



FLASH NOTE: US NEW PRESIDENT'S POLICIES AND IMPACT ON VIETNAM



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KEY TAKE AWAY

UNCERTAINTIES IN THE 47TH US PRESIDENTIAL TERM

Donald Trump became the 47th President of the United States according to the election results on November 6, 2024.

With the policies of the Trump regime, we believe that there will be mixed positive and negative impacts on the Vietnamese economy. To be detailed:

Field	Impact
FDI	Positive
EXPORT	Combined
MONETARY POLICY	Negative

MAIN SECTORS EXPOSURE TO

Sector	Impact	Note
Industrial Real Estate	Positive	Benefit from supply chain shifts, but the impact is not as strong as in the previous period.
Export	Combined	The impact is expected to be negative but unclear until the new tax schedule is in place. + Policies to support home buyers can also stimulate demand for furniture and Vietnamese wood exporting enterprises can benefit. + In addition, export costs of enterprises will decrease in case of easing geopolitical tensions and transportation costs decrease.
Banking	Negative	Bank profits are negatively affected in case of difficult mobilization, banks must maintain high deposit interest rates.
Thermal electricity	Positive	Oil prices (petrochemical products including LNG) are expected to be low with Trump's policies being positive news for thermal power plants (LNG as the production input).

SUMMARY:

- ❖ The impact of the new presidential term will not be clear until the second half of 2025 and 2026 when specific policies and measures are introduced by the Trump administration.
- ❖ In general, it is difficult to accurately assess the individual impacts of US policies on the macro and business operations of Vietnamese enterprises. The comprehensive impact will depend on the global economic cycle, the timing of the application of Trump's new policies.
- ❖ With the above assessments, Vietnam will still maintain its position as one of the high-growth economies with an expected GDP growth of 6.5% in 2025 and is an attractive global investment destination.
- ❖ *We note the long-term risks to global trade flows in the context of more protectionist tariff policies and trade retaliation measures from US partners will push inflation back up and pose risks to global economic growth. In addition, the 2026 period is also a sensitive time when the Fed's monetary easing cycle (interest rate reduction) will end.*



TRUMP PRESIDENT'S POLICIES

Policies	Detail	Impact
Personal tax	<p>Extend the 2017 tax cuts that are set to expire at the end of 2025 indefinitely (including preserving the lower tax rates, larger standard deduction, bigger child tax credit, higher estate tax exemption, and a tax break for closely held businesses)</p> <p>End income taxes on Social Security benefits</p> <p>Eliminate taxes on tips for millions of restaurant and hospitality workers</p> <p>Eliminate tax on overtime</p> <p>Make interest paid on auto loans tax deductible</p> <p>Eliminate US taxation of Americans living abroad</p> <p>Fully restore state and local tax deductibility</p>	Positive impact on personal and business income
Corporate tax	<p>Lower corporate tax rate to 15% from 21% for domestic manufacturers</p> <p>Repeal the green incentives in the Inflation Reduction Act (IRA)</p>	Encourage and facilitate businesses to choose the US as a place to locate their factories
Trade	<p>Impose reciprocal tariffs on US imports equal to the rates trading partners impose on US exports</p> <p>10% to 20% universal baseline tariff on all imports</p> <p>60% tariff on all imports from China and revoke Permanent Normal Trade Relations (PNTR) for China</p> <p>Impose tariffs on certain autos from Mexico and possibly from other trading partners</p>	Increase protection barriers with tariffs.
Inflation	<p>Lower housing costs by cutting regulation and opening parts of federal lands for new home construction</p> <p>Lift hurdles to oil and gas development and power plant construction, as well as expand LNG exports/distribution, to boost energy supplies and help contain energy prices</p>	Stimulate shale oil production in the US, helping to maintain low oil prices
Labor	<p>Bring manufacturing jobs back to the US; ban companies that outsource jobs from doing business with the government</p> <p>Raise wages for American workers</p>	Positive impact on US workers, and negative impact on foreign IT professionals
Immigration	<p>Reduce immigration</p> <p>Strengthen Immigration and Customs Enforcement (ICE)</p> <p>Increase penalties for illegal entry and overstaying visas</p> <p>Deport unauthorized immigrants currently in the US</p>	Reducing immigration helps improve US resident employment, thereby increasing income opportunities => improved consumption
Healthcare	<p>Bring down prescription drug costs and healthcare costs overall</p> <p>Increase transparency, promote choice and competition, and expand access to new affordable healthcare and prescription drug options</p> <p>Protect Medicare, and ensure seniors receive the care they need without excessive costs</p>	Large spending on medicare deepens US deficit
Energy and the environment	<p>Repeal the IRA subsidies for green technologies</p> <p>Lift hurdles to oil and gas development as well as power plant construction; Expand LNG exports</p> <p>Reverse restrictions on greenhouse gas emissions</p>	Low oil prices when oil supply increases



