VIETNAM MACRO UPDATE

24 March 2025

Shinhan Securities

Boosting domestic investment amid the uncertain global macroeconomy

Manufacturing maintained YoY growth momentum but MoM growth showed the weakness

In February, the industrial production index (IIP) increased by 17.2% YoY. The accumulative 2-month IIP grew by 7.2% YoY. The strong YoY increase was attributable to the Lunar New Year holiday in February last year, which created a low comparison base for this year's growth. Our attention was paying to the -2.2% MoM decrease in February because January had nearly 10 days off because of the long Lunar New Year.

The PMI index reflected in detail the decline in the IIP index. Despite increasing slightly from 48.9 points in January, PMI in February 2025 was still below 50, reaching 49.2 points. Vietnam's PMI was below 50 for 3 consecutive months. Outputs and new orders continued declining due to weak demand. The slight increase in points was due to increasing purchasing activity, which reflected the positive business confidence. Companies believed that stable domestic economic conditions will support their businesses. Another factor, which was attributable to the increasing purchasing activity, was the preparation to ensure the material stock level in the current volatile business environment.

The increase in purchasing and the decrease in output followed the import-export picture. In February, import turnover increased by 8.4% YoY while export turnover decreased by 6.2% YoY. Vietnam had a trade deficit of USD 1.5bn in February. However, in 2M2025, Vietnam still had a trade surplus of USD 1.47bn.

The increase in purchases and trade deficit in February led to the demand for buying USD, which caused the USD/VND exchange rate to increase in February and March. At 20 March 2025, Vietnam dong depreciated by 0.27% YTD against the US dollar.

February inflation lower than January due to seasonal factors

Headline inflation in the 2M2025 increased by 3.27% YoY. In February, monthly headline inflation increased by 2.9% YoY, slightly lower than the 3.63% YoY in January. The housing, electricity, water, fuel and construction materials group was one of the large contributors to the overall headline inflation. The housing, electricity, water, fuel and construction materials group increased by 5.1% YoY in February, contributing 0.95 percentage points to the overall increase. In the housing, electricity, water, fuel and construction materials group, the rental housing group increased by 6.35% due to the increased demand for rental properties (apartments, houses) and the recent increases in rental estate prices, which made the lessor increase the price to match the investment costs.

Public investment increased sharply

Disbursed investment capital from the State budget in February was estimated at VND 37.9tn, increasing by 35% YoY. Accumulated spending in 2M2025 reached VND 73.2tn, increasing by 20% YoY, equivalent to 8.5% of the annual plan (the same period in 2024 increased by 2.6% YoY and reached 7.7% of the plan). Because public investment was the focus as the driving force for 2025 economic development plan, many provinces and cities showed the effort in February – changing the negative growth in January to positive growth in 2M2025, like Ho Chi Minh City (-0.4% YoY in January, +14.8% YoY in 2M2025), Binh Duong (-9.2% YoY in January, +25.3% YoY in 2M2025). Other big cities and provinces continued the growth momentum in spending like Hanoi (+29.1% YoY in January, +44.1% YoY in 2M2025), Hai Phong (+2.5% YoY in January, +34.7% YoY in 2M2025).

