Macro Outlook 2H25

Turn challenges into opportunities

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KBSV gives some key forecasts for Vietnam's economy in 2025 as follows:

Vietnam's GDP growth forecast for 2025 is upgraded to 7.6-7.8% (compared to the earlier projection of 6% in the scenario Vietnam being hit by a 46% reciprocal tariff), expecting the Government will turn external challenges into an important driving force to domestic growth with easing fiscal and monetary policies. We also have concerns about the risk of the US slapping a 40% tax rate on goods transshipped through Vietnam. If it requires a high localization rate (above 50%), exports and FDI into Vietnam may witness a short-term plunge. However, in the long term, this may lure more FDI to manufacturing in Vietnam, thereby raising the added value and self-efficiency of the economy.

We keep the forecast for headline inflation at 4% for the whole year of 2025, under the ceiling of 4.5% set by the Government. Despite the exchange rate pressure, the potential uptrend in pork prices from 4Q, and the increase in electricity prices in May 2025, inflation is poised to be well controlled as the prices of rice, gasoline, and other commodities should slightly decline or remain stable.

The USD/VND exchange rate may be tense at times in 3Q since (1) front-loading of exports during the tax suspension period (export turnover in 2Q alone gained 20% YoY) and the PMI staying below 50 in the last three months will weigh on 3Q growth due to the lack of orders; (2) businesses tend to repatriate their foreign earnings back to their home countries in the coming time; and (3) new FDI disbursement may slow down if the tariff outlook after August 1 fails to meet expectations. However, **the USD/VND exchange rate is slated to cool down and grow more than 4% YoY by the end of 2025**.

Lending interest rates may have bottomed out but will continue moving sideways around the current level, which is in line with the Government's easing policy. Deposit interest rates at private banks, especially small banks, are expected to rebound by the end of the year to optimize funding costs and achieve the credit growth target.

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Vietnam's GDP in 1H25 grew 7.52% YoY, the strongest YoY growth in the first half of the year in the period 2011-2025. The positive result was attributable to all three sectors, agriculture-forestry-fishery, industrial-construction, and services.

We upgrade Vietnam's 2025 GDP growth forecast to 7.6-7.8% (compared to the earlier projection of 6% under the scenario of Vietnam being hit by a 46% reciprocal tariff), expecting the Government will turn external challenges into an important driving force to domestic growth with easing fiscal and monetary policies.

Table 1. Vietnam – Key macroeconomic indicators

		KBSV forecast		
	Unit	January 2025	April 2025	July 2025
GDP growth	% YoY	7.00	6.00	7.60 - 7.80
Average CPI	% YoY	4.00	4.00	4.00
Credit growth	% YTD	16.00	16.00	18-20
Average 12M deposit interest rate	%/year	5.38	5.5-6	5.5-6
USD/VND exchange rate	VND	26,000	26,500	26,500

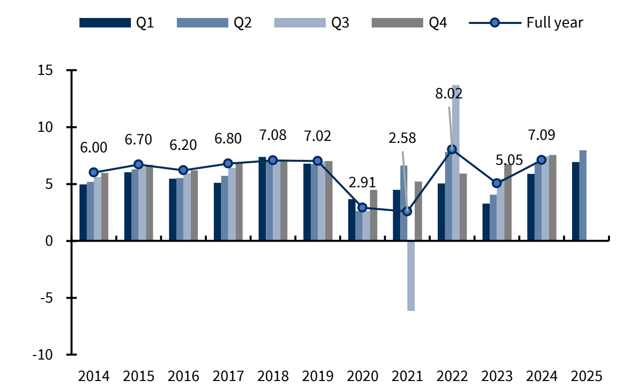
Source: KB Securities Vietnam

II. GDP growth

1. 1H25 GDP growth

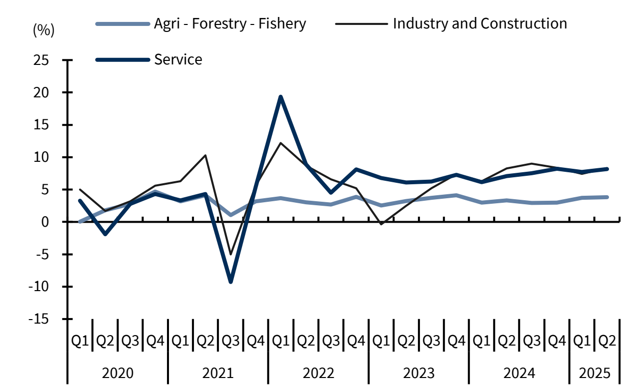
Vietnam's GDP in 1H25 grew 7.52% YoY, the strongest 1H YoY growth in 2011-2025. The positive result was attributable to all three sectors, agriculture-forestry-fishery, industrial-construction, and services.

Fig 1. Vietnam – GDP growth by quarter (%YoY)



Source: General Statistics Office, KB Securities Vietnam

Fig 2. Vietnam – GDP growth by sector (%YoY)



Source: General Statistics Office, KB Securities Vietnam

From the demand side, consumption and investment maintained a positive trend in 2Q.

Consumption has recovered but not reached pre-Covid growth

The recovery and increase of domestic spending and tourism demand in the first six months of the year significantly contributed to the growth of total retail sales. In 2Q25, total revenue from retail sales of goods and consumer service were estimated at VND1,713.8 trillion, advancing 0.6% QoQ/9.0% YoY. The relevant figure for 1H25 hit VND3,416.8 trillion, which increased 9.3% YoY and was 11-13% shy of the pre-Covid levels.

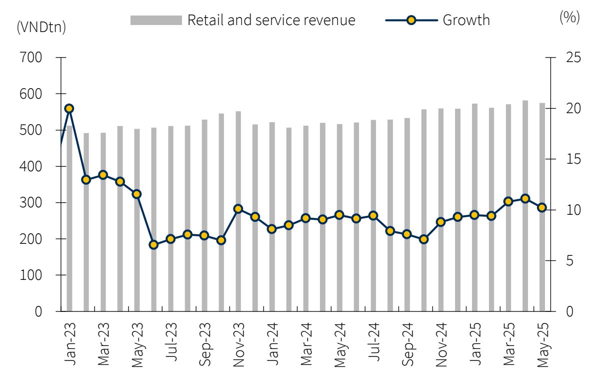
The growth in investment capital came from both domestic and foreign drivers

Total social investment capital in 2Q25 was VND921.5 trillion, 10.5% higher than the same period in 2024. In 1H25, it gained 9.8% to VND1,591.9 trillion.

The disbursement of public investment in 2Q was accelerated thanks to the state completing the preparation in 1Q, facilitating the removal of procedures, site clearance and speeding up the progress of key projects. In addition, favorable weather also facilitated construction progress, thereby improving disbursement efficiency. Total public investment disbursed reached VND189.4 trillion in 2Q (+141% QoQ), according to the Ministry of Finance, and VND268.1 trillion in 1H25, equal to 32.5% of the plan assigned by the Prime Minister.

