RONG VIET SECURITIES

MACRO UPDATE 03/2025

ECONOMIC ACTIVITY IMPROVEMENT DOES NOT MEET EXPECTATIONS

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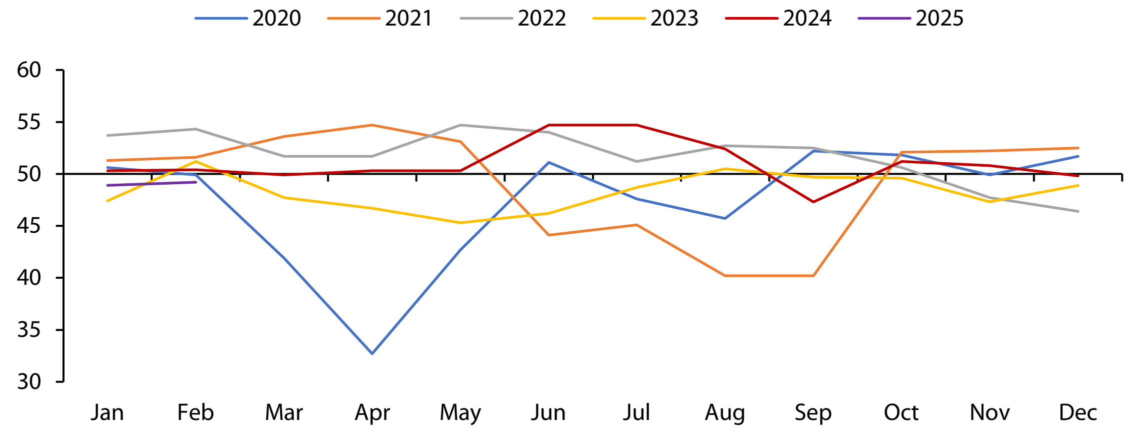
- Manufacturing activity declined in the first 2 months of 2025 as indicated by the PMI measure but recovered slightly based on the increase in the industrial production index. The growth of electricity production did not correspond to the growth of the manufacturing industry.
- Service retail growth showed a more positive trend than goods retail; inflationary pressure remained under control.
- Although the statistical indicators in the first 2 months of 2025 improved compared to the same period, they still did not meet the expectation of the 8% GDP growth target.
- Economic growth in Q1/2025 still benefits from the low base of the same period, and the improvement in economic activities in March will help Q1 growth reach about 7.3-7.5%, lower than the target of 7.7%. However, we believe that it will be quite challenging to achieve a growth rate of 8.0-8.2% in the following quarters.
- The US remains Vietnam's strongest growth market in 2M2025 and imports at US ports are expected to continue to grow until June 2025. Vietnam aims to balance trade to avoid policy risks in the face of increased pressure from the US.
- Existing FDI enterprises are expanding investment, while disbursement of public investment capital is still slower than required. The adjusted registered capital increased by USD4.2 billion, 6 times higher than the same period. China leads in the number of projects and registered capital (~USD679.9 million, accounting for 31% of total newly registered capital). According to the GSO's estimate, disbursement of state budget capital increased by 21.7% over the same period, but only reached 8.5% of the annual plan, showing that progress is still slow compared to requirements.
- The SBV is ready to supplement liquidity for the system, control fluctuations in interest rates and exchange rates positively in the first two months.

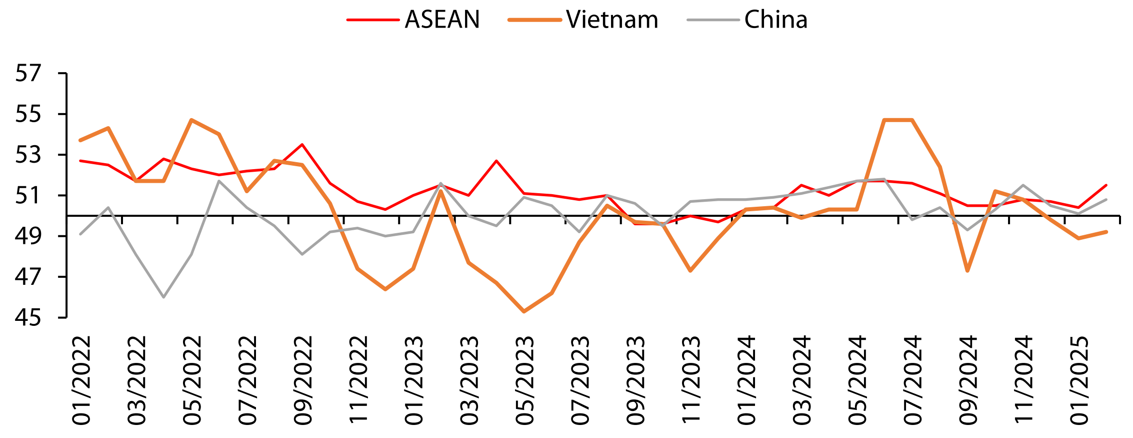
MANUFACTURING ACTIVITY CONTRACTED, AS INDICATED BY A DECLINING PMI

Vietnam's PMI in the first two months of 2025 remained below levels seen in previous years