Macro indicators- 2/2025

Economic indicators	02/25	01/25	12/24	11/24	10/24	09/24	08/24	07/24	06/24	05/24	04/24	03/24	02/24
CPI (YoY)	2.91%	3.63%	2.94%	2.77%	2.89%	2.63%	3.45%	4.36%	4.34%	4.44%	4.42%	3.97%	3.98%
CPI (MoM)	0.34%	0.98%	0.29%	0.13%	0.33%	0.29%	0.00%	0.48%	0.17%	0.05%	0.07%	-0.23%	1.04%
PMI	49.20	48.90	49.80	50.80	51.20	47.30	52.40	54.70	54.70	50.30	50.30	49.90	50.40
IIP (YoY)	17.2%	0.6%	8.8%	8.0%	7.1%	8.3%	8.4%	11.1%	12.4%	10.0%	7.4%	4.8%	-5.9%
IIP (MoM)	-2.2%	-9.2%	0.8%	2.3%	4.0%	-0.2%	2.0%	0.7%	0.7%	3.9%	0.8%	20.0%	-18.0%
Retail (YoY)	9.4%	9.5%	9.3%	8.8%	7.1%	7.6%	7.9%	9.4%	9.2%	9.5%	9.0%	9.2%	8.5%
Export (USD bn)	31.11	33.16	35.53	33.80	36.20	34.42	38.93	36.24	33.66	32.27	31.10	33.66	24.69
Import (USD bn)	32.66	30.14	35.01	32.80	34.28	31.60	34.40	33.88	30.46	32.72	29.99	30.88	23.30
Balance of trades (USD bn)	-1.55	3.02	0.52	1.00	1.93	2.83	4.52	2.36	3.20	-0.45	1.11	2.78	1.38
Acc. Disbursed FDI (USD bn)	6.90	1.51	25.35	21.68	19.58	17.34	14.15	12.55	10.84	8.25	6.28	4.63	2.80
Acc. Registered FDI (USD bn)	6.90	4.33	38.23	31.38	27.26	24.78	20.52	18.00	15.19	11.07	9.27	6.17	4.29
Public Investment (VND trillion)	37.93	35.25	86.38	75.88	68.36	63.87	62.28	57.07	53.80	48.21	43.49	37.88	28.08
Credit growth	n.a	0.19%	15.08%	11.90%	10.08%	8.53%	6.63%	5.93%	6.10%	3.43%	2.01%	1.42%	-0.75%
Deposit growth	n.a	n.a	n.a	7.16%	6.82%	6.50%	6.00%	4.68%	4.35%	2.80%	2.80%	2.20%	1.60%
Overnight interbank rate	4.59%	3.92%	4.04%	3.11%	4.70%	4.44%	4.02%	4.60%	4.50%	4.00%	4.60%	2.51%	1.46%
Average deposit rate at SOCBs	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%	4.70%	4.78%
10Y Government bond yield	3.09%	3.00%	2.97%	2.68%	2.66%	2.66%	2.71%	2.75%	2.75%	2.87%	2.85%	2.75%	2.46%
VND/USD exchange rate	25,670	25,450	25,750	25,690	25,280	24,568	24,875	25,630	25,900	25,855	25,640	25,470	25,430

Source: GSO, SBV, FiinPro-X, Shinhan Securities Vietnam



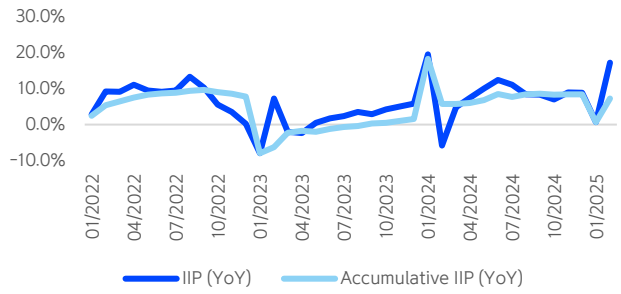
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Production – Consumption

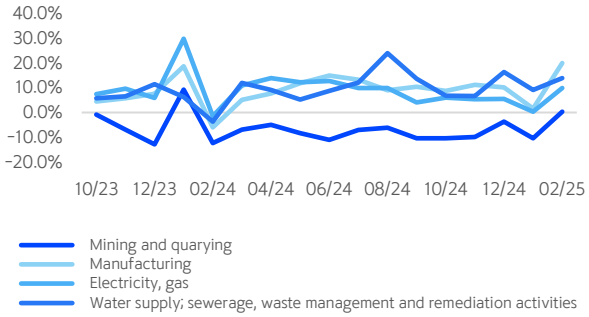
In February, the industrial production index (IIP) increased by 17.2% YoY (-2.2% MoM). The strong YoY increase was due to the Lunar New Year holiday February last year, which created a comparison base for the high increase in February. The accumulative IIP index increased by 7.2% YoY in 2M2025. The remarkable point was the MoM decline when January had a holiday lasted for nearly 10 days. The MoM decline showed in detail of the PMI index.
Manufacturing sector returned to be a driver in February with an increase of 20% YoY, being the highest among all sectors. Other sectors recorded increased in February, such as mining and quarrying sector (+0.4% YoY); electricity and gas sector (+9.9% YoY) and water supply; sewage and waste management sector (+13.9% YoY).

