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Vietnam Macroeconomic 2024 Update and Forecast for 2025:

Key Highlights:

- 2024 is a pivotal year for both the world and Vietnam, marked by significant changes in policy management and leadership transitions across major countries and global institutions.
- There is a divergence in monetary and fiscal policies as well as economic trends worldwide. 2025 is expected to remain a year of polarization and unpredictable fluctuations.
- Vietnam continues to be a safe and attractive destination for global investors. Economic growth in 2024 has reached a record high, while 2025 is projected to be another accelerated growth year.
- The government and businesses have demonstrated strong determination and alignment in implementing reasonable and effective measures to enhance economic competitiveness. These efforts aim to leverage breakthroughs in key future industries such as green economy, AI, and semiconductors.
- 2025 marks a turning point, as regulatory agencies and investors anticipate that Vietnam will officially be upgraded to an emerging market by FTSE, unlocking a new era of explosive growth for the domestic financial market

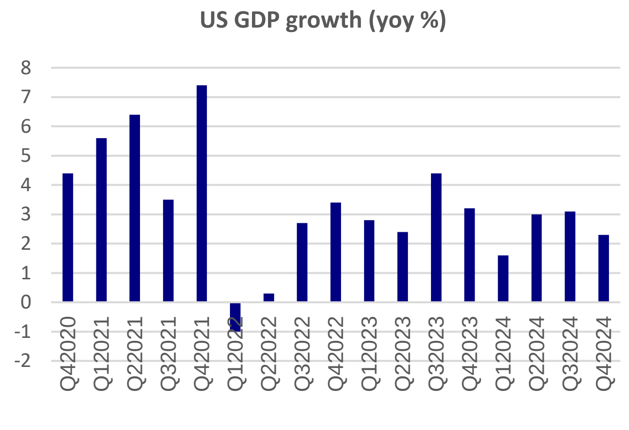
GLOBAL MACRO UPDATE

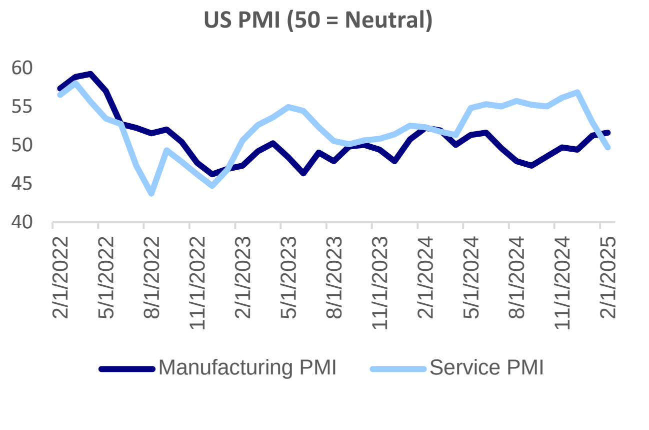
2024 is a year of global turbulence. The most significant event of the year was undoubtedly the U.S. Presidential Election, with a landslide victory for newly elected President Donald Trump. Contrary to pre-election predictions—where many mainstream surveys suggested a high probability of victory for Kamala Harris, the Democratic Party's nominee, or at least a narrow Republican win—Donald Trump secured decisive victories in all key battleground states, winning both the Electoral College and the popular vote.

However, this outcome closely aligned with betting odds on Polymarket, a decentralized prediction market platform that allows users to bet on global events. The rise of Polymarket is part of a broader decentralization trend, alongside innovations such as crypto, blockchain, and AI, which are emerging as transformative forces shaping the future of the world.

Beyond the turbulence in the U.S., 2024 also witnessed the collapse of governments in several developed nations, including France, Germany, and Canada, as nationalist and populist movements surged worldwide. At the same time, geopolitical conflicts intensified in hotspots such as Russia-Ukraine and the Middle East. These developments reinforce the notion that the world is undergoing a major turning point, with fundamental, long-term changes expected to shape the future of humanity.

The global economy has not been immune to these sweeping changes. One of the most significant economic events of the year was the sharp market reaction to the Bank of Japan's (BOJ) interest rate hike—the first in nearly a decade after years of negative rates amid inflationary pressures. The move caught markets by surprise, causing the VIX volatility index to surge past 60, a level historically associated with financial crises. Fortunately, the BOJ swiftly intervened to stabilize the situation, reassuring investors, and restoring market confidence.



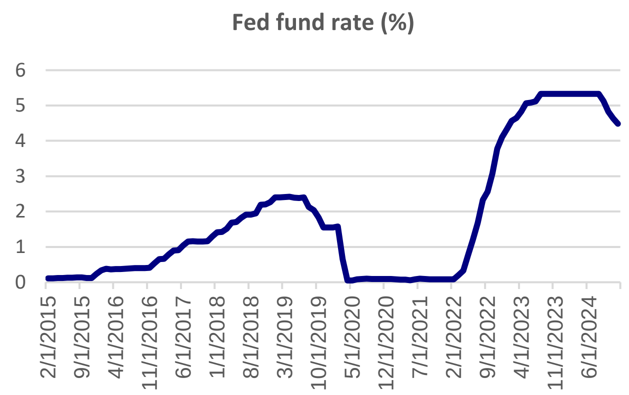


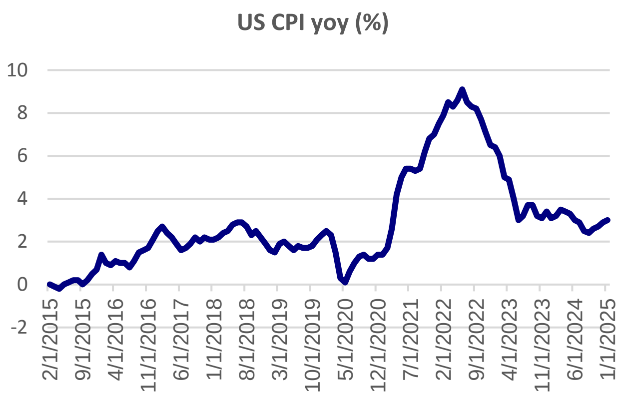
Source: Bloomberg Terminal, Bureau of Economic Analysis, GTJA RS team

In the U.S. market, the country's economy continued to grow positively in 2024, with Q4 GDP reaching 2.3%, a decline from 3.1% in the previous quarter. For the full year 2024, the world's largest economy is expected to grow by approximately 2.8%, similar to the level of 2023. The solid growth of the U.S. was partly driven by the service sector, as the PMI for this sector consistently indicated an expansion trend, while the manufacturing sector experienced more fluctuations.

Alongside a strong economy, inflation in the U.S. has shown quite complex developments. U.S. inflation had been gradually decreasing until mid-year, although it remained relatively high compared to the Federal Reserve's (Fed) 2% target. By mid-year, U.S. inflation had moved in a positive direction, thanks in large part to the Fed's policy management. However, when the Fed decided to aggressively cut interest rates three times this year, with a total reduction of 1%, inflation showed signs of rising again, indicating that the fight against inflation in the country is not yet over.