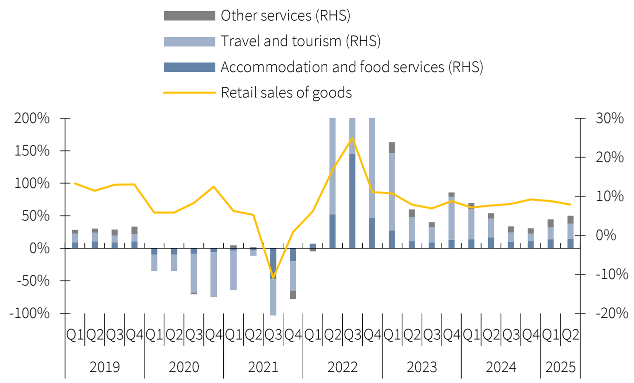
FDI flows into Vietnam recorded impressive numbers, despite concerns over Trade war 2.0. The robust growth in the first six months of 2025 was driven by trading partners such as Korea (+2x YoY), China (+96% YoY), and Japan (+24% YoY), while capital flows from Singapore showed a contraction of 21% YoY. 2Q registered FDI was USD10.54 billion (-4% QoQ/+16.85% YoY), while disbursed FDI capital reached USD6.76 billion (+36.3% QoQ/+8.86% YoY). In the first half of 2025, total registered and disbursed FDI capital respectively hit USD21.52 billion (+32.6% YoY) and USD11.72 billion (+8.1% YoY).

Fig 3. Vietnam – Retail sales of goods & services (VNDtn)



Source: General Statistics Office, KB Securities Vietnam

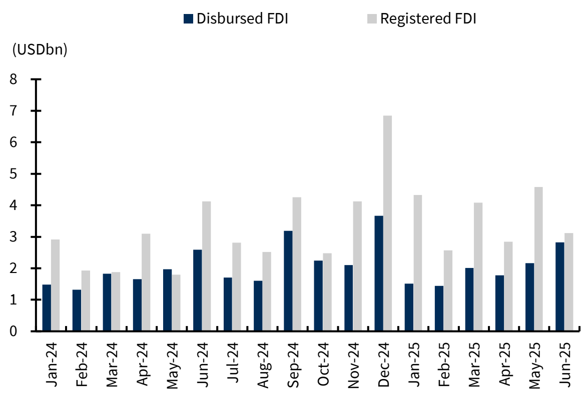
Fig 4. Vietnam – Retail sales of goods & services breakdown



Source: General Statistics Office, KB Securities Vietnam

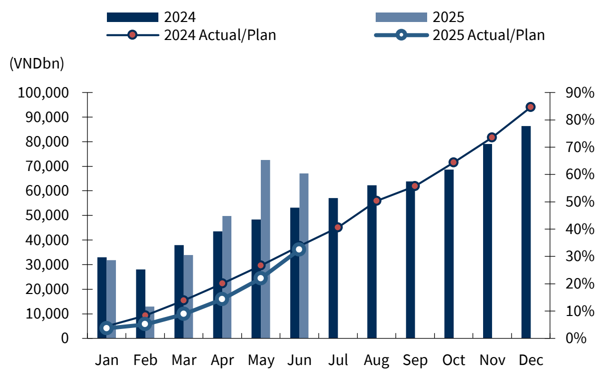
** Note: Travel service revenue growth in 2Q/3Q/4Q 2022 is 324% YoY/3831% YoY/231% YoY respectively*

Fig 5. Vietnam – Total FDI inflows (USDbn)



Source: General Statistics Office, KB Securities Vietnam

Fig 6. Vietnam – Disbursement of public capital (VNDbn, %)



Source: Ministry of Finance, KB Securities Vietnam

From the supply side, industrial, construction and service continue to grow.

The service sector achieved impressive growth

The service sector posted a growth rate of 8.46% in 2Q25, contributing 51.18% to the total added value of the entire economy, and increased 8.14% in 1H25, contributing 52.21% to the economy. The recovery of consumer demand and travel during holidays and the surge in the number of international visitors to Vietnam have promoted trade and service activities, helping to strengthen the sector growth. In 6M25, the number of international visitors to Vietnam was recorded at 10.1 million, soaring 20.7% YoY.

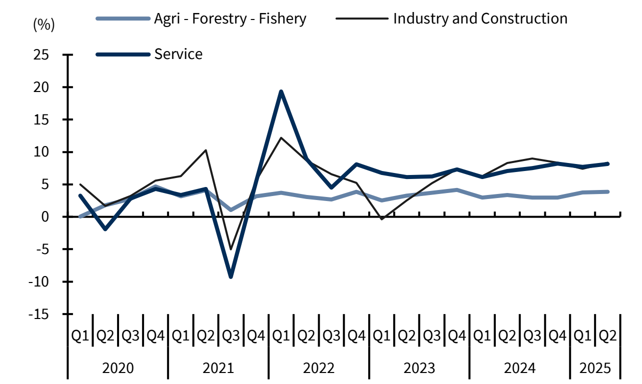
Industrial and construction sector continues to hit robust growth

The industrial and construction sector continued to flourish in the second quarter of 2025 with the total industrial value rising 8.97% YoY, contributing 43.63% to the overall growth of the economy. In 1H25, the sector grew 8.33%, adding 42.20% to the economy. Of that, the processing and manufacturing industry maintained its leading role with an increase of 10.11% YoY.

The agricultural, forestry and fishery sector maintained growth

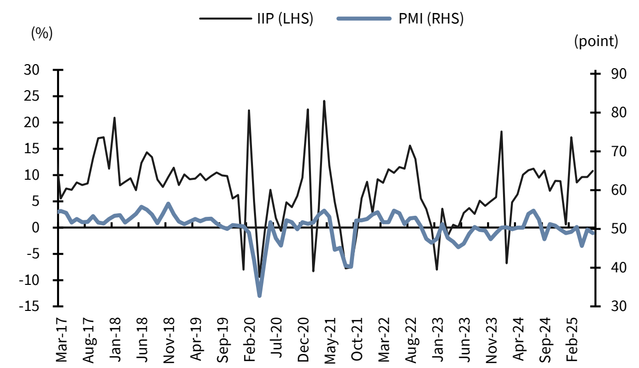
The agricultural, forestry and fishery sector grew 3.89% in the second quarter of 2025, contributing 5.19% to the total added value of the entire economy. In 1H25, the sector gained 3.84%, contributing 5.59%.

