Macro Outlook for 2Q25

Pivoting to domestic growth drivers

Head of Macro & Strategy Tran Duc Anh
(+84) 24 7303 5333 anhtd@kbsec.com.vn

Analyst Pham Phuong Linh
(+84) 24 7303 5333 linhpp@kbsec.com.vn

Analyst Nguyen Thi Trang
(+84) 24 7303 5333 trangnt6@kbsec.com.vn

April 18, 2025

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

We revise GDP growth forecast for 2025 down to 6% (from the previously projected 7%, in case Vietnam is subject to a 2x% reciprocal tariff from the US) after assessing the risks from Trade war 2.0 to Vietnam economy. In the face of challenges from the global markets, we expect the Government will focus on promoting domestic growth drivers, especially public investment and credit growth (when the exchange rate has not increased by more than 4%).

We keep the forecast for 2025 headline CPI at 4%, which is under the limit 4.5% set by the Government. Despite being affected by exchange rate pressure, inflation should be well controlled as the prices of food, foodstuffs, gasoline, and other goods are expected to decrease slightly or remain stable.

The US tariff policy has cast a shadow over the global economic growth and trade activities, so we raise our prediction for exchange rate fluctuation range, with **the USD/VND exchange rate probably gaining 4% compared to the end of 2024**. In times of exchange rate tension, it is likely that the State Bank of Vietnam (SBV) will take intervention measures by (1) selling FX reserves; (2) issuing treasury bills; or (3) raising policy rates.

Lending and deposit interest rates are projected to remain flat during the 90-day tariff truce or if the post-negotiation tariff rates do not exert an immense and adverse impact on the exchange rate. In case of exchange rate and inflation hikes, maintaining low interest rates will become a challenge. At that time, KBSV supposes that **deposit interest rates may inch up 1-2%, and lending interest rates tend to have smaller and slower gains than deposit interest rates (+0.5-1%).**

Contents

I. Executive Summary

The macroeconomic landscape in 1Q25 still showed bright shades, with GDP estimated to increase 6.93% YoY, reaching the highest 1Q growth rate in the last five years. The industrial and construction sector led the growth, while the agriculture, forestry, fishery and service sectors maintained stability.

Vietnam's economic growth is closely linked to international trade practices. Therefore, we lower the GDP forecast for 2025 to 6% (compared to the previous projection of 7%) after considering risks from Trade war 2.0. We expect the Government to focus on leveraging domestic growth forces, especially public investment and credit growth.

Table 1. Vietnam – Key macroeconomic indicators

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

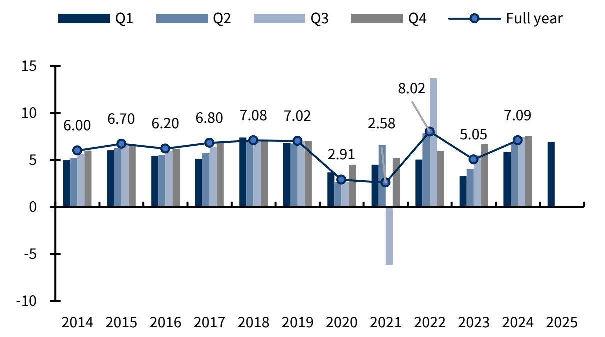
Source: KB Securities Vietnam

II. GDP growth

1. 1Q25 GDP growth

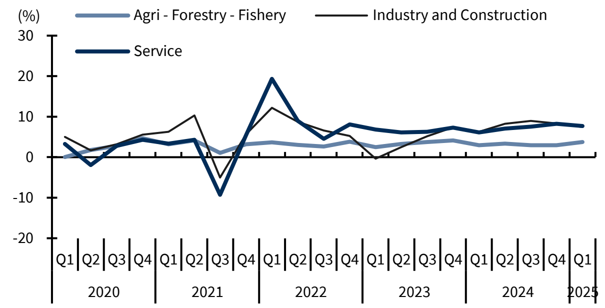
Estimated 1Q GDP sparked an impressive growth of 6.93% YoY, touching 1Q highs in the period 2020-2025 but not yet fulfilling the whole-year target of 8.0%.

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 growth in 1Q.

Consumption has strongly recovered

In 1Q25, domestic consumer demand climbed with many holidays like Tet. The total retail sales of goods and consumer services in the quarter rose 9.9% YoY or 7.5% (if price increases included), compared with 5.5% in 1Q24. Of that, revenue from hospitality and food services surged 14.0%, while revenue from tourism and travel spiked 18.3%.

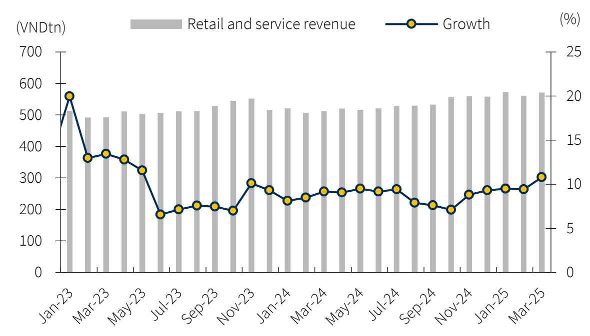
Total social investment increased, but the disbursement of public investment remained slow

Total social investment capital in 1Q25 went up 8.3% YoY, hitting VND666.5 trillion and reflecting a stable uptrend in investment. However, the overview of investment growth showed mixed developments.

FDI flows into Vietnam were a bright spot. Total registered FDI hit USD10.98 billion (+34.7% YoY), and disbursed FDI reached USD4.96 billion (or VND126,500 billion, +2% YoY), the highest level in the first quarters of the 2021-2025 period.

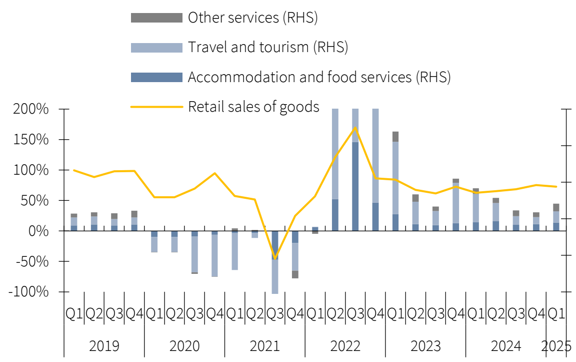
On the contrary, the disbursement of public investment was slow, reaching VND78,712 billion or 8.98% of the 2025 plan, much lower than the same period in 2024 (11.64% of the plan with VND80,689 billion). In addition to difficulties related to site clearance and legal settlement, in 2025, the progress of public investment disbursement will also be affected by the streamlining of staff and the rearrangement of the administrative apparatus, leading to a slowdown in the progress of appraisal, payment and settlement of public investment projects.

