

Vietnam's economy on solid ground

- Trade activities maintained double-digit growth for the sixth consecutive month. Additionally, the PMI regained momentum as new orders rebounded.
- The exchange rate sustained its upward trajectory, albeit at a slower pace. By the end of Jul, the interbank exchange rate hovered at 26,198 VND/USD (+2.9% ytd).
- Deposit rate slightly ticked up in Jul amid a spur in credit growth.

Manufacturing sector gained momentum as new orders increased

Exports in Jul surged by 16% yoy, while imports rose by 17.8% yoy. For 7M25, exports and imports grew by 14.8% and 17.9%, respectively, resulting in a trade surplus of USD 10.18bn. Production activities sustained positive growth with the Industrial Production Index (IIP) rising by 8.5% yoy in July. Additionally, the PMI rose to 52.4 in July, up from 48.9 in June, marking the first time it has exceeded the 50 no-change mark in the past four months, driven by a rebound in new orders amid strengthened customer demand.

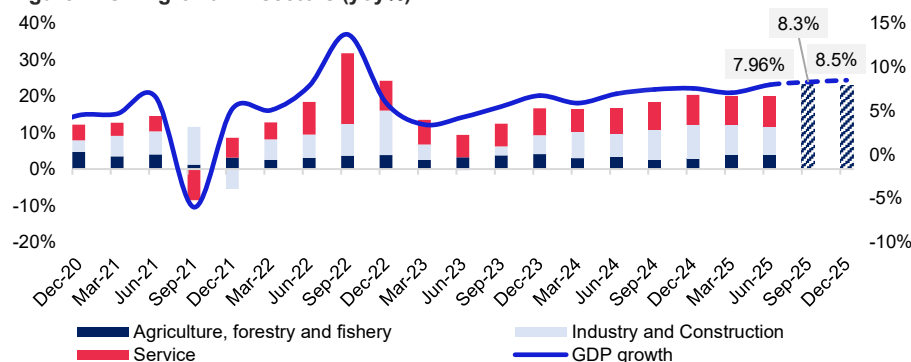
The exchange rate sustained its upward trajectory, yet at a slower pace in July

The upward trend of the interbank exchange rate slowed, with a modest increase of 0.3% in July. This was supported by: a narrowed VND-USD interest rate gap as the overnight interbank interest rate consistently anchoring above 4% throughout July; a positive trade surplus (USD 2.27bn); robust FDI disbursed (USD 1.9bn). However, the exchange rate continued its upward trend during the month under the pressure of the DXY index's recovery. Consequently, the interbank exchange rate ended the month at 26,198 VND/USD (+2.9% ytd).

We expect the 2025 GDP growth to reach 7.9% - 8.1%

On July 3, Vietnam became the first Southeast Asian country to reach a tariff agreement with the US, with a 20% tariff rate for Vietnamese goods and 40% for transshipped goods, effective from August 1, 2025. Although this is considered a relatively competitive rate compared to our key export competitors, we believe export growth is likely to slow in 2H25 due to lower demand, as the front-loading period has ended, and businesses may need time to await clear definitions for certain terms, such as regulations on the origin of "transshipped goods." However, this slowdown in exports will be partially offset by supportive fiscal policies and low interest rates that bolster domestic consumption recovery. Additionally, public investment is projected to maintain momentum toward year-end, contributing significantly to GDP growth. Hence, the Government has revised its 2025 GDP growth target to 8.3% - 8.5%, up from the previously announced 8%. In line with this perspective, we expect the economy to expand by 7.9% - 8.1% in 2025.

Figure 1: GDP growth in sectors (yoy%)



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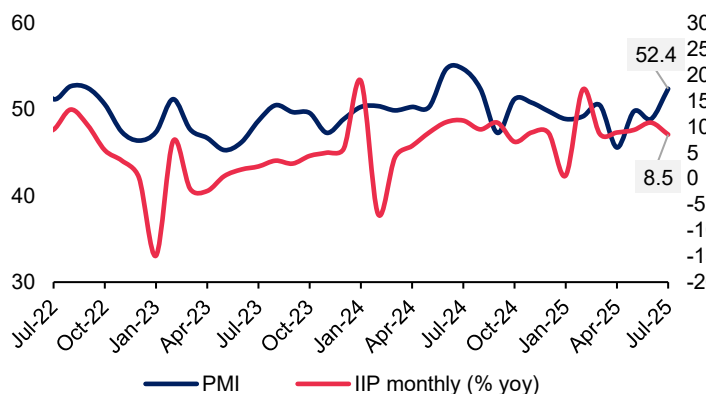
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The manufacturing sector is getting back on its feet

The industrial production maintained positive growth in Jul with the IIP nudged up by 0.5% mom and 8.5% yoy. In which, the manufacturing sector witnessed highest growth of 9.3% yoy. Industries that experienced strong production growth during the month include: manufacture of other non-metallic mineral products (+22.3% yoy); manufacture of motor vehicles, trailers and semi-trailers (+19% yoy); and manufacture of rubber & plastics products (+16.4% yoy). For the first 7M25, industrial production grew by 8.6% yoy. The manufacturing sector saw an increase of 10.3%, relatively higher than the 9.5% growth recorded in the same period last year.

