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Vietnam Macroeconomic Commentary: August 2025

Vietnam's economic growth trajectory remained solid in August – and we continue to expect 7% GDP growth this year. Vietnam's high-frequency economic indicators were nearly unchanged in August; export growth to the US continues to slow while infrastructure investment in Vietnam continues to surge – by nearly 50% YoY in 8M25. In contrast, the outlook for the VN Dong deteriorated slightly, prompting us to revise our forecast for the country's currency from 3% depreciation to 4-5% depreciation for 2025.

The USD-VND exchange rate depreciated by 0.6% month-on-month in August - and by 3.4% YTD at end-August - thanks in part to some signals from the State Bank of Vietnam (SBV) that it is now (reluctantly) ready to tolerate further depreciation of the country's currency. Specifically, Vietnam's central bank had previously taken aggressive actions to defend the value of the VND earlier this year whenever its year-to-date depreciation approached a 3% decline, but it switched to essentially symbolic steps to protect the VND in August.

Further to that last point, central banks have a “pecking order” of tools to defend a country's currency. The strongest step policymakers can take is to purchase their own currency on the open market, which the SBV did last year when it sold USD 9bn of its USD FX reserves to directly defend the VND. However, when the VND faced depreciation pressures earlier this year (most notably after Trump's unexpected announcement of 46% “reciprocal tariffs” on Vietnam), the SBV responded by tightening monetary policy.

The resulting higher interest rates encourage savers to hold their money in VND instead of converting their savings into USD or gold, which indirectly supports the value of the VND. The SBV took this somewhat softer, indirect step to stem VND depreciation because its own US dollar FX reserves now sit at the uncomfortably low level of circa two months' worth of imports. Similarly, the SBV switched to taking an even softer measure to support the VND in August using a locally invented tool known as “cancellable FX forwards” although this time the concern was that higher interest rates would slow growth in the second half of the year.

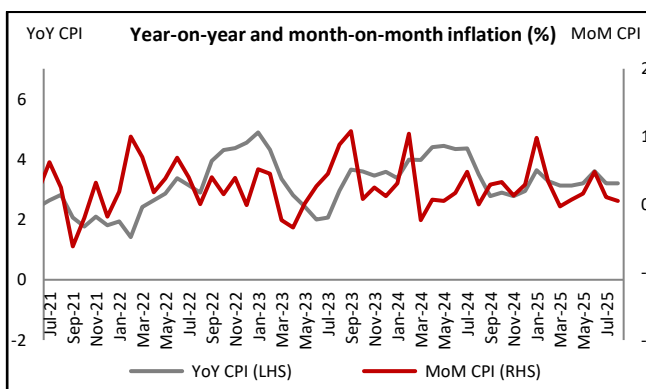
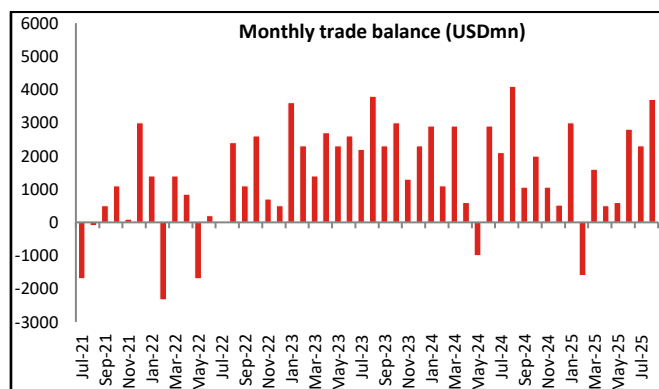
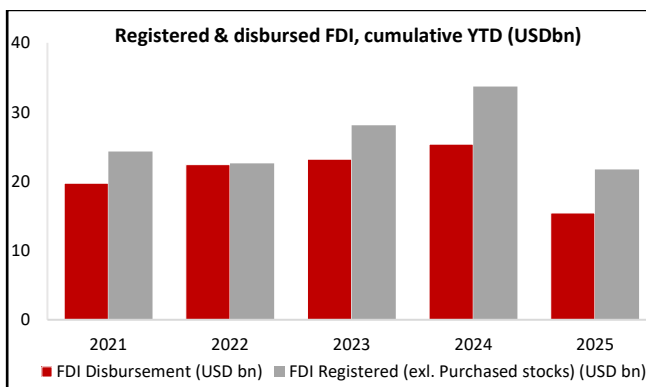
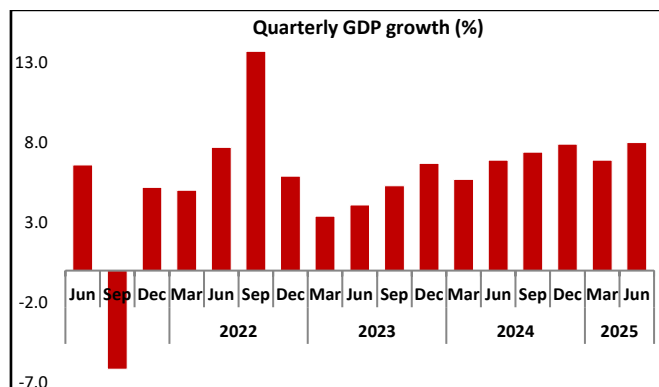
Vietnam's Government lifted its already aggressive 2025 GDP growth target in August, but the explosive export growth to the US that drove 7.5% GDP growth in H1 peaked at 37% YoY in May and plunged every month since, falling to 18% YoY growth in August. Slowing exports recently prompted the World Bank to downgrade its Vietnam GDP growth outlook. Furthermore, new export orders fell for the tenth month in-a-row in August.