Index of Industrial production (IIP)



Source: GSO, Shinhan Securities Vietnam

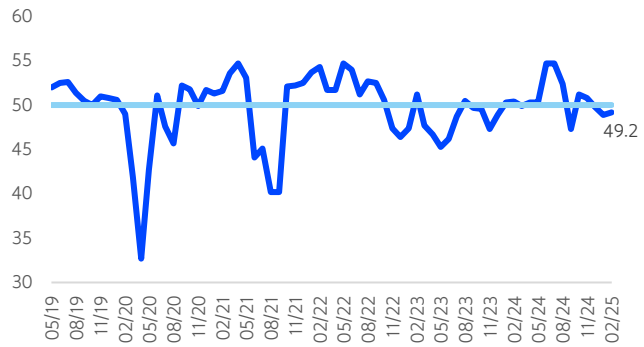
IIP by sub-sectors



Source: GSO, Shinhan Securities Vietnam

PMI in February 2025 was 49.2 points, increasing slight from 48.9 points in January. Both output and new orders continued declining due to weak demand. The slight increase in points was due to increasing purchasing activity, which reflected the positive business confidence. Companies believed that stable domestic economic conditions will support their businesses. Another factor, which was attributable to the increasing purchasing activity, was the preparation to ensure the material stock level in the current volatile business environment.

Purchasing managers' index (PMI)



Source: S&P Global,, Shinhan Securities Vietnam

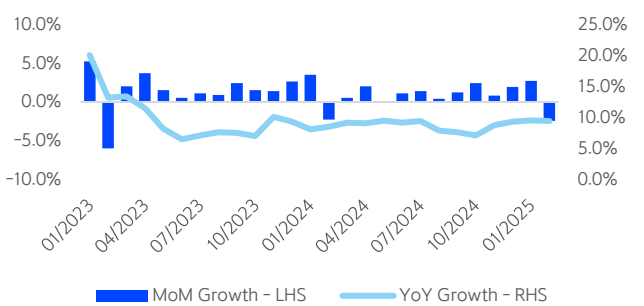
PMI summary

New orders	Decline due to weak demand
Production	Decrease due to weak demand
Inventories	Decrease due to low production
Purchasing	Increase because of belief in the future recovery and preparing for the uncertain condition
Employment	Decrease due to declining new orders and output
Business confidence	Belief in the recovery when the economy is stable

Source: S&P Global, Shinhan Securities Vietnam

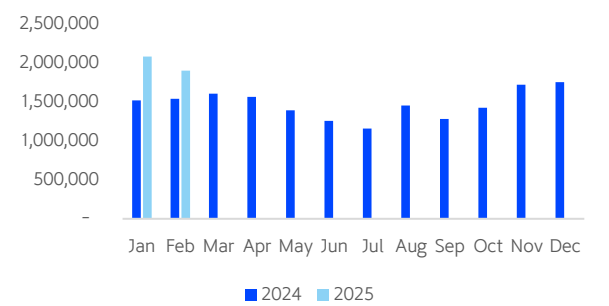
Total retail sales of goods and consumer services revenue increased by 9.4% YoY in February and, a slight decrease 2.5% MoM. The slight decrease in MoM was attributable to the strong purchasing activity for Tet Lunar Holiday. Retail sales increased by 8.3% YoY; accommodation and catering services increased by 12.5% YoY; tourism and travel increased by 16.4%.
International visitors coming to Vietnam increased by 23.7% YoY in February. In 2M2025, total number of international visitors increased by 30.2% YoY.