Fig 7. Vietnam – GDP growth across sectors (%)



Source: General Statistics Office of Vietnam, KB Securities Vietnam

Fig 8. Vietnam – IIP & PMI (%)



Source: General Statistics Office of Vietnam, KB Securities Vietnam

2. 2025F GDP growth

GDP growth forecast for 2025 was upgraded to 7.6-7.8%

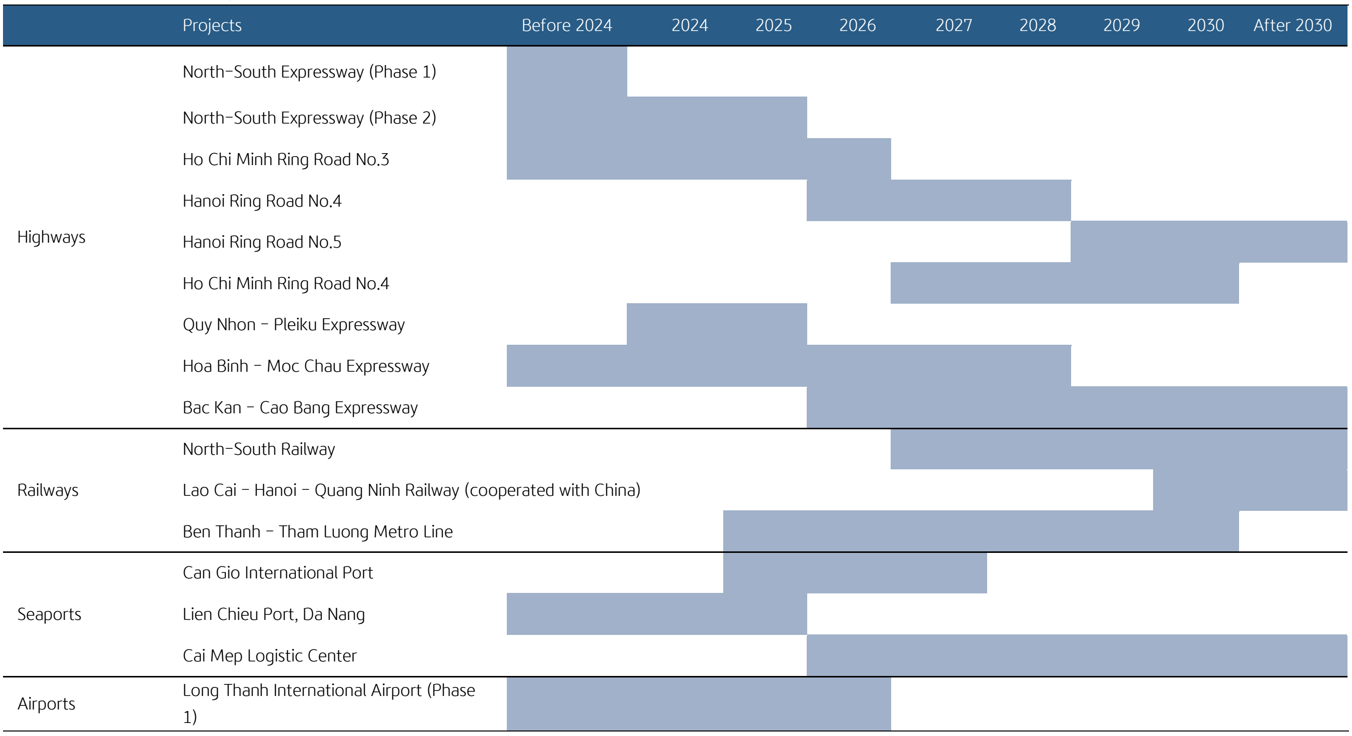
We adjust the GDP growth forecast for 2025 up to 7.6-7.8% (vs the previous projection of 6% in the scenario Vietnam being subject to a 46% reciprocal tariff), expecting that Government will leverage domestic growth drivers, especially public investment, stimulate consumption and boost the private business sector.

We also want to warn about the risk of the US imposing a 40% tax rate on goods transshipped through Vietnam. If the US requires a high localization rate (above 50%), exports and FDI into Vietnam may witness a short-term plunge. However, in the long term, this may lure more FDI to manufacturing in Vietnam, thereby raising the added value and self-efficiency of the economy.

The Government is ramping up large public projects and removing legal bottlenecks

The disbursement of public investment capital in 2Q25 reached VND189.4 trillion, spiking 141% QoQ, reflecting the Government's efforts in "pivoting towards domestic drivers”. In 2H25, we still believe public investment disbursement will continue to bring positive results, reaching 80-90% of the plan assigned by the Prime Minister this year, given (1) major projects receiving investment such as the North-South Expressway Phase 2, Long Thanh International Airport, and metro lines in Hanoi and Ho Chi Minh City (Table 2); and (2) the Government introducing policies to help solve problems in public investment disbursement (Table 3).

Table 2. Vietnam – Key public investment projects



Source: KB Securities Vietnam

Table 3. Vietnam – Policies to solve legal issues in public capital disbursement

Policy	Objective	Implementation plan
1 Target & orientation	Maintain high disbursement rate	Disbursement target >95% of plan; priority given to Long Thanh International Airport & Expressway, Ho Chi Minh City Ring Road 3, and Hanoi Ring Road 4
	Focus on three strategic breakthroughs: Institution, human resource, and infrastructure	Devise plans to leverage the main growth driver public investment
2 Capital-related policies	Increase public investment budget	Total State budget for public investment in 2025 is VND875 trillion (according to the Ministry of Finance plan), increasing 40% compared to 2024
3 Legal procedure acceleration	Decentralize project approval authority	Allow localities and Provincial People's Committees to approve projects with investment capital under VND10,000 billion, and submit projects over VND10,000 billion to the Prime Minister for approval
		Streamline legal procedures for small and medium-sized projects (<VND10,000 billion)
	Separate large site clearance work into sub-projects	Split the site clearance work for project A (large group) into independent projects of groups B and C (Resolution 55/2022/QH15) so that they do not have to wait until the overall investment proposal is approved ➜ Site clearance will be carried out early, not delaying the overall progress
4 Public - Private Partnership promotion (PPP)	Give incentives for PPP projects	Increase the proportion of state budget capital from 50% to 70% for priority infrastructure projects
		Remove the limit on the minimum investment capital scale to implement PPP projects
		Remove the experience requirement for PPP investors
	Continue to apply build-transfer (BT) contracts (draft)	Continue to apply BT contracts with payment in cash and payment in landbank
	Offer more favorable lending conditions	State Bank of Vietnam (SBV) encourages commercial banks to expand credit room for infrastructure projects
5 Progress monitoring	Found a National Steering Committee	Establish a National Steering Committee to resolve each pending key project
	Closely monitor project progress to ensure disbursement rate	Apply KPIs, announce disbursement rates by quarter, locality, and ministry
		Change investors if the progress is not guaranteed

Source: KB Securities Vietnam

Private sector is a long-term growth driver of the whole economy

In 2025, we consider Resolution 68-NQ/TW as the most important breakthrough in policymaking as it is the first resolution to clearly identify the private sector as the spearhead of economic growth. The resolution was introduced in the context of traditional growth drivers such as FDI and exports slowing down, forcing Vietnam to seek internal resources to maintain its development momentum and reach the goal of becoming a high-income economy by 2045.

