VIETNAM MACRO UPDATE

April 23, 2025

Shinhan Securities

Domestic bright spots amid global turmoil

GDP growth in Q1 2025 was the highest Q1 growth in the 2020-2025 period

GDP growth in Q1 2025 reached 6.93% YoY. Unlike GDP growth in previous quarters, the industrial and construction group did not play a leading role with the highest growth rate. In Q1 2025, the service sector led the growth with an increase of 7.7%, being higher than 7.42% of the industrial and construction group. The large increase in services was thanks to the strong growth of the transportation and warehousing group (+9.9% YoY); and the administrative activities and support services group (+12.57% YoY).

Production activities regained momentum in March but the global economics remained challenging

In March, the industrial production index (IIP) increased by 8.6% YoY. Cumulatively in Q1 2025, the index increased by 7.8% YoY. In terms of MoM, the IIP index in March increased by 12% MoM, recovering from a decrease of -2.2% MoM in February. The PMI index also partly reflected the increase of the industrial production as the PMI index recovered slightly to 50.5 points in March, increasing from 49.2 points in February. The slight recovery in manufacturing in March was due to the recovery in the number of orders. However, we believe that this slight recovery came from the acceleration of imported goods before the Trump's announcement related to the reciprocal tariff. March export value increased by 14.5% YoY and import value increased by 19.0% YoY. Overall, in Q1 2025, the export value of goods increased by 10.6% YoY and the import value of goods increased by 17% YoY.

On April 2, 2025, Trump announced tariffs on goods imported into the US and then announced a delay of 90-day period from April 10, 2025 for countries to negotiate with the US on tariff issues. It is likely that in the next 90 days, manufacturing activities will continue to grow as companies increase imports to stockpile for production and companies change the supply chain to adapt the current uncertain situation.

Inflation was under well control

The headline CPI increased by 3.13% YoY and decreased by 0.03% MoM in March. The CPI decreased MoM thanks to the transportation group and the food & foodstuff group. The transportation group decreased the most with 1.4% MoM because the gasoline prices declined by 3.61% MoM and the travel demand also decreased compared to the month after the Lunar New Year. In addition, the food & foodstuff group decreased by 0.05% MoM thanks to the decrease of the domestic rice price. In the Q1 2025, the CPI increased by 3.22% YoY, still under control compared to the target of 4.5%. This creates room for flexible monetary and fiscal policies to respond to the current volatile macro situation.

Domestic consumption and public investment were the economic bright spots

Total retail sales of goods and consumer services revenue at current prices in March was VND 571 trillion, increasing by 10.8% YoY. In Q1 2025, total retail sales of goods and consumer services revenue increased by 9.9% YoY. The number of international tourist coming to Vietnam in March increased by 28.5% YoY.

Public investment was estimated at VND 43.9 trillion in March, increasing by 16% YoY and 17% MoM. In Q1 2025, public investment increased by 19.8% YoY, equivalent to 13.5% of the annual plan.

