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VIETNAM

October 2025

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR VIETNAM

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2024 Article IV consultation with Vietnam, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its September 8, 2025 consideration of the staff report that concluded the Article IV consultation with Vietnam.
- **The Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on September 8, 2025, following discussions that ended on July 24, 2025, with the officials of Vietnam on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on August 20, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Vietnam.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR25/296

IMF Executive Board Concludes 2025 Article IV Consultation with Vietnam

FOR IMMEDIATE RELEASE

- *Vietnam's economy rebounded strongly in 2024 and early 2025. However, the outlook is constrained by high global uncertainty on trade and economic policies.*
- *There is room for greater fiscal support if economic growth slows down markedly, while space for monetary easing is limited. Allowing more flexibility in the exchange rate and strengthening the resilience of the financial sector will be important.*
- *Implementation of the ambitious reform agenda and infrastructure improvements presents an opportunity to raise medium-term growth and reduce external vulnerabilities.*

Washington, DC – **September 15, 2025:** On September 8, 2025, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Vietnam.

The Vietnamese economy rebounded strongly in 2024, growing at 7.1 percent backed by robust exports, resilient foreign direct investment, and supportive policies. This momentum continued into the first half of 2025, with economic activity expanding by 7.5 percent (y/y) thanks to export frontloading, faster credit growth, and large one-off government spending. Inflation accelerated somewhat in recent months, reaching 3.6 percent y/y in June, but remains below the target. The current account surplus reached a record 6.6 percent of GDP in 2024.

The outlook is heavily dependent on the outcome of trade negotiations and is constrained by elevated global uncertainty on trade policies and economic environment. Economic growth is projected to slow to 6.5 percent in 2025 and decelerate further in 2026 given the full year effect of the new U.S. tariffs (announced in July) and unwinding of most of the one-off 2025 government stimulus.

Downside risks are high. A further escalation in global trade tensions or a tightening of global financial conditions could weaken further exports and investment. Domestically, financial stress could re-emerge from tighter financial conditions and high corporate indebtedness. On the upside, successfully implementing infrastructure projects and structural reforms could significantly boost medium-term growth. If global trade tensions subside, the economic outlook would improve.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Executive Board Assessment[2]

Executive Directors welcomed that, despite increased external and domestic volatility, economic growth has been remarkably resilient helped by supportive policies. Directors cautioned, however, that the economy's export-led growth model faces increasing challenges from rapidly evolving and uncertain global trade policies, population aging, tightening global financial conditions, and climate change. They emphasized that policies should focus on maintaining economic resilience and financial stability, while promoting reforms to sustain robust, diversified, and stable medium-term growth.

Directors generally agreed that the policy mix should remain flexible to respond to a fast-evolving and uncertain economic environment. Given available fiscal space, fiscal policy could be more prominent in prudently supporting economic activity, especially with temporary and targeted support if needed. Directors underscored that the room to ease monetary policy is very limited, and inflation and FX risks should be closely monitored given still buoyant economic and credit growth. They stressed that greater exchange rate flexibility is critical to facilitate the adjustment to external shocks, and underlined the benefits of accelerating the modernization of the monetary policy framework to better manage the risks.

Directors emphasized that strengthening the medium-term fiscal framework is crucial for reaping the growth dividends from the planned large public investment while safeguarding debt sustainability. They agreed that it will be important to upgrade public investment management, enhance revenue mobilization, increase fiscal transparency and better manage risks, including from public-private partnerships.

Directors underscored the need to bolster the financial sector's resilience against shocks. The priority should be building liquidity and capital buffers and improving the macroprudential toolkit. Directors also called for further upgrading the insolvency, crisis preparedness and resolution, and AML/CFT frameworks, as well as for advancing the framework for the regulation of crypto assets.

Directors welcomed the authorities' broad reform agenda, while stressing that implementation will be key for success. They called for actions to raise productivity, including improving the business environment and reforming capital and labor markets. Directors recommended further efforts to boost domestic demand and reduce external imbalances, including by investing in upgrading key infrastructure and strengthening social safety nets, while promoting greater trade diversification. The point was made that more emphasis should be placed on discussing the impact of the policy mix on Vietnam's external imbalances and the required policy responses. Directors welcomed the push for major institutional reforms to bolster government efficiency, while stressing the need for further progress on improving economic governance and tackling data gaps, including in the external sector.

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[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Vietnam: Selected Economic Indicators, 2021–2026

				Est.	Projections	
	2021	2022	2023	2024	2025	2026
Output						
Real GDP (percent change)	2.6	8.5	5.1	7.1	6.5	5.6
Output Gap (percent of potential GDP)	-1.9	0.4	-0.4	0.4	0.3	-0.4
Unemployment rate	2.5	3.2	2.3	2.2	2.3	2.5
Prices (percent change)						
CPI (period average)	1.8	3.2	3.3	3.6	3.4	3.2
Core inflation (period average)	0.8	2.6	4.2	2.7	3.2	2.8
Saving and Investment (percent of GDP)						
Gross national saving	30.7	32.7	38.0	37.2	34.9	33.2
Gross investment	32.9	32.3	31.6	30.6	30.9	30.8
Private	26.7	26.1	24.8	24.6	24.1	23.7
Public	6.2	6.3	6.8	5.9	6.8	7.1
State budget finances (in percent of GDP) 1/						
Revenue and grants	18.7	18.9	17.1	17.6	18.4	17.7
Expenditure	20.1	18.2	18.8	19.1	21.7	20.1
Expense	13.9	11.9	11.9	13.2	14.9	13.0
Net acquisition of nonfinancial assets	6.2	6.3	6.8	5.9	6.8	7.1
Net lending (+)/borrowing (-) 2/	-1.4	0.7	-1.7	-1.5	-3.3	-2.3
Public and publicly guaranteed debt (end of period)	39.2	34.9	34.3	31.3	32.0	31.8
Money and credit (percent change, end of period)						
Broad money (M2)	10.7	6.2	12.5	12.0	12.5	11.5
Credit to the economy	13.5	14.0	13.7	14.9	15.0	13.0
Balance of payments (in percent of GDP, unless otherwise indicated)						
Current account balance (including official transfers)	-2.2	0.3	6.4	6.6	4.0	2.4
Exports f.o.b.	90.8	90.4	81.9	88.3	87.3	83.6
Imports f.o.b.	86.6	83.3	71.8	78.9	79.3	77.1
Capital and financial account 3/	8.3	2.3	-0.7	-1.7	-4.8	-2.4
Errors and Omissions	-2.3	-8.2	-4.4	-6.9	…	…
Gross international reserves (in billions of U.S. dollars) 4/	109.4	86.7	92.3	83.1	79.3	79.2
In months of prospective GNFS imports	3.6	3.1	2.8	2.4	2.2	2.1
Total external debt (end of period)	37.9	35.3	32.1	28.0	29.1	29.9
Nominal exchange rate (dong/U.S. dollar, end of period)	22,826	23,633	24,269	25,485	…	…
Memorandum items (current prices):						
GDP (in billions of U.S. dollars)	370.1	411.1	433.0	459.5	484.7	511.1
Per capita GDP (in U.S. dollars)	3,757	4,133	4,317	4,536	4,745	4,965

Sources: Vietnamese authorities; and IMF staff estimates and projections.
1/ Follows the format of the Government Finance Statistics Manual 2001. Large EBFs are outside the state budget but inside the general government (revenue amounting to 6-7 percent of GDP).
2/ Excludes net lending of Vietnam Development Bank and revenue and expenditure of Vietnam Social Security.

3/ Incorporates a projection for negative errors and omissions going forward (i.e. unrecorded imports and short-term capital outflows).

4/ Excludes government deposits.

INTERNATIONAL MONETARY FUND

VIETNAM

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

August 20, 2025

KEY ISSUES

Context. Growth accelerated in 2024 supported by a rebound in exports and accommodative policies. However, the successful export-led growth model faces significant new challenges from a more adverse and uncertain global trade environment. The authorities are undertaking a major institutional restructuring, and planning reforms and scaling-up public investment to boost medium-term growth.

Recommendations. Policies will need to be agile to manage a complex external environment amid elevated uncertainty and risks. Pressing ahead with structural reforms, including upgrades to policy frameworks, will improve resilience and help achieve a more balanced and sustainable growth model. Continued effort is needed to enhance financial stability.

- **Monetary policy.** Monetary policy will need to be flexible to respond to the fast-evolving economic conditions, and inflation risks should be closely monitored. Exchange rate flexibility will be critical to facilitate the adjustment to the external shock, while the room for further monetary easing is limited. Accelerating modernization of the monetary policy framework is a priority.
- **Fiscal policy.** Given existing space, fiscal policy should take the lead in supporting the economy if the outlook deteriorates, including by stepping up public investment implementation and strengthening social safety nets—while keeping some powder dry for severe shocks. Strengthening the medium-term fiscal framework and careful implementation of the large public investment will be key to its success while preserving macro-financial stability and safeguarding fiscal sustainability.
- **Financial sector.** Building liquidity and capital buffers is a priority to increase resilience against shocks, including by improving the prudential toolkit. Further efforts are needed to strengthen crisis preparedness and resolution framework.
- **Structural policies.** Accelerating reforms to raise productivity and improve infrastructure, together with further trade diversification, can help rebalance the growth model and reduce external vulnerabilities. Improving economic governance and addressing data gaps remain a priority.

Approved By
Rupa Duttagupta and Koshy Mathai

Discussions took place in Hanoi and Ho Chi Minh City during June 11-24, 2025, and virtually during July 22-24. The mission comprised Paulo Medas (Head), Fei Han, Tatjana Schulze, and Weining Xin (all APD), Salim Dehmej (MCM), Rita Mesias (STA), Jochen Schmittmann (Resident Representative), Nga Ha and Van Anh Nguyen (both IMF Office in Hanoi). Liangliang Zhu, Chao Wang, Mariam Souleyman (all APD), Hai Hoang and Le Nguyen (both IMF Office in Hanoi) provided superb research, editorial, and logistical assistance for the discussions and the preparation of this report.

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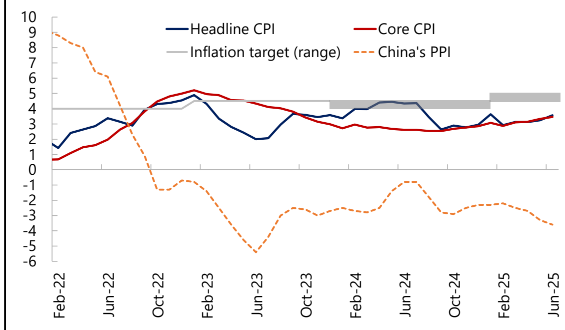
ANNEXES

CONTEXT AND RECENT ECONOMIC DEVELOPMENTS

1. **The economy has remained resilient so far in 2025.** Building on the strong recovery in 2024, domestic demand picked up in 2025:H1 on the back of accommodative policies. Front-loading of exports (in anticipation of higher U.S. tariffs) and large one-off government spending also helped boost growth to 7.5 percent y/y.[1] However, recent indicators suggest a wait-and-see approach to new export orders and new investment, amid high economic uncertainty. Headline inflation accelerated to 3.6 percent in June, but remained below the target (4½-5 percent)[2] as favorable fuel prices and spillovers from deflation in China offset rising domestic demand and housing price pressures amid the recovering real estate market.

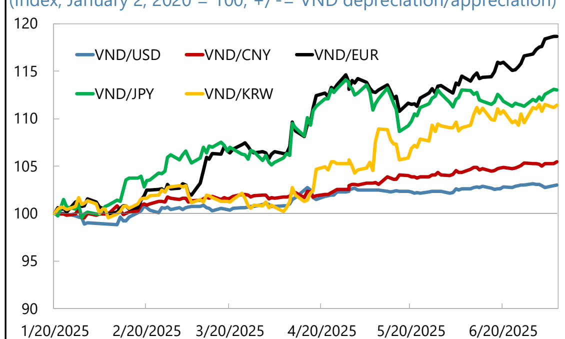
Headline and Core Inflation
(In percent, y/y)



Sources: Vietnamese authorities and IMF staff calculations.

2. **The external sector, key to the 2024 rebound, faces headwinds from heightened trade tensions.** The current account (CA) reached a historical surplus of 6.6 percent of GDP in 2024 and the external position is assessed to be substantially stronger than warranted by medium-term fundamentals and desirable policies in 2024—but caution is needed given the large data gaps and high volatility in recent years (Box 1; Annex IV).[3] However, the Vietnamese dong (VND) depreciated by 5 percent against the U.S. dollar in 2024, and FX reserves declined due to capital outflows partly reflecting the interest rate differential with U.S. rates. As other countries, Vietnam was hit with higher U.S. tariffs since April, which are expected to increase to 20 percent from August, with a higher tariff (40 percent) for "transshipment". The stock market reversed losses from April after the latest 20-percent U.S. tariff announcement. However, the VND has continued its depreciation against all major trading partners' currencies thus far in 2025.

VND against Currencies of Major Trading Partners
(Index, January 2, 2020 = 100, +/-= VND depreciation/appreciation)



Sources: Bloomberg; and IMF staff calculations.

[1] Public consumption's contribution to GDP growth surged in 2025:H1, partly reflecting government spending on the institutional reform (Box 2) and several national events.

[2] The target on inflation, set every year, functions as a ceiling in practice.

[3] The errors and omissions in 2024 amounted to 6.9 percent of GDP.

Box 1. An Export-Oriented Growth Model

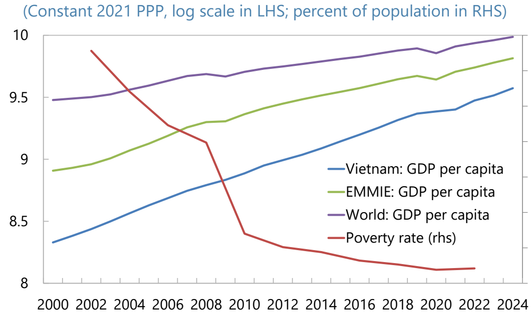
Exports and FDI have been key pillars in Vietnam's growth strategy. Over the last two decades, economic growth averaged 6½ percent as Vietnam transitioned from a low to middle-income country and poverty declined sharply. The exceptional growth performance reflected several reforms, but a crucial pillar was the increasing outward orientation of the economy and integration into global value chains (GVCs). Exports plus imports have averaged almost 170 percent of GDP in the last decade, with the U.S. and China as the largest trade partners, and the economy has benefited from large FDI inflows of over 4 percent of GDP a year.

Against this backdrop, the economy is particularly vulnerable to changes in trade policies in major export markets. The CA balance has been volatile in recent decades with an average of 2 percent of GDP—ranging from 2-4 percent deficits in some years to 4-6 percent surpluses in others. Since Covid-19, the average CA surplus has increased despite relatively weak export growth, largely reflecting a relatively weaker domestic demand trajectory amid several shocks including Covid-19, real estate and financial sector turbulence. Notably, the large increase in the CA surplus in 2023 was mainly driven by a sizable contraction in imports. Trade rebounded in 2024, but import levels remained relatively weak reflecting subdued domestic demand. As such, trade and CA surpluses remained high in 2024.

The recent external uncertainty and volatility underscore the benefits of gradually rebalancing the growth model, with a greater contribution from domestic demand and more diversified trade.

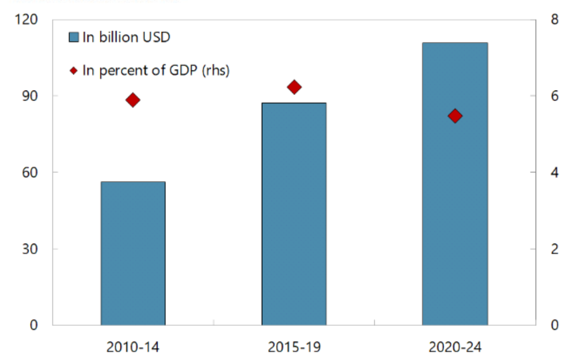
GDP Per Capita and Poverty Rate

(Constant 2021 PPP, log scale in LHS; percent of population in RHS)



Sources: World Bank database and IMF staff calculations.
Notes: Poverty rate refers to the poverty headcount ratio at $3.65 per day, based on 2017 PPP.

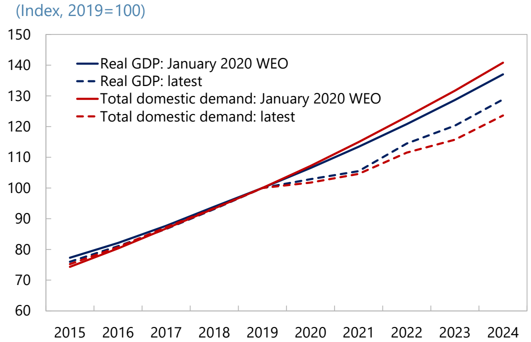
FDI Disbursement



Sources: Vietnamese authorities; and IMF staff calculations.

Total Domestic Demand and Real GDP

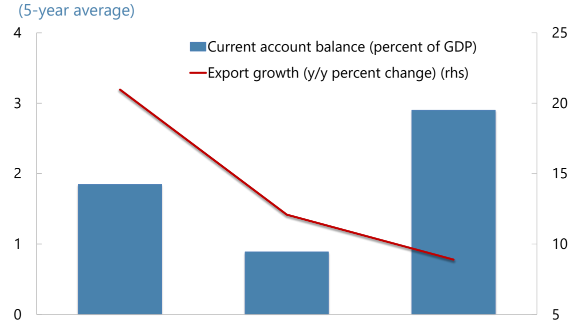
(Index, 2019=100)



Sources: Vietnamese authorities and IMF staff calculations.

Current Account and Export Growth

(5-year average)

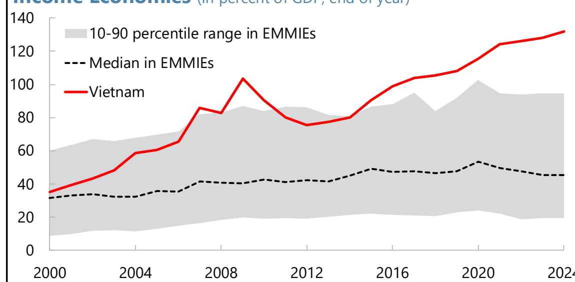


Sources: Vietnamese authorities and IMF staff calculations.

3. A rebound in revenues and weaker public investment offset the large wage increase in 2024, keeping the fiscal deficit broadly constant. Based on preliminary data, revenues rebounded with the economic recovery to 17.6 percent of GDP in 2024, from a record low in 2023, but remained below the historical average. The 30-percent increase in public wages in July 2024 was partly offset by weaker public investment (5.9 percent of GDP), reflecting persistent bottlenecks in disbursement. The fiscal deficit is estimated at 1.5 percent of GDP with public and publicly guaranteed (PPG) debt falling to 31.3 percent of GDP. Preliminary data for 2025:H1 suggests strong revenues and higher expenditures, including from public investment, national celebrations, and costs related to the ongoing institutional reform (Box 2).

4. Monetary policy remained accommodative, amid relatively low inflation, helping spur credit growth. The State Bank of Vietnam (SBV) has maintained policy rates near record lows since early 2023 to support the recovery. As depreciation pressures mounted from late 2024, SBV conducted FX intervention (FXI) to contain the volatility. Since early 2025, SBV has refrained from spot FXI and adjusted the center of the ±5-percent exchange rate (ER) band. Bank credit growth accelerated to 15 percent in 2024 and 19 percent in June 2025 y/y, partly driven by low lending rates and the real estate recovery. The stock of credit reached 136 percent of GDP, exceeding most emerging markets, and the credit-to-GDP gap remained positive in 2024. Corporate bond issuances have continued to rise but remain below the level before the 2022-23 financial turmoil. The recently amended securities law aims to provide impetus to the market, but risks remain from a large bulk of maturities coming due in 2025:H2 and the limited and interconnected investor base (mostly financial institutions).

Credit to Private Sector in Emerging Market and Middle-Income Economies (In percent of GDP, end of year)

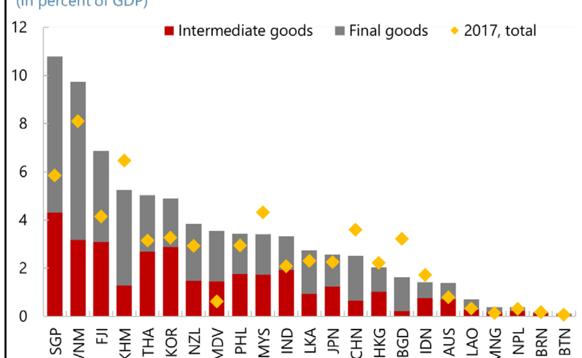


Sources: World Bank, Vietnamese authorities, and IMF staff calculations.
Notes: The data until 2023 are from the World Bank. In 2024, Vietnamese data are calculated from the authorities' data and data for other countries are assumed the same as 2023.

OUTLOOK AND RISKS

5. The higher US tariffs and global trade uncertainty are expected to constrain economic growth going forward. Vietnam is highly exposed to the U.S. through exports, with direct value-added embedded in exports to the U.S. about 10 percent of GDP—one of the highest in Asia. Tariffs are expected to reduce near-and medium-term growth through several channels: trade (directly through U.S. trade and indirectly through GVCs), investment

Domestic Value Added in Exports of Goods to the US, 2023
(In percent of GDP)



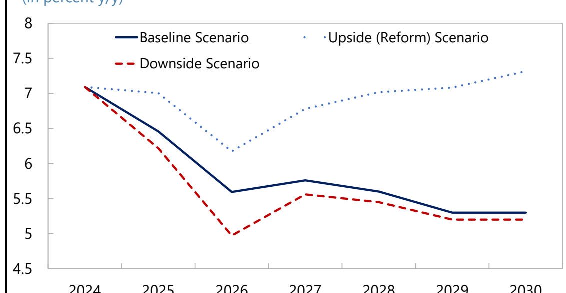
Sources: ADB MRIO Tables and IMF staff calculations.

(including FDI), financial conditions, and lower global growth (Annex V). The drag from each channel is amplified by heightened uncertainty.

6. **Growth is projected to decelerate to 6.5 percent in 2025 and 5.6 percent in 2026, and inflation to remain below target.** These projections assume that the additional U.S. tariffs on Vietnam would average 20 percent[4] from August 2025 and tariffs on other countries announced as of July 24. In 2025, after a strong first half, growth is expected to slow as export frontloading in 2025:H1 reverses, the fiscal stimulus subsides, and higher tariffs kick in. The output gap becomes negative in 2026 as the full year effect of the tariffs takes hold and government spending declines. The current account surplus narrows to 4 percent of GDP in 2025 following a sharp drop in export growth. Gains from trade reallocation are expected to be limited given greater scrutiny on goods' origins and continued uncertainty about global trade policies. Inflation is projected to remain broadly stable in 2025 below the 4½-5-percent target, and fall in 2026, reflecting the opening of the negative output gap and low inflation in China.

7. **The growth outlook is subject to considerable uncertainty as it will depend on global trade developments and successful implementation of structural reforms.** Potential growth is expected to fall over the medium term due to demographic changes and the persistent drag on investment from changing and uncertain global trade policy. The CA surplus is projected to narrow significantly, assuming limited ability to diversify trade and replace exports to the U.S. However, these trends are subject to elevated uncertainty depending on countries' ongoing trade negotiations and how countries will adjust. A possible d*ownside* scenario involves a case where the rules of origin and local content requirements are stringent and would disrupt exports and impact business sentiment. Assuming the higher 40 percent tariff applies to a larger share of Vietnam's exports (e.g., goods with local content below 50 percent), economic growth could be lower by an additional 0.2-0.6 percentage point in 2025-26. Should trade policy uncertainty subside, in such an *upside* scenario, trade reallocation gains could be larger. Moreover, successful implementation of the planned infrastructure projects and comprehensive structural reforms could boost medium-term growth by more than 2 percentage points (¶26).

Growth Projections under the Baseline and Scenarios
(In percent y/y)



Sources: IMF staff estimates.
Notes: The baseline is based on 20% tariffs with limited reallocation gains in the near term. The downside scenario is based on 40% (20%) tariffs on goods with domestic value added of less (more) than 50% but no reallocation gains. The upside scenario is based on 20% tariffs but reallocation gains in the near term and growth dividends from scaling-up of public investment, conditional on broad structural reforms, in the medium term.