Previously, Vietnam had launched many policies to promote the private sector, such as Project 30 (2007) or the Resolutions 19 (later Resolution 02) in the period of 2014-2018. However, Resolution 68-NQ/TW is more comprehensive and drastic when considering the private sector not only as an economic component, but also as a central growth force in the long-term development strategy.

We believe that with this foundation, large domestic private enterprises such as Vingroup, Hoa Phat Group, FPT Group, and Thaco can expand their scale more easily, improve their competitiveness, and contribute more to economic growth in the coming years.

Table 4. Vietnam – Key project/resolutions to boost private sector

	Time of issue	Main content	Results
Project 30	2007 (QD30/QD-TTg dated October 1, 2007)	Reform administrative procedures on the largest scale ever in Vietnam	In 2010, the Government issued 25 resolutions, requiring ministries and sectors to simplify 4,723 administrative procedures
		Goal: Review and simplify at least 30% of administrative procedures Establish a specialized working group headed by the Minister and Head of the Government Office	Reducing costs by USD1.4 billion per year
Resolution 19 (Resolution No. 02)	2014 - 2018	Improve the business environment, enhance national competitiveness	According to the World Bank's 2016 ranking of the business environment, Vietnam ranked 82/190 countries, up 9 places compared to 2015
		Goal: Shorten the time for paying taxes, customs, accessing electricity, registering businesses, social insurance, and bankruptcy. Aim to bring Vietnam into the ASEAN4, based on the criteria of the World Bank, WEF and OECD	Tax payment time has decreased sharply (from 537 hours to less than 300 hours), business registration procedures have been simplified, shortening processing time
Resolution 68/NQ-CP	2025 (General Secretary To Lam signed Resolution 68-NQ/TW on May 4, 2025)	For the first time, the private sector is identified as the most important economic growth force	
		Goal: Have at least 20 large, globally competitive private enterprises by 2030	
		Raise the contribution from private enterprises to 35-40% of GDP by 2030	
		Support private enterprises to start up and innovate; protect entrepreneurs from legal risks Institutional reform, creating conditions for equal access to capital, land, markets, and technology	

Source: KB Securities Vietnam

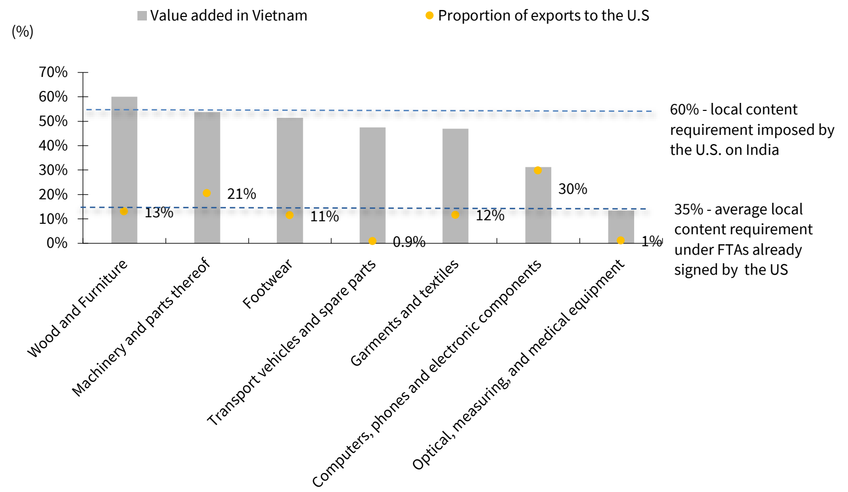
Trade war 2.0 and the risk of 40% tariff on goods transshipped through Vietnam

On July 2, President Donald Trump announced he would impose 20% reciprocal tariff on Vietnam-origin imports and 40% on goods transshipped through Vietnam (the official agreement has not yet been released).

We believe that the 20% tariff is relatively positive for Vietnam in the long term, as it is lower than most of our main competitors (Table 5, except for India, whose final tariff has not been officially announced).

However, the risk of Trump striking a hefty tariff rate of 40% on goods using Vietnam as a transshipment hub. In the scenario which the US requires a high localization rate from Vietnam (over 50%), this will cause a significant short-term decline in exports and FDI capital flows into Vietnam, especially in major industries such as computers, smartphones, and electronic components. However, in the long term, this may push FDI enterprises forwards in localizing manufacturing to Vietnam to meet the US rules of origin, thereby increasing the added value and self-efficiency of the Vietnam economy.

Fig 9. Vietnam – Value added in total export turnover in 2024 (%)



Source: ITC, Vietnam Inter-sectoral balance sheet (GSO), OECD, KB Securities Vietnam
** Note: Estimated figures may be affected by differences between commodity statistics of organizations and the impact of error when estimating the proportion of imports used for domestic final consumption and for export. The estimated error is less than 5%.*

Table 5. Global – US reciprocal tariffs on trading partners (%)

	Reciprocal tariffs	
	Original rates on April 2, 2025	Preliminary rates as of July 8, 2025
Laos	48	40
Burma	44	40
Cambodia	49	36
Thailand	36	36
Bangladesh	37	35
Serbia	37	35
Indonesia	32	32
South Africa	30	30
Bosnia	35	30
Japan	24	25
Korea	25	25
Malaysia	24	25
Kazakhstan	27	25
Tunisia	28	25
Vietnam	46	20
UK	20	10

Source: Bloomberg, KB Securities Vietnam

Exports may drop 5-7% YoY in 2H2025

Vietnam's exports are anticipated to encounter significant headwinds in 2H2025, with a projected YoY decline of 5-7%, driven by:

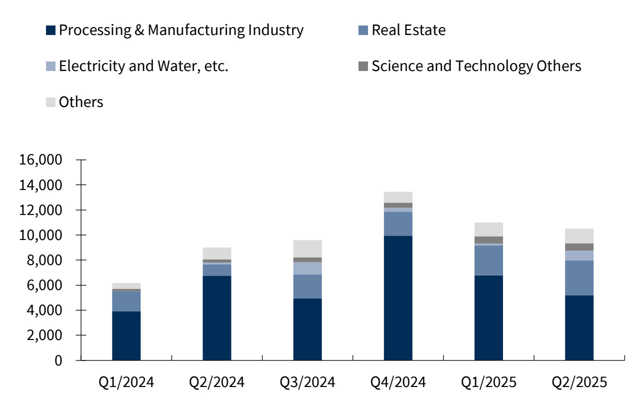
1. **Slowing orders from the US market:** A substantial portion of US import demand – Vietnam's largest trading partner – was frontloaded in 1H2025, potentially leading to a slowdown in orders during 2H2025. In fact, according to S&P, Vietnam recorded a sharp decline in new foreign orders for three consecutive months (April, May, and June), marking the steepest drop since September 2021;
2. **Risks from US trade policy (Figure 9):** A notable risk emerges from the 40% tariff announced by President Donald Trump on "transshipped" goods through Vietnam (Figure 9). Should the US impose a high local content requirement (above 50%) for goods from Vietnam, KBSV estimates that over 50% of Vietnam's export volume to the US could be subjected to this substantial 40% tariff. This would severely erode price competitiveness, particularly in an environment of slowing global consumer demand.