The rise in inflation, aside from fluctuations in raw materials such as crude oil, was also driven by labor cost pressures as average wages in the U.S. increased rapidly and the unemployment rate declined. Overall, the U.S. economy remains stable; however, pressures are mounting due to certain economic and political fluctuations in the second half of 2024, particularly in the final quarter.



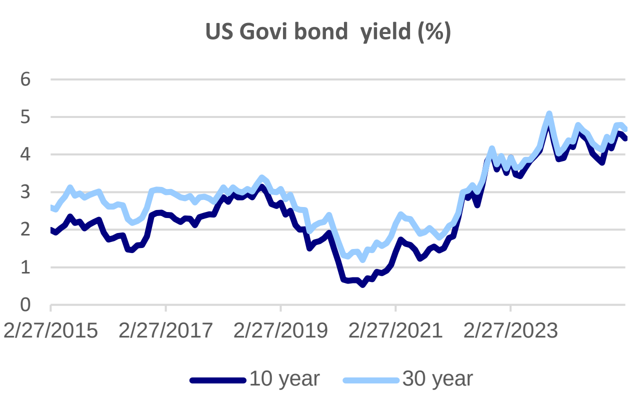


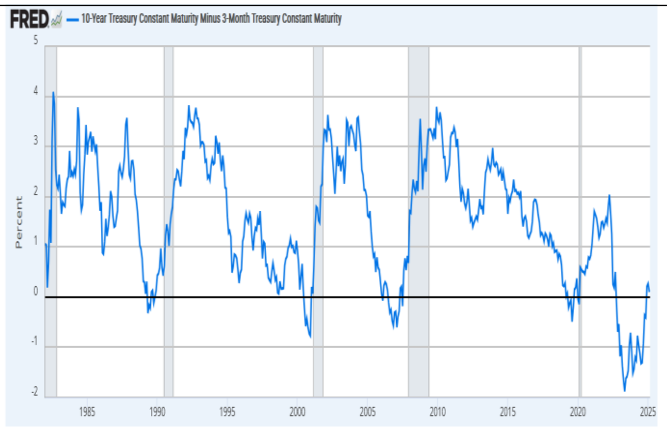
Source: Bloomberg Terminal, Bureau of Labor Statistics, GTJA RS team

As mentioned, the Fed made its first interest rate cut in nearly two years in September 2024 and continued to lower rates in the following three meetings. The reasoning behind this move was the expectation that inflation would move toward the Fed's target, prompting the activation of the "normalization" process to bring interest rates to a "neutral" level (neither tightening nor loosening), estimated at around 3-3.5%. At this time, the global market expected the Fed to continue cutting interest rates multiple times in 2025 and 2026, bringing rates to the aforementioned neutral level.

However, the market seemed to have a different perspective. For the first time in many years, despite the Fed's rate cuts, long-term U.S. government bond yields for 5-year, 10-year, and 30-year terms surged. This partly reflects the reality that the Fed only directly controls short-term interest rates, not long-term ones. On the other hand, it also suggests that the market is increasingly concerned about factors beyond the Fed's control, such as economic growth, inflation, domestic and foreign policies.

As long-term yields surged while short-term interest rates declined, for the first time in nearly two years, the spread between the 10-year U.S. Treasury yield and the 3-month yield turned positive again in 2024, and this gap widened further toward the end of the year. Since the 1990s, when this indicator turns negative and then returns to normal, it has historically signaled upcoming recessions, although the time lag between normalization and an actual recession can range from several months to over a year.





Source: Bloomberg Terminal, Federal Reserve Economic Data, GTJA RS team

In contrast to the economic and political volatility in the U.S., ***China's economy*** and social stability continued to improve positively. After concerns over slowing GDP growth throughout 2024, China’s economy experienced a strong breakthrough in the fourth quarter, achieving a growth rate of 5.4% for the quarter, helping the country meet its full-year growth target of 5.0%.

This turnaround in the final quarter was driven by aggressive stimulus policies introduced starting in September 2024, including continued monetary easing and fiscal stimulus packages worth trillions of dollars. Additionally, China took bold steps to reform and support its financial markets by allowing leveraged buybacks of treasury shares, which led to a 40% surge in its stock market following the implementation of the new policies.

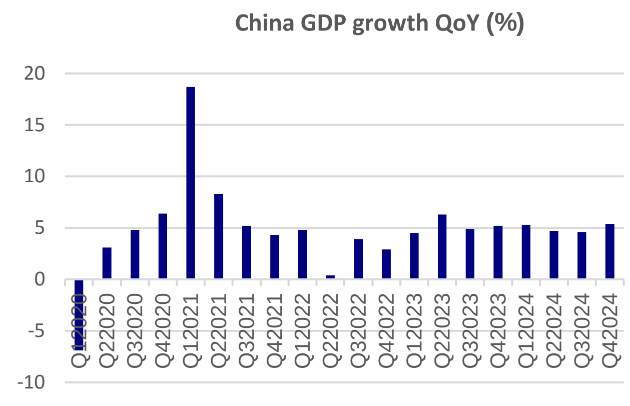
By continuing these policies in 2025, China is expected to maintain its impressive growth momentum, especially as it became the first country to achieve a trade surplus of $1 trillion in 2024. This achievement, despite high protective tariffs imposed on Chinese goods in key markets like the U.S. and the EU, highlights the country’s superior competitiveness and productivity in goods and services.

Of course, China also faces internal challenges. While it continues to achieve strong results in material production, prices have remained stagnant around 0%, indicating that the risk of deflation persists. Based on lessons from countries like Japan, deflation poses a severe threat to economic stability, as it discourages domestic spending by making consumers more likely to delay or reduce their expenditures.

On the other hand, the slow increase in prices is believed to be influenced by household spending cuts, as a significant portion of their assets (estimated at 60% on average) is tied to real estate, which has declined sharply due to the downturn in the property market over the past few years.

Recently, the Chinese government has implemented measures to stabilize the real estate market, such as providing financial support to local governments to buy back projects. There have been early positive signs, with real estate prices in major cities showing signs of recovery in December.

Overall, while there are still many challenges to address in China's real estate market, it is highly likely that the country will succeed in preventing deflation and deflating the real estate bubble, which has been in an overheated state for many years.



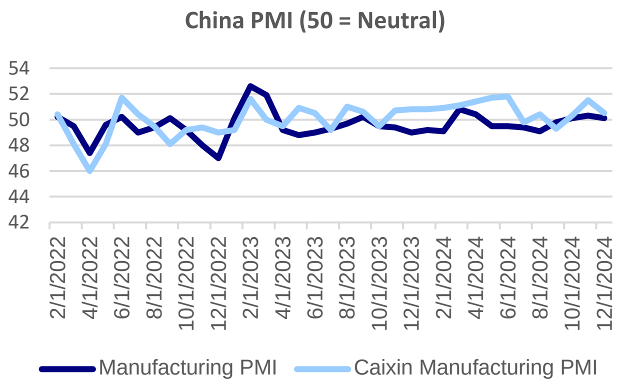
Source: Bloomberg Terminal, China Bureau of Statistics, GTJA RS team

China's economic success is further reinforced by the continuous recovery of the manufacturing PMI in recent months. The Caixin PMI, which reflects trends among small and medium-sized private enterprises, as well as the PMI released by the National Bureau of Statistics of China, indicate an expansion in production in the coming months.