Source: S&P Global, RongViet Securities

Vietnam's PMI in early 2025 trailed behind the ASEAN average and China

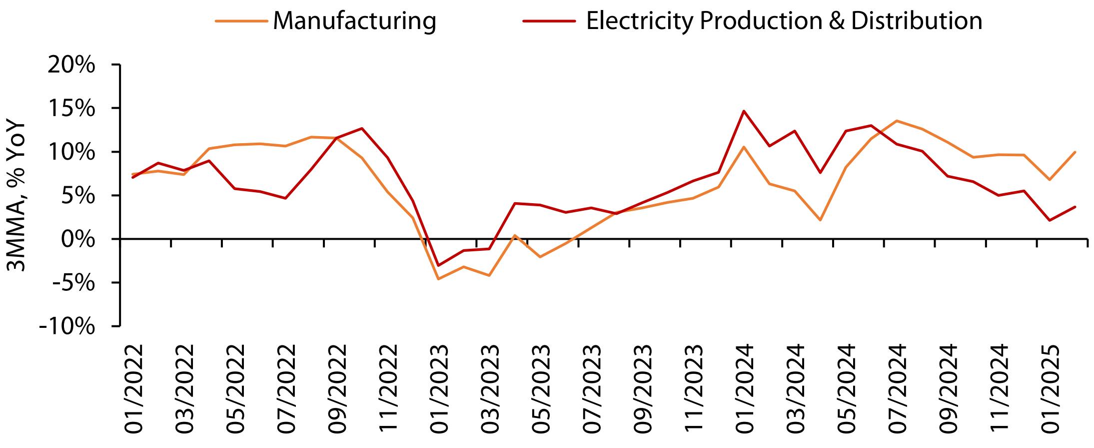


Source: S&P Global, RongViet Securities

- Vietnam's Manufacturing PMI reached 49.2 in February, inching up from 48.9 in January but remaining below the 50-point threshold for the third consecutive month, indicating ongoing contraction in the sector. The downturn was broad-based across key sub-indices, with the sole exception being future output expectations, which improved to the highest level in eight months — a signal of tentative optimism ahead.
- This sluggish start to the year contrasts with the manufacturing recovery observed in the broader ASEAN region and China, where PMI readings have shown upward momentum.
- According to S&P Global, supplier delivery times in Vietnam lengthened for the second straight month, largely due to limited transportation capacity and rising freight costs. The Vietnam Automobile Transport Association attributes the strain to new road traffic safety regulations, which have reduced transport service capacity by 20–30%, driving up freight charges by 20–25% and contributing to a 10–11% increase in overall logistics costs.

2M25 INDUSTRIAL GROWTH FALLS SHORT OF TARGET

Manufacturing vs. electricity production growth



Source: GSO, RongViet Securities

- In 2M 2025, Vietnam's Index of Industrial Production (IIP) rose by 7.2% YoY — an improvement from 5.7% in the same period last year but still below the government's 9.5% growth target.
- Electricity production remained notably sluggish, with output increasing just 2.3% YoY, a sharp deceleration from the 12.2% growth seen in the same period of 2024 and falling well short of the sector's Q1 2025 growth target of 10.9%.
- Despite the overall weakness, there were positive signals. Motor vehicle manufacturing continued to expand steadily, while output in key export-oriented sectors showed further signs of recovery.

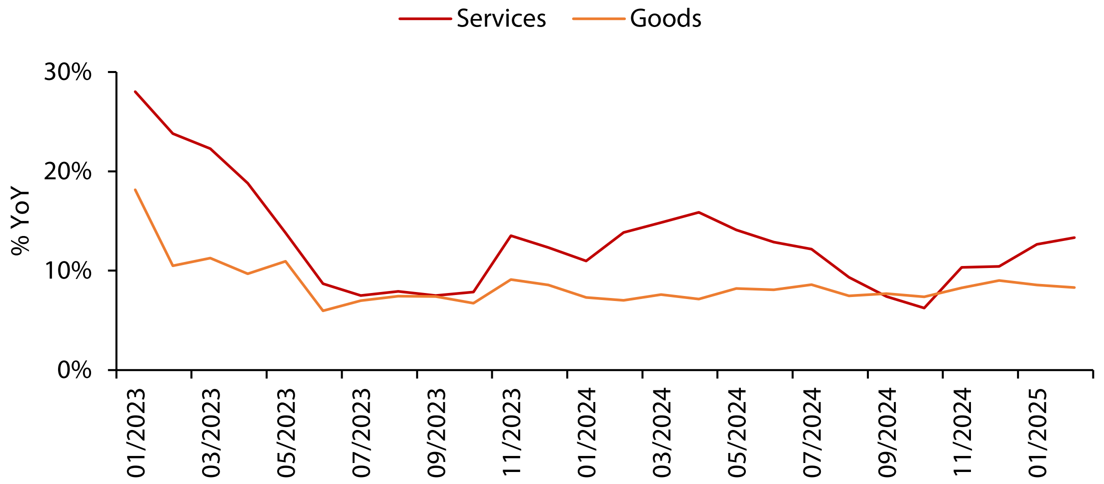
Key industrial sectors performance

% YoY, 3MMA	09/24	10/24	11/24	12/24	01/25	02/25
Food processing	8.9	8.2	6.8	7.8	4.8	8.5
Beverage	1.0	1.6	3.0	3.4	0.8	2.0
Textile	16.6	16.3	16.5	18.1	14.0	17.3
Leather	16.4	16.2	17.3	20.2	16.9	23.7
Wood processing	2.2	5.8	9.1	13.4	6.5	13.8
Chemical	9.1	9.1	5.9	2.3	(3.2)	0.7
Medicine	14.2	9.6	2.2	(1.3)	(11.5)	(5.4)
Rubber, plastic	25.9	22.6	16.7	17.3	9.3	15.4
Metal production	7.3	6.1	3.4	5.1	2.1	1.8
Electronics	8.0	2.8	5.9	5.5	6.9	9.2
Motor vehicles	31.4	33.3	38.5	43.7	41.3	49.2
Other manufacturing sectors	7.0	7.6	6.5	7.7	1.6	6.7
Electricity production and distribution	7.2	6.6	5.0	5.5	2.1	3.7