Total retail sales growth



Source: GSO, Shinhan Securities Vietnam

Foreign tourist (pax)

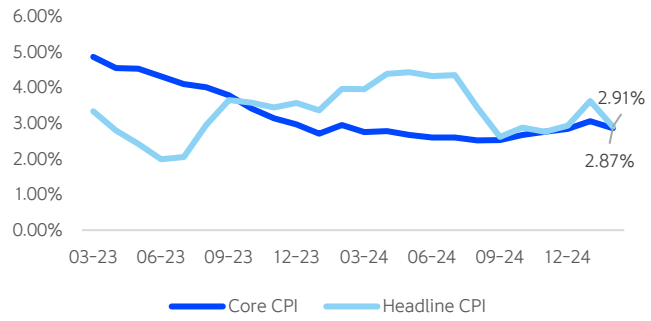


Source: GSO, Shinhan Securities Vietnam

Inflation

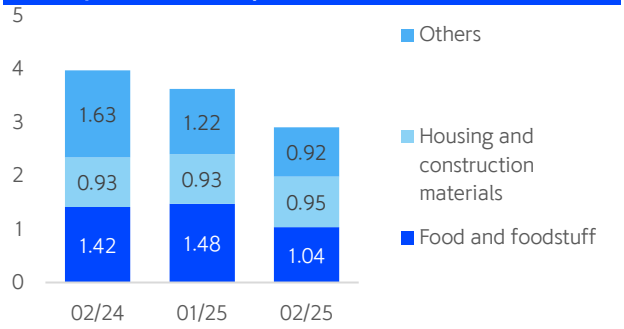
In February 2025, the headline CPI increased by 2.91% YoY. After excluding food, foodstuffs, energy and state-managed items such as healthcare and education; core inflation increased by 2.87% YoY in February. In 2M2025, the headline CPI increased by 3.27% YoY and the core inflation increased by 2.97% YoY. The food and foodstuff CPI increased by 3.1% YoY in February, contributing 1.04 points to the general increase in CPI in February 2025.

Monthly Consumer price index (YoY)



Source: GSO, Shinhan Securities Vietnam

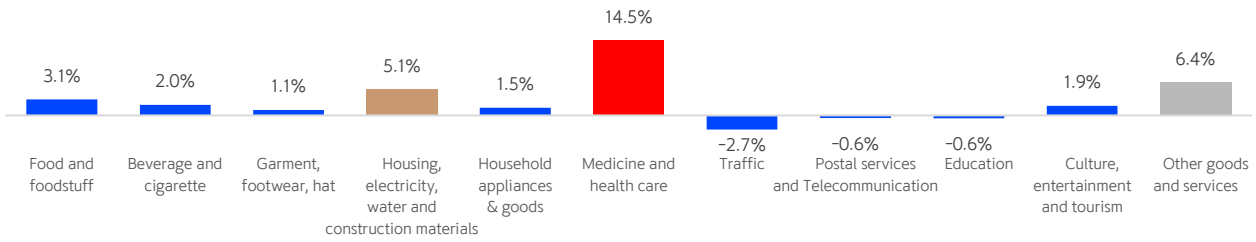
CPI component in January (% YoY)



Source: GSO, Shinhan Securities Vietnam

In terms of YoY increase in February, the medicine and health care CPI had the highest increase with 14.5% YoY, contributing 0.78 points to the headline inflation due to the adjustment of medical service prices following to Circular No.21/2024/TT-BYT dated 17 October 2024. The other goods and services CPI had the second highest YoY increase of 7.0% YoY due to the increase in (1) jewelry group following the world gold price and wedding & funeral services group with the increase of 2.53%. The housing, electricity, water, gas and construction materials increased by 5.1% YoY, in which, the rental housing group increased by 6.35% due to the increased demand for rental properties (apartments, houses) and the recent increases in rental estate prices, which made the lessor increase the price to match the investment costs.