8. **Downside risks dominate in both the near and medium term (Annex III).** Higher global economic policy uncertainty and a tightening of global financial conditions could further hurt external demand, FDI, and weigh on growth. An increase in the country-risk premium could depress domestic demand and increase FX pressures, which in turn could impact inflation expectations. Geopolitical risks could trigger spikes in commodity prices, leading to inflationary

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[4] The baseline assumes that the U.S. tariffs (20 percent) take effect but the higher tariff of 40 percent on "transshipment" goods applies to exports with very low domestic content.

pressures and tighter financial conditions. Financial stress could emerge from tighter domestic financial conditions and high corporate indebtedness; in addition, the fast-rising credit growth could lead to an increase in NPLs and dampen economic growth. Conversely, if economic and credit growth prove to be more resilient, inflationary pressures could emerge given the positive output gap. Natural disasters and climate change pose additional risks. On the upside, economic growth could be higher due to early payoffs from efforts to diversify trade and confidence effects from the announced reform program or if there is an easing of global trade tensions.

Authorities' Views

9. The authorities broadly agreed with staff's assessment of the challenges to the outlook but remain confident of reaching growth of at least 8 percent in 2025. They emphasized the high growth in 2025:H1 supported by fiscal expansion and more favorable credit conditions on the back of strong exports and FDI. The authorities expect that efforts to accelerate public investment, combined with the positive sentiment from trade negotiations, as well sweeping domestic reforms and efforts to diversify trade, should bolster confidence and growth in 2025:H2 and over the medium term. Inflation is expected to remain below the target, though the authorities acknowledged the upside risks if economic and credit growth remain strong.

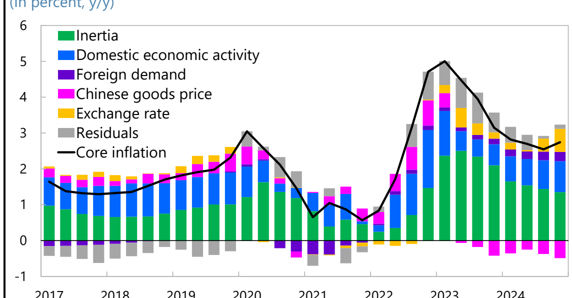
POLICY DISCUSSION

10. Discussions centered around policies to help cushion the global trade shock amid elevated uncertainty, and the reform agenda to promote strong and balanced economic growth. There was broad agreement that global developments brought greater urgency to adjust the growth model, supported by structural reforms and public investment, and fostering stronger and more durable domestic demand. Uncertainty around global trade and supply chains could also hurt confidence and create elevated near-term risks—requiring an appropriate mix of policies to manage the challenges, lift confidence, and protect financial stability.

A. Monetary and Exchange Rate Policy

11. SBV faces a complex environment and difficult trade-offs, requiring flexible monetary and exchange rate policies. Monetary policy was appropriately supportive of the economic recovery in 2023-24 as inflation was under control. As economic activity remained strong in 2025:H1, partly fueled by strong credit growth and policy support (low real rates), it will be important to closely monitor incipient inflation pressures—core inflation remains above pre-pandemic

Drivers of Core Inflation
(In percent, y/y)



Sources: Vietnamese authorities, FRED, Haver, Trade Data Monitor, and IMF staff calculations.
Note: The contribution of each driver of Vietnam's core inflation is estimated based on a Phillips curve analysis. See the forthcoming IMF working paper "What Drivers Core Inflation in Vietnam?" for details.

levels as the output gap turned positive. However, policies will also need to manage the deteriorating and highly uncertain outlook. Greater ER flexibility is critical to help the economy adjust to the trade shock. In addition, monetary policy will need to remain flexible and data dependent. Nevertheless, the space for monetary easing is constrained, given the already low policy rates in Vietnam compared to historical levels and global rates—which contributed to the ER pressures in recent years (Figure 4).

12. **If a more adverse shock materializes, the policy mix response will need to focus on broader macro-financial stability**. If external demand falls sharply (e.g., due to tighter rules of origin), fiscal policy should take the lead to cushion the growth impact given available fiscal space while allowing the ER to act as a shock absorber. Further lowering domestic rates could exacerbate capital outflows and pressures on the ER and inflation. Nevertheless, if global interest rates decline, and the output gap becomes negative and inflation remains in check, some monetary easing could be considered. However, if global financial conditions tighten, amid spikes in economic policy uncertainty, it could prompt disruptive ER pressures and risk de-anchoring inflation expectations. Such cases could warrant using temporary FXI, but it would need to be used sparsely given low FX reserves and high uncertainty around future shocks. Monetary policy may even need to be tightened under such a scenario to help contain FX pressures and alleviate inflation risks.

13. **Current economic challenges underscore the importance of a modernized monetary policy framework to act as an anchor in an exceptionally uncertain environment.** The pending reform of the SBV law is an opportunity to accelerate the transition to an inflation targeting regime, including strengthening SBV's operational independence, streamlining the monetary policy toolkit, improving its consistency, and incorporating forward-looking elements into the framework. This includes establishing an interest rate corridor with a floor rate by introducing a deposit facility. Clear communication of policy changes, key policy objectives, and trade-offs would help anchor inflation expectations and enhance policy effectiveness. In this context, pressing ahead with phasing out deposit and lending rate caps and replacing credit growth ceilings (which have been partially eliminated) with a sound macroprudential framework that promotes appropriate levels of capital and quality assets among banks are priorities.

Authorities' Views

14. **The authorities concurred that space for monetary easing was limited, and monetary policy would need to remain flexible given high uncertainty.** They noted that recent policies balanced the need to maintain price stability, along with FX and financial stability, while supporting growth by ensuring favorable credit conditions. Going forward, SBV agreed that monetary policy should be adjusted flexibly in response to the evolving environment and inflation risks should be closely monitored. They also noted they have allowed greater ER flexibility, but stressed the need to avoid excessive volatility that could destabilize markets and inflation expectations. SBV reaffirmed its commitment to move away from administrative measures and has expanded the scope of institutions exempted from credit growth ceilings. SBV no longer applies credit growth ceilings to wholly foreign-owned banks, foreign bank branches,

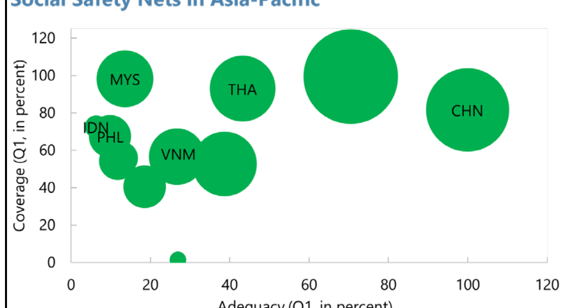
joint venture banks, the Vietnam Cooperative Bank, and nonbank credit institutions, while stressing that the process should be gradual given the need to strengthen the macroprudential framework and ensure higher banks' capital.

B. Fiscal Policy

15. Expansionary fiscal policy is already helping support confidence and growth amid heightened uncertainty, mainly reflecting one-off spending measures. The fiscal deficit is projected to widen to 3.3 percent of GDP in 2025 driven by expenditure, with the fiscal impulse estimated at almost 2 percent of GDP. Most of the spending increase reflects one-off factors—costs of the institutional reform (including early retirement packages; Box 2) [5] and spending related to national celebrations—and the full-year effect of the 30 percent wage increases granted in July 2024. With these effects mostly lapsing in 2026, the fiscal deficit is projected to narrow to 2.3 percent of GDP. Over the medium term, deficits are expected to remain around 2 percent of GDP, reflecting lower revenue from weaker trade and higher public investment—only partially offset by the lower wage bill from the downsized public workforce. While the projections assume a gradual increase in public investment, the baseline does not include the authorities' ambitious infrastructure plan that is still being developed. Public debt is projected to gradually decline over the medium term, with an overall low risk of sovereign distress (Annex VIII).

16. Given available space, fiscal policy can provide additional support if economic growth slows down markedly. Expected higher public investment and lower tax revenues (reflecting automatic stabilizers) will provide some relief as the economy slows in 2026 and help partially offset the negative impulse from the unwinding of the one-off spending measures. Given the risks, further fiscal support to the economy could be provided if downside risks begin to materialize with a sharper-than-expected slowdown. Continuing efforts to accelerate implementation of public investment and further strengthening social safety nets would help the most vulnerable and support domestic demand. [6] For sectors that are hardest hit by tariffs and face immediate financial pressures, targeted and temporary tax measures (e.g., provisions for accelerated depreciation and loss carrybacks) could be considered—while keeping some power dry for more adverse shocks. If growth declines sharply, additional temporary fiscal support could be considered—e.g., cash transfers for vulnerable households or other targeted support (e.g., for distressed but

Social Safety Nets in Asia-Pacific



Sources: World Bank ASPIRE database and IMF staff calculations.
Notes: : Adequacy for the first quarter is the size of transfer amount received by those in the bottom quintile as a share of the pretransfer total income/expenditure of all beneficiaries in the first quarter. Coverage for the first quarter is the share of the bottom quintile that receives a social assistance benefit as a fraction of all individuals in the first quarter. A larger size of bubble represents greater poverty reduction, defined as the difference between poverty headcount after and before transfers divided by poverty headcount before transfers. Data are taken from the most recent available year, ranging from 1999 to 2019.

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[5] The government offered early retirement packages, estimated to cost 1 percent of GDP during 2025-26, though most of it frontloaded in 2025. The savings from a lower wage bill are estimated at 0.9 percent of GDP annually.

[6] The amended Social Insurance Law is a welcome step towards enhancing the coverage and adequacy of social insurance—aiming to achieve contributor coverage of 60 percent of the labor force and beneficiary coverage of 60 percent of the elderly population by 2030.

viable SMEs)—while ensuring it does not induce inflation risks.[7] Extraordinary support measures, if needed, should not impede the needed structural adjustment and should limit fiscal costs and risks—including by adopting strong governance and transparency guardrails.

17. Developing a robust medium-term fiscal framework would help support the efforts to upgrade public infrastructure and key services (health, education) while safeguarding fiscal sustainability. The large spending needs will need a careful medium-term fiscal framework (MTFF) to ensure public money is well spent and debt remains sustainable:

- A MTFF would help identify costs and sustainable funding sources, build support for needed reforms, including boosting the low tax revenue, while managing risks. Key elements include (i) improving the credibility of medium-term fiscal plans and better linking them to the annual budget, with realistic projections about growth-inflation outlook, and fiscal revenues and costing; (ii) enhancing revenue mobilization, including by expanding the tax base (see 2024 Article IV Staff Report); (iii) integrating comprehensive risk assessment in the MTFF (including from state-owned enterprises (SOEs) and public-private partnerships (PPPs)); and (iv) upgrading fiscal transparency.
- As the investment strategy will include increasing (external and domestic) borrowing, it is important to revise the fiscal rules—to anchor fiscal policy and debt dynamics—and strengthen debt management. The existing debt ceiling of 60 percent of GDP has not been a meaningful medium-term anchor with public debt kept well below it. Given it will take time to strengthen debt management capacity, a lower debt ceiling—e.g., 50 percent of GDP—could be a prudent medium-term anchor, preserving buffers to respond to shocks while still allowing for substantial scale-up of public investment (see Selected Issues).

Authorities' Views

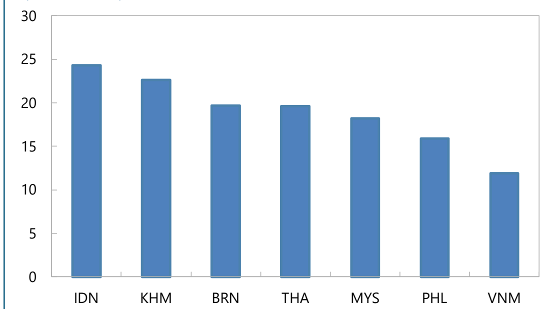
18. The authorities agreed that fiscal policy should take the lead in supporting growth under severe downside scenarios. While the implementation of public investment in 2024 reached 91 percent of the plan, the authorities noted the need to continue to accelerate disbursement in 2025 in preparation for the medium-term public investment plan for 2026-30, through strengthening leadership and decentralization and improvement of the legal framework. They noted that, with low levels of public debt, fiscal policy should play a leading role in supporting growth through policies to extend reductions in taxes, fees and promoting public investment in infrastructure. They acknowledged that a comprehensive and balanced approach will be needed to fund the projects while maintaining macroeconomic stability and debt sustainability, including raising taxes and public debt and leveraging private and foreign capital. They noted that the institutional reform will help make government more efficient and help efforts to boost investment and reduce bureaucracy.

[7] See IMF (2022).

C. Financial Sector

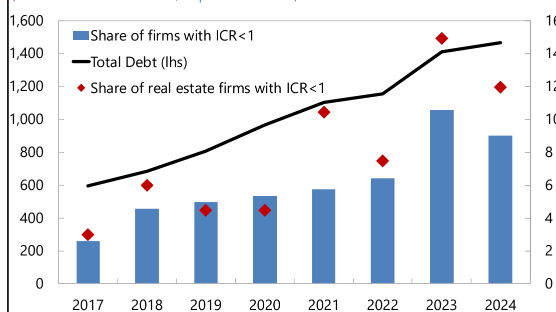
19. The banking system and corporate sector have started to recover from the shocks in recent years, but vulnerabilities remain elevated. Banks experienced solid profits in 2024 and the on-balance-sheet non-performing loans (NPL) ratio declined from its peak of 5.9 percent in September 2023 to 5.3 percent in March 2025—despite remaining above the 2.3 percent level in 2022.[8] Similarly, banks' capital adequacy ratios improved modestly to 10.4 and 12.1 percent for public and private banks, respectively, but remain below peers. The loan-to-deposit ratio exceeds 100 percent (Figure 6), increasing banks' reliance on wholesale funding, and liquid assets accounted for only 7.8 percent of total assets as of June 2024. Corporate vulnerabilities remain high, as private debt is elevated and a significant share of corporate debt remains at risk, especially in the real estate sector. These factors, combined with a large credit stock, indicate that systemic risks remain elevated, especially given the highly uncertain outlook.

Capital Adequacy Ratio in Selected ASEAN Countries
(As of 2024:Q1)



Sources: IMF FSI database.
Notes: Data for BRN are as of 2023Q3.

Corporate Sector Debt and Interest Coverage Ratio (ICR)
(In trillions of VND in LHS; in percent in RHS)



Sources: S&P Capital IQ and IMF staff calculations.
Notes: The chart includes listed firms whose data in 2024 is available, excluding financial sector.

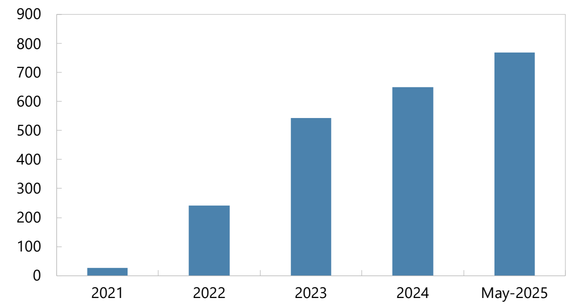
20. The economy's high exposure to global trade shocks highlights the urgency to bolster financial sector resilience. Banks could be affected by the trade shock through different channels, including direct exposure to exporters and the broader economic slowdown. Risks include: (i) liquidity conditions could worsen, especially if financial conditions tighten significantly; (ii) increased volatility in FX could adversely impact banks with greater exposure, although in general banks' on-balance sheet FX exposures tend to be limited;[9] and (iii) tariff-induced financial stress in export-related sectors and SMEs could lead to higher NPLs and provisioning needs in banks. Given the risks and high uncertainty, it would be important to prioritize actions to help reinforce financial sector resilience to shocks, including: increasing liquidity and capital buffers to better manage uncertainty; and intensify monitoring of banks, including through more robust and regular stress testing and an early warning framework, and ensure that the rapid credit growth does not lead to a deterioration in asset quality.

[8] Staff's estimated NPL ratio based on the authorities' data on NPLs and total loans.

[9] In some banks, off-balance sheet exposures have increased significantly over the last two years and represent a large share of assets and capital. Reportedly, the off-balance sheet activities are mostly short-term swaps for exporters or hedging operations.

21. The financial turbulence in recent years and risks ahead underscore the importance of further strengthening crisis preparedness and enhancing risk management. Recent progress in resolving four small banks that failed a decade ago is welcome, but the long delays and costs to SBV emphasize the limits of the current legal and institutional framework.[10] SBV's balance sheet has continued to expand, especially due to taking over Saigon Commercial Bank (SCB) in 2022, which could hamper its ability to manage other shocks and conduct monetary policy. It will be important to press ahead with a restructuring plan for SCB and an overall strategy to reduce SBV's exposure. Key reforms should focus on strengthening the crisis preparedness and resolution framework broadly, including (i) establishing a formal financial stability function to improve inter-agency coordination with the Ministry of Finance (MoF), (ii) developing an emergency liquidity assistance framework and resolution financing mechanism aligned with international standards, (iii) ensuring the deposit insurance agency is well funded, (iv) requiring banks to prepare robust recovery plans, and (v) enhancing SBV's resolution tools and powers.

SBV Claims on Credit Institutions
(In trillions of VND)

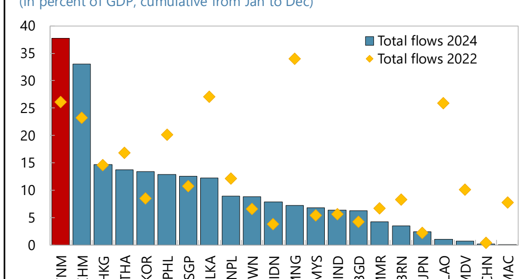


Sources: Vietnamese authorities and IMF Staff calculations.

22. Further reforms, including fully implementing the new Law on Credit Institutions (LCI) and broadening the macroprudential toolkit, would strengthen the health of the financial sector. A recent revision to the LCI reintroduced provisions to facilitate banks' seizing of NPL collateral. While a positive step, wider reforms to the insolvency regime are needed to yield broader benefits. The ongoing reform of the Bankruptcy Law is an opportunity to address shortcomings in creditor rights and insolvency system in line with good practices.[11] It will also be important to press ahead with the roadmap to strengthen the macroprudential framework, which has significant gaps in the institutional mandate, systemic risk monitoring capacity, data collection, and capital and borrower-based tools (Annex VI). For example, SBV could boost bank capitalization by accelerating the introduction of the capital conservation buffer (planned for 2030-33). Despite some progress, further efforts to address weaknesses in the AML/CFT regime are urgently needed, including aligning the legal framework with the FATF standards.

23. Finalizing the crypto asset regulatory framework and collecting data would help monitor developments and risks. Available data from 2024 suggests Vietnam's crypto asset usage ranks among the highest globally (Annex VII),

Crypto Asset Cross-Border Flows
(In percent of GDP, cumulative from Jan to Dec)



Sources: Chainalysis and IMF staff calculations.
Notes: Calculated as the sum total of inflows and outflows, including both direct and indirect flows.

[10] Several incentives were provided for the compulsory transfer of the four banks, including higher credit ceilings, zero-interest special loans, and extended timelines to comply with regulatory requirements.

[11] See Vietnam 2023 Article IV Staff Report.

highlighting the need to enhance monitoring and regulations. The authorities are operationalizing the initial legal framework through a five-year pilot regime. This will permit a limited number of crypto-asset service providers (CASPs) to offer select activities, allowing for close monitoring and potential adjustments to the regulatory framework. Further actions could be considered, including: (i) strengthening the regulation and supervision of CASPs; (ii) establishing robust data collection and compilation mechanisms; and (iii) improving inter-agency coordination, especially MoF, the State Securities Commission, and SBV. These efforts should be accompanied by enforcing strong consumer protection and AML/CFT standards.

Authorities' Views

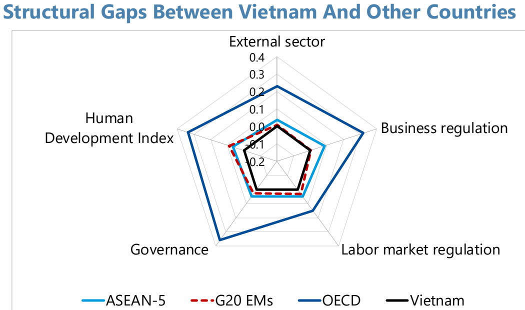
24. The authorities concurred with staff's assessment but highlighted the significant efforts made to improve the financial sector's resilience. Although banks' capital adequacy ratios have improved, they remain below those of peer economies. SBV noted the recent reforms and that the new LCI (including recent amendments) will improve banks' capacity to tackle NPLs and manage risks and help them build capital buffers, including through the capital conservation buffer, while allowing for enhanced monitoring of banks. They concurred with the need to closely monitor the impact of the trade shock on banks, while further strengthening systemic risk assessment and developing the macroprudential toolkit. The authorities also agreed on the importance of accelerating the strengthening of the AML/CFT framework and advancing the regulatory framework for crypto assets with support from the Fund.

D. Structural Policies: An Ambitious Reform Agenda

25. Achieving Vietnam's development agenda will require changes to the growth model, amid new challenges, and significant structural reforms over the medium term. Vietnam aims to reach high-income status by 2045. Such an ambitious goal is challenged by fast evolving global trade policies, population aging, and climate change. The authorities have announced a broad reform agenda towards reinvigorating the growth model (Box 2). The design and implementation of the reforms will be critical to deliver the desired growth dividends. It will be important to prioritize actions to improve productivity, upgrade key infrastructure, and boost domestic demand by (see Selected Issues):

- Overcoming structural gaps relative to more developed economies over the next decades, including in economic governance, human development, business and labor market regulation—reflecting inefficiencies in labor, capital, and product markets.
- Scaling up high-quality investment in key areas, including transportation, energy, and digital infrastructure. Higher public investment, enhanced social safety nets, and

Structural Gaps Between Vietnam And Other Countries



Sources: UNDP; Fraser Institute ; IMF staff calculations replicating structural reform indices in *IMF SDN/2023/007*.
Notes: The chart shows Vietnam's gaps relative to the peer group's median outcome of the respective category in 2021. A positive gap indicates a worse outcome relative to the comparator group. Prior to computing gaps, all variables are normalized (0 to 1) for the entire sample of countries (with higher values denoting better outcomes). The chart shows structural gaps in only some areas given data availability. External sector refers to openness to trade and FDI, economic complexity of exports, and product concentration of exports.

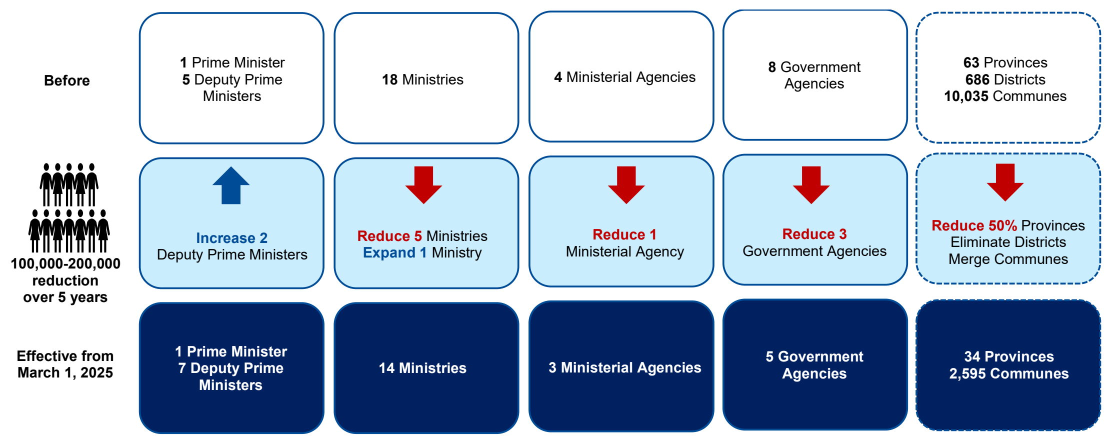
an improved business environment would help boost the domestic economy and reduce external imbalances and vulnerabilities.

- Further diversifying export market, including through deeper regional integration.

Box 2. A New Wave of Reforms

Vietnam is planning an ambitious reform agenda, encompassing four key pillars—institutional and legal overhauls, private sector strengthening, technology and digitalization, and international integration, among other efforts. The broad goals include:

Institutional reforms. The authorities initiated an institutional restructuring plan to streamline the organizational apparatus and improve government efficiency. The plan entails significant reductions in the number of committees, ministries, and provinces. The district-level administrative layer is abolished in a move to a two-tier system (provinces and communes). Implementation targets a reduction in headcount of 20 percent, which could amount to at least 100,000 employees over 5 years (and additional cuts are expected across districts and communes). The government expects the restructuring to reduce administration costs by 30 percent and ultimately improve the business environment and boost investment. The institutional reforms also provide an opportunity to improve preventive anti-corruption institutions and economic governance, including across key agencies, regulators and judicial bodies, and promote a qualified and professional public sector workforce.



