We expect 2Q25 GDP to grow by 7.5%

- A softening tariff chaos helped the manufacturing sector rebounded with the PMI rose to 49.8 in May.
- We expect Q2 GDP to spur by 7.5% yoy on the back of flourish exports activity, accelerated public investment disbursement, and resilient domestic consumption.

Manufacturing sector rebounded amid softening tariff chaos

Exports in May surged by 17% yoy, while imports rose by 14.1% yoy. For 5M2025, exports and imports grew by 14% and 17.5%, respectively, resulting in a trade surplus of USD 4.67bn. Production activities linger positive growth with the Industrial Production Index (IIP) leaped by 9.4% yoy in May. Meanwhile, a softening trade tensions have helped Vietnam's manufacturing sector rebounded in May with the PMI rose to 49.8 in May – yet still stay below the 50 no-change mark for the second consecutive month.

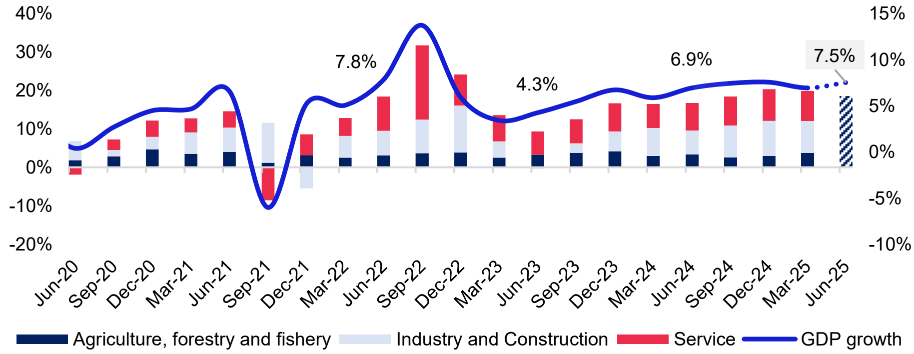
We expect the exchange rate to fluctuate in the range of 26,000 – 26,500 VND/USD in 3Q25, representing a year-to-date increase of 2.1% - 4.1%

The slight recovery of USD exerted pressures on the USD/VND interbank exchange rate throughout May. On the domestic front, USD supply was tightened after the purchase of USD 250mn made by the State Treasury and higher businesses' demand for USD as May is peak import period. Thus, the interbank exchange rate hit an all-time high at 26,029 VND/USD on May 29, before ending the month at 26,008 VND/USD (+2.2% compared to the beginning of the year). We believe that factors such as USD strength, tariff uncertainties, and the VND's buffer from exports and FDI may weaken after the 90-day tax deferral ends, will exert greater downward pressure on the VND in the coming period. Hence, we expect the exchange rate to fluctuate in the range of 26,000 – 26,400 VND/USD in 3Q25.

Strong economic tailwinds propel Q2 GDP toward a 7.5% yoy surge

The economic landscape recorded many positive results in 5M2025 including: A trade surplus of USD 4.67bn thanks to the front-loading during the 90-day tax deferral; robust FDI disbursements reaching USD 8.9bn (+7.9% yoy); an acceleration of public investment disbursement with VND 221.8tn (+17.5% yoy). Accordingly, we expect Q2 to record strong growth of approximately 7.5% yoy. However, the road ahead remains fraught with risks, as production and export activities are projected to slow once the 90-day tax deferral ends in July and reciprocal tariffs take effect. Furthermore, FDI attraction and exchange rates are also expected to face significant pressure due to tariffs. However, the extent of the impact remains uncertain, as the final tariff rate on Vietnamese goods has yet to be determined. As such, we continue to monitor the progress of upcoming negotiations to make appropriate adjustments to our full-year growth outlook.

Figure 1: GDP growth in sectors (yoy%)



Source: GSO, MBS Research

Director, Head of Research
Hien Tran Thi Khanh
Hien.tranthikhanh@mbs.com.vn

Analyst
Anh Dinh Ha
Anh.DinhHa@mbs.com.vn

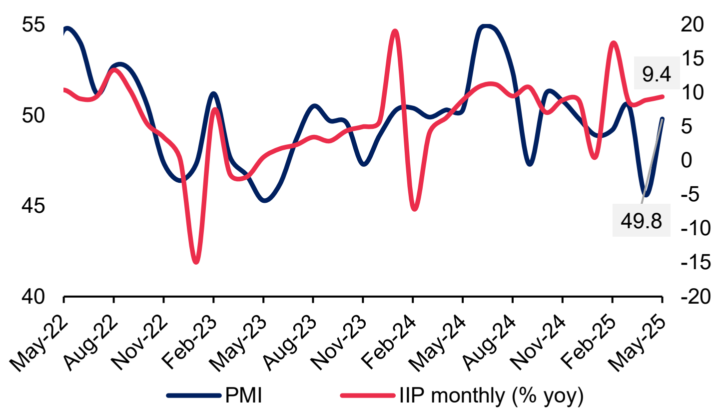
We expect 2Q25 GDP to grow by 7.5%

The manufacturing sector rebounded amid softening tariff chaos

Industrial production stayed vibrant in May with the IIP nudged up by 4.3% mom and 9.4% yoy, in which the manufacturing sector maintained double-digit growth for the fourth consecutive month, posted 11% yoy during the month. Industries that experienced strong production growth during the month include: manufacture of other transport equipment (+36.6% yoy); manufacture of furniture (+32.4% yoy); and repair & installation of machinery and equipment (+29.7% yoy). For the first 5M2025, industrial production grew by 8.8% yoy. The manufacturing sector saw an increase of 10.8%, significantly higher than the 7.3% growth recorded in the same period last year.