Housing	Open limited portions of federal lands to allow for new home construction Promote homeownership through tax incentives and support for first-time buyers	Good for the real estate market => furniture businesses
Fed	Allow input from the president on Fed policy	The Trump administration prioritizes maintaining a strong USD, participating more deeply in the Fed's decisions
NATO/Security	Ensure other NATO members meet the requirement to spend at least 2% of GDP on defense End US aid to Ukraine; end the war in Ukraine through a negotiated settlement with Russia Get the conflict in the Middle East "settled"	Early end of the conflict, beneficial for export businesses when transportation costs decrease. Oil prices remain low. Reduce pressure on commodity and raw material prices

The main highlights of the Trump Administration's policies:

- + Focus on increasing the income of individuals and US households through reducing personal income tax and improving employment.
- + Support businesses operating in the US
- + Resolve geopolitical conflicts in the world
- + Re-enforce shale oil exploitation activities and discourage renewable energy
- + Increase tariff barriers against trading partners, especially China.
- + Maintain a strong USD and increase the influence on the Fed's decisions

Impact of policy:

- ❖ Stimulate US consumption and economic growth
- ❖ Oil and gas prices ease, but trade tensions with retaliation measures can put greater pressure on global commodity prices
- ❖ The USD is maintained strong, creating pressure on exchange rates and interest rates with other countries
- ❖ Support US manufacturing businesses with preferential policies for US businesses and tariff barriers with countries exporting to the US. On the other hand, this also increases the cost of imports and purchases of goods for American people and puts pressure on inflation.
- ❖ Technology businesses that intend to expand their business to the US are welcomed under the preferential regime for US manufacturing activities under the Trump administration.

IMPACT ON GLOBAL AND US ECONOMY

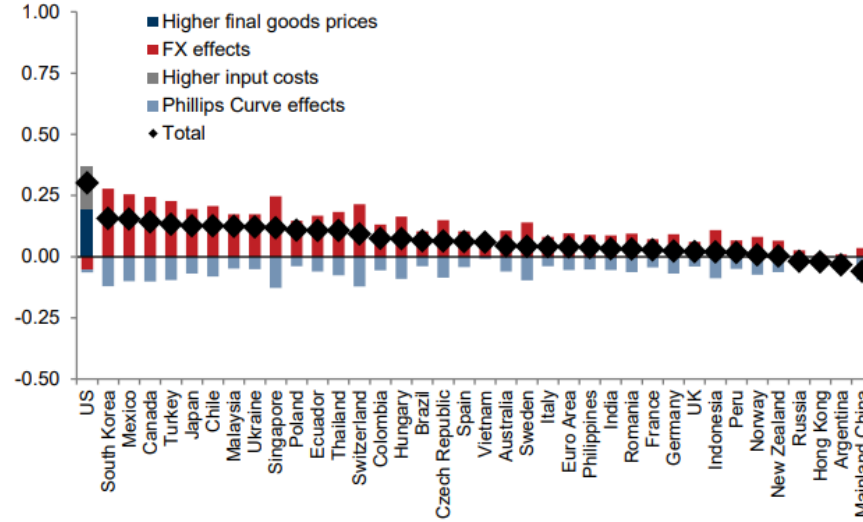
The new policies of the Trump administration are expected to have a modest impact on the US economy. The proposed tariffs will likely increase US inflation, but not as much as when combined with a strong US dollar policy. Meanwhile, policies related to reducing personal and corporate income taxes will help improve income, combined with the Fed's continued interest rate cuts in 2025, which will be a medicine to support the economy and stimulate people's consumption.