Notes: Tiles in dashed lines indicate restructuring expected to be completed by August 2025.
Sources: IMF staff.

Private sector role as main engine of growth. The government set a high-level goal of improving the business environment and reducing administrative burdens.

Technology and digital transformation. The government set targets for connecting national databases, advancing e-government, and increasing productivity. They have identified semiconductors as a strategic priority and are developing legal and institutional frameworks for AI and digital assets.

Enhancing international integration, including economic integration and trade diversification, and international integration in science, technology, and security.

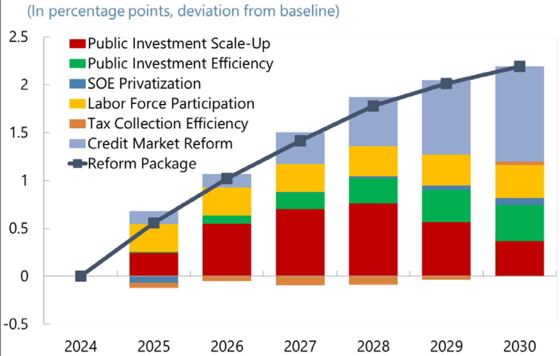
Healthcare and education. Key efforts include reducing healthcare costs and modernizing vocational and tertiary education by integrating digital technologies.

Large infrastructure projects (e.g. railways, nuclear plants) are envisaged over the next decade accompanied by efforts to decentralize decision making and improve public investment management.

26. A sound macro-fiscal strategy is crucial for maximizing the benefits of large public investments. Large scaling-up of high-quality public investment can improve infrastructure and boost medium-term growth. However, it also poses challenges on macroeconomic management (including price and financial stability), implementation capacity, and public debt dynamics. The growth effects can be magnified if investment is accompanied by improved public investment efficiency and reforms to address structural gaps and raise productivity. In addition, a balanced and sustainable financing strategy is key to avoid disruptive public debt dynamics (¶17). As an illustration, model estimates show that scaling up public investment, by 11.5 percent of GDP over 2025-30, and adopting a comprehensive reform package to address structural gaps could raise medium-term growth by more than 2 percentage points, while keeping debt dynamics under control by raising tax revenue potential.[12] To maximize the growth dividends, it will be key to:

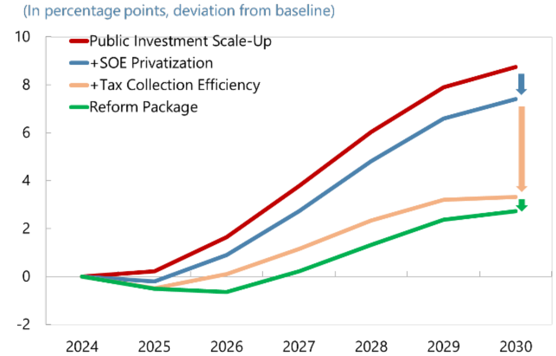
- Develop a concrete plan and establish robust, stable regulatory frameworks to foster a more predictable investment environment and help attract private investors for the large projects (e.g., transportation, energy).
- Improve public investment management and governance to ensure that higher spending translates into productive capital, including in climate-resilient infrastructure and renewable energy. This includes a transparent and criteria-based project-selection gateway, rigorous socio-economic appraisals, robust costing and cost-benefit analysis, and timely monitoring and ex-post evaluations.
- Strengthen the legal and institutional capacity to manage public debt and contingent liabilities from PPPs and SOEs, and enhancing their governance and oversight—given the envisaged role in the large projects. It is critical to press ahead with plans to develop a modern PPP framework, underpinned by competitive procurement and appropriate risk-sharing. Continuing efforts to improve the functioning of debt and equity markets will also be critical to meet the large funding needs, without putting excessive pressure on the banking system or crowding out private investment.

Real GDP Growth Gains from Reforms
(In percentage points, deviation from baseline)



Sources: IMF staff estimates and calculations.

Public Debt-to-GDP Ratio
(In percentage points, deviation from baseline)

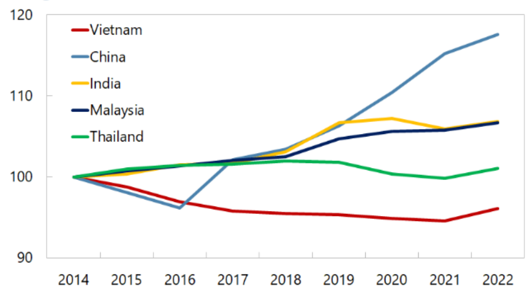


Sources: IMF staff estimates and calculations.

[12] The Debt, Investment, Growth and Natural Resources (DIGNAR) model was used to simulate macroeconomic impacts of public investment scale-up and other reforms (e.g. IMF, 2023). See also Selected Issues for more detail.

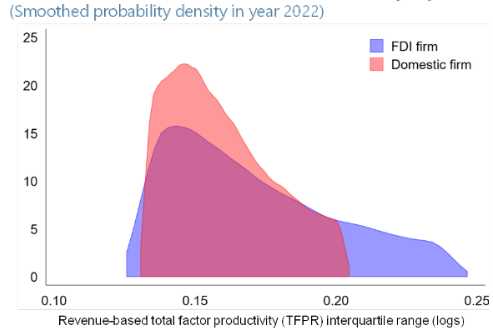
27. Boosting medium-term growth will also require addressing the factors that have hampered productivity growth. Total factor productivity (TFP) has been on a downward trend since 2015 and lagging regional peers. This trend reflects several inefficiencies in, e.g., labor and capital markets, but also limited spillovers from relatively more productive FDI firms that increasingly contribute to economic activity: the FDI sector accounted for almost 40 percent of firms' employment in 2022 and over 70 percent of exports in 2024. Overcoming this dualism between FDI and domestic sectors could help boost aggregate productivity, but will require concerted efforts including promoting a level-playing field for domestic and FDI firms (e.g., logistics, land use, red tape, taxes), improving access to credit for domestic firms, and incentivizing FDI firms to enhance spillovers. This would help foster private sector dynamism and attract talent to domestic firms, especially SMEs.

TFP: Vietnam and neighbor countries in the region
(In logarithm; median across all firms; 2014=100)



Sources: Orbis; Diez *et al.* (2021); and IMF staff calculations.
Notes: The firm samples in Orbis cover about 220,000 firms, 10,000 firms, 44,000 firms, 27,000 firms, 310,000 firms for Vietnam, China, India, Malaysia, and Thailand, respecitvely. The size of the firm sample for Vietnam is only a subset of firms in the VES database.

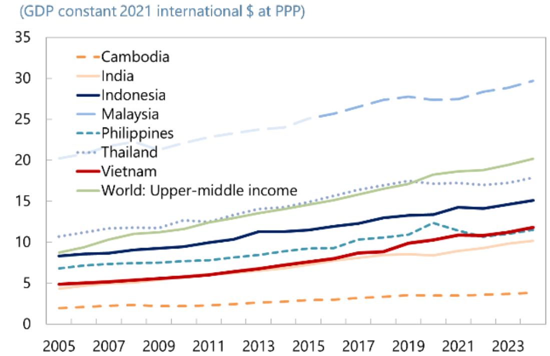
Distribution of Firms' Total Factor Productivity: By Sector
(Smoothed probability density in year 2022)



Sources: Vietnam National Statistics Office and IMF staff estimates.
Notes: Estimates based on the Vietnam Enterprise Survey from 2014-2022 covering 1.6 mn firms, of which 59,227 FDI firms.

28. Skill mismatches hinder labor productivity growth, calling for active labor market policies. Labor productivity in Vietnam is converging only gradually to regional peers. As the population ages and wages rise, it is crucial to invest in upskilling the domestic workforce and boost labor productivity. Inefficiencies include skill mismatches, high labor market churning, lack of vocational skills, and high informality. Wage gaps between the tradable and non-tradable sectors and overqualified workers in jobs that require vocational skills hinder efficient allocation of talent in the economy. Active labor market policies could address skill and qualification mismatches and gaps in vocational skills, e.g., by broadening public-private partnerships with the state co-financing education and training. Developing a nationwide platform of job vacancies would help identify the mismatches.

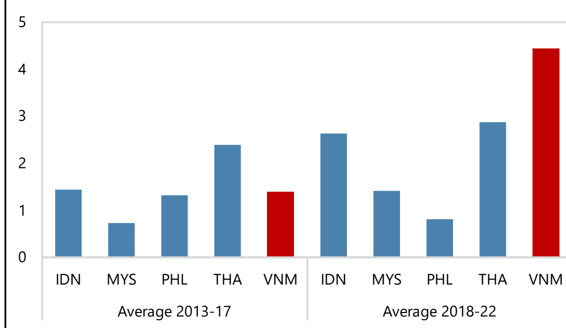
Output Per Hour Worked
(GDP constant 2021 international $ at PPP)



Sources: International Labor Organization estimate, November 2024.

29. Reducing credit and resource misallocations would help boost productivity. Vietnam's private firms' borrowing cost premium (relative to the government's borrowing costs) is significantly higher than peers reflecting distortions in the domestic sovereign debt market (2024 Selected Issues). In addition, credit and resource misallocations are sizeable. For example, real estate and construction sectors have had significantly higher debt relative to their revenue than other sectors—despite more sluggish productivity growth. Gradually moving to a more efficient allocation could lead to potentially large TFP gains of more than 50 percent. Some reforms that could help reduce borrowing costs and promote more efficient allocation of capital, include:

Corporate Borrowing Cost Premium
(Percent; defined as the effective borrowing costs minus 5-year sovereign bond yield)

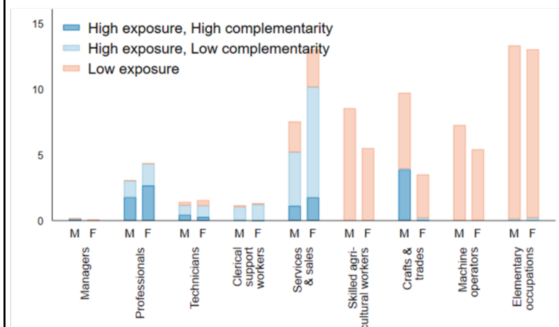


Sources: Haver; Orbis and IMF staff calculations.

- Removing distortionary credit policies, further reducing cross-ownership between banks and corporates, and introducing macroprudential policies to limit excessive sector concentration.
- Continuing efforts to develop domestic capital markets, including by strengthening transparency, governance, and modernizing the bankruptcy framework. One critical element is to reform the sovereign bond market, making rates more market based.

30. Enhancing preparedness for AI adoption would help harness the benefits and sustain high growth in the long term while mitigating the potential adverse impacts. Accelerating digital infrastructure, boosting productivity, and accumulating human capital would help advance AI adoption and amplify the long-term growth dividends. Meanwhile, AI adoption may pose displacement risks to certain occupations where informal and female workers are relatively more exposed, calling for labor market policies, including up-skilling and re-skilling programs, and strengthening safety nets.

Occupational AI Exposure and Complementarity by Gender
(In percent of employed)



Sources: Vietnam General Statistics Office and IMF staff estimates.
Notes: M = Male, F = Female. Data from the Vietnam Labor Force Survey 2022 covering 1.5 mn individuals.

31. Vietnam's rapid economic transformation is outpacing the development of robust economic statistics necessary for effective policymaking, managing risks, and communication with stakeholders. For example, the large errors and omissions in the BOP, the lack of the international investment positions (IIP),[13] and weaknesses in monetary and financial statistics prevent more in-depth diagnostics of external and financial risks (annex IX). Weaknesses in fiscal data also constrain the ability to monitor and evaluate the effects of policies and reforms and estimate GDP (e.g., lack of public wage index). There are also long delays in some data publications (e.g., fiscal and FSIs), which undermine timely assessment of the fiscal stance and financial sector health. Addressing data weaknesses will take time and require overcoming legal constraints, institutional resistance, and investing in capacity. Significant progress could be

[13] The IMF has been providing technical assistance including on developing the IIP.

accelerated by: (1) enhanced institutional coordination and data sharing practices (2) producing data with greater granularity, broader coverage, and timeliness; (3) eliminating data inconsistencies; (4) leveraging data sources across agencies (e.g., monetary statistics, tax data); and (5) preparing surveys and improvements to the data collection systems that serve the needs of different stakeholders. These improvements will help overcome the shortcomings observed in the data reported to the Fund that somewhat hamper surveillance.

Authorities' Views

32. **The authorities stressed their commitment to broad reforms and improving public infrastructure to boost medium-term growth, while acknowledging implementation will be critical.** They viewed PPPs as a key tool, given the large funding needs for the planned infrastructure projects, and agreed with the need to ensure the quality of public investment and to improve mechanisms and policies for PPPs. They also noted ongoing efforts to further develop capital (debt and equity) markets, which will improve the investment climate and mobilize private capital. They noted their continued efforts to diversify trade and acknowledge the need for further efforts to develop the domestic economy. The authorities appreciated the joint analysis on boosting productivity and medium-term growth, while highlighting their ongoing efforts and plans to adopt comprehensive reforms to address the structural gaps.

33. **The authorities recognized the importance of accelerating efforts to enhance the quality of macroeconomic statistics.** They appreciated the Fund's continued support in capacity building and acknowledged the importance of improving the current legal framework and strengthening inter-agency collaboration to produce and disseminate higher-quality and more frequent and timely economic data. They noted that the rebasing of the national accounts is scheduled for completion in 2026. Also, there are plans to update the Budget Law to better support the collection and compilation of GFS and revise the Decree 16 of the government on the management of Vietnam's BOP. They also acknowledged the importance of enhancing data transparency to help attract external and private funding for the large infrastructure projects.

STAFF APPRAISAL

34. **Vietnam's economy faces significant challenges from a changing and uncertain global trade landscape.** The export-oriented growth model has delivered substantial income gains and helped reduce poverty over the last decades. Despite increased volatility since Covid-19, economic growth has been remarkably resilient thanks to exports, FDI, and supportive policies. However, the more adverse global trade environment and high uncertainty pose new and substantial challenges ahead.

35. **Policies will need to maintain economic resilience against these challenges and promote reforms to sustain robust and stable medium-term growth.** Supportive policies,

including a large fiscal stimulus, are sustaining strong economic growth in 2025. However, the outlook could deteriorate markedly amidst implementation of higher U.S. tariffs and an uncertain external environment. Policies will need to be agile to navigate these near-term risks. The ongoing efforts to develop reforms to adjust the growth model, together with efforts to diversify trade, will help build business confidence, increase resilience, and reduce external vulnerabilities.

36. The policy mix will need to remain flexible to respond to the fast-evolving and complex economic conditions and risks. It will be important to closely monitor incipient inflation pressures given still buoyant economic activity and credit growth. If growth slows down significantly due to the external shock, fiscal policy should take the lead in supporting economic activity as there is very limited room to ease monetary policy—given the already low policy rates and risk of increasing FX and inflationary pressures. Allowing greater exchange rate flexibility would also be critical to help the economy adjust. In this highly uncertainty environment, there is greater urgency to accelerate the modernization of the monetary policy framework.

37. Fiscal policy has space to help cushion the effects of a more adverse shock. The large, temporary fiscal stimulus in 2025 is already supporting economic growth amidst high uncertainty, but the impulse will be mostly unwound by 2026. Given the downside risks, fiscal policy could provide further support to mitigate potential negative external shocks if needed, starting by accelerating implementation of public investment and strengthening social safety nets—while keeping some powder dry for a larger stimulus in case of a severe downside scenario. Targeted and temporary measures could be considered to alleviate pressures for hard-hit sectors. Developing a robust medium-term fiscal framework, including prudent fiscal rules, would help manage the large spending needs while safeguarding fiscal sustainability.

38. Bolstering financial sector resilience remains a priority. Banks are vulnerable to a deterioration in the economy given relatively low capital levels and high NPLs amidst rapid credit growth. The priority should be building banks' liquidity and capital buffers. Intensifying monitoring of banks, including through more robust and regular stress testing and an early warning framework, would help to better manage and contain risks. Recent legal changes to facilitate banks' ability to resolve NPLs are welcome, but it would also be important to upgrade the insolvency framework. Further progress is also needed to strengthen the crisis preparedness and resolution framework—while accelerating the resolution of failed banks—and the macroprudential framework.

39. The authorities have announced a broad reform agenda towards achieving their ambitious development goals; the implementation will be critical for success. It will be important to prioritize actions to improve productivity, upgrade key infrastructure, and boost domestic demand. This will require overcoming structural gaps, including improving the business environment and economic governance, and step-up efforts to address AML/CFT weaknesses. Broader structural reforms in debt, capital, and labor markets are needed to raise productivity and help mobilize resources for the large infrastructure projects.

40. A sound macro-fiscal strategy is crucial for reaping the growth dividends from the planned large public investments. Improving public infrastructure can help boost medium-term growth. However, it will demand a careful strategy to tackle implementation challenges, including ensuring fiscal, price, and financial stability. It will require strengthening public investment efficiency and developing a more robust regulatory framework to foster private investment (including PPPs), while managing risks. The funding strategy for the large projects will need to be well balanced between new borrowing, enhancing revenue mobilization, and use of PPPs.

41. The external sector position in 2024 is assessed to be substantially stronger than warranted by fundamentals and desirable policies. However, the assessment is constrained by significant data gaps and high current account volatility in recent years. Nonetheless, scaling up high-quality public investment and adopting the planned reforms, together with strengthening social safety nets, would help shift growth drivers towards stronger domestic demand and reduce external imbalances. FX reserves were assessed to be moderately below adequacy at end-2024 as SBV intervened to contain disruptive FX volatility.

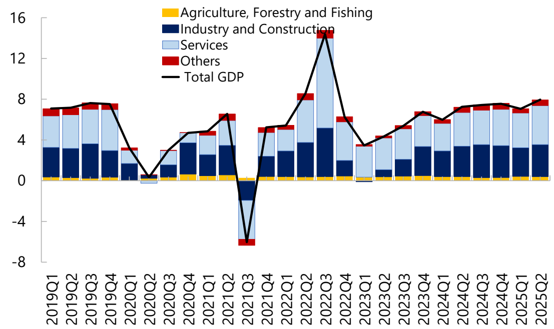
42. Addressing major economic data gaps remains a critical priority to support the development of effective policies, improve risk management, and allow better decisions by firms and households. Enhancing data sharing and inter-agency coordination is essential to strengthen policy analysis and would complement the much-needed changes in the legal framework and capacity building.

43. It is recommended that the next Article IV consultation be held on the standard 12-month cycle.

Figure 1. Recent Economic Developments

Growth returned to pre-pandemic levels in 2024…

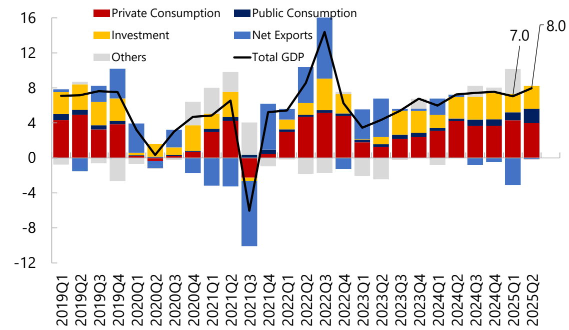
Contributions to Growth, by Economic Activity (Quarterly)
(In percent, y/y)



Sources: Vietnamese authorities, IMF staff calculations.

… as domestic demand strengthened after a series of financial and external shocks in 2023.

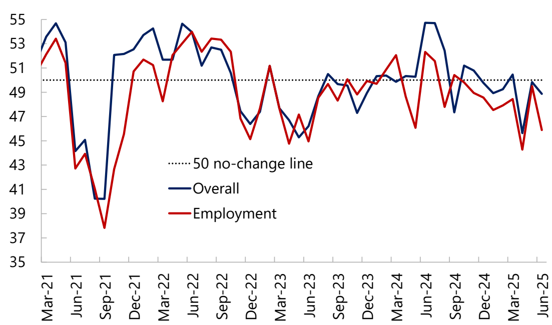
Contributions to Growth, by Expenditure (Quarterly)
(In percent, y/y)



Sources: Vietnamese authorities, IMF staff calculations.

Manufacturers have been cautious amid weaker external demand and elevated external uncertainty…

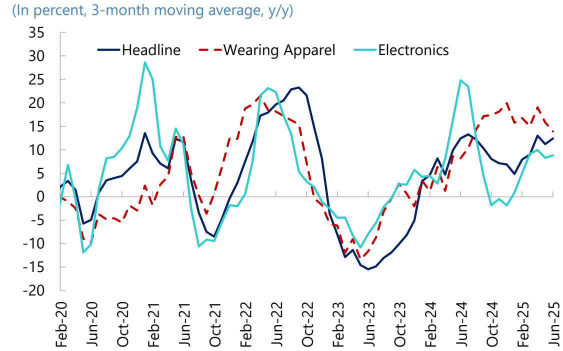
Purchasing Manufacturing Index in Vietnam
(0-100, index)



Sources: Haver.

… but industrial production has been stemming the tide, led by garment and electronics more recently.

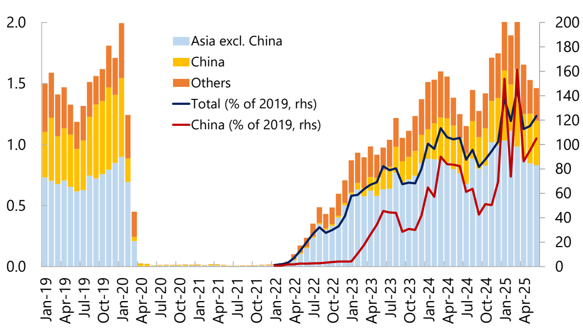
Index of Industrial Production
(In percent, 3-month moving average, y/y)



Sources: Vietnamese authorities.

International tourism is back to its heyday with arrivals exceeding pre-pandemic levels and supporting services income.

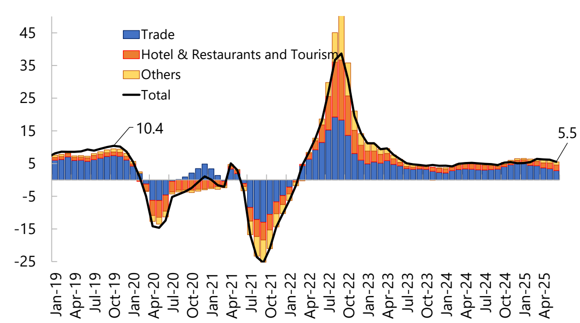
International Visitors to Vietnam
(In million people, % of Pre-Pandemic)



Sources: Vietnamese authorities, IMF staff calculations.

Consumer spending is still modest with private consumption levels undergoing a structural shift since the pandemic.

Real Retail Sales Growth: Contribution by Category
(In percent, real NSA, 3-month moving average, y/y)



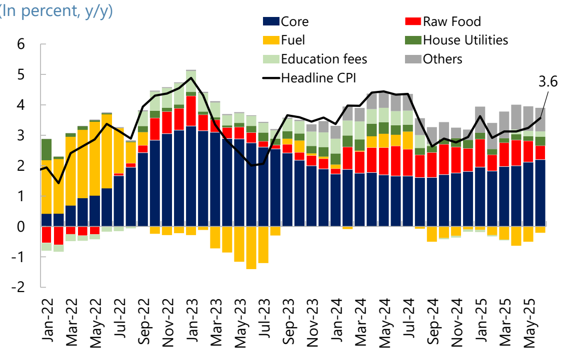
Sources: Vietnamese authorities, IMF staff calculations.

Figure 2. Prices and Wages

Headline inflation has been contained owing to disinflation in fuel prices and contained administered prices …

Headline Inflation Y/Y: Contributions

(In percent, y/y)

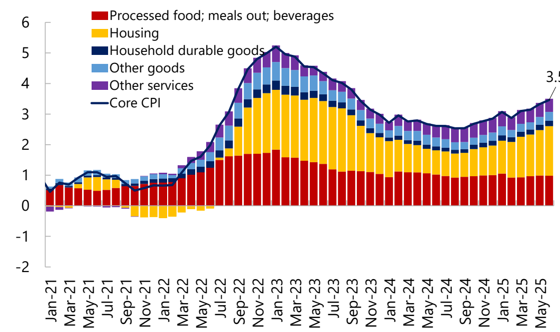


Sources: Vietnamese authorities, IMF staff calculations.

