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Economy Outlook

11 Jul 2025

Economic Perspectives

Transitioning into the Era of National Rise

Economic activities to slow down

We forecast Vietnam's real GDP to grow by 6.5% YoY in 3Q25, about 1.5 percentage points lower than the previous quarter, as both external and internal conditions become less favourable. On the global front, while the outlook for Vietnam's exports may become somewhat clearer, it is also likely to be more challenging due to higher U.S. tariff rates. Vietnamese exporters could expand their market share in the U.S. by capitalizing on their early deal with a lower tariff rate compared to other countries. However, with reciprocal tariffs rising above the current 10%, U.S. import demand may weaken as tighter profit margins weigh on wholesalers and retailers. The decline in new orders, as noted in recent Vietnam's PMI reports, partly reflects this pressure.

Retail sales grow steadily

We forecast retail sales to grow by 9.0% YoY in 3Q25, reaching VND1,736tn, driven by several key growth drivers: (1) a well-controlled inflation environment, (2) expansionary fiscal policies, (3) spillover effects from public investment, and (4) a booming tourism sector. However, this growth momentum is expected to be temporarily constrained by supply chain disruptions.

USDVND pressure persists

The USDVND exchange rate is projected to reach 26,200 by the end of 3Q25. This conclusion is based on several key internal and external factors, including: 1) the impact of tariffs, 2) the Fed interest rate decisions, and 3) the Vietnam State Treasury's forthcoming USD bidding activities.

Vietnam economic indicators

	25-Jan	25-Feb	25-Mar	25-Apr	25-May	25-Jun	corr.
Disbursed FDI %YoY	2.0	9.1	9.9	7.7	9.8	8.7	-0.22
Retail sales %YoY	9.9	9.4	9.8	9.3	9.5	8.3	-0.17
Export %YoY	-4.0	25.7	14.5	19.7	17.0	16.3	-0.07
Import %YoY	-2.6	40.0	19.0	22.8	14.1	20.2	0.02
Trade balance (USDbn)	3.1	-1.5	1.6	0.6	0.6	2.8	-0.05
CPI %MoM	0.98	0.34	-0.03	0.07	0.16	0.48	-0.04
Credit %YoY	16.5	16.8	14.1	17.6	18.5	16.8	-0.28
USDVND %MoM	-1.59	1.89	0.03	1.64	0.15	0.30	-0.32
PMI (pts)	48.9	49.2	50.5	45.6	49.8	48.9	-0.07
VNINDEX return (%)	-0.1	3.2	0.1	-6.1	9.2	3.5	1.00

Source: SBV, NSO, Bloomberg, KIS
Green = acceleration; yellow = deceleration; red = contraction.

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I. Economic activities to slow down

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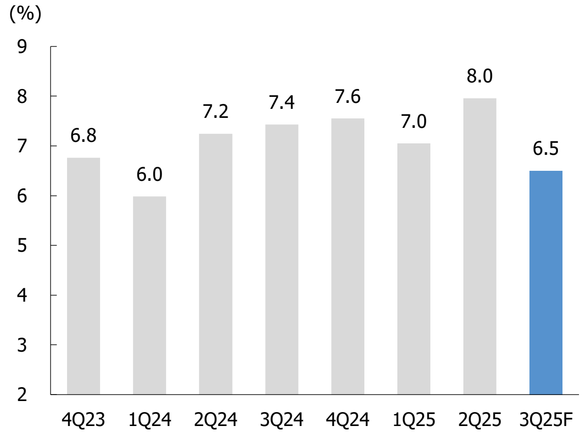
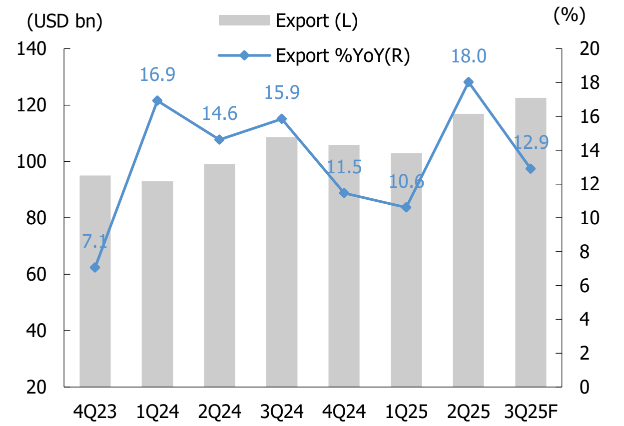
Figure 1. Vietnam's quarterly GDP growth rates