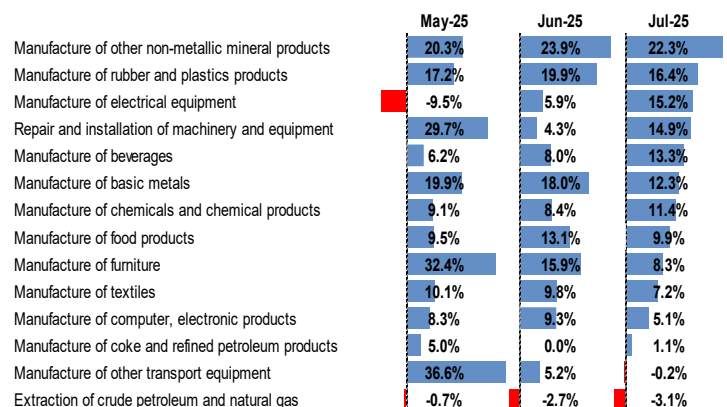
Likewise, the manufacturing sector is getting back on its feet, with the PMI rising above the 50 no-change mark for the first time in four months, reaching 52.4 in July, up significantly from 48.9 in June. This rebound was primarily driven by a surge in new orders at the fastest pace since November last year, fueled by stronger demand. However, new export orders contracted for the ninth consecutive month due to tariff impacts. The uptick in new orders spurred output and purchasing activity to expand at the fastest rate in nearly a year. On the pricing front, shortages of input materials, particularly from overseas, drove input costs up at the steepest rate in 2025. While manufacturers remained optimistic about output growth over the next 12 months, sentiment dipped to a three-month low in July, staying well below the historical average, as concerns over potential U.S. tariff impacts continued to dampen the outlook.

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



Source: GSO, MBS Research

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



Source: GSO, MBS Research

Trade activities maintained double-digit growth for the sixth consecutive month

Export activities in July accelerated sharply, with monthly turnover surpassing USD 40bn for the first time, reaching USD 42.27bn (+6.9% mom), marking a year-on-year increase of 16%, driven by strong growth in several key categories, including: toys, sports equipment & their parts (+174.8% yoy); electronic goods, computers & their parts (+52.5% yoy); textile fibres (+46.2% yoy).

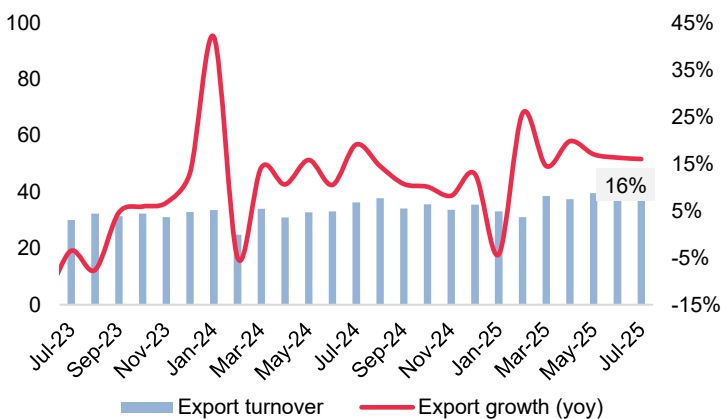
Cumulatively, in 7M25, export turnover reached USD 262.44bn (+14.8% yoy), with notable increases in items such as: Toys, sports equipment & parts (+117.6% yoy); electronics, computers & components (+41.9% yoy); iron & steel products (+30.2% yoy). On the other hand, some commodities experienced sharp declines, including

iron & steel (-23.5% yoy); plastic materials (-12% yoy); cameras, camcorders, and components (-10.7% yoy).

In terms of export markets, the United States remained Vietnam's largest export market, with an estimated turnover of USD 85.1bn (+27.8% yoy). Exports to the EU increased by 8.4% yoy to USD 32.2bn, while exports to China reached USD 35bn (+7.1% yoy).

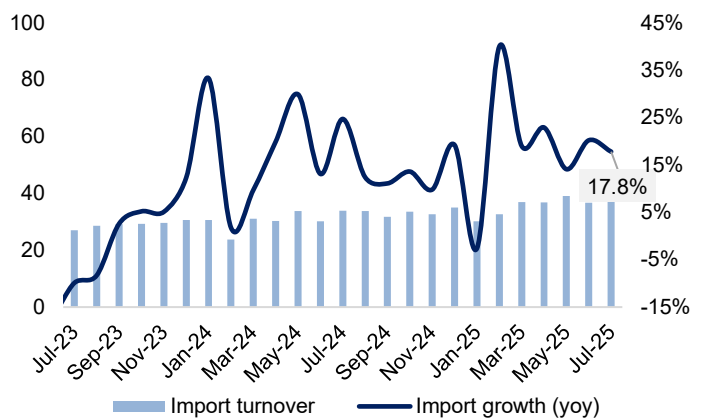
On the import side, July's turnover surged by 9.1% mom to an estimated USD 40bn (+17.8% yoy). This resulted in total imports of 7M25 reaching USD 252.26bn (+17.9% yoy). China remained Vietnam's largest import partner, accounting for 40.2% of total imports, with imports valued at USD 101.5bn (+27.1% yoy). Besides, imports from the U.S. also witnessed significantly growth of 22.6% yoy, reaching USD 10.5bn. During this period, nine product groups exceeded USD 5bn in import value, accounting for 64.1% of total imports. Notably, several items recorded outstanding growth, including: electronics, computers & components (+37.2% yoy); automobile (+32.5% yoy); machinery, instrument & accessory (+24.5% yoy).