China's unemployment rate in 2024 fluctuated between 5-5.4%, marking a decline from the levels seen during the COVID-19 period. However, this remains relatively high compared to China's historical standards, prompting both central and local governments to make significant efforts to ensure social welfare and reduce unemployment. These efforts include trillion-dollar fiscal and monetary stimulus programs aimed at driving economic recovery and job creation.

Beyond its superior manufacturing capabilities, China is also demonstrating its leadership in advanced fields such as AI and social media, while simultaneously expanding its global influence—notably by welcoming new members into the BRICS bloc, which it plays a key role in leading. Among these new members, Indonesia quickly completed the necessary procedures and officially became a BRICS member in early 2025, while Malaysia and Thailand remain partner countries and are still in the process of considering full membership in the future.

Recently, China announced the AI model Deepseek and made its source code publicly available worldwide, widely seen as a countermove to the U.S.'s $500 billion Stargate project, which aims to maintain America's dominance in AI and technology. Deepseek has been positively received by the global tech community, with some tests showing its performance on par with ChatGPT but at significantly lower costs.



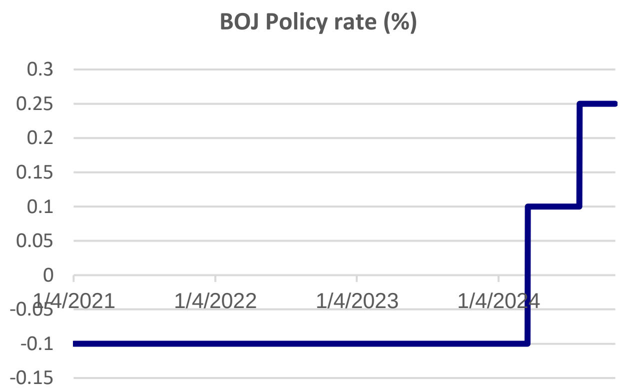
Source: Bloomberg Terminal, China Bureau of Statistics, GTJA RS team

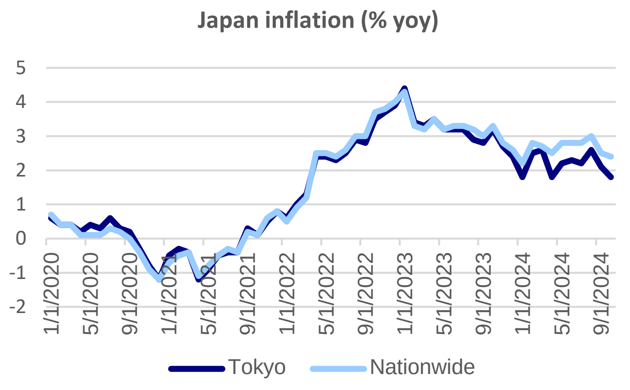
Another major country in the region, ***Japan***, has faced difficulties in 2024. After consecutive negative growth in Q1 and Q2, Japan's economy grew by 0.5% in Q3 compared to the same period in 2023. As a result, Japan's full-year growth for 2024 is likely to remain below 1%, significantly lower than the 1.55% forecast and the 1.9% growth recorded in 2023.

In addition to struggles in maintaining growth momentum, inflation in Japan has resurged after years of battling deflation. Although Japan maintained negative interest rates throughout 2022-2023 due to concerns that deflation was still an issue, in 2024, the Bank of Japan (BOJ) determined that negative rates were no longer suitable for the new economic landscape. Inflation has made a strong comeback and is gradually becoming a challenge, consistently exceeding the BOJ's target and surpassing its acceptable range.

Thus, in Q2 2024, after nearly a decade of maintaining negative interest rates, the Bank of Japan (BOJ) raised interest rates for the first time and continued to increase them in mid-year. This move surprised the market, as many institutions and investors, fearing further rate hikes and a sharp appreciation of the JPY, were forced to unwind carry trade positions, causing significant market volatility. Although the BOJ quickly reassured the market by committing to avoiding abrupt policy changes, at the beginning of 2025, it had to raise interest rates again due to surging inflation and the likelihood of increased pressure from global political uncertainties.

With these developments, Japan is expected to face further challenges in 2025, especially as its rapidly aging population and labor shortages continue to put pressure on the country.





Source: Bloomberg Terminal, GTJA RS team

VIETNAM

Vietnam ended 2024 with significant economic growth achievements. After a somewhat moderate growth rate of 5.98% in Q1, Vietnam consistently achieved growth rates above 7% in the remaining quarters, bringing the full-year growth to 7.09%—far exceeding the initial target of 6-6.5% and surpassing economists' expectations of around 7%.

Despite the negative impact of Typhoon Changi in 2024, which caused substantial property damage and disrupted business operations for about 1-2 weeks, the Vietnamese government acted swiftly and decisively to restore production and business activities. Additionally, proactive economic support measures through monetary and fiscal policies played a crucial role in not only meeting but exceeding the country's economic growth targets for the year.