Macro indicators- 03/2025

Economic indicators	03/25	02/25	01/25	12/24	11/24	10/24	09/24	08/24	07/24	06/24	05/24	04/24	03/24
CPI (YoY)	3.13%	2.91%	3.63%	2.94%	2.77%	2.89%	2.63%	3.45%	4.36%	4.34%	4.44%	4.42%	3.97%
CPI (MoM)	-0.03%	0.34%	0.98%	0.29%	0.13%	0.33%	0.29%	0.00%	0.48%	0.17%	0.05%	0.07%	-0.23%
PMI	50.50	49.20	48.90	49.80	50.80	51.20	47.30	52.40	54.70	54.70	50.30	50.30	49.90
IIP (YoY)	8.6%	17.2%	0.6%	8.8%	8.0%	7.1%	8.3%	8.4%	11.1%	12.4%	10.0%	7.4%	4.8%
IIP (MoM)	12.0%	-2.2%	-9.2%	0.8%	2.3%	4.0%	-0.2%	2.0%	0.7%	0.7%	3.9%	0.8%	20.0%
Retail (YoY)	10.8%	9.5%	9.5%	9.3%	8.8%	7.1%	7.6%	7.9%	9.4%	9.2%	9.5%	9.0%	9.2%
Export (USD bn)	38.51	31.17	33.16	35.53	33.80	36.20	34.42	38.93	36.24	33.66	32.27	31.10	33.66
Import (USD bn)	36.88	32.67	30.14	35.01	32.80	34.28	31.60	34.40	33.88	30.46	32.72	29.99	30.88
Balance of trades (USD bn)	1.63	-1.50	3.02	0.52	1.00	1.93	2.83	4.52	2.36	3.20	-0.45	1.11	2.78
Acc. Disbursed FDI (USD bn)	4.96	2.95	1.51	25.35	21.68	19.58	17.34	14.15	12.55	10.84	8.25	6.28	4.63
Acc. Registered FDI (USD bn)	10.98	6.90	4.33	38.23	31.38	27.26	24.78	20.52	18.00	15.19	11.07	9.27	6.17
Public Investment (VND trillion)	43.97	37.70	35.25	86.38	75.88	68.36	63.87	62.28	57.07	53.80	48.21	43.49	37.88
Credit growth	1.98%	0.02%	0.55%	15.08%	11.90%	10.08%	8.53%	6.63%	5.93%	6.10%	3.43%	2.01%	1.42%
Deposit growth	n.a	n.a	n.a	n.a	7.16%	6.82%	6.50%	6.00%	4.68%	4.35%	2.80%	2.80%	2.20%
Overnight interbank rate	4.02%	4.59%	3.92%	4.04%	3.11%	4.70%	4.44%	4.02%	4.60%	4.50%	4.00%	4.60%	2.51%
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%	4.68%	4.70%
10Y Government bond yield	2.97%	3.09%	3.00%	2.97%	2.68%	2.66%	2.66%	2.71%	2.75%	2.75%	2.87%	2.85%	2.75%
VND/USD exchange rate	25,860	25,670	25,450	25,750	25,690	25,280	24,568	24,875	25,630	25,900	25,855	25,640	25,470

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



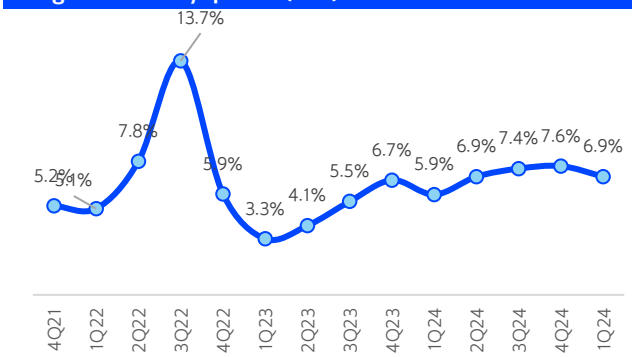
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Economic growth – Industrial Production

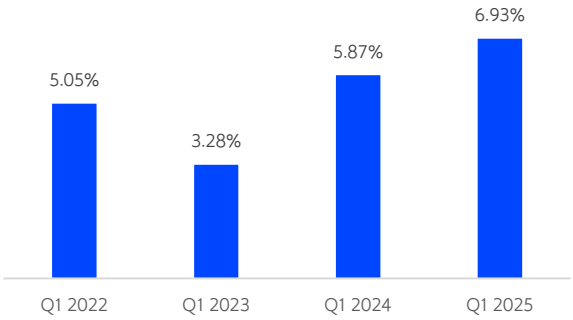
GDP growth in Q1 2025 reached 6.93% YoY. This is the highest increase in Q1 in the period 2020-2025. Regarding GDP use in Q1 2025, final consumption increased by 7.45% YoY, asset accumulation increased by 7.24%, exports of goods and services increased by 9.71%, imports of goods and services increased by 12.45%.