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



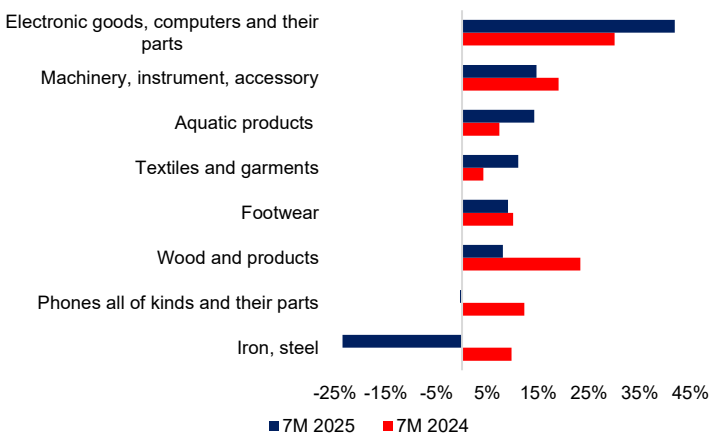
Source: GSO, MBS Research

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



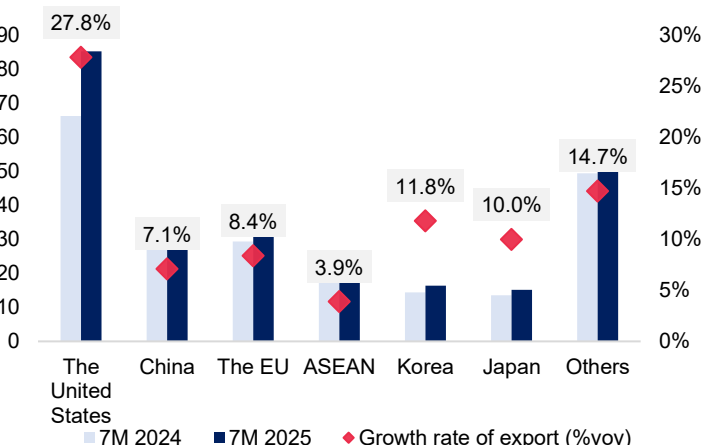
Source: GSO, MBS Research

Figure 6: Growth of major export products in 7M25 (%yoy)



Source: GSO, MBS Research

Figure 7: Export market of Vietnam in 7M25 (USD bn)



Source: GSO, MBS Research

We forecast that exports will increase by 9% - 10% in 2025 due to: (1) Subdued global demand after companies finished stockpiling goods before the tariff deadline on July 9. (2) The time needed to establish clear definitions for certain goods, such as regulations on the origin of "transshipped goods."

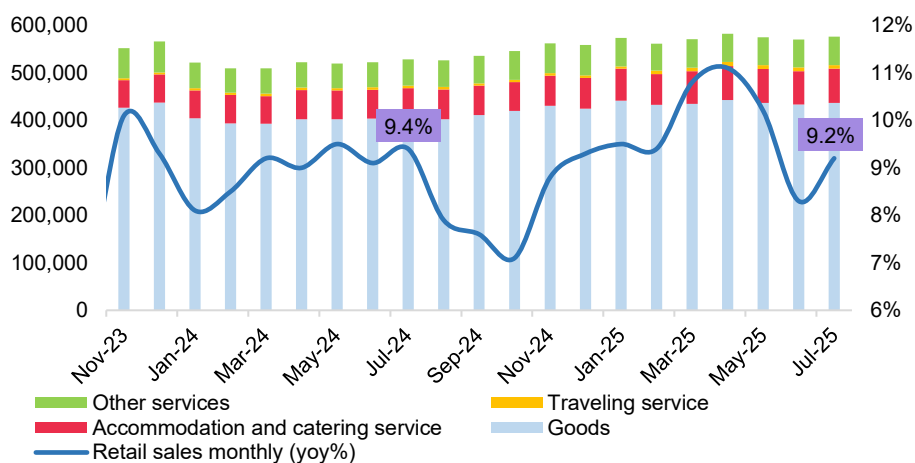
On the import side, shipments from China - which account for 40% of Vietnam's total imports - are expected to decelerate in 2H25 due to tighter rules on origin verification and the potential imposition of higher tariffs. However, this is likely to

be offset by a strong surge in imports from the U.S., which has accelerated by 22.6% yoy in 7M25 and it is expected to maintain momentum toward the year-end. This was based on the assumption that Vietnam will tend to increase imports of goods from the U.S. with tariff rates approaching ~0% to demonstrate goodwill in narrowing the trade surplus with this nation. Hence, **we estimate imports will surge by 15% in 2025**. Consequently, Vietnam's trade surplus in 2025 is expected to narrow significantly to USD 4.2 – 8.2bn, much lower than the USD 24.8bn recorded in 2024. This shrinking trade surplus is likely to exert pressure on the exchange rate in the coming period.

