Set sights on a new growth target

- Import-export activities muted in Jan while the manufacturing sector deteriorated for the third consecutive month with the PMI slid to 48.9.
- Interbank rates remained relatively stable throughout the month before surging to 4.6% by the end of Jan due to mounting liquidity pressure from seasonal factors.
- We expect the economy to expand by 7.1% - 7.5% yoy in 2025.

The manufacturing sector deteriorated for the third consecutive month due to a contraction in new orders

Exports in Jan contracted by 4.3% yoy as customs operations and business activities were temporarily halted during the Tet holiday, resulting in lower export volumes. Meanwhile, imports also declined by 2.6% yoy. However, Vietnam still recorded a trade surplus of USD 3.03bn in the first month of 2025. Industrial production increased by a modest 0.6% yoy, constrained by the Lunar New Year holidays occurring late in the month. Meanwhile, the manufacturing sector continued to contract for the third consecutive month, with the PMI posted 48.9 in Jan amid declines in new orders due to sluggish global demand recovery.

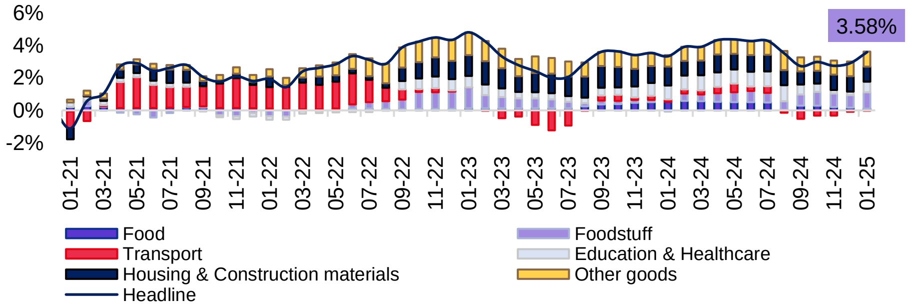
Inflation surged amid strong consumer demand during the Lunar New Year

CPI in Jan spiked by 0.98% mom and by 3.63% yoy. The increase was primarily driven by price adjustments in certain localities following Circular No. 21/2024/TT-BYT, which led to a 14.1% yoy rise in the medicine and healthcare services group. Additionally, food prices rose by 4.8% yoy as strong consumer demand during the Lunar New Year further contributed to CPI growth this month. We expect the 2025 average headline CPI to remain moderate, increasing by 4% yoy, supported by several factors: global oil prices are likely to remain moderate due to a weak demand-supply balance going into 2025, food price pressures are expected to ease slightly thanks to ample supply after India's export ban removal.

We expect 2025 GDP growth to reach 7.1% - 7.5%

2025 is a crucial year, marking the final stage of the 2021–2025 socioeconomic development plan. Accordingly, the government has set an ambitious GDP growth target of 8%, up from the previous minimum of 6.5%, to lay the foundation for double-digit growth from 2026 onward. Demonstrating a strong commitment to higher growth, the government has outlined comprehensive solutions across all sectors in Resolution 01 and is even willing to accept higher inflation and budget deficits to channel resources into development-related investments. In line with this perspective, we expect GDP growth to reach 7.1% - 7.5% in 2025, driven by accelerated public investment disbursement and a recovery in manufacturing activities.

Figure 1: CPI in Jan was mostly driven up by foodstuff and healthcare services (%/yr)



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

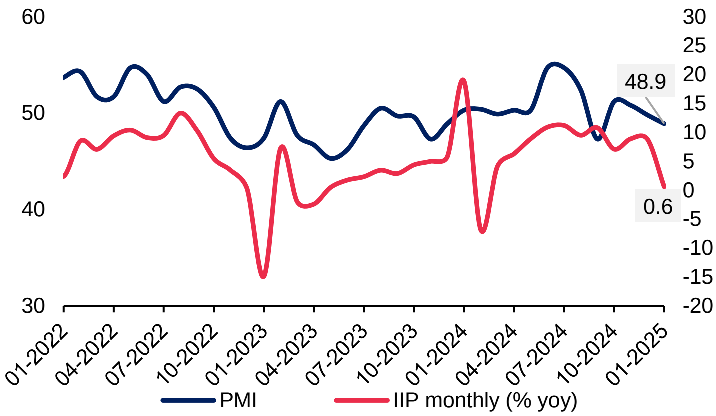
Set sights on a new growth target

Industrial production activities halt due to the overlap with the Lunar new year holiday

The 2025 Lunar New Year took place in Jan, resulting in fewer working days compared to both the previous month and the same period last year (the 2024 Lunar New Year holiday occurred in Feb). As a result, the Industrial Production Index (IIP) for Jan decreased by 9.2% mom, while increasing by 0.6% yoy. Industries that experienced significant declines in growth during the month include: manufacture of pharmaceuticals, medicinal chemicals, and botanical products (-29.1% yoy); mining of coal and lignite (-20.1% yoy). However, certain industries continued to perform well, such as: manufacture of motor vehicles, trailers, and semi-trailers (+33.8% yoy); manufacture of furniture (+10.6% yoy); manufacture of leather and related products (+10.3% yoy).