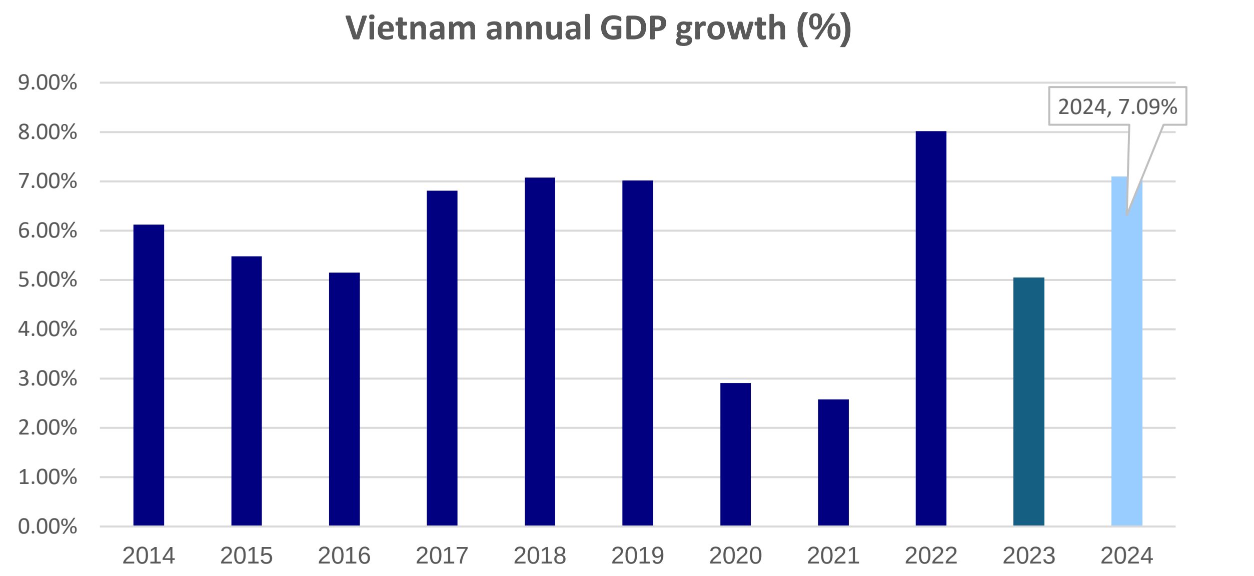
GDP

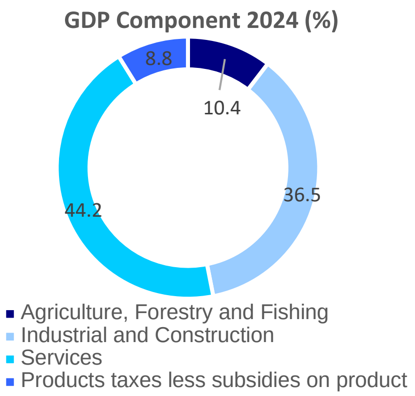
In terms of economic structure, the agriculture sector accounted for approximately 10.4% of Vietnam's GDP in 2024, while industry and construction made up around 36.5%. The service sector had the largest share at 44.2%, with the remaining 8.8% attributed to tax policies and financial support. This shift indicates a positive economic transition, as low-value-added sectors such as agriculture declined slightly (down 0.4% from 2023), while the industry and construction sector grew by 0.4%, and the service sector increased by 0.1%.

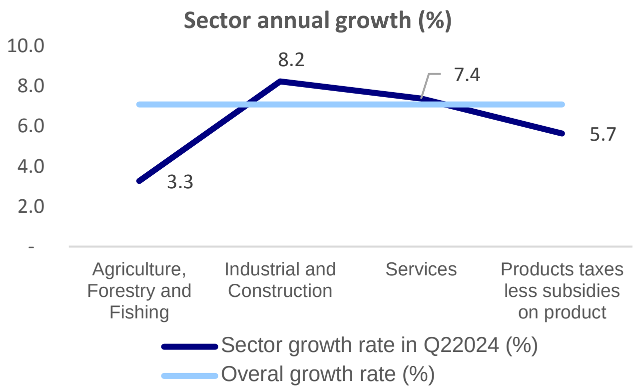
This economic restructuring aligns with Vietnam's industrialization and modernization strategy, as guided by the Party and the State. For 2025, Vietnam has set an ambitious growth target of 8.0%, a highly challenging milestone. The last time Vietnam achieved this level was in 2022, with an 8.02% growth rate, driven by a rebound from the low base of the COVID-19 lockdown in 2021. Aside from that exceptional case, Vietnam has not reached 8.0% growth since the 2008 U.S. financial crisis.

Although this target is ambitious, we believe that Vietnam has the potential to achieve it, provided there are no significant external shocks—particularly from the U.S. under newly elected President Donald Trump. Notably, Vietnam benefited from the shift of global FDI flows during Trump's first term, and it could continue to receive favorable treatment in his second term under the Vietnamese government's pragmatic and flexible foreign trade policies.

Overall, Vietnam's growth forecast for 2025 is expected to range between 7.5-8.0% under normal conditions, exceeding 8.0% if both domestic and international conditions are favorable. However, in the event of major global challenges, domestic growth could revert to the 6.0-6.5% range, similar to previous years.







Source: General Statistics Office of Vietnam, GTJA RS team

Industrial manufacturing

Industrial production remained stable in the final months of 2024. The Industrial Production Index (IIP) in December increased by 8.84%, nearly matching the 8.94% growth recorded in November compared to the same period in 2023. For the full year 2024, industrial production grew by 8.4%, significantly higher than the 1.3% growth in 2023, marking the highest annual increase since the COVID-19 pandemic in 2020. This industrial recovery played a crucial role in helping Vietnam's GDP growth surpass the 7.0% mark. Given that Typhoon Changi in early September caused severe damage and disrupted production in major industrial hubs like Hai Phong and Quang Ninh, this achievement is even more remarkable.

The manufacturing and processing sector remained the driving force behind industrial production growth, achieving an impressive 9.6% increase for the year. The highest growth rates in this sector came from rubber and plastic products, as well as wooden furniture manufacturing, including beds, cabinets, tables, and chairs, which grew by 24.9% and 23.8%, respectively. Traditional Vietnamese strengths, such as textiles, apparel, and leather production, also grew by more than 10%, as an increasing number of textile orders shifted to Vietnam due to its cost advantages and political instability in Bangladesh.

The electricity and gas production and distribution sector also experienced strong growth of 9.5% in 2024, driven by impressive 12.7% and 13.0% growth in Q1 and Q2, respectively. However, in the second half of 2024, the sector stabilized with a growth rate of around 5-7%. Interestingly, despite having a smaller share in overall industrial production, the fastest-growing sector in 2024 was water supply and waste treatment, which expanded by 10.7%, largely due to increased demand for post-disaster recovery efforts and industrial waste management.

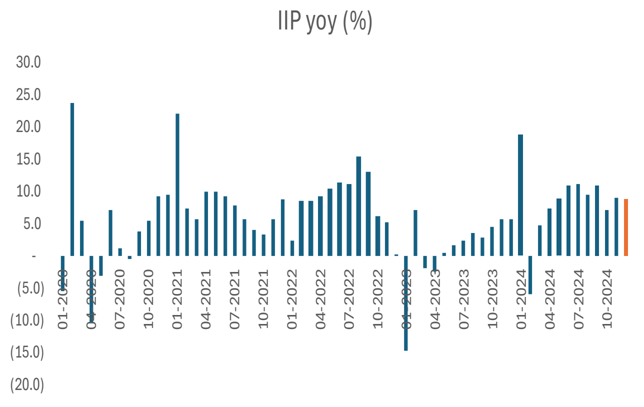
The mining sector continued to decline in 2024, in line with Vietnam's long-term strategy to transition toward high-value-added industries that require advanced expertise and capital investment while reducing reliance on natural resources. The sector contracted by 6.5% compared to 2023, mainly due to declines in coal mining (-5.5%) and crude oil and natural gas extraction (-10.9%).

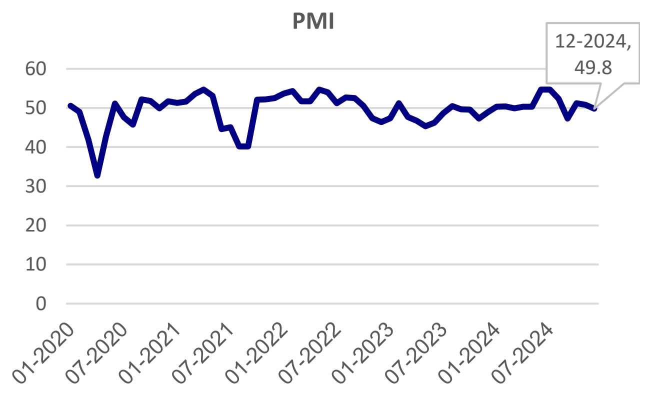
Vietnam's Purchasing Managers' Index (PMI) remained generally positive throughout 2024. Out of 12 months, only three months recorded a contraction in production expectations, while nine months showed expansion. In September, there were concerns that production might slow down due to Typhoon Changi, but the manufacturing sector quickly rebounded, enabling Vietnam to stay on track with its economic goals.