FDI inflows into Vietnam are expected to decline in 2H2025

The overall picture in 1H2025 has yet to reflect the risks of Trade war 2.0. Registered FDI posted positive growth, mainly driven by the real estate sector with USD 5.1 billion—doubling YoY—thanks to major projects like Lodgis Hospitality Holdings, Phuong Trach Tower, and Gamuda Land. However, FDI into the manufacturing and processing sector fell sharply to USD12 billion—down 22% YoY and 21% QoQ—highlighting rising uncertainties associated with Trade war 2.0 (Figure 10). As such, we maintain our view that FDI inflows will decline in 2H2025, particularly in the manufacturing and processing sector—a key pillar of Vietnam's industrial and export growth.

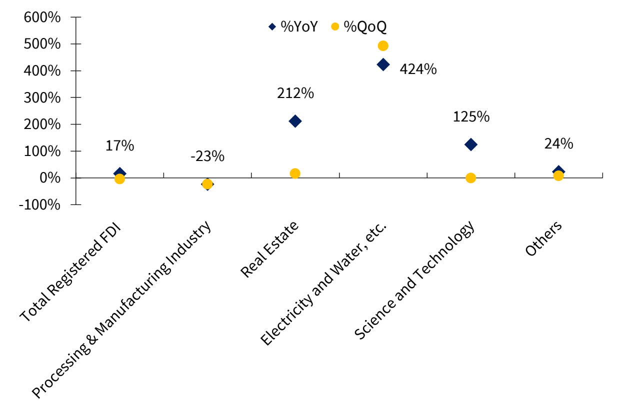
In the long term, we expect Vietnam to continue attracting FDI, including from US-focused firms, given: (1) new tariffs that do not significantly widen the gap with regional competitors; (2) advantages in labor costs, political stability, and extensive FTAs; (3) expectations that foreign investors will expand production and increase local content to qualify for the lower 20% tariff. That said, growth is likely to slow compared to the 2018-2024 "China +1" period, as US-bound FDI firms must carefully evaluate local supply capacity to avoid the 40% tariff.

Fig 10. Vietnam – FDI into Vietnam by sector (USDmn)



Source: Foreign Investment Agency of Vietnam, Fiindata, KB Securities Vietnam

Fig 11. Vietnam – FDI growth by sector in 2Q2025



Source: Foreign Investment Agency of Vietnam, Fiindata, KB Securities Vietnam

III. Inflation

1. 1H2025 inflation

Inflation was effectively contained within the Government's target range

In the first six months of 2025, Vietnam's headline CPI rose by 3.27% YoY, while core CPI increased by 3.16% YoY, largely driving to rising prices of food, electricity, pharmaceuticals, and healthcare services. Meanwhile, falling gasoline and rice prices helped ease inflationary pressures in 1Q2025.
Key contributors to CPI movements in 1H2025 included:

1. **Food and food services:** up 3.69%, contributing 1.24 percentage points (ppts) to overall CPI, with pork prices surging 12.75%.
2. **Housing, electricity, water, gasoline, and construction materials:** up 5.73%, adding 1.08 ppts to headline CPI. Notably, household electricity prices climbed 5.51% due to higher demand and two electricity price adjustments by EVN on October 11, 2024 and May 10, 2025, contributing 0.18 ppts.
3. **Healthcare and pharmaceuticals:** up 13.87%, adding 0.75 pp to overall CPI, following price adjustments under Circular No. 21/2024/TT-BYT dated October 17, 2024, issued by the Ministry of Health.
4. **Transportation:** down 3.63%, reducing CPI by 0.35 pp, largely due to a 12.56% drop in gasoline prices.

2. 2025F inflation

We maintain our projection for Vietnam's headline inflation at 4% for 2025

We maintain our forecast for Vietnam's headline inflation in 2025 at 4% YoY, well below the Government's 4.5% target. Despite exchange rate pressures, a projected rebound in pork prices in 4Q2025, and the electricity price hike in May 2025, inflation is expected to remain well-managed thanks to anticipated declines or stable trends in rice, gasoline, and other commodity prices.

Crude oil prices will likely come under downward pressure

In 2H2025, as geopolitical shocks in the Middle East temporarily subside, oil prices will likely come under downward pressure, primarily due to a surge in global inventories amid weakening demand. According to the US Energy Information Administration (EIA), global oil stocks rose by 1.2 million barrels per day (bpd) in 1H2025 and are projected to continue increasing by 0.9 million bpd in 2H2025. Meanwhile, global oil demand is forecast to grow only modestly—by 0.8 million bpd in 2025—as US tariff policies weigh on global economic growth. Brent crude oil prices are projected to average USD66 per barrel in 2H2025.

Rice prices may fall further

The average export price of rice in the first half of 2025 was down 18.4% YoY to USD517.5 per ton. In 2H2025, rice prices are expected to continue trending downward due to: (1) a decline in imports by the Philippines—Vietnam's largest rice export market—which is expected to import less than 4.5 million tons in 2025, lower than the USDA's earlier forecast of 5.4 million tons; and (2) India—the world's largest rice exporter—lifting its ban on white rice exports.

Liveweight hog prices are forecast to return to an upward trend in 4Q2025

Liveweight hog prices are currently under downward pressure due to a sharp increase in supply, as many farmers have been forced to sell early to mitigate losses amid worsening outbreaks of African swine fever (ASF). As of July 17, 2025, average prices have fallen to VND65,000/kg, marking a 17% drop from the April peak.

Looking ahead to 4Q2025, we anticipate a potential supply shortage, as significant volumes are expected to be sold off in 3Q, while restocking remains constrained by the ongoing spread of the disease. This could trigger a rebound in liveweight hog prices.

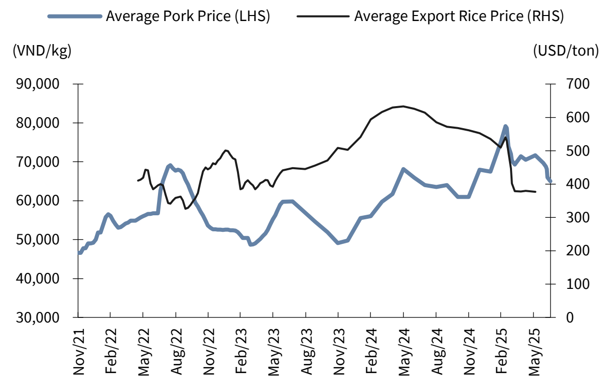
Retail electricity prices were raised, but the adjustment will exert minimal pressure on inflation

On May 10, 2025, Vietnam Electricity (EVN) announced a 4.8% increase in the average retail electricity price. According to the General Statistics Office (GSO) (under the Ministry of Finance), this adjustment is expected to add 0.09 ppts to the overall CPI, exerting minimal pressure on inflation for the year.