February CPI growth by components (YoY)



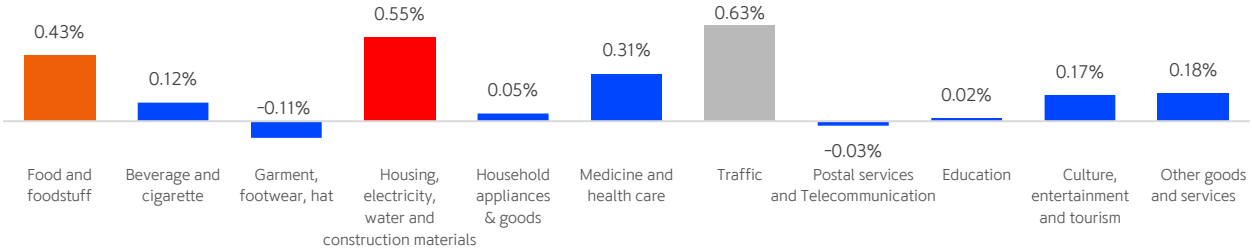
Source: GSO, Shinhan Securities Vietnam

CPI in February increased by 0.34% MoM. The transportation group increased the most with 0.63% MoM. The demand for travel at the after the Lunar New Yar caused the price of transportation by rail to increase by 62% and by aviation to increase by 25%. Prices of auto and motorbike spare parts also increased due to increased demand for purchasing and vehicles repairs.

The housing, electricity, water and construction materials group was the second highest increase group with 0.55% MoM due to increased rental prices. A large number of workers returned to big cities to find jobs and students returned to university, which cause the rental prices to increase MoM.

The medicine and healthcare group was the third highest because some local healthcare service providers continued applying the new price following the Circular 21/2024/TT-BYT.

February CPI growth by components (MoM)

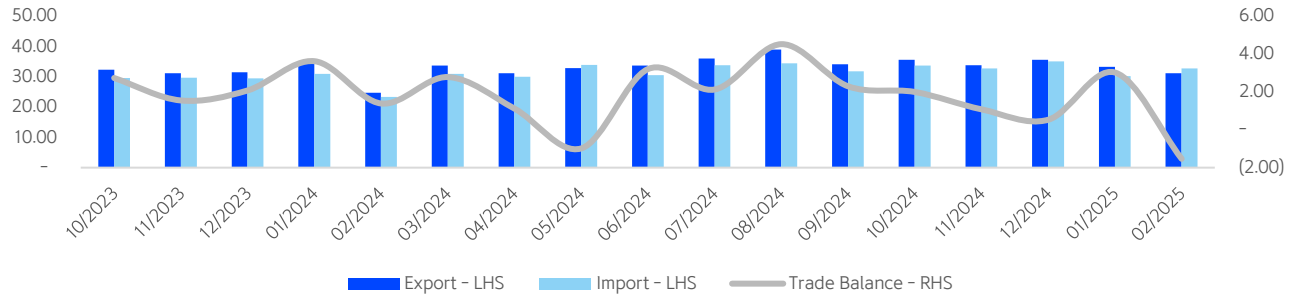


Source: GSO, Shinhan Securities Vietnam

Trading – Investment

In February, the export turnover reached USD 31.1bn, declining by 6.2% YoY. The import turnover reached USD 32.7bn, increasing by 8.4% YoY. The accumulative trade surplus in 2M2025 reached USD 1.5bn. The US was the Vietnam's largest export partner with a turnover of USD 19.6bn in 2M2025 and China was the largest import partner with a turnover of USD 23.3bn. Electronics, computers and components export group increased by 25.3% YoY in 2M2025 with the value of USD 12.5bn, accounting for the majority of export turnover. In addition, some groups with the high value growth in 2M2025 were rubber (+22.8% YoY), glass and glass products (+38.8%YoY), electric wires and cables (+22.9% YoY)…