However, PMI declined toward the end of the year, reflecting concerns about weaker production in 2025 due to global economic headwinds. The global economy is showing signs of weakness, particularly in the EU market, while economic conditions in major economies like the U.S., China, and Japan remain highly unpredictable. Given these challenges, maintaining 2024's industrial production growth rate in 2025 would already be a significant success.

On the other hand, Vietnam is actively expanding trade partnerships with other emerging economies, including BRICS nations, South America, and Africa. With advantages such as geographical location, labor costs, and natural resources, Vietnam still has strong potential for industrial growth in 2025

Additionally, Vietnam is shifting its focus toward attracting high-tech industries, including semiconductors, chip manufacturing, green energy, and sustainable transportation technologies. Domestic demand is also expected to be a key driver, providing a solid foundation for industrial expansion, and encouraging manufacturers to confidently scale up their operations in the country.





Source: General Statistics Office of Vietnam, S&P Global, GTJA RS team

Total retail sales of goods and services

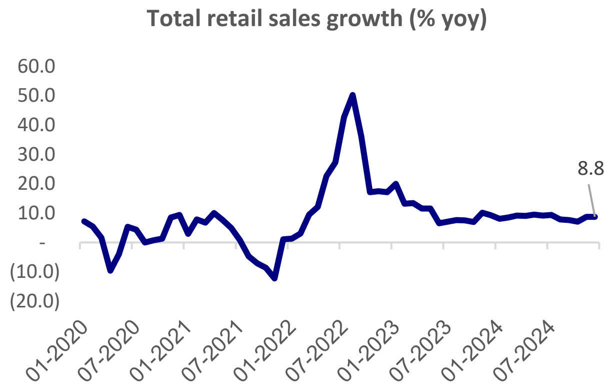
Total retail sales of goods and services in 2024 are estimated to reach VND 6,391 trillion, growing by 9.0% compared to 2023. This is a positive increase, like the 9.4% growth in 2023. Adjusting for inflation, real retail sales growth was 5.9%, slightly lower than the 6.8% increase in 2023.

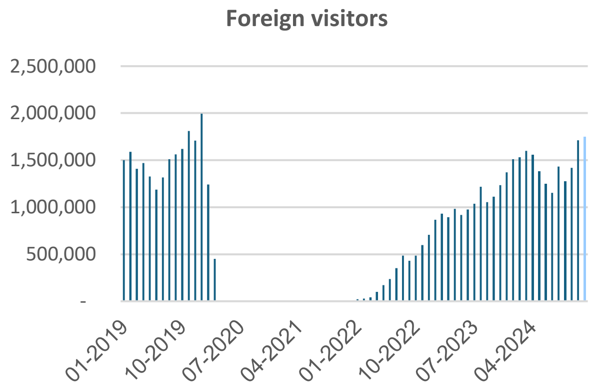
Retail goods remained the dominant sector, accounting for 77.0% of total retail sales, with an 8.3% increase compared to 2023. The fastest-growing retail sector was travelling services, which saw a 16.0% increase, though it only accounted for 1.0% of total retail sales. This was followed by accommodation and food services, which grew by 13.1%, contributing approximately 11.5% to total retail sales. These growth figures are reasonable as Vietnam's tourism industry is experiencing a strong revival, with international visitor numbers returning to pre-COVID-19 levels. At the same time, Vietnamese consumers have resumed normal activities and are more willing to spend on travel, leisure, and dining after the difficulties of the pandemic and its aftermath.

For the entire year of 2024, Vietnam welcomed approximately 17.6 million international tourists, a 39.5% increase compared to 2023. After a mid-year slowdown, international arrivals rebounded strongly in the final months of the year, especially in Q4 2024. With 17.6 million foreign tourists, Vietnam has nearly regained the 18 million visitor mark seen in 2019, highlighting the country's strong tourism potential. Among these visitors, 84.4% entered Vietnam by air, while 14.2% arrived by land, and only a small percentage traveled by sea.

The highest growth in tourist arrivals to Vietnam came from Asia, with a 43.1% increase compared to 2023, followed by Europe at 36.8%. Tourist arrivals from the Americas grew modestly by 10.7% and, overall, this region does not account for a significant share of visitors to Vietnam.

Looking at specific countries, China, South Korea, and Taiwan remained the top three sources of international tourists to Vietnam, contributing 21.3%, 26.0%, and 7.3% of total arrivals, respectively. Despite having a lower share than South Korea, Chinese tourist arrivals surged by 114% compared to 2023, while South Korean visitors grew by 27.1%. If this growth rate continues, China is likely to become the largest source of international tourists to Vietnam as early as 2025, highlighting the close economic and cultural ties between the two countries.





Source: General Statistics Office of Vietnam, GTJA RS team

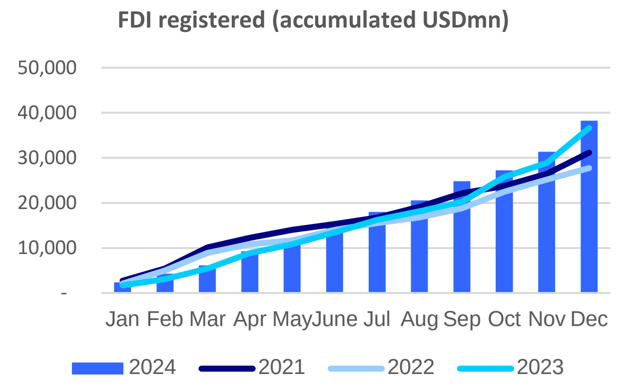
FDI

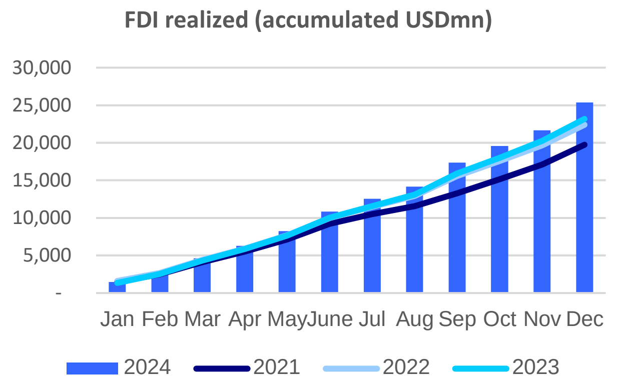
In 2024, Vietnam attracted approximately USD 38.23 billion in foreign direct investment (FDI), of which USD 33.69 billion was allocated to newly registered projects or the expansion of existing factories, while around USD 4.54 billion was used for equity purchases in already established factories and projects. As a result, total registered FDI in 2024 maintained a modest growth of 4.4% compared to the previous year.

