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REPORTS

MACRO – MARKET 2025

BSC Research

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Innovation 2.0 Challenges and Opportunities

Internationally, inflation and interest rates are falling, and the strong labor market is helping major economies around the world avoid a hard landing scenario in 2024. With Trump's return to the White House for a second term, the Trump 2.0 policy will reshape the world economic picture in the next 5 years. New policy focuses on reducing corporate income tax, simplifying legal procedures, imposing high import taxes, immigration reform and energy are all aimed at growth, with the consequence of an increase in the Dollar Index and the risk of inflation returning.

The USD appreciation is accompanied by a depreciation of the domestic currency and capital outflows from developing countries throughout 2024. This development continues to be tense in early 2025, significantly affecting resources as well as policy management in regional countries, including Vietnam.

Domestically, Vietnam is pursuing a profound revolution in three aspects: **institutions, human resources and infrastructure** to achieve double-digit GDP growth in the new term:

Institutional reform and legislative work have been promoted. In 2024 alone, **31 laws and 42 resolutions** were issued, accounting for 50% of the number since the beginning of the term, including laws amending many laws and some important laws taking effect early such as the Law on Land, Housing, and Real Estate Business**.**

Human resources, streamlining the apparatus and increasing operational efficiency are becoming the focus and a revolution that will have a profound impact on Vietnam's socio-economy in the coming years. The plan reduces at least 20% of civil servants and public employees' salaries from the budget and is expected to be approved in February 2025.

Infrastructure, Vietnam has invested in upgrading the highway to 2,021 km and aiming for 3,000 km in 2025, implementing the 4th ring road of the Capital region, the 3rd ring road of Ho Chi Minh City, urban railway. Large-scale and long-term projects such as the investment in the North-South high-speed railway with an investment value of 67 billion USD and expected to increase **GDP by 0.97%** from now to 2035 and nuclear power have also been approved by the National Assembly.

With clear directions, extensive reforms and determination in implementation, Vietnam expects to overcome the immediate challenges to turn the 2025-2030 period into a turning point and foundation for a high growth cycle in the medium and long term. Major policies, especially personnel work, need time to come into life and be effective. Therefore, we expect the new apparatus to be put into operation smoothly from the third quarter of 2025, opening up clear changes in the macro economy and positive effects on the stock market.

Based on the assessment of international and domestic factors, we base our macroeconomic and market scenario as follows:

In 2025, the exchange rate pressure will gradually decrease after the first quarter, creating conditions for growth support policies. BSC forecasts GDP growth in 2 scenarios respectively: **6.5%** and **7.4%**, CPI at **4.4%** and **3.2%**, Operating interest rates at **4.5+%** and **4.5-%,** Import-export at **7%** and **17%**; FDI disbursement at **24 and 25 billion USD**.

Stock market in 2025, VN-Index continues to accumulate sideways in Q1 and Q2; surpasses the 1,300 point barrier and maintains the upward momentum in Q3 and Q4: **(1)** Macroeconomics and business results of enterprises are in a positive growth cycle; **(2)** Low interest rate environment remains, high credit growth; **(3)** Individual investors continue to be the main driving force and foreign capital flows improve thanks to the possibility of upgrading from FTSE in September 2025. VN-Index forecasts the base scenario to **1,436** points (+13%), EPS **+18%** and **P/E 14.2** times.

Investment themes to note in 2025, 4 topics are evaluated as outstanding and monitored for investment: **(1)** Banking industry; **(2)** Electricity - Fertilizer - Gas; **(3)** Steel - Real estate and **(4)** Import-export - Logistics - Retail, see details in the report **"Vietnam Sector Outlook 2025"**.

Highlights

Highlights

- **Global:** Trump 2.0 policies.
- **Domestic:** Domestic factors support growth targets.
- **Stock market:** 2025 – The "golden" time to upgrade – Lessons from Saudi Arabia

Global – Trump 2.0

2024 is a year of change and surprise when looking at the geopolitical situation. After the tension in Russia - Ukraine, the fire in the Middle East also flared up with conflicts starting from Israel - Palestine. 2024 is also the year that witnessed more than 2 billion people from over 70 different countries participating in the election of the country's leaders. It can be seen that "turbulence" is likely to be the key word for 2025.

In the global election wave, the focus is on the position of President of the United States, where Donald Trump will have a second term. Trump, with policies to promote economic growth that seemed to be difficult, when the public opinion polls sometimes showed that his opponents in the race to the White House were slightly better than him. But in the end, he won overwhelmingly; the Republican Party holds both the US Senate and the House of Representatives, a great driving force to help his policies be passed more quickly.

Some key points in Donald Trump's policy are as follows:

- *First:* Deregulation. Including removing risk management standards for US banks;
- *Second:* Trade protection - Tariffs. Mr. Trump also emphasized that he would increase import tariffs from 10-20% for all imported goods into the US, and tariffs for some goods in China could be up to 60%;
- *Third*: Immigration reform. Trump will secure the border and deport a large number of illegal immigrants in the United States, which he did strongly in his first term;
- *Fourth*: Income tax cuts. Trump pledged to continue to extend the Tax Cuts and Jobs Act (2017), in addition, he also proposed to reduce corporate income tax from 21% to 20%, with the goal of reducing it to 15%;
- *Fifth*: Energy. In interviews, Trump has always emphasized that the shortage of traditional energy supplies is the main cause of inflation, so when he takes office, he will expand the supply of traditional energy.

Trump's economic stimulus policies may lead to US economic growth accompanied by inflation, slowing the pace of the FED's interest rate cuts and keeping the strength of the USD at a high level. However, we still need to wait and see how the policies are enacted, when and how the Stock Market reacts after the policy is enacted.

Although Trump's policies are somewhat negative for the world, we do not need to be too pessimistic.

With concerns about expansionary fiscal policies to stimulate the economy accompanied by inflation such as corporate income tax cuts, these policies will need time to be passed by the US Congress before permeating the economy, so these policies may not be too shocking.

Regarding concerns about protectionist trade policies. First, US consumers almost bear all the consequences of increased tariffs. Second, if trade policies are too shocking, this could well bring about retaliation from countries and regions that are subject to tariffs, creating a backlash on the US economy. For that reason, we expect Trump's policies to be less abrupt and harsh.

Highlights

In conclusion, 2025 and beyond will be shaped by the policies of the country's new leaders. Difficulties in adapting to policies in the early stages are inevitable, however, we can be completely optimistic about overcoming those obstacles.

Domestic – Reform and Growth

GDP growth in 2024 will reach +7.09% y/y. This is the second highest growth rate in the past five years (after 2022). This growth mainly comes from the manufacturing component when imports and exports grow well, but the spillover is low. (See more in the section Macro Economic overview).

By 2025, BSC expects GDP to continue to grow well, with the **main driving force shifting from trade to promoting domestic growth**. Some of the work that has been and is being done to prepare for this growth driver includes:

(1) Institutional reform, streamlining the apparatus, promoting infrastructure *(For details, please refer to the section Strategy);*

(2) High public investment disbursement plan. On December 4, 2024, the Prime Minister issued Decision No. 1508/QD-TTg on the assignment of the State budget capital investment plan for 2025, of which development investment expenditure is 790.7 trillion VND, +16.7% y/y - the second highest increase in many years, after 2023 (+38.1% y/y). We also expect that when the institution is stable and the apparatus is streamlined, public investment disbursement will be smoother;

(3) The Government continues to support domestic consumption (low growth in 2024, +9.0% y/y; the average pre-pandemic period 2015-2019 reached +10.8% y/y). Since 2022, the Government has reduced VAT from 10% to 8% and this policy has been extended to the present. On November 30, 2024, the National Assembly agreed to continue reducing VAT by 2%. in the first half of 2025 for the same commodity groups as in 2022.

Currently, Vietnam's macro context is supportive of achieving the growth target. Inflation in 2025 will be under control because factors that put upward pressure on inflation have cooled down compared to 2024 such as gasoline prices, rice prices, etc., creating room for domestic monetary policy to continue to loosen.

However, there are uncertain factors at present and need to be observed in the future, typically policies under Trump 2.0 that are likely to cause US inflation to increase again, indirectly causing the FED's rate cut rate to slow down or end earlier.

Stock Market – Upgrade

The right time to upgrade the market

In the frontier market index classified by MSCI and FTSE, Vietnam ranks No. 1 in terms of weight, however, its capitalization, liquidity, and number of shares have long met the criteria of an emerging market, even ranking above many other countries in the region and the world. *(Chart 34)*. Staying too long in the "Frontier" shirt will narrow the opportunities for domestic enterprises to access resources from foreign investors, as well as limit the market's ability to develop to integrate with world standards. On the other hand, a successful upgrade will improve investor confidence, thereby positively impacting the economy, enhancing national prestige - a very suitable time according to the great idea proposed by General Secretary To Lam: **"New era - Era of national development"**

2024 - Efforts to act to upgrade

After many months of drafting and receiving comments from market members, on September 18, 2024, the Ministry of Finance issued Circular 68/TT-BTC to remove the "pre-funding" bottleneck, as well as a roadmap for bilingual information disclosure to make it more convenient for foreign investors to participate market. On November 29, 2024, the National Assembly also passed the amended Securities Law, which

Highlights

includes important content in creating a mechanism to establish a specialized company in the model of central clearing partner (CCP) - an important change to soon put CCP into operation on the basic stock market. In December 2024, the Ministry of Finance and the State Securities Commission urgently drafted Decree 155 with the goal of opening up market access for foreign investors, shortening the IPO/listing time for businesses, and soon implementing important changes to the Securities Law in 2025 - an important milestone for the goal of upgrading to an emerging market.

FTSE, MSCI record changes, but…

For the first time in more than 3 years, MSCI has assessed an improvement in 01 criterion of Vietnam. *(Chart 35)*, at the same time, in the latest assessment, FTSE Russell also noted the changes after the Ministry of Finance issued Circular 68. However, FTSE Russell also mentioned issues that Vietnam needs to pay attention to, including: (1) The feasibility and experience of foreign investors when using the NPS (Non-pre-funding) solution are important factors, (2) The process and costs related to failed transactions need to be further assessed for consideration of future upgrades. On the other hand, existing issues such as: registration/account opening process for foreign investors, foreign ownership ratio, clear roadmap in implementing new regulations also need to be changed soon. *(Chart 36)*.

Lessons from Saudi Arabia

In 2018, Saudi Arabia was approved for simultaneous upgrade by all 3 organizations (MSCI, FTSE Russell, S&P Global) - the country was upgraded by MSCI at the fastest speed in history (01 year) since being added to the watch list. Saudi Arabia's success comes from many factors, notably: (1) High determination and political efforts, (2) Close coordination between the Central Bank (SAMA) and the Capital Market Development Authority (CMA), (3) Long-term vision for national development in which the financial market is identified as an important component (FSDP plan), (4) Strong commitment and implementation of changes to attract foreign investors (State ownership ratio, account opening process, etc.), as well as (5) Application of international standards and new technology in the market (IFRS, CCP, digital currency, distributed ledger technology…).