The retail sales of goods and services sustained stable growth

In July, trade and tourism activities maintained stable growth, with total retail sales of goods and services rising 1.1% mom and 9.2% yoy. In 7M25, total retail sales of goods and services increased by 9.3% yoy (+7.1% excluding the price factor), higher than the 2024 average of 8.6%, indicating a recovery in domestic consumer demand compared to the same period last year. Of which, retail sales of goods rose 7.8% yoy - lower than the pre-pandemic period. According to the GSO, this reflects a tendency among consumers to tighten spending on goods, alongside a shift in consumption patterns from quantity to quality, especially after intensified crackdowns on smuggling, trade fraud, and counterfeit products. In contrast to the slowdown in goods consumption, service consumption continued to rise in 7M25, with accommodation and catering revenue up 15% yoy and tourism revenue up 20% yoy. Thanks to favorable visa policies, intensified tourism promotion programs, and activities celebrating major national holidays, Vietnam welcomed 12.2mn international visitors in 7M25, up 22.5% yoy. Of which, visitors from China surged 45.7% yoy, reaching over 3.1mn.

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



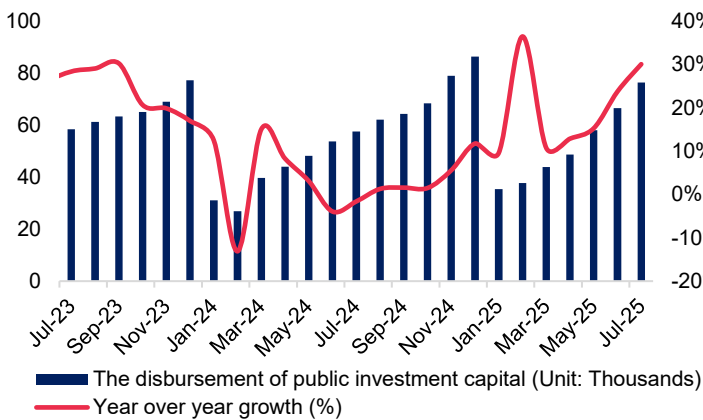
Source: GSO, MBS Research

FDI and public investment disbursement are keeping up the pace

In July, the newly registered FDI inflow decreased by 39.3% compared to the same period last year, while disbursed FDI increased by 9.9% yoy. For 7M25, newly registered FDI amounted to nearly USD 10.03bn (-11.1% yoy), while disbursed FDI rose by 8.4% to USD 13.6bn, marking the highest disbursed FDI for the first seven months in the past five years. Of which, the processing and manufacturing sector lured USD 11.1bn (accounting for ~ 81.6%), real estate sector attracted USD 1.09bn (accounting for ~ 8%), and utilities received about USD 505.2mn (accounting for ~ 3.7%). Accordingly, the total registered foreign investment capital in Vietnam for the first seven months of 2025 was estimated at USD 24.09bn (+27.3% yoy).

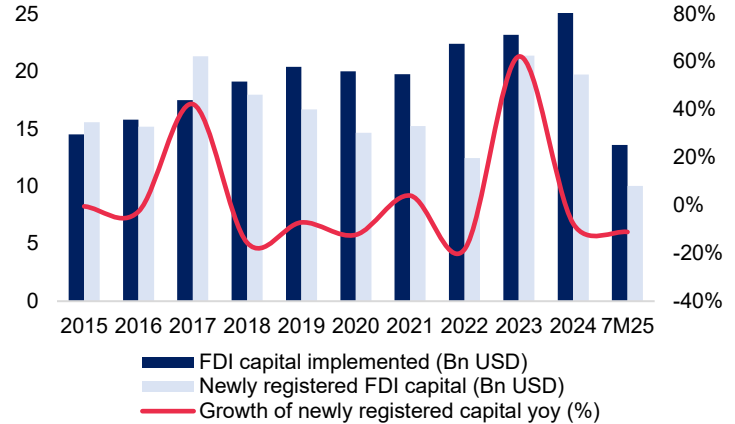
Disbursed public investment increased by 30.1% yoy to VND 76.5tn in July. For 7M25, state investment amounted to VND 378.3tn (+25.4% yoy), fulfilling 40.7% of the year plan.

