Momentum meets headwinds

- GDP in Q1 recorded positive growth of 6.9% yoy – the highest Q1 growth rate in the 2020 - 2025 period.
- Export activities were vibrant in March, with export turnover rising by 14.5% yoy, and the PMI index surpassed the 50-point threshold for the first time in four months.
- The US reciprocal tariff on Vietnamese goods has been reduced to 10%, and the implementation of the 46% tariff has been suspended for 90 days.

Starting off strong with Q1 GDP posting the highest first-quarter growth rate since 2020

Gross Domestic Product (GDP) in Q1/2025 increased by 6.93% yoy, marking the highest growth rate for a first quarter during the 2020 - 2025 period. This growth result exceeded the target of 6.2% - 6.6% in Q1 set under the full-year growth scenario of 6.5% - 7%. However, it still fell short of the aspirational target for 2025 of 8%, in which the Q1 goal set at 7.7%. In Q1, the agriculture, forestry and fishery sector increased by 3.7% (contributing 6.1% to the overall growth); the industry and construction sector expanded by 7.4% (contributing 40.2%); while the service sector rose by 7.7% (contributing 53.7%).

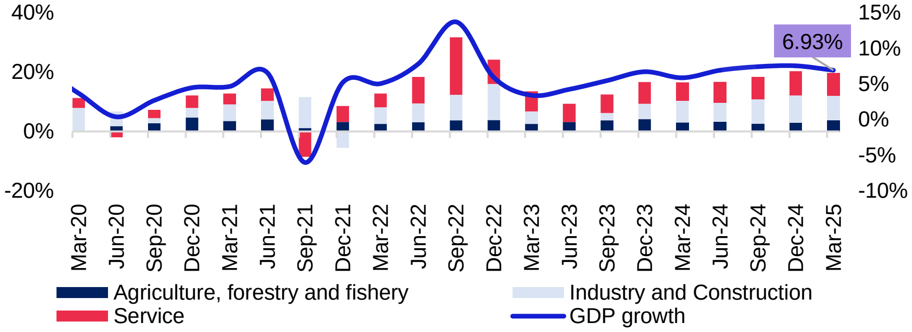
Industrial production regained its momentum in March

Exports in Mar expanded by 14.5% yoy, while imports surged by 19% yoy. For 3M25, exports and imports grew by 10.6% and 17%, respectively, resulting in a trade surplus of USD 3.16bn. Production activities linger positive growth with the Industrial Production Index (IIP) leaped by 8.6% yoy in Mar. Along with that, the PMI index rose above the 50-point threshold for the first time in four months, reaching 50.5 in March, thanks to a rebound in new orders after two consecutive months of decline.

The 46% retaliatory tariff shock

On April 2, President Trump announced reciprocal tariffs of at least 10% across all countries (starting April 5), and higher rates imposed on nations having high trade surpluses with the US (effective from April 9). Among them, Vietnam faced a tariff rate as high as 46%. However, by the afternoon of April 9 (early morning April 10, Vietnam time), the trade conflict between the US and the rest of the world took a sudden turn when President Trump decided to suspend his reciprocal tariffs plan for 90 days to allow time for bilateral negotiations. Accordingly, almost all countries now will be subject to a 10% tariff, rather than the higher rates previously. In contrast, the tariff on Chinese goods was raised to 125%. In this context, Vietnam's export activities will undoubtedly be affected given its high level of trade openness. However, the extent of the impact remains uncertain, as the final tariff rate on Vietnamese goods has yet to be confirmed. Therefore, we are closely monitoring the developments of upcoming negotiations to appropriately adjust our growth outlook.

Figure 1: GDP growth in sectors (yoy%)



Source: GSO, MBS Research

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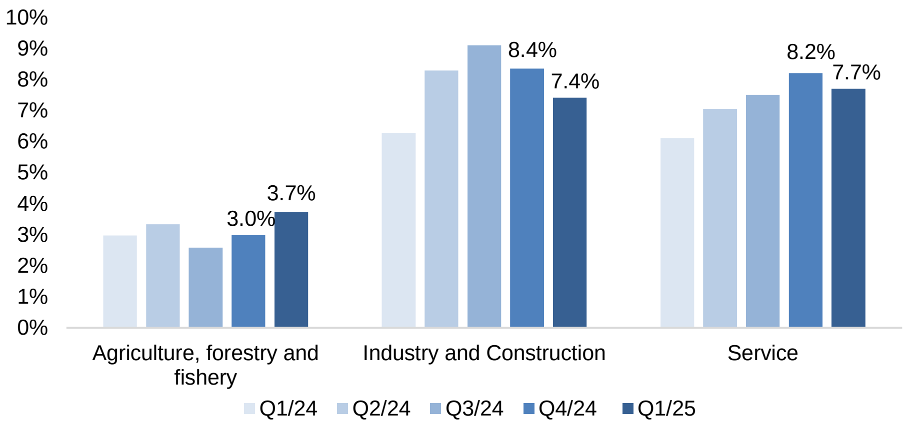
Momentum meets headwinds

Kicking off 2025 on a high note with Q1 growth approaching 7%...

Gross Domestic Product (GDP) in Q1/2025 increased by 6.93% yoy, marking the highest growth rate for a first quarter during the 2020 - 2025 period. This growth result exceeded the target of 6.2% - 6.6% in Q1 set under the full-year growth scenario of 6.5% - 7%. However, it still fell short of the aspirational target for 2025 of 8% (with the Q1 goal set at 7.7%), amid a global economic environment marked by numerous uncertainties that have impacted the country's socio-economic conditions.

In particular, the industry and construction sector expanded by 7.4%, contributing 40.2% to the overall growth. Of which, the processing and manufacturing industry stood out as the key growth driver with an increase of 9.3%. The agriculture, forestry and fishery sector increased by 3.7%, contributing 6.1% to the increase in total added value of the whole economy. This increase was contributed by the harvest of some perennial plants and positive growth in fishery thanks to the application of high technology and techniques. Lastly, the service sector performed outstandingly, recording the highest growth among the three sectors at 7.7% and contributing 53.7%. Of which, some industries possess solid growth such as: administrative activity & supporting service (+12.6% yoy); transportation and storage (+9.9% yoy); and accommodation & catering services (+9.3% yoy).

