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Vietnam Macro 2025 Updates and 2026 Outlook

Summary of key information:

- The world faces many uncertainties emerging in 2025, due to the official shift from a unipolar to a multipolar model. On the US side, President Trump takes office and promotes many solutions aimed at addressing America's intrinsic problems; however, these solutions have a profound and powerful impact on all countries in the world, not just the United States. Meanwhile, China emerges as a pole opposing the US, with high stability as well as a solid foundation in science, technology, and society. Nevertheless, both the US, China, and many other countries in the world also have their own internal issues and need more time to resolve them thoroughly.
- Vietnam achieved positive economic growth results in 2025 with a milestone of 8.02%, creating momentum for a more ambitious plan in 2026-2030. Specifically, in 2026 Vietnam sets a high GDP growth target, above 10%. We assess that Vietnam has a high likelihood of achieving this growth milestone if domestic policies as well as the international situation develop stably and favorably. Nevertheless, due to changes in leadership terms, and at the beginning of this year the State Bank of Vietnam exercising a certain degree of caution in monetary policy, coupled with the complex geopolitical developments as analyzed, there is also a possibility that this year's growth will reach a lower level. Overall, we believe the probability is about 50% for growth in the range of 10-10.5%, 40% for 8-8.5%, and 10% for only 6.5-7%.
- Nevertheless, some growth drivers and stabilizers from the recent period are showing signs of slowing down, requiring deep, fundamental reforms for the Vietnamese economy. Vietnam's challenge will lie in skillfully managing to maintain the speed while being able to steer the economy and finance toward a more advanced model with higher added value, moving up to higher rungs in the international supply chain.

I. GLOBAL MACRO

UNITED STATES

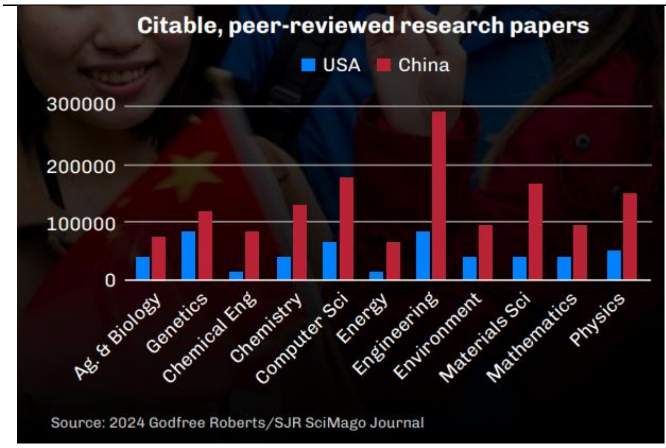
2025 is shaping up to be a year defined by the United States, as nearly every major development that captured global attention over the past year has been linked to the country, either directly or indirectly. President Donald Trump has returned to office for a second term and wasted little time rolling out a series of bold, headline-grabbing policies that bear his distinct personal stamp.

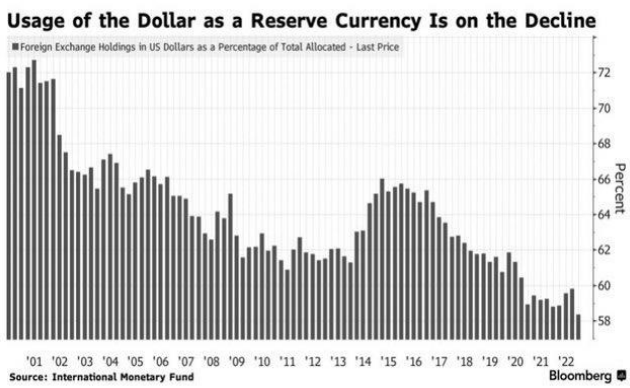
What sets this term apart from his 2017–2021 presidency is the long runway Trump had during President Joe Biden's four years in office to refine his agenda and build alliances with like-minded supporters. That preparation has enabled him to pursue far more ambitious initiatives than in his first term.

Some observers may be surprised by the speed and force of Trump's early moves. Yet viewed through the lens of policy consistency, stretching back to his first term and even before the 2016 campaign, his direction has remained largely unchanged. While his rhetoric and delivery may at times be exaggerated, a trait shaped by his background as a television personality, this approach has also introduced a degree of uncertainty and strategic ambiguity, unsettling opponents and amplifying the impact of his actions.

At the core of Trump's agenda is a steadfast commitment to the "Make America Great Again" vision. This reflects his belief that the U.S. has been gradually losing its position as the world's leading superpower, evident in areas ranging from technology and education to the role of the U.S. dollar as the global reserve currency and its relative strength against other major currencies.

While the United States remains a global leader, supported by deep scientific and technological capabilities and a system well suited to testing and scaling innovation, it is facing its most significant challenges of the 21st century as its once-unquestioned dominance can no longer be taken for granted. In 2007, the U.S. led in 60 out of 64 key science and technology indicators; by 2024, China had taken the lead in 57 of those categories.

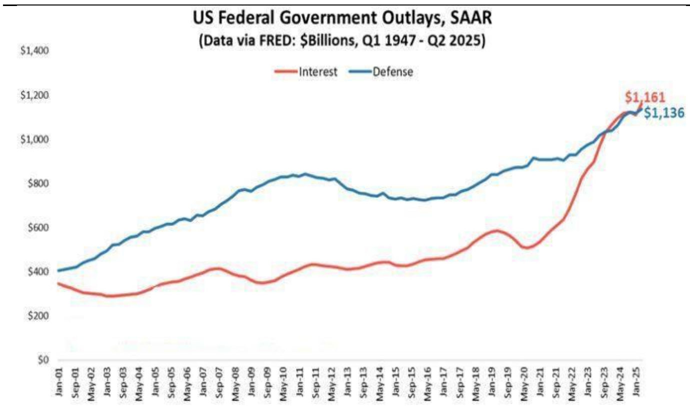


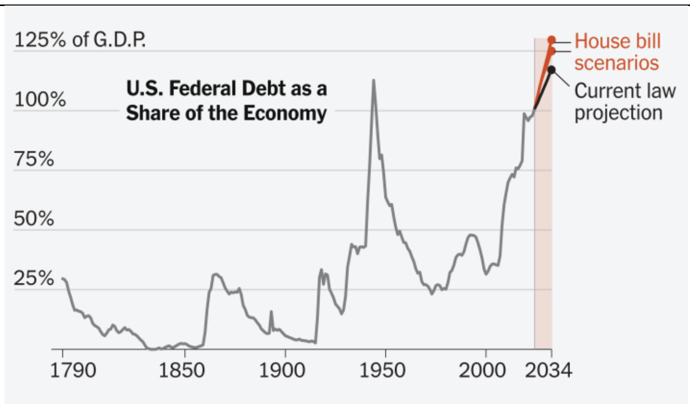


Source: IMF, Bloomberg Termnial, GTJA RS team

Another challenge facing the United States is the scale of its debt accumulation in recent years. The country's long-standing position as the world's sole superpower, together with the U.S. dollar's role as the global reserve currency, has allowed Washington to borrow heavily and fund expansive social programs for decades. This, in turn, has reinforced America's appeal as one of the world's most desirable places to live, helping it attract talent from across the globe.

However, at the moment, a rising debt burden, combined with a gradual erosion of the dollar's reserve-currency dominance, is reshaping demand for the U.S. currency at a time of higher interest rates. By the end of 2025, U.S. government interest payments had surpassed defense spending, exceeding $1 trillion a year, making them the third-largest federal outlay after social security and healthcare. As the U.S. faces declining competitiveness and aging infrastructure after years of underinvestment, the growing share of the federal budget devoted to debt servicing is adding further pressure on the country's long-term economic outlook.