There was an increase in newly registered FDI, but FDI through equity purchases declined significantly by 47%. Since the majority of FDI continued to focus on establishing new projects or expanding existing ones, Vietnam still experienced growth in registered FDI in 2024, though the growth rate was relatively modest compared to previous years. Given the complex international economic environment, FDI in 2025 is expected to remain stable or grow slightly by around 5%. Additionally, the implementation of the global minimum corporate tax in Vietnam was another factor that restrained FDI growth in 2024.

FDI disbursement in 2024 remained strong, reaching USD 25.35 billion, reflecting a 9.36% increase compared to 2023. This marked another record-high year for FDI disbursement in Vietnam's history. However, as the growth rate of registered FDI has slowed, FDI disbursement in 2025 is unlikely to experience major surges and is expected to continue growing at a moderate rate of 5-7%.

Despite these challenges, the Vietnamese government has anticipated this trend and is shifting its focus towards attracting higher-quality investments rather than prioritizing sheer quantity. If Vietnam succeeds in drawing investments into key strategic sectors, FDI will continue to drive economic growth and enhance the country's business and manufacturing landscape for years to come.





Source: Ministry of Planing and Investment, GTJA RS team

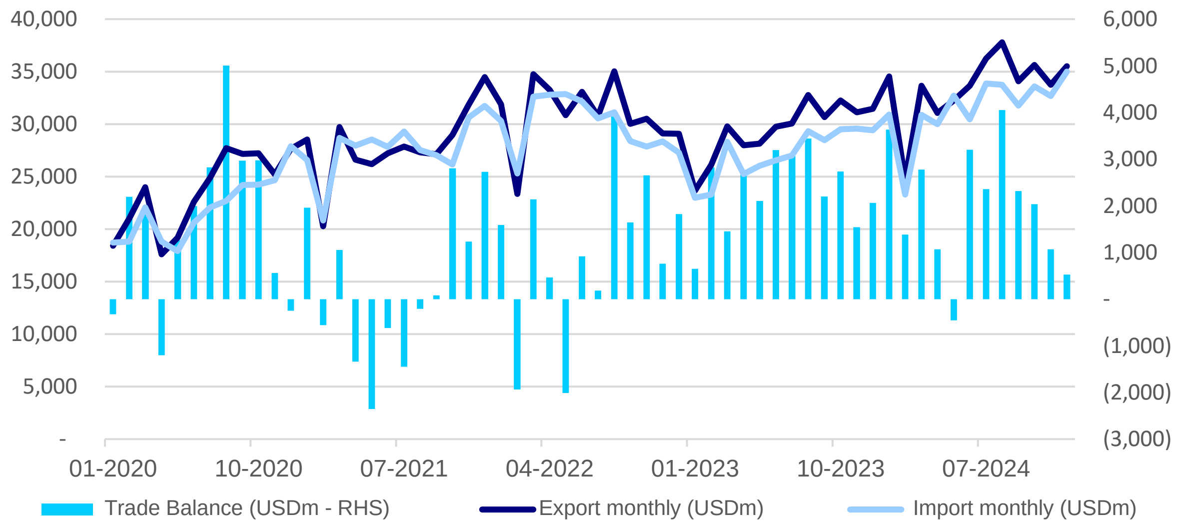
Import/ Export

The year 2024 marked a strong recovery in Vietnam's import and export activities. Total trade turnover reached USD 781.8 billion, reflecting a 14.8% growth compared to 2023. This robust rebound follows a 6.9% decline in the previous year, which was caused by rising interest rates and global recession risks that forced many businesses to scale down production. The resurgence in trade volume reaffirms Vietnam's deeper integration into the global supply chain and its emergence as a key manufacturing hub for global enterprises.

Vietnam's export sector performed positively in 2024, with total exports reaching approximately USD 402.9 billion, a 13.6% increase from the previous year. In contrast, exports declined by 4.6% in 2023 before rebounding strongly at the beginning of 2024. Meanwhile, imports surged to USD 378.9 billion in 2024, reflecting a 16.1% increase compared to the previous year. This represents a reversal of the previous trend, where import contraction outpaced export contraction in 2023. The shift likely indicates that businesses increased their stockpiling of raw materials to mitigate potential market uncertainties in 2024. As a result, Vietnam's trade surplus for 2024 stood at approximately USD 24 billion, slightly lower than the USD 28.4 billion surplus recorded in 2023.

Looking ahead to 2025, Vietnam's trade activities are expected to face multiple challenges, particularly due to the protectionist stance and hawkish trade policies of newly elected U.S. President Donald Trump and his administration. With a strong emphasis on domestic manufacturing and trade balance adjustments, Vietnam may need to make certain concessions to maintain its largest export market. Fortunately, the Vietnamese government has already initiated high-level engagements with Trump and his close associates, increasing the likelihood of a stable trade relationship with the U.S. in 2025.

Nevertheless, Vietnam's import-export growth is unlikely to experience significant breakthroughs amid heightened global uncertainties in 2025. Trade growth is expected to range between 5-10%, while the trade surplus is projected to remain within USD 25-28 billion, making it difficult to surpass previous records.



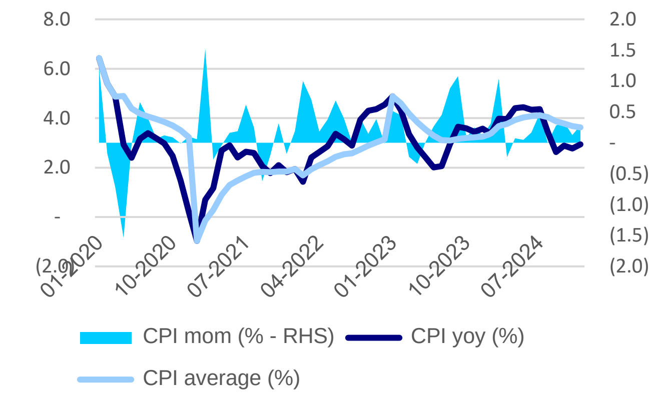
Source: Custom Vietnam. General Statistics Office, GTJA RS team

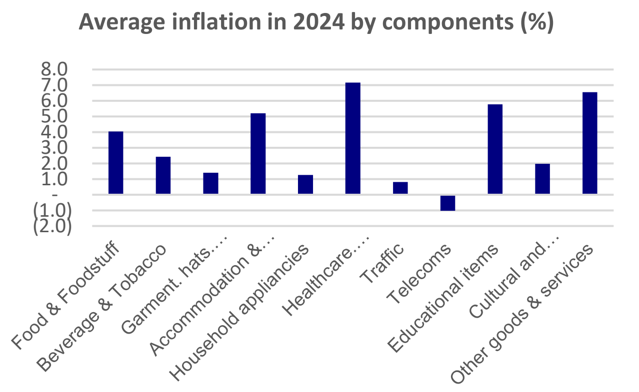
Inflation is under control but pressure is forecasted to escalate in the coming months

Following the declining inflation trend in Q4, Vietnam's annual inflation rate for 2024 stood at 3.63%, significantly lower than the 4.5% ceiling set for the year. This was achieved through effective government policies, which helped limit price increases for regulated goods. Additionally, the absence of sudden spikes in global oil prices in 2024 contributed to overall price stability throughout the year. Core inflation also remained at a reasonable level, rising 2.71% year-on-year compared to 2023.