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



Source: General Statistics Office, KB Securities Vietnam

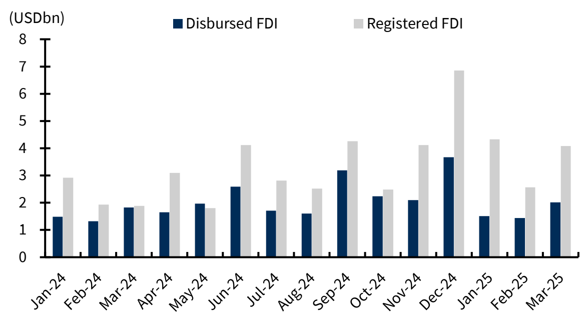
Fig 4. Vietnam – Retail sales of goods & services breakdown



Source: General Statistics Office, KB Securities Vietnam

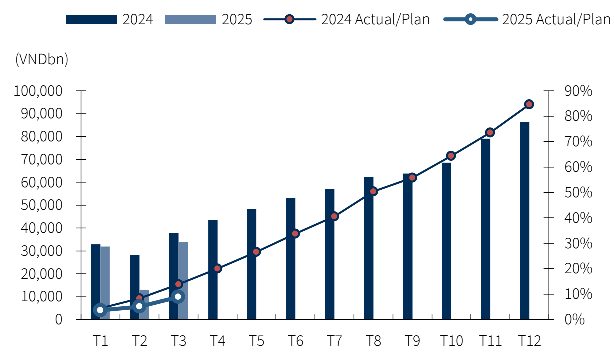
** Note: Travel service revenue growth in 2Q/3Q/4Q 2022 is 324% YoY/3831% YoY/231% YoY respectively*

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, the industrial, construction and service sectors continue to grow.

The service sector maintained growth

The service sector grew 7.70%YoY in 1Q, contributing 53.74% to the total added value of the entire economy. Higher consumer demand during the Tet holiday and a sharp increase in the number of international visitors to Vietnam have boosted trade and service activities, contributing significantly to the growth of this sector. In 1Q25 alone, the number of international visitors to Vietnam reached six million tourists, surging 30% YoY.

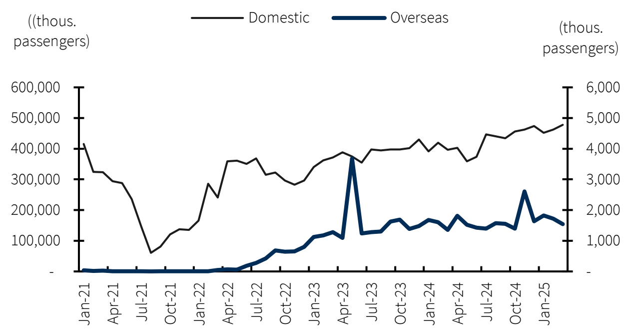
Industrial and construction sector witnessed robust growth

The industrial and construction sector continued to flourish in 1Q with the total added value of the industry increasing by 7.32% YoY, contributing 40.17% to the overall growth of the economy. In particular, the processing and manufacturing industry maintained its role as the main growth force with an increase of 9.28% YoY.

Agriculture, forestry and fishery posted modest growth

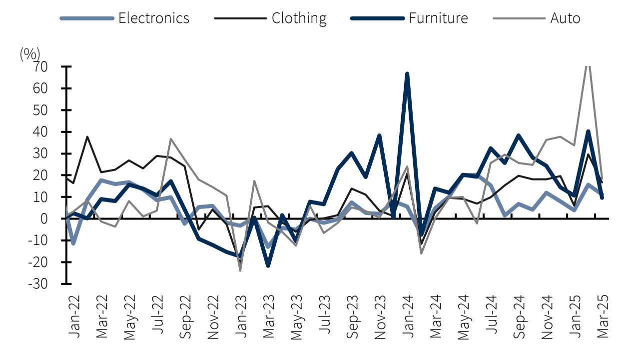
The agriculture, forestry and fishery sector achieved the set target in the first quarter of the year, increasing by 3.74% and adding 6.09% to the total added value of the entire economy. This growth was attributable to the improvement in the harvest output of some perennial trees, exploited wood and aquaculture output.

Fig 7. Vietnam – Passenger transportation (thousand passengers)



Source: General Statistics Office, KB Securities Vietnam

Fig 8. Vietnam – The growth of key industrial businesses (% YoY)



Source: General Statistics Office, KB Securities Vietnam

2. 2025F GDP growth

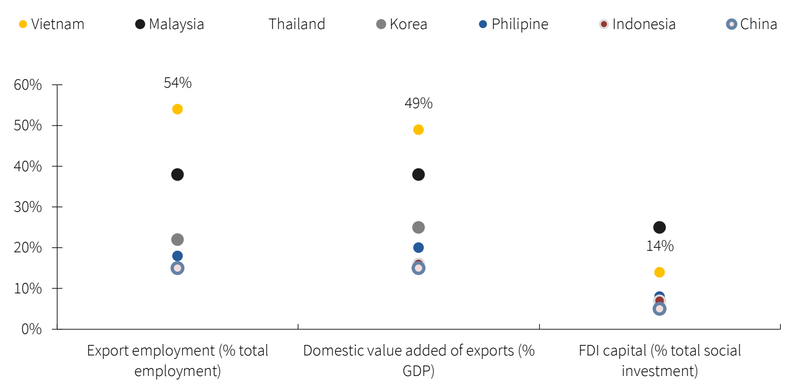
GDP growth forecast for 2025 was lowered to 6%

We revise GDP growth forecast for 2025 down to 6% (from the previously projected 7%, in case Vietnam is subject to a 2x% reciprocal tariff from the US) after assessing the risks in Trade war 2.0 for the Vietnamese economy. In the face of external challenges, we expect the Government to focus on promoting domestic growth drivers, especially public investment and real estate market.

Vietnam faced challenges from weaker external growth drivers and Trade war 2.0

About 50% of Vietnam's GDP growth and 54% of its labor market depend on exports. At the same time, Vietnam is also the most trade-dependent economy in East Asia, except for Singapore, meaning that Vietnam's economy is highly open and vulnerable to big changes in global trade.
In the context of Trade war 2.0 under Trump administration, new policies are no longer as favorable for Vietnam as in Trade war 1.0. This puts Vietnam at risk of declining export activities and foreign investment attraction, thereby directly affecting domestic economic growth and employment (analyzed in our latest macro notes on Trade war 2.0).