The manufacturing sector began the year on a weaker note, as the PMI fell for the third month in a row to 48.9 in Jan, driven by a drop in new orders. This marks the second consecutive month the PMI has been below the 50-point mark, as new orders declined for the first time in four months while export orders continued to fall due to subdued demand. In response to reduced workloads and global uncertainties, manufacturers cut back on their finished product inventories and reduced staff levels. Nevertheless, firms remained optimistic about production in the coming year, with sentiment driven by hopes for a recovery in market demand.

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



Source: Bloomberg, MBS Research

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

	Nov-24	Dec-24	Jan-25
Manufacture of furniture	24.3%	14.5%	10.6%
Manufacture of textiles	10.7%	11.9%	4.2%
Manufacture of computer, electronic products	12.0%	8.0%	3.8%
Manufacture of other non-metallic mineral products	7.3%	4.5%	3.5%
Manufacture of food products	10.9%	10.0%	2.1%
Manufacture of beverages	4.5%	5.9%	-0.1%
Manufacture of basic metals	6.2%	5.6%	-2.1%
Manufacture of rubber and plastics products	14.0%	20.7%	-2.2%
Manufacture of other transport equipment	0.5%	26.7%	-3.4%
Manufacture of coke and refined petroleum products	-4.4%	-5.4%	-5.8%
Extraction of crude petroleum and natural gas	-15.9%	-8.4%	-6.5%
Manufacture of chemicals and chemical products	2.5%	-3.2%	-8.4%
Manufacture of electrical equipment	13.2%	13.3%	-11.5%
Repair and installation of machinery and equipment	-20.8%	-26.7%	-11.6%

Source: GSO, MBS Research

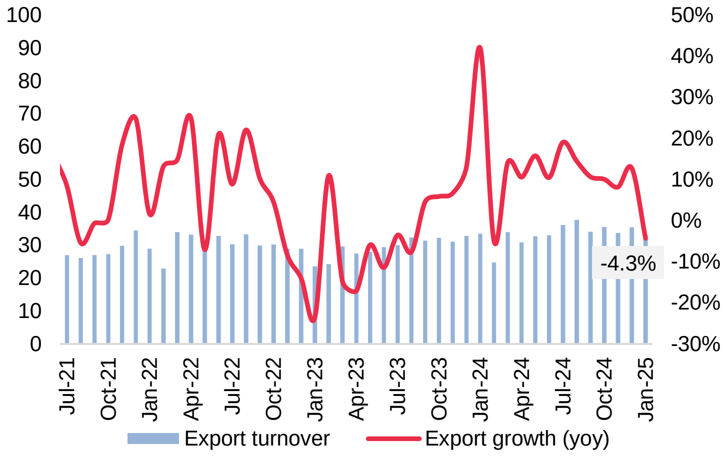
Trade activities contracted due to seasonal factors and sluggish international demand

Export turnover in January declined by 6.9% from the previous month, reaching USD 33.09bn. On a year-on-year basis, exports fell by 4.3%. The slowdown in export growth this month was partly due to the high base from last year (January 2024 export turnover reached USD 33.57bn, up 42% yoy) and partly due to the Lunar New Year holiday, during which customs operations and business activities were temporarily halted, leading to a reduction in export volume. Additionally, the sluggish recovery of global demand also contributed to the decline in new export orders. Top largest export products witnessed significant drop across the board include phones and their parts (-38.1% yoy); plastic materials (-35.7% yoy); cameras, camcorders and their components (-27.3% yoy). Nevertheless, other key commodities continued to maintain strong export growth, including textile fibers (+57.5% yoy); electronic goods, computers and their parts (+29.2% yoy); and rubber (+14.6% yoy).

In terms of export markets, the US named Vietnam's largest export market in 1M25 with export turnover reaching USD 9.8bn, down by 2.1% yoy. Exports to the E.U dropped drastically by 12.6% yoy to USD 4bn, while exports to China amounted to USD 5.8bn (+25.2% yoy).

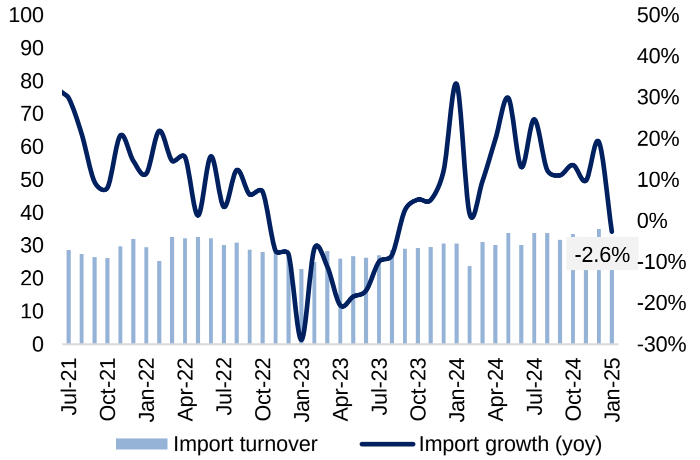
The import turnover of goods is estimated at USD 30.06bn (-2.6% yoy, -14.1% mom) in the first month of 2025. China was still Vietnam's largest exporter with a turnover of USD 11.6bn (-2.2% yoy). In Jan, electronic devices, computers and their parts; along with machinery, instrument, accessory; and fabrics are the 3 import commodities with a value of over USD 1bn (accounting for 49.3% of the total import turnover).

