

MONETARY MARKET UPDATE JULY 2025

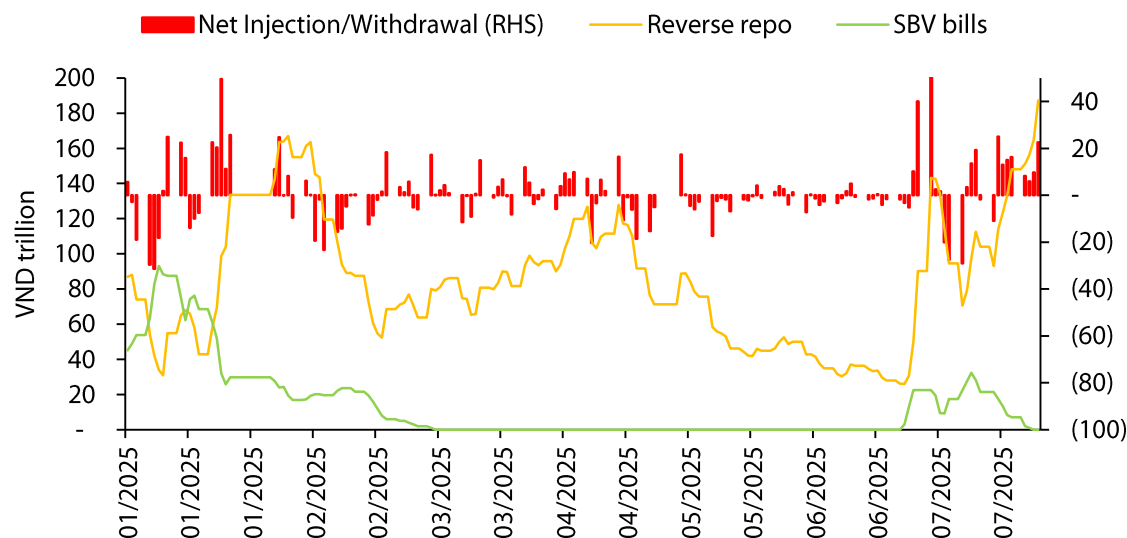
**SUPPORTING LIQUIDITY
AND CREATING
CONDITIONS FOR CREDIT
EXPANSION**

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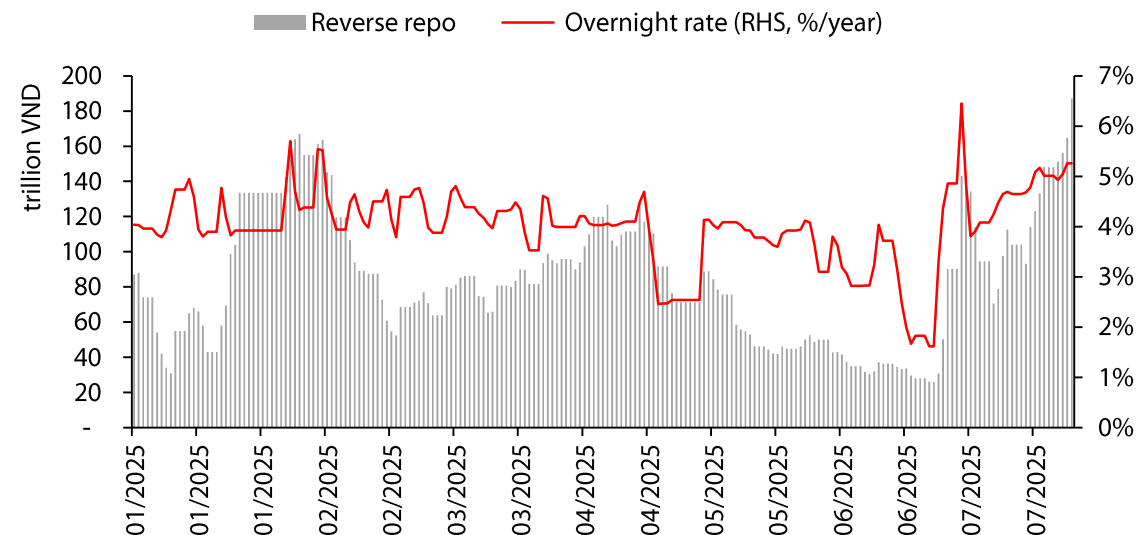
- Our three main observations regarding monetary policy operations over the past month are: 1. The State Bank of Vietnam (SBV) is ready to provide liquidity to the system through open market operations, 2. The SBV gradually adjusts the central exchange rate within the permitted band, and 3. It paves the way for phasing out the credit allocation mechanism by issuing Circular 14.
- The outstanding loan balance under the SBV's collateralized lending channel is currently at a record high since 2017 (~VND 187 trillion as of July 24).
- The central exchange rate has been adjusted upward by 3.4% since the beginning of the year, reaching VND 25,166/USD, corresponding to the upper limit of the exchange rate band at VND 26,424/USD, approximately VND 300 higher than the average interbank exchange rate as of July 24.
- Circular 14/2025, issued on June 30 and effective from September 15, includes the following key points: 1. Introducing an internal rating method alongside the standard method, with the internal rating method imposing more detailed requirements on capital adequacy ratios, aiming to align these ratios with Basel III standards, and 2. Outlining a phased implementation roadmap, including testing and transition periods, until full adoption by January 1, 2030, allowing commercial banks to choose their method for calculating capital adequacy ratios.