Figure 2: Quarterly GDP growth by sector (%yoy)



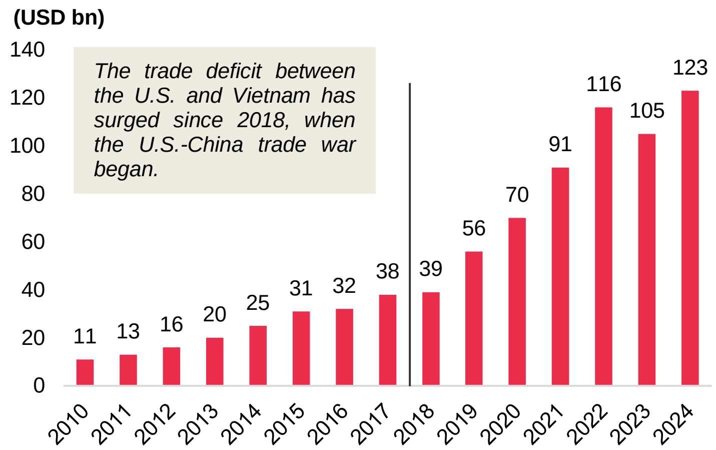
Source: GSO, MBS Research

… Yet, the 46% retaliatory tariff imposed by the US on Vietnamese goods casts a shadow over the growth outlook

On April 2, President Trump announced retaliatory tariffs across all countries, stating that the tariffs reflect the trade barriers these countries have imposed on US goods over time, and also account for currency manipulation factors. Accordingly, Vietnam was placed among the group of countries subject to the highest import tariff rate - up to 46% - which significantly exceeded the worst-case scenario previously anticipated by the market, which has been estimated at only 15% - 20%. However, on April 9, the trade conflict between the US and the rest of the world took a sudden turn when President Trump decided to suspend the reciprocal tariffs plan for 90 days to allow time for bilateral negotiations (the new effective date is July 8). Accordingly, almost all countries now will be subject to a 10% tariff, rather than the higher rates previously announced.

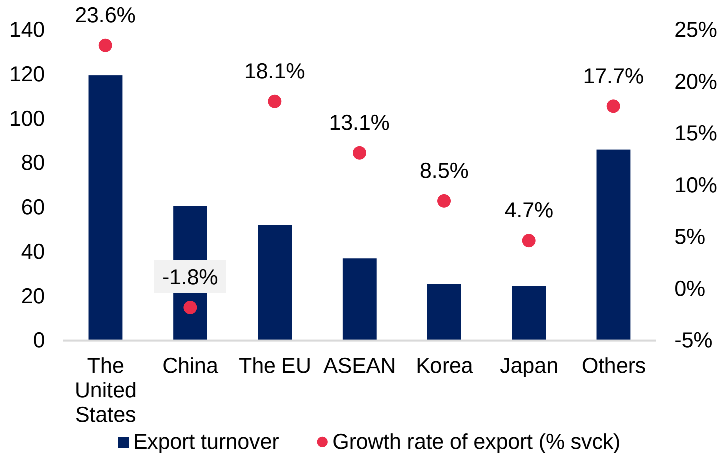
Contrary to earlier expectations, the current administration has chosen to determine retaliatory tariffs based on trade deficits rather than the tariff rates imposed by other countries on U.S. goods. For instance, the trade balance between Vietnam and the U.S. stands at around USD 124bn, accounting for 90% of total bilateral trade. Based on this, the 46% tariff was applied - equivalent to roughly half of the trade deficit ratio. We believe that, with Vietnam's ongoing negotiation efforts, the final tariff rate imposed on Vietnamese goods will likely be lower than the initial 46%. However, given such a high starting point, it will be difficult to bring the retaliatory tariff down to the levels previously expected by the market.

Figure 3: Vietnam ranked third among the countries with which the US had the largest trade deficit in 2024



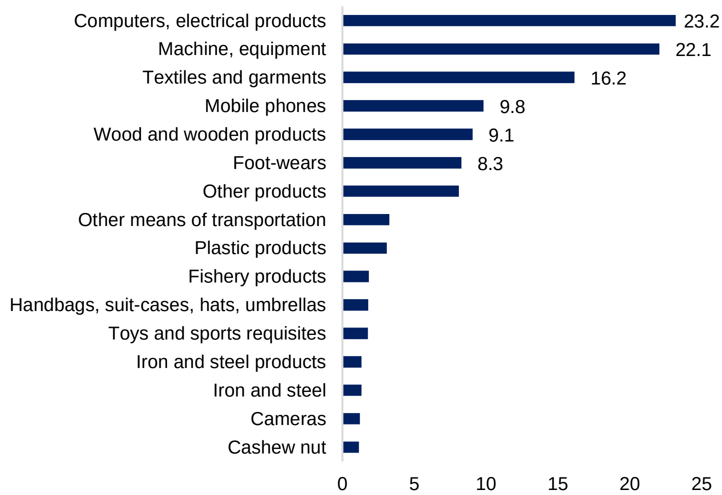
Source: GSO, MBS Research

Figure 4: Exports to the US accounted for nearly 30% of Vietnam's total export value, growing by 23.3% yoy in 2024



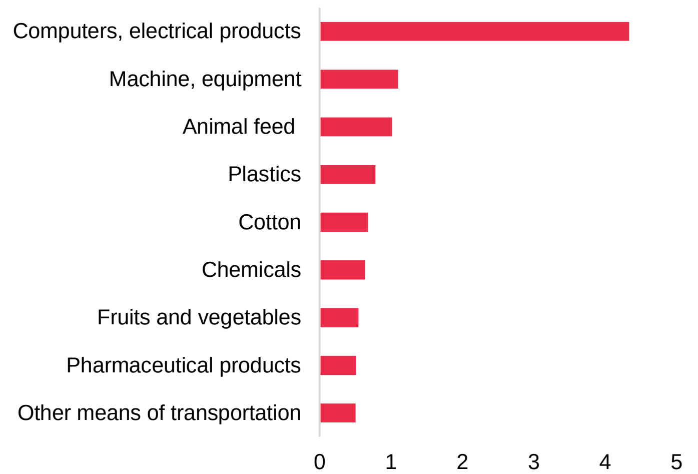
Source: GSO, MBS Research

Figure 5: Vietnam's top export categories to the US in 2024 (USD bn)