GDP growth rate by quarter (YoY)



Source: GSO, Shinhan Securities Vietnam

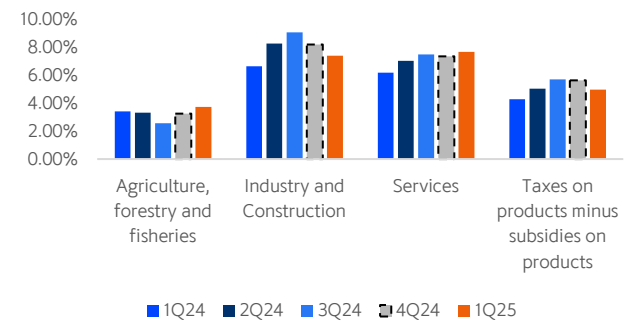
GDP growth rate in Q1



Source: GSO, Shinhan Securities Vietnam

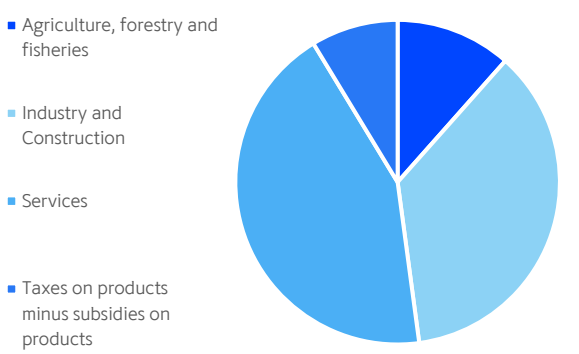
Most sectors maintained YoY growth momentum in Q1 2025. The service sector led the growth in Q1, replacing the industrial and construction group. The service sector increased by 7.7% YoY, slightly higher than the 7.42% YoY increase of the industrial and construction group. The large increase of services was due to the strong growth of the transportation and warehousing group (+9.9% YoY); and the administrative activities and support services group (+12.57% YoY).

GDP growth by sector (YoY)



Source: GSO, Shinhan Securities Vietnam

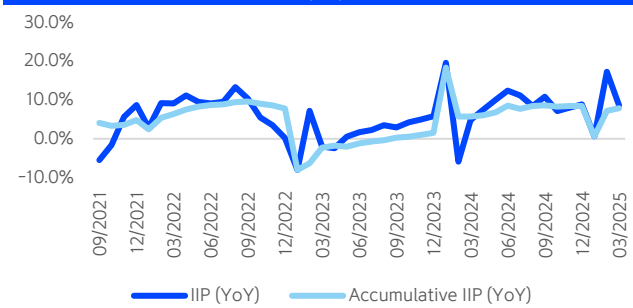
GDP contribution by sector in Q1 2025



Source: GSO, Shinhan Securities Vietnam

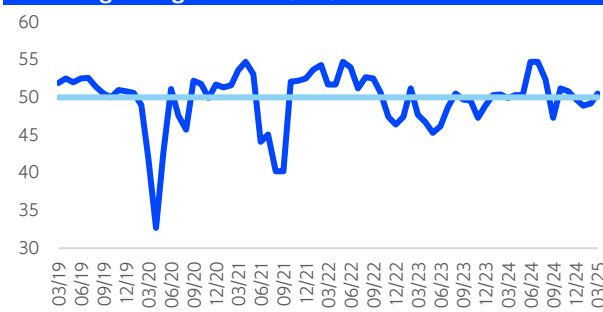
The Industrial Production Index (IIP) in March 2025 recorded a growth rate of 8.6% YoY and in Q1 2025, the IIP increased by 7.8% YoY. In March, the manufacturing sector increased by 10.2% YoY; the electricity and gas industry increased by 6.7% and the water supply and waste treatment industry increased by 9.2%.
Vietnam's PMI increased slightly to 50.5 in March 2025. The number of orders increased slightly but in the context of weakening international demand.