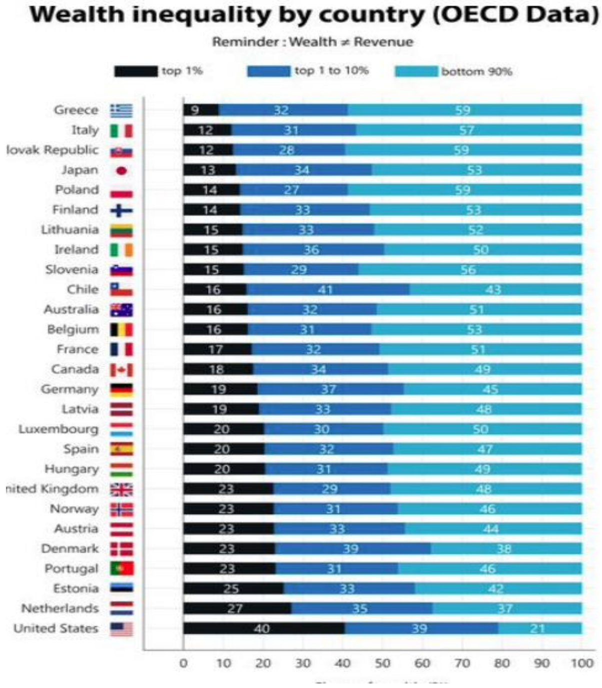


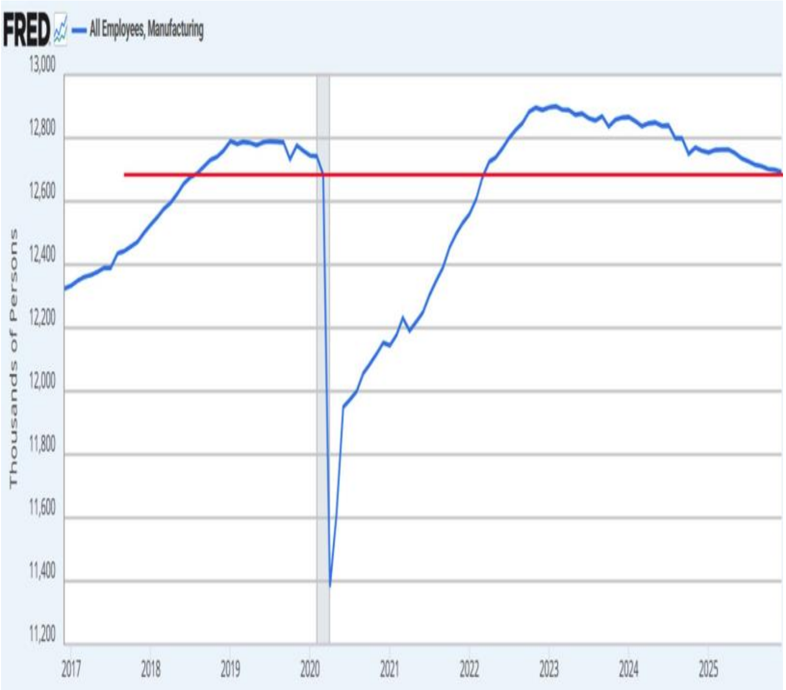


Source: Bloomberg Terminal, Fred St. Louis, Congressional Budget Office, GTJA RS team

Another challenge confronting the United States is the rapid widening of income inequality in recent years. An extended period of overly loose monetary policy, an increasingly complex legal and regulatory framework that weighs on some startups, and most importantly, the continued shift of manufacturing offshore have visibly constrained the country's capacity for innovation and research. The growing focus on services, green industries and stringent environmental standards has further limited direct exposure to hands-on manufacturing activity.

As innovation tied to real production is increasingly outsourced to other countries, the U.S. risks relinquishing a long-standing comparative advantage, much like several leading powers did in the 18th and 19th centuries. The result has been that large segments of the population have benefited less from overall economic growth, contributing to rising social discontent and tensions.



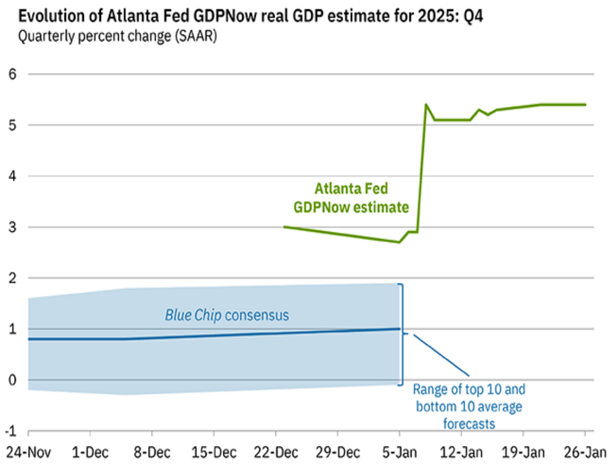


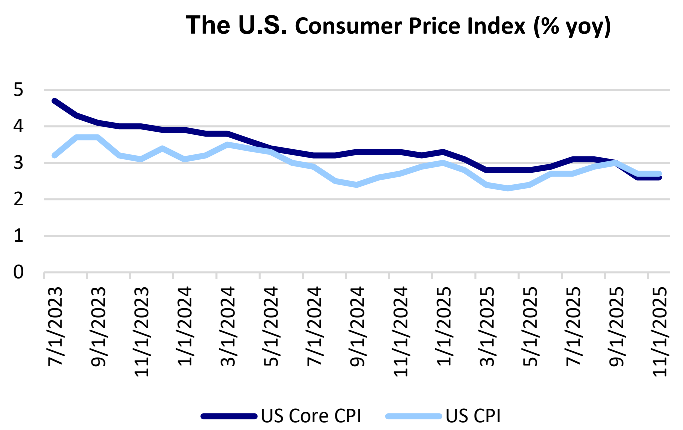
Source: Bloomberg Terminal, OECD, Fred Data, GTJA RS team

Against this backdrop, Donald Trump's return to the presidency for a second term reflects social frustrations that have been building for nearly three decades. This time, however, he has come to office with far deeper preparation than during his first term. His inauguration was attended by a number of the world's leading billionaires, most notably technology entrepreneur Elon Musk, who has since worked closely with the Trump administration through the Department of Government Efficiency (D.O.G.E.) initiative.

Trump's early efforts have delivered some initial positive results. After a weak first quarter, weighed down by tariff-related headwinds and a reassessment of both public- and private-sector activity, the U.S. economy regained momentum in subsequent quarters. The Atlanta Fed estimates growth of around 5.4% in the fourth quarter, lifting full-year GDP growth to 2.5–3.2%, a solid outcome compared with the 2.8% expansion recorded last year at the end of President Biden's term.

Besides, inflation has also become better contained. U.S. inflation eased to 2.7% by the end of 2025, down from 3.0% at the start of the year. With the Federal Reserve targeting inflation within a ±1% range around 2%, price pressures broadly remain within policymakers' comfort zone, even as concerns persist that inflation expectations may stay anchored above the 2% target and prove slow to fully normalize.



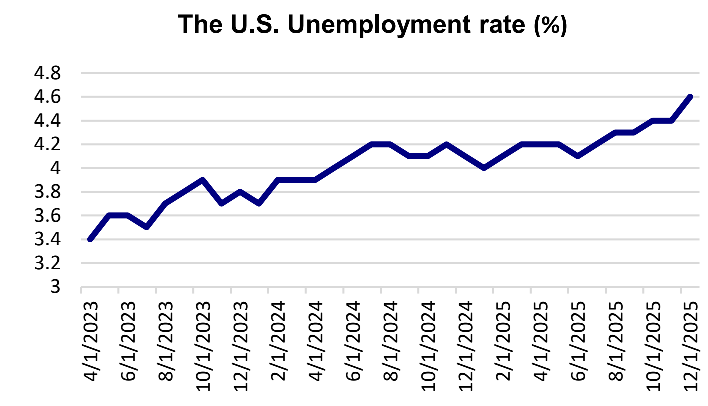


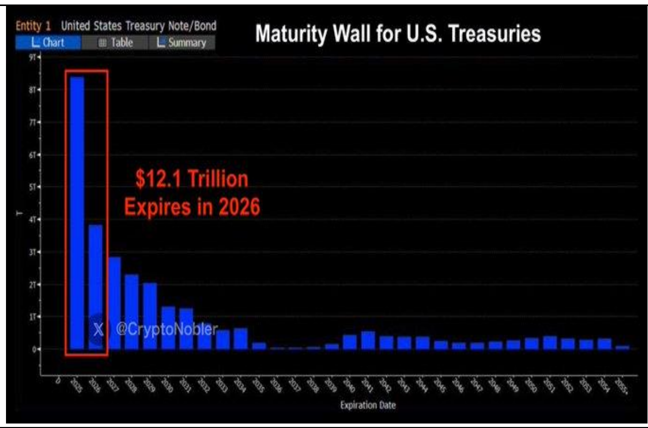
Source: Bloomberg Terminal, Atlanta Fed, GTJA RS team

The biggest challenge facing President Trump in 2026 is likely to come from the labor market. The U.S. unemployment rate has been rising steadily from 3.6% in the middle of President Biden's term to 4.4% in December. A continued increase in joblessness during Trump's first year back in office, if not carefully managed, could pose a significant risk ahead of the midterm elections at the end of 2026. An unfavorable election outcome, one that costs Republicans control of both chambers of Congress, would sharply constrain Trump's policy agenda through the remainder of his term, which runs until 2029, when he will also be constitutionally barred from seeking another re-election.