Source: NSO, Bloomberg, KIS

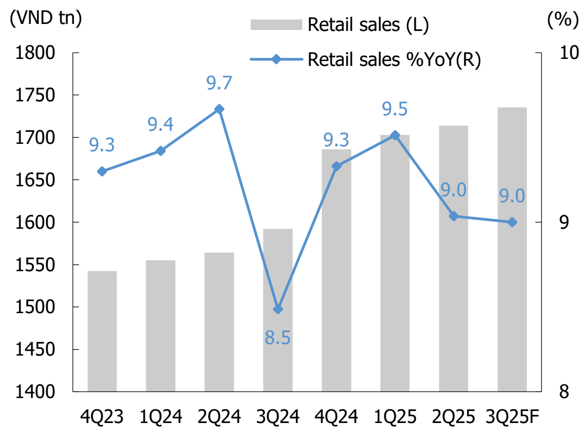
Figure 2. Vietnam's quarterly exports



Source: NSO, KIS

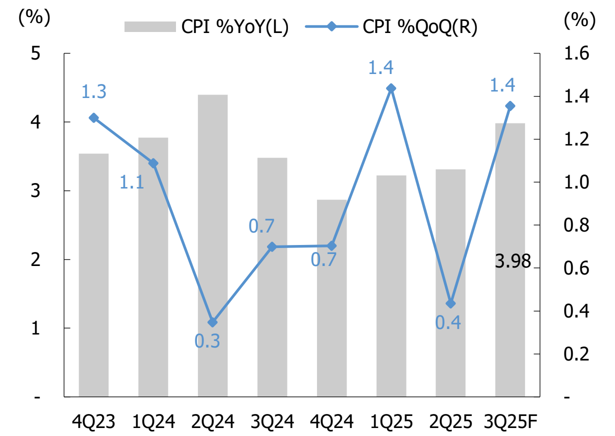
Domestically, Vietnam appears to be in a transition phase as major structural reforms begin to take shape. The implementation of four pillars of The Communist Party of Vietnam (CPV), including Resolution 68, Resolution 66, Resolution 60, and Resolution 57, marks a significant step in the country's ambition toward a "New Era of National Rise." These reforms reflect strong commitment from top leadership and carry long-term promise. However, short-term disruptions are likely as the business environment adapts to new institutional frameworks. As a result, we expect domestic consumption and investment to slow down in 3Q25.