Long-term solution for stock market development

The early operation of the new trading system towards the implementation of the CCP model with the participation of the banking system in Vietnam will be a long-term, sustainable solution for the market - solving the problem of "pre-funding" (similar to the roadmap that Saudi Arabia has gone through). On the other hand, the Vietnamese stock market will have new products such as: Day-trading, short-selling, options... Thereby attracting more foreign investors to participate, approaching the standards of other stock markets in the region and the world.

In addition, management agencies and businesses also need to re-evaluate opportunities and potentials when the market is upgraded, to plan for IPOs, conversion from registered securities to listed securities, equitization/divestment of State-owned enterprises, and taking advantage of large capital flows from abroad in the future - a strategy that Saudi Arabia has implemented so that large domestic enterprises (Saudi Aramco...) can attract foreign capital when opening the capital market to the world.

In the past, there have been many countries that have had their market downgraded - most recently on September 23, 2024, FTSE Russell officially downgraded Pakistan from Secondary Emerging to Frontier market - so the Vietnamese stock market also needs a long-term strategy to aim for higher standards in the assessment of prestigious rating organizations in the world.

Forecasting the time of upgrading, foreign capital inflow

If Vietnam is upgraded by FTSE Russell, the stock market will receive at least 700 million - 1.5 billion USD from ETFs/active funds, BSC Research forecasts the base scenario of T09/25, FTSE will issue an official announcement *(Chart 37)*. Besides, foreign investors usually net buy 3-4 months before FTSE makes an announcement, and 4-5 months for MSCI, so domestic investors also need to pay attention to this factor for evaluation.

Economic Overview

Highlights

- GDP for the whole year 2024 +7.09% y/y, the second highest growth rate in the past five years (after 2022).
- Contributing to economic growth are mainly the import-export sector (FDI) and manufacturing.
- Expectations of promoting public investment growth in 2025 will help macroeconomic growth have higher spillover.

GDP in the first, second, third and fourth quarters of 2024 will increase gradually at 5.87%, 7.09%, 7.40% and 7.55% y/y, respectively, helping GDP growth for the whole year to +7.09% y/y - the second highest growth rate in the past five years (after 2022). Among the GDP components, *Services* still maintain the highest proportion and have the largest contribution to GDP growth (growth of +7.38% y/y, contributing 3.26 percentage points). The *Industry and Construction* component, especially the Industry component (under *Industry and Construction*) recorded outstanding growth in the year of +8.32% y/y, contributing 2.49 percentage points to GDP growth, thanks to the strong recovery from import and export.

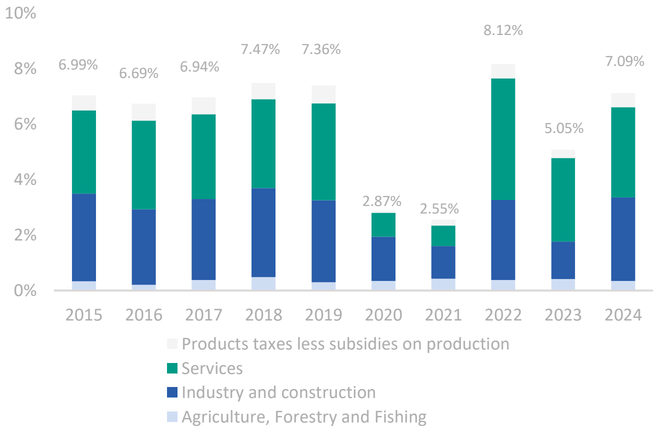
However, the large contribution from the commercial sector is not yet highly pervasive, Consumption growth in 2024 remains low (+8.96% y/y) *(Chart 02)*.

With the growth dynamics presented in *section Focus: Domestic – Reform and Growth* , BSC forecasts GDP in 2025 :

Scenario 1: GDP growth **+6.5% y/y**.

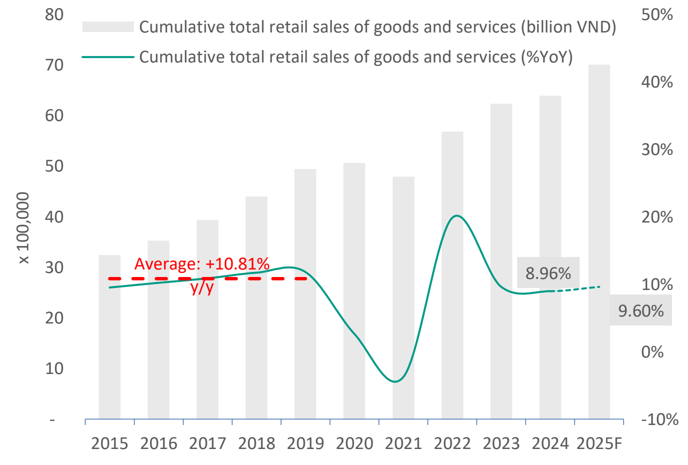
Scenario 2: GDP growth **+7.4% y/y**.

Chart 01. Vietnam's annual GDP growth



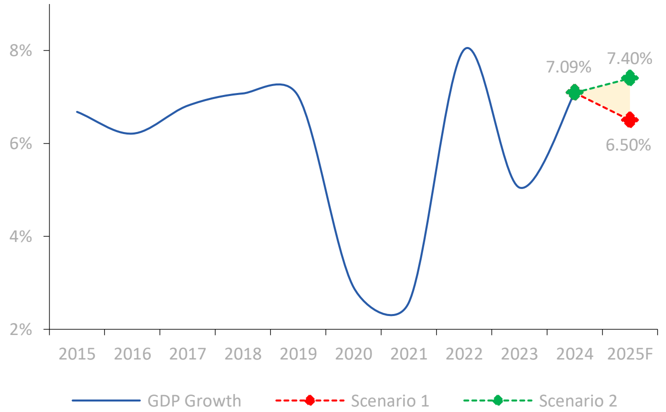
Source: GSO, BSC Research

Chart 02. Domestic consumption trends



Source: GSO, BSC Research

Chart 03. GDP growth forecast 2025



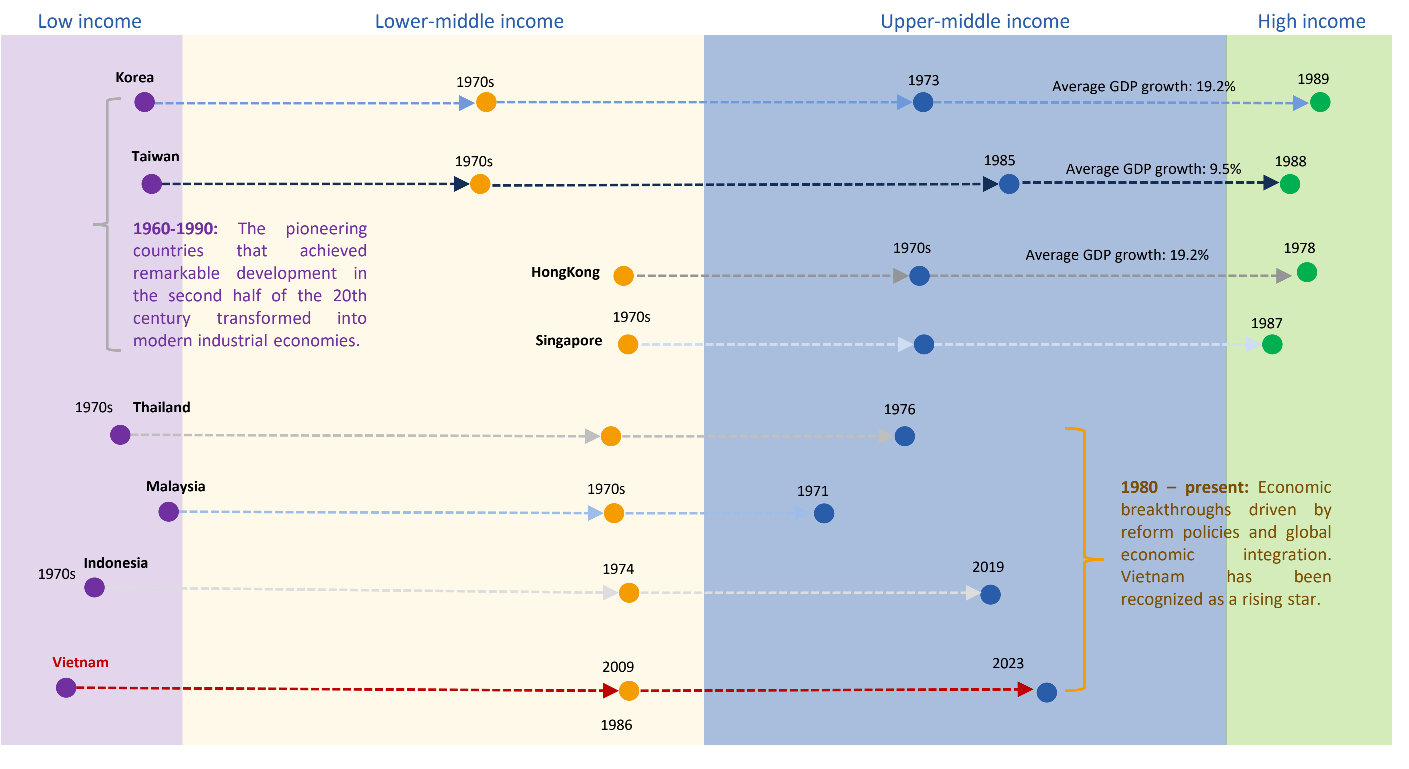
Source: BSC Research

Economic Overview

Vietnam is at a critical threshold to decide its future, facing the challenge of overcoming the middle-income trap to achieve the goal of becoming a high-income country. With an estimated GDP per capita in 20024 of 4,649 USD, Vietnam needs to achieve **"double-digit GDP growth"** to narrow the gap with countries such as Thailand, Malaysia and China. Lessons from many countries show the risk of getting stuck due to outdated growth strategies, depending on investment or rushing to innovate without a roadmap. Statistics from the World Bank* show that only a few middle-income countries **(34 economies in 50 years)** have moved to high income, mostly thanks to special advantages (EU accession or resources). In contrast, countries such as South Korea, Poland and Chile have succeeded thanks to the **"3i strategy" (investment - technology absorption - innovation)** combined with strong reforms.

Vietnam's challenges are compounded by the rapid aging of its population (the median age is expected to reach 40 by 2038), which increases the burden on social security. Currently, Vietnam is pursuing a revolution on three pillars: institutions, human resources and infrastructure. **2025 is an important milestone**, a pivotal year, laying the foundation for the next stages of development, aiming for a GDP per capita of 12,000 USD by 2045. The risk of "getting old before getting rich" is real if drastic action is not taken. However, with the **right strategy**, learning from **successful experiences** and **avoiding mistakes** of countries stuck in the middle-income trap, Vietnam is fully capable of breaking through and rising to a higher economic position on the world map.

