

Made in Vietnam, taxed in America. Can domestic reform outpace tariffs?



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Macroeconomics:

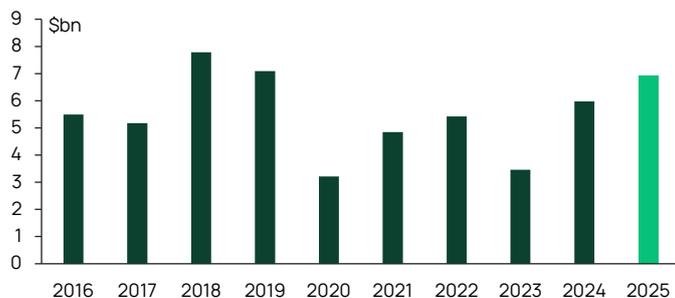
- ▶ The US has delayed 46% tariffs on Vietnamese exports for 90 days, allowing time for negotiations to ease trade tensions and avoid disruption.
- ▶ The government has responded decisively with high-level talks, a \$20bn stimulus package, and fast-tracked structural reforms.
- ▶ Despite global trade tensions, Vietnam's economy grew 6.9% in 1Q25, the strongest first-quarter in five years.

Stock Market:

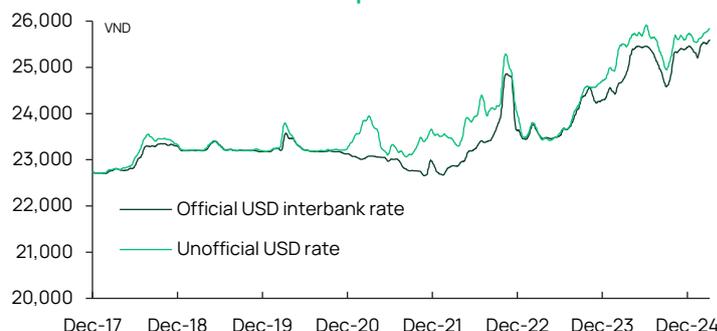
- ▶ The Vietnam Index briefly hit its highest level since May 2022, ending March up 0.1% MoM and 2.9% YTD (TR\$), before the tariff-driven selling hit global markets.
- ▶ Combined average daily turnover rose 27.3% MoM to \$890mn, but surged to over \$1.6bn in early April.
- ▶ Vietnam equity markets bounced back after the 90-day tariff delay, but poor visibility on trade policy continues to fuel uncertainty.

CHARTS OF THE MONTH

Q1 GDP Posts Strongest Growth in Five Years



The VND Depreciated 1.6% YTD



Monthly Insights

On 2 April, the US hit Vietnam with one of the highest proposed tariff rates globally at 46%, but it is the tariff differentials with peer exporters that will ultimately determine the scale of economic impact. Swift diplomatic engagement preceded a 90-day postponement of the tariffs, and if negotiations succeed, Vietnam could shift from being among the hardest hit to potentially emerging stronger. The initially proposed tariffs cover roughly 90% of Vietnam's US exports, particularly textiles, footwear, electronics, and furniture. The surprise announcement cast a shadow over an otherwise resilient first quarter, where GDP grew 6.9% YoY, the strongest in five years. This serves as a reminder of Vietnam's exposure to the fast-moving global trade landscape and the unpredictable, recalcitrant nature of US policy, and asks the following question: can endogenous growth mitigate external risk, and will that be enough to realise the ambitious 8% GDP growth target?

If imposed in full, the tariffs could undermine Vietnam's export competitiveness and deter FDI, especially if competitors such as Bangladesh, Mexico, or India receive more favourable treatment. Vietnam exported \$136.6bn to the US in 2024, creating a trade surplus of over \$120bn. Under the new tariffs, projections indicate that Vietnamese exports to the US could decline by \$20–40bn in 2025, contingent upon the adaptability of Vietnamese businesses and the efficacy of government support measures. The heightened trade uncertainty may also prompt investors from the US, South Korea, and China to reassess Vietnam as a production base. Collectively, in a worst-case scenario where the full 46% rate is implemented, these factors could result in a GDP contraction of 1.4–2.0% in 2025.