Despite the manufacturing PMI staying below 50 for a second consecutive month, easing trade tensions spurred a sector rebound, with the PMI climbing to 49.8 in May from 45.6 in April, indicating near-stable operating conditions. Following April's downturn, output, capacity utilization, and business confidence recovered, with firms citing reduced tariff policy uncertainty. However, new export orders fell for the seventh consecutive month due to weak demand, causing total new orders to decline at a slower pace than in April. In terms of pricing, May saw the first input cost drop in nearly two years as suppliers cut prices amid subdued demand, resulting in a fifth straight month of declining selling prices.

Figure 2: Vietnam's PMI manufacturing and IIP (% change YoY)



Source: GSO, MBS Research

Figure 3: Change in IIP in sectors monthly (% change YoY)

	Mar-25	Apr-25	May-25
Manufacture of other transport equipment	9.7%	7.5%	36.6%
Manufacture of furniture	9.6%	-3.6%	32.4%
Repair and installation of machinery and equipment	11.4%	3.1%	29.7%
Manufacture of other non-metallic mineral products	1.4%	8.9%	20.3%
Manufacture of basic metals	3.3%	15.3%	19.9%
Manufacture of rubber and plastics products	12.4%	18.6%	17.2%
Manufacture of textiles	9.2%	11.7%	10.1%
Manufacture of food products	10.3%	10.4%	9.5%
Manufacture of chemicals and chemical products	7.0%	11.1%	9.1%
Manufacture of computer, electronic products	11.2%	8.3%	8.3%
Manufacture of beverages	0.1%	6.3%	6.2%
Manufacture of coke and refined petroleum products	30.6%	47.2%	5.0%
Extraction of crude petroleum and natural gas	-5.3%	-11.1%	-0.7%
Manufacture of electrical equipment	-3.8%	-18.6%	-9.5%

Source: GSO, MBS Research

Front-loading fuel vibrant exports activities of Vietnam

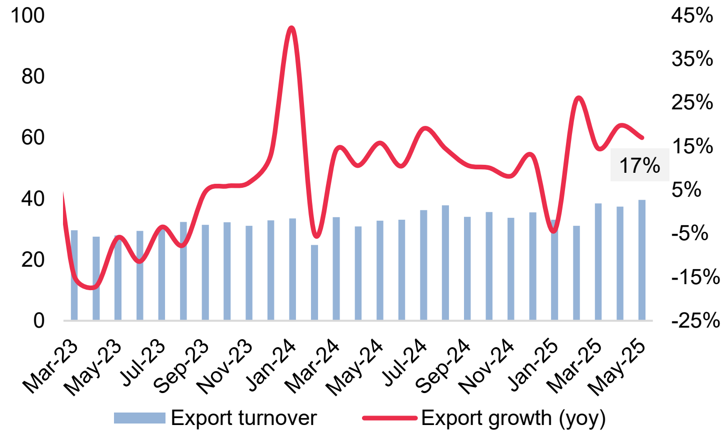
Export turnover in May amounted to USD 39.6bn (+5.7% mom), marking a year-on-year increase of 17%, driven by strong growth in several key categories, including: toys, sports equipment, and parts (+117.6% yoy); cassava & products (+123.1% yoy); textile fibers (+49% yoy). The dominant driver for exports' surge in May was still the booming shipments to the US whose export turnover recorded a post-pandemic high of USD 13.8bn (+39.4% yoy) – accounting for 35% of May's export turnover amid front-loading during the 90-day reciprocal tariff reprieve. Subsequently, Vietnam's trade surplus with the US surged to USD 12.2bn in May (+42% yoy).

Cumulatively, in the first five months of 2025, export turnover reached USD 180.23bn (+14% yoy), with notable increases in items such as: Toys, sports equipment and parts (+91.8% yoy); electronics, computers, and components (+39.7% yoy); iron & steel products (+31% yoy). On the other hand, some commodities experienced sharp declines, including iron & steel (-23.5% yoy); cameras, camcorders, and components (-18.9% yoy); plastic materials (-14% yoy).

In terms of export markets, the United States remained Vietnam's largest export market, with an estimated turnover of USD 57.2bn (+27.4% yoy). Exports to the EU increased by 12% yoy to USD 23bn, while exports to China reached USD 23.5bn (+3.2% yoy).

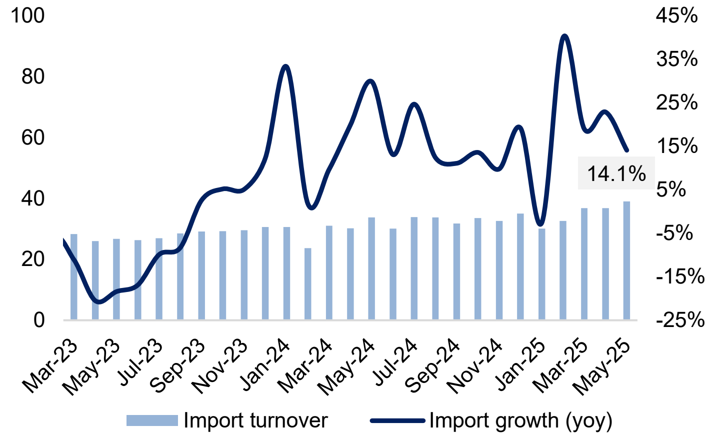
On the import side, May turnover rose 5.9% month-on-month to an estimated USD 39.04bn (+14.1% yoy), driven primarily by imports from China reaching a post-pandemic high of USD 16.2bn (+21% yoy). This resulted in total imports for the first five months of 2025 reaching USD 175.56bn (+17.5% yoy). China remained Vietnam's largest import partner, with an estimated value of USD 69.4bn (+25% yoy). During this period, four product groups - electronics, computers, and components; machinery, equipment, and spare parts; fabrics; and plastics - exceeded USD 5bn in import value, accounting for 51.6% of total imports.