Chart 04. To escape the "middle income trap", countries often maintain GDP growth of 9-19%/year



**Report: World Development Report 2024 – The middle-income trap*

Source: World Bank, IMF, BSC Research

Monetary Policy

Highlights

- Inflation: Moderate upward pressure as input factors tend to decrease in price.
- Interest rates: There is room for interest rates to remain stable or increase slightly in 2025 to boost economic growth.
- Exchange rates: Increasing pressure: Influenced by President Donald Trump's policies. **Favorable factors**: Fed's monetary policy easing cycle.

Inflation

CPI in December 2024 reached +2.94% y/y; Core CPI in December 2024 reached +2.85% y/y; CPI and core CPI averaged for the whole year of 2024 reached +3.63% y/y and +2.71% y/y, respectively.

By 2025, BSC forecasts that inflation will be under control thanks to:

World oil prices are forecast to remain low due to (1) China's weak economic growth; (2) increased production in the United States; (3) Donald Trump's stance on abolishing regulations that hinder oil, gas and coal exploitation. These factors create momentum for domestic gasoline prices to remain low. *(Chart 06)*;

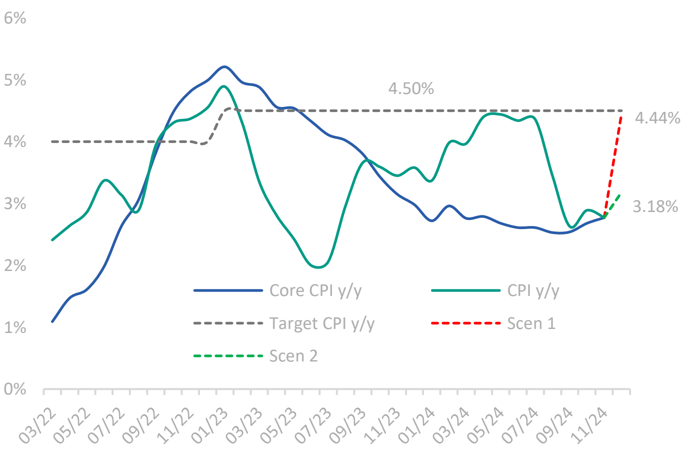
- **Domestic rice prices fell following export prices** after the Indian government lifted the ban on rice exports from late September 2024. *(Chart 07)*.

BSC forecasts that the average CPI in 2025 will be at 3.18% - 4.44% with the following assumptions:

Scenario 1: Average CPI in 2025 at **4.44% y/y**.

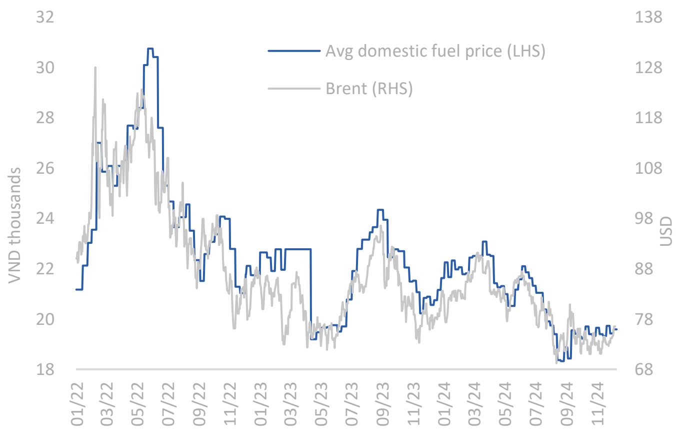
- Brent oil price at $92/barrel (Bloomberg consensus peak);
- Average pork price reached +68,000/kg;
- Electricity price adjusted twice, up 7-8%;
- Healthcare price adjusted up 8%;
- Tuition fee adjusted up 7.5%.

Chart 05. Vietnam CPI



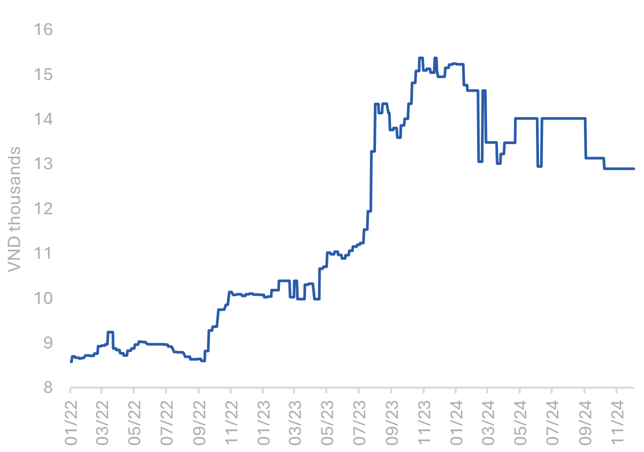
Source: FiinProX, BSC Research

Chart 06. Brent oil prices and domestic fuel prices



Source: Petrolimex, BSC Research

Chart 07. Prices of finished rice for export



Source: FiinProX , BSC Research

Monetary Policy

Scenario 2: Average CPI in 2025 at 3.18% y/y.

- Brent oil price at 73.69 USD/barrel (average value of Bloomberg consensus);
- Average pork price reached 65,000/kg;
- Electricity price was adjusted once, increased by 5%;
- Medical and tuition fees remained unchanged.

Interest rate

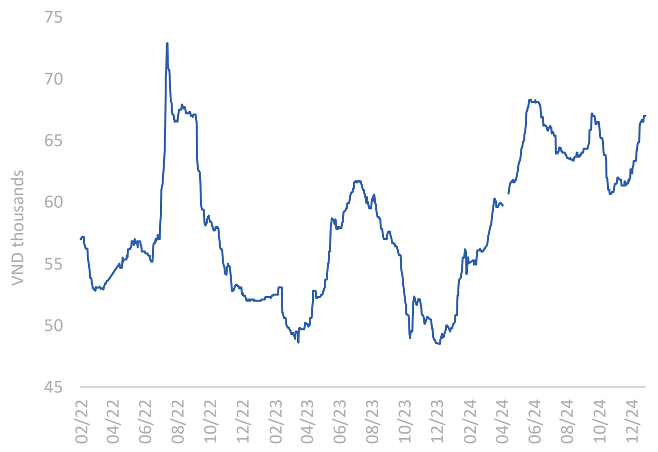
In the primary market, where transactions between financial institutions and businesses and individuals take place, credit growth has recovered significantly since May 2024, while deposit growth has been low compared to credit growth and itself in the past. By the end of December 2024, credit growth is estimated at 15.08% YTD (same period in 2023: about +13.8% YTD), deposit growth is estimated at +9.1% YTD (same period in 2023: about +13.2% YTD). This is the reason why the deposit interest rate level in the first market has tended to bottom out and gradually increase over the months since the second quarter of 2024. However, on the positive side, lending interest rates are maintained at a low level (lower than during the COVID-19 pandemic). *(Chart 09)*.

The interest rate level in the interbank market has increased sharply since the end of March 2024 from the range of 0% - 3% to the range of 4% - 6% after the State Bank of Vietnam sold USD to stabilize the exchange rate. In addition, the local shortage of money at some banks is also the reason for the increase in interbank interest rates.

To stabilize the exchange rate, the SBV has regulated liquidity by pumping and withdrawing money in the open market, since the beginning of the second quarter of 2024 until now *(Chart 10)*.

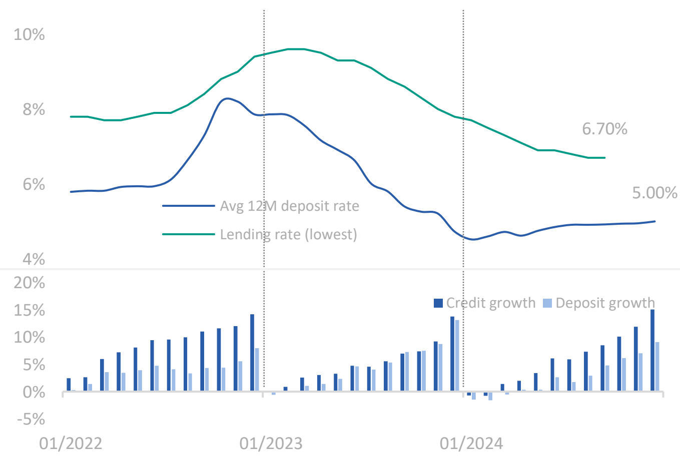
BSC forecasts that the interest rate in the market remains stable or increase slightly with the average 12-month deposit interest rate at 5% - 5.5% based on:

Chart 08. Domestic pork price



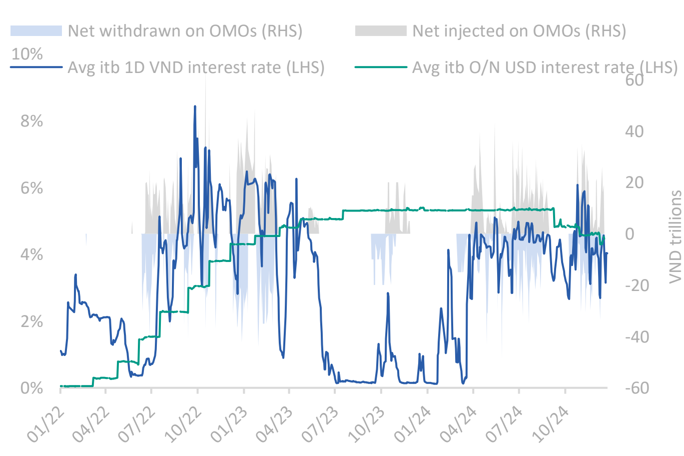
Source: FiinProX, BSC Research

Chart 09. Primary market liquidity



Source: FiinProX, BSC Research

Chart 10. Secondary market liquidity



Source: FiinProX, Bloomberg, BSC Research

Monetary Policy

(1) The global monetary policy easing cycle has been and is taking place (although slower than expected);

(2) Inflation in 2025 is forecast to be under control, creating conditions for the SBV to continue loosening monetary policy;

(3) Public investment disbursement is promoted, helping to improve money supply growth. (Money supply growth as of December 25, 2024 reached +9.42% YTD, this is the second lowest growth rate after 2022 in the period 2019 - 2024) *(Chart 11).*

Exchange rate

The average USD/VND exchange rate in 2024 will increase by about 5% y/y due to:

(1) The DXY index remains high due to the slower interest rate cuts by the FED compared to other major central banks globally, as well as expectations of a stronger USD from Donald Trump's policies;

(2) Domestic USD demand for trade activities has skyrocketed since the end of the second quarter of 2024;

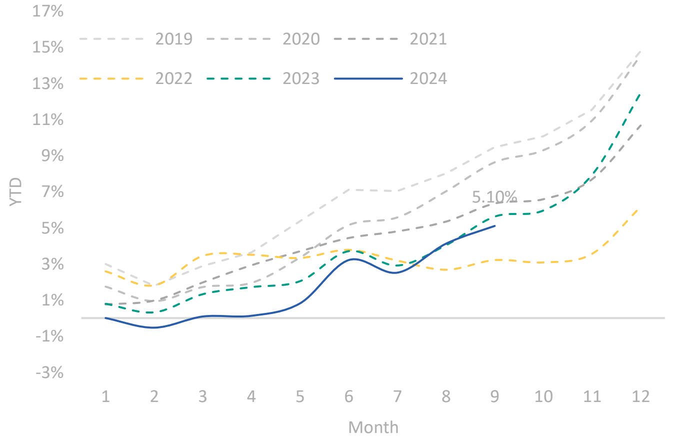
(3) Gold prices increase, domestic gold supply is limited, a large amount of Dong flows through the gold channel. Along with that, the domestic gold price is higher than the world gold price, which has triggered USD demand for gold smuggling activities *(Chart 13)*.

