

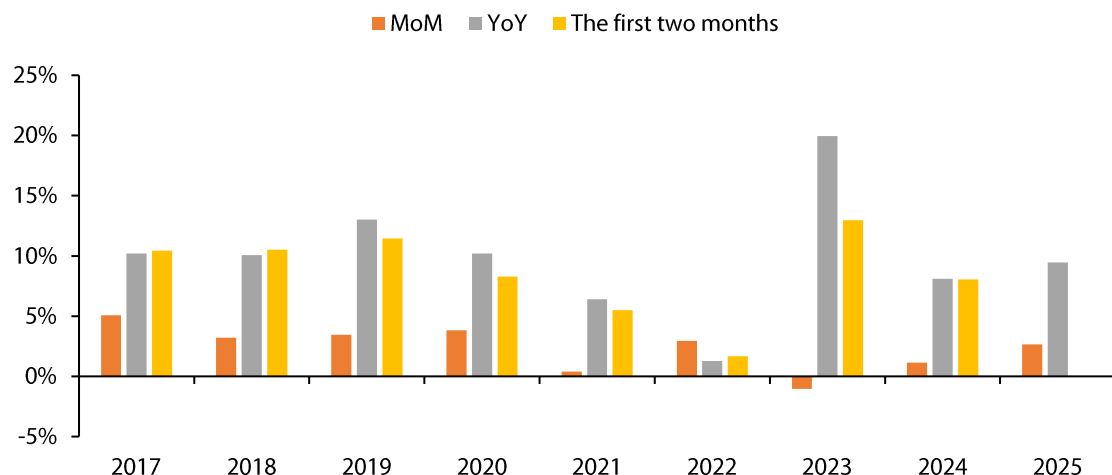
MACRO UPDATE 02/2025

**HIGH TARGETS IN UNCERTAIN
CONDITIONS**



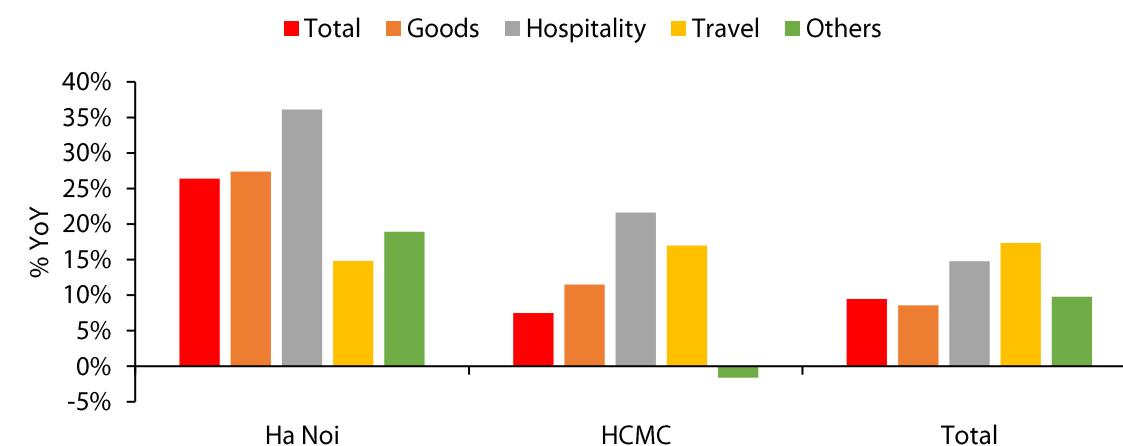
- The economy started the year relatively smoothly, although it has not made a breakthrough. Specifically, seasonal factors affected production activities but maintained growth momentum, while exports remained positive. Meanwhile, consumption continued to improve, but the rate of improvement was not strong despite falling into the peak consumption season of Tet.
- When looking at economic sectors, business confidence showed signs of improvement in the foreign sector while the domestic sector has not yet shown clear improvement.
- The trade war has been the focus of the international market in the past month. Vietnam is still in a wait-and-see mode. However, we still maintain the baseline scenario that the US only imposes tariffs or increases trade defense measures on some Vietnamese products, such as aluminum and steel.
- The exchange rate was generally controlled in January 2025, but pressure increased after Tet. The pressure on the USD/VND exchange rate will gradually increase towards the end of Q1/2025 as the USD remains strong and foreign currency demand increases in the coming time.
- In the monetary market, the SBV has been net injecting money in the past month to support liquidity during the peak period of VND demand. At the same time, positive credit growth in early 2025 could also put pressure on the system's liquidity and push interest rates in the interbank market to high levels.
- The government has planned to adjust the 2025 growth target to 8%, with the driving force needing public investment and credit. However, we maintain this year's growth forecast at 6.8%, waiting for further developments on these driving forces in the following months.

Retail sales growth of goods and services during the Tet period



Source: GSO, RongViet Securities, red border: years when Tet occurred in January.