Besides, interest rates present another key challenge. While the Federal Reserve has begun to ease policy, rates are likely to remain anchored near current levels through the first half of 2026, continuing to influence broader benchmark rates across the market. Even if Trump succeeds in pushing for deeper rate cuts - a scenario that becomes more plausible as Fed Chair Jerome Powell is set to retire in May 2026 - recent easing by the Fed has not translated into lower long-term Treasury yields. Instead, yields on longer-dated government bonds have moved sharply higher amid renewed concerns over a resurgence in inflation. The strategy of relying heavily on short-dated Treasuries with maturities of two to three years, used during Trump's previous term, has now become a growing pressure point. Roughly 50% of outstanding government debt is set to mature within the next three years, intensifying refinancing risks and adding strain to both interest rates and financial markets.

Trump's policies and rhetoric, while often at odds with political convention and sometimes unexpected in nature, are more understandable when viewed against the scale of the challenges he faces. The U.S. is in need of breakthrough solutions—outcomes that are difficult to achieve by sticking to established policy playbooks. As a result, investors and policymakers alike should expect further surprises and potential shifts in strategic direction from the Trump administration in 2026, with implications not only for America's allies but also for the broader global landscape.





Source: Bloomberg Terminal, Bureau of Labor Statistics, Fred St.Louis, GTJA RS team

CHINA

While the United States is grappling with structural challenges after years of neglect and an extended focus on social spending that has stretched beyond its economic capacity, China is increasingly standing out as a country with a long-term, forward-looking vision. As the U.S. and Europe stepped away from certain manufacturing industries over concerns about pollution and low margins - outsourcing much of that work abroad - China identified the significant technological potential embedded in these more labor-intensive activities.

By consistently pursuing a fundamentals-driven economic model - one centered on the creation of tangible assets - while strengthening education, tightening talent selection processes and actively absorbing advanced foreign technologies through both hands-on production and overseas research, China has gradually mastered key technologies. This approach has enabled the country to deliver on President Xi Jinping's "Made in China 2025" strategy.

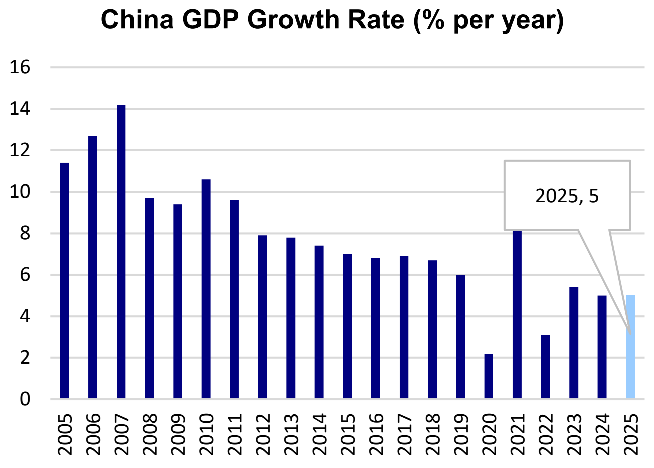
That long-term vision was on display when China swiftly rolled out the DeepSeek AI model, shortly after President Trump announced the $500 billion Stargate initiative aimed at cementing U.S. leadership in artificial intelligence through OpenAI. A number of Chinese companies soon followed with their own AI models, many of which demonstrated striking levels of efficiency and performance.

Semiconductors remain another critical front. Facing U.S. restrictions that prevent ASML from selling advanced equipment needed for EUV-based sub-5nm chip production, Huawei has pressed ahead with its own research. The company is widely reported to have developed processes that use older DUV technology to manufacture chips at the 3nm node. Huawei has also completed the first prototype of its own lithography tools comparable to ASML's systems, with commercial production expected around 2030, several years earlier than many European forecasts had anticipated.

Backed by leadership in key technologies and supported by advanced infrastructure and energy systems, China closed 2025 with GDP growth of about 5%, in line with official targets. That headline figure does not tell the full story. As the world's second-largest economy by nominal GDP, and the largest by purchasing power parity, China has undergone a forceful restructuring in recent years, shifting toward sectors that deliver more tangible benefits to households while dialing back speculative activity.

No economic restructuring is ever painless, a reality shared by advanced economies such as the U.S. and Europe, as well as by China. One of China's most persistent challenges has been deflationary pressure, partly driven by a sharp correction in property prices following tighter controls on speculation, and partly by rapid gains in labor productivity.

However, encouraging signs have begun to emerge. In late December, inflation rose to 0.8%, the highest level since early 2023. It also marked the third consecutive month of positive CPI growth, with each month's increase outpacing the previous one since early 2025. This suggests that stabilization efforts may be gaining traction—and that China's restructuring process could be approaching a cyclical bottom.

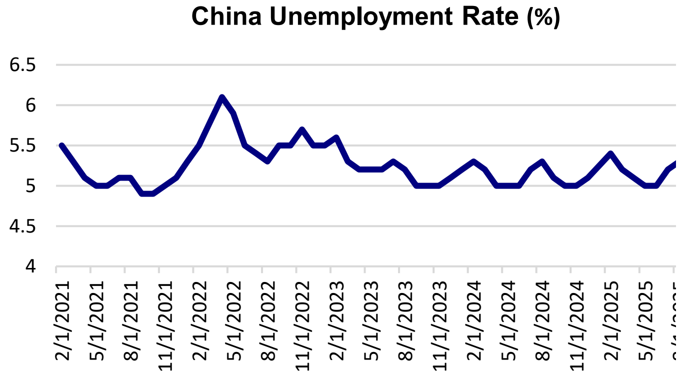


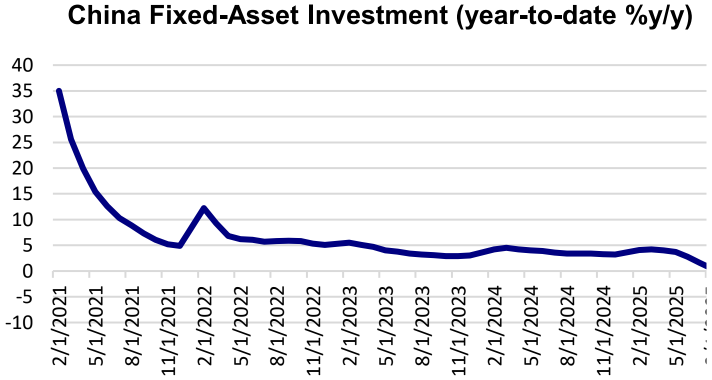
Source: Bloomberg Terminal, National Bureau of Statistics of China, GTJA RS team

Alongside a stabilizing inflation backdrop, China's labor market has also shown signs of improvement. Unemployment in recent years has been rising among younger workers, with the youth jobless rate reaching 18.9% by the end of the third quarter of 2025. This period also marked the peak in overall unemployment at 5.3%, which has since edged down to around 5.1%.

Concerns over China's economy nevertheless persist, as recent improvements still require time to prove their durability. Foreign direct investment has been declining steadily since mid-2023, although the pace of contraction has slowed in recent months. In addition, fixed-asset investment fell sharply by 3.8% in 2025 after several months of positive growth, raising questions about the sustainability of China's growth momentum in the years ahead.

The year 2026 will be a critical one, as China is set to formally approve its 2026–2030 Five-Year Plan around March 2026. The plan will serve as the backbone for the government's allocation of social and economic resources, while also providing guidance for corporate investment and business planning. Overall, conditions in China are improving, even though the fog has yet to fully lift and competitive pressures from other countries continue to intensify.