Source: Vietnam Customs, MBS Research

Figure 6: Vietnam's top import categories from the US in 2024 (USD bn)



Source: Vietnam Customs, MBS Research

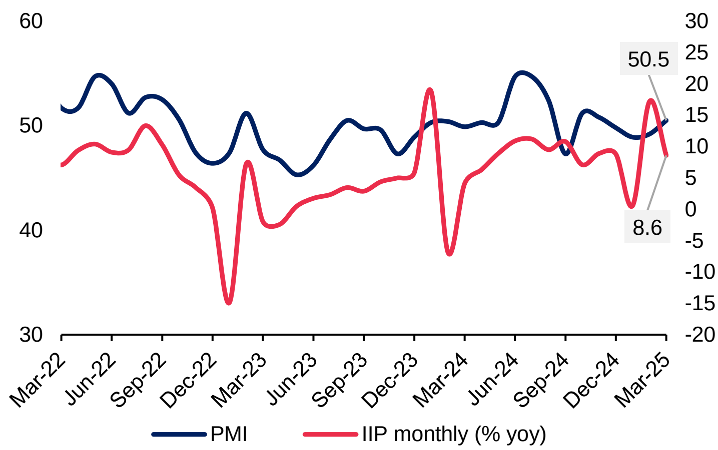
We believe that the higher-than-expected retaliatory tariffs will negatively impact three key areas of the economy. First, elevated tariff rates reduce the competitiveness of Vietnam's key export products to the US market - such as machinery, electronic components, mobile phones, and textiles/footwear - especially as direct competitors like India (26%) and Thailand (37%) face significantly lower tariffs. Second, Vietnam ranks as the country with the third-highest retaliatory tariff rate in Southeast Asia, which may affect the inflow of manufacturing FDI that has been shifting to Vietnam under the China+1 strategy. Third, the exchange rate will come under additional pressure, as Vietnam may need to increase imports from the US in an effort to narrow its trade surplus with this country.

Industrial production in Q1 recorded its strongest growth in the past five years

Industrial production nudged up by 12% mom and 8.6% yoy in March, driven largely by a 10.2% rise of the manufacturing sector. Industries that experienced strong production growth during the month include: manufacture of coke and refined petroleum products (+30.6% yoy); manufacture of motor vehicles, trailers and semi-trailers (+18.4% yoy); and manufacture of wearing apparel (+16.8% yoy). For the first 3M2025, industrial production grew by 7.8% yoy, marking the highest growth in the first quarter since 2020. The manufacturing sector saw an increase of 9.5%, significantly higher than the 5.9% growth recorded in the same period last year.

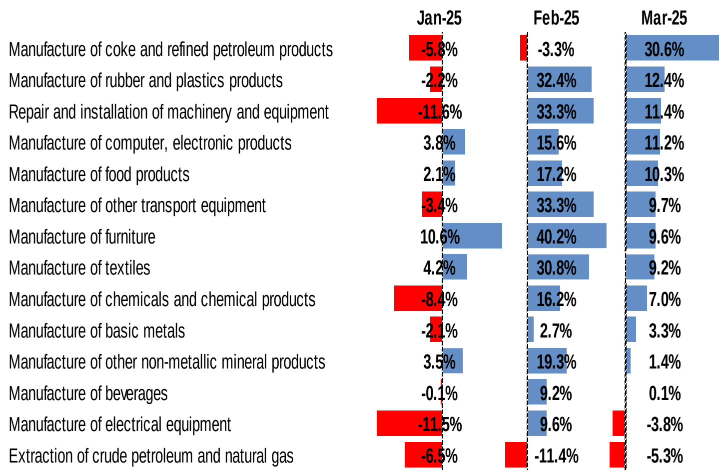
The manufacturing sector has also shown signs of improvement, with the PMI rising above the 50-point threshold for the first time in four months, reaching 50.5 in March. This was driven by a rebound in new orders after two consecutive months of decline. However, the growth in new orders remained modest. In addition, concerns over global market instability and uncertainty have made businesses more hesitant to hire or purchase additional input materials. Overall, business sentiment remains relatively optimistic, supported by the increase in new orders and hopes for a gradual recovery in customer demand. That said, the level of optimism is still below average due to ongoing concerns about global economic instability.

Figure 7: Vietnam's PMI manufacturing and IIP (% change YoY)



Source: GSO, MBS Research

Figure 8: Change in IIP in sectors monthly (% change YoY)



Source: GSO, MBS Research

Export activities continued to grow at a double-digit pace

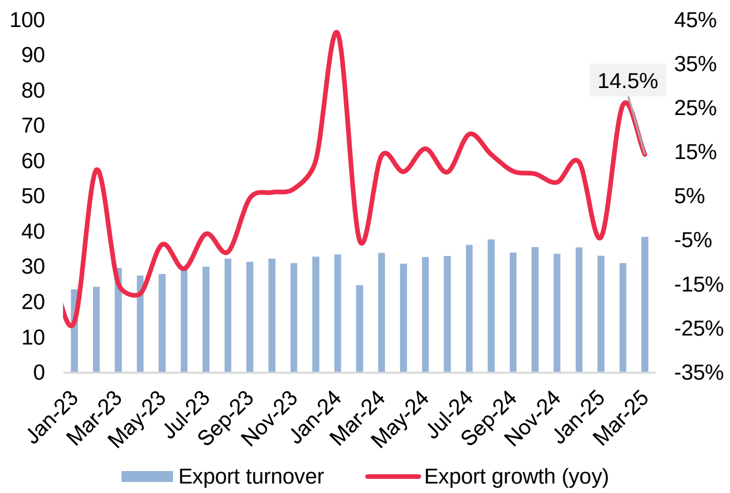
Export turnover in March surged by 23.8% mom, reaching USD 38.51bn - the highest monthly export value in the past decade. This partly reflects efforts by enterprises to front-load ahead of President Trump's retaliatory tariff announcement in April. Compared to the same period last year, exports rose by 14.5%, driven by strong growth in several key categories, including: Toys, sports equipment and parts (+91.9% yoy); textile fibers (+65.8% yoy); electronics, computers, and components (+35.1% yoy).