Index of Industrial Production (IIP)



Source: GSO, Shinhan Securities Vietnam

Purchasing Managers' Index (PMI)

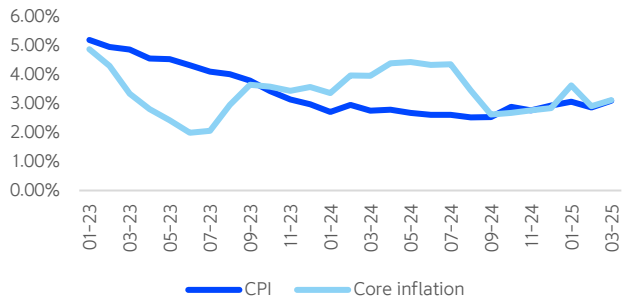


Source: S&P Global, Shinhan Securities Vietnam

Inflation

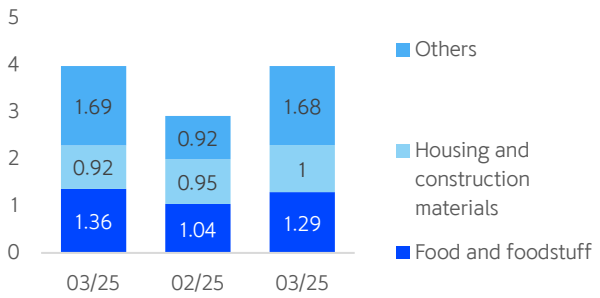
In March 2025, the headline CPI increased by 3.13% YoY. After excluding food, foodstuffs, energy and state-managed items such as healthcare and education; core inflation increased by 3.1% YoY in March. In Q1 2025, the headline CPI increased by 3.22% and core inflation reached 3.01%. The food and services group increased by 1.11% YoY, contributing 1.3 points to the overall increase in the CPI in March.

Monthly consumer price index (YoY)



Source: GSO, Shinhan Securities Vietnam

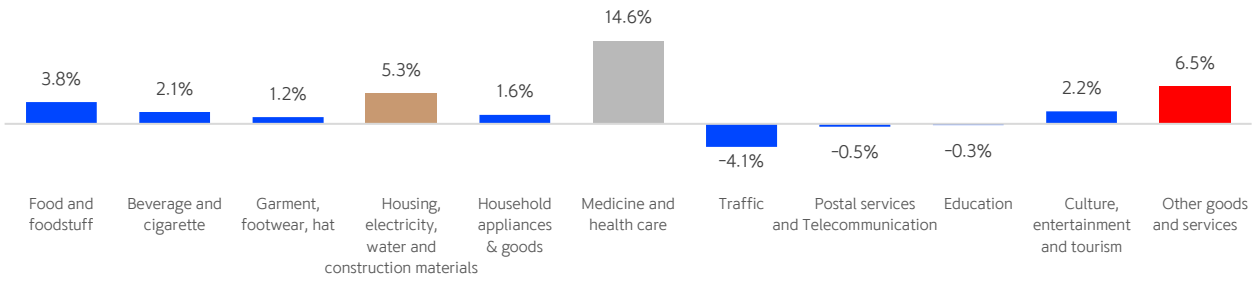
Monthly headline CPI components (YoY)



Source: GSO, Shinhan Securities Vietnam

In terms of YoY increase in March, the group of medicines and medical services had the highest YoY increase of 14.6% YoY, contributing 0.79 points to the headline inflation. It was due to the adjustment of medical service prices according to Circular No. 21/2024/TT-BHYT dated October 17, 2024 of the Ministry of Health. The group of other goods and services had the second highest YoY increase of 6.5% YoY. Wedding services and funeral services increased by 2.72%. Finally, the third highest YoY increase belonged to the group of housing, electricity, water and construction materials due to the increase in rental housing prices of 7.33%, due to the increased demand for renting apartments and boarding houses. In addition, the recent increase in real estate prices has caused rental businesses to increase prices to match investment costs.