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

II. VIETNAM MACROECONOMICS

Vietnam's economy accelerated sharply in the fourth quarter, expanding 8.46% year-on-year, the fastest pace of the year, following growth of 8.25% in the third quarter. As a result, full-year GDP growth reached 8.02% in 2025, meeting the National Assembly's target of at least 8.0%, though slightly below the government's more ambitious goal of around 8.3–8.5%. This marks the strongest annual expansion in the past decade, matching the 8.02% recorded in 2022, albeit without the same low-base effect seen after the 2021 pandemic slowdown.

Agriculture, forestry and fisheries increased their share of GDP to 10.4% in the fourth quarter, up marginally from the previous quarter, bringing the full-year contribution to 10.1%. The sector grew 3.7% in Q4 and 3.8% for the full year, continuing to serve as a stabilizing pillar of the economy. The improvement was driven mainly by agriculture, whose GDP share rose to 7.9% in Q4 from 7.0%, with full-year growth of 3.5%. Forestry accounted for 0.5% of GDP, growing 5.7%, while fisheries contributed 4.8%, expanding 4.4%.

Industry and construction remained the main growth engine, accounting for 37.5% of GDP in the fourth quarter, unchanged from the prior quarter, and expanding 9.7%, up from 9.4% in Q3. For the full year, the sector represented 36.7% of GDP and grew 8.9%. Manufacturing dominated the sector, making up 30.1% of GDP in 2025, with processing and manufacturing alone accounting for 24.8% in Q4 and 24.0% for the year.

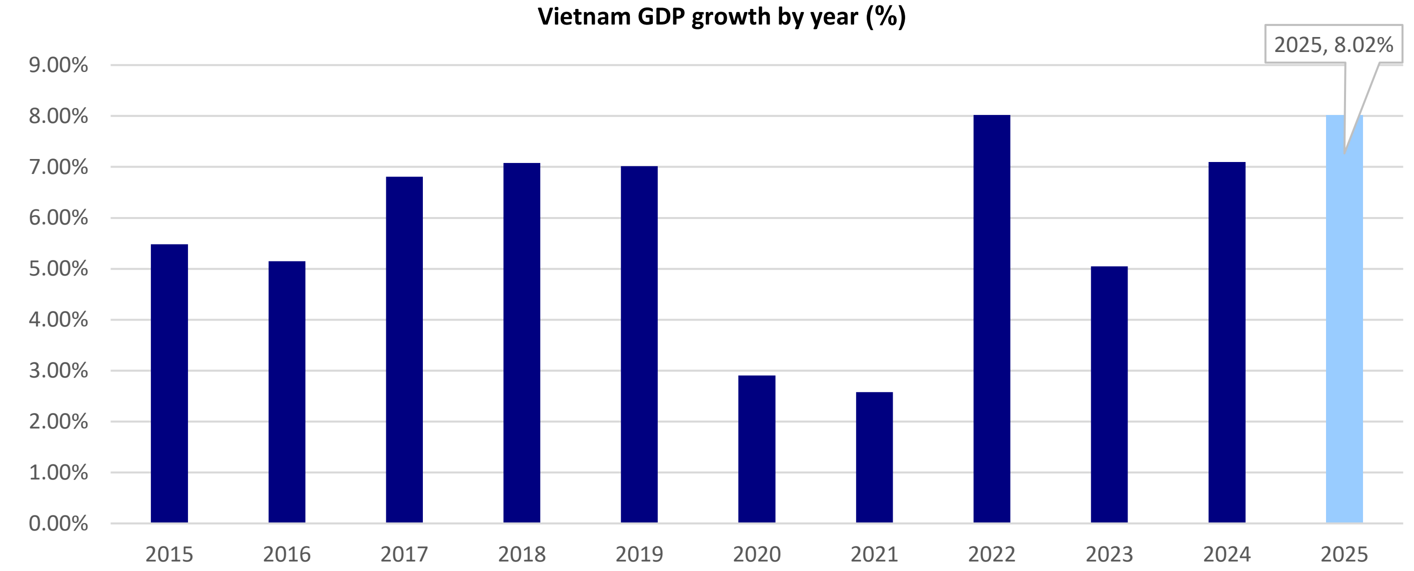
Manufacturing recorded the strongest performance within industry, accelerating from 9.6% growth in Q3 to 10.6% in Q4, lifting full-year growth to 10% - the highest among industrial sub-sectors. Mining, by contrast, posted the weakest growth at 0.4%, though this marked a sharp improvement from a 7.24% contraction in 2024.

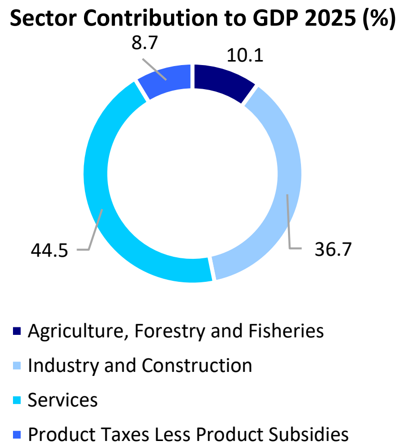
Services continued to serve as a core pillar of the economy, contributing 43.9% of GDP in Q4 and 44.5% for the full year. Growth in the sector strengthened steadily throughout the year, reaching 8.8% in Q4 and 8.6% for 2025, making it the second-fastest growing sector after industry and construction. Compared with 2024, services saw the largest improvement in growth momentum, accelerating by 1.24 percentage points from last year's 7.38%.

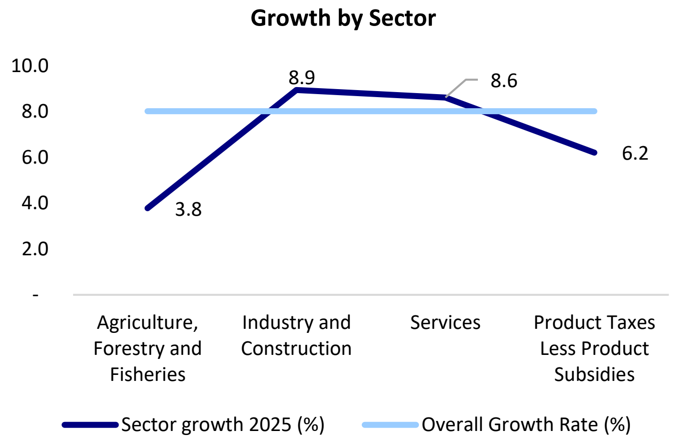
Within services, the largest contributors were wholesale and retail trade, and vehicle repair (9.4% of GDP in 2025), transport and warehousing (6.1%), information and communications (5.7%), and financial, banking and insurance activities (5.5%). Transport and warehousing led growth at 11.0% in 2025. Double-digit growth was also recorded in several smaller segments, including accommodation and food services (10.0%), administrative and support services (13.3%), and arts, entertainment and recreation (11.3%). These trends are consistent with Vietnam's 2025 economic dynamics, supported by a strong rebound in foreign tourism, particularly from China, as well as a surge in logistics activity, imports, and domestic automobile production.

Overall, industry and construction contributed 40.6% to GDP growth in 2025, while services accounted for 47.6%. Agriculture, forestry and fisheries, along with net taxes on products, contributed 4.9% and 6.9%, respectively.

Looking ahead to 2026, Vietnam has set an ambitious growth target of above 10%. We assess that the economy has a meaningful chance of reaching this level if domestic policies and the external environment remain broadly supportive. However, leadership transitions, a cautious monetary stance by the State Bank of Vietnam early in the year, and persistent geopolitical uncertainties could weigh on momentum. Overall, we assign a 50% probability to growth of 10–10.5%, a 40% probability to growth of 8–8.5%, and a 10% probability to a lower outcome of 6.5–7%.







Source: GSO, GTJA RS team

Industrial production

Vietnam's industrial output rose 10.1% year-on-year in December, bringing full-year growth to 9.2%, a notably strong performance by recent standards. Given its large weight in GDP and strong spillover effects across the economy, the sustained acceleration in industrial production underscores Vietnam's continued appeal as a manufacturing and investment destination.

Among industrial segments, mining posted a modest recovery, expanding by 0.2% in December and 0.5% for the full year. While the increase remains marginal, the return to positive growth is notable given the sector's prolonged decline in recent years.