To stabilize the exchange rate and the gold market, the SBV has implemented the following measures:

(1) Flexible monetary policy management, regulating liquidity in the open market;

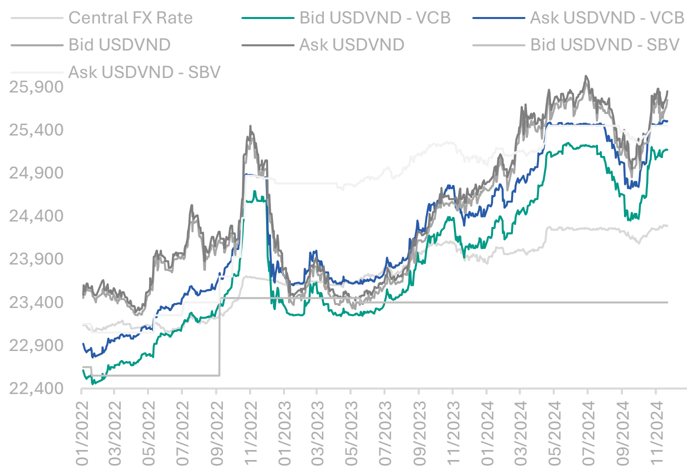
(2) Spot foreign currency sales and intervention in the gold market. It is estimated that by the end of 2024, the SBV will have sold 9.1 billion USD, bringing foreign exchange reserves to about 80 billion USD.

Chart 11. Money supply growth



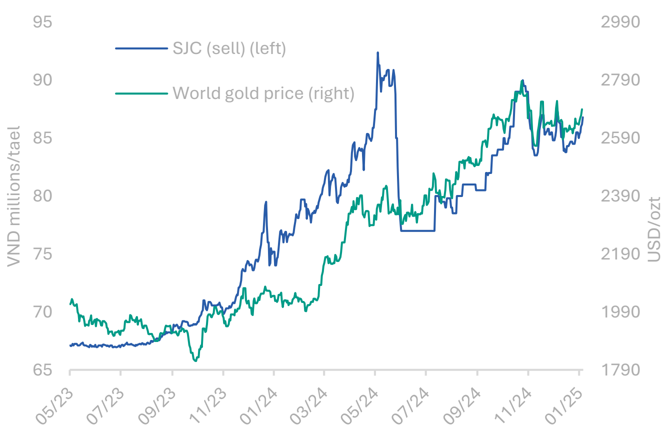
Source: FiinProX, BSC Research

Chart 12. Domestic exchange rate



Source : FiinProX, BSC Research

Chart 13. Domestic and international gold price



Source: Bloomberg, BSC Research compiled

Monetary Policy

Favorable factors for exchange rates in 2025:

(1) Expectations that the FED will continue to loosen monetary policy (although possibly slower than expected). The gap in the pace of interest rate cuts between the FED and major central banks around the world is narrowing;

(2) Trade surplus and FDI inflows into Vietnam will improve the imbalance in domestic USD supply and demand;

(3) Vietnam tourism recovers.

Factors that will cause the exchange rate to increase in 2025:

(1) Donald Trump's harsh policies could cause the US economy to grow with rising inflation again. This would cause the FED to lower interest rates more slowly than expected.

BSC forecasts the **average USD/VND exchange rate in 2025** as follows:

Scenario 1: 26,056 – an increase of about +4% y/y.

Scenario 2: 25,554 – an increase of about +2% y/y.

Fiscal Policy

Highlights

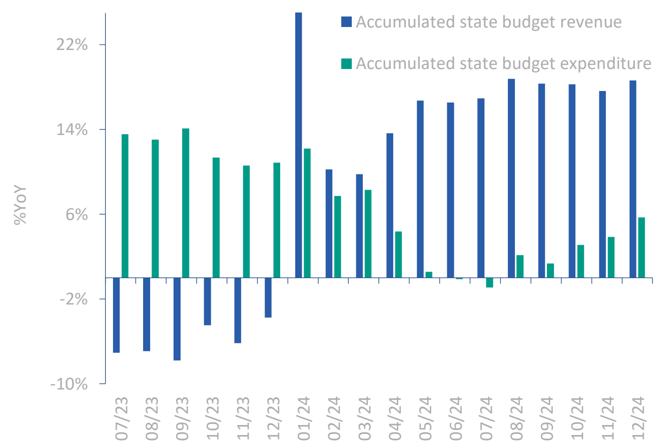
- State budget revenue in 2024 exceeded estimates, increasing positively compared to the 2023.
- State budget expenditure in 2024 did not show many breakthroughs.
- Public investment disbursement is expected to accelerate in 2025, which could improve the low money supply growth in 2024.
- The 2025 State Budget Plan estimates development investment expenditure at VND 790.7 trillion, made up about 31% of total state budget expenditure.

State budget revenue in 2024 exceeded the estimate, increasing positively compared to the same period in 2023, reflecting the recovery of the economy, as well as efforts in budget revenue management. All areas of state budget revenue are basically estimated to reach and exceed the assigned estimate. Of which, domestic revenue is estimated at 1,572.7 trillion VND, exceeding the estimate by 8.9%; Revenue from crude oil reached 59.3 trillion VND, exceeding the estimate by 28.9%; Balanced revenue from import-export activities reached 235.2 trillion VND, exceeding the estimate by 15.3%. The amount of taxes, fees, charges and land rents exempted, reduced and extended is estimated at about 189.6 trillion VND, contributing to removing difficulties for people and businesses.

In addition, personal income tax also recorded an impressive increase thanks to revenue from real estate and securities transfers and effective management of income sources from digital platforms, e-commerce, and livestream sales. In addition, the 2% VAT reduction caused an estimated decrease in revenue for the first 11 months of 2024 of VND 17.3 trillion, however, the overall budget revenue figure was still positive, indicating economic recovery.

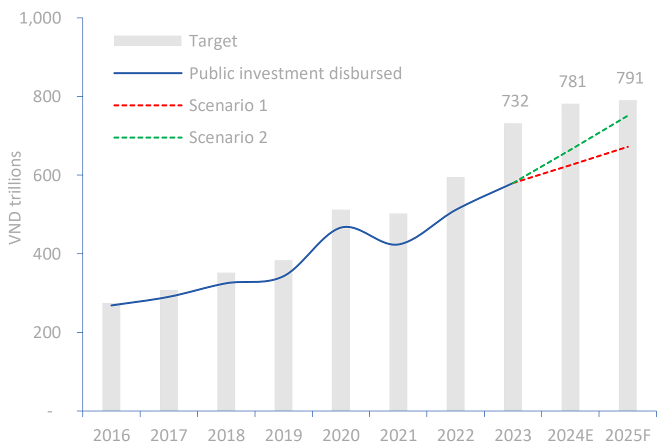
State budget expenditure in 2024 did not show many breakthroughs. Accumulated to the end of October 2024, the disbursement of the public investment capital plan only reached 54% of the total capital plan assigned in 2024.

Chart 14. Cumulative growth of State budget revenue and expenditure y/y



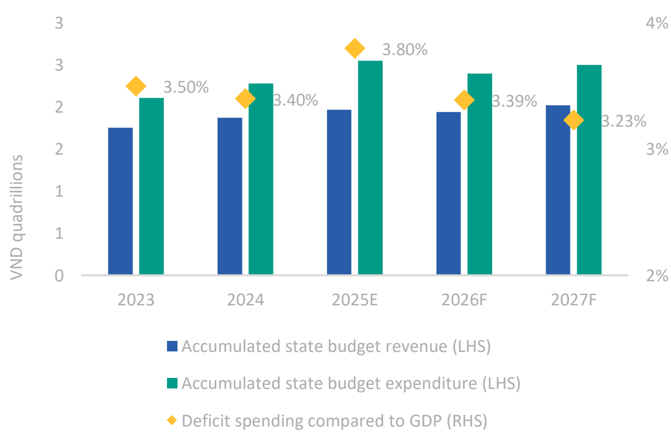
Source: BSC Research compiled

Chart 15. Estimated State Budget Disbursement



Source : FiinProX, BSC Research

Chart 16. Projected state budget balance 2025 – 2027



Source : FiinProX, BSC Research

Fiscal Policy

State budget revenue has increased rapidly, but State budget expenditure has not made much progress,**. which has created a large amount of money that has not been released from the economy. Combined with the 2025 State budget plan, the estimated development investment expenditure is 790.7 trillion VND, accounting for 31% of total state budget expenditure**, it is clear that operators have both space and tools to aim for the goal of promoting the economy. Once the capital bottlenecks in the economy are cleared, the impact of fiscal policy through public investment disbursement will bring positive effects, and create a spillover effect to many industries in the economy.

BSC forecasts the scenario of capital disbursement from the State Budget in 2025:

Senerio 1: Disbursement rate **85%** (672 trillion VND).

Senerio 2: Disbursement rate **95%** (751 trillion VND).

Trade

Highlights

- Vietnam's trade may continue to grow well in 2025 as demand in export markets recovers.
- Vietnam may continue to benefit from the trends of *"China +1", "China +1 protection", "Friend-shoring"*.
- US President Donald Trump's tariff policy and the uncertainties of geopolitical conflicts are unknowns for Vietnam's import and export.

Imports and exports recover strongly from the decline in 2023, and record impressive growth in 2024, specifically, exports increase by 14.3% y/y; imports increase by 16.7% y/y; trade balance surplus of 24.8 billion USD. *(Chart 21)*.

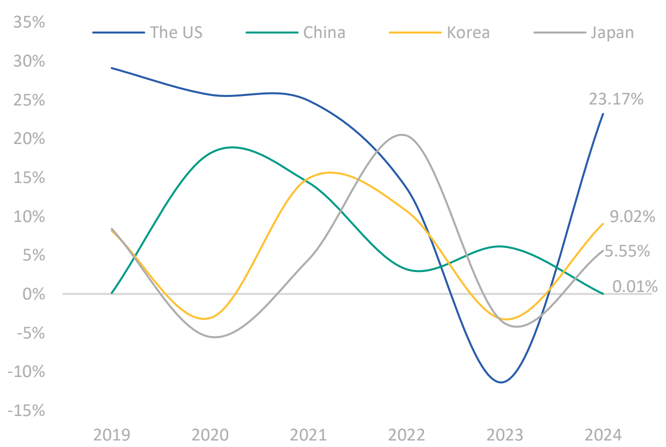
Exports

2024, exports reach 405.5 billion USD (+14.3% y/y). Exports from the FDI sector reach 289.2 billion USD (71.3% share - +12.5% y/y growth).