Source: GSO, RongViet Securities

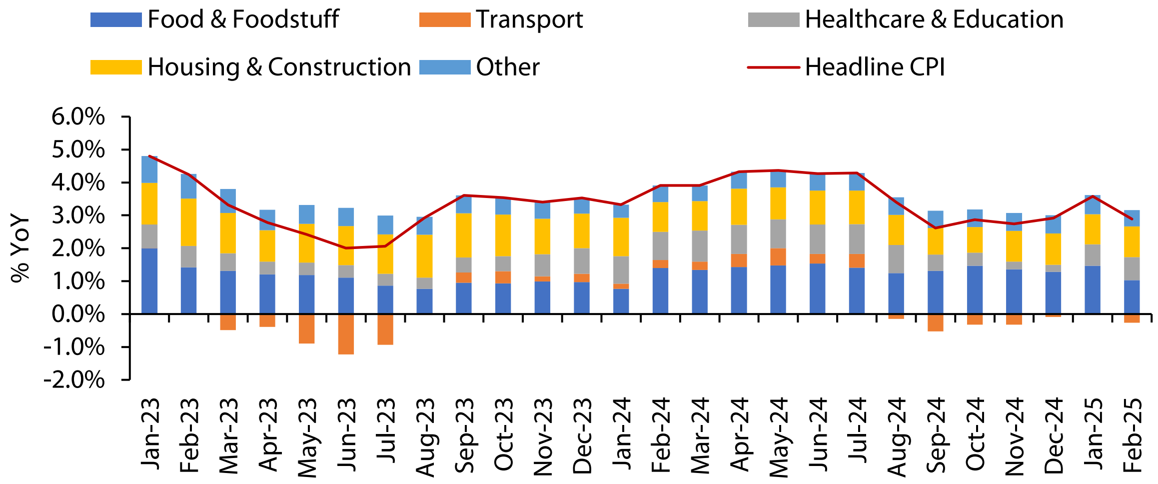
CONSUMPTION: CAUTIOUS OPTIMISM AMID LINGERING CONCERNS

Services consumption outpaces goods



Source: GSO, RongViet Securities

Consumer price index remains stable

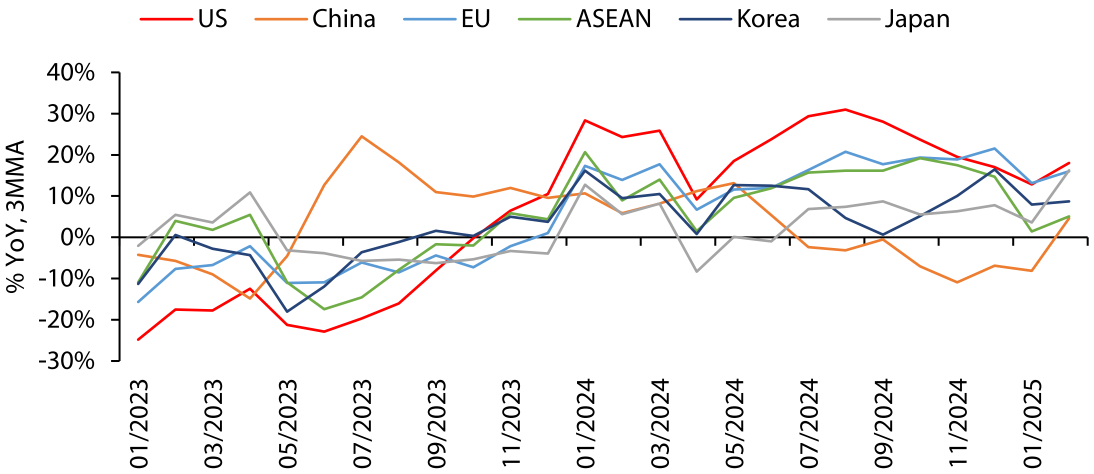


Source: GSO, RongViet Securities

- In 2M2025, total retail sales of goods and services rose by 9.4% YoY. After adjusting for inflation, real retail growth stood at 6.2%.
- The recovery was led by services, which outperformed goods in growth momentum. Tourism remained a key bright spot, with travel service revenue surging 16.4% YoY — the fastest growth among all consumption categories. International arrivals reached nearly 4 million, up over 30% from the same period last year, reflecting robust external demand for Vietnam's tourism sector.
- Consumer Price Index (CPI) rose 3.3% YoY on average in the first two months, while core inflation in February increased 0.3% MoM and 2.9% YoY, indicating that overall price pressures remain manageable.
- Despite the visible recovery in consumption, domestic demand has yet to meet expectations. This may be partly attributed to ongoing headcount reductions and hiring freezes in both the public sector (due to restructuring and budget tightening) and the private sector (amid cost optimization efforts).