The highest inflationary pressures in 2024 came from pharmaceuticals and healthcare services, which increased 7.16% and 9.09%, respectively. Education also saw a notable price increase of 5.37%, followed by housing and construction materials, which rose by 5.2%. The largest-weighted component of the CPI, food and food services, which accounts for about one-third of the index, also saw above-average growth of 4.03%, with staple food prices surging by 12.19%.

For 2025, the official inflation target remains within the 4.0-4.5% range, with policymakers estimating inflation at around 4.15%. However, the potential imposition of tariffs by the U.S., expected countermeasures from other global trade partners, and Vietnam's ambitious economic growth target will undoubtedly put upward pressure on inflation. Therefore, we forecast Vietnam's inflation rate for 2025 to be around 4.3-4.5%, near the upper end of the target range.





Source: General Statistics Office, GTJA RS team

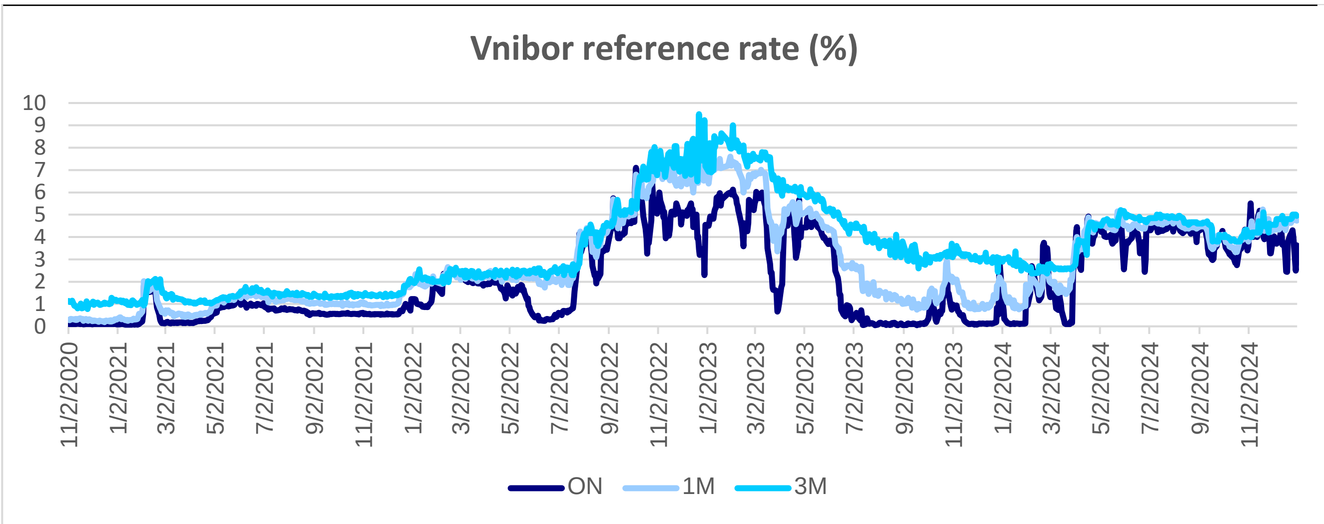
Credit growth in 2024 reached its target, with an annual increase of 15.08%. This strong credit expansion played a crucial role in driving Vietnam's record-breaking economic growth of 7.09% for the year.

However, the credit sector also presents certain challenges. The rapid increase in credit has put pressure on interest rates, and according to the State Bank of Vietnam (SBV), the average interest rate increased by approximately 0.71% in 2024, aligning with our previous warnings. Overall, this increase is not overly severe and can still be absorbed by the economy.

That said, the slower growth in capital mobilization compared to credit expansion (as of the end of October, credit grew by 10.15% YTD, while capital mobilization only increased by 5.7% YTD) suggests that liquidity may be facing bottlenecks. The slow pace of capital mobilization also puts upward pressure on deposit rates, which in turn affects lending rates, creating certain challenges in stimulating economic growth through credit disbursement and maintaining stable or lower interest rates.

Vietnam's foreign exchange reserves remain relatively low compared to import demand, and they are expected to decline further in 2025. By the end of 2024, foreign reserves are estimated to cover approximately 11 weeks of imports, which is below the IMF's recommended level of around 12 weeks. This limited reserve cushion will constrain the SBV's ability to ease monetary policy, adding further difficulties to achieving Vietnam's economic targets for 2025.

With a forecasted GDP growth of 7.5-8.0% in 2025, credit will likely need to expand by 15-16% to support this target. We believe this is a highly ambitious goal, but the SBV stands a good chance of achieving it through its flexible policy approach, which has proven effective thus far. Additionally, the implementation of a comprehensive set of measures in collaboration with agencies like the State Treasury and the Ministry of Finance will further support this effort.



Source: Bloomberg Terminal, GTJA RS team

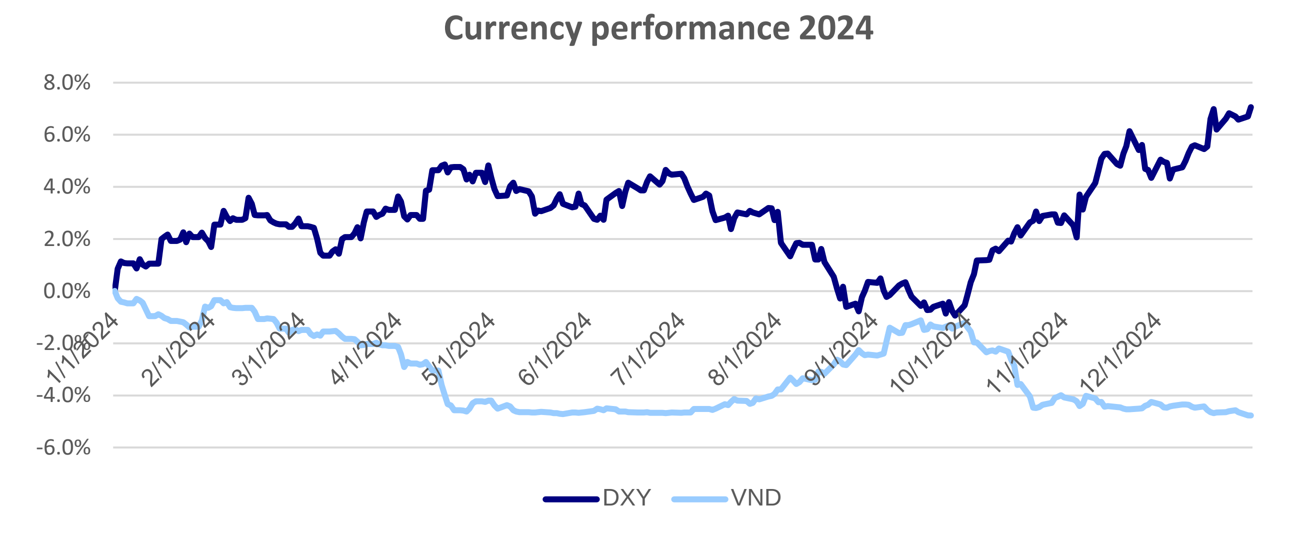
Exchange rate pressure returned

Exchange rates fluctuated significantly in 2024. By the end of the year, the exchange rate remained at a high level, resulting in the VND depreciating by approximately 4.7-4.8% against the USD. The main driver of the VND depreciation was the strengthening of the USD on global markets, which in turn was fueled by the sharp rise in long-term U.S. bond yields while Vietnam maintained a loose monetary policy.