…while core inflation has picked up driven by the increasing cost of housing.

Core Inflation Y/Y: Contributions

(In percent, y/y)

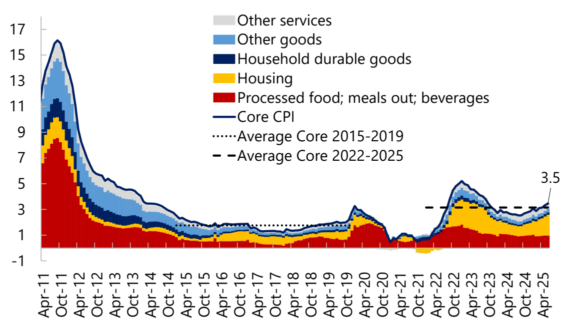


Sources: Vietnamese authorities, IMF staff calculations.

Relative to pre-pandemic settings, core inflation has reached a higher average level since 2022…

Core Inflation Y/Y: Contributions

(In percent, y/y)

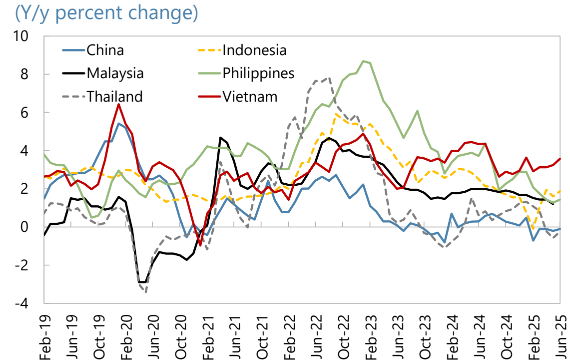


Sources: Vietnamese authorities, IMF staff calculations.

… despite ongoing disinflationary spillovers from China.

Headline inflation: Cross-country comparison

(Y/y percent change)

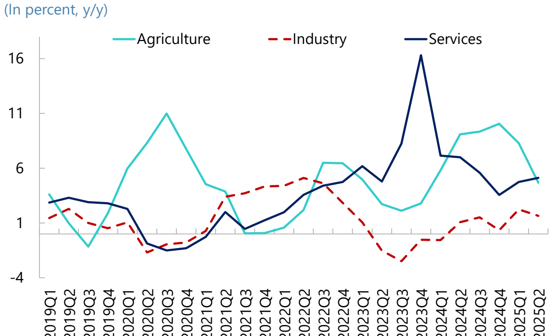


Sources: Vietnamese authorities and IMF staff calculations.

Producer price inflation in manufacturing has remained contained…

Input Producer Price Inflation

(In percent, y/y)

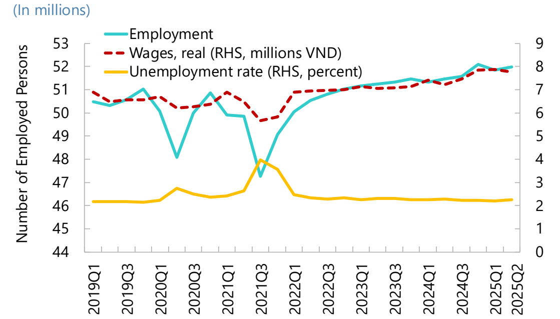


Sources: Haver.

…while average wages have increased, supported by the 2024 hike in public wages and a strong labor market.

Average Wages and Employment

(In millions)

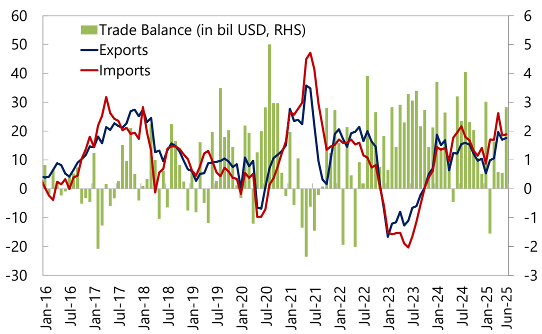


Sources: Vietnamese authorities and IMF staff calculations.
Notes: Real wages are nominal wages deflated by the CPI, in constant 2019 prices.

Figure 3. External Sector

Trade rebounded in recent months, likely reflecting export frontloading.

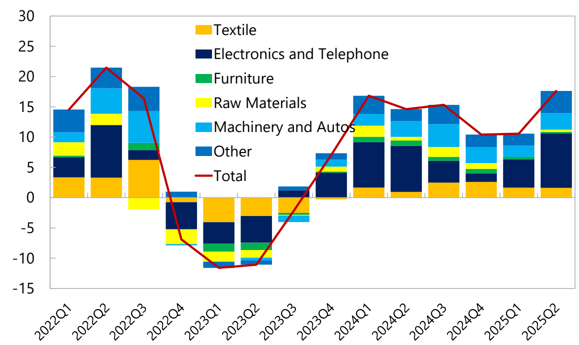
Trade Performance
(3mma, y/y, percent)



Sources: Vietnamese authorities and IMF staff calculations.

Despite a slowdown in exports in 2024H2, electronics exports have picked up in 2025, …

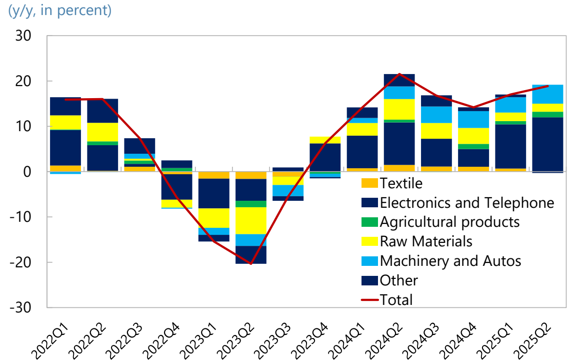
Contribution to Goods Export Growth by Commodities
(y/y, in percent)



Sources: Vietnamese authorities; and IMF staff calculations.

… with a similar pattern observed for imports, given the large share of imported intermediate inputs.

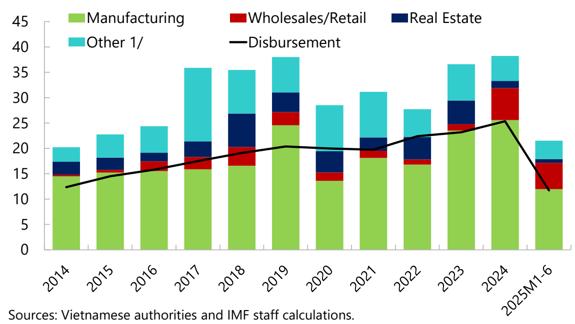
Contribution to Goods Import Growth by Commodities
(y/y, in percent)



Sources: Vietnamese authorities; and IMF staff calculations.

FDI commitments and disbursements remained resilient, with commitments mainly driven by the manufacturing sector.

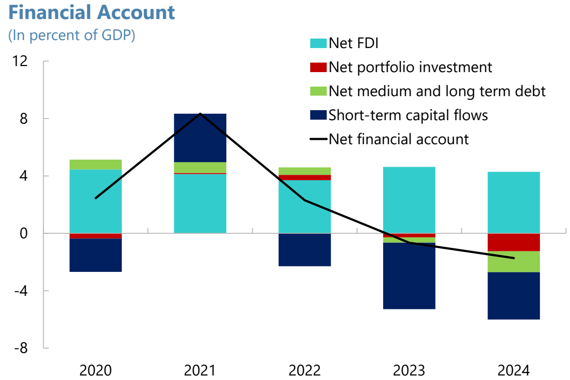
FDI Commitments and Disbursements
(In billions of US dollars)



Sources: Vietnamese authorities and IMF staff calculations.
1/ Construction, Hotel and Restaurants, Mining, Agricultural, Forestry and Fishery, Electricity, Gas and AC production, and other.

Continued strong FDI inflows in 2024 were offset by other capital outflows and debt repayment, …

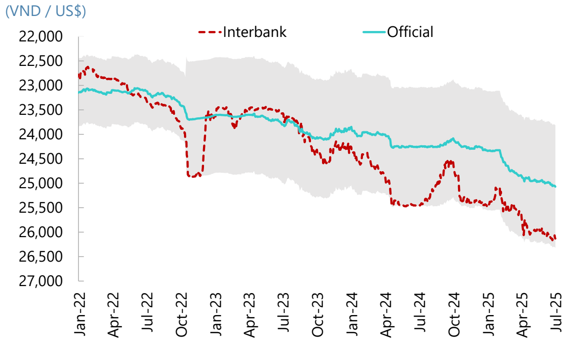
Financial Account
(In percent of GDP)



Sources: Vietnamese authorities and IMF staff calculations.

… as the exchange rate continued to depreciate.

Exchange Rates
(VND / US$)



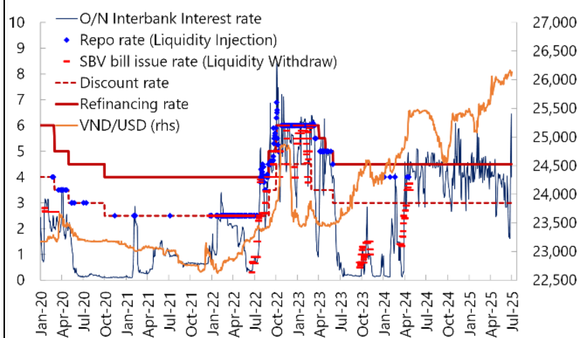
Sources: IMF staff calculations.
Notes: Shaded area indicates the State Bank of Vietnam's exchange rate trading band.

Figure 4. Monetary Sector

Policy rates remain below pre-pandemic levels and close to historical lows, with greater volatility in interbank rates recently…

Interbank Interest Rate and Open Market Operations

(In percent in LHS, VND/USD in RHS)

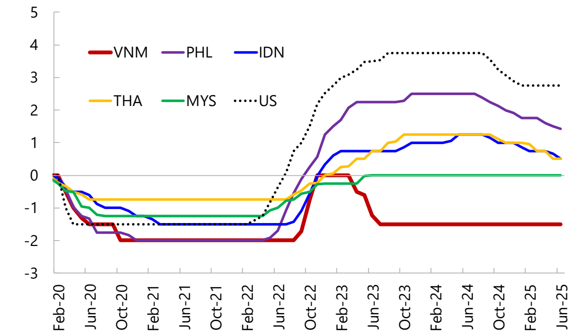


Sources: Vietnamese authorities, Bloomberg, and IMF staff calculations.

… while policy rates in most regional peers remain higher than pre-pandemic levels.

Changes in Regional Policy Interest Rates

(In pecentage points from end of 2019)

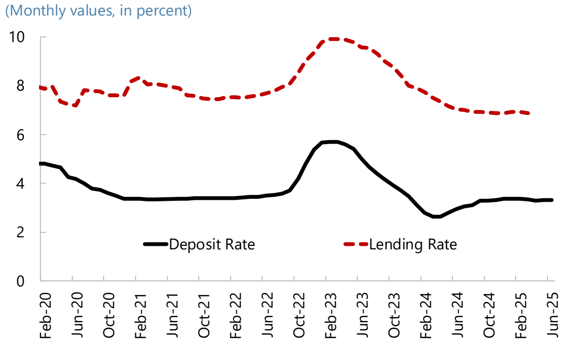


Sources: Haver, and IMF staff calculations.

Deposit rates have risen since early 2024 amid bank liquidity pressures while lending rates continued to fall…

Lending and Deposit Rates

(Monthly values, in percent)



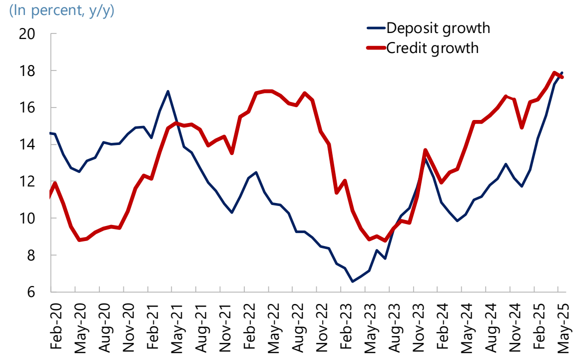
Sources: International Financial Statistics.

Notes: Lending rate series was discontinued after September 2024.

… helping boost both credit and deposit growth in 2025 while squeezing banks' profit margins.

Credit and Deposit Growth

(In percent, y/y)

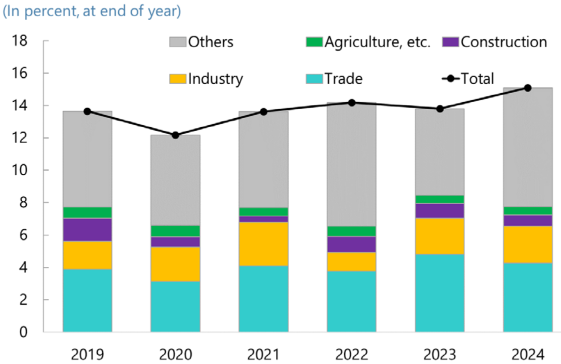


Sources: Vietnamese authorities and IMF staff calculations.

While trade and construction credit decelerated in 2024, other credit (including real estate) more than compensated.

Credit Growth by Sector

(In percent, at end of year)

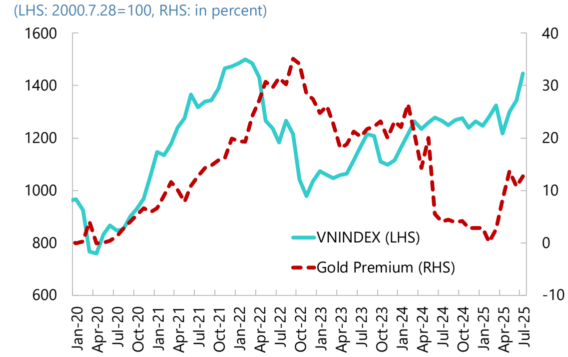


Sources: Vietnamese authorities and IMF staff calculations.

Stock prices remained stable in 2024, and declined in 2025 after the announcement of the April 2 US tariffs but have recovered since.

Stock Market Indices

(LHS: 2000.7.28=100, RHS: in percent)

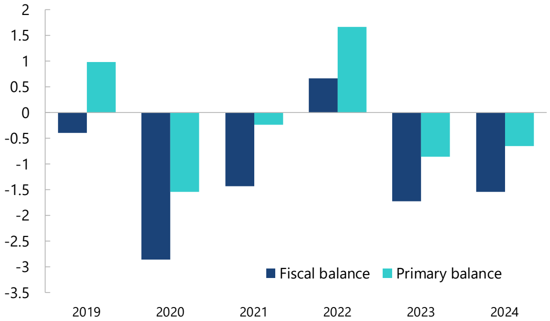


Sources: Vietnamese authorities and IMF staff calculations.

Figure 5. Fiscal Sector

Fiscal deficit remained broadly unchanged in 2024 …

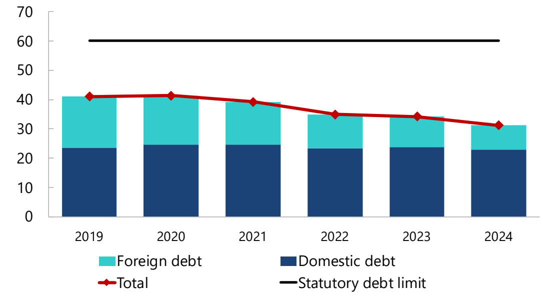
Fiscal Balance
(In percent of GDP)



Sources: Vietnamese authorities; and IMF staff calculations.

… while public debt continued to decline.

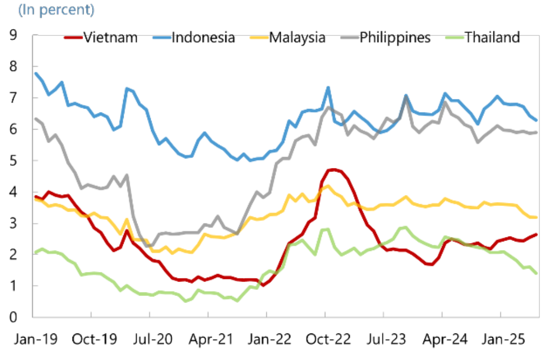
Public and Publicly Guaranteed Debt
(In percent of GDP)



Sources: Vietnamese authorities; and IMF staff calculations.
Notes: The formal PPG debt ceiling was revised from 65 to 60 percent of GDP in 2021.

The positive growth-interest rate differentials—with one of the lowest government bond yields among ASEAN EMs, despite recent increases in 2025—contributed to declining public debt.

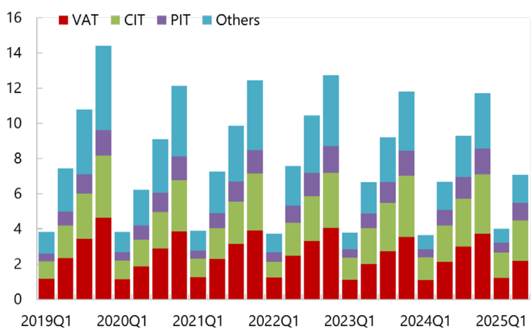
Five-Year Government Bond Yield
(In percent)



Sources: Haver Analytics.

VAT and PIT revenues recovered in 2024, which was however partly offset by weaker other tax revenues. 2025:H1 outturns suggest strong broad-based recovery in tax revenues.

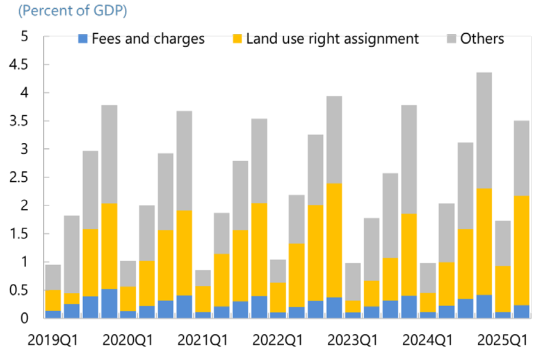
Tax Revenue, Year-to-Date
(Percent of GDP)



Sources: Vietnamese authorities.

Non-tax revenue rebounded strongly in 2024—which continued in 2025:H1, mainly driven by fees from land use rights along with the recovery in the real estate market.

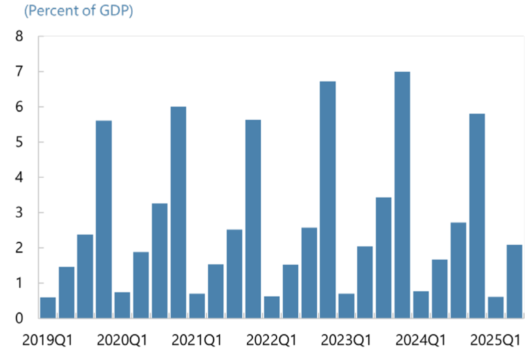
Non-Tax Revenue, Year-to-Date
(Percent of GDP)



Sources: Vietnamese authorities.

After an acceleration in 2023, public investment disbursement slowed in 2024 but started to accelerate in 2025:Q2.

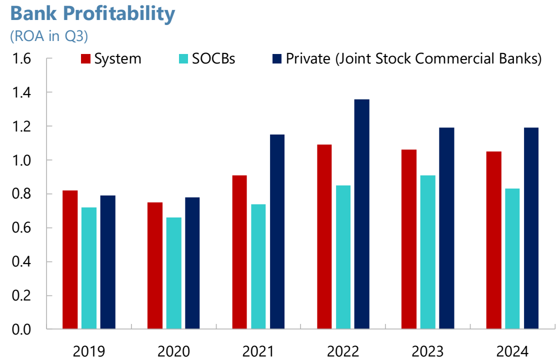
Capital Expenditure, Year-to-Date
(Percent of GDP)



Sources: Vietnamese authorities.

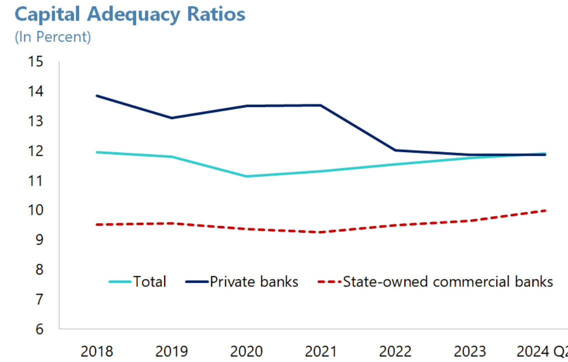
Figure 6. Financial Sector Developments

Bank profitability of JSCBs remained stable in 2024, while SOCB profitability decreased.



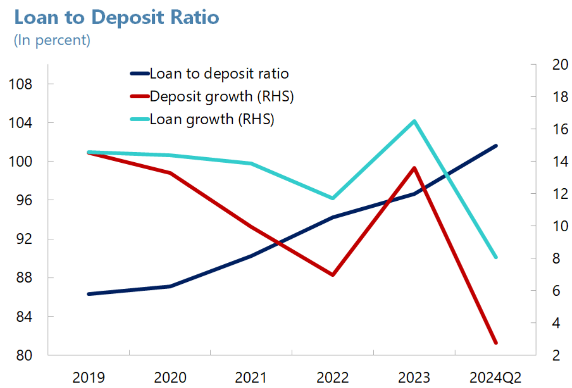
Sources: Haver Analytics and IMF staff calculations.
Notes: Does not include banks with negative equity.

However, capital adequacy remained weak, especially in SOCBs.



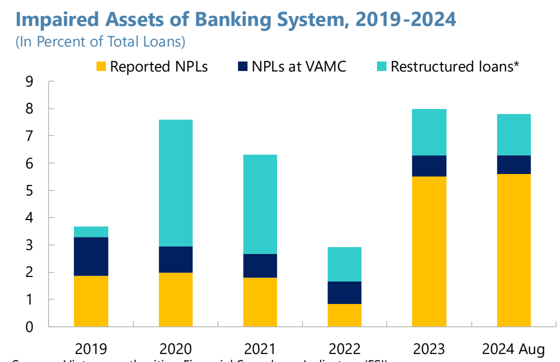
Sources: Financial Soundness Indicators, authority's data and IMF staff calculations.

...and liquidity remains tight as lending continues to grow faster than deposits.



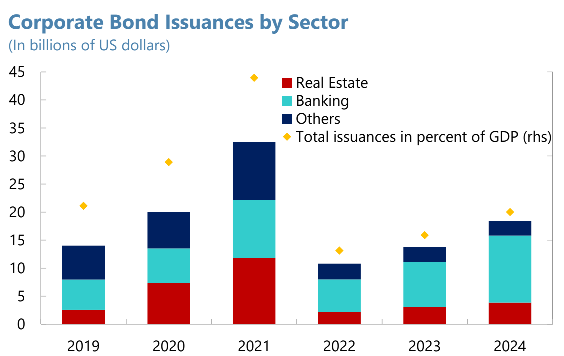
Sources: Financial Soundness Indicator Database and IMF staff calculations.

NPLs have started to stabilize.



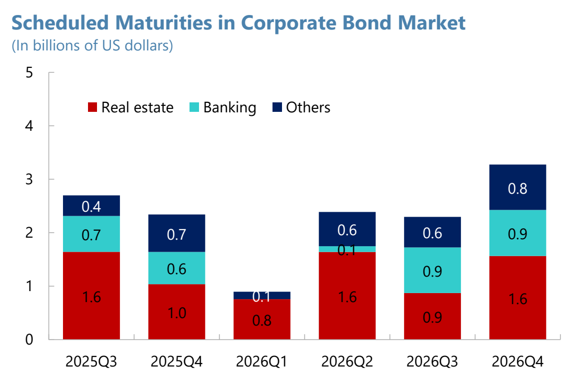
Sources: Vietnam authorities; Financial Soundness Indicators (FSI).
Notes: Restructured loans* including the legacy restructured loans and covid 19 loan forbearance.

Corporate bond issuances continued to recover, with the majority being issued by banks, ...



Sources: Vietnam Bond Market Association (VBMA) and IMF staff calculations.

... while real estate sector forms the bulk of upcoming maturities.



Sources: Vietnam Bond Market Association (VBMA) and IMF staff calculations.