In response, Vietnam's leadership acted swiftly and decisively. A national steering committee was formed to assess the impact and lead negotiations. Diplomatic outreach began immediately, with General Secretary To Lam holding a phone call with President Trump, expressing Vietnam's willingness to negotiate. Discussions are expected to cover rules of origin, non-tariff barriers, increased imports of US goods, and notably a bilateral trade agreement. Domestically, Vietnam is moving quickly to support the real economy. Public investment is being accelerated to stimulate growth and job creation, and the State Bank of Vietnam is deploying a \$20bn preferential credit package targeting infrastructure, technology, and domestic consumption. Institutional reforms are underway to cut business costs by 30% and support expansion into new export markets. An emergency relief package will also be proposed in May to shield vulnerable industries such as textiles, footwear, furniture, and seafood, with a focus on stabilising employment and minimising economic disruption.

While the 90-day suspension offers breathing room, Vietnam is already pushing ahead. Structural reforms such as ministry consolidation and regulatory streamlining remain firmly on track, while resilient domestic demand and proactive policy support continue to reinforce economic stability. These efforts should help buffer the economy against external shocks and keep growth momentum intact. That said, reaching the government's ambitious 8% growth target will hinge on progress in trade negotiations and the timely execution of support measures at home. Market sentiment may remain headline-sensitive, but investors should find reassurance in the government's rapid, coordinated response and its commitment to preserving macroeconomic stability. Vietnam is also in the middle of a transition: graduating from a low-cost exporter to a strategic trading partner amid rising global protectionism. Tariffs of this size are painful, but the relative impact, when weighed against Vietnam's proactive diplomacy, structural reforms, and regional cost advantages, is potentially manageable.

Key Indicators

Item	Unit	2020	2021	2022	2023	2024E	2025F
GDP	\$bn	346.6	366.1	408.8	430.0	476.3	529.5
Real GDP Growth	%	2.9	2.6	8.0	5.1	7.1	8.0
Services Growth	%	2.5	1.2	10.0	6.9	7.4	8.9
Agriculture Growth	%	2.8	2.9	3.4	2.6	3.3	5.5
Ind'l and Const'n Growth	%	3.3	4.1	7.8	3.5	8.3	8.7
Retail Sales Growth	%	2.6	-3.8	10.2	8.3	9.0	9.4
Prices							
CPI (Average YoY)	%	3.2	1.8	3.2	3.3	3.6	4.2
Money, FX and Interest Rates							
Money Supply M2	%	14.5	8.9	6.2	12.5	12.7	13.0
Average Lending Rate	%	8.6	8.5	13.7	8.7	8.2	8.7
5-yr VGB	%	1.1	0.9	4.7	1.6	1.4	1.7
VND : \$	\$1	23,085	22,800	23,550	24,250	25,450	26,500
External Sector							
Trade Balance	\$bn	19.9	3.3	12.4	28.0	24.4	23.1
Current Account	\$bn	15.1	-7.8	-1.5	17.4	20.7	19.3
Current Account / GDP	%	4.3	-2.1	-0.4	4.0	4.4	3.6
FDI Registered	\$bn	28.5	38.5	27.7	36.6	35.0	38.0
FDI Disbursement	\$bn	20.0	19.8	22.4	23.2	25.4	28.0
FX Reserves	\$bn	98.0	106.5	85.0	89.0	80.0	80.0
Public Debt Fiscal Balance							
External Debt	\$bn	130.1	138.8	141.2	138.0	140.3	151.0
Government	\$bn	49.0	47.9	48.8	44.4	44.5	47.8
Enterprises (incl. FDI)	\$bn	81.1	90.9	92.4	93.6	95.8	103.2
External Debt (% GDP)	%	37.5	37.9	34.5	30.3	30.3	30.1
Fiscal Balance (% GDP)	%	-3.9	-4.0	-4.0	-3.6	-3.6	-4.2

All forecasts are Dragon Capital estimates

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	31-Mar-24	31-Mar-25	31-Mar-24	31-Mar-25	31-Mar-24	31-Mar-25	31-Mar-24	31-Mar-25
Market cap (\$m)	210,814	213,555	13,227	14,725	48,976	57,969	273,016	286,249
Number of stocks	398	392	322	310	870	887	1,590	1,589
Number of large cap stocks (> \$400m)	75	77	11	11	17	17	103	105
Stocks with no room for foreigners	67	62	94	97	253	276	414	435
Market cap of stocks with no room (\$m)	33,251	23,891	1,900	3,009	15,830	22,750	50,981	49,650
Share of Market Cap with No Room (%)	15.8	11.2	14.4	20.4	32.3	39.2	18.7	17.3