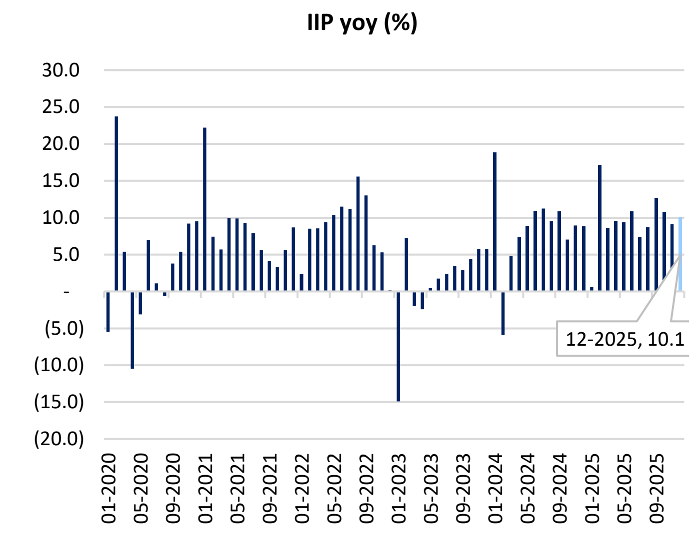
Manufacturing continued to act as the main growth engine, with output rising 10.9% year-on-year in December and 10.5% for 2025 as a whole. The standout performer was motor vehicle production, which surged 22.0% in 2025, in line with Vin Fast's ramp-up in operations and output during the year.

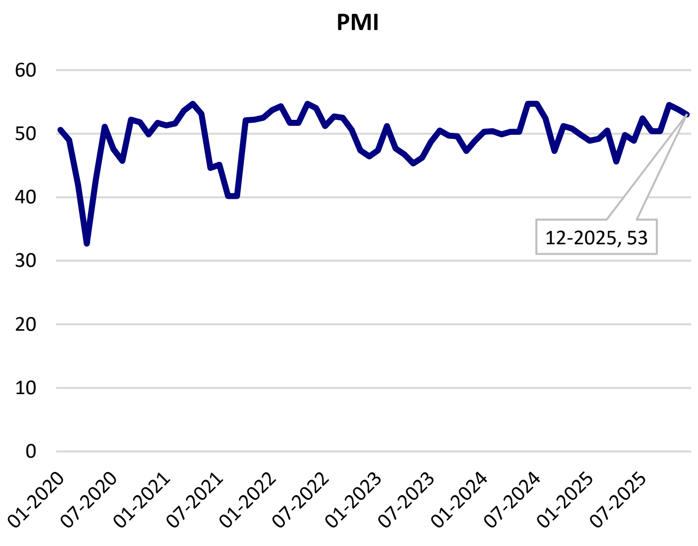
More broadly, many manufacturing sub-sectors recorded double-digit growth, including traditional industries such as garment production, rubber and plastic products, and food processing. By contrast, output of electronics, computers and optical products grew 8.3%, slowing toward year-end, despite the sector's importance to exports and its concentration of foreign-invested manufacturers such as Samsung and LG.

In other industrial segments, electricity generation and distribution, as well as water supply and waste and wastewater management, expanded by 6.7% and 7.8% respectively in 2025, contributing to the sector's overall stable growth.

Vietnam's PMI stood at 53 in December 2025, signaling continued expectations of production expansion among businesses. However, the index has edged lower since October, reflecting heightened global uncertainties in recent months.

According to S&P Global, which compiles the Vietnam PMI, manufacturers increased output sharply in December, driven by a rise in new orders. Firms also stepped up hiring, suggesting limited concern over near-term demand or production weakness. Input costs, however, continued to rise, partly due to supply constraints linked to adverse weather conditions toward year-end. Overall, S&P Global noted that Vietnamese manufacturers surveyed were the most optimistic about future business conditions since March 2024.





Source: GSO, S&P Global, GTJA RS team

Domestic retail sales

Vietnam's total retail sales rose 9.8% year-on-year in December, easing from the double-digit growth seen in late Q3 and early Q4. In absolute terms, monthly retail sales reached VND 627.8 trillion, slightly above the 2025 average growth rate of 9.2%. A sharp rise in interest rates toward the end of Q4, alongside tighter banking system liquidity as previously anticipated, weighed on retail momentum.

Goods retailing remained the dominant component in 2025, accounting for 76.1% of total retail sales of goods and services. The segment grew 8.6% in December and 8.0% for the full year, pointing to continued caution in household spending.

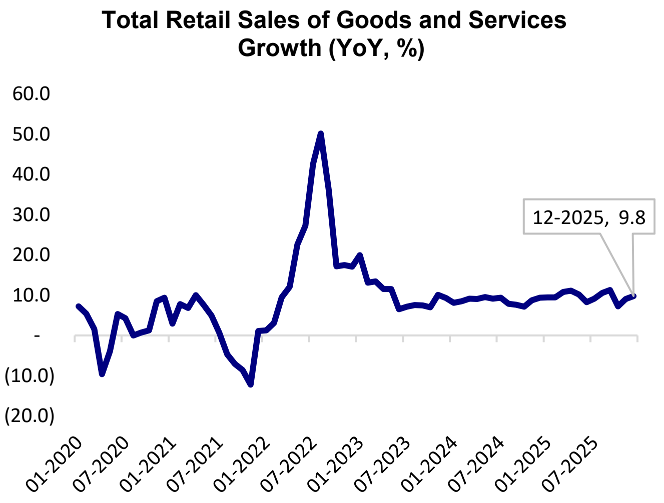
By contrast, accommodation services sustained strong growth, expanding 14.2% year-on-year in December and 14.6% for 2025 as a whole, supported by a robust recovery in inbound tourism, particularly from China. Domestic travel also picked up during holiday periods, helping to drive a sharp rebound in the sector in 2025.

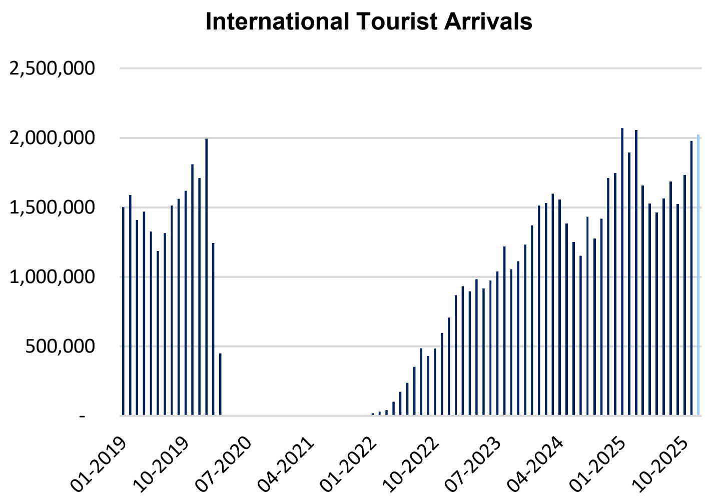
Travel services posted even stronger gains, rising 19.9% in December and 20.2% for the year. However, due to their relatively small weight, accommodation services accounted for just 12.0% of total retail sales of goods and services, while travel services made up only 1.4% in 2025, limiting their overall contribution.

International arrivals increased 15.7% year-on-year in December, while full-year growth reached 20.4%, reinforcing Vietnam's position as a safe and attractive destination amid heightened global geopolitical tensions. Most visitors arrived by air (84.3%), followed by land routes (14.4%), with only 1.3% arriving by sea.

Asian tourists continued to dominate, accounting for 78.6% of total arrivals. Chinese visitors (25.0%) overtook South Koreans (20.0%) to become the largest source market. The two trends diverged sharply in 2025, with arrivals from China surging 41.3% while those from South Korea fell 5.2%. Notably, growth in Chinese arrivals slowed by about half in December to 25.7%, while the decline in South Korean visitors accelerated, falling 10.7% during the month.

Looking ahead, Vietnam's tourism sector is likely to face a more challenging environment in 2026 if it is to sustain the strong growth momentum recorded over the past year.