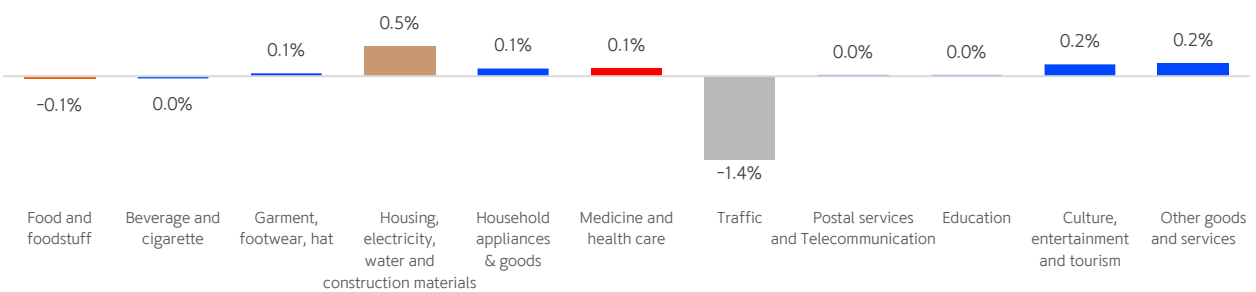
March CPI contribution by components (YoY)



Source: GSO, Shinhan Securities Vietnam

CPI in March 2025 decreased by 0.03% MoM. The transportation group decreased the most with 1.4% MoM because gasoline prices decreased by 3.61% compared to the previous month. In addition, the travel demand declined compared to the month after the Lunar New Year – transportation by rail decreased by 41.91% MoM. Notably, the food and foodstuff group decreased by 0.05% MoM, contributing to the overall CPI decrease by 0.02 percentage points. In the food and foodstuff group, the food group decreased by 0.83% thanks to the decrease in domestic rice prices due to abundant supply from the Winter-Spring crop along with abundant supply in the international market because India loosened the export restrictions.

March CPI contribution by components (MoM)

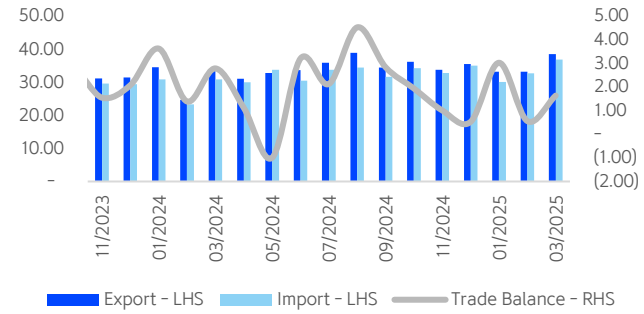


Source: GSO, Shinhan Securities Vietnam

Trading– Retails – Investment

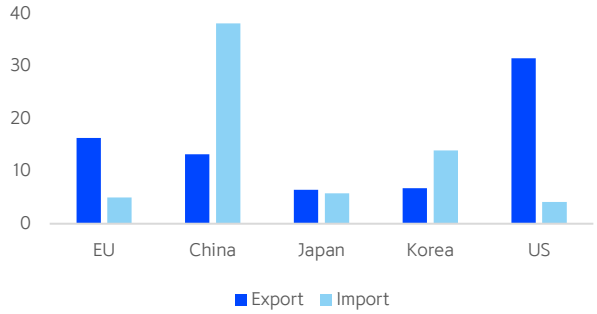
March export turnover increased by 14.5% YoY and import increased by 19.0% YoY. In Q1 2025, the export value of goods increased by 10.6% YoY and the import value of goods increased by 17% YoY. The trade surplus reached 3.16 billion in Q1 2025. The domestic economic sector had a trade deficit of 7.76 billion USD and the FDI sector had a trade surplus of 10.9 billion USD. The United States was still Vietnam's largest export market with a turnover of USD 31.4 billion in Q1 2025 and China was the largest import market with a turnover of USD 38.1 billion.