The SBV net withdrawal/injection in the OMO market



Source: SBV, RongViet Securities

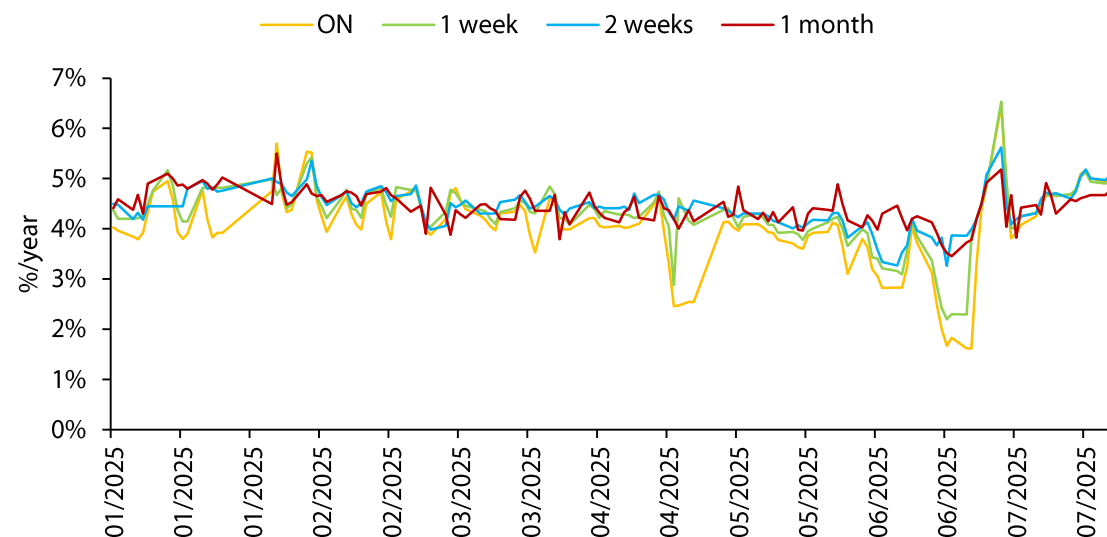
O/N interbank rate and the outstanding value of the reverse repo channel