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



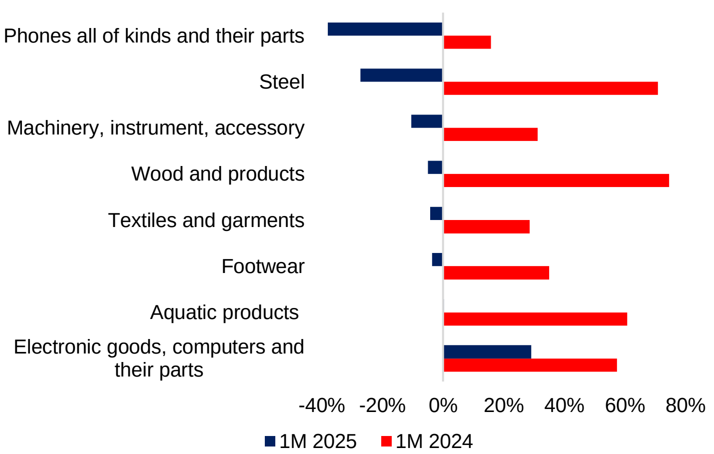
Source: GSO, MBS Research

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



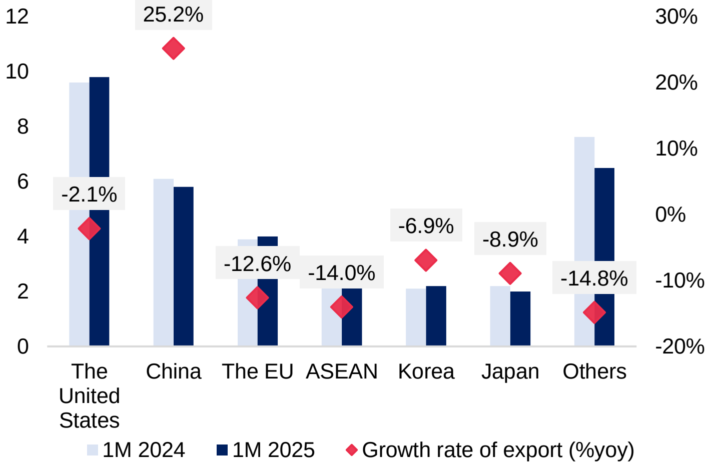
Source: GSO, MBS Research

Figure 6: Growth of major export products in 1M2025 (%yoy)



Source: GSO, MBS Research

Figure 7: Export market of Vietnam in 1M2025 (USD bn)



Source: GSO, MBS Research

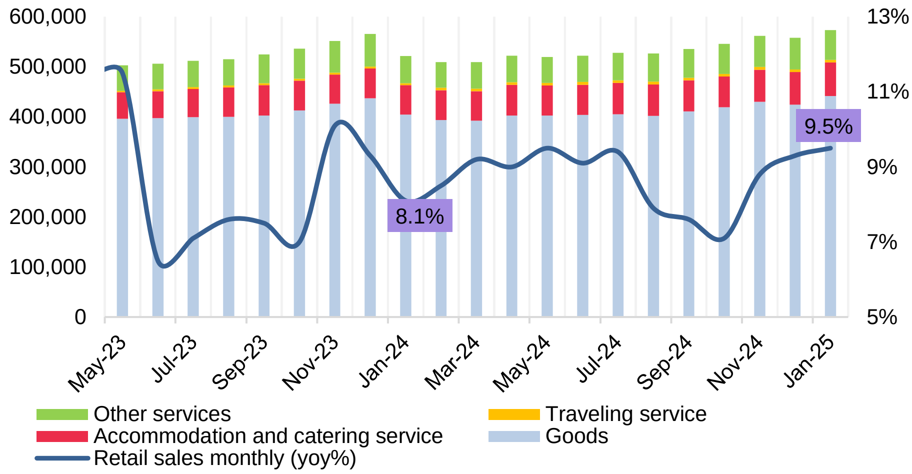
We forecast that exports will increase by 9% - 10% in 2025, with a trade surplus of USD 27bn based on the following factors: First, according to the World Bank's forecast, global trade in goods and services is projected to expand by 3.4% in 2025, as inflation pressures are expected to remain under control and the adoption of monetary easing in various countries will encourage the consumption of manufactured goods. Second, positive signs of FDI in Vietnam are anticipated to play a crucial role in commercial activities. Especially, Vietnam is strengthening its export capacity through participation in regional initiatives such as the CPTPP and RCEP, as well as gaining access to new markets like the UAE through the signing of an FTA in October 2024. Additionally, Vietnam is making efforts to diversify its export products by expanding the range of goods to specific markets, such as signing protocols with China to export frozen durian and fresh coconuts and leveraging its agricultural strengths to tap into the Halal market, etc.

However, Vietnam's export growth in 2025 still faces several challenges, including a potential short-term decline in electronics demand, key markets like the U.S. are ramping up tariff barriers and introducing new protectionist measures, with unpredictable policies that could disrupt global value chains. Moreover, an escalating tit-for-tat trade war may indirectly impact Vietnam's exports, particularly for products shipped to the U.S. that contain raw materials imported from China. Consequently, major export-driven industries such as textiles, wood, and electronics could experience significant trade volatility.