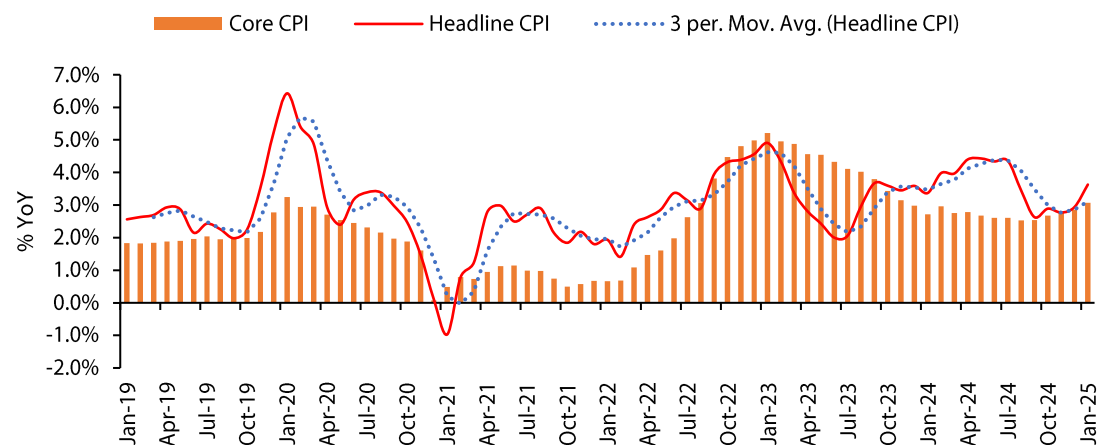
Retail sales growth of goods and services by region



Source: GSO, RongViet Securities

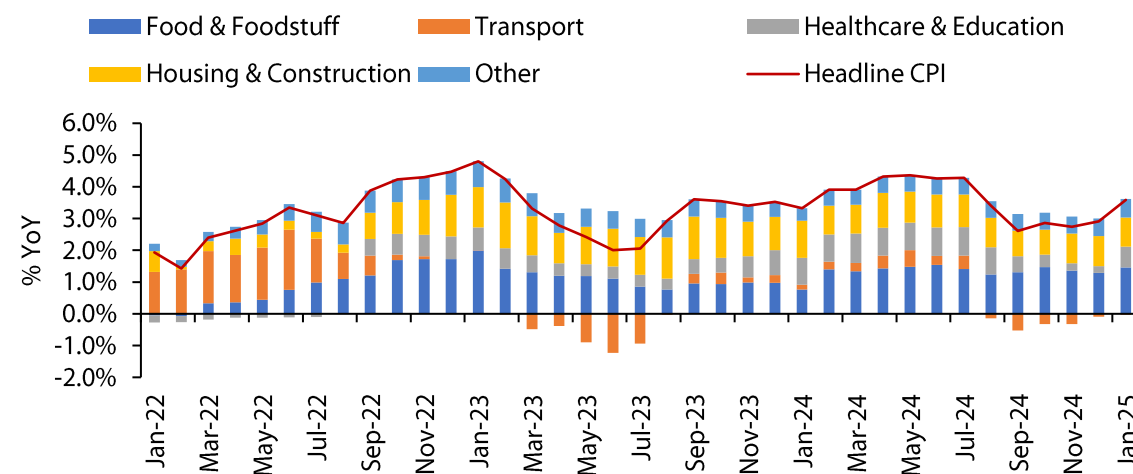
- Retail sales growth of goods and services in the first month of 2025 is estimated at 9.5% YoY, or 6.6% after adjusting for price factors.
- Spending was concentrated on essential goods for Tet celebrations, food & beverages, and travel.** Domestic and international tourist arrivals grew by 19% and 37% YoY, respectively.
- Despite a more positive trend than the previous year,** the retail sector has yet to recover to pre-COVID-19 growth levels and remains significantly below the government's 2025 target of 12% growth.