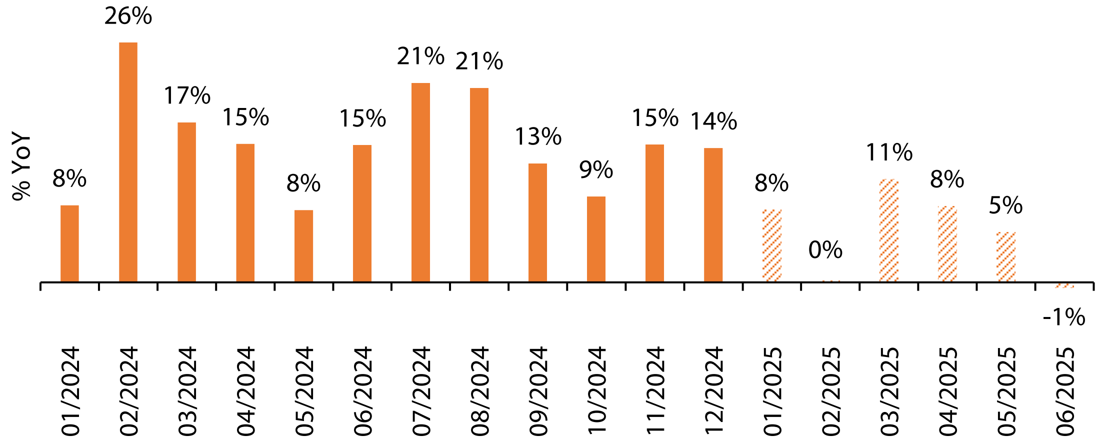
U.S. MARKET REMAINS KEY DRIVER OF EXPORT GROWTH

Vietnam's trade growth by key partners



Source: Customs, RongViet Securities

Growth in imported container volume at U.S. Ports

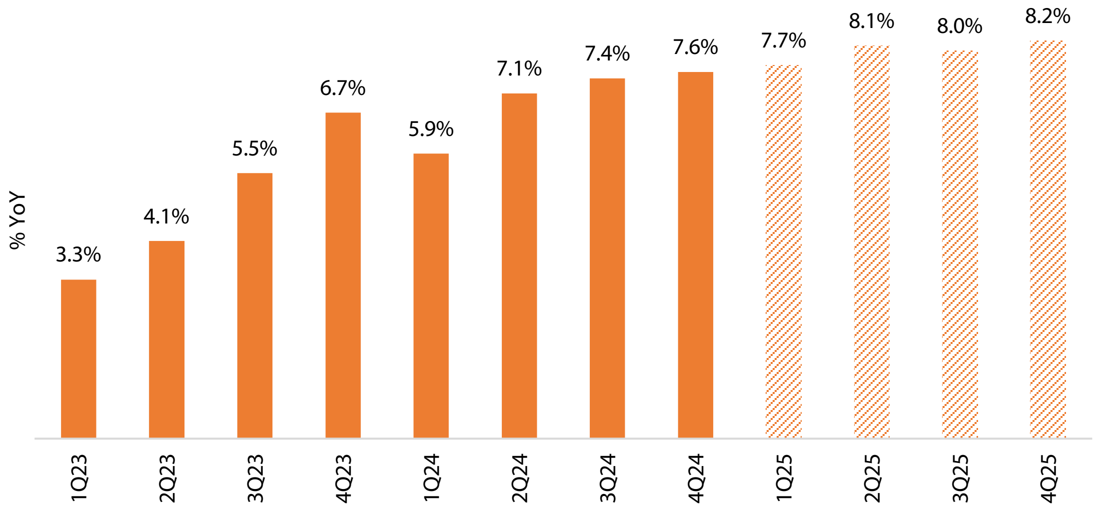


Source: NRF, RongViet Securities

- In 2M2025, Vietnam's exports and imports rose by 8.4% and 15.9% YoY, respectively. The trade surplus with U.S. expanded to USD 17.0 billion, up 16.3%, reaffirming U.S. as Vietnam's most dynamic export market during this period. Meanwhile, the trade deficit with China widened by 36.9% to USD15.4 billion, driven by stronger import demand for intermediate and capital goods.
- With U.S. inbound container volumes expected to maintain positive growth through June 2025, Vietnam's export momentum—particularly in electronics, textiles, and consumer goods is likely to persist in the near term.
- However, growing pressure from U.S. regarding trade imbalances has led Vietnam to pursue a more balanced trade structure. The government has demonstrated goodwill by increasing imports of U.S. agricultural products such as cotton, soybeans, and tree nuts, while also expanding purchases of Boeing aircraft and LNG. These efforts aim to mitigate the risk of new tariff measures and reinforce compliance with origin traceability standards. Vietnam's Minister of Industry and Trade is scheduled to meet with U.S. Trade Representative in mid-March 2025 to discuss initiatives that could further deepen bilateral trade cooperation and ease trade tensions.

