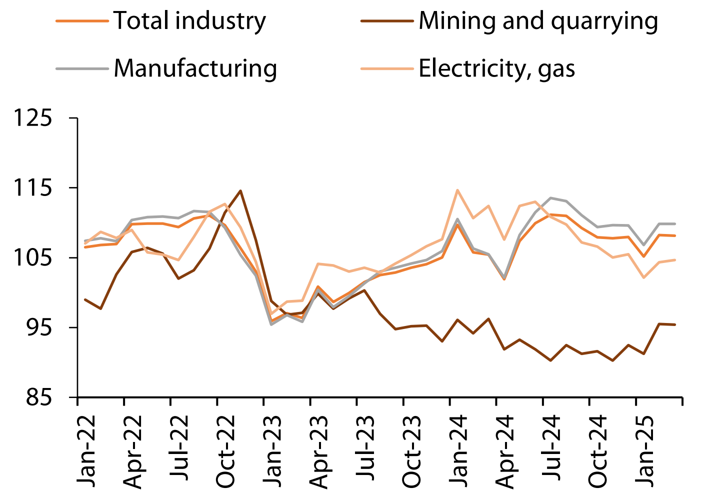
Source: S&P Global, *RongViet* Securities

Vietnam inflation rate



Source: GSO, RongViet Securities

3M average industrial production index



Source: GSO, RongViet Securities

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