Bustling domestic consumption during the first month of the year

The surge in domestic consumption during the Lunar New Year, along with the robust recovery of the tourism industry, has positively driven growth in the services sector. The retail sales of consumer goods and services in Jan rose by 2.7% mom and 9.5% yoy (+6.6% yoy when excluding the price factor), as the holiday season led to a spike in household purchases. This growth rate represents the highest increase since May 2024, suggesting a promising outlook for the acceleration of domestic demand in 2025. Meanwhile, the tourism sector continues to maintain its momentum. With favourable visa policies, enhanced tourism promotion initiatives, and prestigious international awards, Vietnam attracted nearly 2.1 million foreign visitors in Jan, marking a 36.9% yoy increase and 38% higher than the same period in 2019, the year before the COVID-19 pandemic.

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



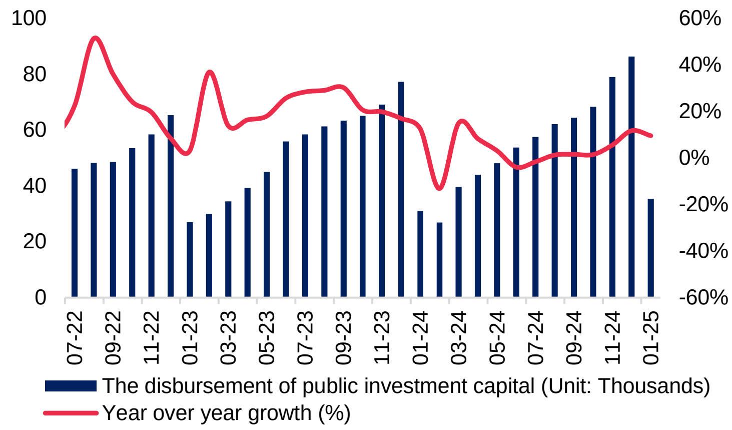
Source: GSO, MBS Research

Both FDI and public investment disbursement had a moderate start

In Jan, newly registered FDI inflow went down by 43.6% compared to the same period last year, while disbursed FDI inched up by 2% yoy. Of which, processing and manufacturing sector lured USD 1.26bn (accounting for ~ 83.2%), real estate sector attracted USD 72.5mn (accounting for ~ 4.7%), and utilities received about USD 72.6mn (accounting for ~ 4.8%). Notably, Jan marked the arrival of the first billion-dollar project of the year – a $1.2 billion investment by Samsung Displays, which was granted its investment registration certificate by Bac Ninh in early 2025.

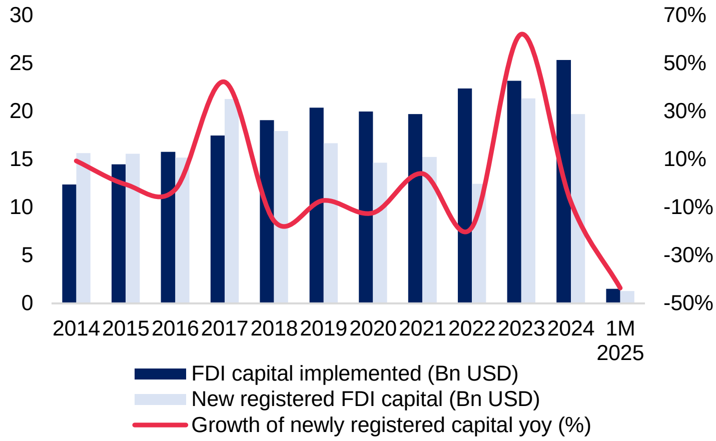
Disbursed state investment amounted to VND 35.4tn (+9.6% yoy), fulfilling 4.1% of Government's target.

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

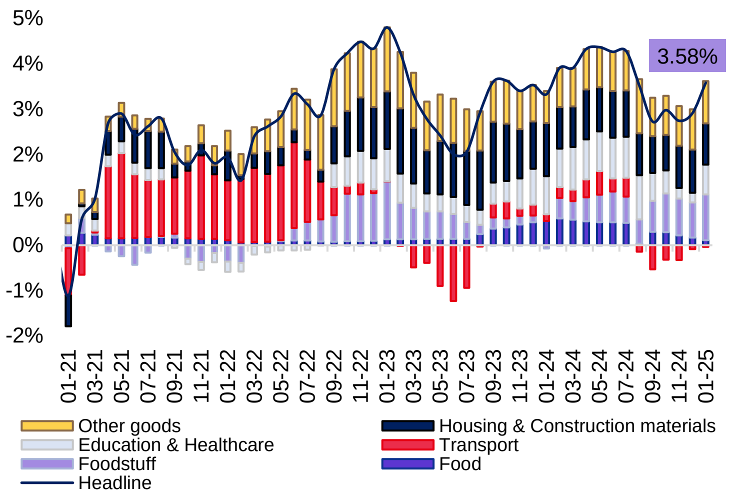
Inflation ticked up in the peak month but still under control

CPI in Jan nudged up by 0.98% mom and 3.63% yoy, while core inflation inched up by 3.07% yoy. The increase was primarily driven by price adjustments in certain localities following Circular No. 21/2024/TT-BYT, which led to a 14.1% yoy rise in the medicine and healthcare services group. Additionally, food prices rose by 4.8% yoy as demand for goods and services surged during the Lunar New Year, making it another major factor contributing to CPI growth this month. Despite being higher than in the same period last year (when CPI in Jan 2024 increased by 3.37% yoy) due to the holiday occurring earlier this year, inflationary pressure has yet to become worrisome, as it remains below the government's target of 4.5%.