Total trading turnover (USD bn)



Source: GSO, Shinhan Securities Vietnam

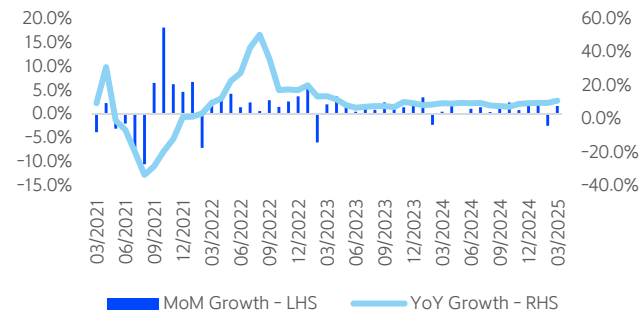
Vietnam major trading partners in Q1 2025 (USD billion)



Source: Fiinpro, Shinhan Securities Vietnam

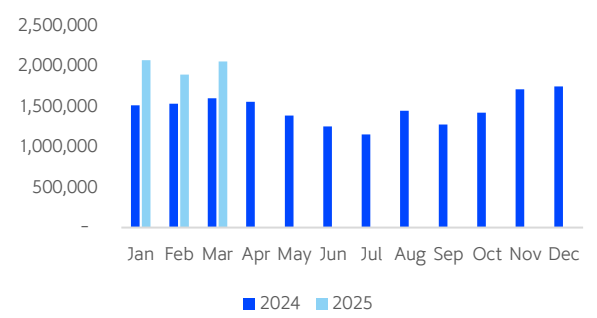
Total retail sales of goods and consumer services revenue at current prices in March were VND 571 trillion, increasing by 10.8% YoY. In Q1 2025, total retail sales of goods and consumer services revenue increased by 9.9% YoY. The number of international tourists to Vietnam in March increased by 28.5% YoY.

Retail sales growth



Source: GSO, Shinhan Securities Vietnam

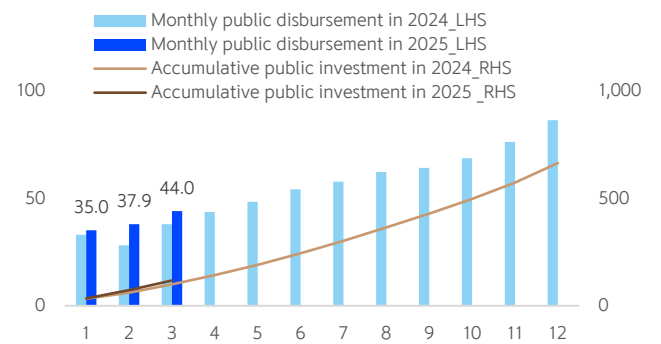
Foreign tourist (pax)



Source: GSO, Shinhan Securities Vietnam

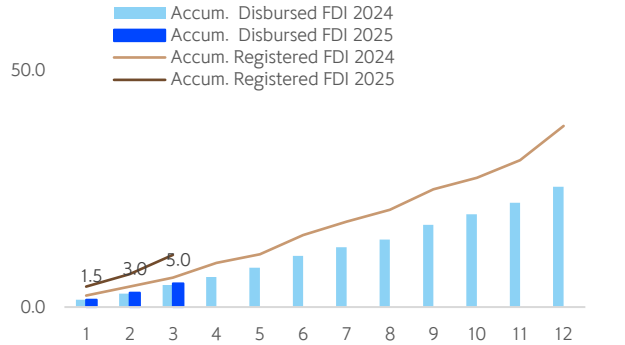
Public investment was estimated at VND43.9 trillion in March, increasing by 16% YoY and 17% MoM. In Q1 2025, public investment increased by 19.8% YoY, reaching 13.5% of the annual plan. Registered FDI reached nearly 11 billion USD, 34.7% YoY. Disbursed FDI reached USD 4.9 billion, increasing by 7.2% YoY.