Figure 4: Vietnam's monthly export turnover (USD bn)



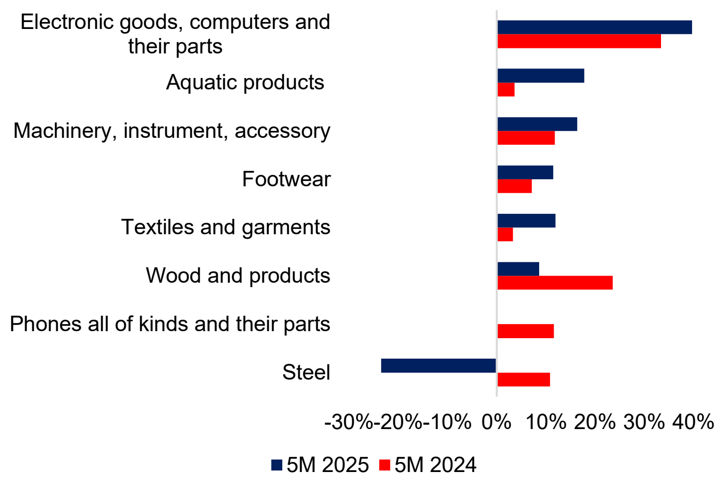
Source: GSO, MBS Research

Figure 5: Vietnam's monthly import turnover (USD bn)



Source: GSO, MBS Research

Figure 6: Growth of major export products in 5M2025 (%yoy)



Source: GSO, MBS Research

Figure 7: Export market of Vietnam in 5M2025 (USD bn)

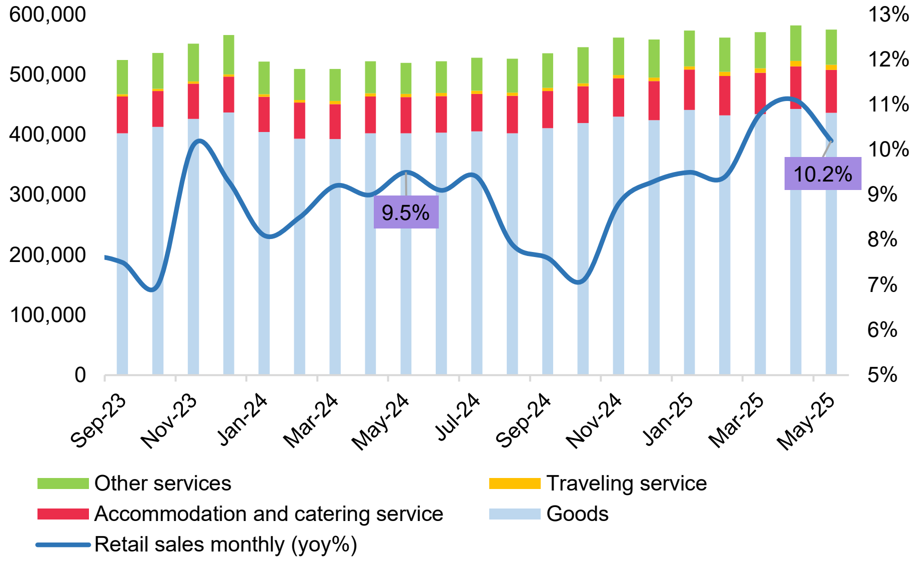
Source: GSO, MBS Research

Amid growing global economic uncertainties - driven by unpredictable US tariff policies and ongoing US - China trade tensions - Vietnam's export activities are certain to be affected, given the country's high degree of trade openness. However, the extent of the impact remains unclear, as the final tariff rate on Vietnamese goods has yet to be determined. As such, we continue to monitor the progress of upcoming negotiations in order to make appropriate adjustments to our growth outlook.

Domestic consumption maintained momentum albeit at slower pace

Domestic consumption sustained double-digit growth for the third consecutive month in May, alongside steady growth in international visitors to Vietnam. Specifically, retail sales of consumer goods and services rose 0.4% mom and 10.2% yoy in May, slightly down from a nearly two-year high of 11.1% in April. For the first five months of 2025, total retail sales of goods and services grew 9.7% yoy; excluding price factors, growth was 7.4% yoy, surpassing the 4.5% increase recorded in the same period last year. In the tourism sector, despite the off-peak season, visitor arrivals to Vietnam surged in May with nearly 1.53mn arrivals (+10.5% yoy). Thanks to favorable visa policies, enhanced tourism promotion, and major national holiday events, international arrivals exceeded 9.2mn in the first five months, up 21.3% yoy. Of which, visitors from China surged 47.2% yoy, reaching nearly 2.4mn in 5M2025.

Figure 8: Retail sales of consumer goods and services (Billion VND)