In Jan, food and catering services (+4.4% yoy), driven by an 4.8% yoy increase in the food basket, contributed greatly to the rise in overall CPI. Besides, the medicine and healthcare services group soared 14.1% yoy due to the adjusted healthcare service prices contribute further to the uptrend of CPI. The housing and construction materials group index also inched up by 5% yoy, largely due to increasing costs of input materials, rental expenses, and household electricity prices (+5.6% yoy) following EVN's adjustment of the average retail electricity price. Conversely, the transport group experienced a decrease of 0.36% yoy as domestic gasoline and oil price fell by 5.3% yoy. Meanwhile, the price index for the education group fell by 1% yoy as several centrally governed provinces and cities waived or reduced tuition fees for the 2024 – 2025 academic year, served as a limiting factor for the increase in the CPI.

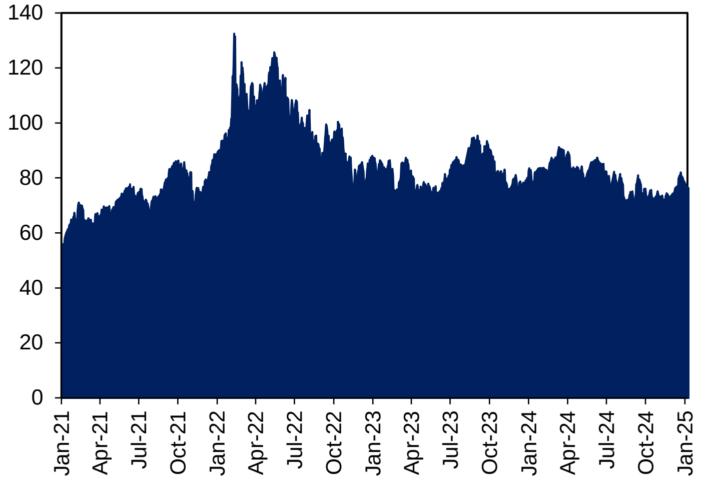
We expect the average CPI for 2025 to increase 4% yoy, driven by lower fuel prices. Although OPEC+ has decided to extend output cuts until the end of March 2025, the downtrend in oil prices is expected to resume due to a relatively slow demand recovery, particularly in China. Additionally, an abundant supply is highly anticipated after Trump officially begins his second administration period. Based on this, we forecast oil price of 70 USD/barrel in 2025, lower than 77 – 82 USD/barrel in 2024. Moreover, food prices pressures are expected to cool in 2025 with an anticipated excess supply after India lifting its export ban on non-basmati white rice. Notably, Indonesia - one of the world's largest rice importers – recently has announced plans to stop importing rice in 2025, which will diminish global demand and exert downward pressure on rice prices. However, risks still persist as 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 (%)



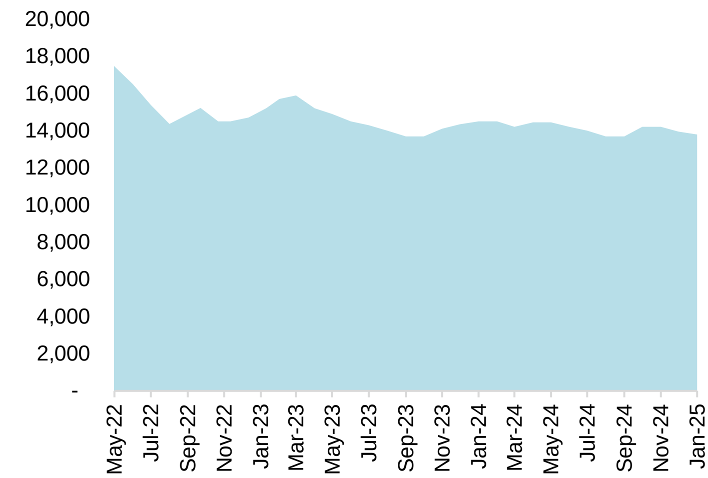
Source: GSO, MBS Research

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



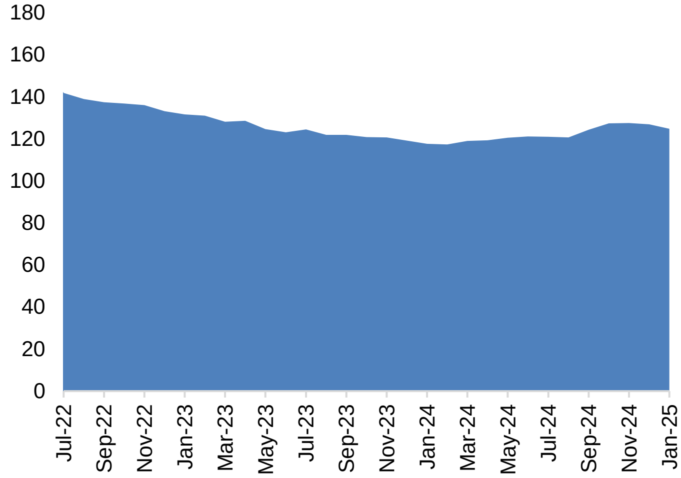
Source: Bloomberg, MBS Research

Figure 13: Steel price (Mn VND/ton)