Q1 2025 GDP GROWTH ESTIMATED AT 7.3–7.5%

Quarterly GDP growth path required to achieve 8% full-year target



Source: GSO, RongViet Securities

2025 growth targets vs. Actual performance to date

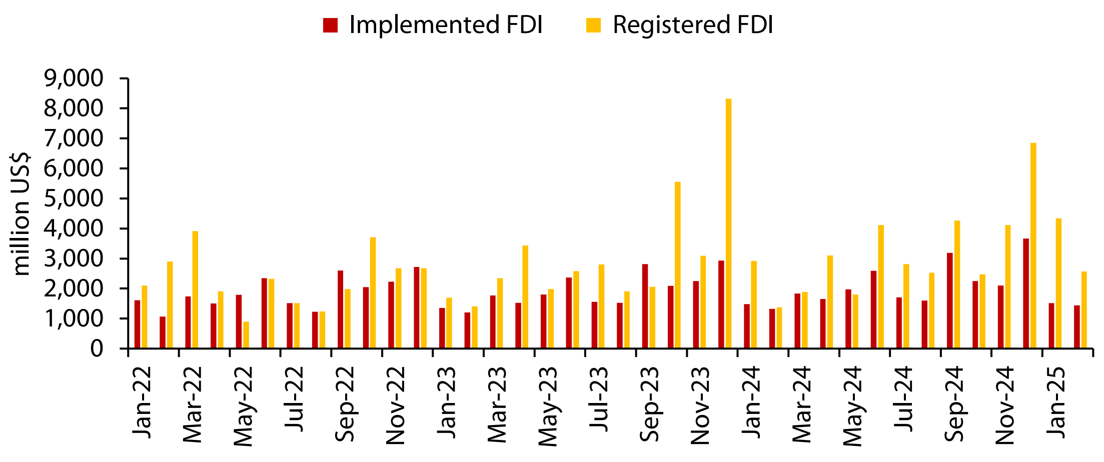
% YoY	2M2025	2025 Target	2024	2020-24 Avg.	2022-24 Avg.
IIP	7.2%	9.5%	8.4%	5.2%	5.9%
Retail sales	9.4%	12.0%	9.0%	6.3%	11.9%
Trade turnover	12.0%	12.0%	15.4%	9.2%	6.0%
Electricity production and import	3.0%	13.0%	10.1%	na	na
Public investment*	21.7%	32.4%	-4.1%	11.2%	14.6%
FDI	5.4%	10.5%	9.4%	4.6%	8.8%
CPI	3.3%	5.0%	3.6%	3.0%	3.3%
Credit growth**	16.4%	16.0%	15.1%	13.8%	14.3%

*Source: GSO, SBV, EVN, RongViet Securities, *estimates by GSO, ** as of February 18, 2025.*

- While key macro indicators in the first two months of 2025 showed improvement, they have yet to align with the growth trajectory required to meet the government's full-year GDP target of 8%.
- Total trade turnover rose by 12% YoY. However, export growth (+8.4%) lagged behind import growth (+15.9%), resulting in a modest trade surplus of USD 1.5 billion, equivalent to just ~5% of the annual trade surplus target.
- We estimated Q1 GDP growth at 7.3–7.5%, supported in part by a low base effect from Q1 2024 and economic momentum in March. This estimate remains below the quarterly target of 7.7%, placing upward pressure on growth requirements in subsequent quarters. Looking ahead, sustaining quarterly growth rates of 8.0–8.2% in Q2–Q4 will be challenging amid global uncertainties and domestic structural adjustments.

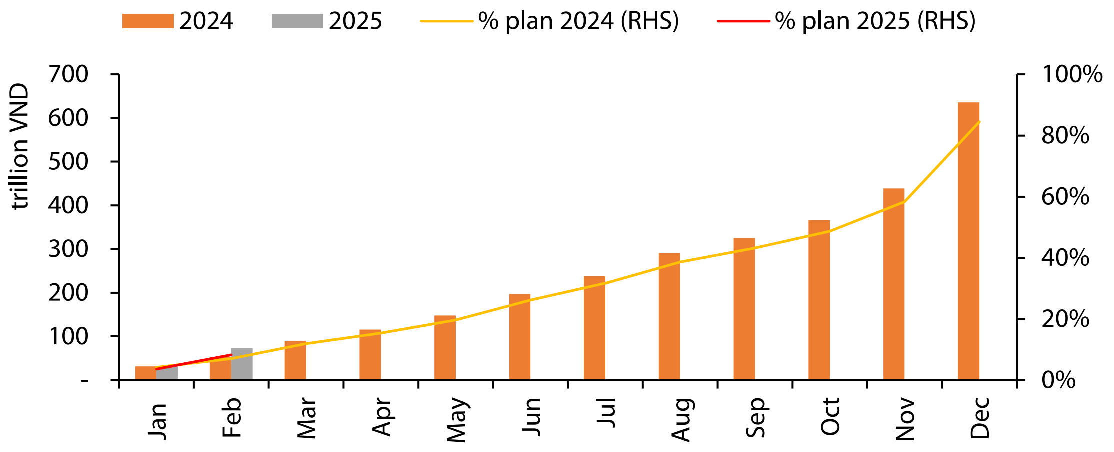
EXISTING FDI CONTINUES TO EXPAND INVESTMENT – SLOW PUBLIC INVESTMENT PROGRESS

Registered and implemented FDI



Source: GSO, RongViet Securities

Public investment disbursement



Source: GSO, MoF, RongViet Securities

- Vietnam attracted nearly USD 6.9 billion of registered FDI capital in the first two months of 2025, up 35.5% over the same period. The adjusted registered capital increased by USD 4.2 billion, 6 times higher than the same period. China leads in the number of projects and registered capital (~USD 679.9 million, accounting for 31% of the total newly registered capital).
- FDI disbursement is estimated at 2.95 billion USD, up 5.4% over the same period.
- According to the GSO's estimate, state budget disbursement increased by 21.7% over the same period, but only reached 8.5% of the annual plan, showing that progress is still slow compared to requirements.
- To ensure the disbursement target of over 95% of the annual plan, the Prime Minister has directed leaders of ministries, branches and localities to take direct responsibility for the disbursement progress, and established 7 Working Groups to inspect, urge and remove obstacles in the implementation process.