Most of Vietnam's export markets recorded increases, except for China due to weak domestic consumption there. Main exporting countries: United States (29.5% share - +23.2% y/y growth), China (15.1% share - +0.01% y/y growth), South Korea (6.3% share - +9.0% y/y growth), Japan (6.1% share - +5.6% y/y growth).

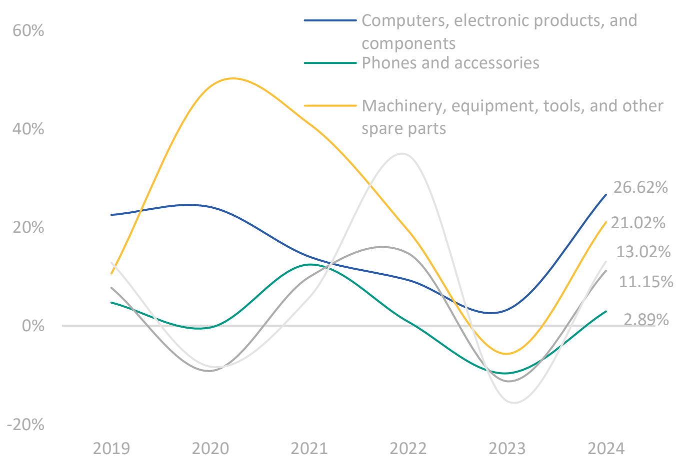
Main export items of Vietnam: Computers, electronic products and components (17.9% share - +26.6% y/y growth); Telephones and components (13.3% - growth +2.89% y/y); Other machinery, equipment, tools and spare parts (12.9% - growth +21.0% y/y); Textiles (9.1% - growth +11.2% y/y); Footwear of all kinds (5.6% - growth +13.0% y/y).

Chart 17. Export growth to Vietnam's main export markets



Source: FiinProX, BSC Research

Chart 18. Growth compared to the same period of some main export items



Source: FiinProX, BSC Research

Imports

2024, imports reach 380.76 billion USD (+16.7% y/y). Imports from the FDI sector reach 240.7 billion USD (63.2% proportion - +15.1% y/y growth). Vietnam's imports recover following exports because imported goods are mainly inputs for production. Import growth has begun to record a faster recovery than export growth since May 2024.

Vietnam's main importing countries are China (37.8% proportion - +30.2% y/y growth); South Korea (14.7% proportion - +6.5% y/y growth); Taiwan (6.0% proportion - +23.5% y/y growth); Japan (5.7% proportion - -0.2% y/y growth).

Trade

Vietnam's main import items are still mainly input goods for production: Computers, electronic products and components (28.1% proportion - growth +21.7%); Other machinery, equipment, tools and spare parts (12.8% proportion - growth +17.6% y/y); Fabrics of all kinds (3.9% proportion - growth +14.5% y/y); Iron and steel of all kinds (3.3% proportion - growth +20.6% y/y); Plastic raw materials (3.1% proportion - growth +20.7% y/y).

Favorable factors for Vietnam's trade:

(1) Demand in Vietnam's major export markets is mostly recovering (except China);

(2) There may be a large import wave from the United States before President Donald Trump's import tariff policies are officially applied;

(3) Inventory growth in the US is low *(Chart 33)*;

(4) In case President Donald Trump's tariff policies mainly target China, causing the US-China trade war to become more serious, Vietnam can continue to benefit from the trends of *"China +1"*, *"China +1 protection"*, *"Friend-shoring"* (*Refer to the short report on the US-China Trade War 2024*);

(5) China - Vietnam's largest import market is currently experiencing (1) overproduction and (2) weak domestic consumption demand. China's export prices have fallen sharply *(Chart 32)*, causing no pressure on Vietnam's production or inflation.

Unfavorable factors for Vietnam's trade:

(1) US President Donald Trump's tax policy on all imported goods;

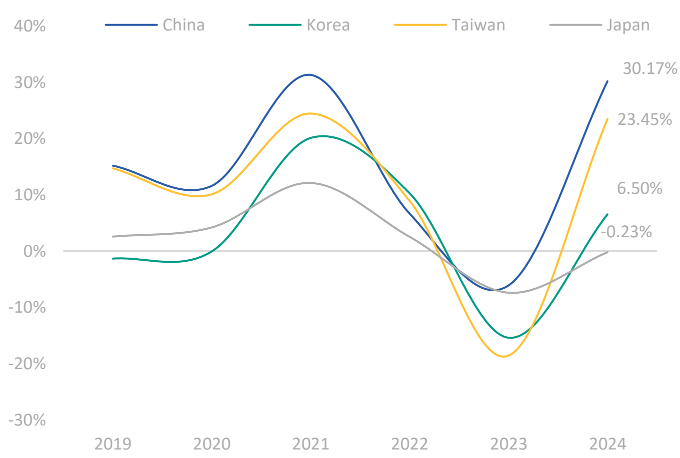
(2) Geopolitical instability in the Middle East could cause supply chain disruptions.

BSC forecasts Vietnam's import-export growth in 2025:

Senerio 1: Import and export growth at **7%**.

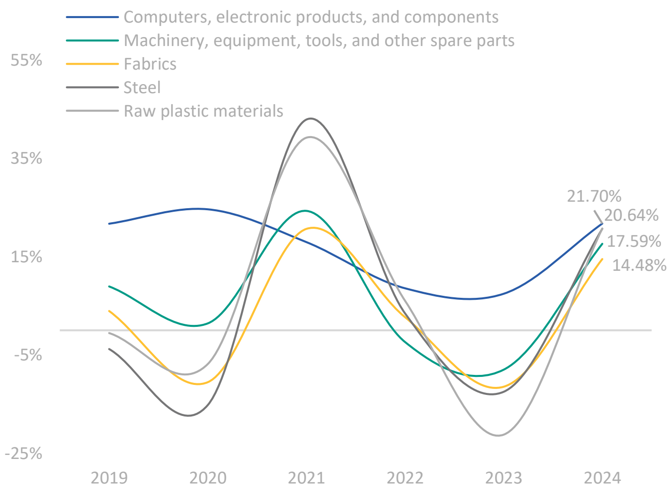
Senerio 2: Import and export growth at **17%**.

Chart 19. Import growth to Vietnam's main import markets



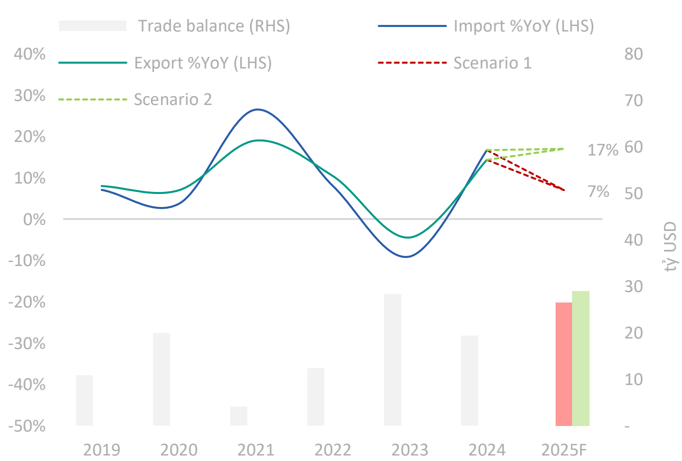
Source: FiinProX, BSC Research

Chart 20. Growth over the same period of some main import items



Source: FiinProX, BSC Research

Chart 21. Vietnam's import-export growth



Source: FiinProX, BSC Research

Foreign Direct Investment (FDI)

Highlights

- 2025: Short-term headwinds such as the Global Minimum Tax or Donald Trump's trade policies could have negative short-term impacts on FDI flows.
- In the medium and long term, the trend of FDI flows shifting to Vietnam will continue.
- FDI disbursement in 2025 is expected to reach 26-28 billion USD.

In 2024, there will be:

- 3,375 new projects granted Investment Registration Certificates (up 1.8% compared to 2023), total registered capital reaching nearly 17.39 billion USD (up 0.7% over the same period).
- 1,350 projects registered to adjust investment capital (up 12.9% over the same period), total registered capital increased to more than 9.93 billion USD (up 40.7% over the same period).
- 3,029 capital contribution transactions to purchase shares by foreign investors (down 7% over the same period), total contributed capital value reaching nearly 4.06 billion USD (down 39.7% over the same period).

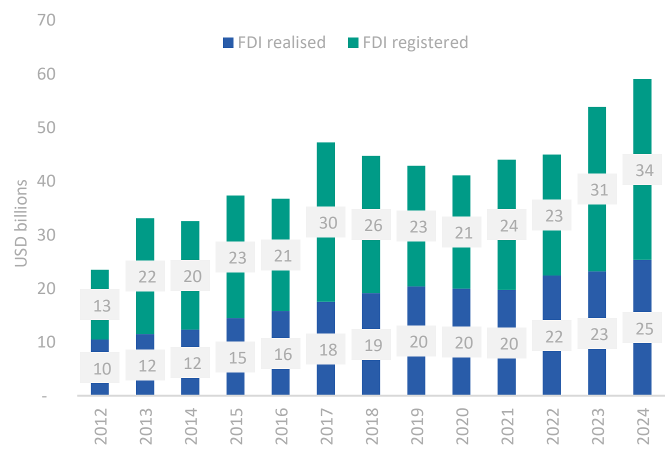
Regarding FDI capital structure:

- The processing and manufacturing industry leads with a total investment capital of nearly 25.58 billion USD, accounting for nearly 66.9% of the total registered investment capital, an increase of 1.17% compared to 2023.
- The real estate business industry ranks second with a total investment capital of nearly 6.31 billion USD, accounting for more than 16.5% of the total registered investment capital, an increase of 18.8% compared to 2023.

Regarding partners: There are 114 countries and territories investing in Vietnam in 2024. Of which:

- Singapore leads with a total investment capital of nearly 10.21 billion USD, accounting for more than 26.7% of the total investment capital.

Chart 22. FDI capital flow into Vietnam



Source: FiinProX, BSC Research

- South Korea ranked second with nearly 7.06 billion USD, accounting for 18.5% of total investment capital, an increase of 37.5% compared to 2023. Followed by China, Hong Kong, Japan, …
- In addition, there is a notable point: In terms of the number of projects, China is the leading partner in the number of new investment projects (28.3%); South Korea leads in the number of capital adjustments (22.8%) and capital contributions to buy shares (25.2%).

