trueFriend KIS Viet Nam Securities Corporation

Economy
Outlook

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Economic Perspectives

FX pressures to subside toward year-end

Contents

USDVND eases toward year-end

USDVND is expected to remain stable, or at least experience less tension toward the close of the year as major existing pressures subside. On the downside, domestic gold price fluctuations and effects of natural disasters and persistent trade tensions could potentially dampen the flow of FDI in the final quarter. However, the outlook is strongly supported by positive developments in 2025, including a projected increase in M&A activities and the favorable prospect of a market upgrade, which, together with a sustained trade surplus and substantial year-end remittance inflows, will strengthen the domestic foreign currency supply. Taken together, these factors indicate that exchange rate pressures are likely to ease in the coming period.

Vietnam economic indicators

	25-Apr	25-May	25-Jun	25-Jul	25-Aug	25-Sep	Corr.
Disbursed FDI %YoY	7.8	9.6	8.8	10.1	12.5	6.8	-0.16
Retail sales %YoY	9.3	9.5	8.3	8.6	10.4	11.3	-0.16
Export %YoY	19.8	17.0	16.3	16.0	14.5	24.7	-0.05
Import %YoY	22.9	14.1	20.2	17.8	17.7	24.9	0.04
Trade balance (USDbn)	0.6	0.6	2.8	2.3	3.7	2.8	-0.03
CPI %MoM	0.07	0.16	0.48	0.11	0.05	0.42	-0.03
Credit %YoY	17.6	18.5	16.8	19.1	19.9	19.6	-0.23
USDVND %MoM	1.64	0.15	0.30	0.39	0.55	0.00	-0.30
PMI (pts)	45.6	49.8	48.9	52.4	50.4	50.4	-0.09
VNINDEX return (%)	-6.1	9.2	3.5	9.3	12.1	-1.2	1.00

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

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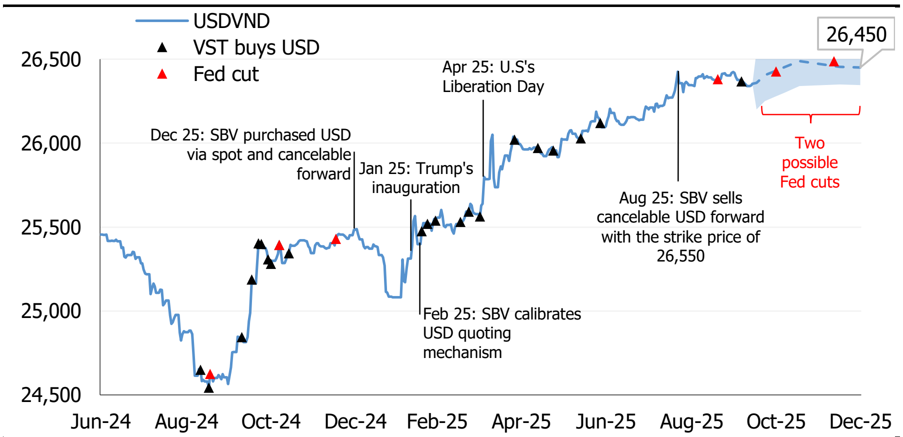
I. USDVND eases toward year-end

The USDVND exchange rate is projected to reach approximately 26,450 (+0.08% QoQ) by the end of 2025. Our view is that pressure on the exchange rate will gradually subside during the final months of the year, driven by several positive indicators; however, latent risks remain salient.

Figure 1. USDVND and key events in 2025



Source: Fed, VST, SBV, KIS

On the downside, the Vietnamese Dong (VND) is likely to remain under pressure stemming from risks associated with foreign investment flows. FDI could potentially slow down as companies navigate the complexities of higher tariffs on goods exported to the U.S., particularly with increased scrutiny over product origin verification. Furthermore, late-year factors such as natural disasters can significantly affect foreign investor sentiment. On a positive note, however, 2025 is also expected to witness several major M&A deals, which could help support capital inflows and contribute positively to the USDVND exchange rate.

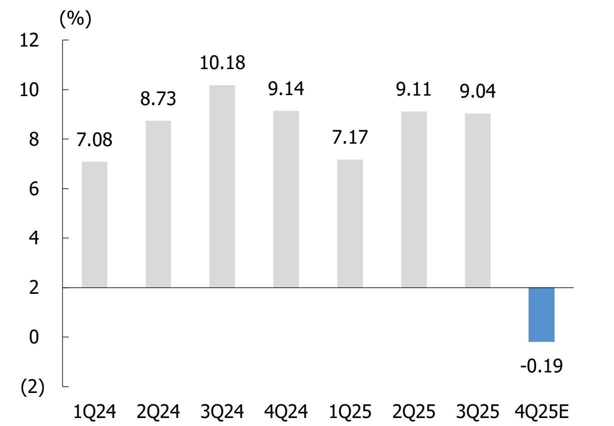
Table 1: Vietnam key M&A and investment deals in 2025