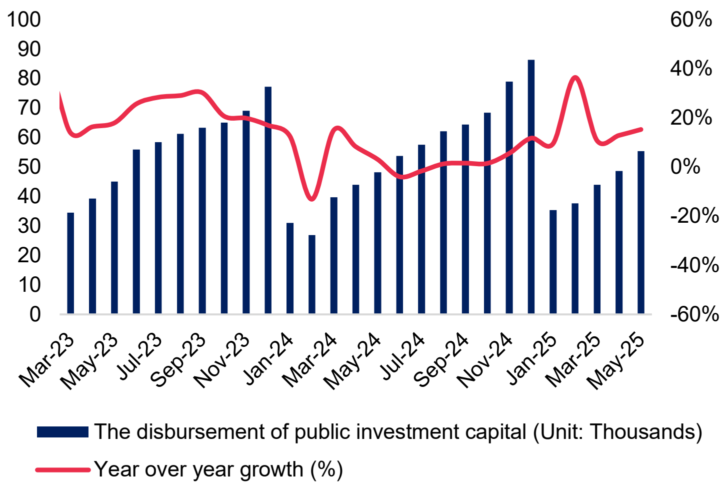
Source: GSO, MBS Research

Government sets sights on 100% public investment disbursement rate

In May, the newly registered FDI inflow surged significantly by 72.3% compared to the same period last year, while disbursed FDI increased by 9.6% yoy. For the first five months of 2025, newly registered FDI amounted to USD 7.02bn (-13.2% yoy), while disbursed FDI rose by 7.9% to USD 8.9bn, marking the highest disbursed FDI for the first five months in the past five years. Of which, the processing and manufacturing sector lured USD 7.26bn (accounting for ~ 81.6%), real estate sector attracted USD 703.8mn (accounting for ~ 7.9%), and utilities received about USD 352mn (accounting for ~ 4%). Accordingly, the total registered foreign investment capital in Vietnam for the first five months of 2025 was estimated at USD 18.39bn (+51.2% yoy).

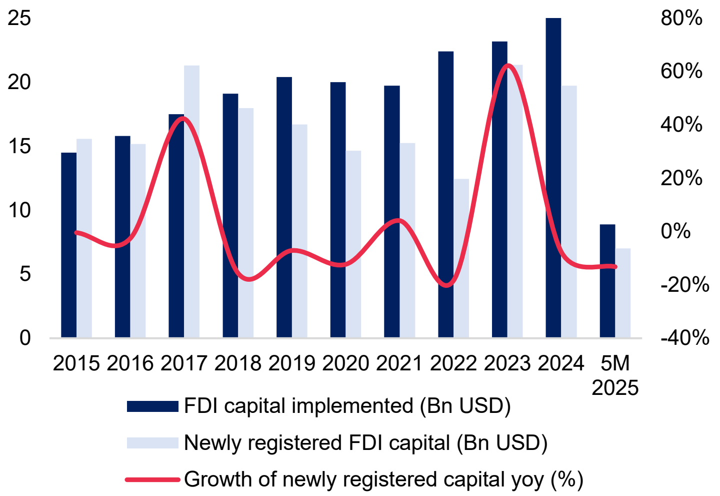
Disbursed public investment increased by 15.3% yoy to VND 55.4tn in May. For 5M2025, state investment amounted to VND 221.8tn (+17.5% yoy), fulfilling 24.3% of the year plan. With public investment being a key driver of economic growth, on May 21, Prime Minister Pham Minh Chinh urged ministries, agencies, and localities to double efforts to fully disburse the public investment capital planned for 2025, exceeding the previously set target of 95%.

Figure 9: Growth of realized investment capital from State budget



Source: GSO, MBS Research

Figure 10: Growth of foreign investment capital



Source: GSO, MBS Research

Inflation slightly ticked up but remained under control

CPI in May inched up by 0.16% mom and up by 3.24% yoy – slightly ticked up from 3.12% increase in April 2025 but still significantly lower than the 4.44% increase recorded in May 2024, with the main downward pressure came from a 17.1% declines in fuel prices. On average, CPI in the first five months of 2025 increased by 3.2% yoy, remaining well under control and below the Government's target range of 4.5% - 5%. Meanwhile, core inflation rose by 3.1%.

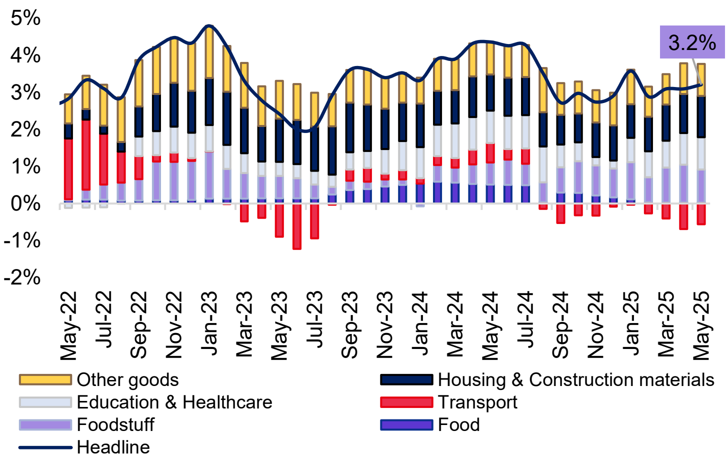
In May, CPI was driven by several factors. Food and catering services rose 3.7% yoy, primarily due to an 8.1% yoy increase in pork prices, caused by breeding regulations and diseases reducing farm output. The housing and construction materials index climbed 6.1% yoy, with house rental prices up 7.6% yoy as rising real estate costs pushed more people to rent, straining rental supply. Medicine and healthcare services surged 13.6% yoy, fueled by adjusted healthcare service prices. However, the transport sector dropped 5.7% yoy, driven by a 17.1% yoy decline in domestic gasoline and oil prices, tied to global market trends and tariff uncertainties slowing energy demand. This also coincided with reports of a significant OPEC+ oil production increase, with OPEC+ nations set to adjust output by 411 kb/d in May 2025, equivalent to three monthly increments.

On average, for the first 5M2025, CPI surged by 3.2% yoy (while CPI in 5M2024 increased by 4% yoy). The inflationary uptrend slowed thanks to several factors, including a 13.4% yoy decline in gasoline and oil prices and a 0.5% decrease in the postal and telecommunications group, driven by lower prices for older-generation phones as businesses implemented discount programs. In contrast, key factors contributing to the increase in the average CPI include: a sharp 13.5% rise in pork prices due to supply shortages; a 5% yoy increase in electricity prices due to rising electricity demand and EVN's price hike in October 2024.