Top 25 Companies by Market Cap

No	Company	31-Mar Price (VND)	Price YTD (%)	Mkt Cap (\$m)	Wt in VNI (%)	PER			PBV			Yield		
						2023 (x)	2024 (x)	2025E (x)	2023 (x)	2024 (x)	2025E (x)	2023 (%)	2024 (%)	2025E (%)
1	Vietcombank	64,000	4.9	20,929	9.80	15.6	17.3	16.4	2.7	2.6	2.3	-	-	-
2	BIDV	38,750	3.2	10,648	4.99	15.2	13.5	13.0	2.1	1.9	1.7	0.1	-	-
3	Vietinbank	41,450	9.7	8,711	4.08	8.5	8.9	8.1	1.2	1.4	1.3	-	-	-
4	Vingroup	58,000	43.0	8,680	4.06	79.1	13.0	42.8	1.5	1.1	1.7	-	0.4	-
5	Airports Corporation VN	99,000	-21.4	8,435	-	22.1	29.1	21.0	2.9	4.6	3.0	-	-	-
6	Vinhomes	51,300	28.3	8,247	3.86	5.6	5.2	7.0	1.0	0.8	0.9	-	0.4	-
7	Techcombank	27,500	11.6	7,604	3.56	6.2	8.4	7.9	0.8	1.2	1.2	-	3.0	2.8
8	FPT Corporation	121,000	-20.7	6,966	3.26	20.4	31.3	20.4	4.8	7.5	5.0	2.4	1.5	3.1
9	Hoa Phat Group	26,750	0.4	6,696	3.14	24.3	14.2	10.8	1.6	1.5	1.3	-	-	2.0
10	PV Gas	66,800	-1.9	6,125	2.87	14.2	15.7	14.8	2.5	2.6	2.5	4.1	8.7	5.6
11	Masan Consumer	144,000	-19.7	5,926	-	7.6	23.7	18.1	2.1	17.3	8.6	0.4	12.4	3.7
12	VP Bank	19,000	-1.0	5,900	2.76	14.5	9.7	7.5	1.1	1.1	0.9	5.2	5.2	4.3
13	MB Bank	24,100	10.4	5,756	2.70	4.7	6.1	5.8	1.0	1.2	1.1	2.3	2.1	-
14	Vinamilk	60,600	-4.4	4,957	2.32	16.9	15.8	15.4	4.2	4.1	3.9	5.8	6.2	6.8
15	Asia Commercial Bank	26,000	0.8	4,545	2.13	5.7	7.0	6.2	1.3	1.4	1.2	3.6	3.4	1.8
16	LienViet Post Bank	33,250	6.4	3,887	1.82	7.2	9.6	9.0	1.2	2.2	1.8	-	-	-
17	Masan Group	66,800	-4.6	3,760	1.76	229.0	50.4	26.6	3.6	3.3	3.0	0.3	1.7	0.3
18	Mobile World Group	59,000	-3.3	3,375	1.58	370.4	24.0	16.1	2.7	3.2	2.7	1.2	0.8	1.9
19	Becamex IDC	74,800	5.5	3,030	1.42	26.5	33.6	20.9	3.5	3.7	4.5	1.3	1.4	-
20	HD Bank	22,100	-13.3	3,023	1.42	5.6	7.0	5.0	1.3	1.6	1.1	4.3	3.3	-
21	Sacombank	38,300	3.8	2,826	1.32	6.8	6.9	6.1	1.2	1.3	1.1	-	-	-
22	Vietnam Airlines	28,900	0.9	2,505	1.17	neg	8.4	10.5	neg	neg	14.6	1.1	0.4	-
23	Sabeco	48,900	-11.9	2,455	1.15	18.3	16.8	14.1	3.0	3.1	2.6	4.2	6.5	7.6
24	VIB	19,850	0.8	2,314	1.08	5.6	8.4	7.0	1.2	1.4	1.2	6.4	5.4	-
25	Binh Son Refining	18,950	-16.9	2,300	1.08	6.5	112.0	34.1	1.0	1.3	1.1	3.8	3.1	3.9

All forecasts are Dragon Capital estimates

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