UPDATES ON THE SBV POLICY MANAGEMENT

New movements in the open market:

- The SBV net withdrew VND 41.1 trillion in February 2025, mainly through the maturity of mortgage channel. As of March 4, the interest rate on SBV-bills decreased by 90bps compared to the beginning of February 2025 to 3.1%/year. As of March 10, 2025, the outstanding amount of the mortgage channel was about VND 80 trillion, while the amount of SBV bills was only VND 1 trillion.
- From March 5, the SBV stopped issuing bills and bidding on the mortgage channel with longer terms (35 days and 91 days), with interest rates at 4.0%, reflecting the orientation of being ready to supplement liquidity for the system. Currently, interest rates on the interbank market are still relatively stable and liquidity is not lacking.

Government's interest rate reduction orientation:

- Overnight VND lending rates fluctuated strongly in February 2025 and early March 2025 but gradually stabilized at 3.88%/year on March 7, the USD-VND interest rate gap remained at 41 bps.
- Deposit interest rates did not fluctuate significantly in the first 2 months of the year. From February 25, many commercial banks reduced deposit interest rates following the direction of the SBV, in which the average 12-month deposit interest rate of the group of banks in Tier 2* decreased the most (16 basis points compared to the end of 2024).

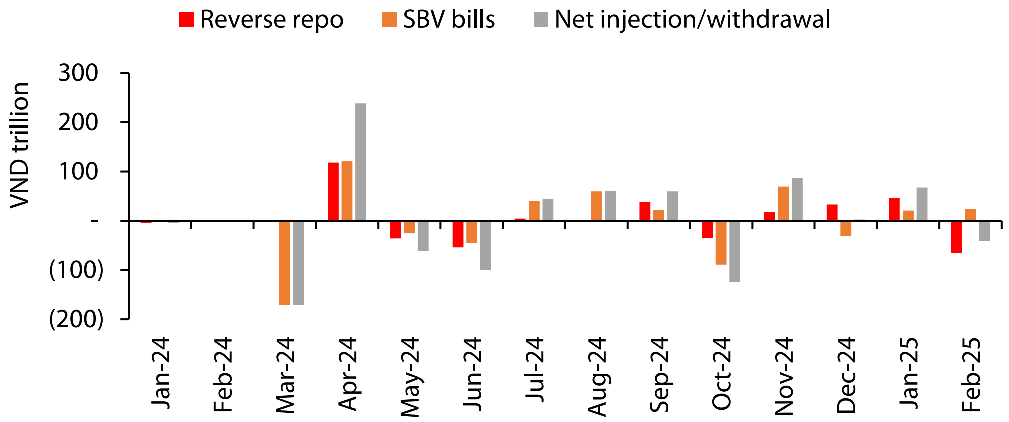
**Tier 2 banks that reduced interest rates include EIB, VIB, HDB, Nam A Bank and TPB.*

More flexible exchange rate management:

- The DXY index recorded a strong adjustment in February, falling to 103.6 as of March 10, 4.5% lower than at the beginning of the year, creating favorable conditions for the SBV's exchange rate management.
- As we have updated in the Macro Update Report on the Monetary Market in February 2025, the SBV has applied a more flexible exchange rate management method by adjusting the central exchange rate up and changing the USD buying and selling prices. The central exchange rate increased by 1.7% compared to the end of 2024, but the VND in the official and free markets has depreciated insignificantly within the range of 0.1-0.6% in the recent period.