Public investment (VND trillion)



Source: GSO, Shinhan Securities Vietnam

FDI (USD bn)

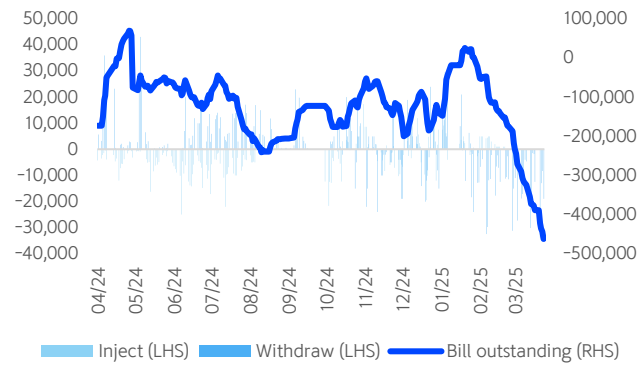


Source: Fiinpro, Shinhan Securities Vietnam

Money market

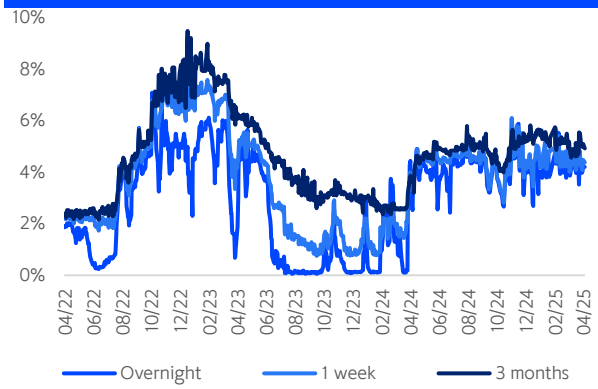
SBV continuously withdrew money through open market operations when the exchange rate increased rapidly in March. Interbank interest rates were also maintained at high levels (compared to the end of 2023 and the beginning of 2024) to narrow the gap between USD and VND.

Open Market Operation (VND trillion)



Source: SBV, FiinPro, Shinhan Securities Vietnam

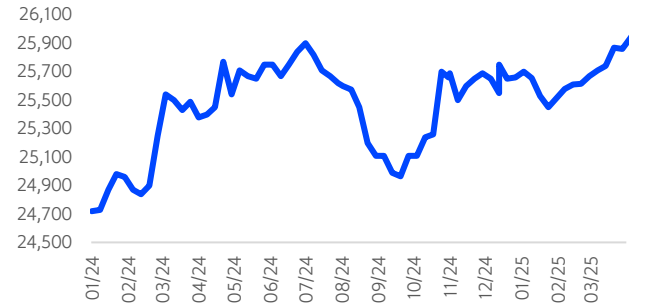
Interbank interest rate



Source: SBV, FiinPro, Shinhan Securities Vietnam

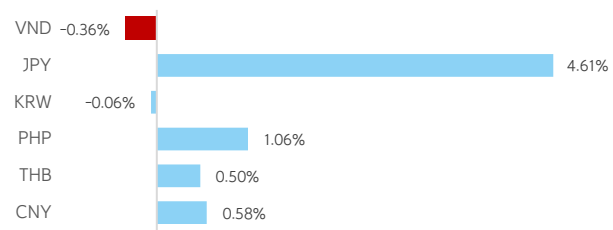
On March 31, 2025, Vietcombank's VND/USD buying rate on the free market reached 25,860. The high demand for USD was purchasing in order to manufacture and the sentiment related to the reciprocal tax. According to the data from Bloomberg, on March 31, 2025, the VND/USD exchange rate has depreciated more than 0.3% since the beginning of the year.

VND/USD exchange rate in the free market



Source: Fiinpro, Shinhan Securities Vietnam

YTD depreciation/ appreciation rate vs USD at the end of March



Source: Bloomberg, Shinhan Securities Vietnam estimate

DXY has been falling steadily since February due to concerns that Trump's tariffs would cause a recession in the US economy. This would lead to the USD becoming weaker against other currencies in the world. DXY, after peaking at 109 in January and remaining around 108 for the first half of February, fell sharply to nearly 100 in April.