Trends in headline and core inflation



Source: GSO, RongViet Securities

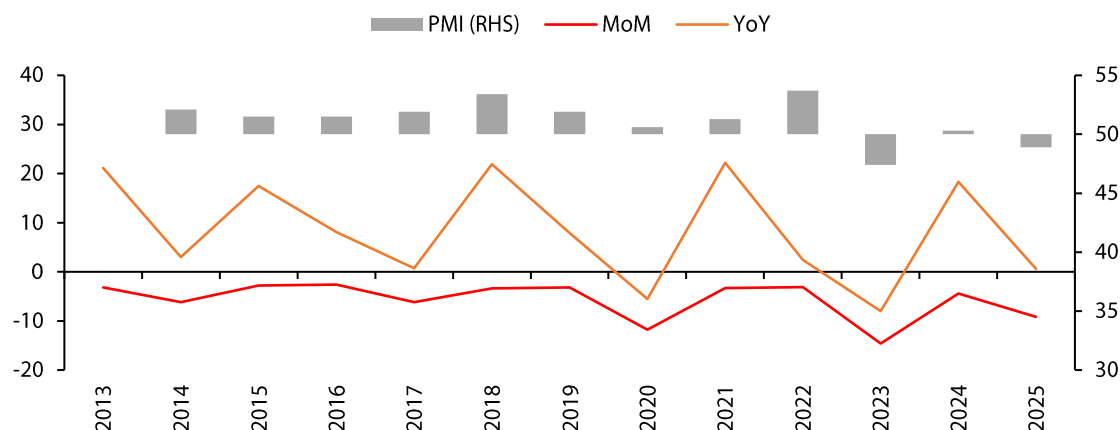
Inflation by component



Source: GSO, RongViet Securities

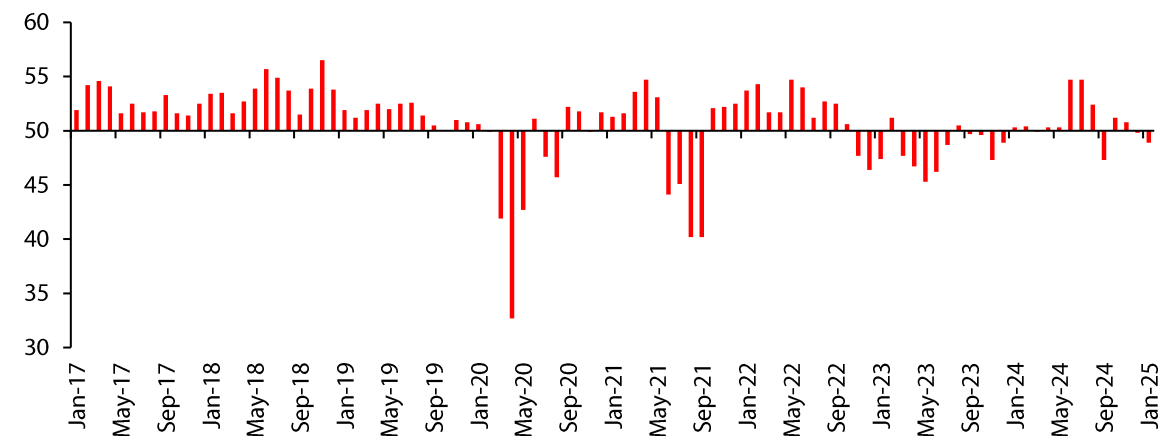
- **Consumer Price Index (CPI) increased by 0.98% MoM in January 2025**, aligning with the average Tet inflation rate observed from 2017 to 2024.
- The key drivers of consumer price movements last month **were pharmaceuticals and healthcare services: +9.47% MoM**, contributing 0.5% to CPI; **transportation: +0.95% MoM**, contributing 0.1%; **food and food services: +0.74% MoM**, contributing 0.25%.
- Excluding the impact of pharmaceuticals and healthcare services—affected by local implementation of Circular 21/2024—inflation in the first month of the year would have been lower. Additionally, the increase in transportation costs was mainly driven by rising airfare prices, while road passenger transport saw only a slight uptick.

Industrial production growth and PMI in the first month



Source: GSO, RongViet Securities, red border: years when Tet occurred in January.

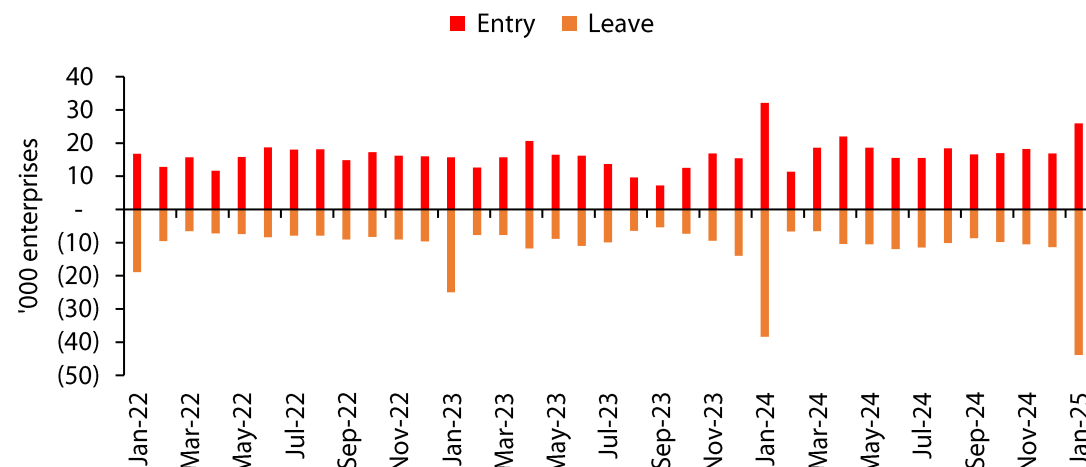
Vietnam PMI



Source: S&P Global, RongViet Securities

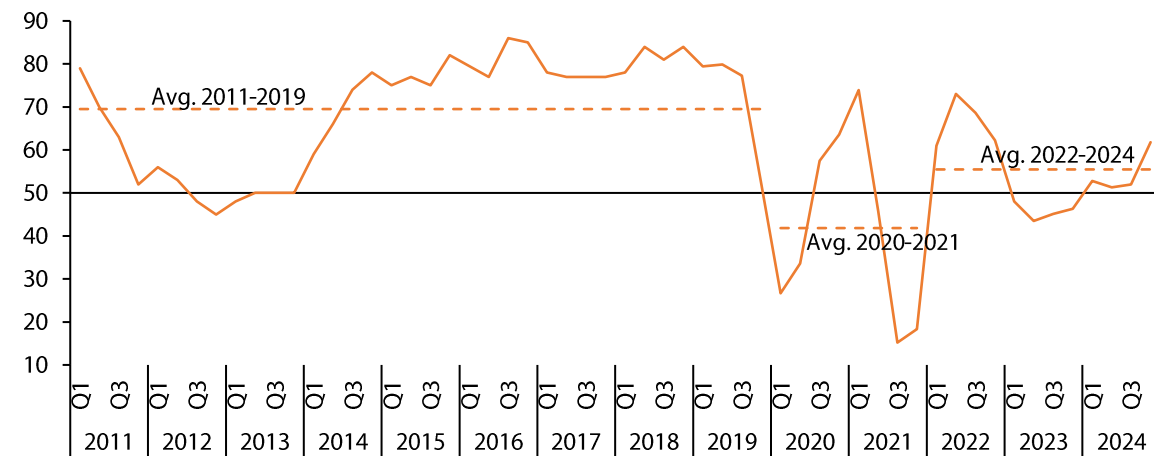
- **Industrial production was generally affected by seasonal factors.** The Industrial Production Index (IPI) grew by only 0.6%YoY, but this was an improvement compared to years when the Tet holiday also fell in January, such as 2020 and 2023.
- PMI was less optimistic than industrial production trends, remaining in contraction territory at 48.9 points in January, down from 49.8 in December. However, a sharp decline in finished goods inventories, coupled with only a slight drop in new orders, **suggests that businesses may ramp up production after the holiday period.**
- **One of the main challenges for businesses in early 2025 was longer delivery times.** The supplier delivery time index contracted further, from 48.7 in December to 48.1 in January, due to slow logistics operations and rising transportation costs.