We expect the average CPI for 2025 to increase by 3.7% yoy - lower than the government's target of 4.5% - 5%, based on the following factors: Global oil prices expected to fluctuate around 70 USD/barrel in 2025, lower than the 77 - 82 USD/barrel range in 2024 due to a weak demand-supply balance. Food price pressures are expected to ease due to ample supply following India's removal of its rice export ban; however, the impact may be limited as the decline in rice prices could be partially offset by surging pork prices. Besides, educational price pressures are expected to cool moderately thanks to the nationwide tuition fee exemption for all students from preschool to high school in the 2025 - 2026 academic year.

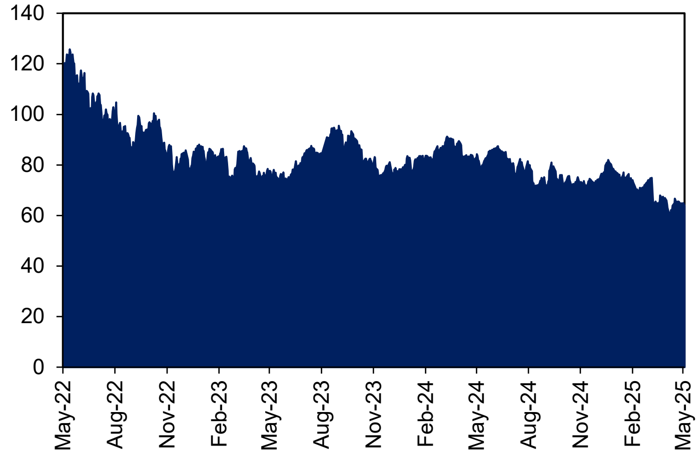
However, retail electricity prices are expected to continue rising this year as the supply of low-cost electricity sources declines, forcing EVN to shift its focus toward developing new power sources under Power Plan 8, which prioritizes renewable energy - a higher-cost alternative requiring significant capital investment. Besides, construction steel prices are expected to inch up, driven by higher construction demand and the Ministry of Finance's anti-dumping tax measures. Finally, the widespread geopolitical conflicts and the US' potential policy shift could lead to supply chain disruptions and drive-up commodity prices, which, in turn, raises the risk of imported inflation.

Figure 11: Contribution of commodity groups to CPI growth (%)



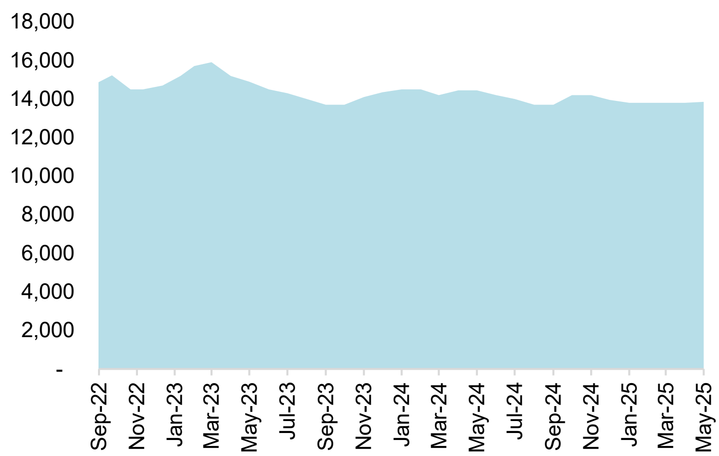
Source: GSO, MBS Research

Figure 12: Brent crude oil price (USD/Barrel)



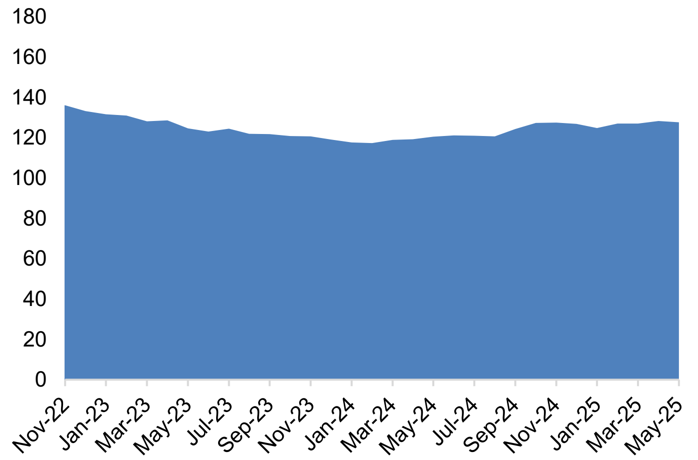
Source: Bloomberg, MBS Research

Figure 13: Steel price (Mn VND/ton)



Source: MBS Research

Figure 14: FAO food price index



Source: FAO, MBS Research

Deposit rates maintained downward momentum in May

The interbank rate hovered around 4% in May before falling to 3.1% by month-end

Amid rising exchange rate pressures, the State Bank of Vietnam (SBV) resumed net liquidity withdrawal in May, with an estimated value of over VND 21.4tn. Specifically, the SBV injected nearly VND 101tn through open market operations (OMO) at a 4% interest rate for tenors ranging from 7 to 91 days, while total matured capital exceeded VND 122.3tn. Following the SBV's net withdrawal, the interbank overnight interest rate remained stable around 4% throughout May. By month-end, the overnight rate dropped to 3.1% due to the SBV's net injection in the final week, which helped ease liquidity pressures. Meanwhile, rates for tenors from one week to one month fluctuated between 3.7% and 4.2%.