Table 1. Vietnam: Selected Economic Indicators, 2021-2026

				Est.	Projections	
	2021	2022	2023	2024	2025	2026
Output						
Real GDP (percent change)	2.6	8.5	5.1	7.1	6.5	5.6
Output Gap (percent of potential GDP)	-1.9	0.4	-0.4	0.4	0.3	-0.4
Unemployment rate	2.5	3.2	2.3	2.2	2.3	2.5
Prices (percent change)						
CPI (period average)	1.8	3.2	3.3	3.6	3.4	3.2
Core inflation (period average)	0.8	2.6	4.2	2.7	3.2	2.8
Saving and investment (in percent of GDP)						
Gross national saving	30.7	32.7	38.0	37.2	34.9	33.2
Gross investment	32.9	32.3	31.6	30.6	30.9	30.8
Private	26.7	26.1	24.8	24.6	24.1	23.7
Public	6.2	6.3	6.8	5.9	6.8	7.1
State budget finances (in percent of GDP) 1/						
Revenue and grants	18.7	18.9	17.1	17.6	18.4	17.7
Expenditure	20.1	18.2	18.8	19.1	21.7	20.1
Expense	13.9	11.9	11.9	13.2	14.9	13.0
Net acquisition of nonfinancial assets	6.2	6.3	6.8	5.9	6.8	7.1
Net lending (+)/borrowing(-) 2/	-1.4	0.7	-1.7	-1.5	-3.3	-2.3
Public and publicly guaranteed debt (end of period)	39.2	34.9	34.3	31.3	32.0	31.8
Money and credit (percent change, end of period)						
Broad money (M2)	10.7	6.2	12.5	12.0	12.5	11.5
Credit to the economy	13.5	14.0	13.7	14.9	15.0	13.0
Balance of payments (in percent of GDP, unless otherwise indicated)						
Current account balance (including official transfers)	-2.2	0.3	6.4	6.6	4.0	2.4
Exports f.o.b.	90.8	90.4	81.9	88.3	87.3	83.6
Imports f.o.b.	86.6	83.3	71.8	78.9	79.3	77.1
Capital and financial account 3/	8.3	2.3	-0.7	-1.7	-4.8	-2.4
Errors and Omissions	-2.3	-8.2	-4.4	-6.9	…	…
Gross international reserves (in billions of U.S. dollars) 4/	109.4	86.7	92.3	83.1	79.3	79.2
In months of prospective GNFS imports	3.6	3.1	2.8	2.4	2.2	2.1
Total external debt (end of period)	37.9	35.3	32.1	28.0	29.1	29.9
Nominal exchange rate (dong/U.S. dollar, end of period)	22,826	23,633	24,269	25,485	…	…
Memorandum items (current prices):						
GDP (in billions of U.S. dollars)	370.1	411.1	433.0	459.5	484.7	511.1
Per capita GDP (in U.S. dollars)	3,757	4,133	4,317	4,536	4,745	4,965

Sources: Vietnamese authorities; and IMF staff estimates and projections.
1/ Follows the format of the Government Finance Statistics Manual 2001. Large EBFs are outside the state budget but inside the general government (revenue amounting to 6-7 percent of GDP).
2/ Excludes net lending of Vietnam Development Bank and revenue and expenditure of Vietnam Social Security.
3/ Incorporates a projection for negative errors and omissions going forward (i.e. unrecorded imports and short-term capital outfows).
4/ Excludes government deposits.

Table 2. Vietnam: Medium-Term Projections, 2021-2030

				Est.	Projections					
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Output										
Real GDP (percent change)	2.6	8.5	5.1	7.1	6.5	5.6	5.8	5.6	5.3	5.3
Output Gap (percent of potential GDP)	-1.9	0.4	-0.4	0.4	0.3	-0.4	-0.3	-0.1	0.0	0.0
Unemployment rate	3.2	2.3	2.3	2.2	2.3	2.5	2.3	2.3	2.2	2.2
Prices (percent change)										
CPI (period average)	1.8	3.2	3.3	3.6	3.4	3.2	3.3	3.3	3.3	3.3
CPI (end of period)	1.8	4.5	3.6	2.9	3.4	3.2	3.3	3.3	3.3	3.3
Core inflation (period average)	0.8	2.6	4.2	2.7	3.2	2.8	2.8	2.8	2.8	2.8
Core inflation (end of period)	0.7	5.0	3.0	2.9	3.2	2.8	2.8	2.8	2.8	2.8
Saving and investment (in percent of GDP)										
Gross national saving	30.7	32.7	38.0	37.2	34.9	33.2	32.4	31.7	31.5	31.1
Gross investment	32.9	32.3	31.6	30.6	30.9	30.8	30.8	30.6	30.5	30.3
Private	26.7	26.1	24.8	24.6	24.1	23.7	23.2	22.8	22.6	22.4
Public	6.2	6.3	6.8	5.9	6.8	7.1	7.5	7.9	7.9	7.9
State budget finances (in percent of GDP) 1/										
Revenue and grants	18.7	18.9	17.1	17.6	18.4	17.7	17.8	18.0	18.0	18.0
Of which: Oil revenue	0.5	0.8	0.6	0.5	0.5	0.5	0.5	0.6	0.6	0.6
Expenditure	20.1	18.2	18.8	19.1	21.7	20.1	19.9	20.0	20.0	20.0
Expense	13.9	11.9	11.9	13.2	14.9	13.0	12.4	12.2	12.1	12.1
Net acquisition of nonfinancial assets	6.2	6.3	6.8	5.9	6.8	7.1	7.5	7.9	7.9	7.9
Net lending (+)/borrowing(-) 2/	-1.4	0.7	-1.7	-1.5	-3.3	-2.3	-2.2	-2.1	-2.0	-2.0
Net lending /borrowing including EBFs	-0.5	1.5	-1.0	-0.9	-2.7	-2.0	-2.1	-2.2	-2.3	-2.4
Public and publicly guaranteed debt (end of period)	39.2	34.9	34.3	31.3	32.0	31.8	31.5	31.1	30.8	30.6
Money and credit (percent change, end of period)										
Broad money (M2)	10.7	6.2	12.5	12.0	12.5	11.5	10.0	9.5	9.0	9.0
Credit to the economy	13.5	14.0	13.7	14.9	15.0	13.0	11.5	10.0	9.5	9.5
Balance of payments (in percent of GDP, unless otherwise indicated)										
Current account balance (including official transfers)	-2.2	0.3	6.4	6.6	4.0	2.4	1.7	1.1	1.0	0.8
Exports f.o.b.	90.8	90.4	81.9	88.3	87.3	83.6	80.8	79.6	79.6	79.8
Imports f.o.b.	86.6	83.3	71.8	78.9	79.3	77.1	75.8	75.4	75.8	76.3
Capital and financial account 3/	8.3	2.3	-0.7	-1.7	-4.8	-2.4	-0.7	0.8	1.5	1.6
Gross international reserves (in billions of U.S. dollars) 4/	109.4	86.7	92.3	83.1	79.3	79.2	84.4	95.2	111.0	126.9
In months of prospective GNFS imports	3.6	3.1	2.8	2.4	2.2	2.1	2.1	2.2	2.4	2.6
Total external debt (end of period)	37.9	35.3	32.1	28.0	29.1	29.9	30.3	30.6	30.9	31.1
Nominal exchange rate (dong/U.S. dollar, end of period)	22,826	23,633	24,269	25,485	...	...	...	...	...	...
Memorandum items (current prices):										
GDP (in billions of U.S. dollars)	370.1	411.1	433.0	459.5	484.7	511.1	545.2	583.7	624.1	666.8
Per capita GDP (in U.S. dollars)	3,757	4,133	4,317	4,536	4,745	4,965	5,262	5,600	5,952	6,324

Sources: Vietnamese authorities; and IMF staff estimates and projections.
1/ Follows the format of the Government Finance Statistics Manual 2001. Large EBFs are outside the state budget but inside the general government (revenue amounting to 6-7 percent of GDP).
2/ Excludes net lending of Vietnam Development Bank and revenue and expenditure of Vietnam Social Security.
3/ Incorporates a projection for negative errors and omissions going forward (i.e. unrecorded imports and short-term capital outfows).
4/ Excludes government deposits.

Table 3. Vietnam: Balance of Payments, 2021–2026

(In billions of U.S. dollars, unless otherwise indicated)

					Projections	
	2021	2022	2023	2024	2025	2026
Current account balance	-8.1	1.4	27.6	30.5	19.6	12.4
Trade balance	15.7	29.4	44.0	43.2	39.0	33.6
Of which: Oil balance	-2.1	-6.0	-5.9	-5.8	-5.1	-5.0
Exports, f.o.b.	336.2	371.7	354.7	405.9	423.2	427.5
Imports, f.o.b.	320.5	342.3	310.7	362.7	384.2	393.9
Nonfactor services	-15.4	-13.9	-7.0	-10.1	-10.4	-9.3
Receipts	5.3	13.5	21.4	25.5	26.7	27.5
Payments	20.7	27.4	28.4	35.6	37.1	36.8
Investment income	-18.7	-19.7	-22.5	-15.7	-21.5	-24.3
Receipts	1.0	2.3	4.6	5.5	3.7	2.2
Payments	19.7	22.0	27.0	21.2	25.2	26.4
Transfers	10.3	5.6	13.1	13.0	12.5	12.3
Private (net)	9.6	5.0	12.2	12.2	12.1	12.1
Official (net)	0.7	0.6	0.8	0.9	0.4	0.2
Capital and financial account balance	30.8	9.5	-2.8	-7.9	-23.5	-12.5
Direct investment (net)	15.3	15.2	20.1	19.7	20.1	20.2
Of which: Foreign direct investment in Vietnam	15.7	17.9	18.5	20.2	20.6	20.8
Portfolio investment	0.3	1.5	-1.2	-5.7	-6.3	-6.9
Medium- and long-term loans	2.8	2.2	-1.6	-6.7	-2.5	-2.7
Disbursements	15.2	15.6	14.2	11.1	12.7	12.9
Amortization	12.4	13.5	15.9	17.8	15.2	15.6
Short-term capital 1/	12.5	-9.4	-20.1	-15.2	-34.7	-23.2
Errors and omissions	-8.4	-33.6	-19.1	-31.8	0.0	0.0
Overall balance	14.3	-22.7	5.6	-9.2	-3.8	-0.1
Memorandum items:						
Gross international reserves 2/	109.4	86.7	92.3	83.1	79.3	79.2
Current account balance (in percent of GDP)	-2.2	0.3	6.4	6.6	4.0	2.4
Foreign direct investment (in percent of GDP)	4.2	4.4	4.3	4.4	4.2	4.1
Export value (percent change)	18.9	10.6	-4.6	14.4	4.3	1.0
Export value (in percent of GDP)	90.8	90.4	81.9	88.3	87.3	83.6
Import value (percent change)	27.2	6.8	-9.2	16.7	5.9	2.5
Import value (in percent of GDP)	86.6	83.3	71.8	78.9	79.3	77.1
External debt	140.2	145.0	139.2	128.6	140.9	153.0
In percent of GDP 3/	37.9	35.3	32.1	28.0	29.1	29.9
GDP	370.1	411.1	433.0	459.5	484.7	511.1

Sources: Vietnamese authorities; and IMF staff estimates and projections.

1/ Incorporates a projection for negative errors and omissions going forward (i.e. unrecorded imports and US dollar currency holdings by residents outside the formal financial sector).

2/ Excludes government deposits.

3/ Uses interbank exchange rate.

Table 4. Vietnam: Consolidated State Budgetary Operations, 2021-2026 1/

(In percent of GDP, unless otherwise indicated)

	2021	2022	Est. 2023	Est. 2024	Proj. 2025	Proj. 2026
Total revenue and grants	18.7	18.9	17.1	17.6	18.4	17.7
Tax revenue	13.9	14.3	12.6	12.8	13.1	12.8
Oil revenues	0.5	0.8	0.6	0.5	0.5	0.5
CIT	0.4	0.6	0.5	0.4	0.4	0.4
Natural resource tax	0.1	0.2	0.1	0.1	0.1	0.1
Non-oil tax revenues	13.4	13.5	12.0	12.3	12.6	12.3
PIT	1.5	1.7	1.5	1.6	1.7	1.6
CIT	3.4	2.9	3.1	3.1	3.3	3.1
VAT	4.4	4.6	4.1	4.2	4.3	4.1
Trade	1.1	1.2	0.8	0.8	0.9	0.8
Others	3.0	3.1	2.5	2.5	2.5	2.6
Grants	0.2	0.1	0.0	0.0	0.0	0.0
Other revenue 2/	4.6	4.5	4.4	4.7	5.3	4.9
Expenditure	20.1	18.2	18.8	19.1	21.7	20.1
Expense	13.9	11.9	11.9	13.2	14.9	13.0
Interest	1.2	1.0	0.9	0.9	0.9	0.9
Other expense	12.7	10.9	11.1	12.3	14.1	12.0
Net acquisition of non-financial assets	6.2	6.3	6.8	5.9	6.8	7.1
Net lending (+)/borrowing (-)	-1.4	0.7	-1.7	-1.5	-3.3	-2.3
Net incurrence of liabilities	0.1	-2.1	1.6	0.1	3.3	2.3
Net incurrence of financial liabilities	0.6	0.5	1.8	0.8	3.2	2.3
Domestic	1.3	1.6	2.0	1.5	3.0	2.2
Foreign	-0.7	-1.0	-0.1	-0.7	0.3	0.1
Disbursement	-0.1	0.1	1.0	1.2	1.1	0.7
Amortization	0.6	1.1	1.1	0.9	0.8	0.6
Net acquisition of financial assets	0.5	2.6	0.2	0.7	0.0	0.0
of which: Privatization receipts	0.0	0.0	-0.1	0.0	0.0	0.0
Statistical discrepancies 3/	1.3	1.4	0.1	1.4	...	...
Memorandum items:						
Net lending/borrowing including VSS	-0.4	1.6	-0.8	-0.8	-2.6	-1.9
Net lending/borrowing including EBFs	-0.5	1.5	-1.0	-0.9	-2.7	-2.0
Public and publicly guaranteed debt	39.2	34.9	34.3	31.3	32.0	31.8
Primary balance	-0.2	1.7	-0.9	-0.6	-2.4	-1.4
Cyclically Adjusted Primary Balance (% potential GDP)	0.1	1.6	-0.8	-0.7	-2.5	-1.3
Cyclically Adjusted Non-Oil Primary Balance (% potential GDP)	-0.4	0.8	-1.4	-1.2	-3.0	-1.8
Nominal GDP (in trillions of dong)	8,487	9,621	10,320	11,512	12,662	13,847

Sources: Vietnamese authorities; and IMF staff estimates and projections.

1/ Government Finance Statistics 2001 presentation. Consolidated state budgetary accounts include central and provincial government accounts, but exclude net lending of Vietnam Development Bank and revenue and expenditure of Vietnam Social Security and other extra-budgetary funds.

2/ The temporary jump in other revenue in 2025 mainly reflected higher revenue from land-use rights assignment, partly due to the real estate reforms.

3/ Difference between net lending/borrowing and identified below-the-line financing.

Table 5. Vietnam: Monetary Survey, 2021-2026 1/

(In trillions of dong, unless otherwise indicated)

	2021	2022	2023	2024	Projections 2025	2026
Net foreign assets	2,737	2,361	2,783	2,751	3,150	3,440
State Bank of Vietnam (SBV)	2,536	2,049	2,209	2,034	2,069	2,118
Commercial banks	200	312	574	717	1,081	1,322
Net domestic assets	10,665	11,866	13,216	15,164	16,996	19,020
Domestic credit	10,860	12,104	13,750	15,840	18,503	21,097
Net claims on government	312	80	80	134	436	676
SBV	-551	-450	-784	-460	…	…
Credit institutions	863	530	865	594	…	…
Credit to the economy	10,548	12,024	13,669	15,706	18,067	20,421
Claims on state-owned enterprises (SOEs)	443	425	457	527	…	…
Claims on other sectors	10,105	11,599	13,212	15,179	…	…
In dong	9,966	11,510	13,132	15,126	…	…
In foreign currency	583	514	537	580	…	…
By state-owned banks (SOCBs)	4,731	5,348	6,022	6,881	…	…
By non-SOCBs	5,817	6,676	7,647	8,825	…	…
Other items net	-195	-238	-534	-676	…	…
Total liquidity (M2)	13,402	14,227	15,999	17,915	20,146	22,460
Dong liquidity	12,467	13,193	15,020	16,837	…	…
Deposits	10,947	11,840	13,594	15,206	…	…
Currency outside banks	1,520	1,353	1,426	1,631	…	…
Foreign currency deposits	936	1,034	979	1,078	…	…
Memorandum items:						
Reserve money (year-on-year percent change)	12.5	-13.1	11.0	9.4	12.5	11.5
Liquidity (M2; year-on-year percent change)	10.7	6.1	12.5	12.0	12.5	11.5
Currency/deposits (in percent)	12.8	10.5	9.8	10.0	…	…
Credit/deposits (total, in percent)	88.8	93.4	93.8	96.4	…	…
Credit/deposits (dong, in percent)	91	97	97	99.5	…	…
Credit/deposits (foreign currency, in percent)	62	50	55	53.8	…	…
Credit to the economy						
Total (in percent of GDP)	124.3	125.0	132.4	136.4	142.7	147.5
Total (year-on-year percent change)	13.5	14.0	13.7	14.9	15.0	13.0
In dong (year-on-year percent change)	13.3	15.5	14.1	15.2	…	…
In FC (year-on-year percent change)	16.8	-11.7	4.5	7.9	…	…
In FC at constant exchange rate (year on year percent change)	18.2	-13.9	2.6	2.7	…	…
To SOEs (year-on-year percent change)	-4.6	-4.0	7.4	15.2	…	…
To other sectors (year-on-year percent change)	14.5	14.8	13.9	14.9	…	…
To SOEs (percent of total)	4.2	3.5	3.3	3.4	…	…
Nominal GDP (in trillions of dong)	8,487	9,621	10,320	11,512	12,662	13,847

Sources: SBV; and IMF staff estimates and projections.

1/ Includes the SBV and deposit-taking credit institutions.

Table 6. Vietnam: Financial Soundness Indicators (2020-Q2 2024)

(In percent)

	2020	2021	2022	2023	2024 Q2
Regulatory Capital to Risk-Weighted Assets	11.1	11.3	11.5	11.7	11.9
Regulatory Tier 1 Capital to Risk-Weighted Assets	9.5	9.6	10.1	10.4	10.6
Non-performing Loans Net of Provisions to Capital	8.0	4.3	8.3	12.8	13.9
Non-performing Loans to Total Gross Loans 1/	1.9	1.6	2.3	5.4	5.4
Return on Assets	1.2	1.5	1.6	-1.0	1.5
Return on Equity	11.9	14.9	14.5	-20.1	19.6
Interest Margin to Gross Income	68.7	67.0	70.8	62.9	68.5
Non-interest Expenses to Gross Income	47.4	40.2	42.0	52,7	43.8
Liquid Assets to Total Assets (Liquid Asset Ratio)	11.3	10.3	9.2	8.5	7.8

Sources: Financial Soundness Indicators (FSI).

1/ Excluding restructured and VAMC loans.

Annex I. Progress with IMF Recommendations

Staff Advice in 2024 Article IV Consultation	Actions since 2024 Article IV Consultation
Fiscal Policy	
Vietnam needs a medium-term remuneration and hiring strategy with gradual wage increases, while attracting a qualified and professional workforce. Over the medium term, Vietnam will have to tackle various challenges, including optimizing the composition of spending to promote better and more efficient public services. Continue efforts to improve social safety nets by increasing their adequacy and coverage and ensuring well-targeted, timely, and cost-effective support measures, while also building institutional capacity to respond to large shocks. Strengthen the long-term sustainability of the pension system. Adopt revenue-enhancing reforms and press ahead with the Tax System Reform Strategy, including reducing exemptions and rationalizing preferential regimes, broadening the VAT base, raising environmental tax and excise duties.	The government is looking to attract and retain high-quality civil servants by introducing performance-based compensation. The authorities have formulated the Medium-Term Public Investment Plan for 2026-30 to foster high and sustainable economic growth, enhance infrastructure, and support equitable development. Priorities are given to strategic infrastructure and development projects that have large socio-economic impacts. The new Law on Social Insurance issued in 2024 allowed VSS to diversify its investment, including purchasing government bonds in international markets. The new VAT Law introduced reforms aiming to broaden the tax base and enhance compliance.
Monetary Policy	
Monetary policy needs to navigate supporting the recovery, while remaining vigilant against inflation risks. Accelerate steps to modernize the monetary policy framework, including allowing greater exchange rate flexibility while safeguarding FX reserve buffers to help manage large shocks. Other key steps include greater operational autonomy to SBV and replacing credit growth ceilings and forbearance measures with a sound macroprudential framework.	Interbank liquidity was tightened in 2024 in support of the exchange rate. Inflation has remained well below target. The FPAS forecasting model is being used by the SBV to inform monetary policy decision. The SBV has phased out credit growth ceiling for some institutions (including foreign bank branches).
Financial Sector Policies	
Continuing to build the resilience of the financial sector remains a priority, including bolstering banks and corporates' balance sheets, improving bank asset quality and capital ratios, while phasing out loan forbearance.	Loan classification and provisioning rules were normalized in December 2024 for loans restructured since April 2023. New loan forbearance for those affected by Typhoon Yagi were introduced in late 2024 and scheduled to terminate by end-2025.

Staff Advice in 2024 Article IV Consultation	Actions since 2024 Article IV Consultation
The implementation of 2024 Law on Credit Institutions (LCI) is critical. Strengthen the ability to resolve failed banks and reform the insolvency framework to improve the functioning of the financial system and capital markets. Further reforms to the bank resolution framework to facilitate the timely restructuring of failed banks. Vietnam has been in the FATF grey list since 2023. Efforts to implement the action plan need to be prioritized, starting with aligning the legal framework with the FATF standards.	Implementation guidance for the LCI was introduced in mid-2024. A new asset classification was introduced to ensure consistency with the LCI. SBV amended the LCI to give more power to banks to foreclose collateral. The compulsory transfers of 4 banks under special control to an SOCB and private banks took place in Q4 2024 and early 2025. There has been progress in addressing some measures in the action plan, but further efforts are needed.
Structural Policies	
Sustaining high medium-term growth requires further progress on structural reforms to raise productivity growth. Simple and clearer rules and regulations to help reduce legal uncertainty and allow a swifter decision-making process by public officials. Improving functioning and governance of capital markets. Further climate change effort is required to implement Vietnam's green agenda.	The ongoing institutional restructuring is expected to streamline decision-making and improve efficiency. The ongoing reforms to promote the private sector aim to improve the business environment and productivity. The authorities have improved the consistency of laws and regulations. Recent legal changes allow laws to just set frameworks and can be amended frequently and faster. The securities law and other related securities rules were amended in late 2024 to strengthen investor protection and public disclosure. Vietnam is also working on crypto asset regulation with IMF TA support and has passed the new Law on Digital Technology Industry to recognize digital assets. The updated National Adaptation Plan 2021-23 with Vision to 2050 issued in November 2024 aims to enhance resilience and adaptation and integrated climate change response measures into national strategies and planning. Vietnam is also developing an ETS, with a pilot planned for 2025 and full implementation by 2029. The new Power Development Plan envisions a doubling of power production with renewables accounting for about a third of the total capacity by 2030.

Annex II. Integration of Capacity Development Assistance in Surveillance

1. **The IMF has maintained an active capacity development (CD) relationship with the authorities.** The IMF and other development partners have been actively engaged in their respective areas of expertise and regularly coordinating with the Vietnamese counterparts to support their ambitious development goals.

2. **CD has been well integrated with IMF surveillance.** High-quality CD is crucial for helping implement IMF policy recommendations and collaboration with the authorities. Key surveillance priorities focus on updating policy frameworks, boosting financial stability, and enhancing data quality and transparency to support Vietnam in progressing to the next stage of its development.