Fig 12. Global – Brent crude oil prices (USD/barrel)

Source: Bloomberg, KB Securities Vietnam

Fig 13. Vietnam – Liveweight hog prices, export rice prices (VND/kg, USD/ton)



Source: Bloomberg, Vinafeed, KB Securities Vietnam

Table 6. Vietnam – 2025F headline CPI

	Groups	Weight (%)	+/- (% YoY)	Contribution to overall CPI (%)
1	Food and food services			
	Cereals	3.67	3.0	0.1
	Foodstuffs	21.28	5.0	1.1
	Food away from home	8.61	5.0	0.4
2	Beverages and tobacco	2.73	3.0	0.1
3	Clothing, hats, and footwear	5.7	3.0	0.2
4	Housing, water, electricity, gasoline, and construction materials	18.82	5.0	0.9
5	Household equipment and utensils	6.74	4.0	0.3
6	Pharmaceuticals and healthcare services	5.39	3.0	0.2
7	Transport	9.67	1.6	0.2
8	Post and telecommunications	3.14	1.0	0.0
9	Education	6.17	5.0	0.3
10	Culture, entertainment, and tourism	4.55	1.7	0.1
11	Others	3.53	5.0	0.2
Total				**4.0**

Source: KB Securities Vietnam

IV. USD/VND exchange rate

1. 1H2025 USD/VND exchange rate

The interbank exchange rate cooled as the US introduced a more favorable tariff rate on Vietnamese exports

In 2Q2025, the interbank USD/VND exchange rate trended upward within the range of VND25,600-26,200 per USD, extending its year-to-date rise amid heightened global economic volatility. While the US dollar index (DXY) fell 11% due to the appreciation of major currencies, the VND depreciated over 2% against the USD, driven by domestic monetary easing and persistent tariff-related risks that increased demand for foreign currency. In response, the SBV raised the central exchange rate to above VND25,000/USD and conducted open market operations (OMO) to maintain a stable VND-USD interest rate spread.

The recent US decision to apply a 20% tariff on Vietnamese exports—lower than the earlier proposed 46%—led to a slight retreat in the exchange rate from its peak of VND26,205 to around VND26,129/USD (+2.53% YTD). However, concerns persist over a potential 40% tariff on "transshipped" goods, as the definition of such goods remains unclear.

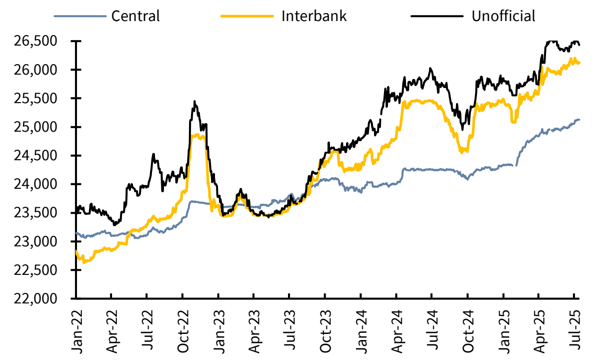
The unofficial exchange rate has come under pressure due to surging global gold prices and a persistent gap between domestic and international gold

The unofficial exchange rate has mirrored the interbank trend, occasionally rising sharply amid surging global gold prices, which surpassed USD3,400/ounce due to heightened geopolitical tensions in the Middle East. Domestic gold prices also climbed, briefly exceeding VND124 million/tael. However, a persistent price gap of over VND10 million per tael between domestic and international gold has fueled demand for smuggled imports, adding pressure to the unofficial exchange rate, which currently stands at VND26,430/USD. To stabilize the gold market, the SBV has amended Decree No. 24/2012 on gold trading management to end the State's monopoly on gold bar/raw gold imports and has intervened directly through gold sales, helping narrow the gap between domestic and international prices.

NEER and REER both declined in 2Q2025

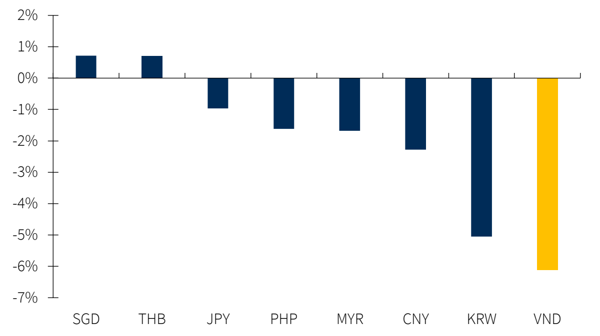
The Nominal Effective Exchange Rate (NEER), which tracks the value of the VND against a basket of eight reference currencies based on the central exchange rate mechanism, and the Real Effective Exchange Rate (REER), which adjusts the NEER for relative inflation, both continued to decline in 2Q2025. Specifically, the NEER fell by 6.6% YTD, reflecting the relative depreciation of the VND against key currencies, as discussed earlier. The REER posted a similar decline (-6.5% YTD), suggesting a slight improvement in Vietnam's price competitiveness, driven by a weaker domestic currency and well-contained domestic inflation, which remained below 4%.

Fig 14. Vietnam – USD/VND exchange rates



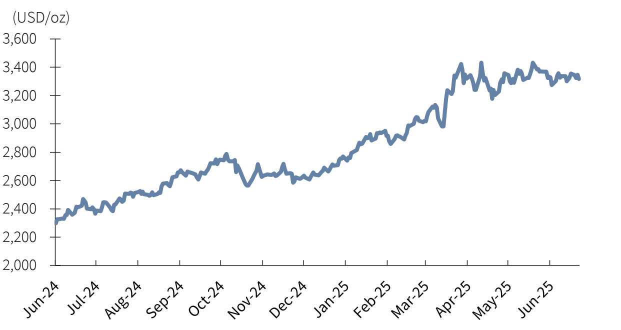
Source: Bloomberg, Fiingroup, KB Securities Vietnam

Fig 15. Global – Movements of major currencies against the USD



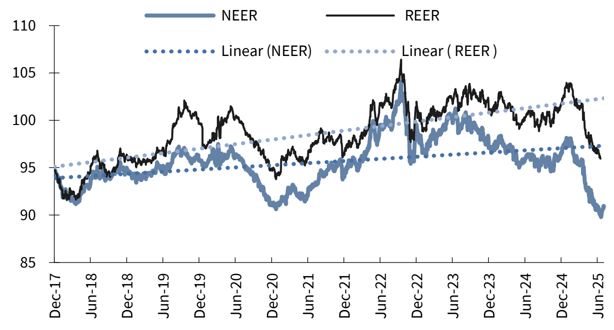
Source: Bloomberg, KB Securities Vietnam

Fig 16. Global – Gold prices (USD/ounce)



Source: Bloomberg, KB Securities Vietnam

Fig 17. Vietnam – NEER, REER (points)



Source: Bloomberg, KB Securities Vietnam

2. 2025F USD/VND exchange rate

We adopt a prudent approach until the tariff framework becomes more defined

We maintain our forecast that the USD/VND exchange rate will stay within the ±4% allowable band for 2025, in line with previous reports. While the rate has eased slightly after the US reduced its proposed tariff on Vietnamese exports from 46% to 20%, KBSV believes exchange rate risks persist. Key factors to watch include: (1) clarity on US tariff regulations, especially the definition of "transshipped" goods; (2) Vietnam's reciprocal tariffs relative to peers; and (3) movements in the DXY index.