Deal Type	Target Name	Acquirer Name	Announced Total Value (USD mn)	Deal Status
M&A	Home Credit Vietnam Finance Co Ltd	SCB X PCL	851.59	Pending
M&A	Post & Telecommunication Finance Co Ltd	AEON Financial Service Co Ltd	175.24	Completed
M&A	Phu Thanh My JSC,Gelex Quang Tri Energy Co,Dien Gio Huong Phung Co Ltd,Gelex Ninh Tuhan Co Ltd	Sembcorp Industries Ltd	159.47	Pending
INV	Gia Lai Electricity JSC	JERA Co Inc	111.6	Completed
INV	South Rach Chiec City LLC	P&T Architects & Engineers Ltd	101.63	Completed
M&A	Certain Assets/Harbour Energy Plc	EnQuest PLC	85.1	Completed
INV	CII Bridges & Roads Investments JSC	Unnamed Buyer	72.16	Pending
M&A	VIAS Hong Ngoc Bao JSC	United Overseas Australia Ltd	67.86	Completed
M&A	Hoang Hai Vietnam Packaging JSC	Dynapac Co Ltd	39.31	Pending
M&A	ADG National Investment & Technology Development Corp	Keppel Ltd	28.45	Completed
INV	Dat Bike Vietnam Co Ltd	FCC Co Ltd,Private Investor,Rebright Partners Pte Ltd,Cathay Venture Inc,Jungle Ventures Pte Ltd	22	Completed

Source: Bloomberg, KIS

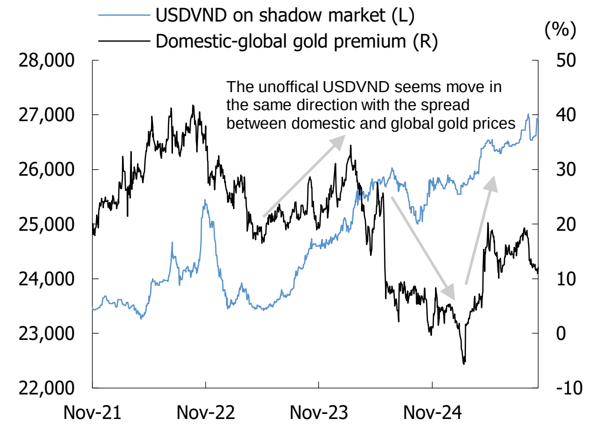
An additional source of domestic currency pressure originates from the gold market. The elevated local gold price, creating a substantial premium over international prices, fuels demand for uncontrolled gold imports across the border. These activities are typically settled in U.S. dollars, driving up USD demand and exerting pressure on the VND. Nevertheless, this specific pressure could be mitigated in the near term should the government's directives aimed at stabilizing the gold market prove highly effective.

Figure 2. Vietnam quarterly FDI disbursement (%yoy)



Source: NSO, KIS

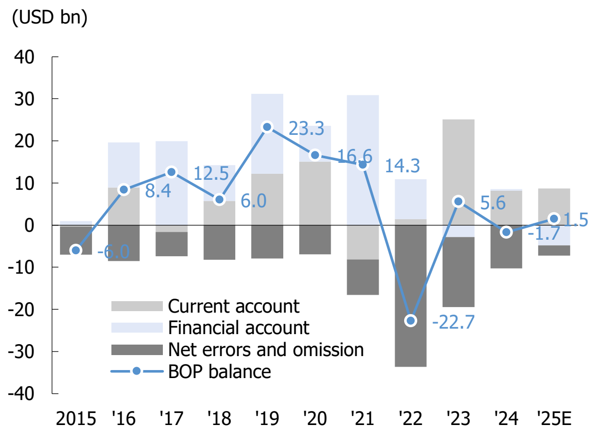
Figure 3: Unofficial USDVND and gold price spread



Source: Bloomberg, KIS

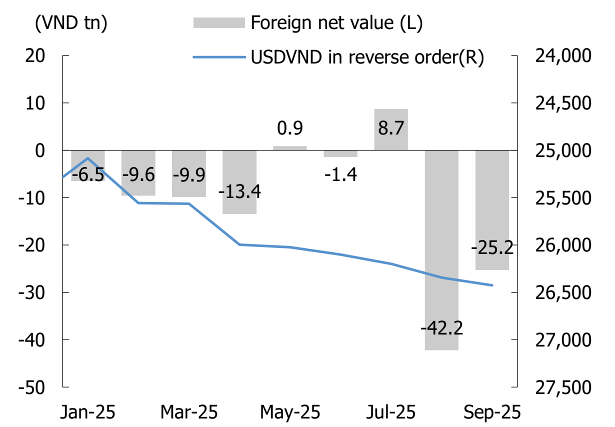
Additionally, the sustained net-selling by foreign investors throughout the year is a critical factor influencing the domestic currency's valuation. Given the context of the VND's continuous depreciation over recent years, and with the current stock market potentially reaching valuation levels that trigger profit-taking, foreign investors are presented with further incentive to withdraw capital from the Vietnamese equity market. When their Dong-nominated profits are under pressure from currency depreciation, this amplifies the impetus for capital repatriation, thus contributing to exchange rate stress during this period.