Source: MBS Research

Figure 14: FAO food price index



Source: FAO, MBS Research

We expect input rates to stay at 5.0% - 5.2% in 2025

Interbank rates surged by month-end due to seasonal factors

The State Bank of Vietnam (SBV) continued to conduct T-bill issuances and OMO operations in Jan to manage banking system liquidity. During the month, the SBV issued nearly VND 162.5tn T-bills at a 4% interest rate with tenors of 7-14 days. At the same time, the central bank injected approximately VND 233.6tn through the OMO channel at interest rates of 4% for 7, 14 and 21-day tenors. In Jan, the SBV increased the amount of liquidity support for the system, with a net injection of VND 67.5tn – rising fivefold compared to the previous month. This occurred amid easing pressure on the foreign exchange rate and a liquidity shortage as cash demand surged during the Lunar New Year at the end of the month.

Interbank interest rates remained relatively stable during the month. Starting at 4% at the beginning of Jan, the overnight rate gradually dropped to 3.6% on Jan 23rd before surging to 4.6% on Jan 24th. This development is attributed to seasonal factors, as system liquidity tends to decline as the Lunar New Year approaches due to rising consumer spending. Consequently, interbank interest rates surged again. By the end of the month, the overnight rate remained at 4.6%. Meanwhile, for tenors ranging from one week to one month, interest rates ranged between 4.7% and 4.8%.

Deposit rates remain stable during the month

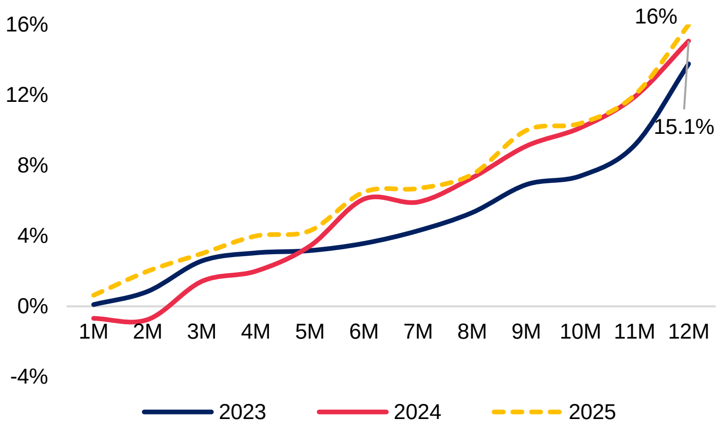
Even though 12 banks raised interest rates by 0.1% - 0.9%/year in Jan, 7 banks also lowered their deposit rates by 0.1% - 0.75%/year. The upward trend in deposit rates was mainly observed among smaller commercial banks, which are preparing large capital reserves to support their lending plans for the year. Recently, the SBV had set a credit growth target of approximately 16% to support an economic growth goal of 8% in 2025.

By the end of January, the average 12-month deposit rate for commercial banks remained at 5.1%, unchanged from the previous month, while the rate for state-owned banks held steady at 4.7%.

We expect deposit rates to stay at 5% - 5.2% in 2025

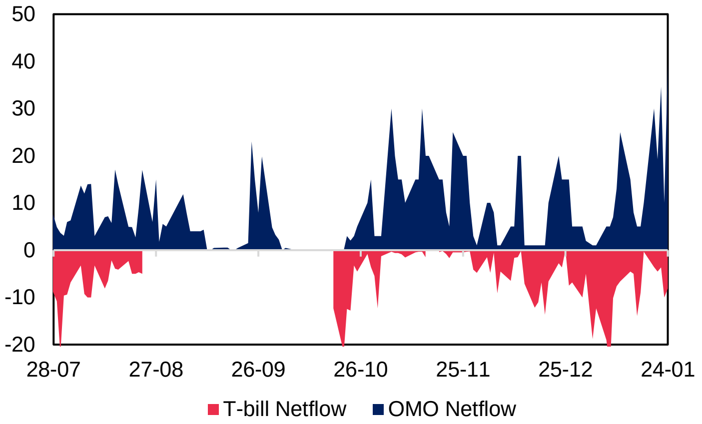
Vietnam's monetary policy stance will be more constrained than previously anticipated, due to the strong USD and the risk of ongoing U.S. investigations into currency manipulation allegations. In such a scenario, the SBV may need to adopt a more cautious monetary policy stance to ensure exchange rate stability, thereby limiting the scope for further monetary easing. Thus, we do not expect any policy rate cut in 2025. Meanwhile, the rebound of the manufacturing sector and the acceleration of public investment disbursement this year are expected to support a continued improvement in credit growth, will exert an upward pressure on input rates. However, the SBV has requested credit institutions to stabilize deposit interest rates and further reduce lending rates. Therefore, we expect the average 12-month deposit rates of large commercial banks to fluctuate around the range of 5% - 5.2% in 2025.