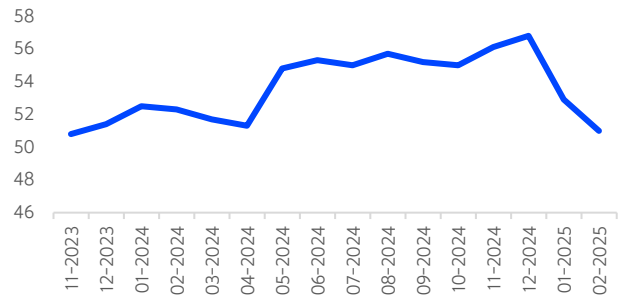
Total trading turnover (USD bn)



Source: GSO, Shinhan Securities Vietnam

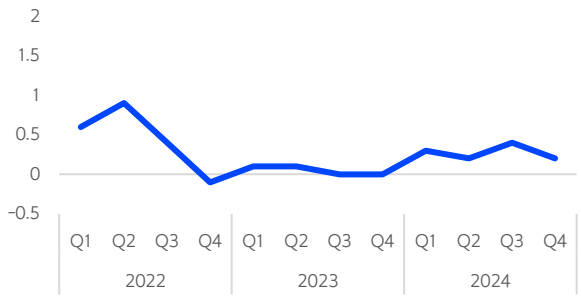
The US services PMI also declined in February, from 56.8 points in December to 52.9 points in January and continued to fall to 51 in February. The decline in the US services PMI came from a decline business confidence, which was attributable to the concern from the current policies of the new presidential administration. And for the first time the last 3 months, the US service sector saw a decline in employment.

US service PMI



Source: S&P Global, Shinhan Securities Vietnam

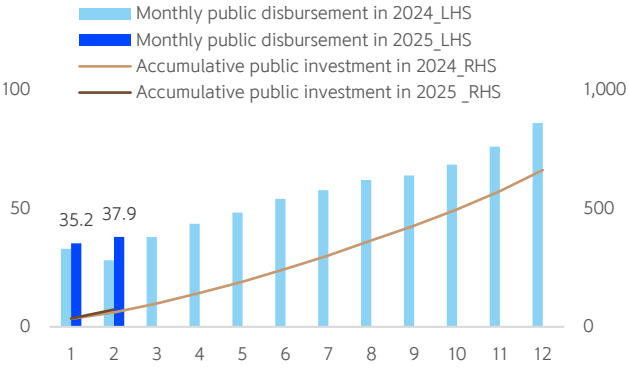
EU GDP growth rate (% - QoQ)



Source: EuroStat, Shinhan Securities Vietnam

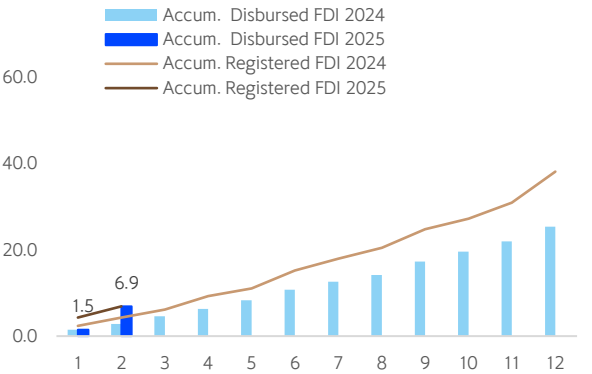
Disbursed investment capital from the State budget in February was estimated at VND 37.9tn, increasing by 35% YoY, equivalent to 8.5% of the annual plan. In February 2025, registered FDI reached USD 2.6bn, increasing by 87% YoY. Disbursed FDI reached about USD 5.4bn, which was 3 times higher than last year.