Cumulatively, in the first three months of 2025, export turnover reached USD 102.84bn (+10.6% yoy), with notable increases in items such as: Toys, sports equipment and parts (+73.8% yoy); coffee (+45.9% yoy); iron and steel products (+30.2% yoy). On the other hand, some commodities experienced sharp declines, including: iron and steel (-25.1% yoy); cameras, camcorders, and components (-21.6% yoy), and plastic materials (-19.3% yoy).

In terms of export markets, the United States remained Vietnam's largest export market, with an estimated turnover of USD 31.4bn (+21.9% yoy). Exports to the EU increased by 12.7% yoy to USD 13.7bn, while exports to China reached USD 13.2bn (+0.2% yoy).

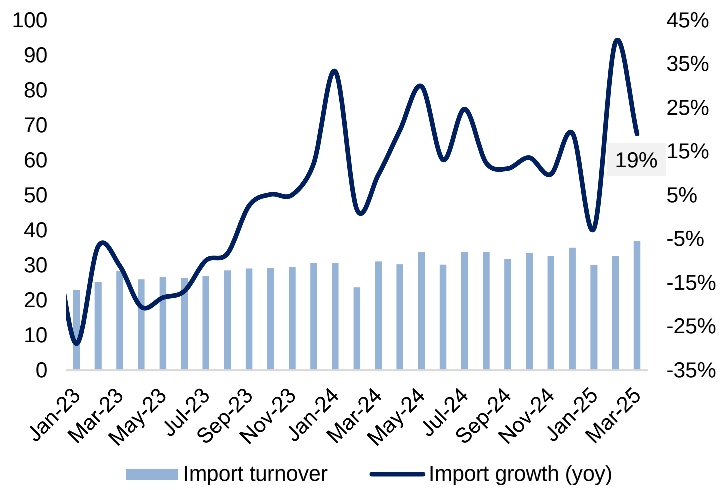
On the import side, turnover in March was estimated at USD 36.88bn (+19% yoy, +12.9% mom), bringing total imports in Q1 to USD 99.68bn (+17% yoy). China remained Vietnam's largest import partner, with an estimated value of USD 38.1bn (+24.7% yoy). During Q1, two imported product groups recorded values exceeding USD 5bn and accounted for 44.4% of total imports: electronics, computers and components; machinery, equipment, and spare parts.

Figure 9: Vietnam's monthly export turnover (USD bn)



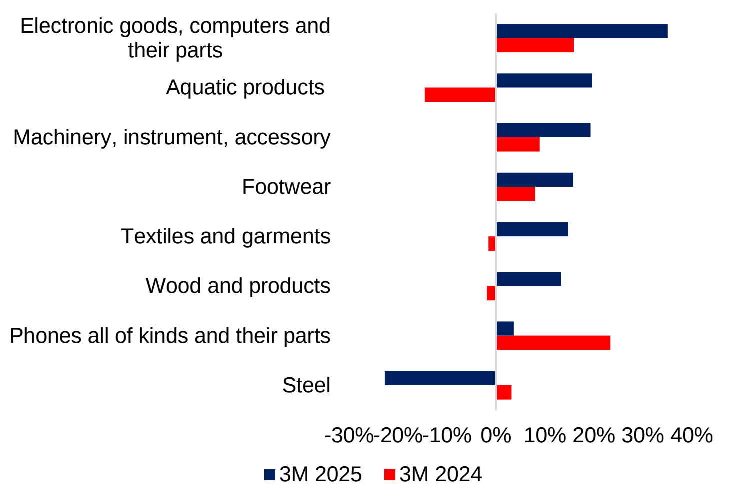
Source: GSO, MBS Research

Figure 10: Vietnam's monthly import turnover (USD bn)



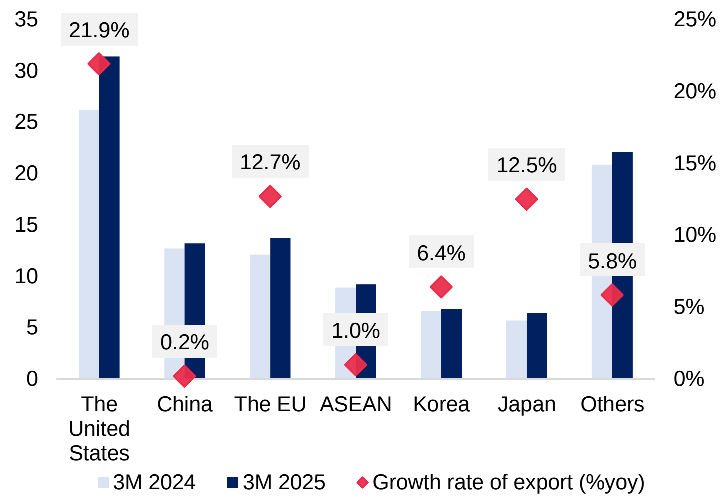
Source: GSO, MBS Research

Figure 11: Growth of major export products in 3M2025 (%yoy)



Source: GSO, MBS Research

Figure 12: Export market of Vietnam in 3M2025 (USD bn)