Number of businesses entering and exiting the market



Source: GSO, RongViet Securities, Entry = Newly established + Resumed operations; Exit = Temporarily suspended + Dissolved + Ceased operations pending dissolution

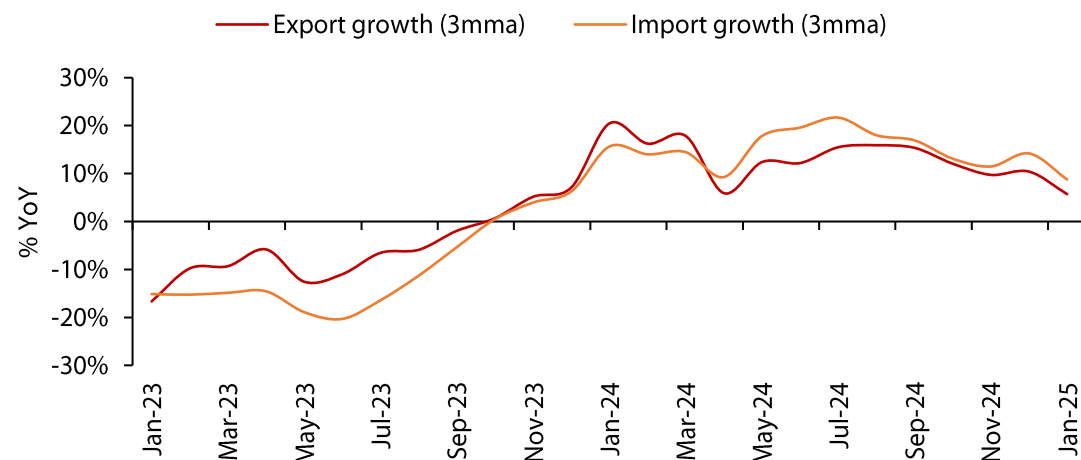
Business confidence of European enterprises in Vietnam



Source: EuroCham, RongViet Securities

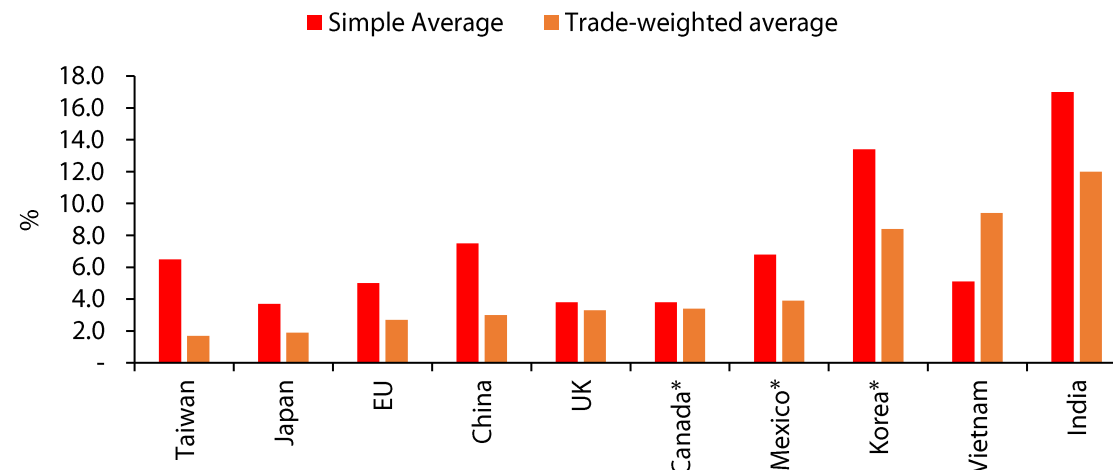
- **Domestic Sector:** The number of businesses exiting the market in January 2025 reached a record high of 58.3 thousand, an 8.2% YoY increase. Meanwhile, new business registrations, registered capital, and employment declined by approximately 21% YoY.
- **Foreign Sector:**
 - EuroCham survey indicated a positive shift in business confidence in Q4 2024, surpassing the 2022-2024 average and reaching the highest level since Q3 2022.
 - According to S&P Global, business confidence in future output rose from 61.5 points in December 2024 to 64.7 points in January 2025.
 - Foreign direct investment (FDI) in January 2025 reached \$4.3 billion, a 48.6% YoY increase, with \$3.1 billion flowing into the manufacturing sector, nearly doubling YoY. Notable FDI projects: Samsung Display expanded its investment by \$1.2 billion; SMC Manufacturing increased capital by \$330 million.