Deposit rates maintained downward momentum in May

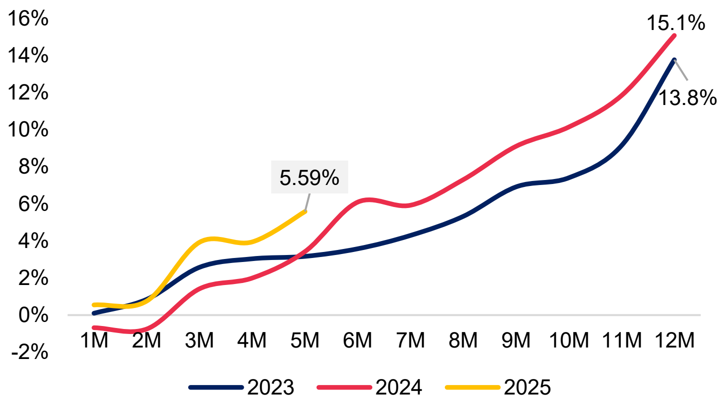
The downward trend in deposit rates continued in May, though the number of banks reducing rates and the extent of the reductions were significantly lower than the cuts in February and March. During the month, only four banks - MB, VPBank, Eximbank, and GPBank - reduced deposit rates by 0.1% to 0.25% per year across various tenors. Conversely, BacABank increased its deposit rates by 0.2% per year for tenors ranging from 1 to 15 months. According to the SBV, deposit rates have increased marginally by 0.08% since the start of the year, primarily due to adjustments by a few small-sized commercial banks. However, most banks have reduced rates in response to government and SBV guidance.

By the end of May, the average 12-month deposit rate at commercial banks had decreased by 16bps from the beginning of 2025, reaching 4.89%, while the rate for state-owned banks held steady at 4.7%.

We expect deposit rates to stay at 5.5% - 6% by the end of 2025

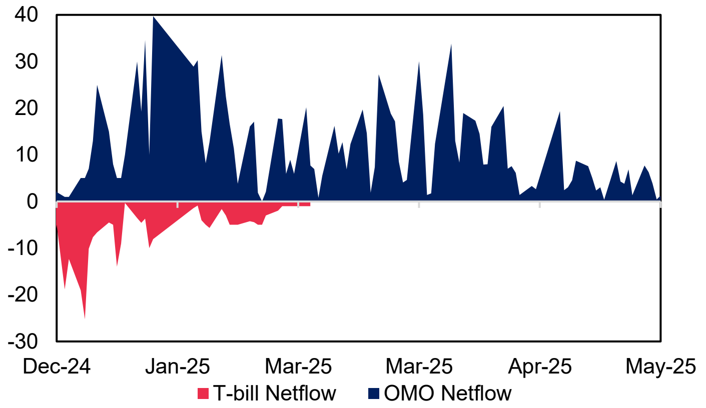
Although deposit rates have been on a downward trend following the PM's directive, we believe that input rates will gradually increase toward the end of 2025, driven by expectations of positive economic growth and credit growth. As of May 19, credit growth had increased by 5.59% compared to the end of 2024 and by 18.67% yoy, indicating a strong recovery in capital demand. We expect credit growth will reach 17 – 18% in 2025, driven by the recovery of the manufacturing sector and domestic consumption amid rising demand, as well as the acceleration of public investment disbursement. Therefore, we anticipate that the average 12-month deposit rates of large commercial banks will fluctuate within the range of 5.5% – 6% by the end of 2025.

Figure 15: Credit growth (% ytd)



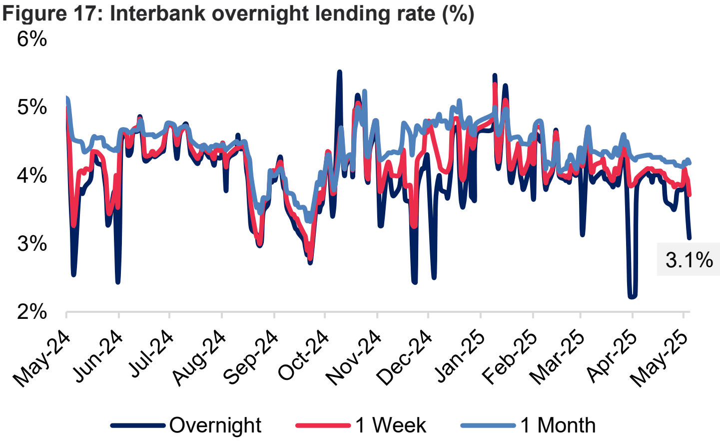
Source: Bloomberg, MBS Research

Figure 16: SBV's Open Market Operation (Liquidity) [VND tn]



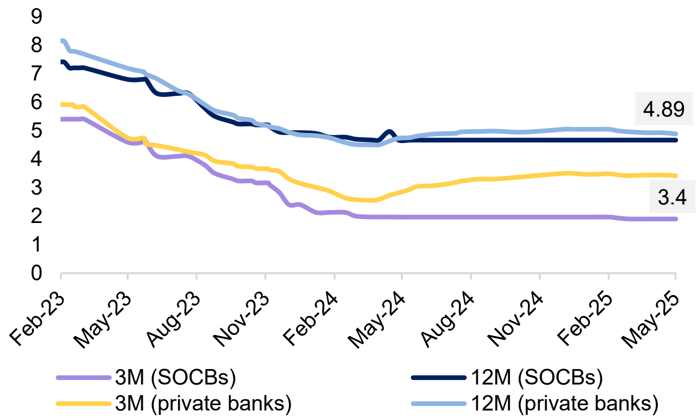
Source: SBV, MBS Research

Figure 17: Interbank overnight lending rate (%)