As of the end of 2024, the 10-year U.S. Treasury yield reached 4.5%, whereas Vietnam's equivalent yield stood at around 3.0%. This yield gap poses a significant risk, as it exerts pressure on exchange rates and increases the likelihood of capital outflows, particularly in financial investments where investors seek higher returns.

These factors are likely to persist in 2025, especially as global uncertainties rise under the leadership of newly elected President Trump. In this environment, safe-haven markets—particularly the U.S.—will become more attractive to foreign investors, leading to continued capital outflows from Vietnam or, at the very least, a delay in substantial inflows.

As a result, exchange rate pressures will likely remain in 2025, with the VND expected to depreciate by approximately 3-5%.



Source: Bloomberg Terminal, GTJA RS team

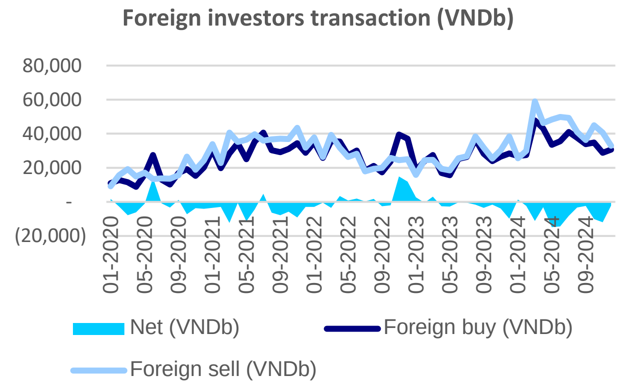
Stock market performance

Foreign Investors Recorded Historic Net Selling on Vietnam's Stock Market in 2024

Total net foreign selling on the HOSE exchange reached VND 82.595 trillion, with foreign investors selling continuously for 11 months since February 2024. This trend was primarily driven by the ongoing restructuring and accumulation phase of Vietnam's stock market, coupled with global market volatility, which prompted investors to temporarily withdraw and observe market developments.

Although net selling pressure eased toward the end of the year, it is expected that foreign investors will continue selling in the first half of 2025 before stabilizing and potentially reversing in the second half of the year.

Despite the capital outflows from foreign investors, domestic investors have successfully absorbed this selling pressure. Moreover, while foreign investors sold off shares on the open market, they also invested approximately VND 14 trillion in private placements, mitigating the negative impact of their net selling activity on the market.



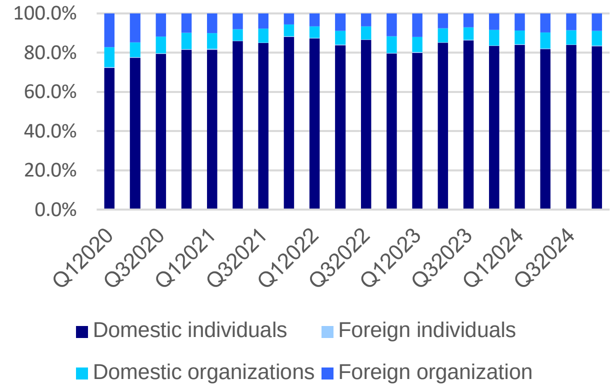
Source: Bloomberg Terminal, Hochiminh Stock Exchange, GTJA RS team

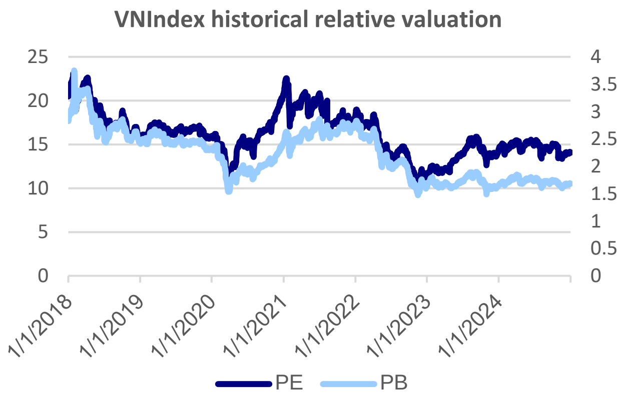
2025: A Challenging Year with Potential for Stock Market Takeoff in the Second Half

The year 2025 is expected to be challenging, especially in the early months, for both Vietnam's economy and its stock market. Pressures on liquidity, capital flows, and international uncertainties are likely to remain high, leading to strong market fluctuations and preventing an early rebound.

However, there are several reasons to be optimistic about a stock market takeoff in the second half of 2025, including:

- KRX System Implementation: The KRX trading system is expected to be finalized and launched by the end of Q2 2025, with the final preparations underway. Completing this system would be a major step toward Vietnam's market upgrade, starting with FTSE. If the KRX rollout proceeds as planned, the market upgrade could be completed as early as early 2026, attracting smart money at least one year in advance, potentially unlocking $3-5 billion from global active and passive funds.
- Economic Restructuring Nears Completion: Vietnam's economic restructuring process is gradually concluding, and the corporate bond market is showing signs of recovery. The worst period may already be over, particularly from the second half of 2025, allowing previously trapped capital to be unlocked, providing a strong boost to the stock market.
- Trump's Economic Policies: President Trump, known for his unconventional but pragmatic economic approach, is likely to spend early 2025 restructuring his administration, leading to market volatility. However, once his team and policies are in place, he will likely focus on economic growth—a key re-election strategy for the 2026 midterm elections, ensuring pro-business policies that could stabilize global markets.
- Strong Economic Growth & Corporate Profits: With Vietnam's economy growing at a high rate in 2024 and expected to maintain strong momentum in 2025, business opportunities will expand, and listed companies' profits will rise, making stock valuations even more attractive. As global uncertainties subside and capital flows improve, the market is likely to retest previous highs.





ASource: Bloomberg Terminal, FiinPro, GTJA RS team

COMPANY RATING DEFINITION

Benchmark: VN – Index. Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% OrThe Fundamental outlook of the sector is unfavorable

DISCLAIMER

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