Fig 9. Vietnam – Exports & FDI contribution to Vietnam economy (%)



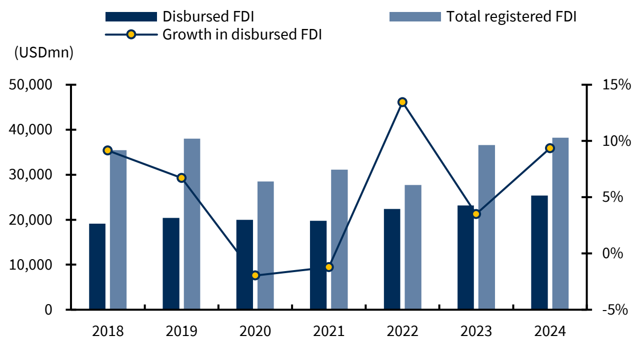
Source: World Bank, KB Securities Vietnam

FDI disbursement tends to decrease in 2025

In the short term, we reiterate our view that FDI disbursement flows into Vietnam will drop in the period 2025-2026. The level of decrease will mainly depend on the US's tax rate on Vietnam. In the worst case, with a low probability of occurrence, Vietnam is subject to an unchanged reciprocal tariff of 46% (considered the post-negotiation ceiling), FDI disbursement may plummet 80-90% YoY this year.
Tariff risks will also make FDI enterprises more likely to withdraw their investment from Vietnam in 2025. In fact, Vietnam's financial account recorded a deficit of USD8.03 billion in 2024, nearly 2.7 times higher than the deficit of USD2.99 billion in 2023, as FDI enterprises tend to transfer profits back to their home countries instead of reinvesting in Vietnam due to interest rate differences.

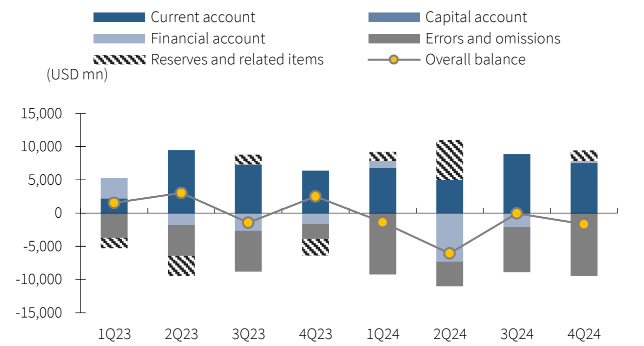
In the long term, we expect that FDI disbursement can gradually recover when the Trade war 2.0 becomes less tense and be compensated by FDI enterprises with export markets outside the US, given that Vietnam has maintained advantages of cheap labor force, favorable location for trade, many FTAs, and preferential policies.

Fig 10. Vietnam – FDI growth (USDmn)



Source: General Statistics Office, KB Securities Vietnam

Fig 11. Vietnam – Account balance (USDmn)



Source: State Bank of Vietnam, KB Securities Vietnam

Exports are forecast to binge in 2Q24 and then rapidly fall in 2H25

On April 10, the Trump administration granted a suspension for the application of reciprocal tariffs on all countries, except for China. We believe this will create short-term opportunities for businesses to boost export orders to the US market, especially in 2Q25, before the new tax rates officially take effect.

However, in the second half of 2025, Vietnam's export activities should experience a steep fall as the US importers often place orders three to six months in advance.

With Vietnam's efforts in tax negotiation, we expect the final reciprocal tariff to be lower. We have two main scenarios for exports in 2025:

- Scenario 1: Reciprocal tariff on Vietnam decreases to 30-40%
  Vietnamese exports may drop by 10-15% in 2025. However, items such as smartphones, laptops, and semiconductor components should maintain export growth in the short term as they are temporarily exempted from the tariff.
- Scenario 2: Reciprocal tariff on Vietnam falls to 2x%
  This tax rate is similar or not too different from our competitors such as Indonesia, Bangladesh, and Malaysia, so we believe that the bad impacts on exports can be somewhat controlled. Accordingly, exports may see a 5-8% contraction.

Table 2. Global – Overseas orders

	Overseas orders
Total TEUs ordered worldwide	-49%
Total US import orders	-64%
Total US export orders	-30%
Total US import orders from China	-64%
Total US export orders to China	-36%

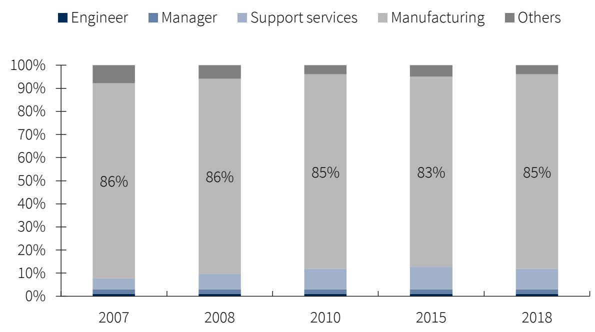
Source: SONAR, KB Securities Vietnam

The tariff war weighs on domestic labor market and consumption

Vietnam's labor market is facing big challenges from the decline in FDI inflows and export activities. FDI enterprises offer up to 35% of total jobs in Vietnam. The actual figure may even be higher as their production activities also spread to local businesses. In addition, 54% of domestic employment depends on export activities. Therefore, the decline in FDI inflows and exports will be a direct slap on Vietnam's labor market, especially jobs in key export industries to the US such as electrical machinery, equipment, textiles, and wood.

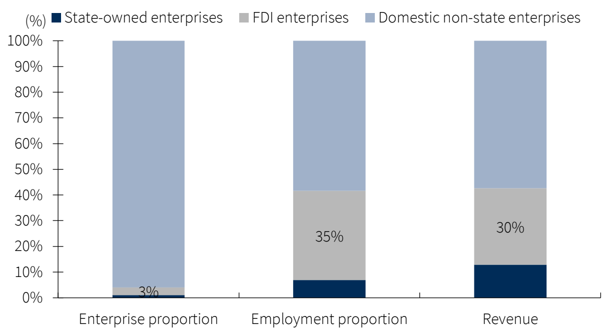
This not only threatens domestic employment but also weighs on consumer confidence, which has not fully recovered. However, we expect the negative impacts on domestic consumption to be partly mitigated by the Government's economic stimulus measures such as maintaining low interest rates, promoting public investment, extending VAT reductions, and promoting tourism (extending the length of stay for visitors from 12 visa-exempted countries).

Fig 12. Vietnam – Labor market



Source: World Bank, KB Securities Vietnam

Fig 13. Vietnam – Business and employment structure



Source: World Bank, KB Securities Vietnam

The government should leverage domestic growth drivers

Facing external challenges, the Government should promote domestic growth drivers such as public investment and credit growth.

Public investment is a key supportive factor amid many external challenges

The streamlining of the state apparatus has been basically completed since 1Q25, creating a foundation for more effective public project management and implementation. Furthermore, the National Assembly's approval of three new laws (namely Public Investment Law, Land Law, and Real Estate Business Law) will help remove legal obstacles and ramp up the implementation of public investment projects.