The dimming outlook for exports from Asia to the US has been widely [discussed](#) in many publications, but we believe the outlook for the US economy (Vietnam's biggest export market) is much [better](#) than widely believed, so we expect Vietnam's exports to the US to normalize but not collapse.

Next, there has been a notable lack of improvement in Vietnamese consumer sentiment since early this year despite a plethora of pro-growth policies announced by the Government, as well as the above-mentioned surge in public infrastructure. The growth of real retail sales (i.e., excluding inflation) has been stuck at around the 7% YoY level for months and foreign tourist arrivals (which we estimate account for around 10% of retail sales in Vietnam) are up over 20% YoY – which implies that spending by domestic Vietnamese consumers is only growing at about a 5% pace (vs. 8-9% growth pre-COVID).

We believe that the delayed impact of both the Government's pro-growth initiatives on consumer sentiment and disbursement of public infrastructure funds will support Vietnam's economy in H2 despite slower exports to the US. Finally, CPI inflation in Vietnam continued to remain around the 3% level in August, but a modest pick-up in local consumer sentiment coupled with a likely 5% hike in electricity prices at some point could push inflation up to the circa 4% level.

Macroeconomic Charts



Macroeconomic Indicators

| | 2024 | Aug-25 | YTD | YOY ¹ |
|--------------------------------------|--------|--------|--------|------------------|
| GDP growth (%) | 7.1 | 8.0 | 7.5 | |
| Inflation (%) ² | 3.6 | 3.2 | 3.3 | |
| FDI commitments (USD bn) | 33.7 | 1.7 | 21.7 | 22.1 |
| FDI disbursements (USD bn) | 25.4 | 1.8 | 15.4 | 8.4 |
| Imports (USD bn) | 380.8 | 39.7 | 292.0 | 17.9 |
| Exports (USD bn) | 405.5 | 43.4 | 306.0 | 14.8 |
| Trade surplus/(deficit) (USD bn) | 24.8 | 3.7 | 14.0 | |
| Exchange rate (USD/VND) ³ | 25,485 | 26,345 | 26,345 | |

Sources: GSO, Vietnam Customs, MPI, Bloomberg

Note:

1. FDI and trade data is YTD y-o-y; GDP growth data is latest quarter y-o-y
2. Monthly y-o-y change; year-to-date is monthly average change in CPI per GSO
3. BBG-USD/VND Spot Exchange rate

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