Figure 3. Vietnam's quarterly retail sales



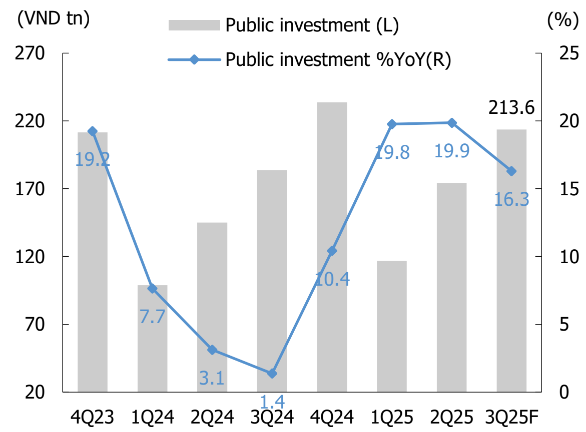
Source: NSO, Bloomberg, KIS

Figure 4. Vietnam's quarterly inflation



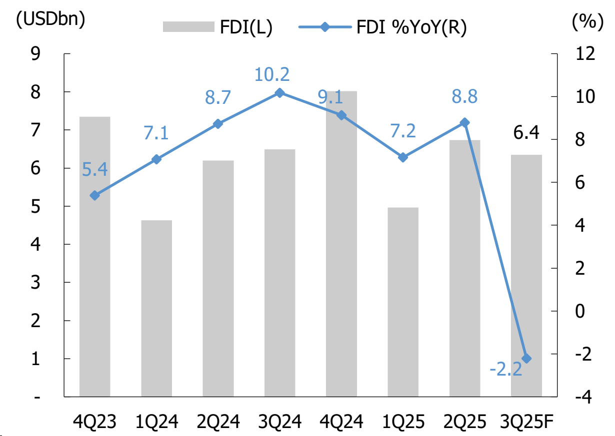
Source: NSO, KIS

Figure 5. Vietnam's quarterly public investment



Source: NSO, Bloomberg, KIS

Figure 6. Vietnam's quarterly disbursed FDI

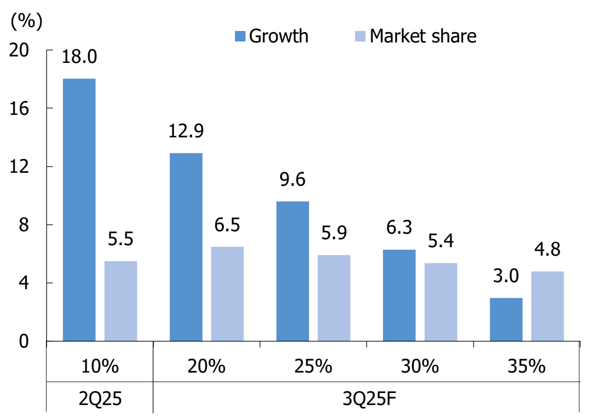


Source: NSO, KIS

II. Trade reversal after the rush

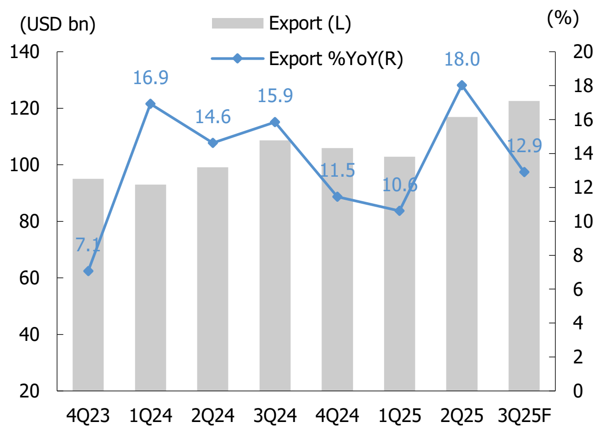
We forecast Vietnam's export value to grow by 12.9% YoY, reaching USD122.6bn in 3Q25, supported by two opposing forces. On the one hand, a favorable trade agreement between Vietnam and the U.S. is enabling an expansion of market share in the U.S. market. On the other hand, weakening U.S. import demand is likely to weigh on exports, as wholesalers and retailers face tightening profit margins.

Figure 7. Vietnam's exports to U.S. by scenario



Source: Bloomberg, KIS
Scenarios for 3Q25F based on the assumption that all tariffs proposed by U.S.President Donald Trump are implemented after August 1

Figure 8. Vietnam's exports by quarterly

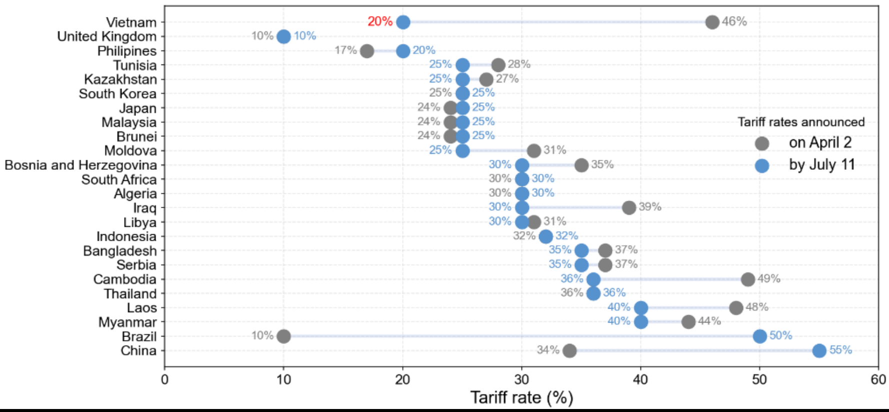


Source: NSO, KIS

Specifically, President Trump has recently issued tariff warning letters to several countries, including Japan and South Korea, threatening to impose tariffs of 20–50% starting August 1 unless new trade deals are finalized. At the same time, Treasury Secretary Scott Bessent noted that for countries that fail to reach an agreement before the new deadline, current tariffs may revert to the baseline rates set on April 2.

A favorable trade deal with the U.S. could help Vietnam expand its export market share. While major economies such as Japan, South Korea, and more than 100 other countries are still awaiting negotiations, Vietnam has already secured a specific tariff level—offering a meaningful advantage amid rising trade uncertainty. If all of Trump's proposed tariffs take effect after August 1, Vietnam's share of U.S. imports could rise from 5.5% to 6.5%, even as the overall market contracts.

Figure 9. Updated tariff rates by country



Source: White House, KIS
Updated by July 11: UK_10% (on cars), 0% (aircraft engines/parts)
Vietnam_20% (general), 40% (transshipped goods)

However, Vietnam's exports may stagnate or even decline in 3Q25, primarily due to weaker U.S. import demand. The main reasons are twofold: (1) elevated inventory levels in the U.S. resulting from front-loading activities in 3Q25; and (2) the new U.S. tariffs, which are higher than the current baseline and are squeezing importers' profit margins. On the one hand, wholesale inventories in the U.S. are likely to remain elevated due to strong front-loading activities between March and June 2025—a trend expected to subside in the upcoming quarter, leading to reduced export volumes from Vietnam**.** Export value to the U.S. rose by more than 30% YoY on average each month during this period. However, with shipping and customs clearance typically taking more than two weeks, most shipments leaving Vietnam in June are unlikely to arrive before the July 9 tariff deadline. As a result, the front-loading effect will gradually disappear in 3Q25. Additionally, new export orders for 3Q25 are already trending downward, as reflected in recent PMI data indicating stagnation in new order volumes.

Table 1. Shipping & customs timeline from Vietnam to the U.S.