3. **IMF CD assistance focuses on supporting Vietnam's reform agenda in line with surveillance recommendations.**

- *Fiscal.* The Fund has provided multi-year CDs on (i) tax administration, with a Tax Administration Diagnostic Assessment Tool assessment planned for 2025; (ii) improving fiscal risk management and reporting; (iii) enhancing the sustainability, equity, and efficiency of the pension system; and (iv) upgrading Treasury's Financial Management Information System, cash management, and internal audit. Other fiscal CDs include enhancing revenue mobilization (e.g., taxation of natural resources and real estate, and implementation of "Pillar 2"). The Fund has also supported Vietnam Customs to develop an action plan for compliance improvement and enforcement enhancement.
- *Macro and monetary*. A multi-year TA program has been provided to MOF and SBV to help upgrade the authorities' macroeconomic framework. The Fund has also provided CD on modernizing the monetary policy framework to SBV through a multi-year Forecasting and Policy Analysis System (FPAS) TA program since 2019, which was concluded in 2024:Q3. TA to improve FX reserve management is planned for September 2025.
- *Financial sector*. FSSR follow-up TAs have been focusing on stress testing, crypto asset regulation and supervision, and digital bank regulation. TA on developing a regulatory and supervisory framework for crypto assets has been provided to SSC and SBV. TAs on stress testing and consolidated supervision are being planned. A multi-year TA has also been provided to address deficiencies in the AML/CFT. The multi-year TA to help the SBV internal audit function has been temporarily paused amid the institutional restructuring.
- *Statistics*. The Fund has provided CDs on improving national accounts statistics (including GDP rebasing), external sector, government finance, prices, and monetary and financial statistics, including strengthening capacity in compiling and disseminating public debt statistics.

Annex III. Risk Assessment Matrix

Risk	Likelihood of Risk	Time Horizon	Impact if realized	Policy Response
			External Risks	
Trade policy and investment shocks	***High*** **Downside**: Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	***ST, MT***	***High*** Lower demand, higher precautionary savings, tighter financial conditions, capital outflows and exchange rate pressures.	• Provide targeted policy support using fiscal space. • Allow greater exchange rate flexibility • Accelerate structural reforms and improve business environment. • Continue to diversify trade and FDI. • Enhance social safety nets.
Tighter financial conditions and systemic instability	***Medium*** **Downside**: Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFI distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs.	***ST***	***High*** Lower global demand, tighter financial conditions, capital outflows and exchange rate pressures limit policy space.	• Provide targeted policy support using fiscal space if global conditions impact some groups disproportionately. • Allow greater exchange rate flexibility.
Regional conflicts	***Medium*** **Downside:** Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	***ST, MT***	***Medium*** Higher and volatile commodity prices, tighter financial conditions, lower global demand, supply chain disruptions.	• Provide targeted policy support to vulnerable households. • Allow greater exchange rate flexibility. • Accelerate structural reforms and improve business environment. • Diversify sourcing of intermediate goods.
Commodity price volatility	***Medium*** **Downside:** Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	***ST, MT***	***High*** Lower exports and domestic demand, tighter financial conditions.	• Allow greater exchange rate flexibility. • If growth declines appreciably, consider countercyclical easing. • Accelerate structural reforms and improve business environment
Deepening geoeconomic fragmentation	***High*** **Downside:** Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	***ST, MT***	***High*** Supply disruptions and weaker confidence adversely affect economic activity globally. While Vietnam may benefit from trade diversion, albeit limited given efforts to curb trade reallocation, the country is vulnerable due to its trade and FDI based growth model.	• Allow greater exchange rate flexibility. • Accelerate structural reforms and improve business environment. • Continue to diversify trade and FDI. • Enhance social safety nets.

Risk	Likelihood of Risk	Time Horizon	Impact if realized	Policy Response
			Domestic Risks	
Distress among real estate developers, in weak banks, and the corporate bond market.	***High*** **Downside:** Underlying risks among real estate developers remain and could re-intensify if growth slows sharply from the large trade shock, amplifying the impact on banks. Concerns over asset quality at weak banks could lead to liquidity squeezes.	***ST, MT***	***High*** Reduced economic activity accompanied by tighter financial conditions as credit risks increase.	• Establish a crisis monitoring function to address short-term risks to financial stability. • Urgently modernize the bank resolution and the emergency liquidity frameworks, and resolve failed banks. • Contagion from troubled real estate developers should be prevented to avoid posing risks to financial stability. • Over time, strengthen bank regulation, supervision and resolution frameworks, establish a well-functioning corporate bond market and firm insolvency framework.
Debt overhang and liquidity constraints.	***Medium*** **Downside**: corporates and households deplete buffers, propagating balance sheet stress.	***ST, MT***	***Medium*** Slower growth and increased financial stability risks.	• Target support to viable firms, ease conditions for smooth exit for other firms and support vulnerable households. • Closely monitor asset quality, enhance provisioning, and rebuild capital buffers.
Climate change	***High*** **Downside:** Vietnam is amongst the most vulnerable yet least ready/able to adapt.	***ST, MT***	***High*** By 2100, climate change could severely impact more than 12 percent of the population and reduce growth by 10 percent.	• Address both climate mitigation and adaptation. • Lower the intensity of fossil fuels • Provide stronger incentives through taxation of fossil fuels • Invest in climate resilient infrastructure. • Improve capacity to adapt technological change.

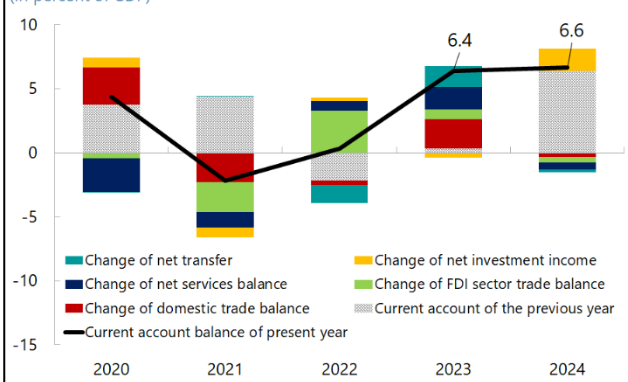
"L" =Low; "M" =Medium; "H" =High. The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Annex IV. External Sector Assessment

Vietnam's external position in 2024 is assessed to be substantially stronger than the level implied by medium-term fundamentals and desirable policies. The current account (CA) registered a surplus of 6.6 percent of GDP in 2024, similar to the 2023 level, as the lower trade surplus was offset by a decline in the investment income deficit. However, the assessment is subject to significant uncertainty given the large errors and omissions in the BOP. The CA has exhibited high volatility especially since the Covid-19 pandemic and is expected to narrow over the medium term. Policies targeted at durably raising the contribution of domestic demand, especially high-quality public and private investment, and reducing precautionary savings, along with structural reforms, would help with the external adjustment and bring the CA back to its norm.

1. **The CA surplus remained broadly stable in 2024 at 6.6 percent of GDP.** As the economy started to recover from the large shocks in 2022-23, both merchandise export and import growth rebounded in 2024 led by electronics. The goods trade surplus narrowed in 2024 as imports, notably those for re-exports, rebounded faster from a lower base due to the larger drop in 2023. However, the trade surplus is still high compared to historical levels, mainly reflecting more resilient exports against the large shocks during 2022-23 while import levels remained relatively constrained by the weaker recovery in domestic demand. At the same time, services payments increased rapidly driven by transportation and travel services, leading to a widened services deficit. The lower trade surplus of goods and services was more than offset by a decline in the investment income deficit by US$6.8 billion, mainly due to lower FDI dividend payouts.

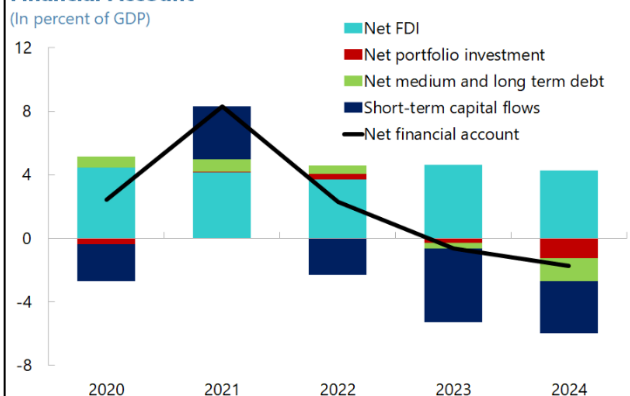
Decomposition of Current Account
(In percent of GDP)



Sources: Vietnamese authorities and IMF staff calculations.

2. **The financial account deficit widened in 2024, driven by increased portfolio outflows and medium- and long-term debt repayment.** Portfolio investment outflows increased sizably compared to previous years, especially in 2024:Q2 and Q4, largely owing to the broad-based strengthening of the U.S. dollar and the interest rate differential. Repayment of medium-and long-term debt continued to outweigh new external borrowing. Net direct investment (DI) inflows continued to be robust due to stronger FDI inflows (of 4.4 percent of GDP) while residents' DI abroad increased after some liquidation in

Financial Account
(In percent of GDP)

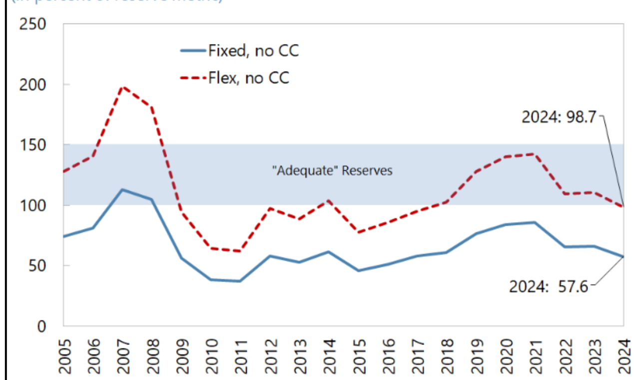


Sources: Vietnamese authorities and IMF staff calculations.

2023. However, unrecorded capital outflows were likely substantial, as reflected in the large errors and omissions (6.9 percent of GDP), given the continued lower interest rates vis-à-vis the U.S.

3. FX reserves decreased by US$9.2 billion in 2024. After a gradual accumulation in 2023, the gross international reserves (GIR) declined to US$83.1 billion by end-2024 following SBV's intervention in the spot market, especially in 2024:Q2 and December amid large FX pressures. This level is equivalent to 2.3 times the level of short-term external debt or 2.5 months of prospective imports. The level also corresponds to 58 percent of the Assessing Reserve Adequacy (ARA) metric under a fixed exchange rate regime or 99 percent under a floating exchange rate regime. Staff assesses the end-2024 reserve level to be moderately below adequacy, as the exchange rate regime moved from stabilized to crawl-like in mid-2023, i.e., in between fixed and floating. Despite the large CA surplus and robust FDI inflows, reserve accumulation remained slow amid increasing capital outflows and large errors and omissions—which increased from US$19 billion in 2023 to US$32 billion in 2024.

Reserve Adequacy Metric, 2005–2024
(In percent of reserve metric)



Sources: Vietnamese authorities and IMF staff estimates.

4. Vietnam's external position in 2024 is assessed to be substantially stronger than warranted by fundamentals and desirable policies; but caution is needed given data shortcomings. Based on the CA model, the CA gap is estimated at 8.2 percent of GDP. The gap mainly reflects the large unexplained factors (8.4 percent of GDP), while policy gaps contributed -0.2 percent of GDP. Specifically, the credit gap from relatively fast credit expansion (compared to the rest of the world) and FXI/capital control gap from FXI to contain the exchange rate depreciation contributed -1.6 percent of GDP, partly offset by a positive fiscal policy gap of 1.4 percent of GDP from less expansionary fiscal policy (compared to the rest of the world). Moreover, the large unexplained factors partly reflect data gaps in the BOP, i.e., the large errors and omissions (6.9 percent of GDP in 2024) and structural factors not accounted for by the model (such as high labor informality and weak social safety nets that lead to precautionary saving).

EBA Model Estimates for 2024 (in percent of GDP) 1/

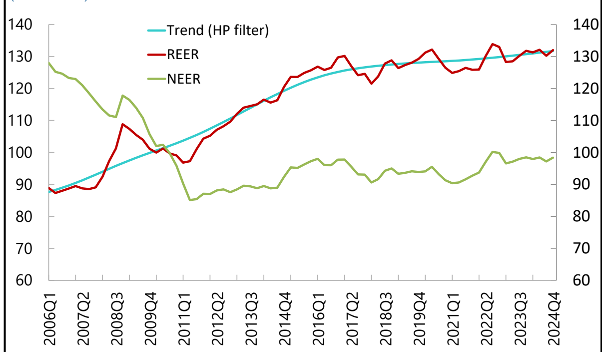
CA model	
CA-Actual	**6.6**
Cyclical contributions (from model) (-)	-0.1
Adjusted CA	**6.7**
CA Norm (from model) 2/	**-1.5**
Standard Error	0.5
CA Gap	**8.2**
o/w relative policy gaps	-0.2
o/w credit gap	-0.9
o/w FXI/capital control gap	-0.7
o/w fiscal policy gap	1.4
REER Gap (in percent)	
CA-implied	**-12.9**
Elasticity	0.64
REER-Index Model	**22.2**
REER-Level Model	**14.6**

1/ Vietnam transitioned from EBA-lite to EBA in 2022.
2/ Cyclically adjusted, including multilateral consistency adjustments.

5. The CA model implies a REER gap with an undervaluation of -12.9 percent, while the EBA REER models indicate an overvaluation of 14.6-22.2 percent. Staff notes the significant uncertainty surrounding the exchange rate assessment. The real effective exchange rate (REER) appreciated by 1.3 percent in 2024. This was mainly due to inflation differentials with respect to key trading partners, while the nominal effective exchange rate (NEER) appreciated by 0.5 percent in 2024. The NEER appreciation in 2024 despite the depreciation of the VND against the US dollar was largely due to the broad-based appreciation of the US dollar against other currencies. From a sequential perspective, both the REER and NEER fluctuated throughout 2024, with the REER ending 0.2-percent stronger relative to the 2023:Q4 level while the NEER depreciating by 0.1 percent at year-end.

Real Effective Exchange Rate, 2006-2024

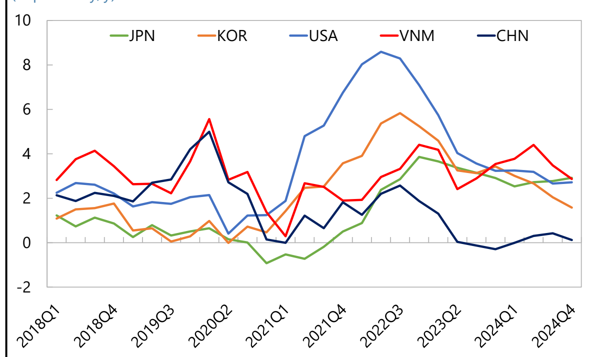
(2010=100)



Sources: INS; and IMF staff calculations.

CPI Inflation of key trading partners

(in percent y/y)

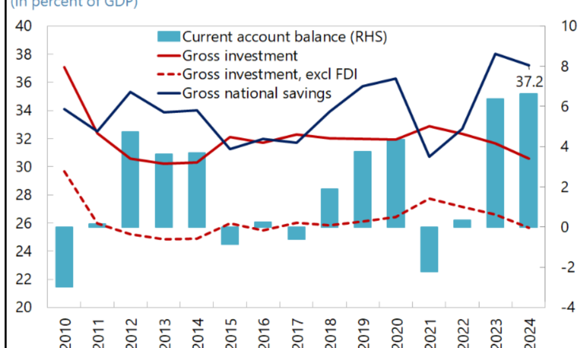


Sources: WEO.

6. The continued large external imbalances mainly reflect the still high savings amid continued declines in investment. From a structural perspective, the large CA surplus in recent years partly reflects the export-oriented growth strategy, which has also led to a rise in national savings. Weak social safety nets and weakened confidence from a serious of large shocks during 2020-23 (Covid, real estate, and financial sector shocks) have also likely contributed to high precautionary savings. On the other hand, investment, in particular non-FDI related investment, has been on a declining trend since 2022 amid the large domestic and external shocks. Policy efforts to boost domestic demand, especially public and private investment, including by accelerating the planned infrastructure projects and removing red tape and bottlenecks for investment, and strengthen social safety nets should help reduce the CA gap.

Savings, Investment and Current Account

(in percent of GDP)



Sources: Vietnamese authorities and IMF staff calculations.

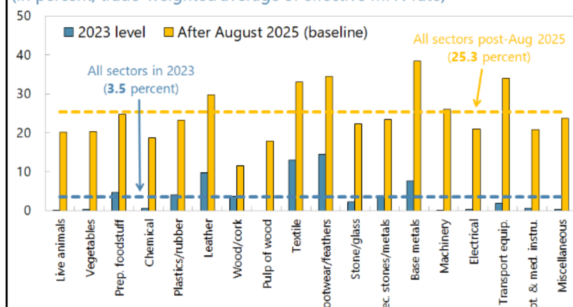
Annex V. Tariffs in the Baseline: Assumptions and Transmission

This annex discusses tariff assumptions and transmission channels to Vietnam in the baseline scenario.

1. **The baseline scenario assumes that the announced U.S. tariffs take effect from August 2025 permanently:** For Vietnam, the 20-percent additional tariff applies to all goods, except sectoral tariffs already effective as of July 25, while the 40-percent additional tariff on "transshipment" goods applies to exports with very low domestic content and hence has minimal impact on Vietnam's GDP growth (if the rules of origin are more stringent, the impact could be large). For other countries, the baseline assumes that the tariffs announced as of July 24 apply. However, considerable uncertainty remains regarding the implementation of the 40-percent tariff on "transshipment" and the sector-specific tariffs. Based on our assumptions, the effective U.S. tariff on all goods from Vietnam is estimated to increase to over 25 percent from below 4 percent. These tariffs could affect Vietnam through trade, investment/financial channels, and lower global growth.

Effective U.S. Tariff on Vietnam

(In percent; trade-weighted average of effective MFN rate)



Sources: WTO; WITS; and IMF staff calculations.

Notes: 2023 exports at the HS 6-digit level are used as the trade weight. The 2023 tariff already incorporates the higher tariffs on steel/aluminum (of 25%) since 2018 according to Section 232. Sectoral tariffs considered for post-August 2025 include 50% on steel/aluminum and household appliances and 25% on auto.

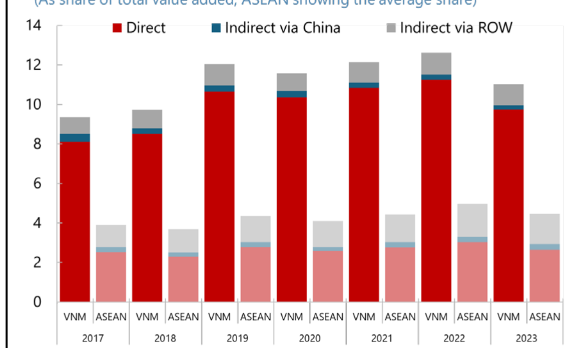
2. **Trade channels:** Tariffs can impact growth directly if applied on Vietnam's exports or indirectly through global value chains (GVCs) if applied on other countries. The direct effect is estimated to dominate in the baseline, assuming limited reallocation effect due to greater scrutiny on goods' origins and continued global trade policy uncertainty.

- *Direct effect* takes place through the large exports to the US, which account for about 30 percent of Vietnam's total exports. About 10 percent of Vietnam's total value added is embedded in such exports to the US—a share that has been rising since 2017 and significantly higher than the ASEAN average.

- *Indirect effect*: Higher U.S. tariffs could reduce Vietnam's exports of intermediate goods to other countries as inputs for their exports to the US. *Trade reallocation* could occur, i.e. higher tariffs imposed on other countries could prompt a shift in US import demand towards

Value Added in Exports to the US

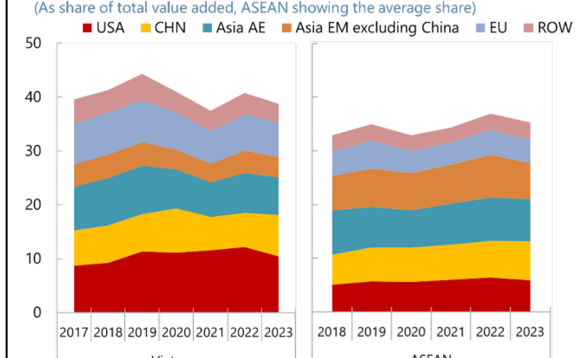
(As share of total value added, ASEAN showing the average share)



Sources: ADB Multi-Region Input-Output Tables and IMF staff calculations.

Value Added in Foreign Final Demand

(As share of total value added, ASEAN showing the average share)



Sources: ADB Multi-Region Input-Output Tables and IMF staff calculations.

Vietnam, which could see a rise in exports to the US—as following the onset of China-US trade tensions around 2018 (Vietnam 2024 Article IV Staff Report).

3. Financial channels: Higher tariffs and resulting lower exports could reduce FDI and other financial inflows and increase exchange rate pressures. Weaker profitability and lower liquidity in the large exporting FDI sector could have negative spillovers to the economy and banking system.

4. Second-round effects could materialize through lower global demand, which would hurt exports to all major markets (US, China, EU), and hit business sentiment and economic activity more broadly. Lower global commodity prices could provide a slight respite to the negative effect. Higher exports to Vietnam from countries that face higher US tariffs could potentially disrupt Vietnam's domestic producers. Reconfiguring supply chains could create temporary supply shortages and limit job creation. The unusually high and persistent trade policy uncertainty could also disrupt trade operations and investment decisions, reducing any potential benefits from trade reallocation.

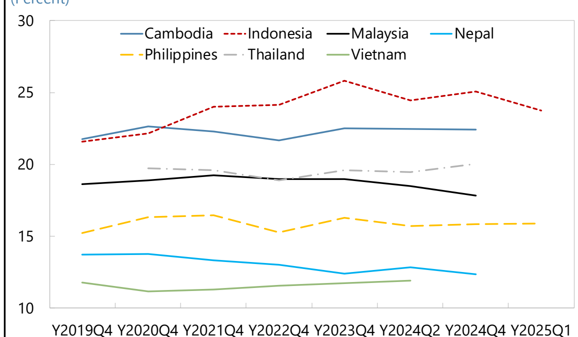
Annex VI. Roadmap for a Macroprudential Toolkit[1]

1. Vietnam's macroprudential toolkit lags significantly behind that of its ASEAN peers, particularly concerning borrower-based tools. Enhancing this toolkit is crucial not only for safeguarding financial stability but also for fostering sustainable economic growth. A well-designed macroprudential framework allows building resilience and proactively addressing systemic risks, such as those stemming from rapid credit expansion or asset price bubbles, thereby mitigating the likelihood and potential severity of financial crises.

2. Strengthening the macroprudential framework provides more efficient and targeted alternatives to blunter instruments like aggregate credit ceilings or targets, which Vietnam has historically relied on. While credit ceilings can temporarily curb credit growth, they often come with significant economic costs and can distort credit allocation. If used or perceived as credit targets to support growth they could lower credit standards and lead to a deterioration in asset quality.

3. Bolstering capital-based macroprudential measures is needed given the relatively thin bank capital buffers. Based on available IMF FSI data covering 112 countries, Vietnam's aggregate Capital Adequacy Ratio ranks among the bottom five and is low relative to ASEAN peers. This low capitalization makes the banking system more vulnerable to adverse shocks. Besides, Vietnamese banks generally apply Basel II standards, which have a less stringent definition of capital than Basel III, thereby offering less shock absorption capacity. Proactively using macroprudential tools to build additional capital and liquidity buffers could enhance the resilience of the financial sector and its capacity to support the economy, while avoiding costly fiscal support.

Capital Adequacy Ratio
(Percent)



Sources: FSI database and IMF staff calculations.

4. As emphasized in the recent FSSR, strengthening the institutional framework would help to clarify SBV's financial stability mandate, enhance its capacity and readiness to take action, and ensure effective coordination among relevant authorities. Other areas include:

- Strengthening the systemic risk monitoring framework by enhancing data collection and introducing appropriate indicators to effectively identify, measure, and monitor systemic risk—leveraging stress test results;
- Considering adopting a phased approach to expand the toolkit, starting with broad-based capital measures (e.g., capital conservation buffer, countercyclical capital buffer, and systemic institutions surcharge) to increase resilience and household-focused tools (e.g., loan-to-value or

[1] Prepared by Salim Dehmej.

debt-service-to-income limits) to contain excessive exposures, particularly in the real estate sector; and

- Publishing Financial Stability Reports regularly to strengthen public communication, transparency, and accountability regarding systemic risks and policy actions.