DXY index

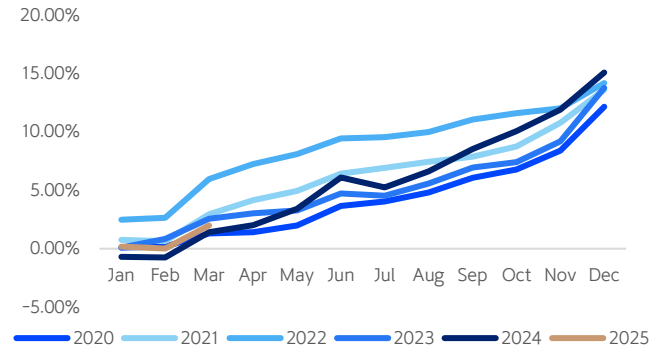


Source: Bloomberg, Shinhan Securities Vietnam

Money market

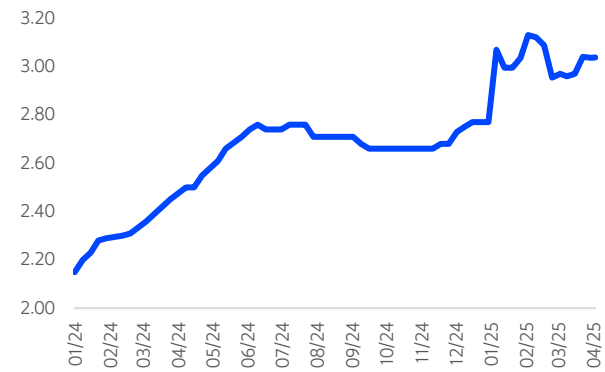
Credit growth in March 2025 reached 1.98% YTD. The 10-year government bond yield reached 3.0% at the end of March. Vietnam's government bond yield is gradually narrowing the gap with US government bond yield, which was one of the factors that would help the exchange rate cool down in the future.

Credit growth rate (YTD)



Source: SBV, FiinPro, Shinhan Securities Vietnam

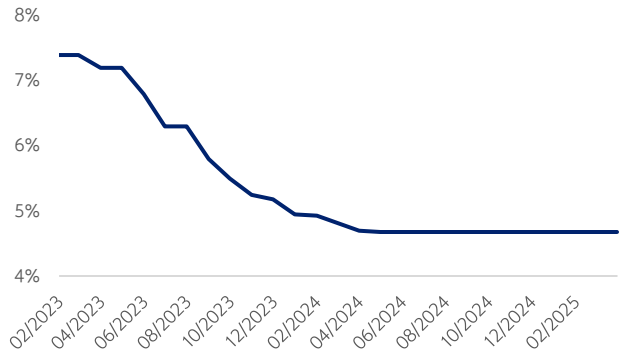
Vietnam 10Y government bonds auction average yield (%)



Source: Bloomberg, Shinhan Securities Vietnam

The average deposit interest rate in March of state-owned commercial banks remained unchanged at 4.68%. The average lending interest rate remained at 7.85% while deposit interest rates tended to decrease slightly. The average deposit interest rate for 6-12 month terms reached 5.4% in February 2025, down slightly from 5.9% in January 2025.

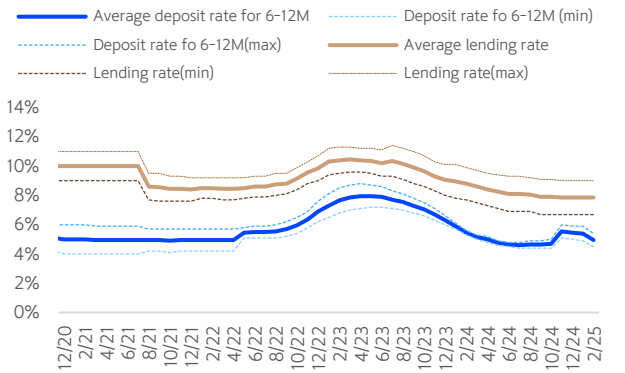
Deposit rate at SOCBs



Source: Fiinpro, Shinhan Securities Vietnam

SOCBs: Average 12M deposit rate at Vietcombank, Agribank, BIDV and VietinBank

Lending – deposit rates



Source: SBV, Shinhan Securities Vietnam

Average rate is a median of max and min rates

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