Mode	Port-to-Port	Door-to-Door		Possible Customs Procedur
Sea Freight (FCL)	24–29 days	37–41 days		Expedited customs clearance: 1 day
Sea Freight (LCL)	18–38 days	28–33 days	+	Random inspection: 1–2 days
Air Freight	3–8 days	8–16 days		Container-opening inspection: 3–5 days
Express Courier		1–4 days		In-depth examination: 5–7 days

Source: Freightos, KIS

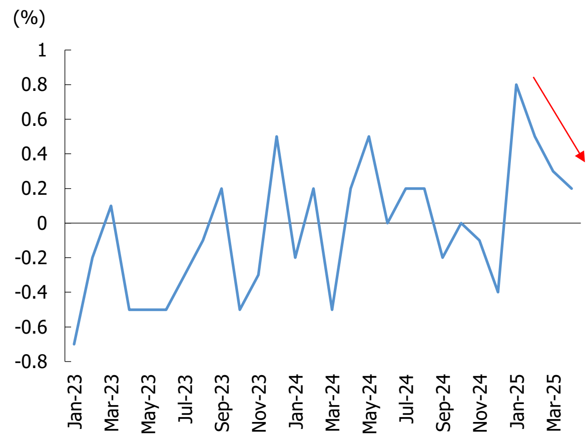
Table 2. Vietnam manufacturing PMI: New order trends

Date	PMI	New Order Trend	Note
Jan-25	48.9	Decline	Output & orders fell; first drop in output prices in nine months; employment shrank at fastest pace since May-24.
Feb-25	49.2	Decline	New orders fell further; fifth straight month of job cuts; selling prices eased as cost pressures moderated.
Mar-25	50.5	Rise	Output & orders rebounded; purchasing and jobs declined; output prices eased as input-cost inflation slowed.
Apr-25	45.6	Sharp decline	Output, orders & employment plunged; business confidence hit its lowest since Aug-21; prices eased further.
May-25	49.8	Decline	New export orders dipped while output recovered; easing input costs drove lower selling prices.
Jun-25	48.9	Sharp decline	Slight increases in input costs and output prices

Source: KIS

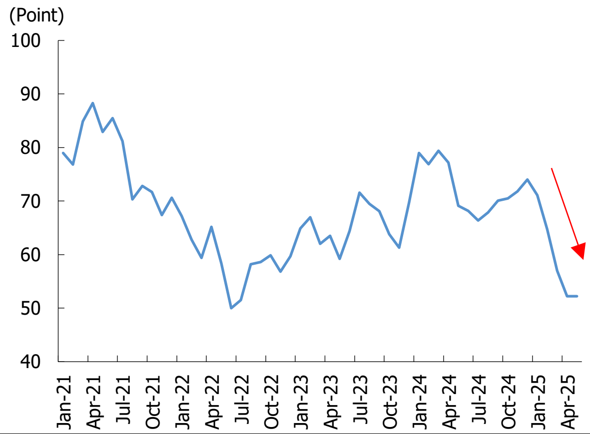
On the other hand, the newly imposed tariff levels are significantly higher than the current 10% baseline, which could suppress U.S. import demand—particularly as importers face narrowing margins. This poses a headwind for Vietnam's export growth, especially amid rising trade defense measures that increase operating costs and accelerate the shift of global supply chains. The textile and apparel sector is particularly exposed to this pressure, with rising U.S. tariffs weighing on cost structures and leading to a reduction in order volumes.

Figure 10. U.S wholesale inventories by monthly



Source: Trading Economics, KIS

Figure 11. U.S. Michigan consumer sentiment



Source: Trading Economics, KIS

Leading original design manufacturers (ODMs) such as Eclat and Makalot—who have up to 87% of their production capacity in Vietnam and derive 70–72% of their revenue from the U.S.—are now operating on thin profit margins, offering little cushion to absorb additional costs. Sharing the tariff burden with buyers would significantly lower FOB prices, while fully passing on the cost could lead to order cancellations. Major brands have already begun to take a more cautious stance, as seen in slower inventory growth.

Table 3. Overview of capacity breakdown and sales exposure to U.S.

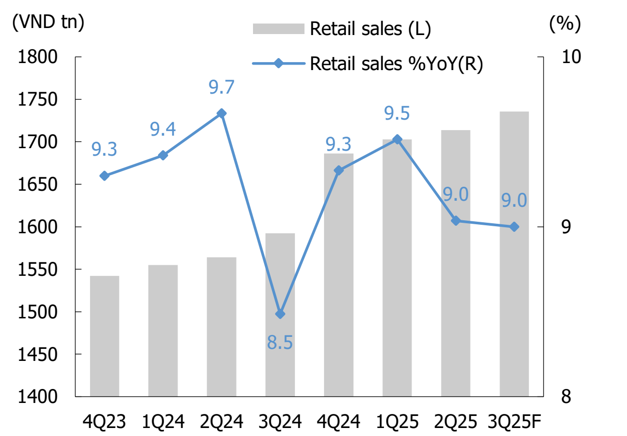
		Apparel		Footwear			Window covering	Golf gears	Bicycle	
		Eclat	Makalot	FengTay	Lai Yin	FulgentSun	Nien Made	Fusheng	Giant	Merida
Production allocation	**Vietnam**	73%	41%	47%	91%	59%		51%		
	Indonesia	14%	40%	12%	1%	5%				
	Cambodia		15%	10%		28%	25%	17%		
	China		2%	7%		14%	48%			34%
	Myanmar						23%			25%
	Mexico									26%
	India			31%						25%
	Taiwan						4%	32%		32%
	Others	13%	2%		7%				9%	10%
	Sales exposure to U.S.	72% of Garment sales	70%	n.a.	30%	39%	71%	67%	9%	10%