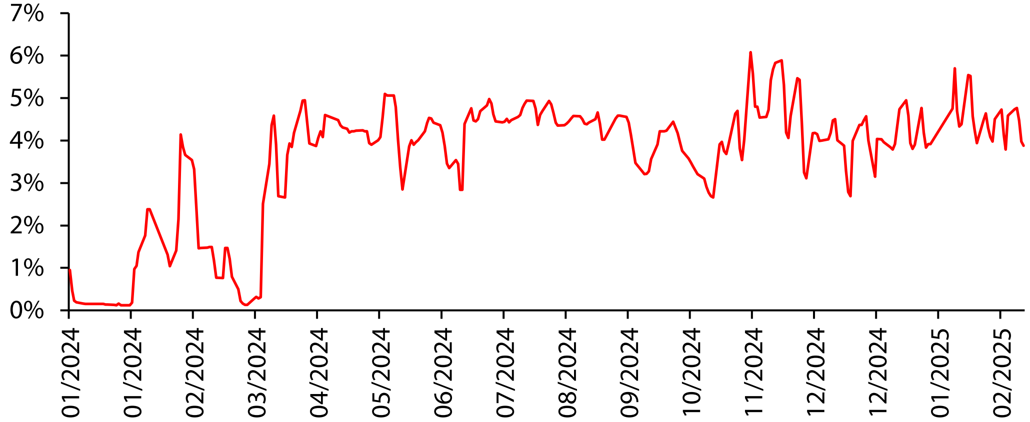
A STABLE INTEREST RATE ENVIRONMENT TO ACHIEVE GDP GROWTH TARGET

The SBV net withdrawal in the OMO market in Feb 2025



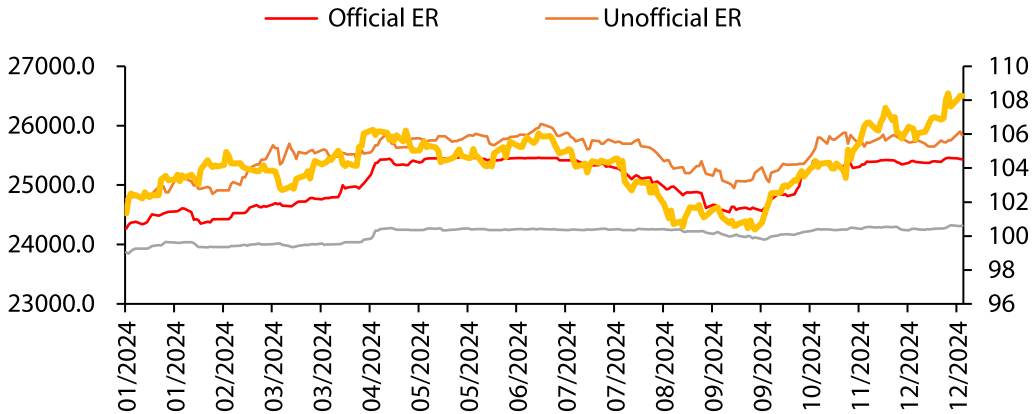
Source: SBV, RongViet Securities

VND O/N interbank has stablized in early-March



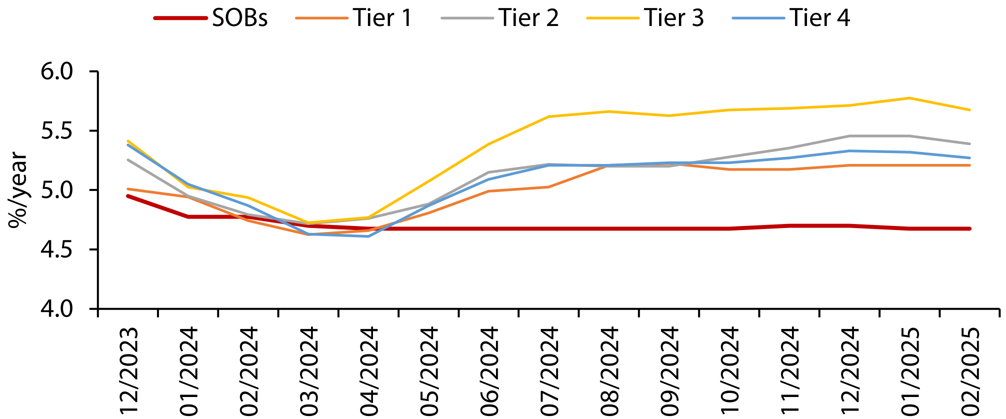
Source: SBV, RongViet Securities

USDVND exchange rate and DXY index



Source: Bloomberg, Fiinpro, RongViet Securities

12M deposit rate has slightly decreased since end-Feb



Source: Vietnamnet.vn, RongViet Securities

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.

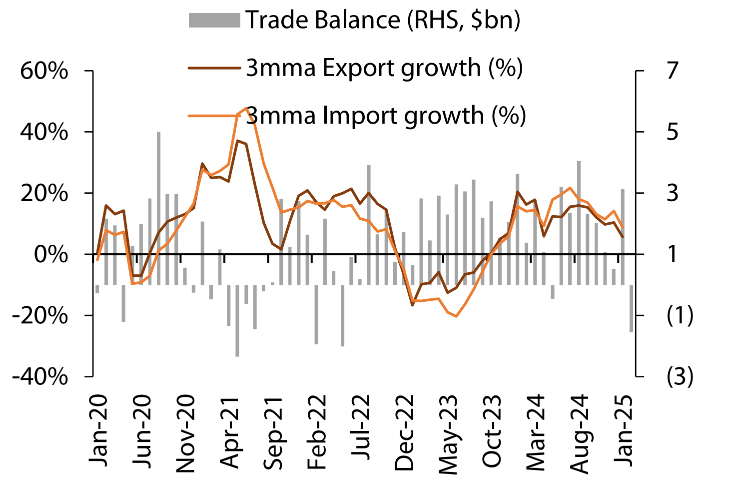
Source: RongViet Securities

APPENDIX: 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.