With these favorable factors, we expect public investment disbursement to speed up in the following quarters and become the main driving force for economic growth amid sluggish global drivers. The Government's determination to promote public investment has also been clearly demonstrated since the beginning of 2025 with a series of plans being set out:

(1) **Supplementing public investment capital**: Resolution No. 192/2025/QH15 added VND84.3 trillion in public investment capital, raising the total disbursement plan to VND875,707 billion, increasing 40% YoY with a disbursement target of 95%.

(2) **Approving key railways**: The North-South high-speed railway (USD67 billion) and the Lao Cai-Hanoi-Hai Phong railway (USD8 billion) have been approved for investment. The Government set a target of doubling the length of expressways by 2030.

(3) **Planning the power grid**: The National Power Development Plan 8 (PDP8) revised in March has set out specific goals to increase installed capacity to more than 236GW by 2030, which tripled the current level of 79GW.

(4) **Developing the seaport system**: The Government has approved the adjustment of the seaport system planning in 1Q25 with the new Can Gio port project. It is expected that Vietnam's seaport capacity will increase 50% by 2030.

Table 3. Vietnam – Key public investment projects

	Projects	Before 2024	2024	2025	2026	2027	2028	2029	2030	After 2030
Highways	North-South Expressway (Phase 1)	■								
	North-South Expressway (Phase 2)	■	■	■						
	Ho Chi Minh Ring Road No.3	■	■	■	■					
	Hanoi Ring Road No.4				■	■	■			
	Hanoi Ring Road No.5							■	■	■
	Ho Chi Minh Ring Road No.4					■	■	■	■	
	Quy Nhon - Pleiku Expressway		■	■						
	Hoa Binh - Moc Chau Expressway	■	■	■	■	■	■			
	Bac Kan - Cao Bang Expressway				■	■	■	■	■	■
Railways	North-South Railway					■	■	■	■	■
	Lao Cai - Hanoi - Quang Ninh Railway (cooperated with China)								■	■
	Ben Thanh - Tham Luong Metro Line			■	■	■	■	■	■	
Seaports	Can Gio International Port			■	■	■				
	Lien Chieu Port, Da Nang	■	■	■						
	Cai Mep Logistic Center				■	■	■	■	■	■
Airports	Long Thanh International Airport (Phase 1)	■	■	■	■					

Source: KB Securities Vietnam

SBV will boost credit, supporting economic growth in 2025

In 2025, the SBV set a credit growth target of 16%, aiming at a GDP growth of 8%. As the import-export activities and FDI have been undermined by the Trade war 2.0, we believe that the credit growth target will be promoted thanks to the Government's efforts to recover the real estate market and boost public investment, an important driving force in 2025.

We expect the land market to continue its recovery momentum this year, driven by two main factors:

(1) **Efforts to remove legal bottlenecks from the Government**: The Government's efforts have helped pending real estate projects to be resumed, which has brought in a promising rebound in supply in 1Q25. The market has recorded about 27,000 new housing products, increasing 33% YoY. Other major projects have also been restarted after a period of stagnation such as Dat Xanh Homes Riverside, New Galaxy, Bien Hoa Universe Complex, Metro Star, NovaWorld Ho Tram, and NovaWorld Phan Thiet, proving the effectiveness of the Government's policies.

(2) **The SBV's easing monetary policy**: The SBV's orientation to maintain low interest rates is expected to boost market demand. Initial signals show that this is working, with the absorption rate across the entire real estate market reaching about 45% in 1Q25 (x2 YoY), but this recovery has not reflected the risks from Trade war 2.0. We believe that if the exchange rate increases less than 4%, the SBV can continue its dovish policy, maintaining low interest rates to stimulate real estate purchases and investments in 2025, especially when homebuyers may be less optimistic amid poor labor market.

III. Inflation

1. 1Q25 inflation

1Q inflation was kept under the Government's control target

In the first quarter of 2025, headline and core CPI respectively gained 3.22% YoY and 3.01%, which resulted from higher prices of food, electricity, education and health services. Meanwhile, factors restraining the CPI growth in 1Q include the decrease in gasoline and rice prices.

In 1Q25, the main CPI drivers are:

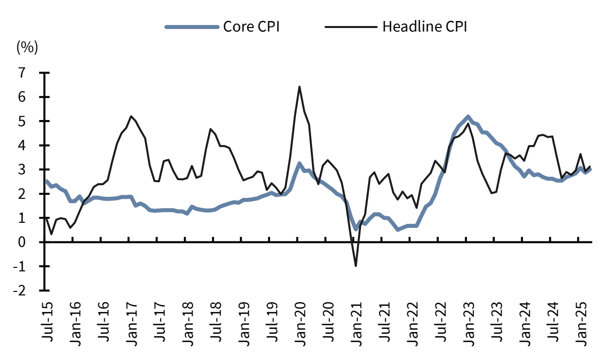
(1) The price index of food and catering services went up 3.78% (making headline CPI increase 1.27pp), of which the price index of pork surged 12.49%.

(2) The price index of housing, electricity, water, fuel, and construction materials rose 5.11% (causing the headline CPI to inch up 0.96ppts). The prices of cement, iron, steel, and sand got higher alongside input material costs and housing rents.

(3) The price index of medicine and medical services soared 14.4% (making headline CPI increase 0.78ppts) due to the adjustment of healthcare service fees according to Circular No. 21/2024/TT-BYT dated October 17, 2024 of the Ministry of Health.

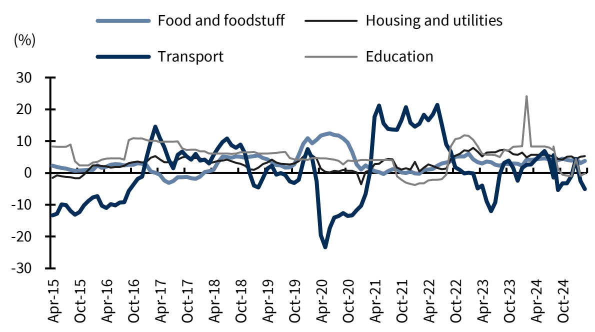
(4) The transport group price index dropped 2.4% (bringing headline CPI down by 0.23ppts), of which pump prices f9.73%.