Meanwhile, global trade flows are expected to experience many fluctuations during Trump's term. Higher tariffs from the US and possible retaliation from US trading partners will cause prices to escalate. The wave of supply chain shifts continues as in 2018 and partners that have built strategic cooperation with the US continue to benefit from this trend.



A 20pp increase in the effective tariff rate on US Imports from China would raise prices by 0.1% globally

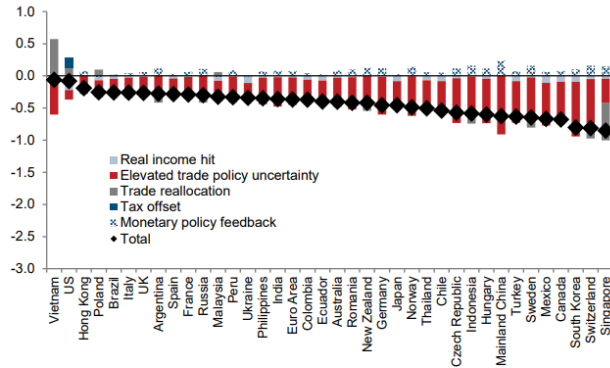
Effect of 20pp increase in the effective tariff rate on US imports from China on price level assuming full retaliation, %



Source: Goldman Sachs GIR.

A 20pp increase in the effective tariff rate on US imports from China could lower global growth by 0.4%

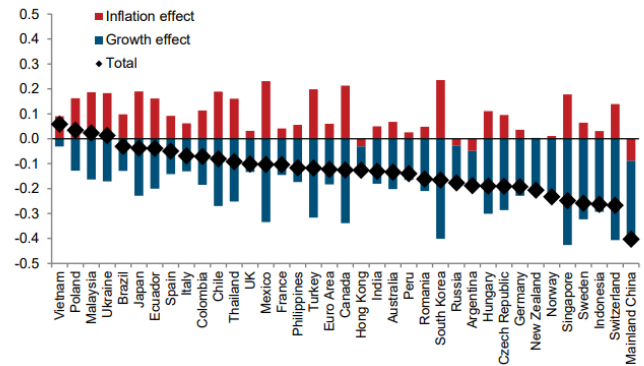
Effect of 20pp increase in the effective tariff rate on US imports from China on GDP assuming full retaliation, %



Source: Goldman Sachs GIR.

Larger tariffs would support more policy divergence

Effect of 20pp increase in the effective tariff rate on US imports from China on Taylor Rule-prescribed policy rate assuming full retaliation, pp



Source: Goldman Sachs GIR.



IMPACT ON VIETNAM

As one of the largest trading partners of the US and deeply integrated into the global supply chain, the main aspects that Vietnam can be affected by after the US election and specifically under the Trump Administration are as follows:

1/ TRADING & INVESTMENT ACTIVITIES

We approach from 2 perspectives:

1.1. Vietnam as a major exporter to the US

The competitiveness of Vietnamese goods will not be affected too much

We believe that the impact of tariffs on Vietnam's export sectors is not yet clear because it is expected that it will not be until mid-2025-2026 that the new policies and tariff schedules of the Trump administration will be issued and applied.

In addition, the Trump administration is also aiming to increase tariff barriers on all countries, including Mexico, so the disadvantage in terms of price factors is not only tilted towards Vietnam.

On the other hand, we also note the risk that Vietnam will become a more observable object by the Trump administration in the context of Vietnam's exports to the US having increased sharply in the period from 2018 to present. During President Trump's term, Vietnam has also been on the currency manipulation watch list many times, indicating the potential pressures that Vietnam will face in the future.

1.2. The impact of US tax policies on the China and Vietnamese economies from the perspective of being a trading partner of China (mainly exporting) and an indirect beneficiary of supply chain shifts.

Many assessments suggest that the 60% tax policy on goods from China will reduce the country's GDP by about 2%. However, the US's imposition of large tariffs on China's products does not greatly affect exports from Vietnam to China because Vietnam mainly imports from China (trade deficit with China).

On the other hand, we believe that the trend of shifting supply chains from China to Vietnam will continue, helping to strengthen the growth momentum of the Vietnamese economy.