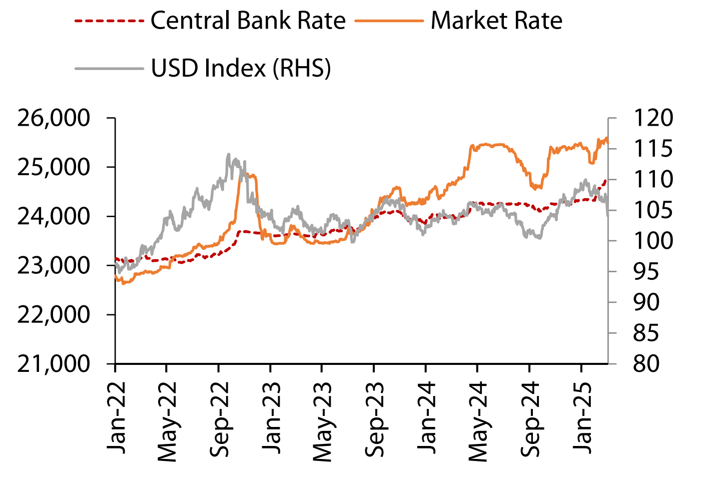
Source: RongViet Securities

Trade balance



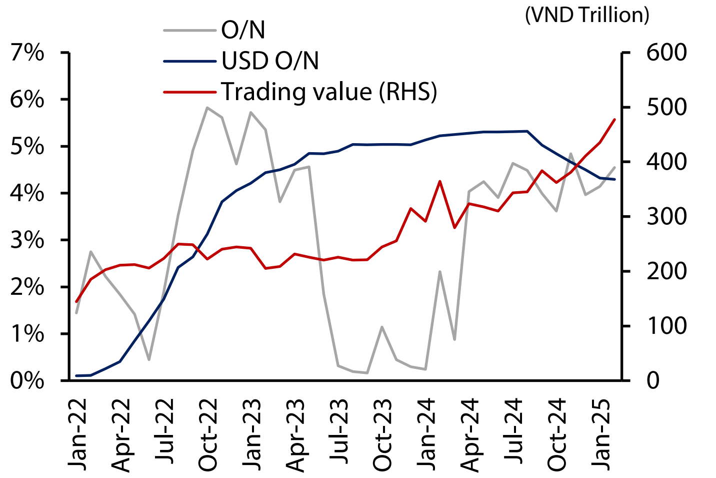
Source: GDC, RongViet Securities

USDVND exchange rate



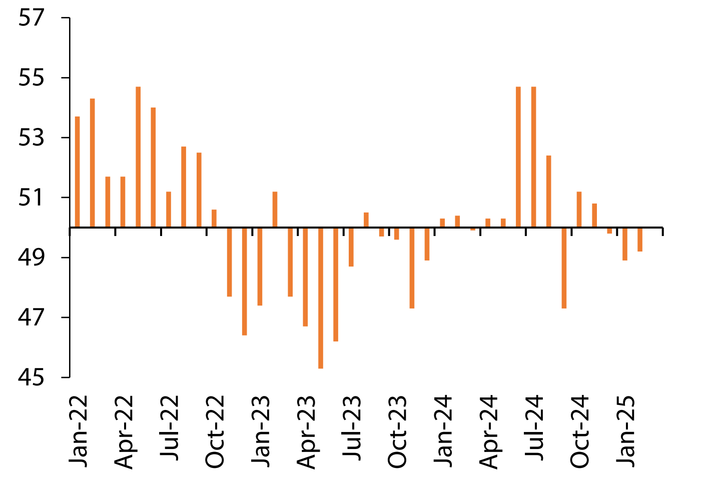
Source: Fiinpro, Bloomberg, RongViet Securities

Interbank interest rates



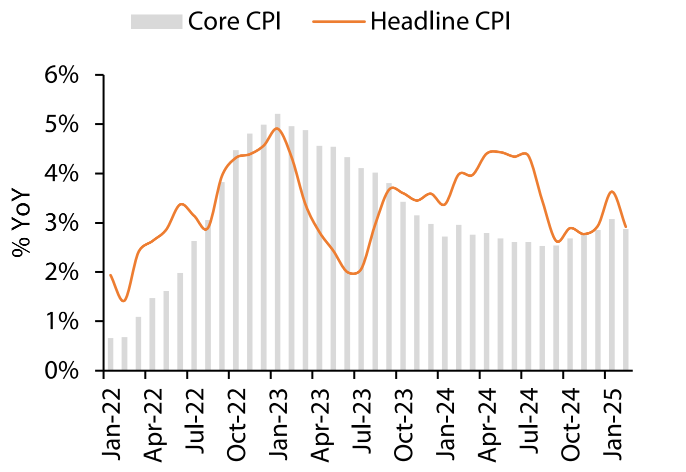
Source: SBV, RongViet Securities

Vietnam PMI Index



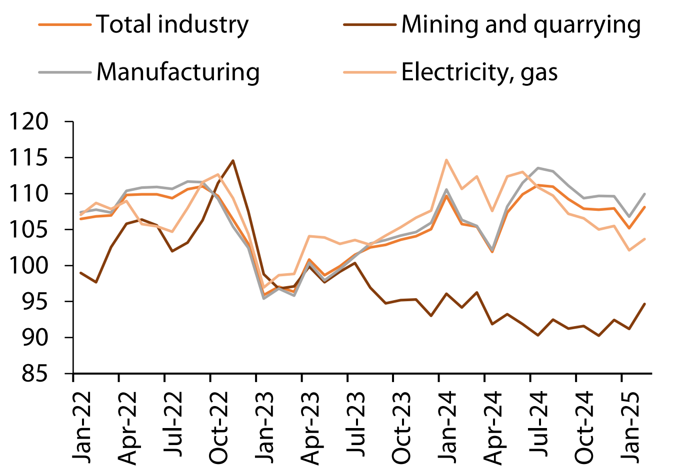
Source: S&P Global, RongViet Securities

Vietnam inflation rate



Source: GSO, RongViet Securities

3M average industrial production index



Source: GSO, RongViet Securities

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