Fig 14. Vietnam – Headline & core CPI (%YoY)



Source: General Statistics Office, KB Securities Vietnam

Fig 15. Vietnam – CPI of main industry groups (%)



Source: General Statistics Office, KB Securities Vietnam

2. 2025F inflation

KBSV expects inflation to register a 4% YoY increase by the end of 2025

We maintain our forecast for Vietnam's inflation in 2025 at 4% YoY, staying well within the government's target of 4.5%. Despite ongoing exchange rate pressures, inflation is expected to remain stable, supported by: (i) a decline in global oil prices, which is expected to translate into lower domestic fuel costs; (ii) a continued downward trend in rice prices; (iii) the stabilization of hog prices; and (iv) measured and well-managed adjustment in government-regulated prices, such as electricity, education, and healthcare, which is unlikely place significant upward pressure on the CPI.

Brent crude oil prices will likely exhibit a downward trajectory this year

Global trade uncertainties and recessionary pressures in major economies, including the US, China, and the EU are anticipated to exert downward pressure on global oil prices. According to the US Energy Information Administration (EIA)'s April 2025 update, the average Brent crude oil spot price is projected at USD67.87 per barrel in 2025 and USD61.48 per barrel in 2026. These figures represent a notable downward revision from the March forecast, which had projected prices at USD74.22 and USD68.47 per barrel for 2025 and 2026, respectively. As such, we expect the downward trend in oil prices to contribute to easing inflationary pressures in 2025.

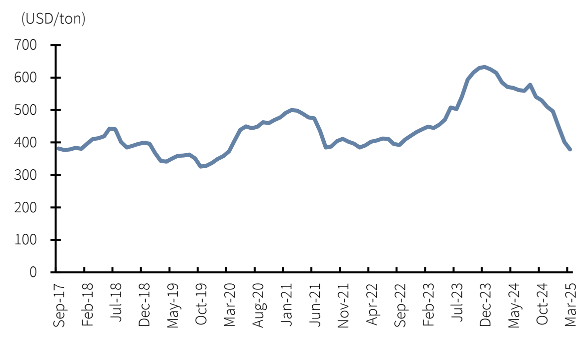
Rice prices are projected to follow a decline in export prices

Rice prices are forecast to fall further in 2025, aligning with anticipated declines in export prices. This is largely attributable to abundant global supply. Data from the US Department of Agriculture (USDA) indicates that global rice production for the 2024-2025 season is expected to reach a record high of 530.4 million tonnes. This increase in supply is primarily driven by India, the world's largest rice exporter, lifting its ban on white rice exports. Meanwhile, export volumes from major exporters such as Brazil, Pakistan, Thailand, and Vietnam are expected to remain relatively stable.

Liveweight hog prices are expected to remain stable throughout 2025

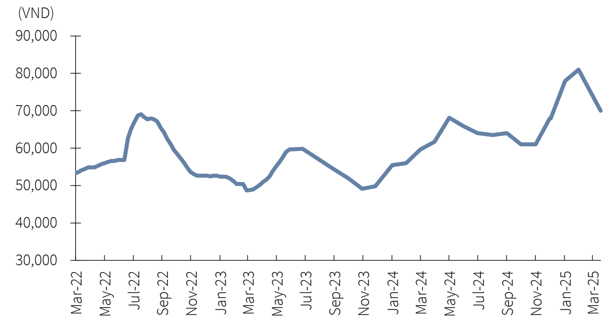
Pork prices surged in 1Q25 due to reduced supply and increased consumption during the Lunar New Year period. However, this upward momentum is expected to moderate as Vietnam's pork production is forecast to grow by 3% in 2025, reaching 3.8 million tonnes. This growth is supported by the anticipated expansion of pig herds, aided by improved control of African Swine Fever (ASF). As a result, liveweight hog prices are projected to fluctuate within the range of VND60,000-70,000 per kilogram throughout 2025.

Fig 16. Vietnam – 5% broken rice export prices (USD/ton)



Source: Bloomberg, KB Securities Vietnam

Fig 17. Vietnam – Liveweight hog prices (VND/kg)



Source: Animal Husbandry Association of Vietnam, KB Securities Vietnam

Table 4. Vietnam – 2025F CPI

	Groups	Weight (%)	+/- (% YoY)	Contribution to CPI (%)
1	Food and catering services			
	Food	3.67	3.0	0.1
	Foodstuff	21.28	5.0	1.1
	Catering services	8.61	5.0	0.4
2	Beverages and tobacco	2.73	3.0	0.1
3	Clothing and footwears	5.7	3.0	0.2
4	Housing, water, electricity, gas and other construction materials	18.82	5.0	0.9
5	Furniture, household equipment and maintenance	6.74	4.0	0.3
6	Medicine & healthcare services	5.39	3.0	0.2
7	Transportation	9.67	1.6	0.2
8	Communications	3.14	1.0	0.0
9	Education	6.17	5.0	0.3
10	Culture, entertainment & 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. 1Q25 USD/VND exchange rate

Exchange rate pressures surged after the US announced a 46% retaliatory tariff on Vietnamese goods

In 1Q25, the official USD/VND exchange rate trended downward, fluctuating within the range of VND25,080-25,640 per USD, an increase of 0.5-0.7% compared to the end of 2024. This movement partly reflects market expectations surrounding the US economic outlook under President Trump's new term, as the US Dollar Index (DXY) hovered in the 104 and 108 range. In response, the SBV adopted a flexible exchange rate policy, raising the central exchange rate from VND24,325 to VND24,726 to allow greater room for market-driven adjustments in line with supply and demand dynamics. However, exchange rate pressures intensified significantly following the US announcement of a 46% retaliatory tariff on Vietnamese goods. At one point, the exchange rate touched the SBV's ceiling rate of VND26,000 per USD, reflecting rising concerns over a potential decline in exports to the US and the broader implications for future FDI inflows. Nevertheless, these pressures were subsequently alleviated due to: (i) the US decision to temporarily suspend the tariff for 90 days and (ii) a drop in the DXY to the 99-101 range, its lowest level in five months, signaling heightened market concerns over the strength of the USD amid increasing recession risks. As of April 15, the central exchange rate stood at VND24,886 (+2.2% YTD), while the interbank rate was VND25,888 (+1.58% YTD), marking a 0.5% decline from April 9.

The unofficial exchange rate exhibited a similar, if not more pronounced, upward trend

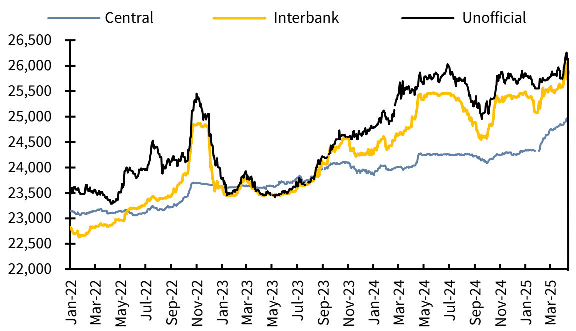
The unofficial exchange rate exhibited a similar, if not more pronounced, upward trend, reflecting the market's heightened sensitivity to economic volatility. Elevated global economic uncertainty has also fueled a surge in demand for safe-haven assets such as gold. In recent weeks, international gold prices surpassed USD3,200 per ounce for the first time, setting a new historical high and marking the strongest rally in the past five years. Domestically, gold prices have also surged at various points, exceeding VND110 million per tael. However, the price gap between domestic and international gold remains substantial. This disparity has indirectly exerted additional pressure on the unofficial exchange rate, as increased demand for smuggled gold drives up the need for USD. As of the latest available data, the unofficial exchange rate stands at approximately VND26,130 per USD.