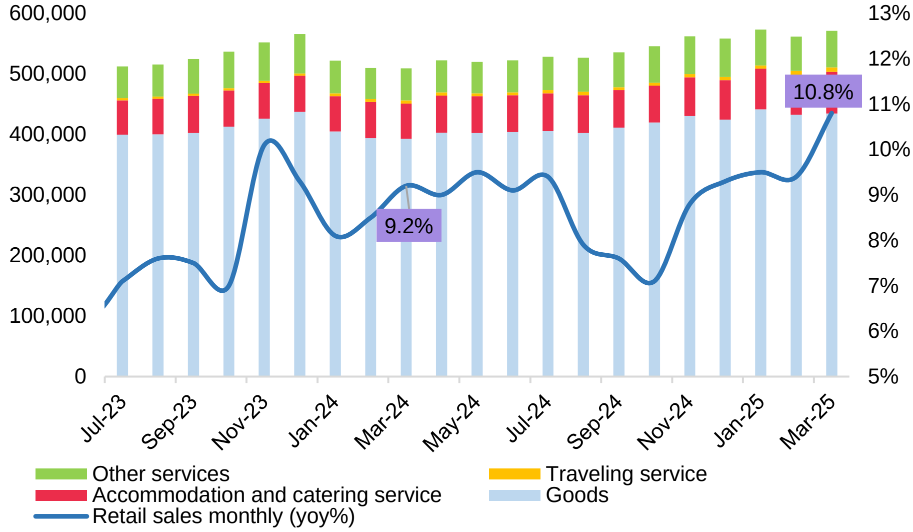
Source: GSO, MBS Research

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.

The recovery in domestic consumption is increasingly apparent

Domestic consumption continued to improve, while the tourism sector sustained its strong growth in March. Specifically, total retail sales of goods and services rose by 10.8% yoy - the highest growth rate since May 2023. In Q1/2025, total retail sales of goods and services grew by 9.9% yoy, if excluding the price factor, up 7.5% yoy - outperforming the 5.5% increase recorded in the same period last year. This solid growth highlights a positive outlook for domestic consumption recovery in 2025, supported by demand-stimulus programs and favorable policies, including the extension of the 2% VAT reduction through the end of June 2025. At the same time, the tourism sector has maintained its strong upward momentum. Thanks to more favorable visa policies, enhanced tourism promotion programs, and prestigious international awards, Vietnam welcomed over 6mn international visitors in the first three months of the year - up 29.6% yoy and 33.7% compared to the same period in 2019 - before the COVID-19 pandemic.

Figure 13: Retail sales of consumer goods and services (Billion VND)



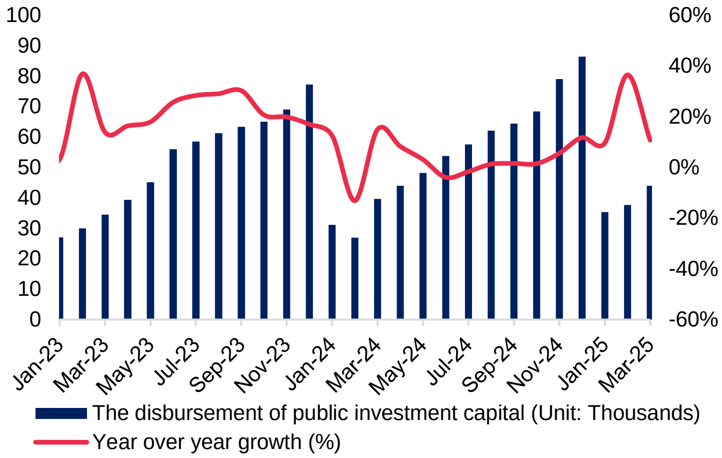
Source: GSO, MBS Research

FDI and public investment disbursement maintained solid growth momentum

In March, newly registered FDI inflow surged by 82.9% compared to the same period last year, while disbursed FDI increased by 9.8% yoy. For 3M24, newly registered FDI amounted to USD 4.3bn (-31.5% yoy), while realized FDI rose by 7.2% to USD 4.96bn – marking the highest disbursed FDI for the first three months in the past five years. Of which, processing and manufacturing sector lured USD 4.05bn (accounting for ~ 81.7%), real estate sector attracted USD 387.7mn (accounting for ~ 7.8%), and utilities received about USD 193.3mn (accounting for ~ 3.9%). Notably, in March, Bac Ninh province granted an investment registration certificate to Hainan Goertek for an electronic component manufacturing project in the Nam Son Industrial Park, with a total investment capital of USD 270mn.

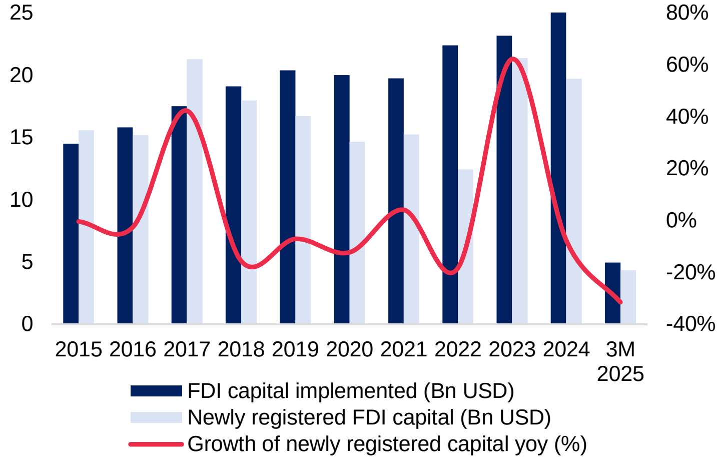
Disbursed state investment increased by 10.8% yoy to VND 43.97tn in Mar. For 3M25, state investment amounted to VND 116.9tn (+19.8% yoy), fulfilling 13.5% of Government's target.