Source: J.P. Morgan, KIS

III. Retail sales grow steadily

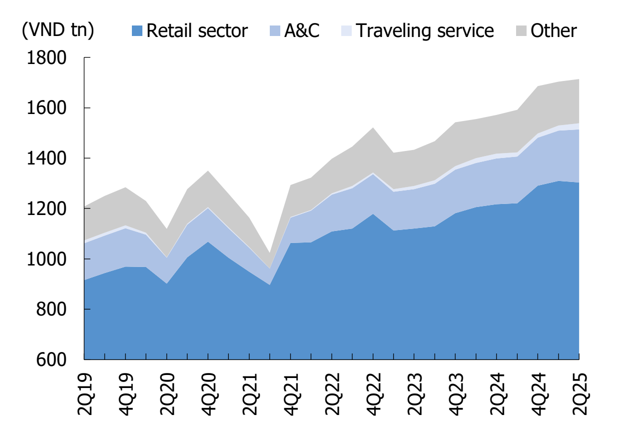
We forecast retail sales to grow by 9.0% YoY in 3Q25, reaching VND1,736tn, driven by several key growth drivers: (1) a well-controlled inflation environment, (2) expansionary fiscal policies, (3) spillover effects from public investment, and (4) a booming tourism sector. However, this growth momentum is expected to be temporarily constrained by supply chain disruptions.

Figure 12. Vietnam's retail sales



Source: NSO, KIS

Figure 13. Quarterly retail sales by component



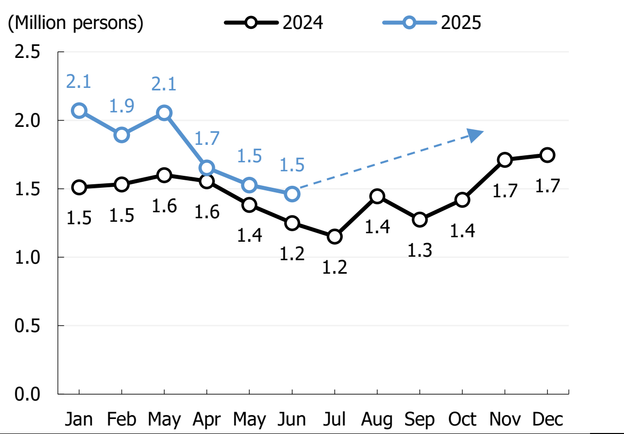
Source: NSO, KIS

A stable and well-controlled inflation environment provides a solid foundation for consumption. With inflation in 3Q25 projected at around 3.98% YoY, income-boosting policies are expected to translate into real purchasing power. Although prices for food, electricity, and healthcare may rise, these pressures are likely to be offset by lower transportation costs and tuition fee exemptions, thereby strengthening consumer confidence and supporting spending.

Starting from 3Q25, several fiscal policies are expected to provide a strong boost to disposable income. In particular, the wage reform policy taking effect on July 1, 2025, along with payments to public sector employees retiring early, will directly increase income for a portion of the workforce.

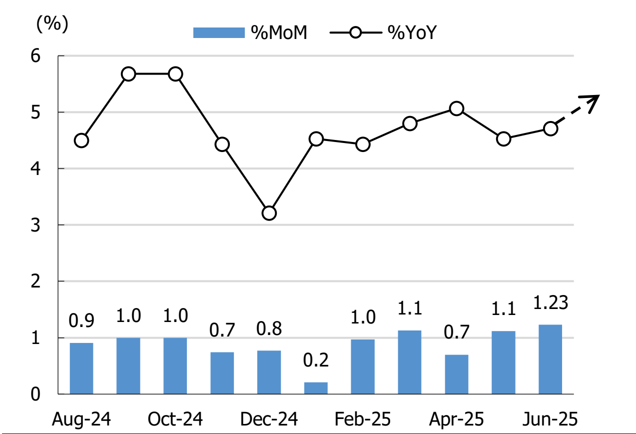
Tourism is expected to grow strongly in the next quarter. In the first six months of 2025, Vietnam welcomed 10.7mn international visitors, up 17.10%YoY. 3Q25 marks the peak season for domestic tourism, further amplified by the 80th National Day celebration. This major event is anticipated to attract a large number of both domestic and international tourists, leading to a surge in spending on accommodation, dining, and shopping.