In terms of investment locations: Foreign investors have invested in 56 provinces and cities across the country in 2024. Specifically***:***

- Bac Ninh leads with a total registered investment capital of nearly 5.12 billion USD, accounting for 13.4% of the total investment capital nationwide, more than 2.8 times higher than the same period.
- Hai Phong ranked second with more than 4.94 billion USD, accounting for 12.9% of total registered investment capital, up 42.4% compared to 2023.
- Ho Chi Minh City ranked third with a total registered investment capital of more than 3.04 billion USD, accounting for nearly 8% of total investment capital nationwide, down 49.4% compared to 2023. Next in line are Quang Ninh, Hanoi, Binh Duong, …
- In terms of the number of projects, Ho Chi Minh City leads the country in both the number of new projects (42%), the number of projects adjusting capital (15.4%) and capital contribution to buy shares (69%).

Foreign Direct Investment (FDI)

Looking to 2025 and beyond: Short-term headwinds such as Donald Trump's trade policy and the Global Minimum Tax may have negative short-term impacts on FDI flows.

However, ***in the medium and long term***, the trend of FDI flows to Vietnam will continue due to::

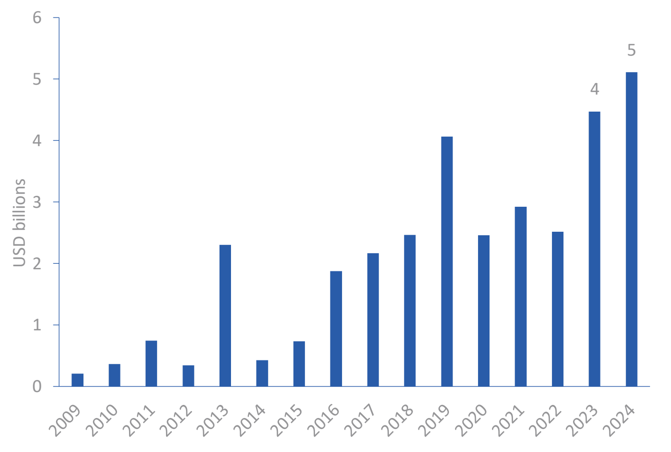
- The "China + 1" trend will continue, with businesses shifting their supply chains outside of China;
- The "China + 1" trend will continue to expand, as Chinese businesses themselves move abroad due to concerns about tariffs imposed by Western countries, specifically the United States, on China;
- The government has identified issues related to the Global Minimum Tax, and is developing appropriate policies to attract FDI flows;
- Vietnam has significantly improved infrastructure, a golden age workforce, an increasing number of qualified human resources, combined with a stable political foundation, participation in many free trade agreements (FTAs), as well as possessing many good bilateral relationships with economic powers in the world.

BSC forecasts FDI capital flows in 2025:

Senerio 1: Growth of **3 – 5%** compared to 2024 (About 26 billion USD).

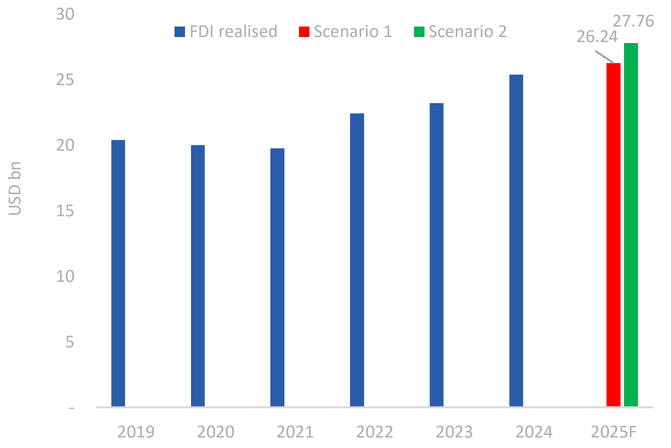
Senerio 2: Growth of **8 – 10%** compared to 2024 (About 28 billion USD).

Chart 23. Total newly registered FDI capital in Vietnam from China



Source: FiinProX, BSC Research

Chart 24. FDI Capital Flow Forecast for 2025



Source: FiinProX, BSC Research

VN-Index – Bad Beginning Good Ending

Highlights

- **VN-Index:** With a projected P/E fw of 13.x-14.5x and industry-wide net profit increasing by 16-18% YoY, BSC forecasts that VN-Index could reach **1,436 points** by 2025.
- **Growth drivers:** The market outlook is more optimistic thanks to: the momentum from the **"institutional, human resources, and structural" revolution**, **the macroeconomic recovery**, **the low interest rate environment**, and **the prospect of upgrading the stock market**. In addition, international factors such as the stability of the USD and the recovery of the global economy will create a foundation for the market.

BSC's Forecast

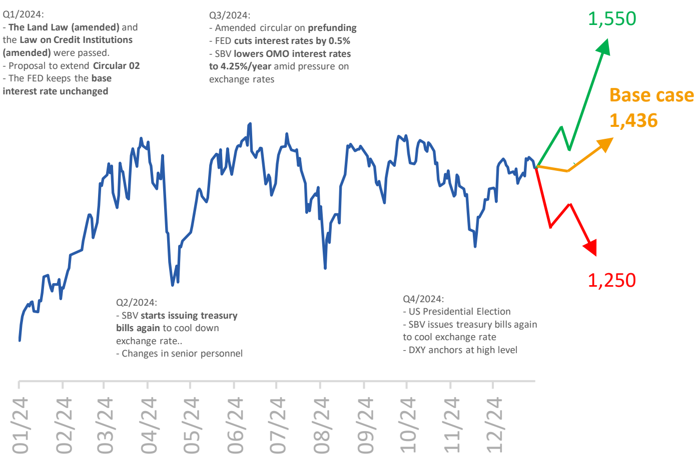
Based on the global and domestic economic context, along with macroeconomic factors, policies and market trends, BSC Research presents key arguments for the outlook of Vietnam's stock market in 2025:

(1) (1) Driving force from the "institutional, human resource, structural" revolution: Important institutional reforms, development of high-quality human resources, and strong investment in infrastructure are creating a solid foundation for economic development. Large-scale projects such as Long Thanh airport and the North-South expressway have increased the attractiveness of the stock market;

(2) Macroeconomic recovery momentum and low interest rate environment: In addition to clear signs of recovery in the macro economy, stable inflation and low interest rates continue to be favorable factors, creating conditions for capital flows into the stock market;

(3) Upgrading prospects: Vietnam is gradually resolving outstanding issues to meet the criteria for upgrading to a primary emerging market by FTSE. Circular 68/TT-BTC has removed the bottleneck on pre-funding. In parallel, the amended Securities Law, new trading system and foreign room settlement.

Chart 25. VN-Index performance in 2024



Source: FiinProX, BSC Research

These reforms create an important foundation to attract foreign capital flows and promote the development of the stock market.

VN-Index in the year 2025

Base case: VN-Index reaches **1,436 points**, equivalent to a growth rate of 12%, P/E fw at 13 - 14.5x times and with expected profit growth reaching **16 - 18%.**

BSC statistics based on the Valuation of 35 largest reports by securities companies for 2025 targets:

The most pessimistic area of securities companies: below **1,250 points** assuming EPS growth < 15% and P/E at < 11 times..

The most optimistic zone for securities companies: above **1,550 points** assuming EPS growth of over 20% and P/E at 15.x.

Bad Beginning & Good Ending. The stock market in 2025 is expected to be clearly differentiated between the two halves of the year. In the first half of the year, investors' cautious sentiment, concerns about tariff risks, Trump 2.0 policy uncertainties and the need for time to effectively streamline the apparatus, led to a difficult stock market with sideways fluctuations or adjustments. However, closer to the second half of the year, policies to promote infrastructure investment, upgrade and remove institutional bottlenecks are expected to support economic recovery, which can create momentum for the market to grow positively.

Looking back at the Stock market in 2024

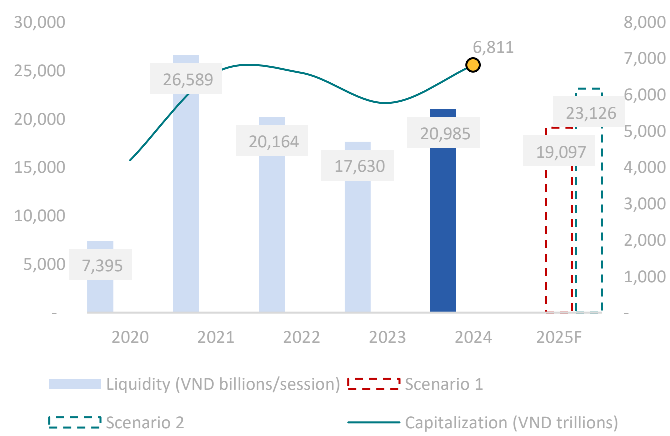
Highlights

Monetary easing, strong domestic cash flows and improved regulatory efforts are supporting **bright** spots. However, pressures from exchange rates, interest rate differentials and monetary policies of major economies remain significant **challenges**.

Two contrasting colors

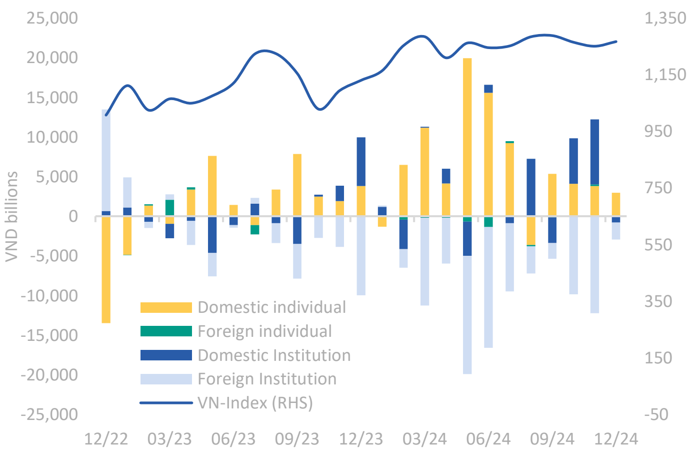
The Vietnamese stock market in 2024 recorded two contrasting colors. The first half of the year exploded with a growth rate of more than **10%** for the VN-Index. Liquidity peaked at more than VND21 trillion/session (**USD858 million**). However, the prosperous picture quickly gave way to stagnation in the second half of the year. The VN-Index fell into a **sideways** state, fluctuating between **1,200 - 1,300 points**, despite repeated efforts to overcome the resistance. Notably, market liquidity also cooled down significantly. The average trading value was only about VND18 trillion/session, signaling increased caution in investor sentiment.