Annex VI. Table 1. Vietnam: Macroprudential Tools: Comparison among ASEAN Peers

Tools\Countries	Cambodia	Indonesia	Lao P.D.R.	Malaysia	Philippines	Singapore	Thailand	Vietnam
Broad-Based								
Countercyclical capital buffer	yes	yes	no	yes	yes	yes	no	no
Positive CCyB	no	no	no	no	no	no	no	no
Capital conservation buffer	yes	yes	no	yes	yes	yes	yes	no
Limit on leverage ratio	no	yes	no	yes	yes	yes	no	no
Cap on credit growth	no	no	no	no	no	no	no	yes
Household Sector								
Household sector capital requirements	no	no	no	yes	no	no	yes	yes
Cap on loan-to-value ratio	no	yes	no	yes	yes	yes	yes	no
Cap on loan-to-income ratio	no	no	no	no	no	no	yes	no
Cap on debt-service-to-income ratio	no	no	no	yes	no	yes	no	no
Restrictions on unsecured loans	no	no	no	yes	no	yes	yes	no
Corporate Sector								
Corporate sector capital requirements	no	no	no	no	no	no	no	yes
Cap on LTV ratio for CRE	no	no	no	no	yes	no	no	no
Liquidity								
Liquidity Coverage Ratio	yes	yes	no	yes	yes	yes	yes	yes
Net Stable Funding Ratio	no	yes	no	yes	yes	yes	yes	no
Reserve requirements for macroprudential purposes	yes	yes	no	no	yes	no	no	no
Loan-to-deposit ratio	no	no	no	no	no	no	no	yes
Limits on foreign exchange positions	yes	yes	yes	no	yes	no	yes	yes
Structural Risks								
Capital surcharges for systemically important institutions	yes	yes	no	yes	yes	yes	yes	no
Limits on the size of exposures between financial institutions	no	yes	yes	no	no	yes	no	yes

Sources: IMF Macroprudential survey database.

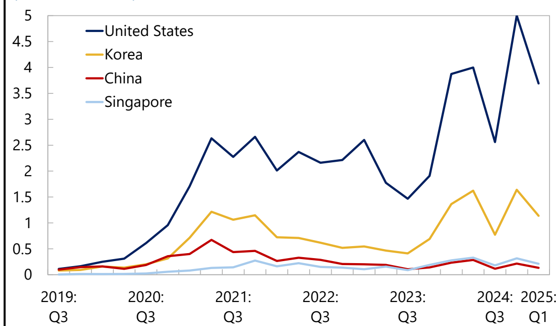
Annex VII. Crypto Assets in Vietnam[1]

Vietnam ranks among the top countries in terms of crypto asset adoption. Improving data collection would help understand the impact of unrecorded crypto asset transactions on Vietnam's external accounts and enhance monitoring of risks and vulnerabilities.

1. Vietnam does not recognize crypto assets as a means of payment or unit of account but trading is not explicitly banned. Vietnamese residents trade and invest in crypto assets through global exchanges, but no official data have been collected to estimate the size of transactions.[2] Crypto asset usage was ranked 5th globally (Chainalysis, 2024). The government passed laws (effective from 2026) to recognize digital assets and develop a regulatory framework.

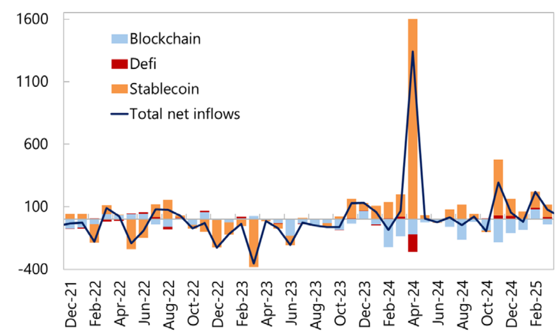
2. Crypto asset flows into and out of Vietnam have increased rapidly, with gross flows of *on-chain* crypto asset transactions amounting to US$173 billion in 2024 (38 percent of GDP).[3] The main counterparts of cross-border transactions in Vietnam are in the U.S. and Korea. Bitcoin, stablecoins, and tokens issued in blockchains dominate. Total gross inflows and outflows of stablecoins—which are often used to enter/exit Bitcoin and other token purchases or as a store of value—amounted to US$54 billion and US$52 billion in 2024, up from US$5 billion in 2020. Relatively large net outflows of stablecoins (US$0.9 billion) occurred after the domestic financial turmoil in 2022, while large net inflows of stablecoins (US$1.6 billion) occurred in April 2024 during the repricing of future U.S. interest rate cuts.

Crypto Assets Inflows, Main Counterparts
(In billions of USD)



Sources: Chainalysis, and IMF staff calculations.
Note: Data covers direct and indirect transactions based on Chainalysis country flows data.

Net Crypto Asset Inflows by Asset Type
(In USD million)



Sources: Chainalysis and IMF staff calculations.

Share of Top 5 Crypto Assets in Total Transactions in 2025:Q1

Crypto Asset		Inflows	Outflows	Type
Tether	(usdt)	34%	34%	stablecoin
Bitcoin	(btc)	26%	26%	blockchain
USD Coin	(usdc)	20%	18%	stablecoin
Ethereum	(eth)	10%	11%	blockchain
Total		**90%**	**89%**	

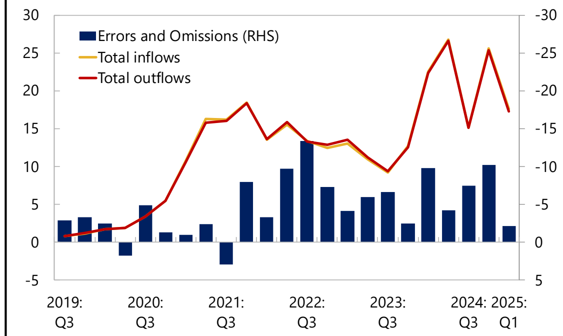
[1] Prepared by Rita Mesias, Tatjana Schulze, Salim Dehmej, Fei Han, and Liangliang Zhu.

[2] This Annex's analysis relies on estimated cross-border on-chain crypto asset transactions by Chainalysis, i.e., transactions executed on the blockchain. Chainalysis' aggregation method is not aligned with the international statistical recommendations of residence and economic ownership.

[3] While estimates of *off-chain* transactions in Vietnam are not available, globally they could be relatively small compared to *on-chain* transactions (Cerutti *et al.*, 2024).

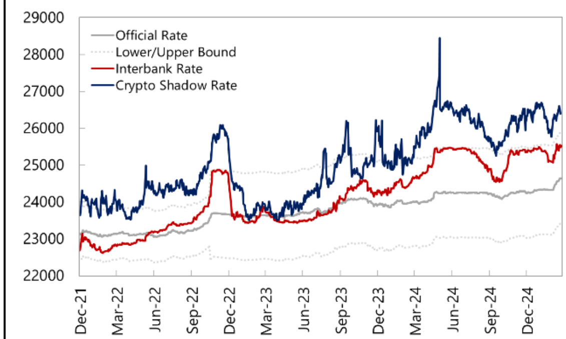
3. The large increase in Vietnam's errors and omissions (E&Os) in the BOP may be partly related to the rise in unrecorded crypto transactions, with E&Os increasing from less than US$10 billion before 2022 to averaging US$28 billion during 2022-24. Capital flows and E&Os in the BOP and estimated cross-border crypto assets flows are not directly comparable given methodological differences; yet recent trends suggest some comovement.[4] Globally, crypto asset transactions may increasingly serve as a vehicle to exploit profitable global trades that arise due to high domestic FX demand and restrictions on international transactions (Graf von Luckner *et al.*, 2023, 2024). Investors could make a profit from the crypto FX premium—the price of crypto assets observed in local currency relative to the price in the global market. Available data suggests the crypto FX premium may have been elevated in Vietnam in recent years.[5] If such unregulated profit opportunities were systematically exploited by market participants, they could facilitate unrecorded FX outflows, adding pressure on the exchange rate.

Gross and Net Crypto Inflows and Outflows and E&Os
(In billions of USD)



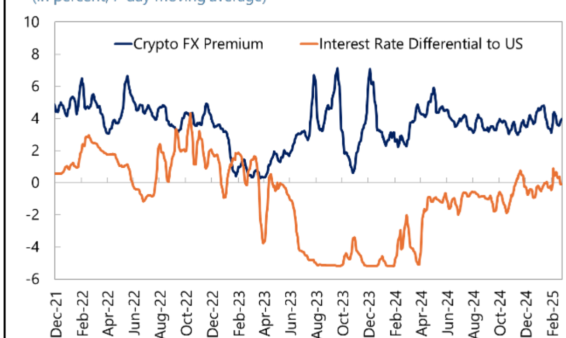
Sources: Chainalysis and IMF staff calculations.

Crypto-Based Parallel Exchange Rate in Vietnam
(In VND/USD)



Sources: Binance; Graf von Luckner, Koepke & Sgherri (2023); IMF staff calculations.

Crypto FX Premium
(In percent, 7-day moving average)



Sources: Binance; Graf von Luckner, Koepke & Sgherri (2023); IMF staff calculations.

4. Cross-border flows through crypto assets may not be properly recorded in the BOP.

- Cross-border flows like payments for imports/exports of goods using crypto assets may not be recorded: (1) in the financial account, for *crypto assets with a corresponding liability*, or (2) in the capital account, for *crypto assets without a corresponding liability*, while such imports/exports would be recorded in the current account. In the services account, some additional transactions may be omitted, e.g., financial services for stocks and crypto exchange services, and computer and information services for validation of crypto asset transactions.
- Cross-border flows like purchases of *crypto assets without a corresponding liability* as an investment may not be recorded as credits/revenues for the selling country and

[4] *Gross* crypto asset inflows generated by a non-resident purchasing crypto assets from a resident are not equivalent to capital inflows in the BOP which measure *net* changes in non-residents' holdings of domestic assets.

[5] Since no centralized exchanges exist in Vietnam, the data is sourced from P2P buy and sell offers from Binance, which represents only a subset of recorded crypto transactions (¶2).

debits/expenditures for the purchasing country in the capital account. In the financial account, cross-border flows like acquisition of *crypto assets with a corresponding liability* with paid cash or other financial instruments are not recorded. Crypto asset lending could also lead to inadequate coverage of cross-border financial activities and further add to the E&Os.

5. **A phased approach of recording crypto assets transactions in the BOP** could involve establishing a well-defined framework for data collection on crypto assets by (i) outlining the data collection timeframe and frequency, data reporting templates,[6] and compilation guidelines; and (ii) exploring alternative data sources, such as blockchain analytics, transaction data analysis, and partnerships with relevant industry players. Collaborations with regulatory bodies and private stakeholders could focus on regulations that mandate data requirements for crypto assets.

6. **For an open economy like Vietnam, the risks are multifaceted.** The lack of a comprehensive legal and supervisory framework exposes the large retail investor base to a risk of widespread fraud and operational failures by exchanges or platforms with limited legal recourse and creates opportunities for illicit capital flows or financial activities. Also, widespread use of crypto assets in lieu of the domestic currency can undermine monetary sovereignty, monetary policy, and capital flow management, and heighten fiscal, financial stability (banking disintermediation), and operational risks.

7. **The authorities are taking steps to develop regulations; a comprehensive, consistent, and globally coordinated approach would be useful (IMF, 2023).** Recent initiatives include introducing a new legal framework—the Law on Digital Technology Industry—to regulate the market, and preparing a pilot program to license crypto-asset service providers. A type of sandbox for fintech is also under development. International coordination could focus on establishing legal certainty for crypto assets and developing robust prudential, conduct, and oversight requirements for all crypto market actors, adhering to the principle of "same activity, same risk, same regulation." It would also be useful to implement strong AML/CFT measures, analyze and disclose fiscal risks associated with crypto assets, and maintain the effectiveness of capital flow management measures.

[6] Under the G-20 Data Gap Initiative on digital money, data templates have been produced to test the collection of crypto assets data, including stablecoins, from custodians (see G20 DGI Recommendations).

Annex VIII. Debt Sustainability Analysis

Annex VIII. Figure 1. Vietnam: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Low	The overall risk of sovereign stress is low, reflecting low levels of vulnerability in the near to medium term and a low to moderate level of vulnerability in the long term.
Near term 1/			
Medium term	Low	Low	Medium-term risks are assessed as low, in line with the mechanical signal, reflecting a stable fiscal outlook, contained gross financing needs, and declining public debt while remaining well below the ceiling. The Fanchart analysis suggests that projections under the baseline are reasonable and public debt will remain low and stable. GFN analysis indicates that financing needs remain contained and stable. Tighter global financial conditions and higher global uncertainty pose risks that could weigh on economic activities and worsen public debt dynamics.
Fanchart	Moderate	...	
GFN	Low	...	
Stress test	...	...	
Long term	...	Moderate	Long-term risks are low to moderate as aging-related expenditures on health and pension as well as climate-related spending feed into debt dynamics, which will increase debt and GFNs without policy actions. Aware of these risks, the government are pursuing reforms to strengthen fiscal management, enhance revenue mobilization, and incentivize private sector investment.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Vietnam is at a low overall risk of sovereign stress. Under the baseline, public debt is projected to remain stable and gradually decline over the medium to long term. Medium-term risks are assessed as low reflecting a relatively stable fiscal outlook, contained gross financing needs, and gradually declining public debt which remains well below the ceiling at 60 percent of GDP. However, the outlook and assessment are subject to unusually high uncertainty. Meanwhile, the authorities are planning to scale up public investment, which is not incorporated in the baseline as the plan is still being developed. Heightened uncertainty, the scaling up of public investment, and rising spending pressures from aging and climate change underscore the importance of strengthening risk-based fiscal frameworks, enhancing revenue mobilization, deepening the sovereign debt market, and improving debt management institutions.

Sources: Fund staff.

Notes: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Annex VIII. Figure 2. Vietnam: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	

2. Subsectors included in the chosen coverage in (1) above:

					Subsectors captured in the baseline	Inclusion	Comments
CPS	NFPS	GG: expected	CG	1	Budgetary central government	Yes	
				2	Extra budgetary funds (EBFs)	No	Not applicable
				3	Social security funds (SSFs)	No	(see commentary below)
				4	State governments	Yes	
				5	Local governments	Yes	
				6	Public nonfinancial corporations	No	
				7	Central bank	No	
				8	Other public financial corporations	No	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/

4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

5. Debt consolidation across sectors:	Consolidated	Non-consolidated

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on intra-government debt holdings

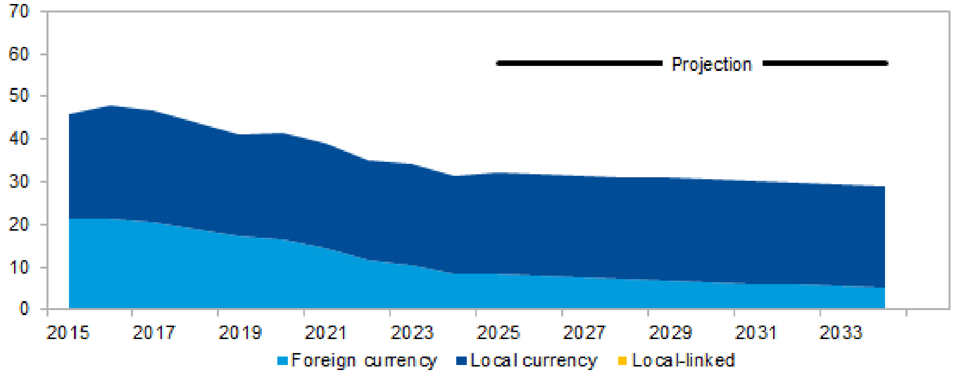
					Holder / Issuer	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS	NFPS	GG: expected	CG	1	Budget. central gov									0
				2	Extra-budget. funds									0
				3	Social security fund									0
				4	State govt.									0
				5	Local govt.									0
				6	Nonfin pub. corp.									0
				7	Central bank									0
				8	Oth. pub. fin. corp									0
					Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: Public debt held by the Vietnam Social Security (VSS) is included in Vietnam's definition of public debt. With cross-debt holdings of about 10 percent of GDP, netting it out would reduce public debt by the same amount.

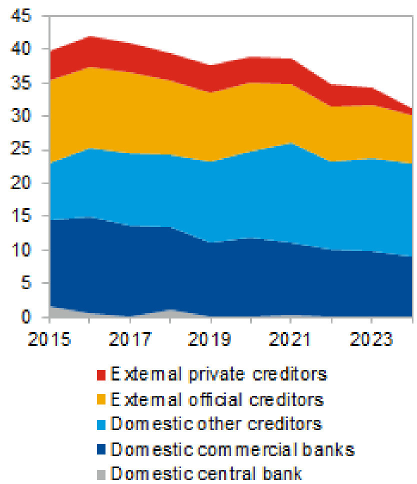
Annex VIII. Figure 3. Vietnam: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



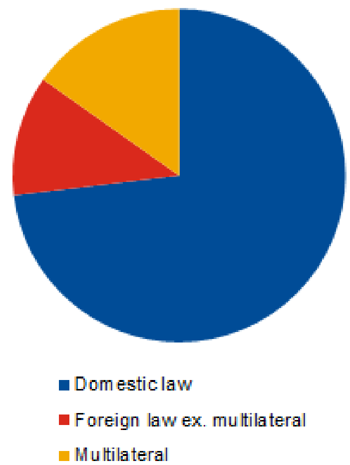
Notes: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



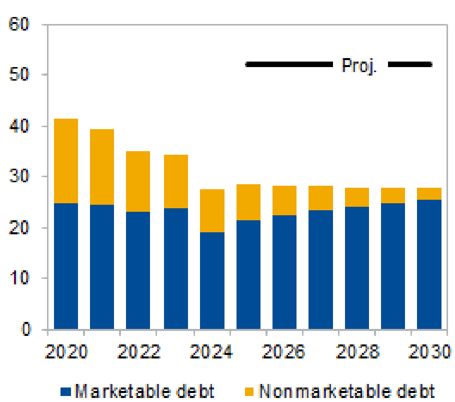
Notes: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (Percent)



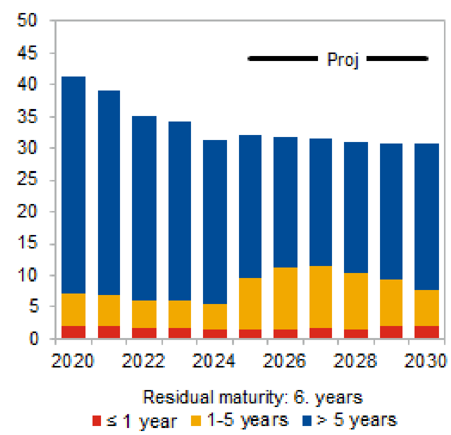
Notes: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Notes: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Notes: The perimeter shown is general government.

Commentary: Debt has been increasingly held by domestic commercial banks and nonbank financial institutions. The share of foreign currency debt is projected to decline as the government favors domestic financing for the budget, with gradual decline of nonmarketable debt.

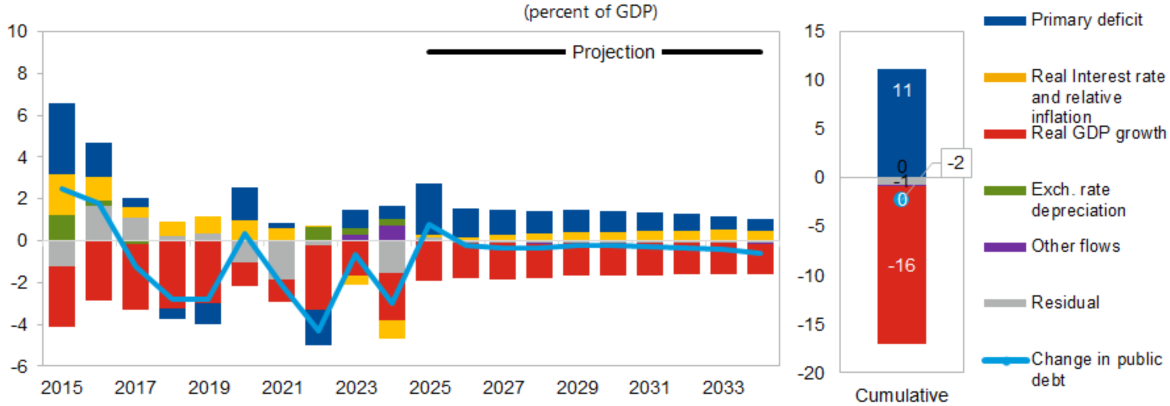
Annex VIII. Figure 4. Vietnam: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	31.3	32.0	31.8	31.5	31.1	30.8	30.6	30.3	30.0	29.5	28.9
Change in public debt	-3.0	0.8	-0.2	-0.4	-0.4	-0.2	-0.2	-0.3	-0.4	-0.4	-0.6
Contribution of identified flows	-1.5	0.6	-0.2	-0.3	-0.3	-0.1	-0.1	-0.2	-0.3	-0.4	-0.5
Primary deficit	0.6	2.4	1.4	1.2	1.1	1.0	1.0	0.9	0.8	0.7	0.5
Noninterest revenues	17.6	18.4	17.7	17.8	18.0	18.0	18.0	18.0	18.0	18.1	18.1
Noninterest expenditures	18.2	20.8	19.1	19.0	19.1	19.0	19.0	18.9	18.8	18.7	18.6
Automatic debt dynamics	-2.8	-1.7	-1.5	-1.5	-1.3	-1.2	-1.1	-1.1	-1.0	-1.0	-1.0
Real interest rate and relative inflation	-0.9	0.2	0.2	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.5
Real interest rate	-1.3	-0.1	-0.1	0.1	0.1	0.2	0.3	0.3	0.3	0.4	0.3
Relative inflation	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Real growth rate	-2.3	-1.9	-1.7	-1.7	-1.7	-1.6	-1.6	-1.5	-1.5	-1.5	-1.5
Real exchange rate	0.3	…	…	…	…	…	…	…	…	…	…
Other identified flows	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-1.5	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Gross financing needs	3.5	4.9	3.8	3.7	3.9	3.8	4.4	4.3	4.1	3.0	2.9
of which: debt service	2.9	2.5	2.4	2.5	2.8	2.7	3.4	3.4	3.3	2.4	2.4
Local currency	2.2	1.6	1.7	1.8	2.2	2.2	2.9	2.9	2.9	2.0	2.0
Foreign currency	0.6	0.9	0.7	0.6	0.6	0.6	0.5	0.5	0.4	0.4	0.4
Memo:											
Real GDP growth (percent)	7.1	6.5	5.6	5.8	5.6	5.3	5.3	5.3	5.3	5.3	5.3
Inflation (GDP deflator; percent)	4.2	3.3	3.6	3.0	2.8	2.7	2.7	2.7	2.7	2.7	2.7
Nominal GDP growth (percent)	11.5	10.0	9.4	8.9	8.6	8.1	8.1	8.1	8.1	8.1	8.1
Effective interest rate (percent)	0.0	3.0	3.2	3.2	3.3	3.4	3.6	3.7	3.9	4.0	3.9

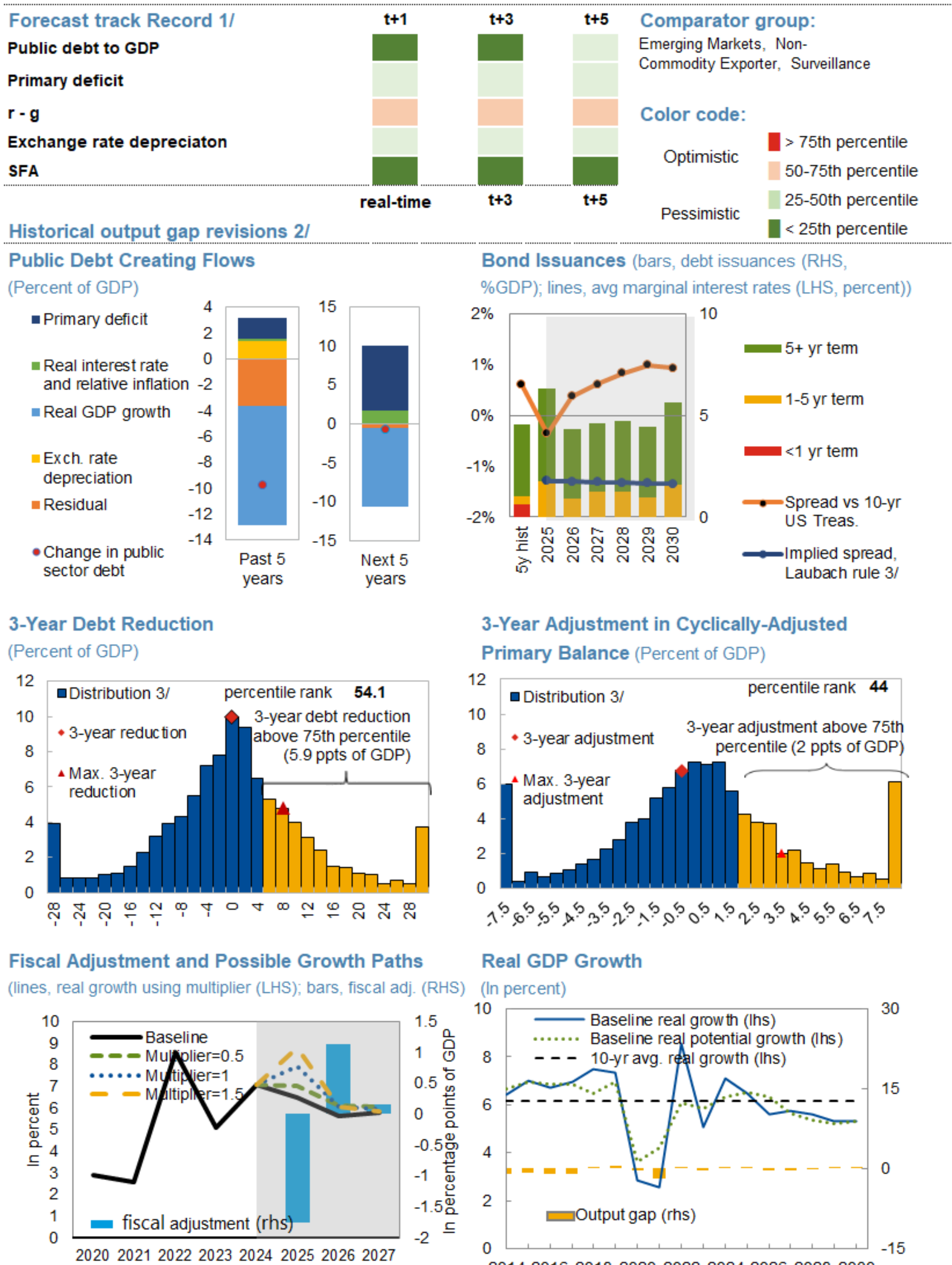
Contribution to Change in Public Debt

(percent of GDP)



Commentary: In the baseline which does not incorporate the authorities' plan to scale up public investment, public debt is projected to remain stable and gradually decline over the medium to long term, except for a temporary increase in 2025—mainly driven by higher expenditure reflecting higher public investment and one-off factors. The main driver of the downward debt trajectory is the positive growth-interest rate differential, which is partly offset by moderate primary deficits. GFNs are projected to remain low and stable.