NEER and REER showed a similar trajectory

The Nominal Effective Exchange Rate (NEER), which measures the value of the VND against a basket of eight reference currencies under the central exchange rate mechanism, and the Real Effective Exchange Rate (REER), which adjusts the NEER for relative inflation, offer insight into the VND's external competitiveness. In 1Q25, the NEER posted a slight decline (-2.7% YTD), indicating a depreciation of the VND relative to the basket of major currencies. The REER also declined during the first two months, reflecting improved price competitiveness for Vietnamese goods amid a weaker currency and subdued domestic inflation.

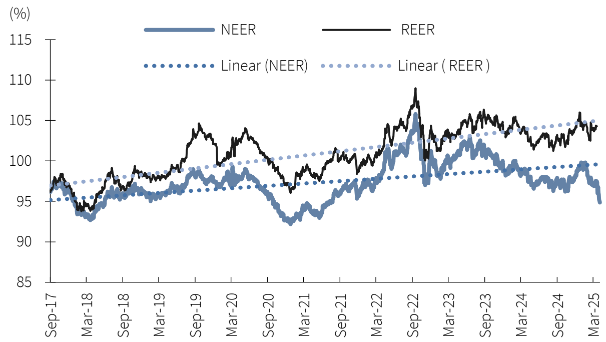
However, by the end of March, the REER unexpectedly rebounded to its early-year level, despite the NEER remaining low. This suggests that rising domestic inflation in the latter part of the quarter largely offset the benefits of VND depreciation, thereby narrowing the price competitiveness of Vietnamese exports.

Fig 18. Vietnam – USD/VND exchange rates



Source: Bloomberg, FiinGroup, KB Securities Vietnam

Fig 19. Vietnam – NEER, REER



Source: Bloomberg, KB Securities Vietnam

2. 2025F USD/VND exchange rate

We have elevated the USD/VND exchange rate forecast amid a volatile global economic outlook

Exchange rate dynamics in 2025 are anticipated to continue exhibiting complexity, shaped by a range of external uncertainties. US trade policies are likely to exert a dampening effect on global economic growth and trade activity. As a result, we have revised our exchange rate forecast upward, projecting that the USD/VND rate could expand by 4% compared to end-2024. Exchange rate movements in the coming period will largely be influenced by two key factors: (i) foreign currency supply-demand, particularly driven by FDI inflows, the trade balance, and remittances; and (ii) the global performance of the USD, as reflected in the DXY index. A weakening USD following a period of strong gains would help ease exchange rate pressures in the short term. However, if prolonged trade tensions continue to curtail foreign currency inflows into Vietnam, the exchange rate may still face upward pressure in the remaining quarters of the year.

The supply of foreign currency is influenced by tariff policies

As highlighted in our Macro note Vietnam amid Trade War 2.0, tariff policies are likely to intensify pressure on the USD/VND exchange rate. New tariff measures could indirectly constrain foreign currency inflows into Vietnam through their adverse effects on exports and FDI. In the short term, the US decision to temporarily suspend retaliatory tariffs for 90 days is likely to bring forward the export peak season to the second quarter of 2025. Anticipating future policy uncertainty, US importers may accelerate purchases, thereby bolstering USD supply and helping to ease exchange rate pressures. However, in 2H2025, a slowdown in export activity and weaker FDI disbursement are expected to weigh more heavily on the exchange rate.

Two key factors will require close monitoring once a final decision on tariffs is made: (i) the effective tariff rate imposed on Vietnamese goods, which will shape the extent of export disruption to the U.S. market; and (ii) how Vietnam's tariff level compares with that of peer countries, which will influence long-term FDI relocation strategies.

Exchange rate pressure remains a key risk to monitor in the coming months, particularly amid persistent global market volatility. Based on currently available official information, in a worst-case scenario where Vietnam is subjected to tariffs exceeding 30%, long-term exchange rate pressure would likely persist. This would stem from: (i) an estimated 10-15% YoY decline in 2025 export turnover, primarily due to reduced exports to the US, and (ii) a temporary halt in new FDI capital disbursements, as investors reassess and potentially redirect capital toward lower-tariff destinations. However, we believe the likelihood of this adverse scenario is relatively low, as Vietnam is actively negotiating with the US to secure a more favorable tariff outcome, potentially in the 15-20% range under an optimistic scenario.

The trajectory of the DXY is anticipated to exert less pressure on the exchange rate compared to 2024

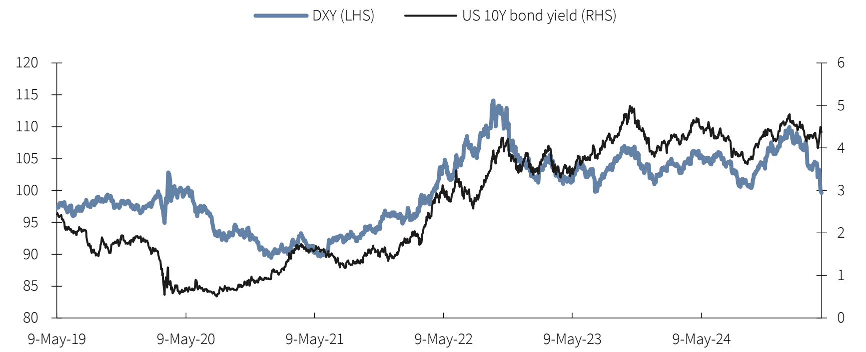
The DXY is typically a key driver of the USD/VND exchange rate. However, under current conditions, its influence is expected to be more subdued than in 2024. As of April 15, the DXY had declined by 8.2% YTD, compared to a 4.8% drop during the same period last year. This trend reflects growing concerns over escalating global trade tensions, particularly following the introduction of new US tariff measures, which have weighed on the USD as international capital flows increasingly shift toward safe-haven assets.

In our base-case scenario, we anticipate the US Federal Reserve will implement two interest rate cuts in 2025, each by 25 basis points, with the first cut likely occurring in June. However, we do not rule out the possibility of a more accommodative stance should trade-related disruptions to US supply chains dampen economic growth. In such a case, the Fed may opt to accelerate rate cuts, even if inflation remains elevated. A softer USD under this scenario would help ease pressure on the USD/VND exchange rate.