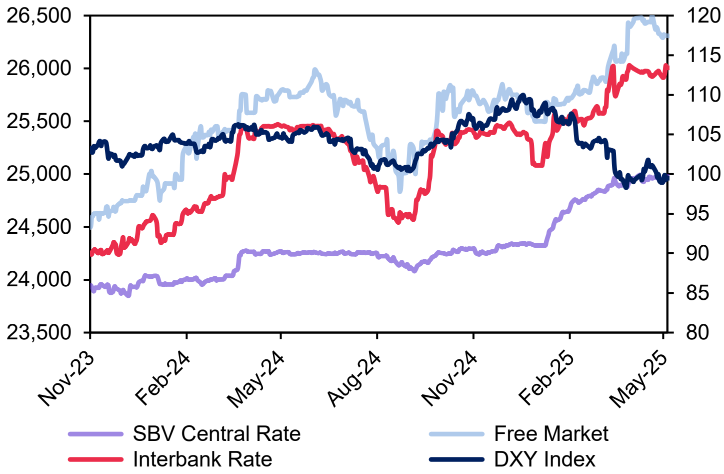
Source: Bloomberg, MBS Research

Figure 18: Commercial banks deposit rate (%)



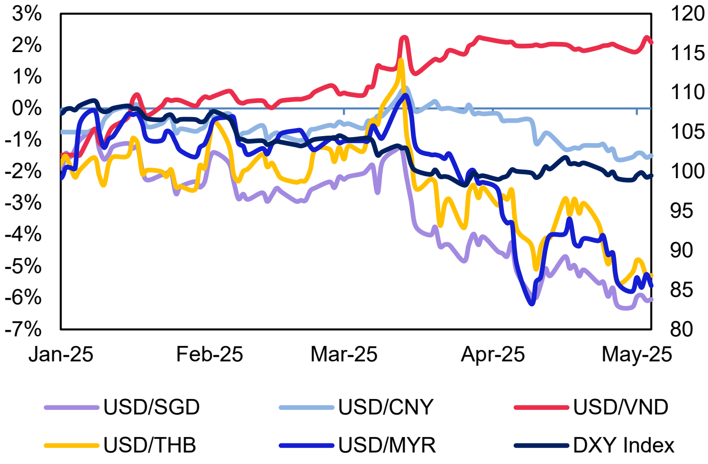
Source: Bloomberg, MBS Research

Figure 19: VND/USD exchange rate



Source: Bloomberg, MBS Research

Figure 20: Regional currencies performance against USD



Source: SBV, Bloomberg, MBS Research

The interbank exchange rate soared to a record high in May

The DXY rebounded marginally by month-end, yet volatility risks linger

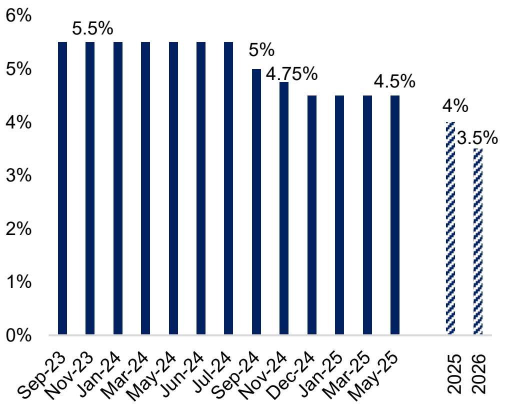
Starting the month at 99.8, the DXY maintained an upward trend and consistently hovered around the 101 level from May 12, driven by positive developments in trade negotiations, including the US-UK trade agreement and a US-China agreement to slash 15% tariffs on each other's goods for 90 days. However, downward pressure on the greenback reemerged after May 19 amid a string of pessimistic economic news: Moody's downgraded the US credit rating by one notch to Aa1 due to the growing burden of the government's budget deficit; US GDP shrank by 0.2% in Q1, confirming the first contraction since 2022; consumer spending only inched up by 0.2% as households opted to boost savings amid mounting economic uncertainties; and US manufacturing contracted for the third consecutive month, with the ISM PMI posting 48.5 in May. Additionally, economic jitters intensified near the end of the month as President Trump escalated his trade war by proposing a 50% tariff on EU goods, threatening Apple with a 25% duty on iPhones manufactured outside the US, and raising tariffs on steel and aluminum to 50%. Consequently, the DXY dropped to a one-month low of 98.9 on May 26. Amid this volatile context, the Federal Reserve left its benchmark interest rate unchanged at its May meeting. By month-end, the dollar rebounded slightly to 99.5 (-9.1% compared to the beginning of the year) thanks to reduced trade tensions after Trump backed off his threat against the EU, restoring a July 9 deadline.

We expect the exchange rate to fluctuate in the range of 26,000 – 26,400 VND/USD in 3Q25, representing a year-to-date increase of 2.1% - 4.1%

The recovery of the USD in May has increased downward pressures on the VND.