Source: SBV, RongViet Securities

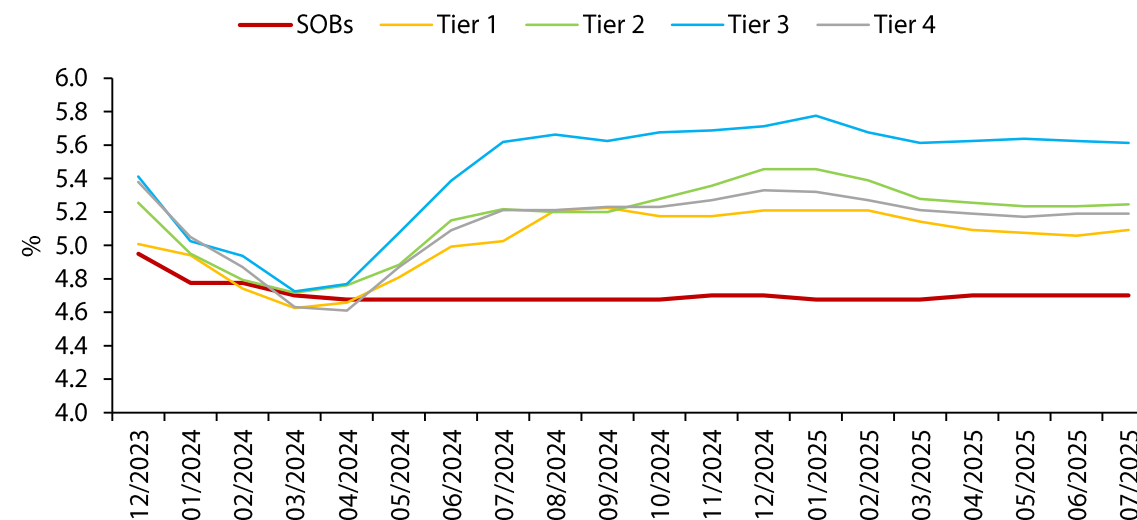
- Since late June 2025, the SBV has actively injected net liquidity through open market operations amid elevated interbank interest rates. The net injection volume from early June to July 24 amounted to VND 102 trillion.
- As of July 24, the outstanding loan balance in the term purchase channel reached VND 187.3 trillion, a record high since January 2017. Of this, the 14-day term accounted for the largest share (~60% of the total lending volume).
- Despite these efforts, interbank interest rates remain high and show no signs of cooling down.