Figure 4. Capital outflows from financial account



Source: Fiinpro, KIS

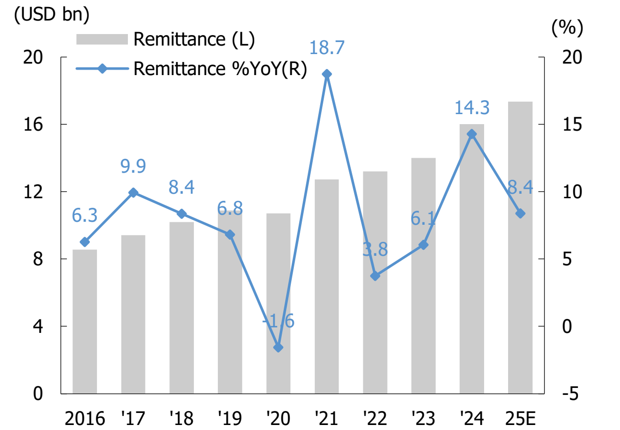
Figure 5. USDVND and Vietnamese stock selling by foreign investors



Source: Fiinpro, KIS

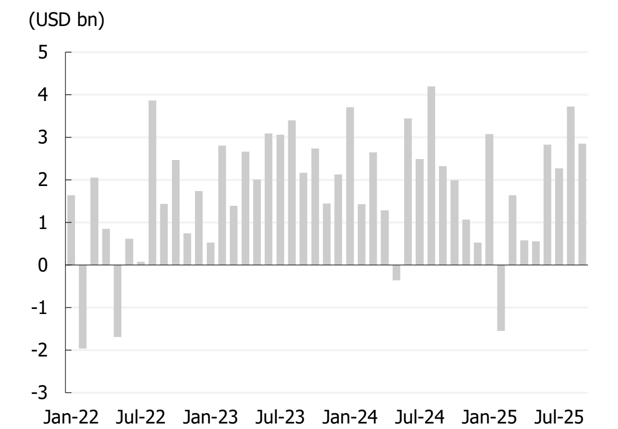
On the bright side, the inflow of foreign currency from trade and remittances towards the year-end is projected to be a key stabilizing element for the exchange rate. As of the first six months of 2025, Ho Chi Minh City alone has already recorded remittances reaching USD5.20bn. Given that the final quarter of the year traditionally sees the strongest remittance inflows, Vietnam is projected to record total remittances of up to USD18.0bn for 2025. Furthermore, the nation's ability to maintain a trade surplus throughout the year, despite being a primary target for reciprocal tariffs from the U.S., is a strong positive signal for mitigating exchange rate pressure.

Figure 6. Yearly Vietnam's remittances



Source: Statista, KIS

Figure 7. Monthly Vietnam's trade balance



Source: NSO, KIS

Simultaneously, several external and domestic policy factors will offer positive tailwinds to the exchange rate by year-end. There is a high possibility for the U.S. Federal Reserve to conduct two or more interest rate cuts, which would reduce the interest rate differential supporting the USD. In addition, the SBV's regulatory relaxation regarding the issuance of international bonds should facilitate more robust capital mobilization in the global market, thereby increasing the supply of foreign currency, concurrent with a forecasted abatement of pressure from maturing USD-denominated government bonds in the final quarter of the year.

Macro scorecard

	25-May	25-Jun	25-Jul	25-Aug	25-Sep	4Q24	1Q25	2Q25	3Q25	2021	2022	2023	2024
Real GDP growth (%)						7.55	7.05	8.19	8.23	2.58	8.02	5.05	7.09
Registered FDI (USD bn)	2.82	3.14	2.57	2.05	2.40	13.44	10.98	10.54	7.02	31.15	27.72	36.61	38.23
GDP per capita (USD)										3,725	4,110	4,285	4,479
Unemployment rate (%)						2.22	2.20	2.22	2.22	3.22	2.32	2.26	2.24
Export (USD bn)	39.60	39.49	42.27	43.39	42.67	105.9	102.84	110.62	118.38	335.7	371.85	355.5	405.5
Import (USD bn)	39.04	36.66	40.00	39.67	39.82	101.9	99.68	118.83	120.19	331.1	360.65	327.5	380.8
Export growth (%)	17.00	16.31	15.95	14.50	24.73	11.46	10.64	10.62	18.38	18.74	10.61	-4.4	14.3
Import growth (%)	14.13	20.16	17.77	17.71	24.88	14.91	17.03	18.83	20.19	25.9	8.35	-8.9	16.7
Inflation (%)	3.12	3.57	3.19	3.24	3.38	2.87	3.22	3.31	3.27	1.84	3.15	3.25	3.63
USD/VND	25,983	26,121	26,199	26,345	26,427	25,386	25,565	26,121	26,427	22,790	23,650	23,784	25,386
Credit growth (%)	18.53	17.48	19.12	19.91	19.61	13.8	16.3	17.48	19.61	13.61	14.2	13.7	13.8
10Y gov't bond (%)	3.20	3.34	3.45	3.69	3.76	2.94	3.06	3.34	3.76	2.11	5.08	2.39	2.94

Source: GSO, Bloomberg, FIA, IMF

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