Figure 14: Growth of realized investment capital from State budget



Source: GSO, MBS Research

Figure 15: Growth of foreign investment capital



Source: GSO, MBS Research

Inflation is showing signs of moderation

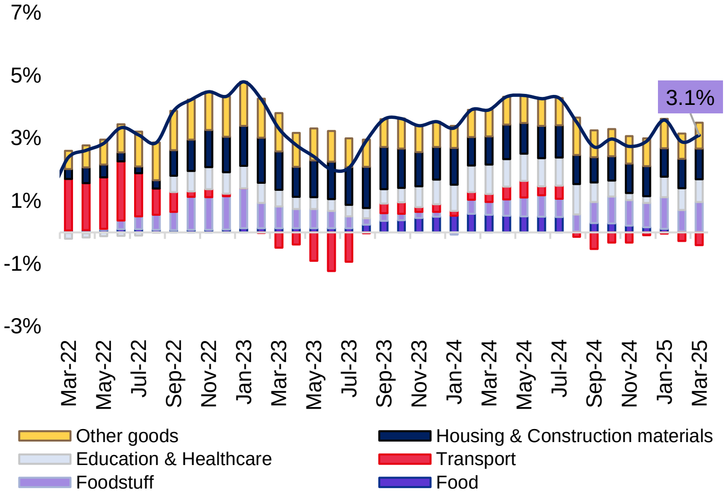
CPI in March decreased by 0.03% mom and up by 3.1% yoy – significantly lower than the 4% increase recorded in March 2024, thanks to declines in global fuel and rice prices. On average, CPI in the first three months of 2025 increased by 3.2% yoy, remaining well under control and below the Government's target range of 4.5% - 5%. Meanwhile, core inflation rose by 3%.

In March, food and catering services (+3.8% yoy), driven by an 4.5% yoy increase in the foodstuff due to a 32% yoy increase in pork price amid supply shortage, contributed greatly to the rise in overall CPI. Additionally, the medicine and healthcare services group soared by 14.6% yoy due to the adjusted healthcare service prices contribute further to the uptrend of CPI. Elsewhere, the housing and construction materials group index inched up by 5.3% yoy due to a 7.3% yoy increase in house rental prices as rising real estate prices in recent months prompted landlords to adjust rental rates accordingly. Conversely, the transport group experienced a decrease of 4.1% yoy as domestic gasoline and oil price fell by 13.8% yoy due to concerns that tariffs woes would slow down the global economy and reduce energy demand, while OPEC+ is planning to increase supply from May 2025.

On average, for the first 3M2025, CPI surged by 3.2% yoy (while CPI in 3M2024 increased by 3.8% yoy). The inflationary uptrend slowed thanks to several factors, including a 9.7% yoy decline in gasoline and oil prices and a 0.6% decrease in education costs, as some provinces and cities waived or reduced tuition fees for the 2024–2025 academic year. In contrast, key factors contributing to the increase in the average CPI include: a sharp 12.5% rise in pork prices due to supply shortages; a 5.1% yoy increase in electricity prices following EVN's price hike in Oct 2024.

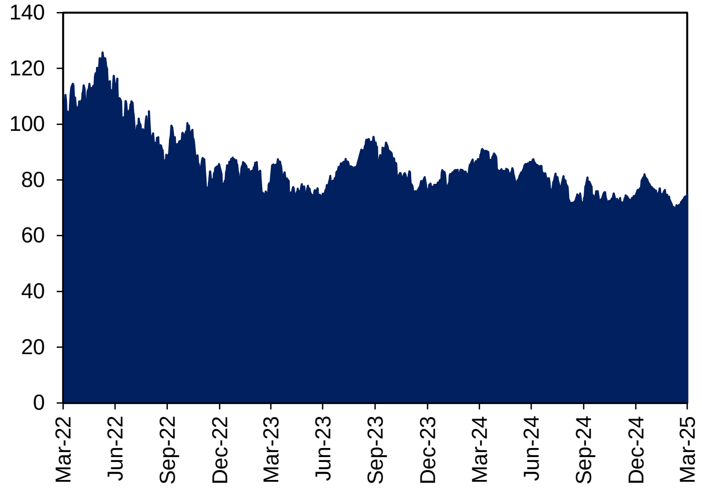
We expect the average CPI for 2025 to increase by 3.9% yoy - lower than the government's target of 4.5% - 5%, based on the following factors: Global oil prices expected to fluctuate around 70 USD/barrel in 2025, lower than the 77 - 82 USD/barrel range in 2024 due to a weak demand-supply balance. Food 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 16: Contribution of commodity groups to CPI growth (%)



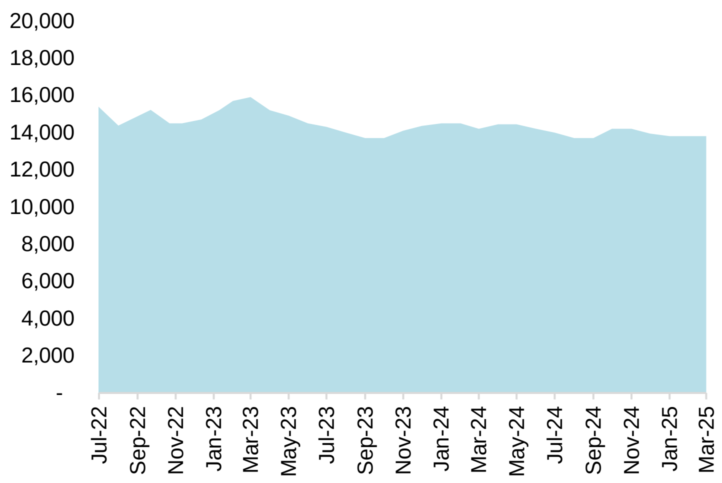
Source: GSO, MBS Research

Figure 17: Brent crude oil price (USD/Barrel)