Vietnam's trade growth



Source: GSO, RongViet Securities

Most Favored Nation (MFN) tariffs applied by U.S on imports from its top 10 trading partners

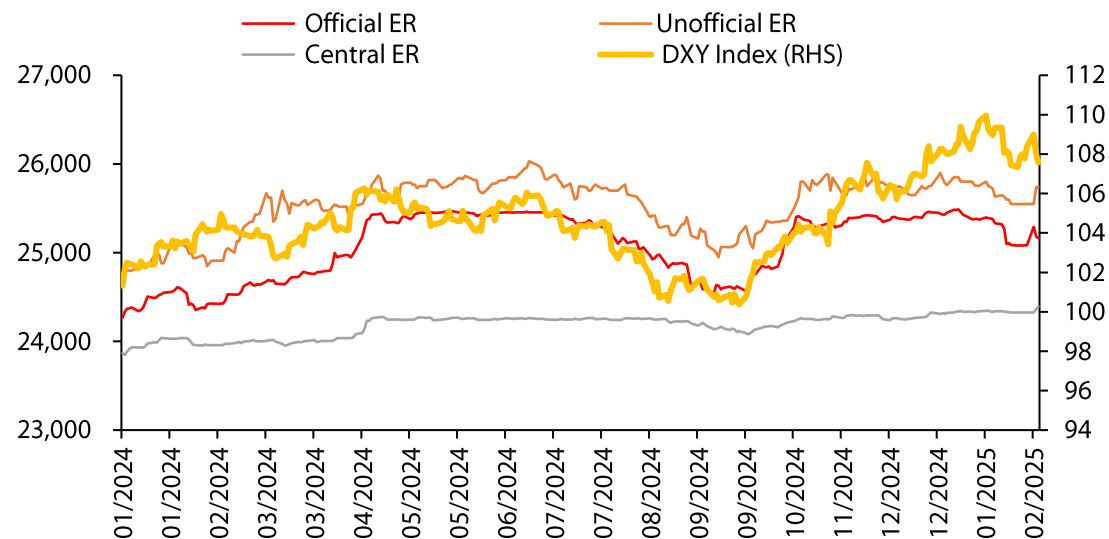


Source: Reuters, RongViet Securities. *Countries with trade agreements with the U.S. and exempt from MFN tariffs.

- Vietnam's trade turnover saw negative growth in January 2025, with exports declining by 3.9% and imports dropping by 2.7% YoY. However, **compared to the Tet month of February 2024, trade showed strong growth**, with exports and imports increasing by 34.4% and 29.0% YoY, respectively.
- The Trump administration reignited the trade war last month, targeting Mexico, Canada, and China with new tariffs: Mexico and Canada have been granted a temporary reprieve from the 25% tariff until early March 2025. Chinese goods are already subject to an additional 10% tariff. Trump recently announced an additional 25% tariff on all imported steel and aluminum products. Markets remain on edge, awaiting further developments regarding Reciprocal Tariffs, which could impose retaliatory duties on key trading partners.
- The rapid escalation of tariff threats from the Trump administration could shorten and destabilize Vietnam's window of opportunity to benefit from trade shifts.

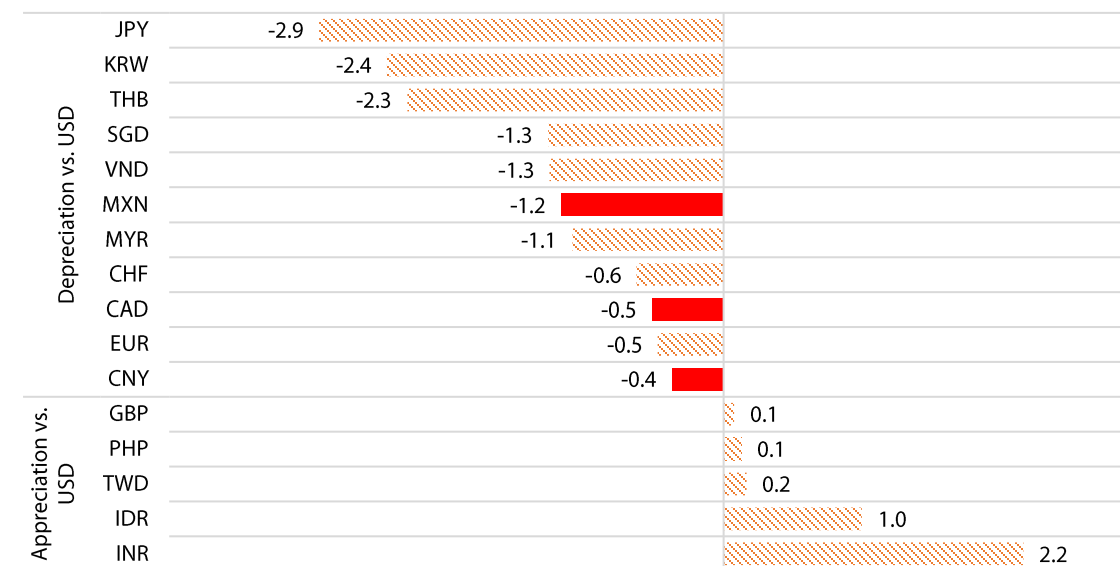
* MFN Tariffs maintain fairness in global trade under WTO principles. Reciprocal Tariffs are bilateral negotiation-based tariffs, determined case by case between two countries.