Source: GSO, GTJA RS team

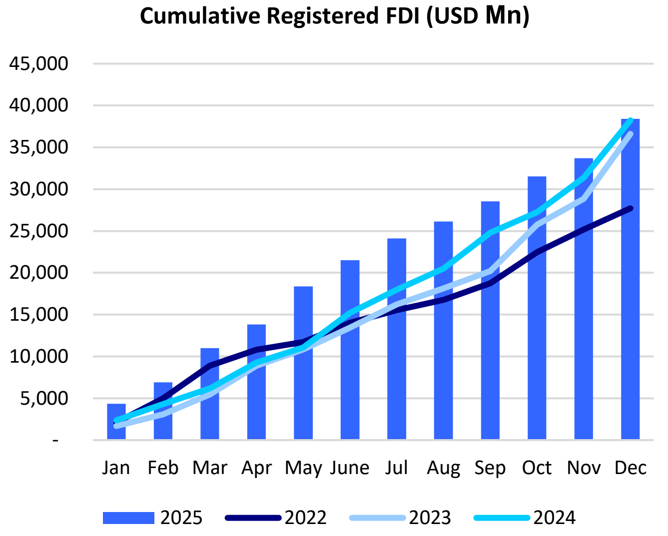
Foreign Direct Investment

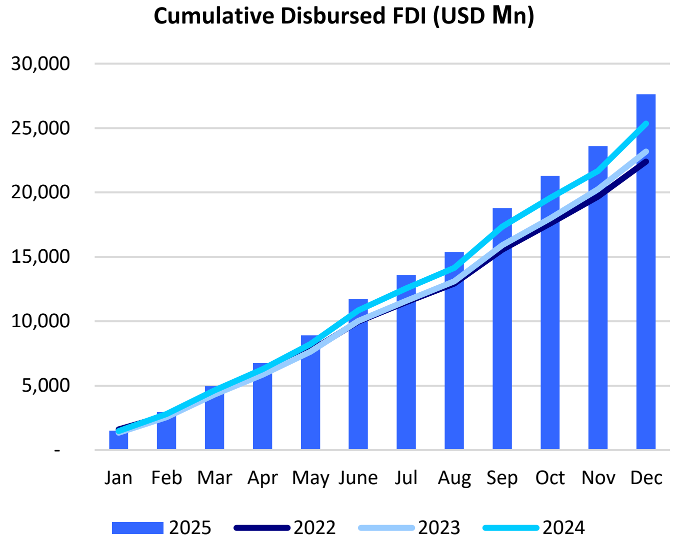
Registered foreign direct investment (FDI) into Vietnam remained strong this year at USD 38.4 billion. However, the figure was broadly flat compared with 2024. FDI growth slowed sharply from mid-year, after recording increases of 4–6% earlier in the year and ended 2025 with a marginal year-on-year gain of just 0.5%.

The deceleration in committed FDI was largely driven by a decline in newly registered projects. Vietnam attracted USD 17.3 billion in new FDI commitments in 2025, down from USD 19.7 billion in 2024. By contrast, additional capital injected into existing projects totaled USD 14.0 billion, broadly in line with last year. Growth was more evident in FDI related to share purchases and capital contributions, which surged to USD 7.0 billion in 2025 from USD 4.5 billion a year earlier.

Disbursed FDI reached USD 27.6 billion in 2025, providing further evidence that foreign firms continue to prioritize production in Vietnam. Disbursements rose 8.95% year-on-year, although the pace was slightly slower than the 9.36% growth recorded in 2024.

Overall, Vietnam continues to demonstrate resilience in attracting foreign capital. That said, emerging challenges stemming from shifts in the global economic and investment landscape are posing more pressing questions for the country, underscoring the need for proactive reforms and the implementation of more advanced policy frameworks to enhance Vietnam's competitiveness and appeal to international investors.





Source: Ministry of Planning and Investment (MPI), GTJA RS team

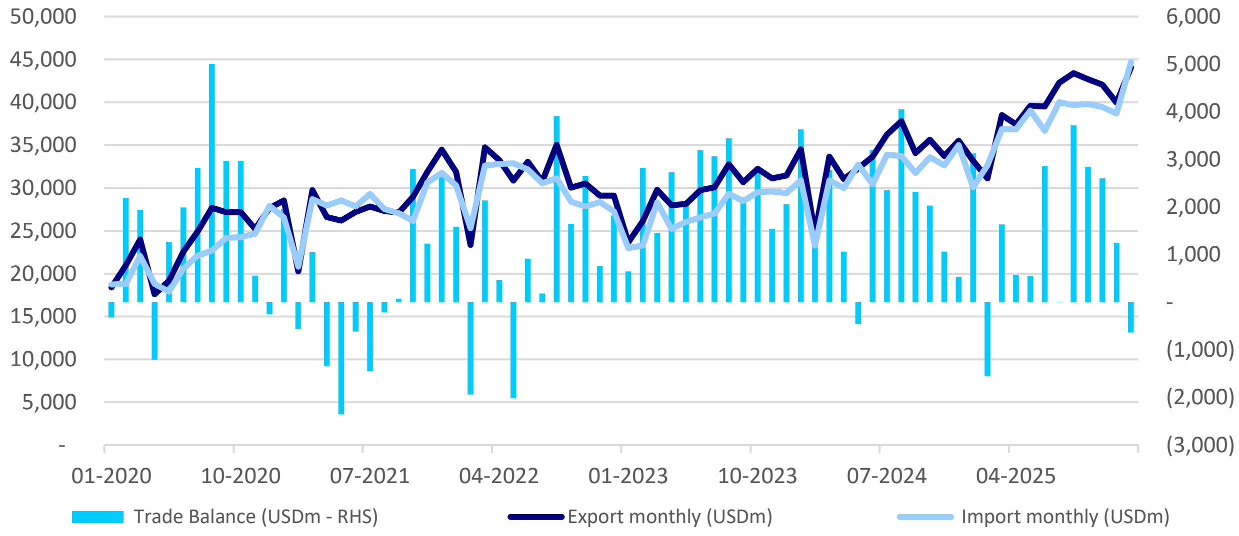
Imports & Exports

Global trade faced strong headwinds in 2025, led by the ongoing trade confrontation between the US and the rest of the world. While the dispute shifted from broad-based measures earlier in the year to a more targeted, country-specific approach from the third quarter onward, several US allies, including Canada, South Korea and Japan, were at times caught off guard as they were singled out.

Vietnam has leveraged its strategic position effectively and secured constructive tariff-related agreements with the US. As a result, the country has maintained its role as a key manufacturing hub within global supply chains, sustaining robust growth in both exports and imports.

By the end of 2025, Vietnam's exports reached USD 475 billion, up 17.9% year-on-year. Imports also expanded strongly, rising 20.1% to USD 455 billion. Faster import growth narrowed the trade surplus to USD 20 billion in 2025, down from a peak of USD 28.4 billion in 2023 and from USD 24 billion in 2024.

Overall, Vietnam is approaching a critical juncture where a shift from growth driven by volume toward growth driven by quality is increasingly necessary. While external trade will remain an important pillar of economic expansion, its relative contribution is likely to gradually decline in the coming years.