Figure 15: Credit growth (% ytd)



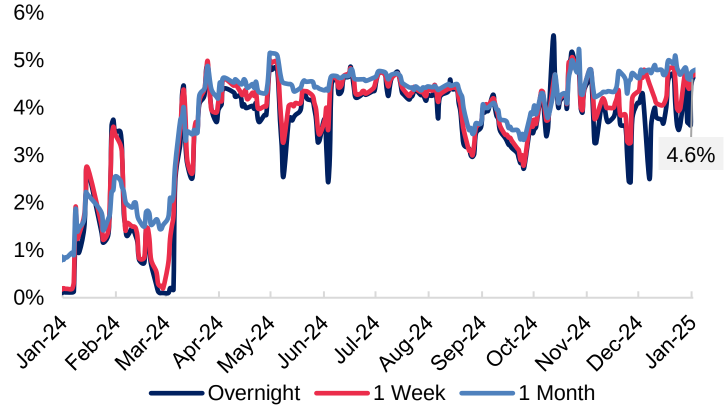
Source: Bloomberg, MBS Research

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



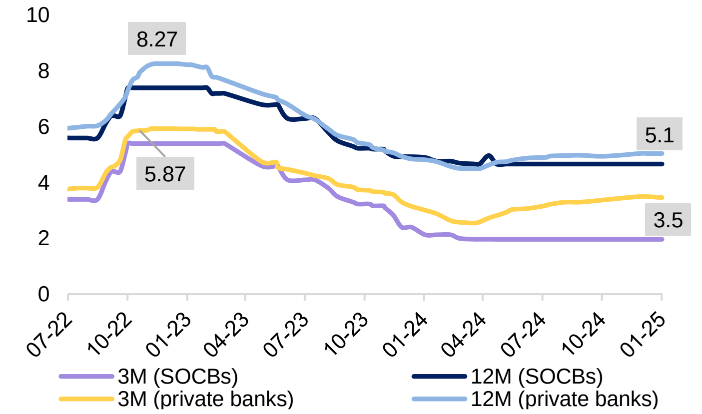
Source: SBV, MBS Research

Figure 17: Interbank overnight lending rate (%)



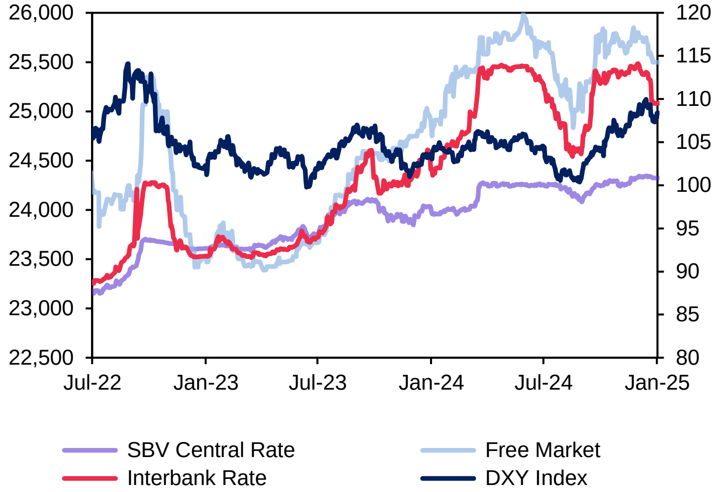
Source: Bloomberg, MBS Research

Figure 18: Commercial banks deposit rate (%)



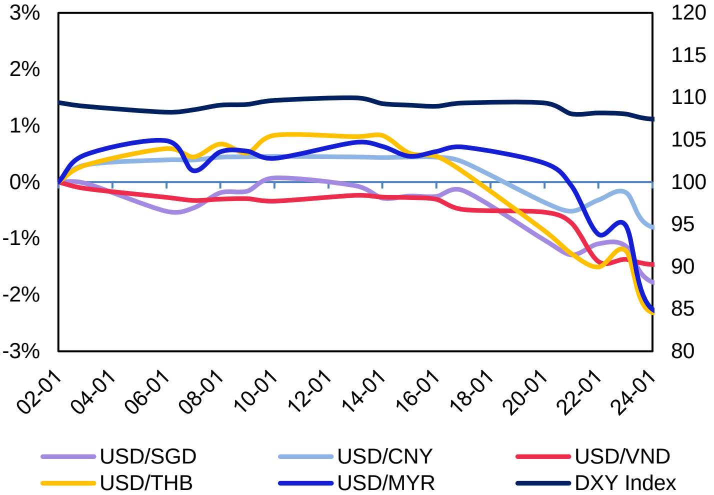
Source: Bloomberg, MBS Research

Figure 19: VND/USD exchange rate



Source: Bloomberg, MBS Research

Figure 20: Regional currencies performance against USD



Source: SBV, Bloomberg, MBS Research

Exchange rate pressure eased slightly in January

The DXY slid as Trump held off day-one tariffs

Starting at 109.4 at the beginning of January, the DXY followed an upward trend and even hit 110 - the highest level in more than two years - on January 13rd, as the country continued to show resilience: manufacturing expanded for the first time since 2022, with the PMI reaching 50.9 in January, job growth unexpectedly accelerated in December, while the unemployment rate fell to 4.1%, and GDP growth for 2024 stood at 2.8%, supported by steady consumer spending.

However, the greenback lost momentum after the inauguration of President-elect Donald Trump, as he held off unveiling tariffs on his first day in office. This move reflected a shift by the incoming president into negotiation mode and an eagerness to strike deals with other countries. As a result, the reprieve triggered a decline in the Dollar Index to 108 on January 21st.