Chart 26. Trading value in 2024 at 20,985 billion VND/session



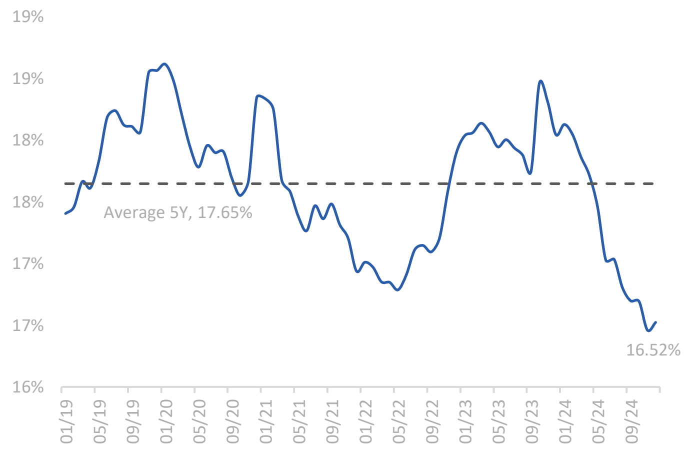
Source: FiinProX, BSC Research

Chart 27. Investor cash flow developments



Source: FiinProX, BSC Research

Chart 28. Trend of decreasing ownership ratio of foreign investors



Source: FiinProX, BSC Research

2024: Individual investors active at the beginning of the year, quiet at the end of the year; Foreign investors subdued.

In 2024, foreign investors will sell a record net of more than VND90 trillion, equivalent to USD3.54 billion, as global capital flows shift to developed markets. However, domestic individual investors have become the main demand force, helping the market maintain liquidity. Although this cash flow has somewhat decreased at the end of the year due to pressure from issuances and the attraction of other investment channels, the prospect of upgrading the market and the wave of public investment disbursement in 2025 promise to create a new momentum. The government is promoting public investment, hoping to create a spillover effect and promote market growth.

Attractive Valuation

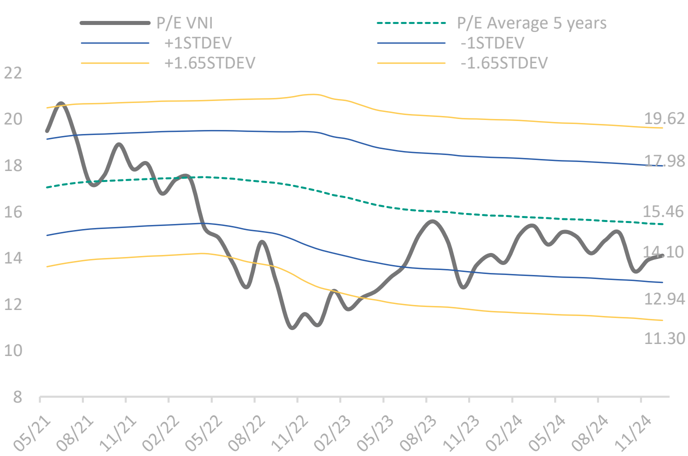
Main Content

Compared to historical data of the VN-INDEX and international markets, Vietnam is currently at a low valuation level with EPS growth potential. The P/E and P/B ratios of the VN-INDEX are at low levels, reflecting the market's potential for price increases.

VN-Index Maintains Its Attractive Valuation

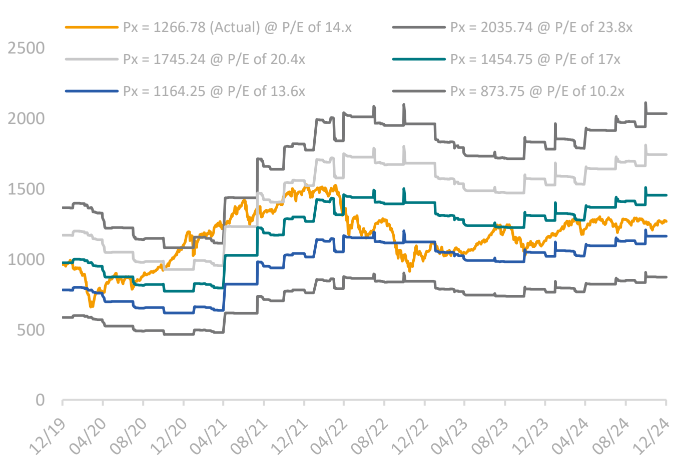
As of December 31, 2024, the P/E and P/B ratios of the VN-Index were trading below the 5-year average, at 14.1x and 1.6x, respectively.

Chart 29. P/E discounted by 8.8% compared to the 5-year average



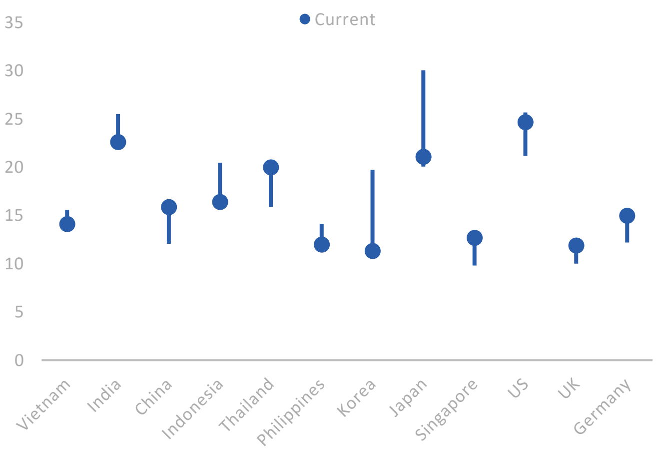
Source: Bloomberg, BSC Research

Chart 30. P/E Range (LTM)



Source: Bloomberg, BSC Research

Chart 31. P/E of selected countries



Source: Bloomberg, BSC Research

Table 01. Assumptions for P/E and EPS growth*

P/E \ EPS growth	15%	16%	17%	18%	19%	20%
10	1,087	1,096	1,105	1,115	1,124	1,134
11	1,195	1,206	1,216	1,226	1,237	1,247
11.5	1,250	1,260	1,271	1,282	1,293	1,304
12	1,304	1,315	1,327	1,338	1,349	1,361
12.5	1,358	**1,370**	**1,382**	**1,394**	**1,405**	1,417
13	1,413	**1,425**	**1,437**	**1,449**	**1,462**	1,474
13.5	1,467	**1,480**	**1,492**	**1,505**	**1,518**	1,531
14	1,521	**1,534**	**1,548**	**1,561**	**1,574**	1,587
14.5	1,576	**1,589**	**1,603**	**1,617**	**1,630**	1,644
15	1,630	1,644	1,658	1,672	1,687	1,701
16	1,738	1,754	1,769	1,784	1,799	1,814
17	1,847	1,863	1,879	1,895	1,911	1,927

Assuming EPS growth in the range of 16–19%, the reasonable P/E range is 13–14.5x, with the VN-Index's reasonable level at 1,435 points.

The expected EPS growth rate will bring the forward P/E and forward P/B ratios in 2025 to levels below 1 standard deviation, creating attractive valuation potential for medium- and long-term investment activities.

*Forecast for % net profit growth by sector: Sector Outlook Report 2025 (Page 15).

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Appendix

Table 02. Vietnam GDP Forecasts by Financial Institutions

Financial Institutions	Date	2024	2025	2026
Bank of America Merrill Lynch	10/01/25	6.4	6.8	6.8
Standard Chartered	10/01/25	6.8	6.7	6.7
Goldman Sachs Group	07/01/25	6.4	6.6	6.4
Citigroup	06/01/25	6.6	6.6	6.5
Fitch Ratings	06/01/25	6.8	6.2	6
Fitch Solutions	30/12/24	6.8	7.2	7.2
IMA Asia	20/12/24	7	6	
DekaBank Deutsche Girozentrale	06/12/24	6.4	6.5	5.4
Deutsche Bank	04/12/24	6.9	6.6	5.8
Natixis	03/12/24	6.7	6.5	6.5
Natixis	07/11/24	6.5	6.5	
Australia & New Zealand Banking Group	22/10/24	6.1	6.3	6.4
Capital Economics	22/10/24	7	7	7
Credit Agricole CIB	22/10/24	6	6.3	
DBS Group	22/10/24	6.8	6.8	6.6
HSBC Holdings	22/10/24	7	6.5	6.3
Maybank Kim Eng Holdings Ltd	22/10/24	6.7	6.4	
Moody’s	22/10/24	6.2	6.5	6.5
Oversea-Chinese Banking Corp	22/10/24	6.5		
Oxford Economics	22/10/24	6.7	6.4	
Pantheon Macroeconomic Advisors	22/10/24	6.7	6.5	6.5
United Overseas Bank	22/10/24	6.4	6.6	

Chart 03. Vietnam CPI Forecasts by Financial Institutions

Financial Institutions	Date	2024	2025	2026
Bank of America Merrill Lynch	10/01/25	3.8	4.1	4
Standard Chartered	10/01/25	3.7	3.8	5.5
Goldman Sachs Group	07/01/25	3.6	2.3	2
Citigroup	06/01/25	3.7	3.5	4.2
Fitch Ratings	06/01/25	3.6	3.8	3.5
IMA Asia	20/12/24	3.6	3.5	
DekaBank Deutsche Girozentrale	06/12/24	3.6	3.1	3.5
Deutsche Bank	04/12/24	3.8	3.5	3.7
Natixis	03/12/24	3.8	3.5	3.5
Natixis	07/11/24	3.8	3.5	
Australia & New Zealand Banking Group	22/10/24	3.7	3.4	3.6
Capital Economics	22/10/24	3.6	3	3.5
Credit Agricole CIB	22/10/24	3.6	3.1	
DBS Group	22/10/24	3.7	3.5	3.3
HSBC Holdings	22/10/24	3.6	3	3.5
Maybank Kim Eng Holdings Ltd	22/10/24	3.7	3.4	
Moody’s	22/10/24	3.8	3.6	2.9
Oxford Economics	22/10/24	3.6	3.5	
Pantheon Macroeconomic Advisors	22/10/24	3.7	3.1	3.3
United Overseas Bank	22/10/24	4	4.4	

Source: Bloomberg

Appendix

Table 04. Summary of Brent Oil Price Forecasts (USD/barrel)

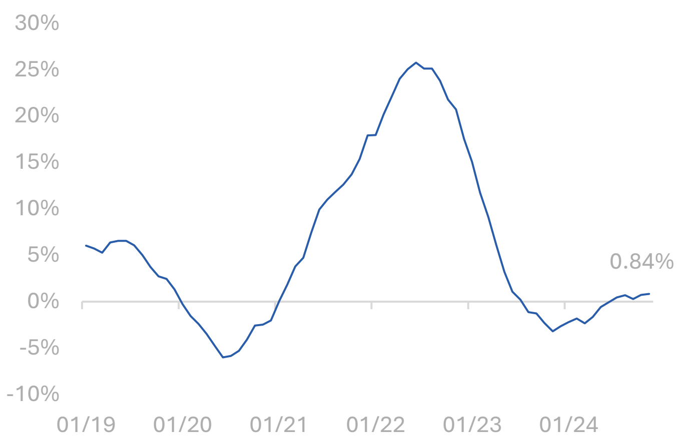
	Date	2025	2026	2027	2028
Median	10/01/25	73.19	71.00	72.00	72.15
Average	10/01/25	73.69	72.74	74.47	73.23
Highest	10/01/25	92.00	95.00	106.00	82.00
Lowest	10/01/25	60.00	60.00	60.00	65.00