VND interbank lending rate



Source: SBV, RongViet Securities

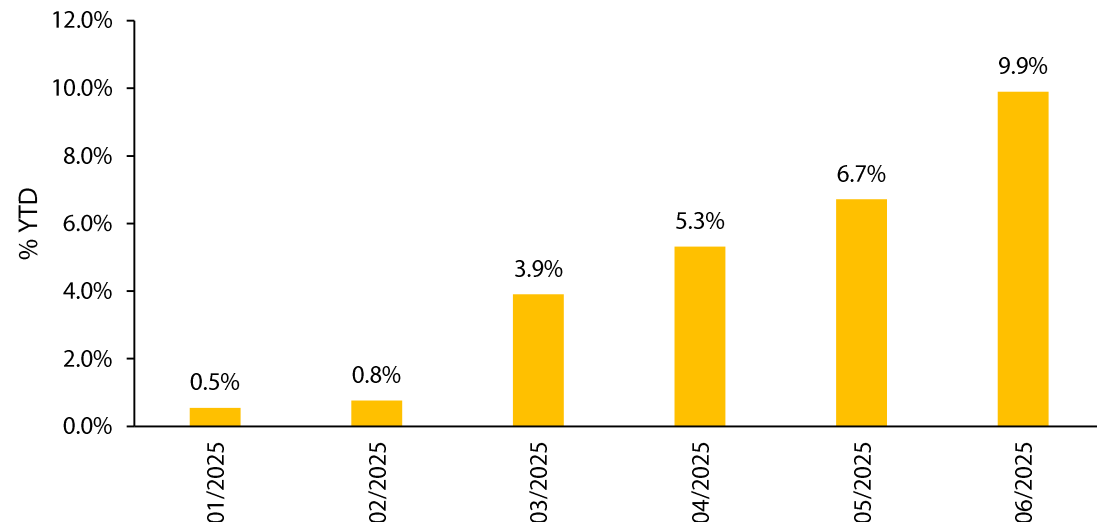
12M deposit rate



Source: RongViet Securities compiled

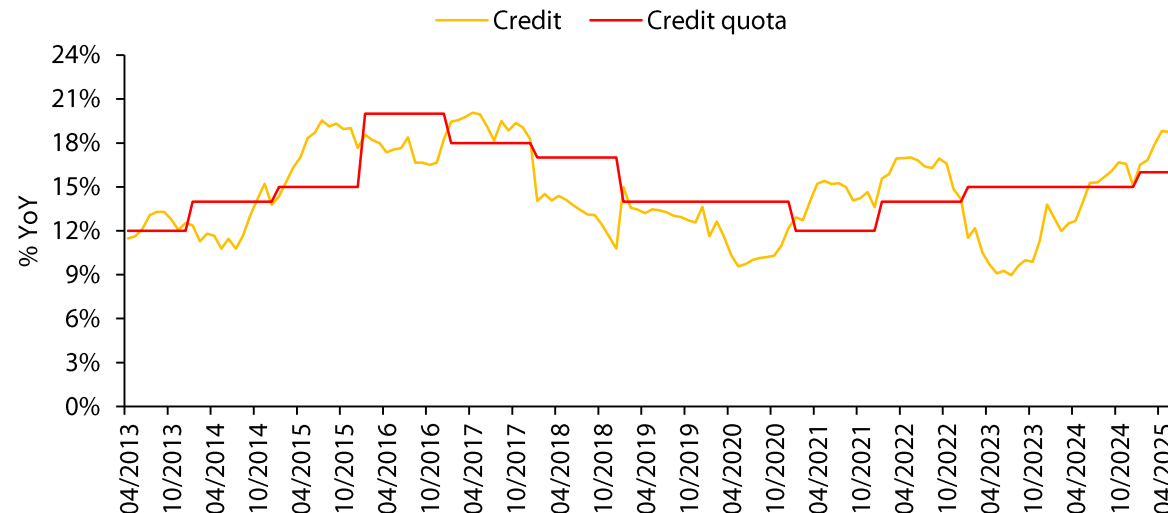
- Interbank interest rates adjusted downward after spiking at the end of June 2025. However, interbank market interest rates have remained at their highest levels since the beginning of the year, consistently at around 5% per annum across all tenors.
- At the trading session on July 23, the overnight lending rate was 5.3% per annum, 42 basis points higher than at the beginning of the month. The average overnight lending rate in July was 4.7% per annum, 150 basis points higher than the June average.
- In the official market, some banks, such as EIB, TCB, and VPB, slightly increased their deposit rates by 10-20 basis points in July.