However, we believe that supply chain shifts will take place at a **slower pace than in the 2018-2019 period.**

2/ MONETARY POLICY

In parallel with the application of tariff barriers, the Trump administration plans to maintain a strong USD policy to support the domestic economy.

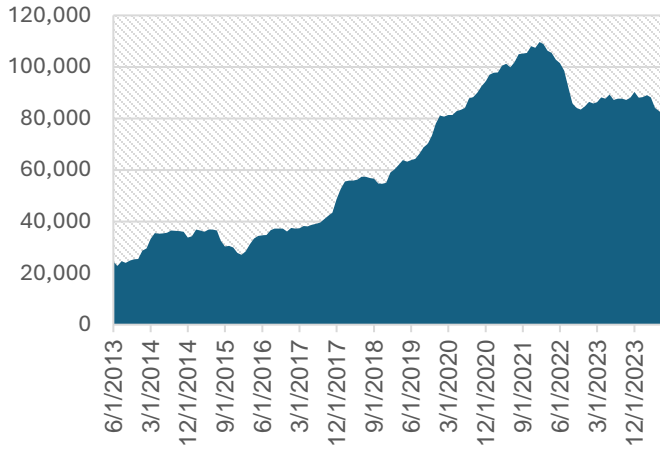
This will put great pressure on the exchange rates of other countries, especially emerging countries, and Vietnam is no exception.

Historical data and even in the period from 2023 to present can see great pressure on the exchange rate issue for Vietnam when the SBV continuously must sell foreign exchange reserves to stabilize the exchange rate in the context of high net USD withdrawal demand and a strong USD. Along with that, the impact on money supply and system liquidity is also under pressure when interbank interest rates have been pushed up to over 8% in some sessions during the above period.

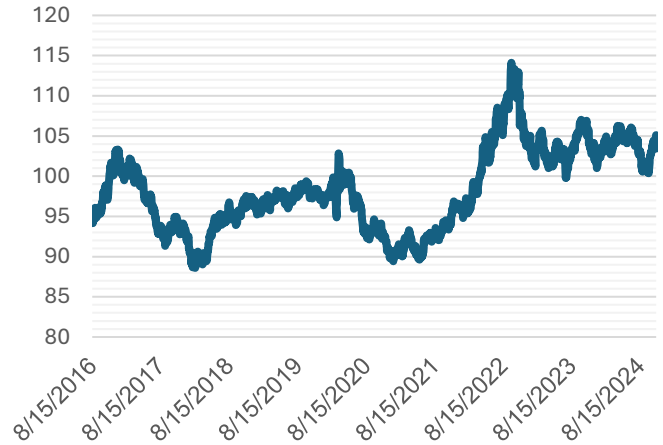
A good signal is that the Fed has entered the interest rate cutting phase and is expected to continue cutting until early 2026, which will be a remedy to help relieve some of the pressure on the exchange rate. However, there is still a risk in case of strong intervention from the Trump administration in the Fed's interest rate management decision, causing pressure on exchange rates and system liquidity.



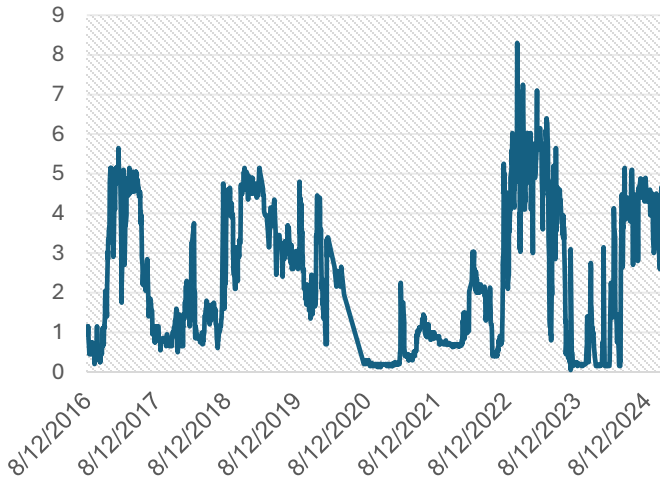
Vietnam FX Reserve (USD thousand)



USD Index



Vietnam ON Rate (%)



USDVND



Sources: Bloomberg, GTJASVN Research

OVERALL IMPACT ON VIETNAM

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