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

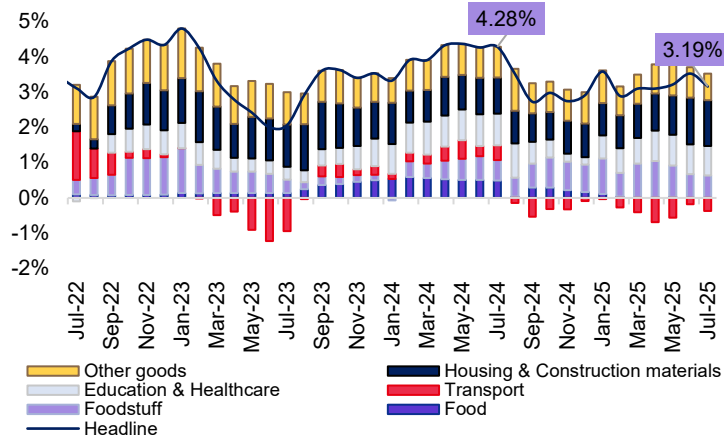
Inflation edged lower in July

CPI in July rose by 0.11% mom and 3.19% yoy - easing notably from 3.6% in June. The slowdown was mainly driven by a 12.8% drop in petrol and oil prices in line with global trends, and a 0.5% decline in pork prices due to abundant supply as farmers accelerated sales amid complex disease outbreaks. Conversely, key upward contributors to CPI included: (1) The housing and construction materials index climbed 7.1% yoy, with housing maintenance materials (such as sand and construction stone) surged by 8.5% amid supply shortage, and electricity prices went up by 8.9% yoy following EVN's price adjustment in May 10. (2) Medicine and healthcare services surged 12.8% yoy, fueled by adjusted healthcare service prices.

On average, CPI surged by 3.3% yoy in 7M25 (while CPI in 7M24 increased by 4.1% yoy), and core inflation rose by 3.2%. The inflationary uptrend slowed mainly thanks to a 12.6% yoy decline in petrol and oil prices. In contrast, key factors contributing to the increase in the average CPI include: a sharp 11.9% rise in pork prices due to supply shortage; a 6% yoy increase in electricity prices following EVN's price hike in October 2024 and May 2025.

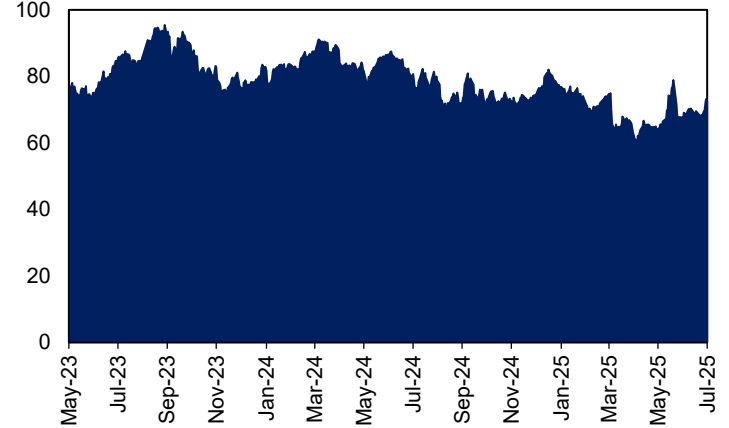
We expect the average CPI for 2025 to increase by 3.5% yoy - lower than the government's target of 4.5% - 5%, based on the following factors: Global oil prices expected to fluctuate around 70 USD/barrel in 2025 due to a weak demand-supply balance. Food price pressures are expected to ease due to ample rice supply; 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. Additionally, construction steel prices are expected to inch up by 3% in 2025, 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 (%)



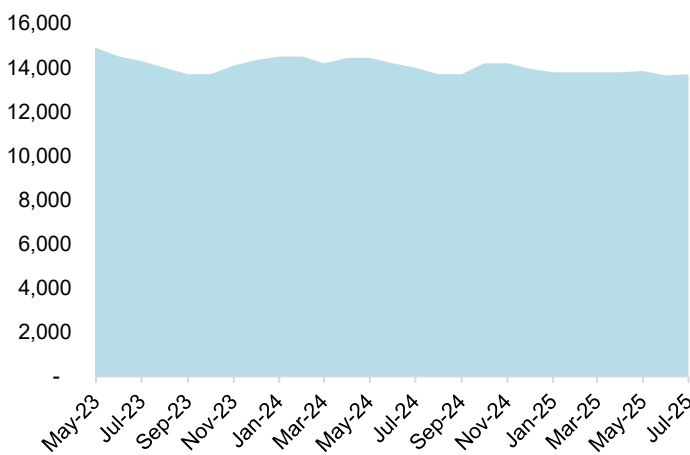
Source: GSO, MBS Research

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



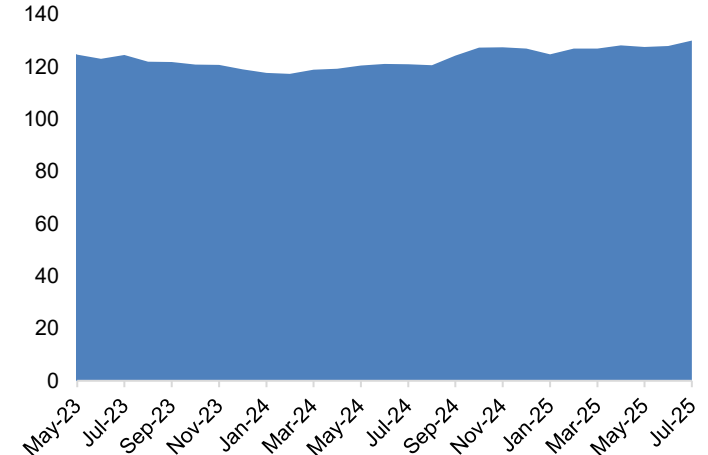
Source: Bloomberg, MBS Research

Figure 13: Steel price (Mn VND/ton)