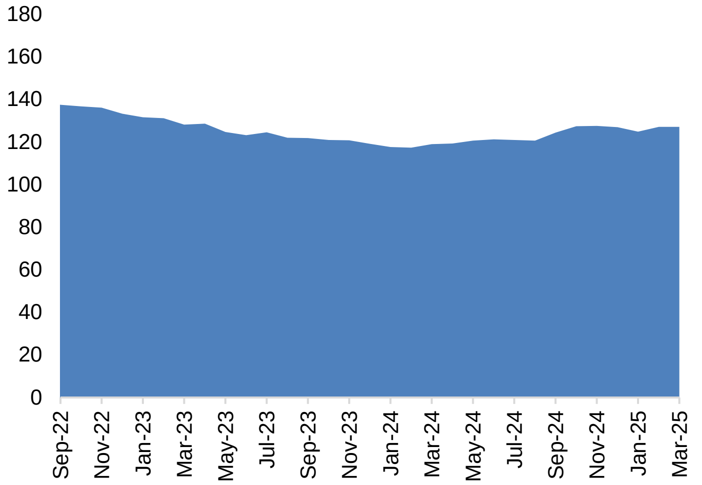
Source: Bloomberg, MBS Research

Figure 18: Steel price (Mn VND/ton)



Source: MBS Research

Figure 19: FAO food price index



Source: FAO, MBS Research

Deposit rates slid markedly following PM's directive

Interbank rates fluctuate within the range of 3.2% - 4.6% throughout the month

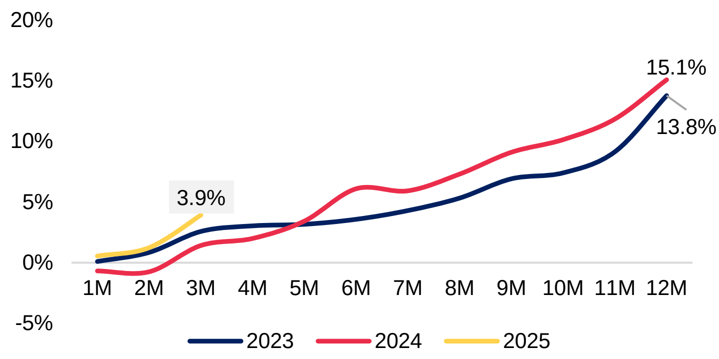
In March, the SBV issued nearly VND 2tn worth of 7-day T-bills, with interest rates ranging from 3.1% to 3.2%, and suspended the operation on March 5. At the same time, after several months, the SBV has resumed using long-term OMO contracts with maturities of 28, 35, and 91 days during the month. This move reflects a shift toward providing longer-term liquidity support to the banking system. Specifically, during the month, the central bank injected approximately VND 253.5tn through the OMO channel at an interest rate of 4% for 7- to 91-day tenors. As a result, the SBV conducted a net liquidity injection of around VND 30.9tn in March.

Throughout March, overnight interbank rates remained relatively stable, fluctuating between 4% and 4.6%. However, thanks to the SBV's net injection efforts, interbank interest rates sharply decreased from 4.6% at the end of February to 3.2% on March 28th. By month-end, the overnight rate stood at 4.6%, while rates for tenors ranging from one week to one month hovered around 4.7%.

Deposit rates are on the verge of declining

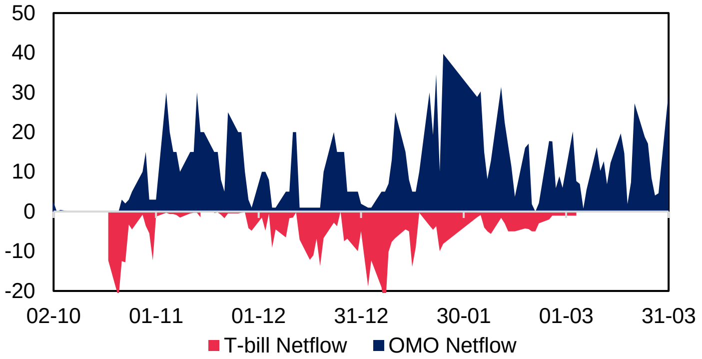
In compliance with the Prime Minister's decisive directives, deposit interest rates have dropped significantly, with 25 banks simultaneously reducing rates by 0.1% to 1.05% per year across various tenors. Among state-owned banks, the average short-term interest rate has decreased by 7bps compared to the end of February, but the average 12-month deposit rate remained unchanged at 4.7%. Meanwhile, among commercial private banks, the average 12-month deposit rate at commercial banks had decreased by 9bps from the end of February, reaching 4.96%. Therefore, this has contributed to lowering lending rates, which helps support economic growth. According to the Director of the Monetary Policy Department at the SBV, the average lending rate has decreased by 0.6% in the first three months of this year.

Figure 20: Credit growth (% ytd)



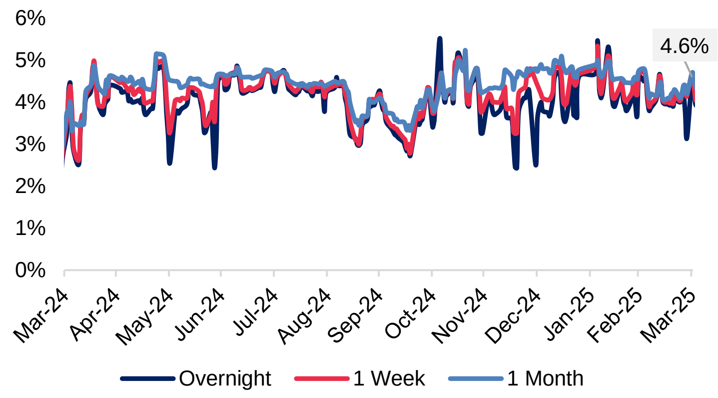
Source: Bloomberg, MBS Research

Figure 21: SBV's Open Market Operation (Liquidity) [VND tn]



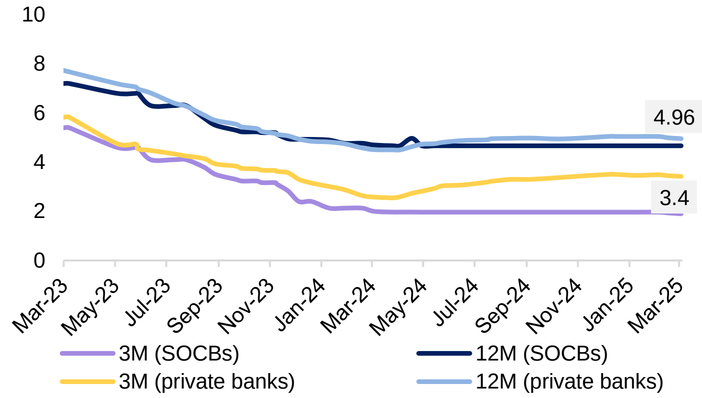
Source: SBV, MBS Research

Figure 22: Interbank overnight lending rate (%)