Figure 14. Total international arrivals by month



Source: NSO, KIS

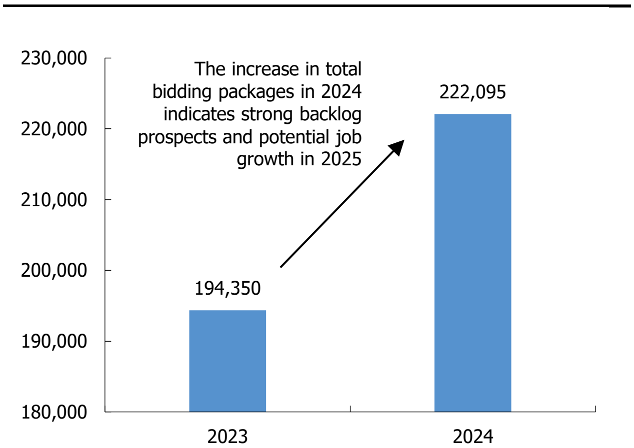
Figure 15. Industrial labor employed index (LEI)



Source: NSO, KIS

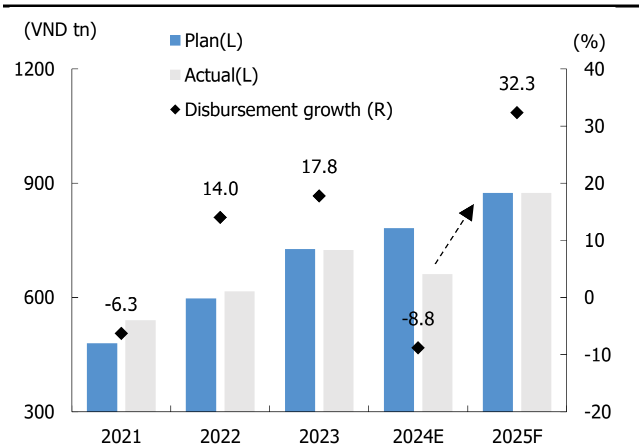
Accelerated public investment disbursement is expected to generate positive spillover effects, indirectly supporting consumption. As the government speeds up infrastructure projects to meet the 100% disbursement target, this not only stimulates demand for construction materials and machinery but, more importantly, creates jobs and increases income for a large workforce in the construction sector and related services. This, in turn, contributes significantly to retail demand.

Figure 16. Total number of bidding packages



Source: Dauthau.info, KIS

Figure 17. Investment from State Budget



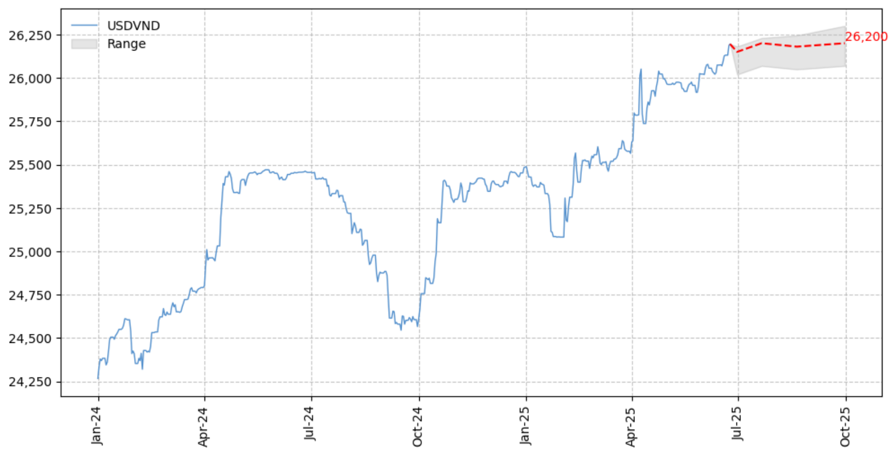
Source: MoF, KIS

However, growth momentum in 3Q25 may be hindered by supply-side disruptions. Small businesses are currently facing challenges in verifying product origin, issuing e-invoices, and complying with new tax declaration requirements. Amid this context, the government has ramped up efforts to combat counterfeit goods, with Prime Minister Pham Minh Chinh issuing Directive No. 13 and Official Dispatches No. 65 and 82 during May and June 2025. Inspection teams are expected to expand their operations beyond major cities to reach more local areas. Nevertheless, we believe these disruptions will be short-lived, as businesses gradually adapt to the new, more transparent and compliant regulatory environment.

IV. USDVND pressure persists

The USDVND exchange rate is projected to reach 26,200 by the end of 3Q25. This conclusion is based on several key internal and external factors, including: 1) the impact of tariffs, 2) the Fed interest rate decisions, and 3) the Vietnam State Treasury's (VST) forthcoming USD bidding activities.