Source: MBS Research

Figure 14: FAO food price index



Source: FAO, MBS Research

Overnight interbank rate eased by month-end following SBV's substantial net injection

The overnight interbank rate eased to 3.1% by month-end after hovering above 4% throughout July

Following the SBV's strong net injection in June, the overnight interbank interest rate dropped significantly by 3.4% from the end of June to 3.5% in early July. However, since then, interbank rates have steadily risen through the end of the month, even peaking at a one-month high of 6.2% on July 25. This signals liquidity pressure despite the SBV's efforts to conduct net injections during the month. Specifically, the SBV ceased issuing treasury bills from July 17. During the month, the SBV issued nearly VND 45.8 trillion in treasury bills with interest rates of 3.4% - 3.5% and a 7-day tenor. Concurrently, the SBV significantly increased the scale of capital injection through the OMO channel, reaching over VND 426.4 trillion (more than three times the previous month) at a 4% interest rate for tenors ranging from 7 to 91 days. The total matured OMO capital and T-bills were approximately VND 362.8 trillion and VND 68.3 trillion, respectively. Cumulatively, the SBV conducted a net injection valued at nearly VND 86.2 trillion. By the end of the month, the overnight rate cooled significantly to 3.1%. Meanwhile, rates for tenors ranging from one week to one month fluctuated between 3.7% and 4.6%.

Deposit rates started to edge up slightly in July

After stabilizing in June, the deposit interest rate level showed a slight upward trend in July. Among the banks we monitored, three banks - TPB, VPB, and EIB - slightly increased their deposit interest rates by 0.1% - 0.2% per year for tenors ranging from 1 to 36 months. This development occurred amid robust credit growth in recent times. According to the SBV, as of July 29, credit growth has increased by 9.8% compared to the end of 2024 and by 19.8% yoy. We estimate that credit growth outpaced deposit growth by approximately 1.3 - 1.5 times. Consequently, this has exerted some upward pressure on deposit interest rates among private commercial banks to attract deposits. By the end of July, the average 12-month deposit rate at commercial banks increased slightly by 2 bps compared to June and decreased by 16 bps from the beginning of 2025, reaching 4.89%, while the rate for state-owned banks remained steady at 4.7%.

We expect deposit rates to ease to 4.7% by the end of 2025

Toward year-end, deposit rates may face pressure from credit growth, particularly following the SBV's announcement of increased credit growth quotas for banks to meet the economy's capital needs. However, the SBV also requested credit institutions to implement comprehensive measures to stabilize and strive to reduce deposit interest rates, contributing to stabilizing the money market and creating room to lower lending interest rates. This, combined with the expectation of a 50 bps interest rate cut by the FED in the second half of 2025, will help narrow the VND-USD interest rate gap and create room for the SBV to maintain a low interest rate environment. Based on these factors, we anticipate that the average 12-month deposit rates of large commercial banks will have room to decrease slightly by 2 bps, easing to 4.7% by the end of 2025.

Figure 15: Credit growth (% ytd)

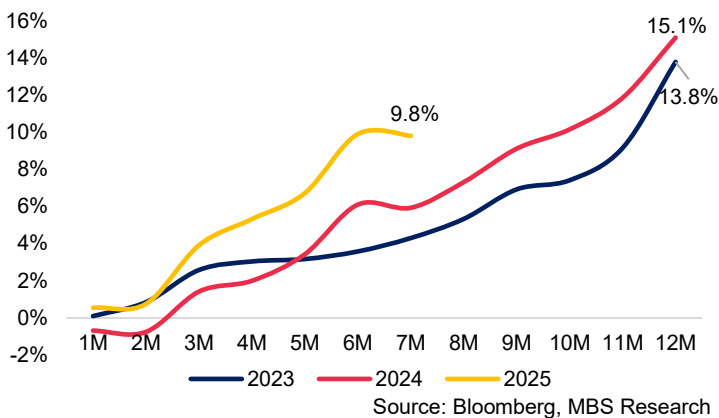


Figure 16: SBV's Open Market Operation (Liquidity) [VND tn]

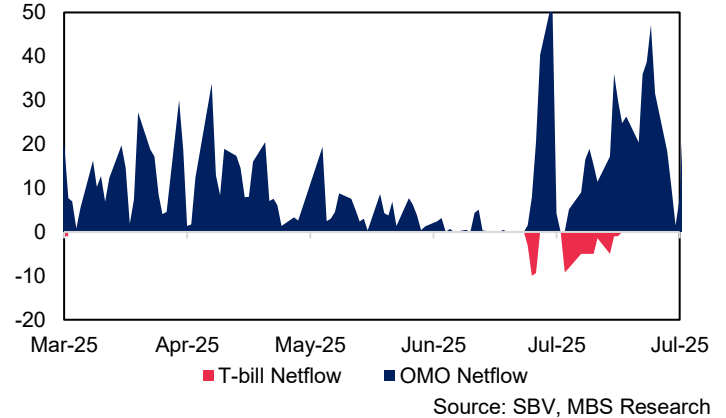


Figure 17: Interbank overnight lending rate (%)