Source: Vietnam Customs, General Statistics Office (GSO), GTJA Research

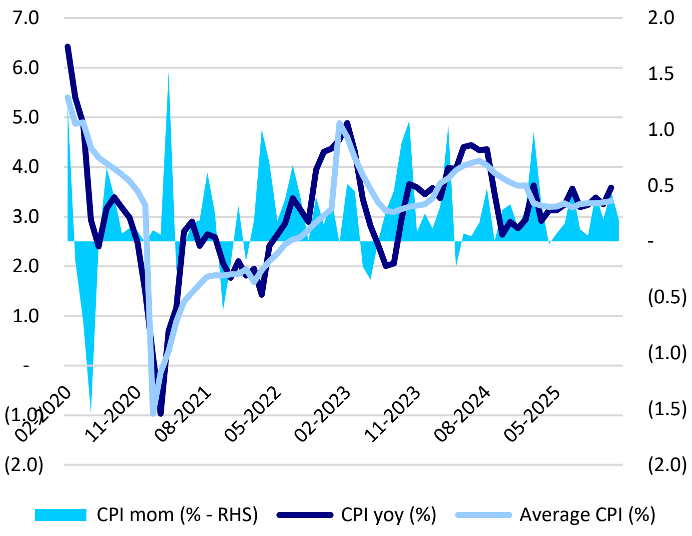
Inflation

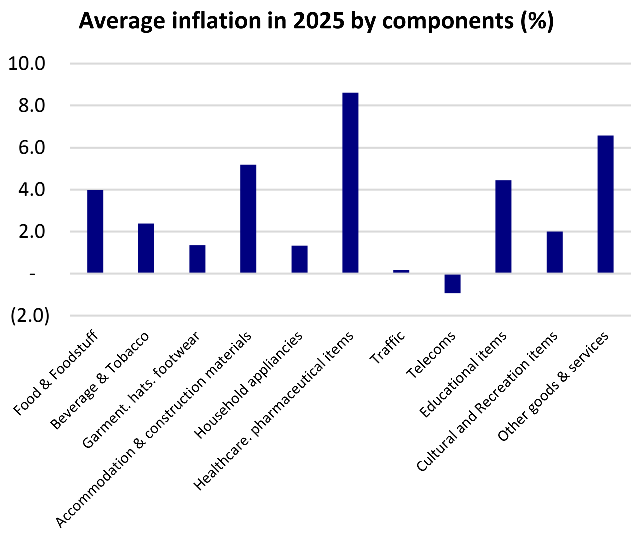
Inflation in December rose 3.48% year-on-year, broadly in line with recent months, which have hovered in the 3.3–3.5% range. Overall, this level remains well below the government's inflation ceiling of 4.5%, highlighting effective cost-of-living management and social stability. **As a result, average inflation for 2025 came in at 3.31%, confirming that the annual inflation target was met.**

The inflation structure in December and across 2025 showed little variation. The largest price increases were recorded in pharmaceuticals and healthcare products, which rose 10.3% year-on-year in December and averaged 13.1% for the full year, and housing and construction materials, up 5.23% in December and 6.08% for 2025. A notable development was food and foodstuffs, which account for roughly one-third of the CPI basket and accelerated from November, reaching 4.2% in December. Should this trend persist, inflationary pressures in 2026 would likely exceed those seen in 2025.

On the downside, transport prices (down 0.55% year-on-year in December and 2.14% for the year) and telecommunications (down 0.25% in December and 0.45% for 2025) helped contain overall CPI growth. With oil prices trending sideways, transport costs are unlikely to see major swings in 2026, while telecommunications prices may continue to edge lower amid intensifying competition and ongoing technological innovation.

For 2026, Vietnam continues to target inflation below 4.5%. Based on current dynamics, the objective appears achievable, providing room for the authorities to pursue more flexible fiscal and monetary policies.





Source: General Statistics Office (GSO), GTJA RS team

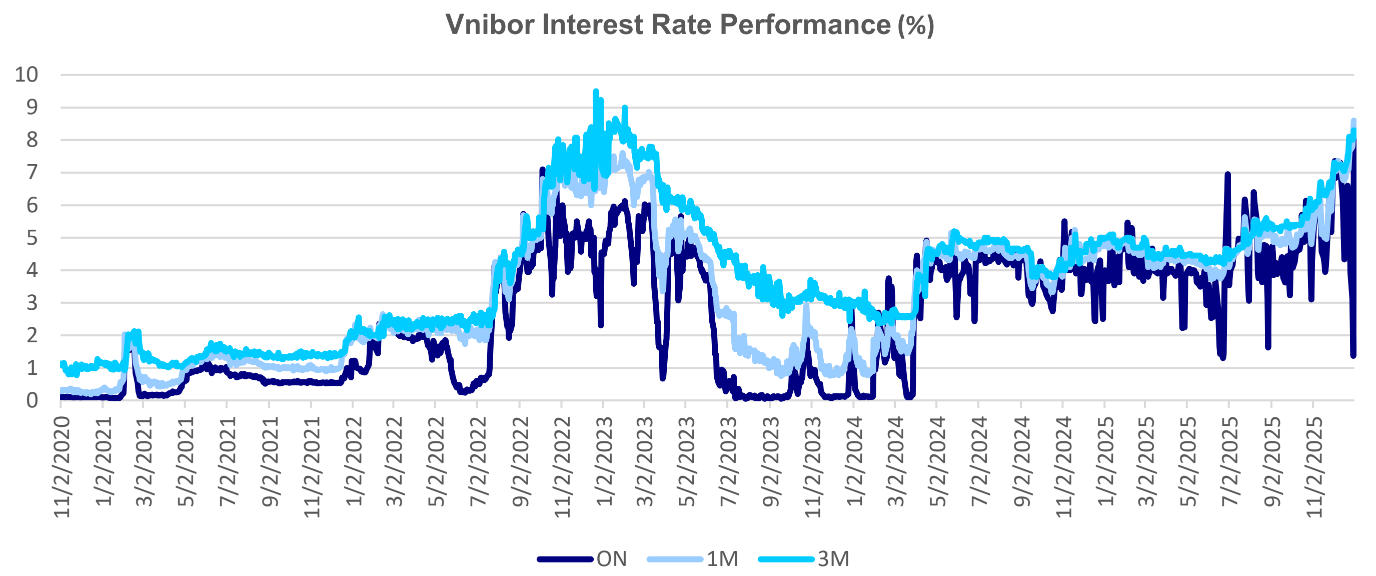
Credit growth in Vietnam reached 19.01% in 2025, according to the State Bank of Vietnam (SBV), marking one of the strongest expansions in recent years. As a result, outstanding bank credit rose to around 145% of GDP—an elevated level that had previously been flagged and cautioned against by several credit rating agencies and financial institutions.

Deposit growth is estimated to have lagged credit growth by around 3.8–4.0 percentage points, narrowing from a peak gap of roughly 5.0% in Q3. Nonetheless, the persistent divergence between deposit and credit growth since 2023 has continued to erode liquidity buffers across the banking system.

As a consequence, interbank rates have trended higher since mid-2025, feeding through to higher deposit and lending rates in the broader market from around October. Toward year-end, interbank rates briefly exceeded 10%, highlighting acute liquidity pressures, partly exacerbated by seasonal factors. Currently, interbank rates are hovering around 6–7% for tenors of up to one month, significantly higher than historical levels.

For 2026, the SBV has set a more accommodative credit growth target of around 15% for the system as a whole. However, regulatory mechanisms continue to allow for significant differentiation in credit growth across banks, based on their financial health and risk profiles. In addition, banks have been instructed not to utilize more than 25% of their annual credit quota in the first quarter of 2026, suggesting that near-term credit growth pressures may remain contained.

That said, the structural gap between deposit mobilization and credit expansion shows little sign of narrowing. Banks have continued to raise onshore interest rates, which could pose challenges for corporates and business activity in 2026 as funding costs rise.



Source: Bloomberg Terminal, GTJA RS team

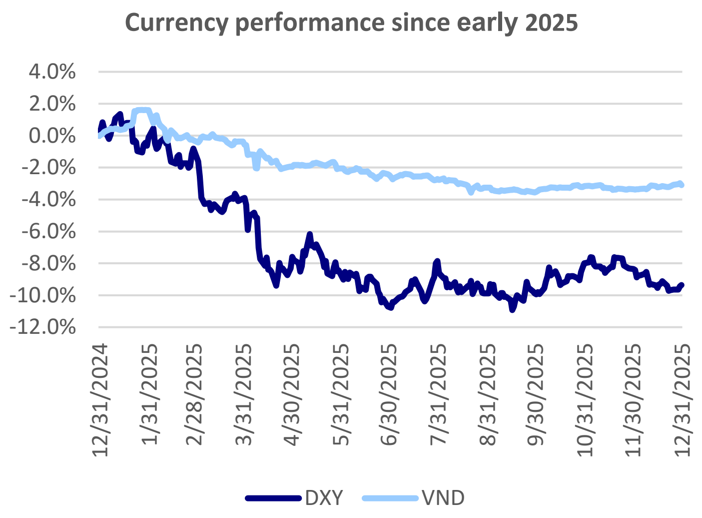
The USD/VND exchange rate was kept relatively stable toward the end of the year. By late December, the rate stood at VND 26,298 per USD, up 3.1% from the beginning of the year, equivalent to a 3.1% depreciation of the VND compared to end-2024. During the year, the VND experienced a peak depreciation of around 3.5% against the USD. Overall, VND movements in 2025 were broadly in line with our 3–5% depreciation forecast.