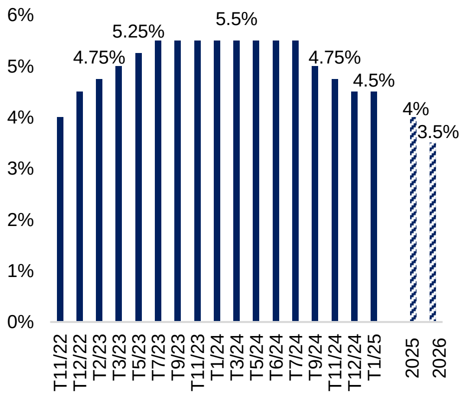
Notably, while inflation has cooled significantly from its mid-2022 40-year high, it remains an obstacle for the Fed in maintaining its rate-cut cycle. Inflationary pressure persisted at the end of 2024, as the PCE rose by 2.6% in December - still well above the Fed's 2% target. Amid Trump's wave of economic plans and prolonged inflation risks, Fed officials decided to pause interest rate cuts at their January meeting after three rate cuts in 2024. Following this, the DXY recovered slightly to 108.4 by the end of the month.

Exchange rate pressure eased slightly but remained sticky

The short-lived weakness of the USD during the month significantly alleviated exchange rate pressures. Besides, there are other factors supporting the VND including: a surge in overseas remittances leading up to the holiday, the relatively high level of interbank interest rates due to tightened liquidity, as cash demand surged during the Lunar New Year period. As a result, the interbank exchange rate declined 1.6% over the month to 25,082 VND/USD by the end of January. Meanwhile, the free-market rate reached 25,500 VND/USD and the central rate stood at 24,325 VND/USD, reflecting declines of 0.1% and 1%, respectively, compared to early 2025.

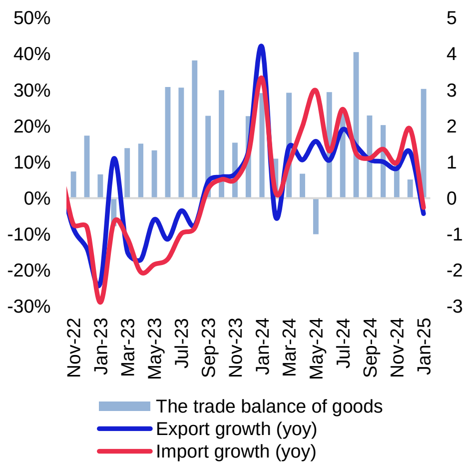
However, challenges remain as a spiraling tit-for-tat trade war is expected to provide support for the USD in the near term. Recently, China imposed tariffs on US imports in swift retaliation against newly introduced US duties on Chinese

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



Source: Bloomberg, MBS Research

Import-export growth and monthly trade



Source: GSO, MBS Research

goods, reigniting the trade war between the world's two largest economies. In addition, the US has imposed a 25% tariff on imports from Mexico and Canada, which will take effect in March if negotiations fail to produce the expected results. The risks related to Trump's tariff policies will further bolster the USD's position as a safe-haven asset amid rising political uncertainties. As a result, exchange rate risks remain prevalent in the coming period.

We expect the exchange rate to fluctuate in the range of 25,500 – 25,800 VND/USD in Q1/2025 as the new administration's plans for fiscal easing, combined with stricter immigration policies, along with high interest rates in the U.S. compared to other economies and the relatively high protectionism of the United States, is expected to support for a surge in the value of the USD in 2025. Nevertheless, there are still upside catalysts for the VND including positive trade surplus (~US$3.03bn in 1M25), disbursed FDI (U$1.51bn, +2% yoy) and a rebound of international tourist arrivals (+36.9% yoy in 1M25). The stability of the macro environment is likely to be maintained, and further improvement will be the basis for stabilizing the exchange rate in 2025.

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	503-520
Real GDP growth (%)	7.02	2.91	2.58	8.02	5.05	7.09	7.1 – 7.5
Exports of goods and services (% yoy)	8.1	6.5	19	10.6	-4.4	14.3	9.0 – 10.0
Imports of goods and services (% yoy)	7	3.6	26.5	8.4	-8.9	16.7	10.0
GDP per capita (USD)	3,267	3,491	3,586	3,756	4,163	4,700	4,900
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	25,500-25,800
Inflation rate (%)	2.8	3.2	1.8	3.15	3.25	3.63	4.0
Credit growth (%)	18.7	18.2	13.9	12.1	13.5	15.1	15.0
12-month deposit rate	7.2	6.8	5.8	8.5	5	5.1	5.0-5.2
Trade balance (USD bn)	9.9	19.1	4	11.2	28	31.0	27.0
Goods: Exports (USD bn)	263	281	336	371	355.5	405.5	445
Goods: Imports (USD bn)	253	262	332	360	327.5	380.8	418
Foreign reserve (USD bn)	78	94	109	86	95	80	85

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
Hao Nguyen Duc

Real estate
Duc Nguyen Minh
Thanh Le Hai

Energy - Industrials
Tung Nguyen Ha Duc
Huyen Pham Thi Thanh

Consumer - Retail
Ly Nguyen Quynh