Credit growth trends in the first six months of the year



Source: SBV, RongViet Securities

Credit growth vs. credit quota



Source: SBV, RongViet Securities

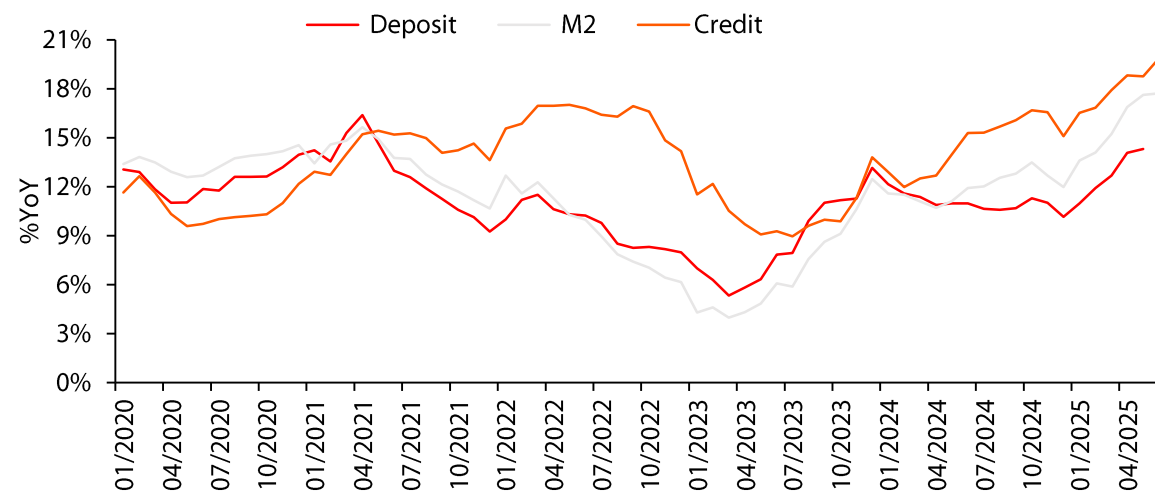
- According to the SBV's estimates, credit growth by the end of June 2025 reached 9.9% compared to the beginning of the year, equivalent to a 19.3% increase year-on-year.
- Credit recorded the highest growth in other sectors (mainly consumer credit and real estate business loans), which also accounted for over 40% of the total outstanding credit in the economy. Additionally, credit growth showed positive increases in the transportation, supporting industries, and high-tech sectors. However, these sectors represent a relatively small share of total outstanding credit (see detailed data on the next slide).
- Amid rapid credit growth and the directive to phase out the credit allocation mechanism, on June 30, 2025, the SBV issued Circular 14/2025, which is considered a key foundation for the roadmap to implement capital adequacy regulations, replacing the credit "room" mechanism.

Credit growth by sector

	Share (%)	Growth (%)	Compared to	System growth (%)	Period
SMEs	17.5%	5.7%	<	6.7%	May-25
Supporting Industries	3.2%	15.7%	>	6.7%	May-25
Export	2.1%	2.9%	<	6.7%	May-25
High-Tech	0.4%	17.6%	>	6.7%	May-25
Agriculture & Rural	23.2%	5.3%	<	6.7%	May-25
Agriculture	6.3%	3.4%	<	6.7%	May-25
Industry	16.9%	5.3%	<	6.7%	May-25
Construction	7.5%	4.6%	<	6.7%	May-25
Trade	25.5%	5.5%	<	6.7%	May-25
Transport	2.5%	10.4%	>	6.7%	May-25
Others	41.2%	8.8%	>	6.7%	May-25
Real Estate	21.4%	3.9%	=	3.9%	Mar-25
Real Estate Business	9.7%	7.5%	>	3.9%	Mar-25
Real Estate Purchase	11.8%	1.2%	<	3.9%	Mar-25

Source: SBV, RongViet Securities

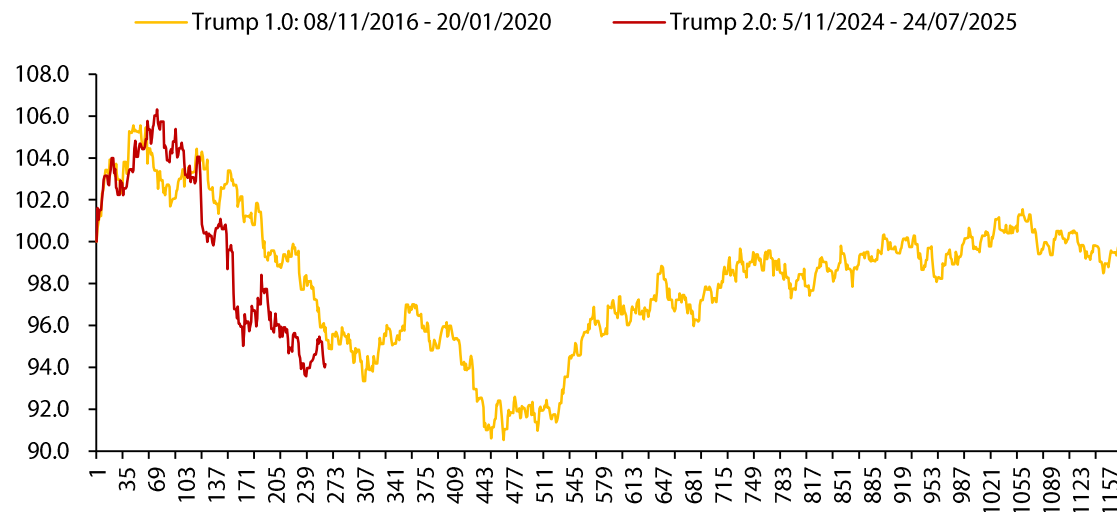
Deposit growth, M2 growth and credit growth