The SBV prioritizes growth but will be flexible to adapt to external shocks

Although US tariff policies are expected to exert some pressure on the exchange rate, the SBV has signaled a continued commitment to maintaining a low-interest rate environment and expanding credit limits to support economic growth. This implies a willingness to tolerate a moderate depreciation of the VND within a controlled range to bolster exports and stimulate domestic production. However, should the exchange rate rise too sharply, exceeding a 4% increase from the beginning of the year, it could pose macroeconomic stability risks and undermine foreign investor confidence in Vietnam. In such a scenario, the SBV may intervene to curb further depreciation through: (i) selling foreign exchange reserves, (ii) issuing T-bills to absorb excess VND liquidity from the banking system, or (iii) potentially raising policy interest rates in more extreme cases. Overall, we expect the SBV to maintain a growth-oriented monetary policy stance, while preserving sufficient flexibility and readiness to respond swiftly to external shocks.

Fig 20. US – DXY, 10Y bond yield



Source: Bloomberg, KB Securities Vietnam

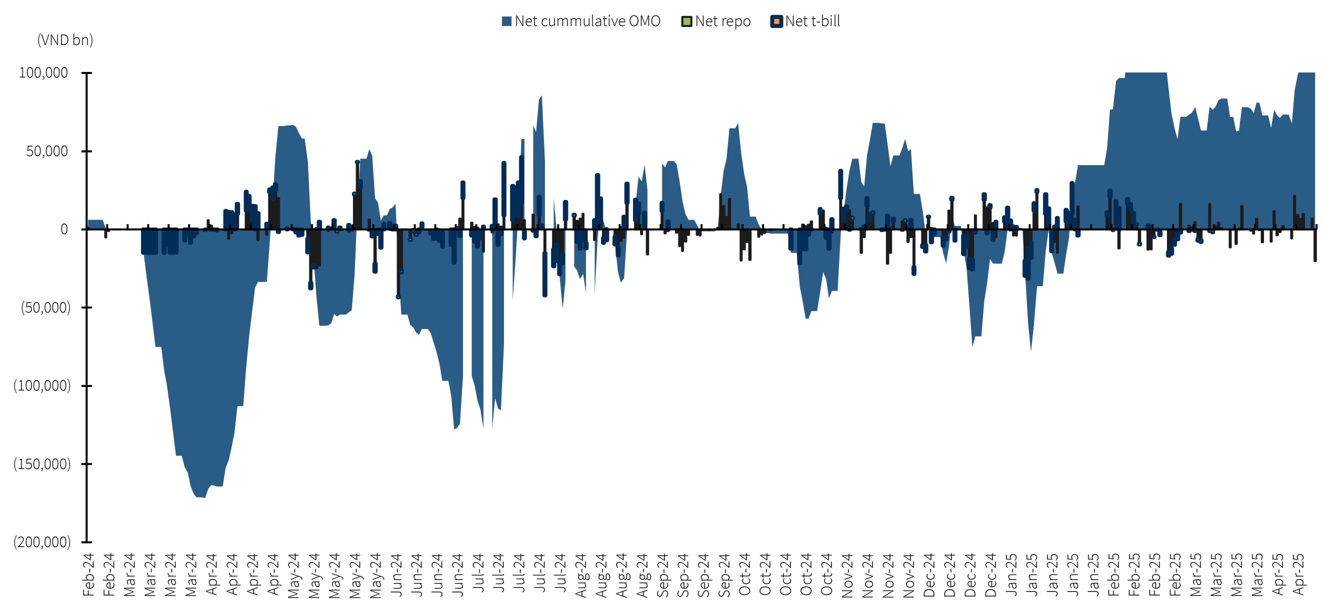
V. Interest rates

1. 1Q25 interest rates

The SBV will flexibly manage instruments to balance exchange rate stability and interest rate reduction

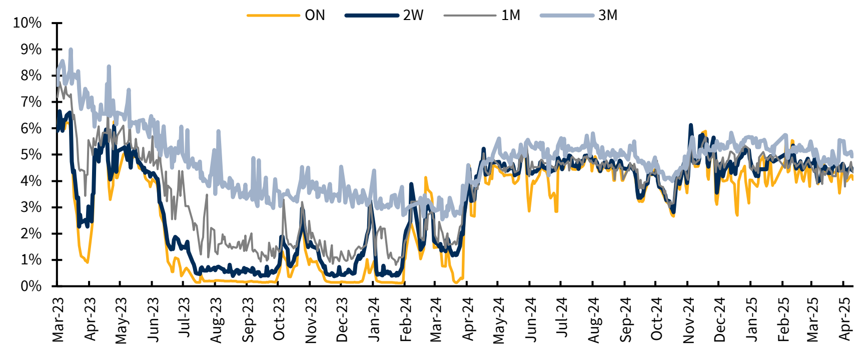
Amid growing concerns over exchange rate pressures stemming from US tariff policies, the SBV has reaffirmed its commitment to supporting banking system liquidity to stabilize interest rates. Specifically, the SBV halted the issuance of T-bills over a month ago and has instead ramped up net injections via reverse repos, with a total volume reaching VND36.73 trillion during the week of April 8-14, 2025. In addition, the SBV has introduced longer tenors, such as 35-day and 91-day contracts, indicating a shift toward more sustained and stable liquidity support for the banking sector. This continued ample liquidity provision underscores the SBV's current policy priority of fostering economic growth. Interbank interest rates have remained stable at low levels, hovering around 3.5%-4%. As of now, the overnight, 2-week, 1-month, and 3-month rates stand at 4.06%, 4.44%, 4.32%, and 4.96%, respectively, representing changes of +2bps, -41bps, -18bps, and -69bps YTD.

Fig 21. Vietnam – Open market operations



Source: State Bank of Vietnam, KB Securities Vietnam

Fig 22. Vietnam – Interbank interest rates (%)



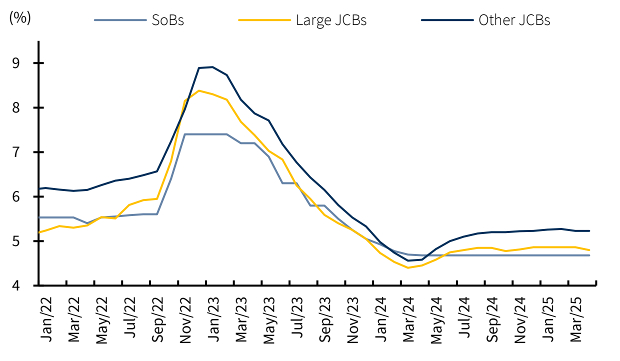
Source: State Bank of Vietnam, KB Securities Vietnam

Persistently low interest rates have contributed to robust credit growth

With a credit growth target of over 16% for 2025, maintaining low lending rates remains a key policy priority for the SBV. Since the start of the year, commercial banks have been instructed to manage input deposit rates to limit upward pressure on lending rates. According to the SBV, the average lending rate has declined by 0.4% YTD, while the average deposit rate has edged up by only 0.08%. The slight increase in deposit rates was primarily observed among smaller commercial banks. However, most banks have reduced their rates following Official Telegram No. 19/CD-TTg dated February 24, 2025, in which the Prime Minister directed the SBV to immediately inspect banks that had raised deposit rates.