Exchange rate pressures may intensify at certain points but are expected to ease by year-end

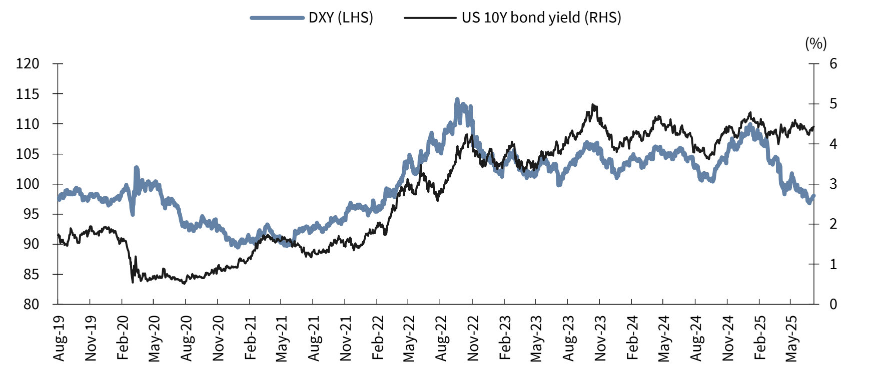
Tax-related factors continue to affect USD inflows into Vietnam through exports and FDI. The current 20% reciprocal tariff on Vietnamese goods is relatively favorable compared to other countries (e.g., China, Japan, Thailand, Bangladesh), though final decisions on U.S. tariff levels are pending, with an August 1 deadline. We believe the difference in Vietnam's tariff rate (20%) relative to other countries is unlikely to be significant. KBSV remains cautious about the potential imposition of a 40% tariff on transshipped goods due to vague definitions of "transshipment." Based on several U.S. FTAs, such goods are often defined as having less than 35% domestic content. A higher threshold would weigh more heavily on Vietnam unless applied uniformly across peers. In that case, the negative impact could be limited.

We expect the exchange rate to remain under pressure at certain points in 3Q, driven by: (1) a surge in exports during the tax suspension period (2Q export value up 20% YoY), despite the Purchasing Managers' Index (PMI) staying below 50 for three straight months—signaling weaker growth momentum; (2) the corporate profit repatriation season; and (3) potential delays in FDI disbursement if post-August 1 tariff developments fall short of expectations. Toward year-end, we anticipate easing pressures on the exchange rate, supported by: (1) a rebound in exports during the peak shipping season; (2) strong remittance inflows; and (3) a weakening USD, as the U.S. potentially passes Trump's "One Big Beautiful Bill Act" and the market expects two Fed rate cuts—both detailed in our 2H2025 Strategy Report. The exchange rate remains a key variable to watch, especially around official tariff policy announcements for Vietnam and its peers.

The SBV has adopted a flexible policy stance to navigate external uncertainties

With the USD/VND exchange rate projected to rise by no more than 4% this year, we believe the SBV will maintain flexible measures to keep the rate within the permitted band, supporting accommodative policies for growth. While some exchange rate pressure emerged in 1H2025, the SBV responded promptly by adjusting the central rate and using OMO to sustain a reasonable USD-VND interest rate differential. These tools are likely to remain in use through 2H2025, while the probability of a policy rate hike remains low. Overall, we maintain our view that SBV policy will remain growth-oriented yet flexible enough to respond to external shocks.