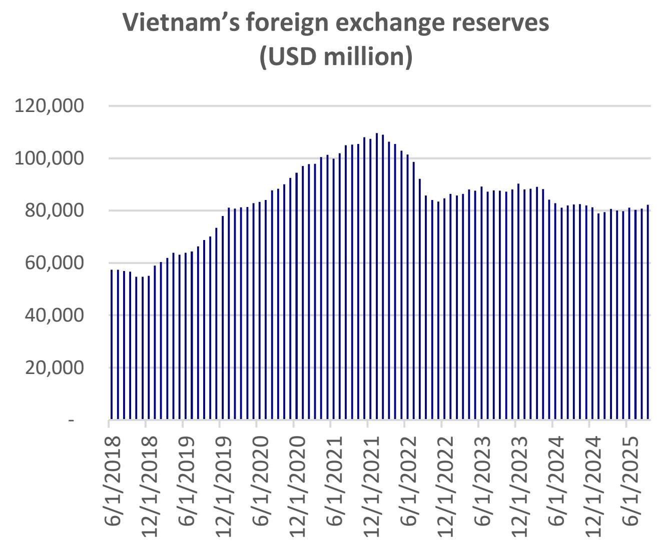
Exchange rate stability was supported partly by higher interest rates, which increased the cost of holding USD and curtailed speculative demand. In addition, the State Bank of Vietnam (SBV) actively deployed FX swap and forward instruments to balance market demand during periods of stress, helping to stabilize market sentiment.

However, foreign exchange reserves remain relatively low compared to import needs, as the SBV has been unable to rebuild reserves in recent years through FX purchases in the market. Meanwhile, import demand continued to rise sharply (up more than 20% in 2025) alongside stronger business and production activity, raising concerns over the SBV's intervention capacity in the event of market disruptions.

Globally, many central banks have increased their holdings of gold while reducing exposure to the USD. Nonetheless, there has been no indication that the SBV plans to shift its reserve composition toward gold. On the contrary, domestic gold prices—particularly SJC gold—are currently trading at a premium of around 30% to global prices, highlighting a severe shortage of gold supply in Vietnam.

Against this backdrop, **we continue to expect the VND to depreciate by 3–5% in 2026, based on growth targets, inflation dynamics, credit expansion, and the SBV's intervention capacity.** That said, pressures are steadily building, and 2026 could prove significantly more challenging for Vietnam's exchange-rate management than previous years.





Source: Bloomberg Terminal, IMF, GTJA RS team

Stock Market Wrap -up

Foreign investors recorded a significant net sell in 2025, with total **net outflows** reaching approximately VND 125 trillion. This included large-scale divestments by long-term institutional investors that have accompanied the Vietnamese market for many years. Notable examples include SK Group's divestment from VIC-related holdings, and GIC's exit from VCB, with block trades amounting to several trillion-dong executed in a single session.

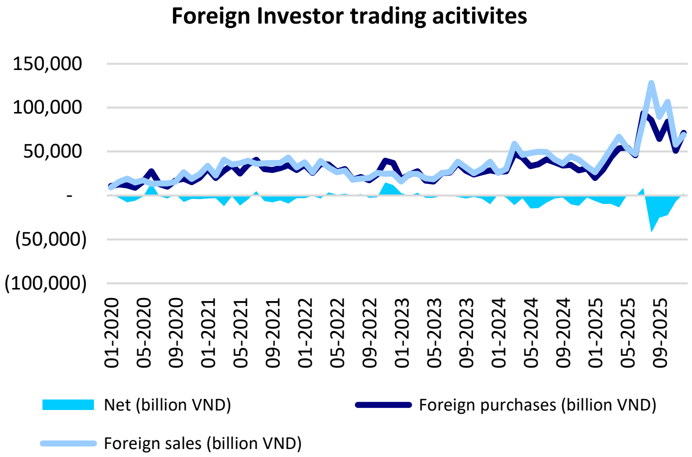
Persistent foreign net selling over recent years can be attributed to several factors, including higher USD yields following the Fed's rate hikes in previous years, as well as profit-taking at the domestic level after strong gains in Vietnam's equity market. With USD interest rates expected to remain above 3% in 2026, alongside a projected VND depreciation of 3–5%, foreign investors are likely to remain cautious about increasing allocations to Vietnam in the near term.

On the positive side, **Vietnam's potential FTSE market upgrade**, currently expected to be officially implemented in September 2026, could enable certain institutional investors to deploy capital into the market. However, such inflows are more likely to materialize towards late 2026 or early 2027 at the earliest.

Prior to that, capital flows are likely to remain biased toward profit-taking, as investors who have generated substantial returns in Vietnam over recent years rotate into younger and more frontier markets, in line with their internal investment mandates. With the VN Index rising approximately 40% in 2025, these investors have already locked in highly favorable performance.

At present, VN Index valuations are no longer cheap, although upside potential remains supported by continued economic growth. We believe a 15–20% gain in 2026 is achievable; however, it should be noted that the VN Index has already gained 10–13% in January 2026 alone, which may limit return potential for the remainder of the year.

One encouraging signal toward the end of 2025 was that foreign investors turned net buyers in December, with net inflows of approximately VND 2 trillion. While part of this was driven by portfolio rebalancing, it also suggests that profit-taking pressures have eased, raising the possibility of foreign capital returning at some point in 2026.



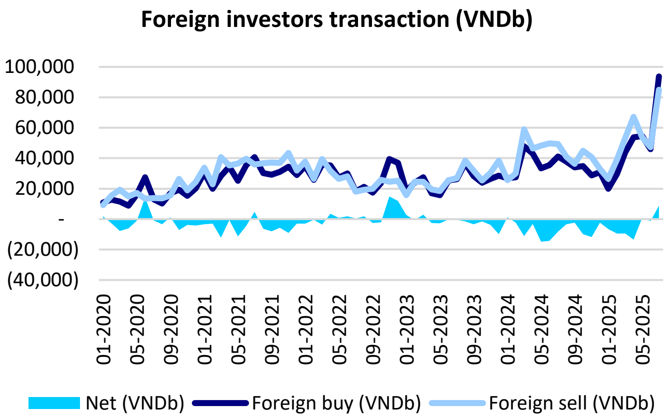
Source: Bloomberg, Hose, GTJA RS team

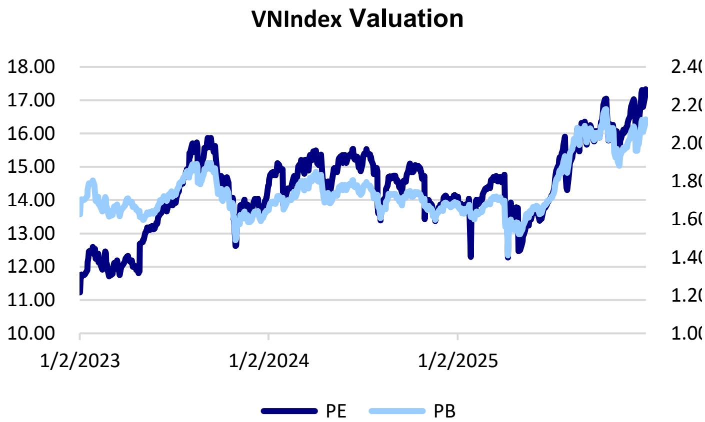
The Vietnamese stock market is expected to retain a certain level of attractiveness for both domestic and foreign investors. In 2026, the market is likely to witness notable state-owned enterprise divestments, alongside capital-raising needs from various corporations to support production and business expansion in the coming years.

These developments are expected to draw increased attention from local and international investors seeking relatively safe investment opportunities with attractive returns. That said, Vietnam remains part of the broader regional and global landscape, where geopolitical tensions and global economic uncertainties may trigger short-term shocks at certain points in time.

In addition, there have been indications that some long-standing investment funds in Vietnam, with decades of market presence, are facing redemption pressure from their investors. Recently, one such fund (with total assets of approximately USD 2 billion, fully dedicated to Vietnam) reportedly received requests to redeem up to 68% of its fund units, despite having planned to repurchase only around 10%. This highlights near-term headwinds for capital flows into the Vietnamese market.

However, for investors able to capitalize on such periods of temporary dislocation, these conditions may present opportunities to accumulate high-quality assets at attractive valuations, thereby laying the groundwork for strong medium- to long-term investment performance.





Source: 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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