Public investment (VND trillion)



Source: GSO, Shinhan Securities Vietnam

FDI (USD bn)

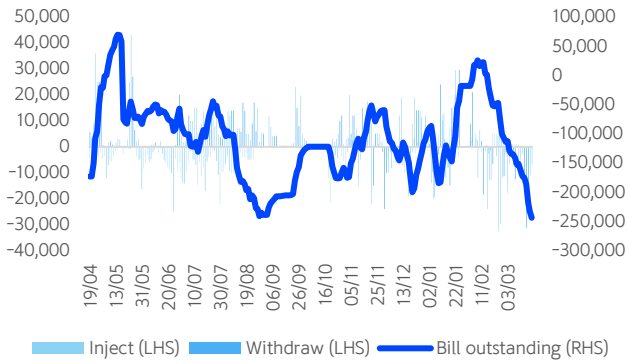


Source: Fiinpro, Shinhan Securities Vietnam

Money market

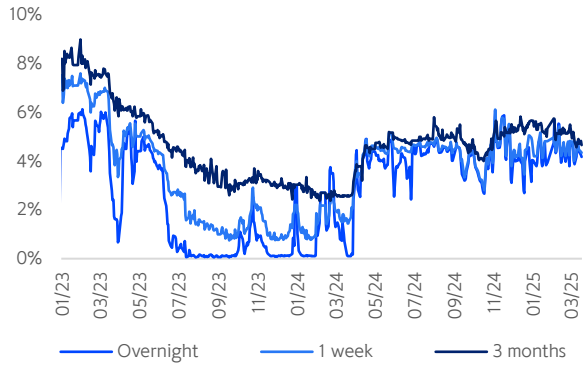
The State Bank has implemented open market operations to effectively control exchange rates. In February 2025, interbank interest rates continued to remain around 4.55% for overnight terms, 4.6% for 1-month terms and 5.3% for 3-month terms, equivalent to interest rates in the last months.

Open market operation (VND billion)



Source: SBV, FiinPro, Shinhan Securities Vietnam

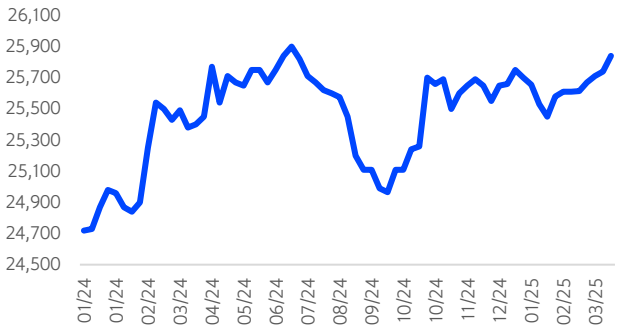
Interbank interest rate



Source: SBV, FiinPro, Shinhan Securities Vietnam

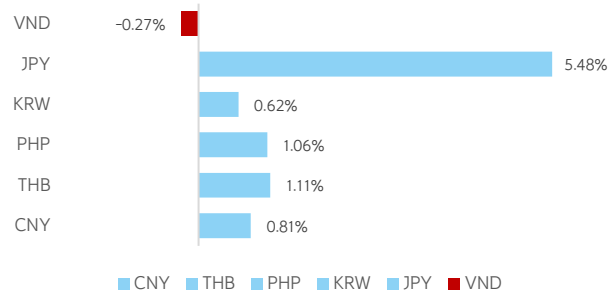
The USD VND exchange rate in the free market came grew again. After a slight decrease in January due to low demand for USD before Lunar New Year, the exchange rate increased again in February after Tet when production went into operation. High demand for USD was for purchasing goods. At 20 March 2025, Vietnam dong depreciated 0.27% YTD against the US dollar.