Source: Bloomberg

Chart 32. Export Price Index of China

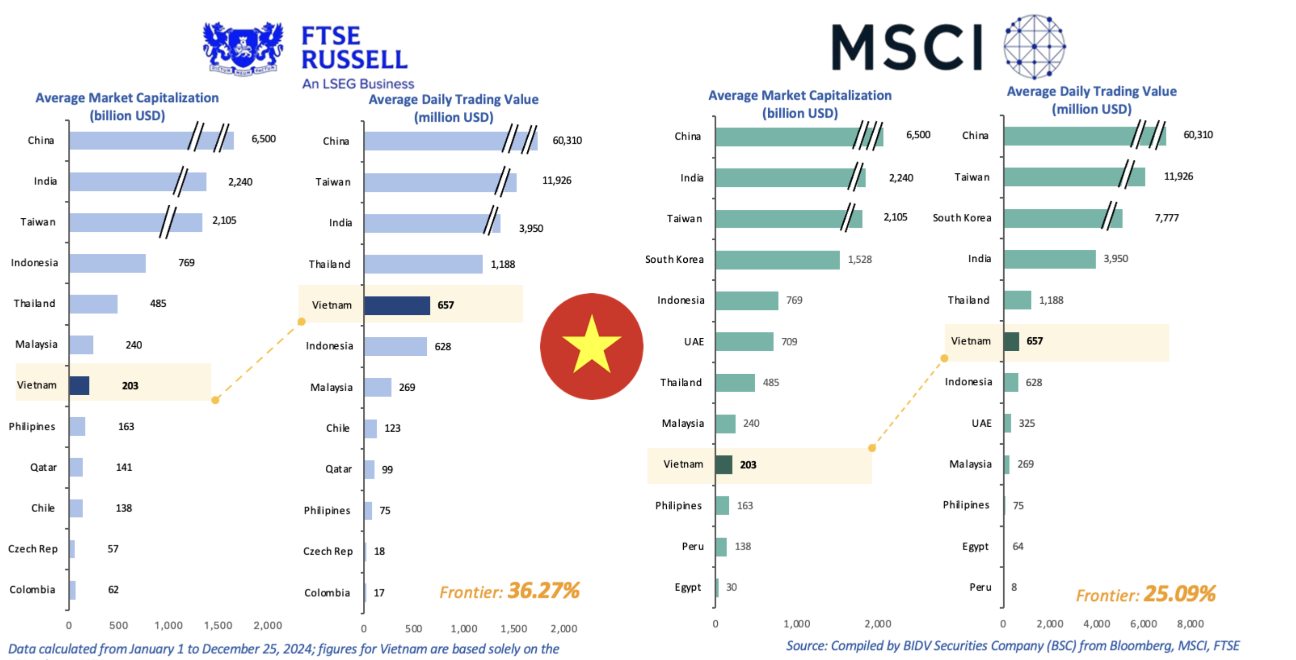
Source: Bloomberg

Chart 33. U.S. Inventory %y/y



Source: Bloomberg, BSC Research

Chart 34. The "Frontier Market" label is no longer suitable for Vietnam



Source: BSC Research

Appendix

Chart 35. Latest MSCI assessment criteria for Vietnam’s stock market

Market Classification	Emerging market				Frontier market
Openness to Foreign Investors					
Level of requirements for investors	++	++	++	++	++
Foreign ownership limits	-	+	++	-	-
Remaining foreign room for investors	-	++	++	-	-
Equality of foreign investors	-	+	+	+	-
Ease of Capital Flow In/Out					
Restrictions on capital flow	++	++	++	++	++
Freedom in the foreign exchange market	+	+	-	-	-
Market Participation Capability					
Registration and account setup process for investors	++	++	++	++	+
Market Organization					
Legal regulations related to the market	++	++	++	++	+
Information flow	++	++	+	++	-
Market Infrastructure					
Clearing and settlement	+	++	+	+	-
Supervision and custody activities	++	++	++	++	++
Registration/custodian authority	++	++	++	++	++
Trading operations	++	++	++	++	++
Transferability	++	+	+	++	+ Improved
Securities lending activities	+	++	+	-	-
Short-selling activities	+	+	+	-	-
Availability of Investment Instruments:	++	++	++	++	++
Institutional Framework Stability	+	+	+	+	+

++: No issues; +: No major issues, improvement is possible; -: Needs improvement

Source: Compiled by BSC Research from MSCI

Chart 36. Update on FTSE's market classification review for September 2024

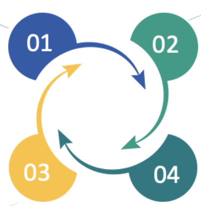
Vietnam **continues to be on the watch list** for potential upgrading to Secondary Emerging Market status in the market classification report for September 2024.

FTSE Russell's Assessment of Vietnam's Stock Market

Unmet criteria

- Settlement cycle **(DVP)**
- Settlement costs related to **failed transactions**

*→ Due to the practice of the Vietnamese stock market **requiring sufficient funds before trading** → the market inherently does not record failed transactions.*



Future Considerations

- **Rules for operations from VSDC**
- Improving **information access for foreign investors.**
- Enhancing the **registration and account opening process.**
- Addressing **foreign ownership limits.**
- A clear roadmap for implementing new regulations, clarifying the roles of market participants

Acknowledged Changes

The Ministry of Finance (BTC) and the State Securities Commission (SSC) issued **Circular No. 68/2024/TT-BTC** on September 18, 2024.

*Introduced the **NPS (Non-pre-funding)** payment model to remove pre-payment requirements for foreign investors when purchasing shares, as well as setting up a roadmap for information disclosure.*

Acknowledgment of Government Support

With regards to **market reforms**, the **constructive relationship** with the SSC, other market authorities, and the World Bank Group continues to be highly valued as these parties are supporting broader market reform program.

Source: Compiled by CTCK BIDV (BSC) from FTSE

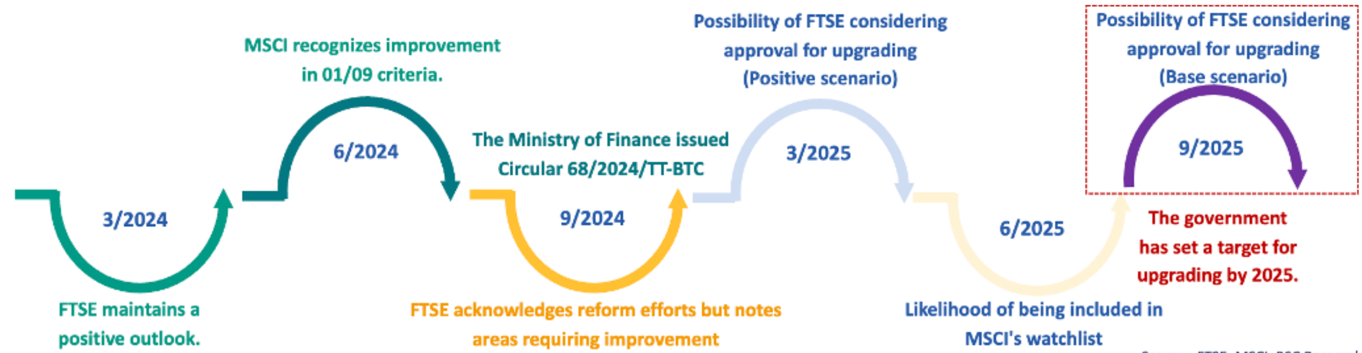
FTSE Market Quality Assessment Criteria (Watch List) – September 2024

CRITERIA	SEC EMG WATCH	VIETNAM**
Per capita income (based on World Bank data)		Low average
Credit rating		Speculative
Trading and legal environment		
Regular monitoring of market activities by stock market regulators (e.g., SEC, FSA, SFC)	X	Achieved
Fair and unbiased treatment of minority shareholders		Restricted
No or selective restrictions on foreign ownership		Restricted
No prohibition, restriction, or penalty on capital investment or repatriation of capital and income	X	Achieved
Simplified or non-existent registration process for foreign investors		Restricted
Foreign exchange market		
Developed foreign exchange market		Restricted
Stock market		
Competitive brokerage fees ensuring high-quality brokerage services	X	Achieved
Competitive and reasonable transaction costs	X	Achieved
Taxes – Reasonable and equivalent rules applied to both domestic and foreign investors		Achieved
Allowance for stock borrowing		Restricted
Allowance for short selling		Not achieved
Developed derivatives market		Restricted
Allowance for off-exchange trading		Not achieved
Efficiency of trading mechanism		Restricted
Transparency – In-depth market information/visibility and timely trade reporting processes	X	Achieved
Clearing, settlement, and custody		
Settlement costs for failed transactions	X	Restricted
Settlement cycle (DVP)	X	T+2
Securities depository center	X	Achieved
Central clearing counterparty (CCP)		Not achieved
Free allocation of securities		Not achieved
Sufficient competition to ensure high-quality custody services	X	Achieved
Account structure operating at the custody bank level (securities and cash)		Not achieved

Source: BSC Research

Appendix

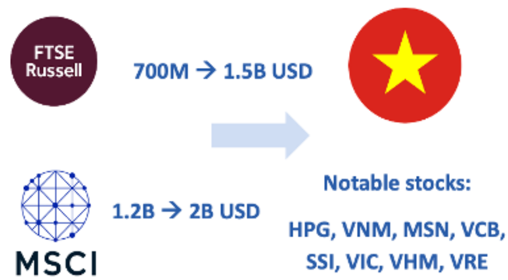
Chart 37. BSC's forecast on the upgrading process



Source : FTSE, MSCI, BSC Research

Key Points to Note in the Upcoming Upgrading Process:

- **Practical implementation** by market participants, especially securities companies (CTCK), regarding the **NPS (Non-Pre-funding) model and the experience of foreign investors** when using it **(Important);**
- **Opinions from Ministries and related agencies** on coordinating efforts to promote the market upgrading process, focusing on:(1) Simplifying account registration processes for foreign investors, (2) Defining the role of the banking system in the central counterparty clearing (CCP) model in the primary stock market, (3) Resolving foreign ownership limits, (4) Addressing solutions for stocks that have reached foreign ownership limits, (5) Increasing the supply of high-quality listed securities **(Important – long-term significance for sustainable market development);**
- **Annual market classification reports** from rating organizations, particularly FTSE's feedback in the next assessment period;
- **Market Perspective:** The activities of foreign investors and ETFs, particularly strong **net purchases** of stocks meeting the criteria for market capitalization and liquidity in the Emerging Market indices, are noteworthy factors.
- The practical progress in implementing the new trading system and the CCP model (establishing a specialized company – a comprehensive and long-term solution to the pre-funding issue).



Source: BSC Research