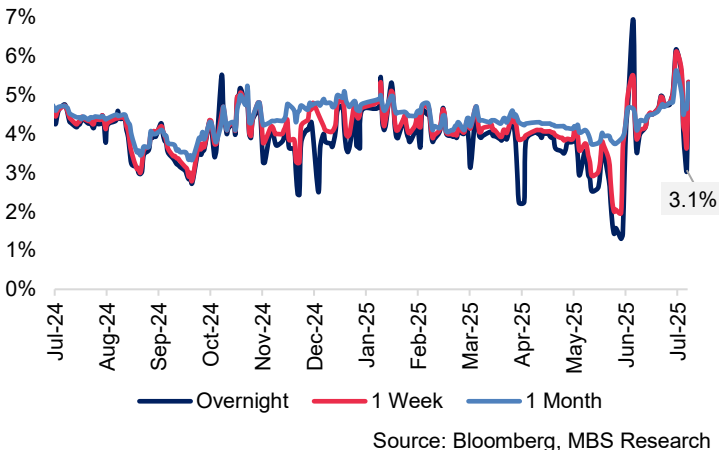


Figure 18: Commercial banks deposit rate (%)

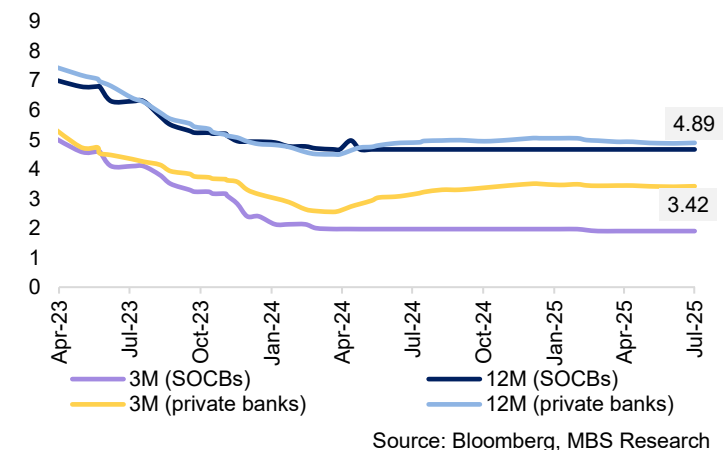
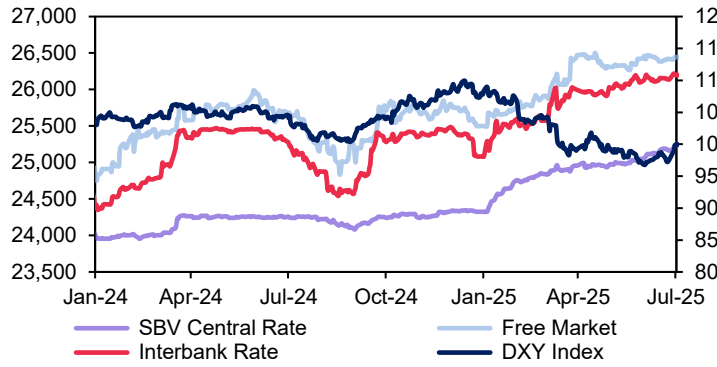
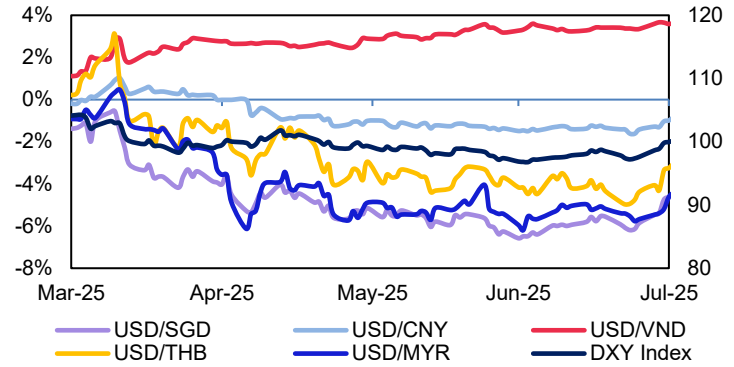