USD/VND exchange rate



Source: Bloomberg, Fiinpro, RongViet Securities

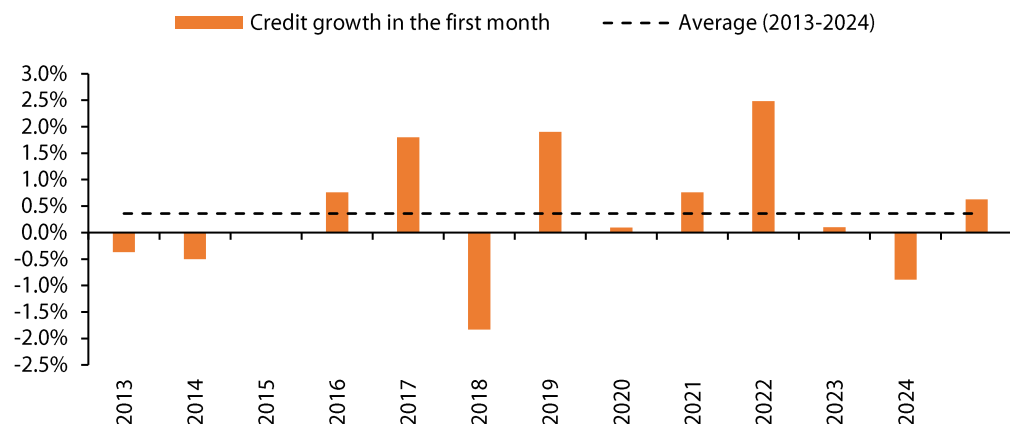
Currencies vs. USD since the beginning of the year



Source: Bloomberg, RongViet Securities

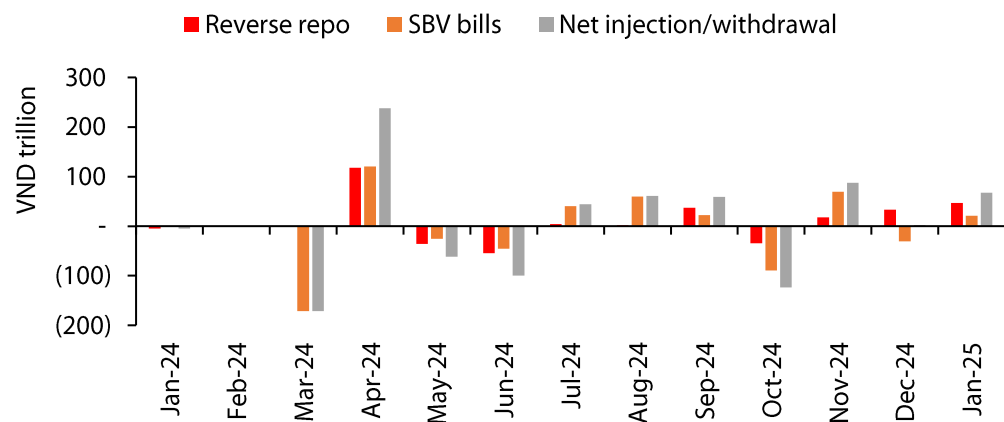
- Since the beginning of 2025, the USD has maintained significant strength compared to other currencies when the Trump administration began to impose tariffs. However, the depreciation of currencies has clearly differentiated.
- The VND has depreciated by about 1.3% compared to the beginning of the year on the official market, fluctuating more strongly than the exchange rate on the free market and the currencies of countries threatened by Trump with tariffs such as CNY, CAD or MXN. This development is accompanied by the SBV gradually raising the central exchange rate after Tet, the central exchange rate has increased by 0.62% compared to the beginning of the year. Accordingly, the exchange rate ceiling has been raised to 25,711 VND/USD, 151 VND higher than the selling rate at VCB on February 10.
- The increasing debt repayment needs of private corporations and the State Treasury in the coming time, along with increased imports of raw materials for production and export, may cause the pressure on the devaluation of the dong to gradually increase towards the end of the first quarter of 2025.