Figure 18. USDVND forecast in 3Q25

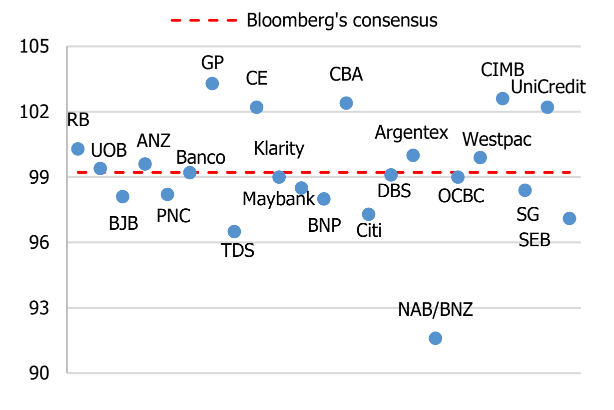


Source: Bloomberg, KIS

The impending tariff outcomes may contribute to pressure on the USDVND. Vietnam, the third nation to conclude preliminary tariff discussions with the Trump administration, secured a relatively high tariff rate. This rate, as confirmed by sources familiar with the negotiations, was double the figure initially discussed between Vietnam and the U.S. negotiating delegation. This may lead MNCs to exercise greater caution in the short term, potentially shifting their manufacturing supply chains to other countries with more favorable tariff outcomes. With the tariff landscape still unresolved, and despite the deadline being extended to early August, the VND could rapidly depreciate against the greenback if the final tariff outcomes adversely affect Vietnam's trade competitiveness.

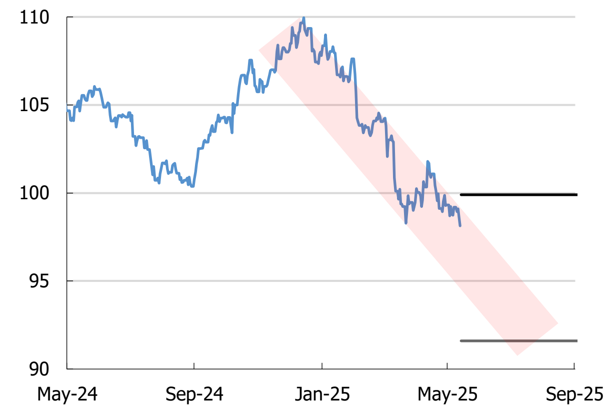
The USDVND is also anticipated to face pressure stemming from Fed's hawkish stance. Given the Fed's cautious approach to interest rate decisions in response to persistent inflation and labor market developments, as further influenced by tariff implications – the interest rate differential between Vietnam and the U.S. is projected to endure.