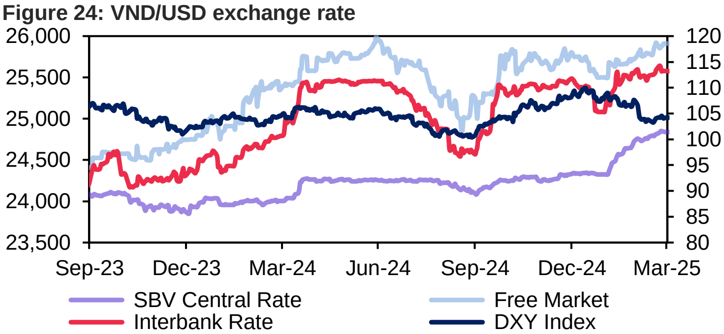
Source: Bloomberg, MBS Research

Figure 23: Commercial banks deposit rate (%)



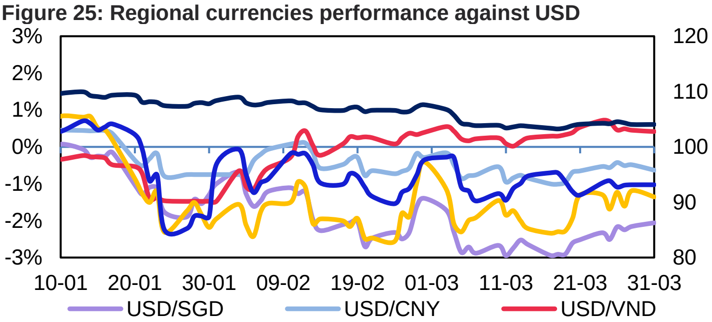
Source: Bloomberg, MBS Research

Figure 24: VND/USD exchange rate



Source: Bloomberg, MBS Research

Figure 25: Regional currencies performance against USD



Source: SBV, Bloomberg, MBS Research

Dollar Index hit a 5-month low as growth concerns bite

US Dollar dipped as tariff turmoil fuelled unease over the economic slowdown

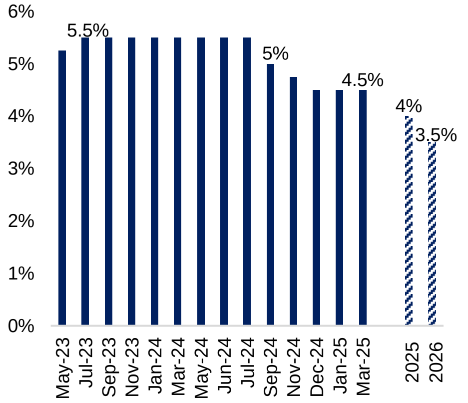
The DXY had been dropping drastically during the month and even hit a five-month low of 103.2 on March 18, as cracks began to emerge in the economy: The unemployment rate rose to 4.1%, while the manufacturing sector weakened with the ISM PMI dropping to 49 in March. Consumer spending remained moderate in February, but consumers appeared to be more tactical and cautious in their spending habits due to concerns over sluggish growth and high inflation. Thus, the FOMC decided to maintain its key interest rate within the range of 4.25% - 4.5% and downgraded its outlook for economic growth while raising its inflation projections. Officials now anticipate the economy to expand at just 1.7% this year, while core inflation is expected to grow by 2.8% yoy.

Despite the gloomy economic outlook, President Trump continues to escalate geopolitical tensions by introducing successive rounds of additional tariffs on Chinese goods, as well as a 25% tariff on all imported automobiles and auto parts. In response, several countries, such as China and Canada, have taken various retaliatory measures, further adding to the tariff-related tensions. Facing this, US consumer confidence plunged to its lowest level in more than four years in March, as concerns over the impact of trade policies - particularly tariffs - continued to rise. Thus, the Dollar depreciated by 3.3% over the month, reaching 104.1 by month-end.

The exchange rate remained elevated despite a weakened USD

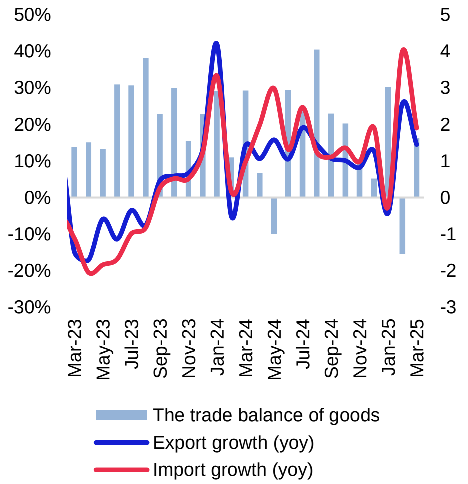
Despite the sharp depreciation of the USD throughout the month, the USD/VND interbank exchange rate remained elevated, fluctuating between 25,480 and 25,600 VND/USD in March. Although external pressures eased, strong domestic demand continued to exert upward pressure on the exchange rate. In March, the State Treasury announced plans to purchase US dollars from commercial banks, with a maximum total value of USD 730mn. This move has tightened USD supply, adding further pressure on the exchange rate. As a result, the interbank exchange rate remained virtually unchanged from the previous month, reaching 25,563 VND/USD by the end of March (+0.4% compared to early 2025). Meanwhile, the free-market rate climbed to 25,910 VND/USD, while the central rate stood at 24,837 VND/USD, marking increases of 0.6% and 2%, respectively, from the start of the year.

Fed kept interest rates unchanged at 4.5% in the March meeting



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 (USDbn)	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 – 18
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.

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