Credit growth in the first month of the year



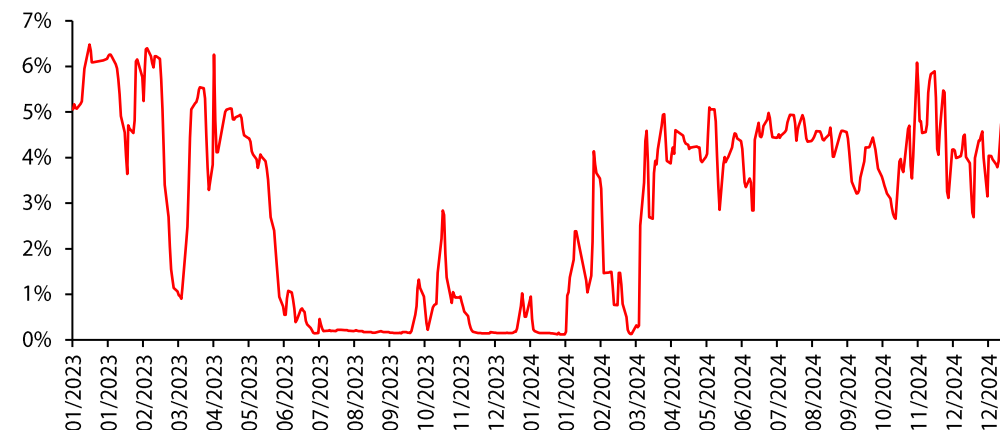
Source: SBV, RongViet Securities

The SBV net injected liquidity in Jan 2025



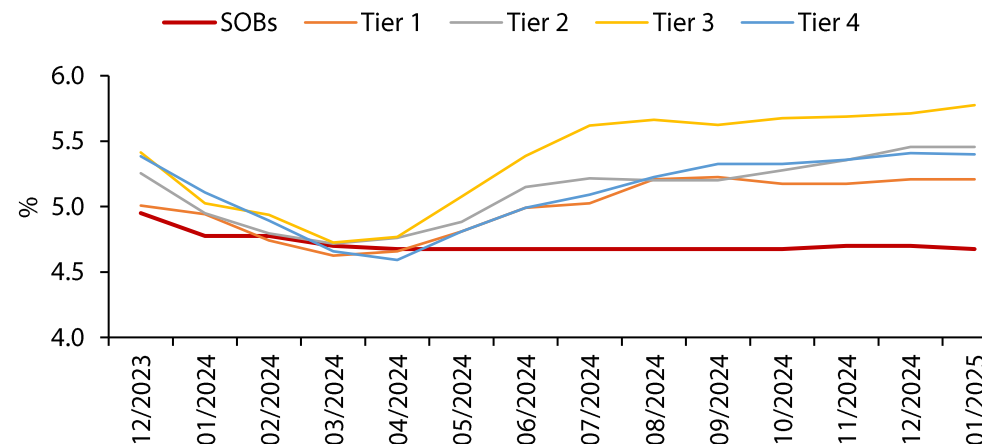
Source: SBV, RongViet Securities

VND O/N rate was stable at 4.1% in Jan 2025



Source: SBV, RongViet Securities

Stable 12-month deposit interest rate in the first month of the year

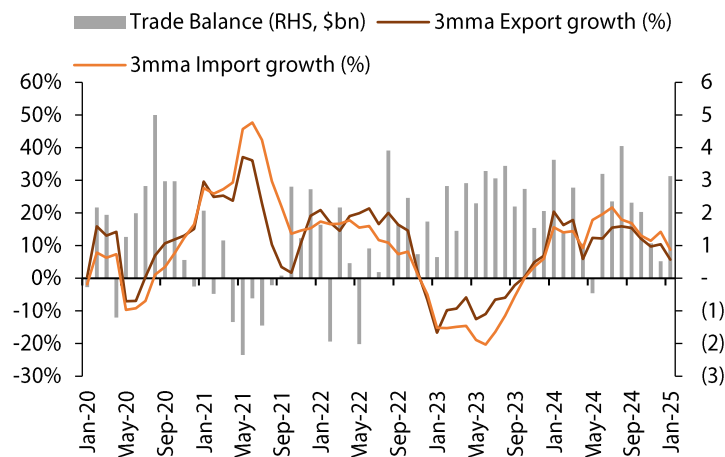


Source: SBV, RongViet Securities

No.	Indicator	Unit	2024	2025 Target
1	Revenue mobilization into the state budget/GDP	%	17.8	16.0
2	Investment expenditure/proportion of total state budget spending	%	30.0	31.0
3	Regular expenditure/total state budget spending	%	55.0	<60
4	Total social investment/GDP	%	32.1	33.5
5	Export turnover growth	%	14.3	12.0
6	Trade surplus	USD billion	24.8	30.0
7	Industrial Production Index (IIP)	%	8.8	9.5
8	Growth in retail sales of goods and consumer services	%	9.0	12.0
9	Growth of B2C e-commerce market	%	20.0	20-22
10	Growth in total electricity production and system imports	%	10.1	12.5-13.0
11	Tourist arrivals:			
	-International	Million arrivals	17.6	22-23
	-Domestic	Million arrivals	110.0	120-130
12	Credit growth	%	15.1	16.0
13	Public investment	VND trillion	684,380	875,000
14	Private investment	VND trillion	2,064,200	2,448,000
15	Foreign investment	VND trillion	608,600	714,000
16	Inflation	%	3.6	4.5-5.0
17	Credit growth	%	3.4	4.0-4.5

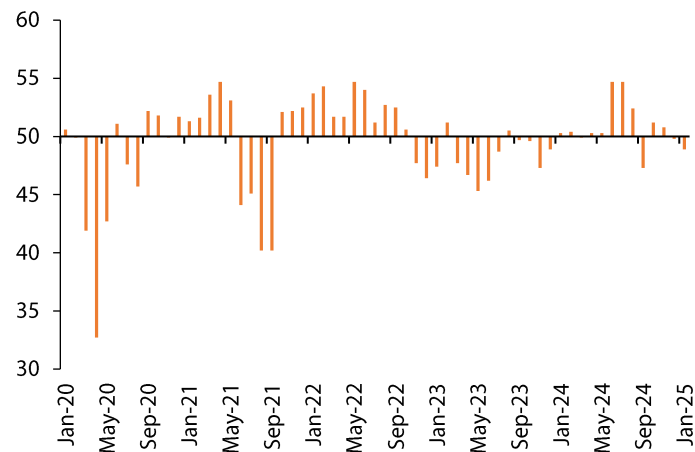
- On February 5, 2025, the Government issued Resolution 25/NQ-CP, demonstrating a strong commitment across multiple sectors to achieving the ambitious 8% GDP growth target. The resolution will be presented to the National Assembly in an extraordinary session on February 12.
- The key growth focus is reflected in investment, particularly public investment, which is targeted to grow 28% YoY, exceeding the previous plan by VND 84.3 trillion.
- Additionally, the manufacturing and consumption sectors are expected to grow more than 2024. At the same time, credit growth targets may also be adjusted upward, alongside a more flexible inflation target to support economic expansion.