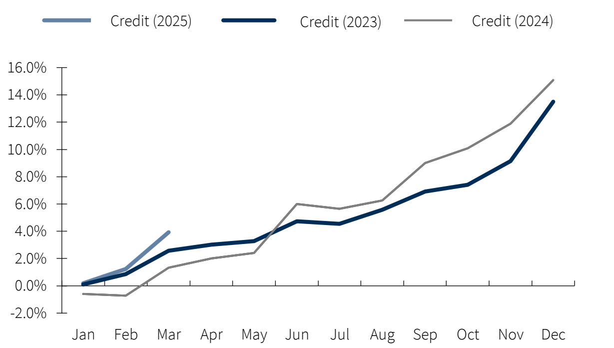
The persistently low-interest rate environment has facilitated robust credit expansion. By the end of 1Q25, system-wide credit growth reached 3.93% YTD, 2.5 times higher than the same period last year. In parallel, the SBV has worked with commercial banks to roll out a preferential credit package worth VND100 trillion targeting key sectors such as agriculture, forestry, and fisheries. While external uncertainties may limit the room for further monetary easing, supporting economic growth, especially in the domestic production sector, remains a central policy focus.

Fig 23. Vietnam – 12M deposit interest rates (%)



Source: Bloomberg, KB Securities Vietnam

Fig 24. Vietnam – Monthly credit growth (%)



Source: State Bank of Vietnam, KB Securities Vietnam

2. 2025F interest rates

Lending interest rates will be maintained at low levels to support economic growth

In light of the adverse effects of tariff policies on economic growth, we believe Vietnam will step up efforts to boost domestic economic activity, with a focus on public investment, manufacturing, and consumption. In this context, the banking sector will play a crucial role in facilitating capital flows to sustain growth momentum. In the near term, as exchange rate pressures remain relatively contained, lending rates are expected to stay at current levels. In addition, preferential loan programs offered by banks to support businesses will help further lower the overall lending rate. The SBV is also likely to tolerate greater exchange rate volatility this year in favor of supporting domestic growth.

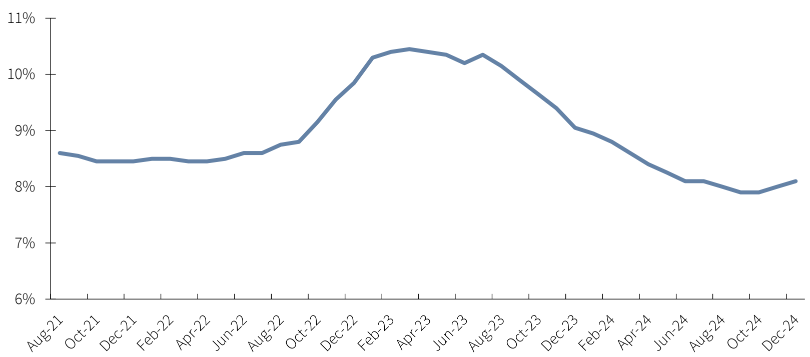
The SBV provides liquidity support to keep deposit interest rates in check

In our previous report, we noted the potential liquidity pressure that banks could encounter as they accelerate disbursements to meet ambitious credit growth targets. Currently, the SBV's continued adoption of a flexible exchange rate management policy allows it to maintain ample capacity to support banking system liquidity. With system-wide liquidity remaining ample, commercial banks face limited pressure to raise deposit interest rates to compete for funds. This environment has helped stabilize overall interest rates at low levels, in line with the SBV's pro-growth monetary policy stance during this period.

Interest rates may increase over the long term due to tariff-related risks

However, over the long term, uncertainty surrounding tariff policies is expected to pose significant challenges for the SBV's policy management. In a scenario where exchange rate and inflation pressures escalate sharply (exceeding 4%), maintaining low interest rates will become increasingly difficult. Deposit rates are projected to increase by 1-2%, while lending rates may edge up more moderately and at to a lesser extent (by 0.5-1%). Nevertheless, we believe that interest rates will remain relatively low overall and will continue to serve as a key driver in supporting economic growth.

Fig 25. Vietnam – Average lending rates for new and existing loans (%)



Source: State Bank of Vietnam, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

Research Division
research@kbsec.com.vn

Nguyen Xuan Binh – Head of research
binhnx@kbsec.com.vn

Financials

Nguyen Anh Tung – Manager
tungna@kbsec.com.vn

Pham Phuong Linh – Analyst
linhpp@kbsec.com.vn

Real Estate

Pham Hoang Bao Nga – Manager
ngaphb@kbsec.com.vn

Nguyen Thi Trang – Analyst
trangnt6@kbsec.com.vn

Macro & Strategy

Tran Duc Anh – Head of macro & strategy
anhtd@kbsec.com.vn

Nghiem Sy Tien – Analyst
tienns@kbsec.com.vn

Nguyen Dinh Thuan – Analyst
thuannd@kbsec.com.vn

Support Team

Nguyen Cam Tho – Assistant
thonc@kbsec.com.vn

Nguyen Thi Huong – Assistant
huongnt3@kbsec.com.vn

Consumer

Nguyen Duc Quan – Analyst
quannd@kbsec.com.vn

Nguyen Hoang Duy Anh – Analyst
anhnhd@kbsec.com.vn

Industrials & Materials

Nguyen Duong Nguyen – Senior analyst
nguyennd1@kbsec.com.vn

Nguyen Thi Ngoc Anh – Analyst
anhntn@kbsec.com.vn

Energy, Utilities & IT

Nguyen Viet Anh – Analyst
anhnv3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:
Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7303 5333 - Fax: (+84) 24 3776 5928

Hanoi Branch:
Level 1, Office Building, 5 Dien Bien Phu Street, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7305 3335 - Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:
Level 21, Vietinbank Tower, 93-95 Ham Nghi Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7303 5333 - Fax: (+84) 28 3914 1969

Saigon Branch:
Level 1, Saigon Trade Center, 37 Ton Duc Thang Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 - Fax: (+84) 28 3910 1611

CONTACT INFORMATION
Hotline: 1900 1711
Email: info@kbsec.com.vn
Website: www.kbsec.com.vn

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