Source: SBV, RongViet Securities

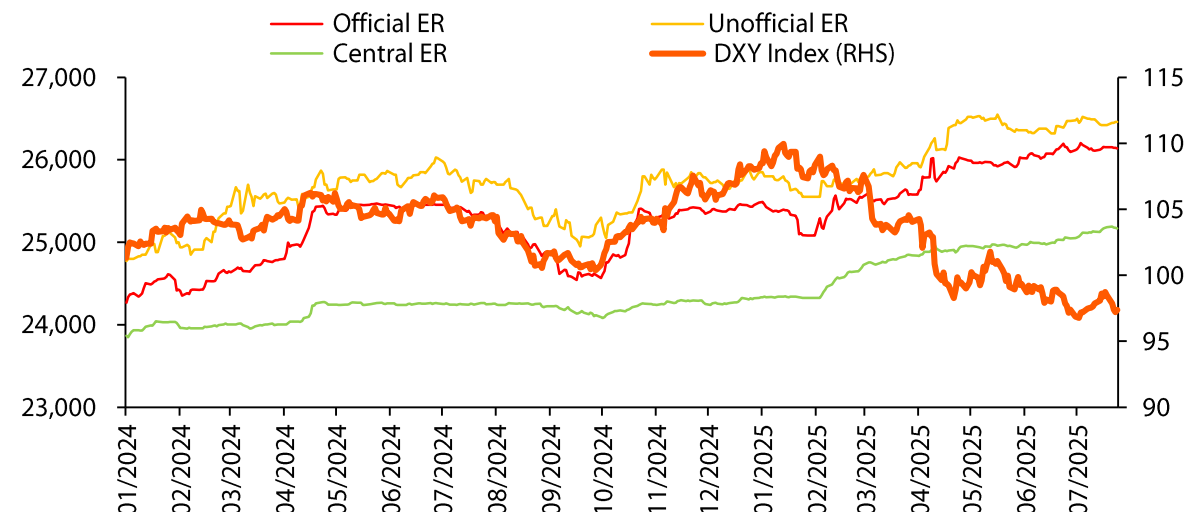
- According to the latest data from the SBV, deposit growth by the end of May 2025 reached 14.3% year-on-year. Meanwhile, money supply growth reached 17.6%.
- This level of deposit and money supply growth is the highest recorded since 2021.

DXI Index trends: Trump 2.0 versus Trump 1.0



Source: Bloomberg, RongViet Securities

The USDVND exchange rate



Source: Bloomberg, Fiinpro, RongViet Securities

- The DXY index saw a slight recovery after the Trump administration announced an extension of the reciprocal tariff imposition to August 1. However, the recovery was weak, and the DXY index declined again as trade agreements were gradually announced.
- There is still no detailed information regarding the trade agreement between Vietnam and the United States. The USD/VND exchange rate continued to depreciate slightly in July, while the SBV kept raising the central exchange rate. As of July 24, the central exchange rate had been adjusted upward by 3.4% since the beginning of the year, while the exchange rate in the official and free markets only increased by approximately 2.4–3.0%. This reinforces our view that the SBV is managing the exchange rate to allow a gradual and moderate depreciation of the Vietnamese dong.

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