VND/USD exchange rate on free market



Source: Fiinpro, Shinhan Securities Vietnam

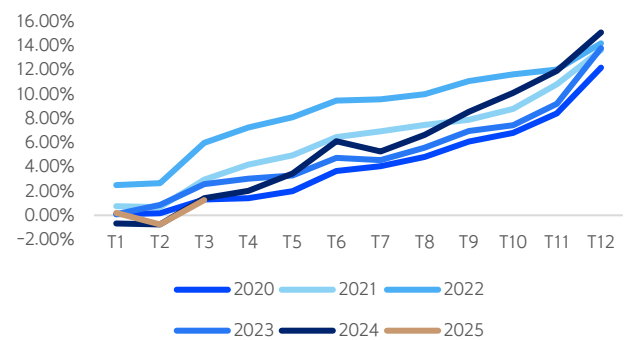
YTD depreciation against USD in some countries until 20 Mar 25



Source: Bloomberg, Shinhan Securities Vietnam estimate

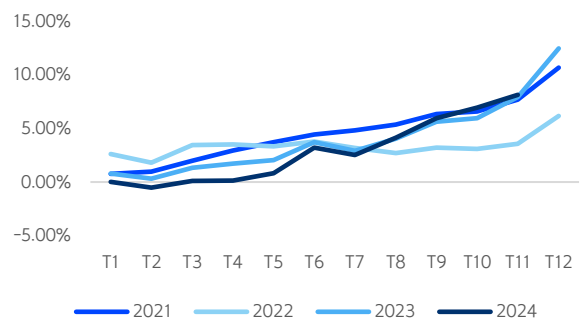
Although the seasonal factor (Lunar New Year) affected the credit growth at the beginning of the year, the growth signaled a growth after a slow start in the first two months. By 12 March 2025, credit increased by 1.24% YTD.

Credit growth rate (YTD)



Source: SBV, FiinPro, Shinhan Securities Vietnam

M2 money supply growth (YTD)

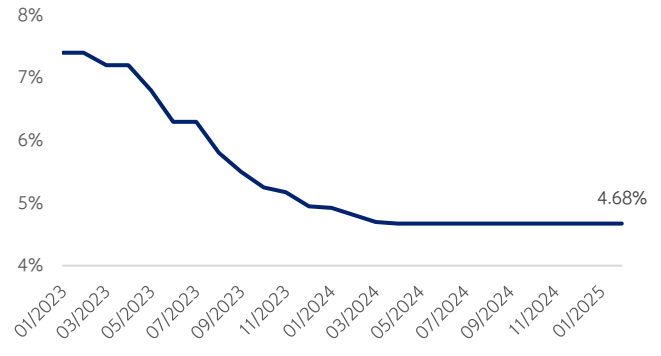


Source: SBV, FiinPro, Shinhan Securities Vietnam

Money market

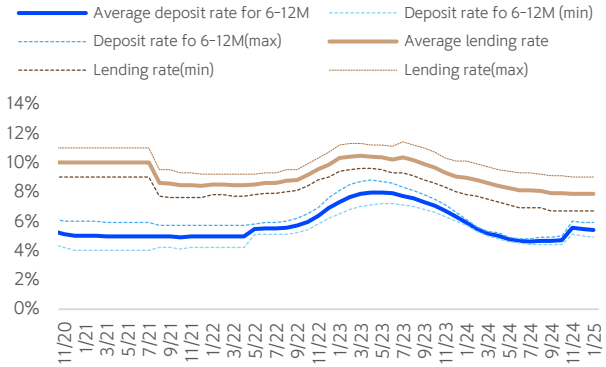
The average 12-month deposit interest rate of state-owned commercial banks has remained unchanged since April 2024 at 4.68%. The average lending interest rate has remained at 8.4% since November 2024. Meanwhile, the average deposit interest rate tends to form a new level at around 5.5% since November 2024.

12M term deposit rate at SOCBs



Source: FiinPro, Shinhan Securities Vietnam
SOCBs: Average 12M deposit rate at Vietcombank, Agribank, BIDV and VietinBank

Lending – deposit rates



Source: SBV, FiinPro, Shinhan Securities Vietnam
Average rate is an average of max and min rates

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