Figure 19. 3Q25 DXY forecast from other research house



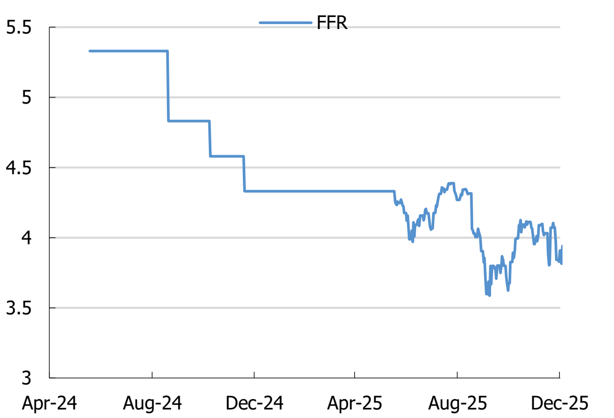
Source: Bloomberg, KIS

Figure 20. DXY performance in 3Q25



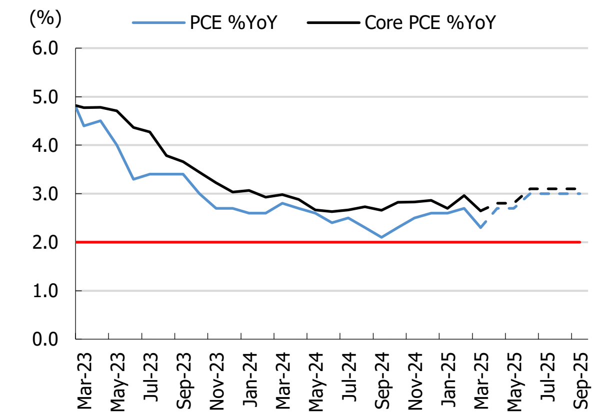
Source: Bloomberg, Fed, KIS

Figure 21. Fed fund rate projections in 2025



Source: Bloomberg, KIS

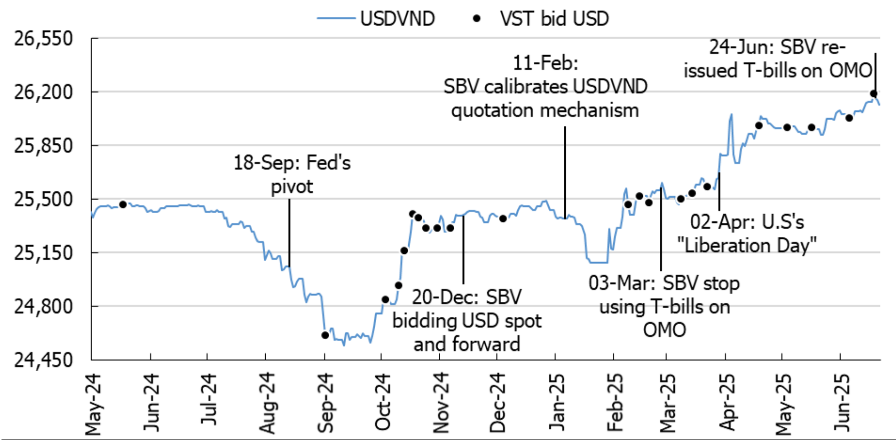
Figure 22. U.S. Inflation



Source: Bloomberg, KIS

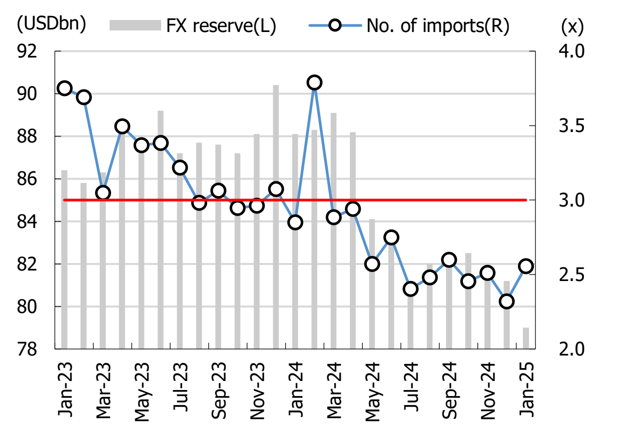
Finally, the VST's influence on the exchange rate is anticipated to be negligible in 3Q25. From 2024 to date, the VST has cumulatively offered to purchase USD3.97bn across 22 USD bidding sessions, primarily to meet its debt obligations. This action has been a significant driver of the exchange rate's appreciation during this period. However, our research indicates no substantial USD-denominated debts are maturing in the upcoming quarter, leading us to expect minimal exchange rate impact from VST activities.

Figure 23. USDVND performance



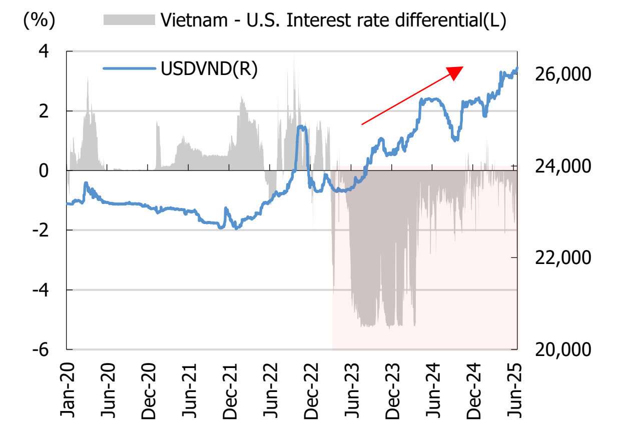
Source: SBV, VST, KIS

Figure 24. Vietnam FX reserves



Source: SBV, KIS

Figure 25. Vietnam – U.S. interest rate differential



Source: SBV, Bloomberg, KIS

Macro scorecard

	25-Feb	25-Mar	25-Apr	25-May	25-Jun	3Q24	4Q24	1Q25	2Q25	2021	2022	2023	2024
Real GDP growth (%)						7.43	7.55	7.05	7.96	2.58	8.02	5.05	7.09
Registered FDI (USD bn)	4.34	2.57	4.08	2.82	3.14	9.59	13.44	10.98	10.54	31.15	27.72	36.61	38.23
GDP per capita (USD)										3,725	4,110	4,285	4,479
Unemployment rate (%)						2.23	2.22	2.20	2.22	3.22	2.32	2.26	2.24
Export (USD bn)	32.15	31.11	38.51	37.45	39.49	108.6	105.9	102.84	116.93	335.7	371.85	355.5	405.5
Import (USD bn)	30.92	32.66	36.88	36.87	36.66	99.7	101.9	99.68	112.52	331.1	360.65	327.5	380.8
Export growth (%)	-4.05	25.67	14.49	19.75	16.31	15.82	11.46	10.64	18.03	18.74	10.61	-4.4	14.3
Import growth (%)	-2.32	39.99	18.99	22.95	20.16	17.19	14.91	17.03	18.77	25.9	8.35	-8.9	16.7
Inflation (%)	3.63	2.91	3.13	3.12	3.57	3.48	2.87	3.22	3.31	1.84	3.15	3.25	3.63
USD/VND	25,082	25,530	25,565	25,983	26,121	24.093	25,386	25,565	26,121	22,790	23,650	23,784	25,386
Credit growth (%)	16.1	15.7	16.3	18.53	17.48	16.1	13.8	16.3	17.48	13.61	14.2	13.7	13.8
10Y gov't bond (%)	2.99	3.18	3.06	3.20	3.34	2.66	2.94	3.06	3.34	2.11	5.08	2.39	2.94

Source: NSO, Bloomberg, FIA, IMF

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