Trade balance



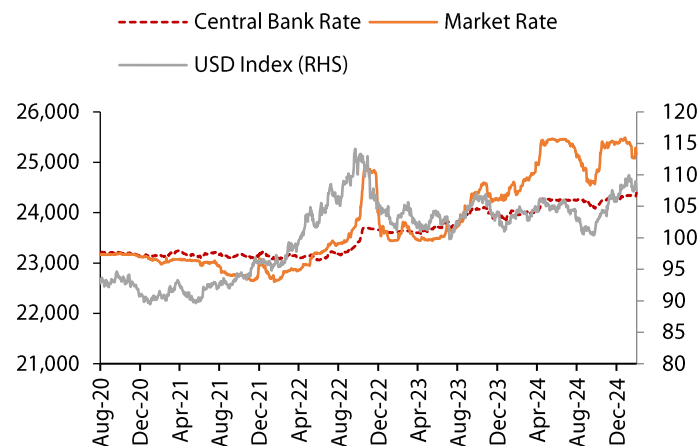
Source: GDC, RongViet Securities

Vietnam PMI Index



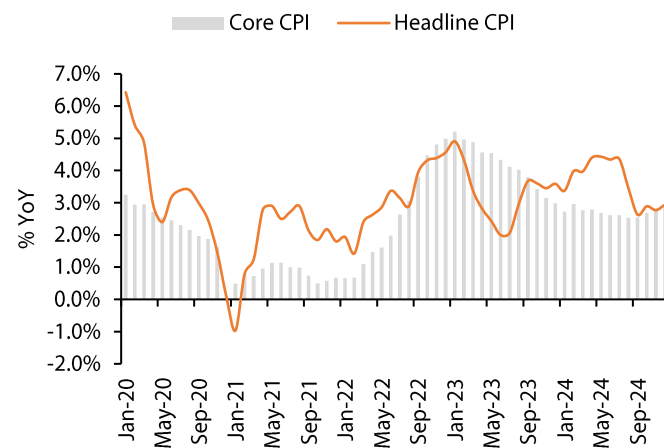
Source: S&P Global, RongViet Securities

USDVND exchange rate



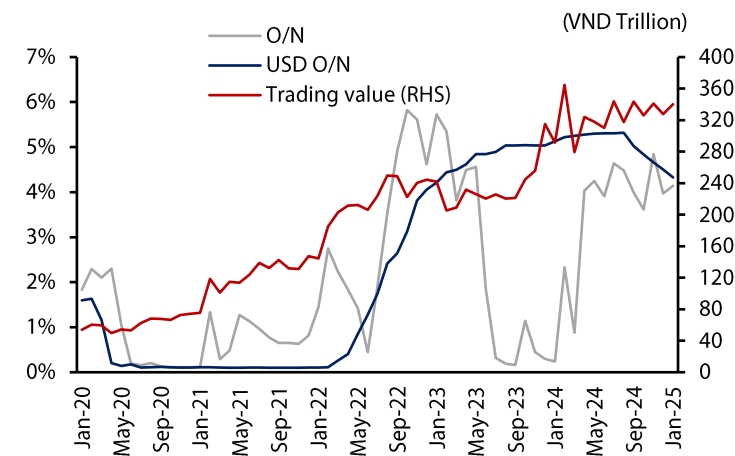
Source: Fiinpro, Bloomberg, RongViet Securities

Vietnam inflation rate



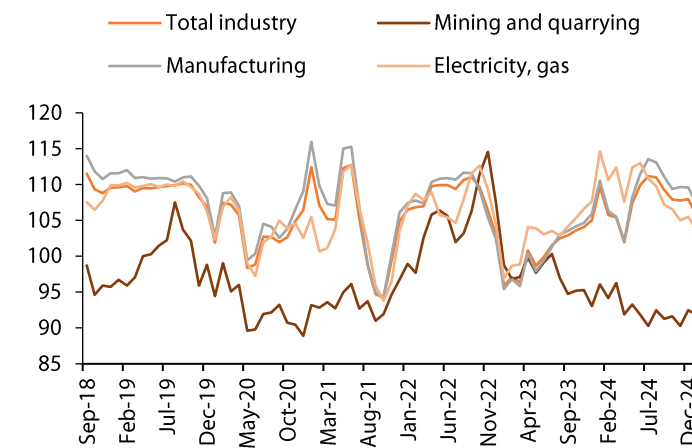
Source: GSO, RongViet Securities

Interbank interest rates



Source: SBV, RongViet Securities

3M average industrial production index



Source: GSO, RongViet Securities



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