Fig 18. US – 10Y bond yield, DXY



Source: Bloomberg, KB Securities Vietnam

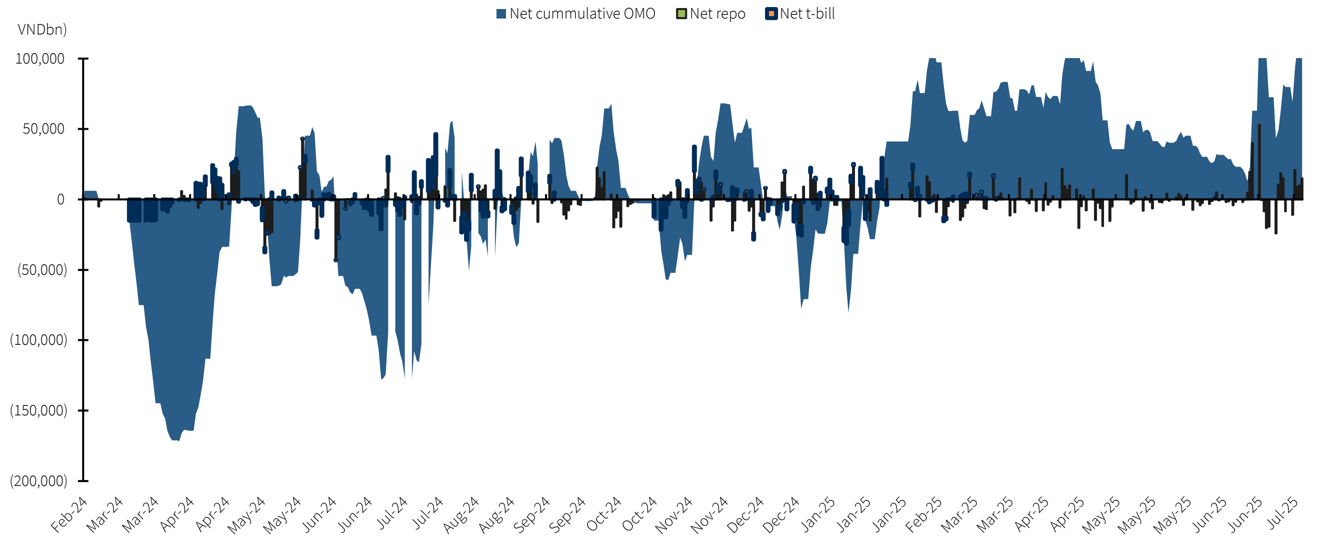
V. Interest rates

1. 1H2025 interest rates

Interbank interest rates remained stable, supported by the SBV's flexible OMO

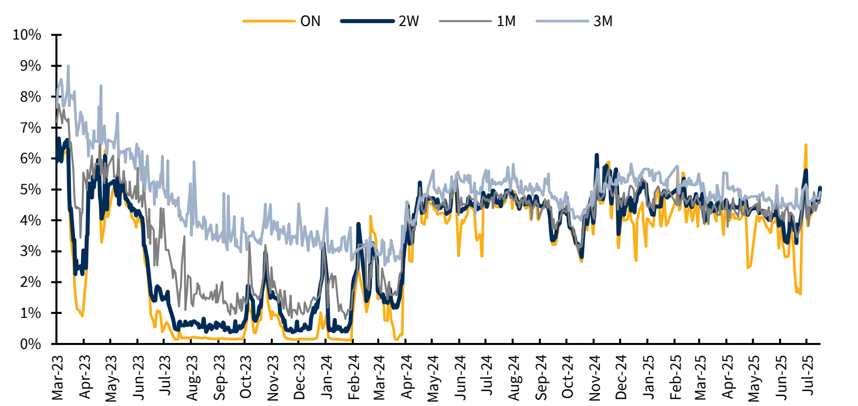
While tasked with supporting banking system liquidity and stabilizing the exchange rate, the SBV has taken a flexible approach in its OMO. After months of net injections and suspending treasury bill (T-bill) offerings, the SBV resumed issuing 7-91 day reverse repos at interest rates of 3.4-3.5% during certain periods. However, net absorption remained limited, as the SBV continued providing collateralized loans to maintain ample liquidity amid robust credit growth in the first half of the year. As a result of timely and adaptive interventions, the interbank overnight rate remained broadly stable at 3-4% throughout 2Q, except for a temporary spike above 6% at month-end, driven by quarter-end effects.

Fig 19. Vietnam – Open market operations (OMO)



Source: State Bank of Vietnam, KB Securities Vietnam

Fig 20. Vietnam – Interbank interest rates (%)



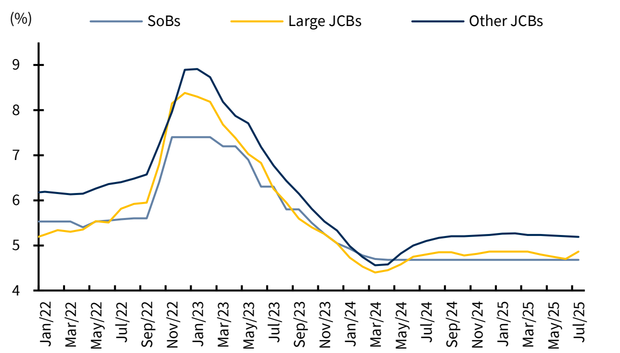
Source: State Bank of Vietnam, KB Securities Vietnam

Controlled inflation and a stable exchange rate are prerequisite conditions for maintaining an accommodative policy stance

Interest rates have remained low since 2H2024, supported by a favorable domestic macroeconomic environment—characterized by inflation consistently below 4% and the exchange rate remaining within the permitted ±4% band. According to the SBV, the average lending rate across the economy currently stands at 6.38%, down 0.8 ppts from end-2024. Credit growth in 1H2025 reached a solid 9.9% YTD, outpacing the same period in the past two years. This reflects the SBV's continued accommodative monetary stance to foster economic recovery, with commercial banks maintaining low lending rates and actively engaging in preferential lending programs to support key sectors.

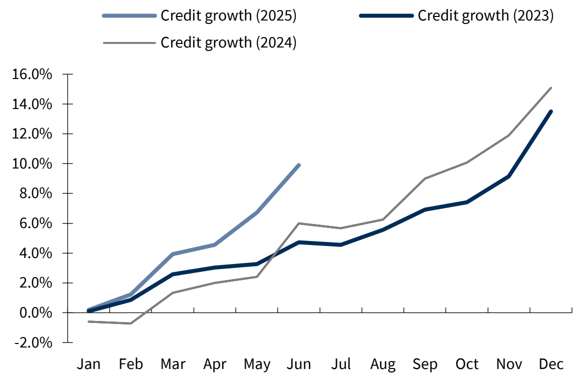
Banking system liquidity has remained broadly stable, thanks to SBV interventions including: (1) increased Treasury deposits at state-owned banks (SoBs); (2) active and flexible use of OMO; and (3) disbursement of 0%-interest special loans to banks involved in restructuring weak credit institutions. These measures have helped ensure liquidity even amid strong credit expansion, while deposit rates in the retail market (market 1) have remained low, with a downward trend observed throughout 1H2025. However, we note a recent slight uptick in long-term deposit rates at several private banks, likely in anticipation of accelerating loan growth in the latter half of the year.

Fig 21. Vietnam – 12M deposit interest rates (%)



Source: Bloomberg, KB Securities Vietnam

Fig 22. Vietnam – Credit growth in 2023-2025 (%YTD)



Source: State Bank of Vietnam, KB Securities Vietnam

2. 2025F interest rates

Lending rates have likely bottomed out and are expected to remain at current levels at least through the end of 2025

The Government has set an ambitious GDP growth target of 8.3-8.5% for 2025. To achieve this, credit will play a critical role in driving Vietnam's key growth pillars—namely public investment and domestic consumption. Lending rates have likely bottomed out but are expected to remain stable at current levels, in line with the Government's accommodative policy stance. Sustained low rates will boost consumer demand and credit access for businesses. In parallel, advancing private sector reforms (e.g., Resolution 68), easing legal hurdles in real estate, and accelerating public investment will be vital to sustaining strong growth.

The SBV has supported system liquidity to contain deposit rates, though its policy leeway has become more limited

Credit growth rebounded early in the year, driving the net loan-to-deposit ratio (LDR) at many banks above 100%. Despite this, system liquidity has remained relatively stable thanks to SBV support. Most recently, the SBV resumed T-bill issuance, while interbank rates have been kept at appropriate levels to ease pressure on the FX market. As previously mentioned, exchange rate pressures have temporarily subsided but may re-emerge later this year. Accordingly, we do not rule out the possibility of the SBV resuming net VND absorption to mitigate further depreciation of the local currency.

Deposit rates may rise again toward year-end as banks seek to optimize funding costs and support stronger credit expansion

We are seeing a shift in the funding structure of commercial banks, with SoBs increasingly relying on Treasury deposits, while private banks are turning to valuable paper issuance for funding. This trend may drive up funding costs for private banks, as issuing valuable papers typically carries higher costs than mobilizing customer deposits. Consequently, deposit rates at private banks—particularly smaller ones—may edge up toward year-end as they seek to optimize funding costs and meet credit growth targets. Given the strong performance in 1H2025, we forecast full-year credit growth could reach 18-20%.

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Investment ratings & definitions

Investment Ratings for Stocks
(Based on the expectation of price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors
(Based on the assessment of sector prospects over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market