Figure 19: VND/USD exchange rate



Source: SBV, Bloomberg, MBS Research

Figure 20: Regional currencies performance against USD



Source: Bloomberg, MBS Research

The DXY made a comeback, hitting a 2-month high by July's end

The DXY surged 3.2% in July, marking the first monthly gain of the year

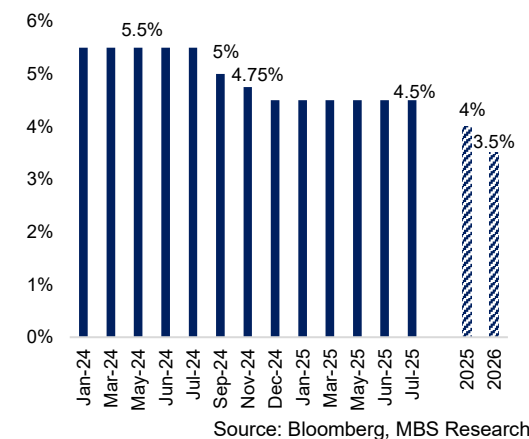
Kicking off the month at 96.8, the DXY maintained a fairly steady upward trend throughout the month and ended strongly at a 2-month peak of 99.9 – marking a 3.2% monthly gain in July, its first rise this year. This development occurred against the following backdrop: Firstly, de-escalating trade tensions helped reduce risks to economic growth. Specifically, as of July, 11 economies had reached tariff agreements with the U.S., including the UK, China, Vietnam, the Philippines, Indonesia, Japan, the EU, South Korea, Cambodia, Thailand, and Pakistan. Other countries will face tariffs ranging from 10% to 41% starting August 1. Additionally, all goods identified as transshipped to avoid tariffs will incur an extra 40% tariff. Secondly, the U.S. dollar was also supported by solid economic data, with Q2 GDP growth reaching 3%; however, inflationary pressures persisted, with the June PCE index rising 2.6% yoy. Thus, this led the Fed to maintain interest rates unchanged for the seventh consecutive meeting.

The exchange rate sustained its upward trajectory, yet at a slower pace in July

The upward trend of the interbank exchange rate slowed, with a modest increase of 0.3% in July. This was partly supported by the narrowing VND-USD interest rate differential, amid the overnight interbank interest rate consistently anchoring above 4% throughout July. Additionally, the VND was bolstered by robust export activities (+16% yoy), yielding a positive trade surplus of USD 2.27bn in Jul. Furthermore, the State Treasury ceased purchasing USD from commercial banks. Altogether, this helped to alleviate pressure on USD supply. However, the exchange rate sustained its upward trend during the month under pressure from the rebound of the DXY index. Consequently, the interbank exchange rate ended the month at 26,198 VND/USD (+2.9% ytd), while the free-market rate hovered at 26,445 VND/USD (+2.7% ytd). Meanwhile, the central exchange rate was significantly adjusted upward to 25,240 VND/USD, up 3.7% ytd.

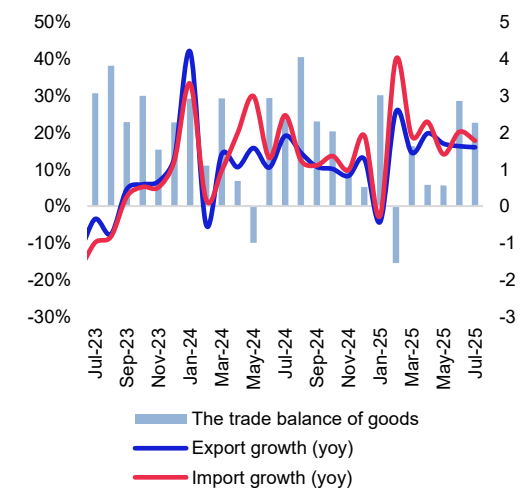
Although the USD is expected to continue declining toward the end of the year as the Fed is projected to start cutting interest rates, we believe intrinsic pressures will be a key factor contributing to the surge in exchange rates, including: (1) Persistent USD-VND interest rate differential despite the FED cutting rates to 4%. (2) Higher import demand due to 0% tariffs on U.S. goods. Conversely, exports will slow down in 2H25, leading to a narrower trade surplus in 2025. (3) Slower FDI inflows as investors await clearer tariff information. (4) Domestic-global gold price gap amid rising gold prices. Hence, **we expect the exchange rate to fluctuate in the range of 26,600 – 26,750 VND/USD by year-end, representing a year-to-date increase of 4.5% - 5%.**

Fed has kept interest rates at 4.5% amid sticky inflationary pressure



Source: Bloomberg, MBS Research

Import-export growth and monthly trade



Source: GSO, MBS Research

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	512 - 514
Real GDP growth (%)	7.02	2.91	2.58	8.02	5.05	7.09	7.9 - 8.1
Exports of goods and services (% yoy)	8.1	6.5	19	10.6	-4.4	14.3	9 - 10
Imports of goods and services (% yoy)	7	3.6	26.5	8.4	-8.9	16.7	15.0
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	26,600-26,750
Inflation rate (%)	2.8	3.2	1.8	3.15	3.25	3.63	3.5
Credit growth (%)	18.7	18.2	13.9	12.1	13.5	15.1	17 - 18
12-month deposit rate	7.2	6.8	5.8	8.5	5	5.1	4.7
Trade balance (USD bn)	9.9	19.1	4	11.2	28	31.0	4.2 - 8.2
Goods: Exports (USD bn)	263	281	336	371	355.5	405.5	442 - 446.08
Goods: Imports (USD bn)	253	262	332	360	327.5	380.8	437.9
Foreign reserve (USD bn)	78	94	109	86	95	80	84

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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

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