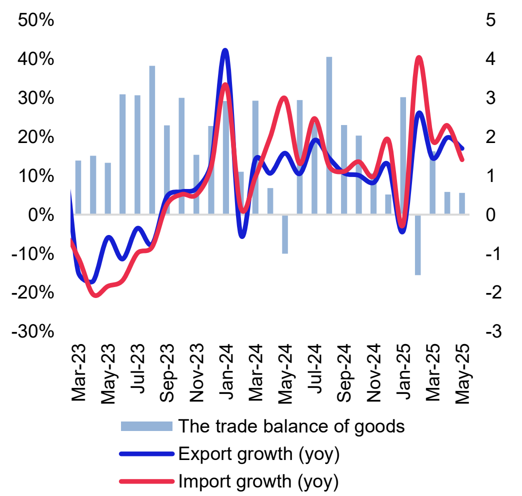
Additionally, on the domestic front, pressures largely stemmed from high USD demand. In May, the State Treasury announced plans to purchase US dollars from commercial banks, with a maximum total value of USD 250mn, thereby raising the total USD purchased since the beginning of the year to nearly USD 1.6bn, tightening the USD supply. Furthermore, as May is a peak import period, the demand for foreign currency also surged. As a result, the interbank exchange rate hit an all-time high of 26,029 VND/USD on May 29, before ending the month at 26,008 VND/USD (+2.2% compared to early 2025). Meanwhile, the free-market rate climbed to 26,310 VND/USD, while the central rate stood at 24,978

Fed has kept interest rates at 4.5% amid mounting uncertainty caused by the tariff crisis



Source: Bloomberg, MBS Research

Import-export growth and monthly trade



Source: GSO, MBS Research

VND/USD, marking increases of 2.2% and 2.6%, respectively, from the start of the year.

We expect the exchange rate to fluctuate in the range of 26,000 - 26,400 VND/USD in 3Q25, representing a year-to-date increase of 2.1% - 4.1%, amid various headwinds in the coming period. First, the USD is expected to maintain its strength, supported by high U.S. protectionism and elevated interest rates, as the Federal Reserve is projected to cut interest rates only twice this year. Second, we believe that tariff risks will also be a significant factor affecting the USD/VND exchange rate this year. If high retaliatory tariffs persist, they will pose significant challenges for Vietnam's exports and FDI attraction, further tightening the foreign currency supply and exerting pressure on the exchange rate. According to the latest data from the GSO, in the first five months of 2025, the trade balance of goods recorded a surplus of approximately US$4.67bn, while disbursed FDI amounted to US$8.9bn (+7.9% yoy). However, if both countries successfully negotiated to reduce tariffs, it would significantly contribute to stabilizing the exchange rate, interest rates, and strengthening key economic activities such as exports and FDI attraction.

Vietnam's economic indicators

Economic indicators	2019	2020	2021	2022	2023	2024	2025F
1. GDP, population & income							
Nominal GDP (USD bn)	310.1	334.3	346.6	366.1	430	476.3	513 - 515
Real GDP growth (%)	7.02	2.91	2.58	8.02	5.05	7.09	7.8 – 8.0
Exports of goods and services (% yoy)	8.1	6.5	19	10.6	-4.4	14.3	11.0
Imports of goods and services (% yoy)	7	3.6	26.5	8.4	-8.9	16.7	11.0
GDP per capita (USD)	3,267	3,491	3,586	3,756	4,163	4,700	5,000
2. Fiscal policy (%GDP)							
Government debt	49.2	51.5	39.1	34.7	34	34	35
Public debt	55.9	43.1	38	39.5	37	37	37
Foreign debt	47.1	47.9	38.4	36.8	37.2	33	34
3. Financial indicators							
USD/VND exchange rate	23,228	23,115	23,145	23,612	24,353	25,058	25,500-26,000
Inflation rate (%)	2.8	3.2	1.8	3.15	3.25	3.63	3.9
Credit growth (%)	18.7	18.2	13.9	12.1	13.5	15.1	17.0 – 18.0
12-month deposit rate	7.2	6.8	5.8	8.5	5	5.1	5.5 – 6.0
Trade balance (USD bn)	9.9	19.1	4	11.2	28	31.0	27.5
Goods: Exports (USD bn)	263	281	336	371	355.5	405.5	450.1
Goods: Imports (USD bn)	253	262	332	360	327.5	380.8	422.6
Foreign reserve (USD bn)	78	94	109	86	95	80	84

DISCLAIMER

MBS INVESTMENT RECOMMENDATION

Stock rating

Our investment recommendations are based on the expected profitability of the stock, calculated as the sum of (i) the percentage difference between target price and market price at the time of publication, and (ii) expected dividend yield. Unless otherwise stated in the report, investment recommendations have an investment horizon of 12 months.

ADD	The stock can generate a profitability of 15% or more
HOLD	The stock can generate a profitability of between -15% and 15%
REDUCE	The stock can generate a loss of 15% or more

Sector rating

POSITIVE	Industry stocks have Add recommendations on a weighted market capitalization basis
HOLD	Industry stocks have Hold recommendations on a weighted market capitalization basis
NEGATIVE	Industry stocks have Reduce recommendations on a weighted market capitalization basis

ABOUT MBS

Founded in May 2000 by the Military Commercial Joint Stock Bank (MB), MB Securities Joint Stock Company (MBS) is one of the first six securities companies in Vietnam. After years of development, MBS has grown into one of the premier brokerage houses in the country. In two consecutive years between 2009 and 2010, MBS leads the brokerage house in terms of market share on both Hanoi Stock Exchange (HNX) and HCMC Stock Exchange (HOSE) and continuously ranked among the Top 5 of market share at both stock exchanges.

Address:
MB Building, 21 Cat Linh, Dong Da Dist., Hanoi
Tel: + 8424 7304 5688 - Fax: +8424 3726 2601
Website: www.mbs.com.vn

MBS RESEARCH TEAM

Director, Head of Research
Hien Tran Thi Khanh

Deputy Head of Equity Research
Dzung Nguyen Tien

Macro & Market Strategy
Hung Ngo Quoc
Cuong Nghiem Phu
Anh Dinh Ha
Anh Vo Duc

Banking – Financial Services
Luyen Dinh Cong
Huong Pham Thi Thanh

Real estate
Duc Nguyen Minh
Thanh Le Hai
Huyen Pham Thi Thanh

Energy - Industrials
Tung Nguyen Ha Duc

Consumer - Retail
Ly Nguyen Quynh
Anh Nguyen Phuong