Annex VIII. Figure 5. Vietnam: Realism of Baseline Assumptions



Commentary: Realism analysis does not point to major concerns as past forecasts appear to be conservative and the projections are well within norms. The primary deficit is projected to contribute more to debt creation in the next five years given lower revenues and higher public investment.

Sources: IMF Staff.

1/ Projections made in the October and April WEO vintage.

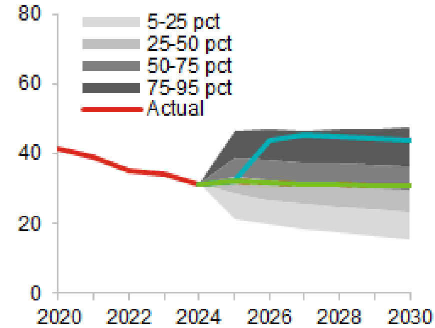
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates and final estimates in the latest October WEO) in the total distribution of revisions across the data sample.

3/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Annex VIII. Figure 6. Vietnam: Medium-Term Risk Assessment

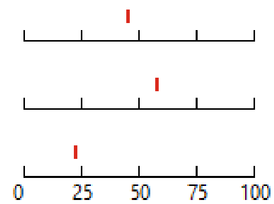
	Value	Contrib [1/]	Percentile in peer group [2/]

Final Fanchart (Percent of GDP)

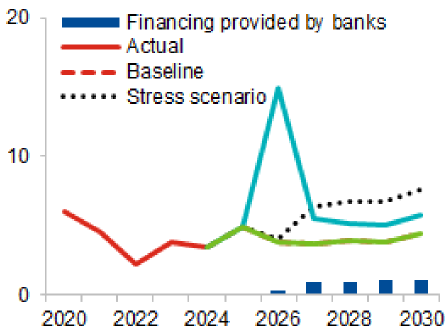


Debt fanchart module

	Value	Contrib	
Fanchart width *(percent of GDP)*	32.1	0.5	
Probability of debt non stabilizaiton *(percent)*	32.1	0.3	
Terminal debt-to-GDP x institutions index	18.5	0.4	
Debt fanchart index (DFI)		1.1	
Risk signal: [3/]		Moderate	

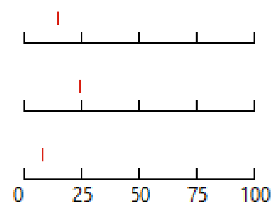


Gross Financing Needs (Percent of GDP)



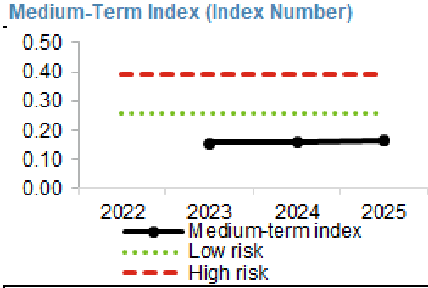
Gross financing needs (GFN) module

	Value	Contrib	
Average baseline GFN *(percent of GDP)*	4.1	1.4	
Banks' claims on the general govt *(pct bank assets)*	6.4	2.1	
Chg. In banks' claims in stress *(pct banks' assets)*	2.1	0.7	
GFN financeability index (GFI)		4.2	
Risk signal: [4/]		Low	



Banking crisis   Commodity prices   Exchange rate   Contingent liab.   Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Weight	Contribution
Debt fanchart index (normalized)	0.3	0.5	0.1
GFN finaceability index (normalized)	0.1	0.5	0.0
Medium-term index	0.2		
Risk signal: 5/	Low		
Final assessment:	Low		

Prob. of missed crisis, 2025-2030, if stress not predicted: 9.1 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 62.5 pct.

Commentary: According to the debt Fanchart and GFN modules, public debt and gross financing needs remain low and stable over the medium term under the baseline. The medium-term index points to low risk. The stress scenario for FX depreciation does not change these results as the share of FX debt is relatively small. Under the standardized banking crisis stress scenario with first-round fiscal cost of bank crisis resolution calibrated as 10 percent of GDP and second-round effect on reducing economic growth and inflation and increasing interest rates, GFNs would increase by more than 10 percent of GDP, and stay at a higher level than the baseline over the medium term (by about 1.5 percent of GDP).

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, non-commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

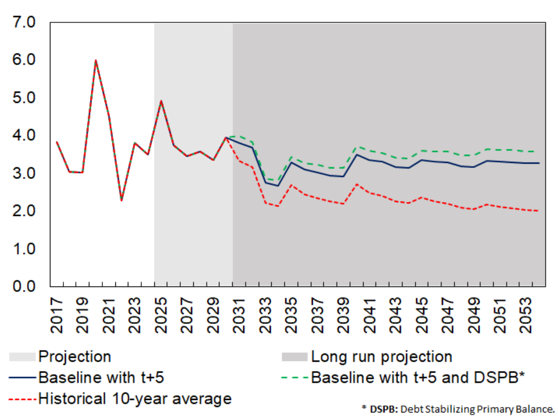
Annex VIII. Figure 7. Vietnam: Long-Term Risk Analysis

Large Amortization Trigger

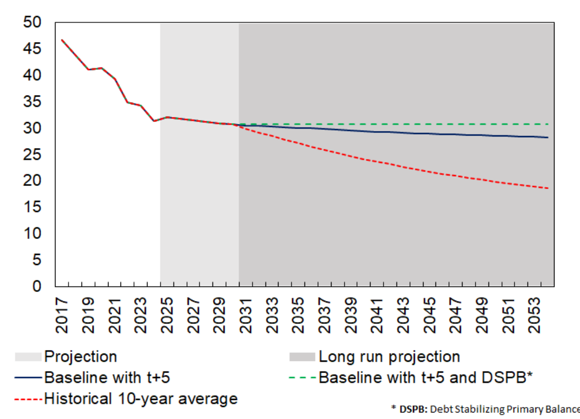
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Overall Risk Indication		

Alternative Baseline Long-term Projections

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



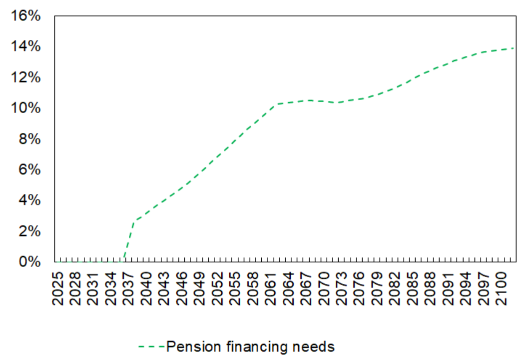
Commentary: Public debt is expected to remain low and gradually decline over the long term. The "Historical 10-year average" scenario shows lower gross financing needs and public debt because deficits have been smaller in recent years but are expected to widen given lower revenues and higher public investment.

Annex VIII. Figure 7. Vietnam: Long-Term Risk Analysis (Continued)

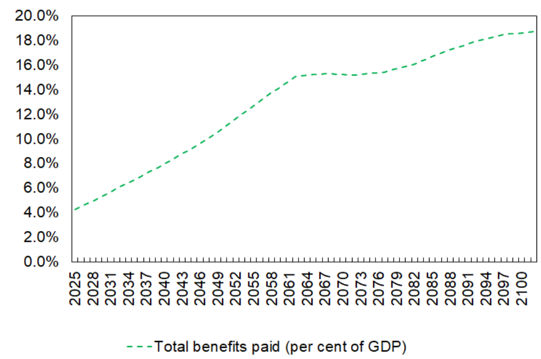
Demographics: Pension

Permanent adjustment needed in the pension system (pp of GDP per year)	To keep pension assets positive for:		
	30 years	50 years	Until 2100
	3.39%	6.99%	9.94%

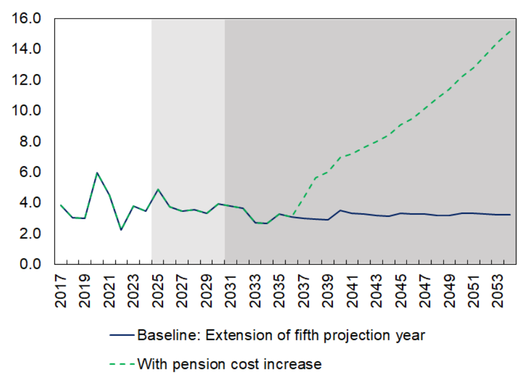
Pension Financing Needs



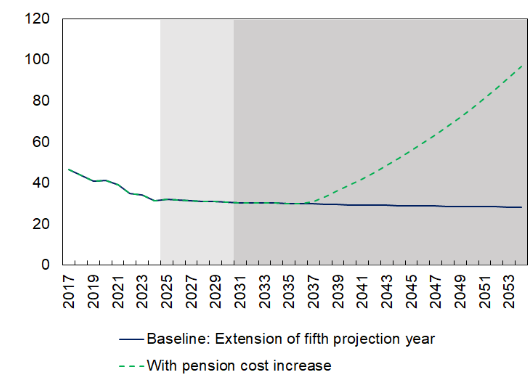
Total Benefits Paid



GFN-to-GDP Ratio



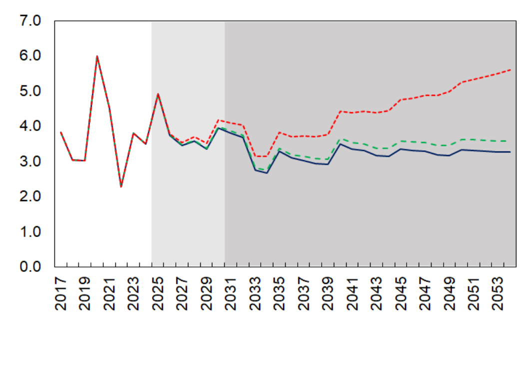
Total Public Debt-to-GDP Ratio



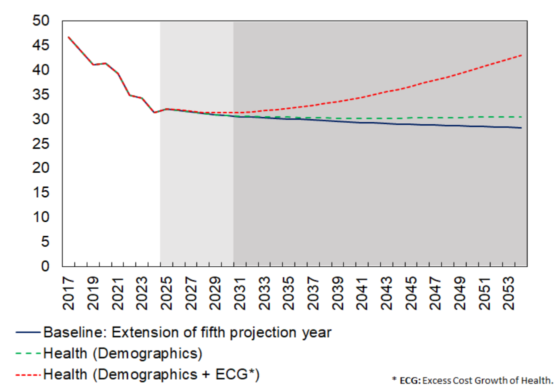
Commentary: Population aging is expected to increase pension costs significantly after 2035 in the absence of reforms. The government is aware of the pressure from population aging and is pursuing reforms to strengthen fiscal management, improve spending efficiency, and enhance revenue mobilization to address the challenge.

Demographics: Health

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio

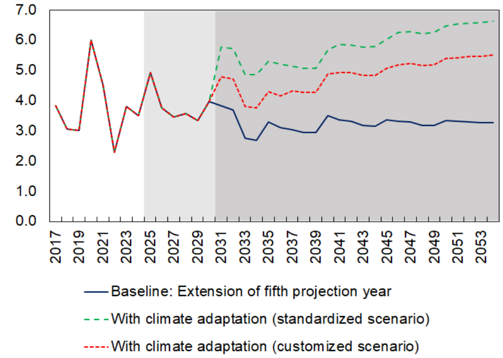


Commentary: Health spending needs are rising in the long term along with population aging. Enhancing revenue mobilization and improving spending efficiency would help address the rising health spending needs.

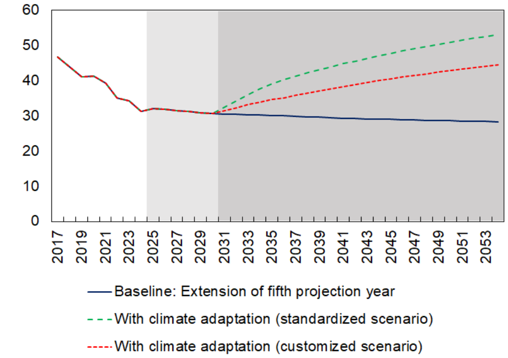
Annex VIII. Figure 7. Vietnam: Long-Term Risk Analysis (Continued)

Climate Change: Adaptation

GFN-to-GDP Ratio



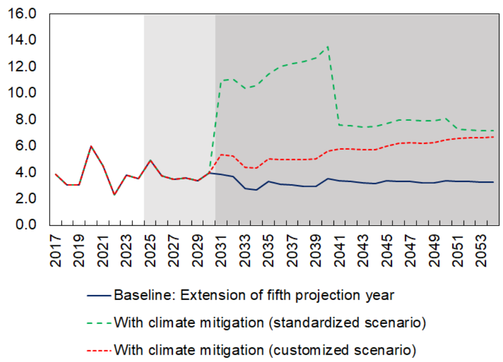
Total Public Debt-to-GDP Ratio



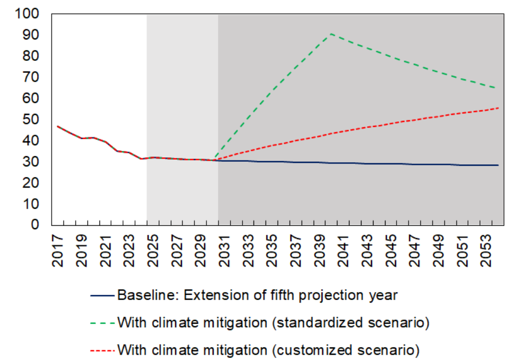
Commentary: Investments to address climate adaptation will increase the long-term financing needs. However, the government's planned ETS—with a pilot scheduled to start in June 2025 and full implementation by 2029—is expected to generate significant revenues. It is estimated to range from 1.4 to 6.9 percent of GDP (2023 Article IV Staff Report), which could be used to finance climate adaptation.

Climate Change: Mitigation

GFN-to-GDP Ratio



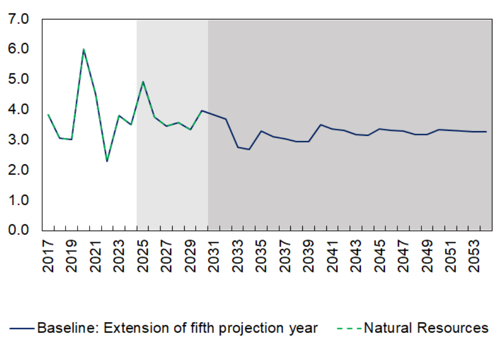
Total Public Debt-to-GDP Ratio



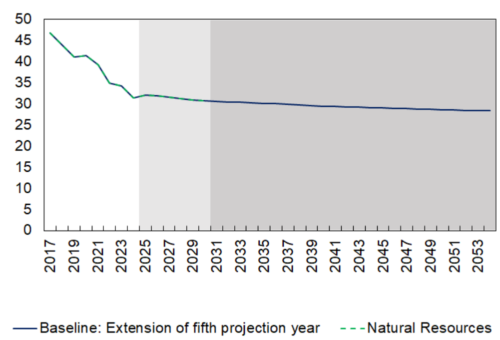
Commentary: In the absence of measures, the mitigation spending needs are high in the standardized scenario. However, the government's planned ETS—with a pilot scheduled to start in June 2025 and full implementation by 2029—is expected to generate significant revenues. It is estimated to range from 1.4 to 6.9 percent of GDP (2023 Article IV Staff Report), which could be used to facilitate shifting towards renewable energy. In addition, the amended electricity law represents a major step towards liberalizing Vietnam's electricity sector, and the revised National Power Development Plan VIII would guide the national energy strategy, both aiming at incentivizing private investment to facilitate green transition.

Natural Resources

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



Commentary: Vietnam is an oil producer. In the absence of new discoveries, the exhaustion of the oil reserves in the long run would have negative impacts on the GFN and public debt. However, given the small contribution of the natural resource sector to GDP , the sector's influence on public debt is small.

Annex IX: Data Issues

Annex IX. Figure 1. Vietnam: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	A	A	C	D	C	B	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	A	A	B	D	B		
Granularity 3/	B		C	C	C		
			C		C		
Consistency			C	D		B	
Frequency and Timeliness	A	A	D	A	D		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).

3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Overall, there are some shortcomings in the data that somewhat hamper surveillance, mainly in government finance statistics (GFS) and monetary and financial statistics (MFS). But there are serious shortcomings in external sector statistics (ESS) and Financial Soundness Indicators (FSIs) that significantly hamper surveillance. On ESS, the large errors and omissions in the balance of payments (BOP) and lack of international investment position (IIP) significantly hamper the ability to assess the external position. On the government finance statistics (GFS), the lengthy delay in publication of final version of fiscal accounts, significant revisions, and lack of spending and financing details, make it difficult to assess the fiscal position in a timely manner. The weaknesses in the fiscal data also constrain the ability to estimate GDP. On MFS, there are issues regarding the frequency and granularity of financial sector data, including the significant delays in compiling and disseminating the FSIs that hamper surveillance work. As such, staff also resorted to other public data sources, such as financial reports of banks, to assess financial stability dynamics in a timely manner to complement the official statistics. Other weaknesses include the lack of granular expenditure components of national accounts (NA), need to publish the rebased GDP to account for structural changes in the economy since 2010, need to improve quarterly NA (in particular, correcting for seasonality in quarterly GDP), and a property price index and related real-estate indicators. Additional information about data weaknesses is included in the Annex VIII of the 2024 Article IV Staff Report.

Changes since the last Article IV consultation. The authorities have requested technical assistance (TA) on the ESS, MFS, NA, and prices statistics. SBV has initiated efforts to strengthen the institutional framework for macroeconomic statistics and will receive an ESS TA to update the Decree 16 on BOP management; to assist them in developing the international investment position (IIP), and to identify main sources of errors and omissions in the BOP. SBV has revised its FSIs compilation procedures and resumed reporting FSIs in March 2025 in line with the *2019 FSIs Guide* (data till 2024Q2) and plans to provide timely FSI data (i.e., with a lag of 30 days after the reference date) in the future. A MFS TA mission, currently planned for August 2025, will review source data for MFS compilation and facilitate the adoption of the *2016 MFS Manual and Compilation Guide* standards, which requires the use of SRFs for data reporting. The Treasury and Budget Management Information System (TABMIS) is in operation currently, an important first step towards compiling cash budget execution data that will be useful for compiling GFS in a timely and comprehensive manner. MOF is working to shorten the publication lag of final fiscal accounts to 12 months (from 18 months), with the TA in GFS. NSO has prepared a preliminary survey template to collect e-commerce data and is planning to finalize the rebasing of NA starting from 2026. TA was also provided to develop residential property price index using data available in the National Department of Taxation.

Corrective actions and capacity development priorities. Corrective actions in the ESS include identifying and reducing errors and omissions and compiling the Reserve Template and IIP, which are major hurdles in progressing to SDDS, can help provide important data for surveillance work. Corrective actions in FSIs include aligning the production of these indicators to international standards and improving the frequency and timeliness of their dissemination. Changes in the legal and institutional frameworks such as updating the macroeconomic statistics laws and statistical methods and procedures to be aligned to international statistical standards, increasing staff and IT resources for data production, and improving intra- and inter-institutional coordination for data production, are essential. Key capacity development priorities are to improve macroeconomic statistics with TA on GFS, MFS, NA, and ESS continuing to provide support.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff do not use data and/or estimates different from official statistics.

Other data gaps. There is a large informal economy and its activities are not tracked properly. E-commerce has been growing fast, and the authorities have requested TA on improving compliance in the e-commerce sector. Further, there is no nationawide data on job vacancies; the authorities have been receiving TA from official development partners on extracting such data from commercial sources.

Annex IX. Figure 2. Vietnam: Data Standards Initiatives

Vietnam participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since July 2019.

Annex IX. Figure 3. Vietnam: Table of Common Indicators Required for Surveillance

As of July 25, 2025

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Vietnam[8]	Expected Timeliness[6,7]	Vietnam[8]
Exchange Rates	7/24/2025	7/25/2025	D	D	D	M	...	1W
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Apr-2025	6/16/2025	M	M	M	...	1M	...
Reserve/Base Money	May-2025	7/21/2025	M	M	M	...	2M	...
Broad Money	May-2025	7/21/2025	M	I	M	...	1Q	...
Central Bank Balance Sheet	May-2025	7/21/2025	M	I	M	...	2M	...
Consolidated Balance Sheet of the Banking System	May-2025	7/21/2025	M	I	M	...	1Q	...
Interest Rates[2]	7/23/2025	7/25/2025	D	D	M	M	...	1W
Consumer Price Index	Jun-2025	7/7/2025	M	M	M	M	2M	36D
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	2025Q2	7/22/2025	Q	Q	A	Q	3Q	1M
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	2025Q2	7/22/2025	Q	Q	Q	...	1Q	...
Stocks of Central Government and Central Government-Guaranteed Debt[5]	2024	12/11/2024	A	A	Q	SA	2Q	2Q
External Current Account Balance	2025Q1	6/17/2025	Q	Q	Q	Q	1Q	3M
Exports and Imports of Goods and Services	Jun-2025	7/7/2025	M	M	M	M	12W	1M
GDP/GNP	2025Q2	7/8/2025	Q	Q	Q	Q	1Q	1Q
Gross External Debt	2025Q1	6/21/2025	Q	I	Q	SA	2Q	2Q
International Investment Position	NA	NA	NA	NA	A	...	3Q	...

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.
[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.
[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.
[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

INTERNATIONAL MONETARY FUND

VIETNAM

August 20, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

Asia and Pacific Department
(In consultation with other departments)

CONTENTS

FUND RELATIONS

(As of June 30, 2025)

Membership Status

Joined: September 21, 1956.

General Resources Account

	SDR Million	Percent of Quota
Quota	1,153.10	100.00
Fund holdings of currency	1,153.10	100.00
Reserve position in Fund	0.01	0.00

SDR Department

	SDR Million	Percent Allocation
Net cumulative allocation	1,419.99	100.00
Holdings	1,432.15	100.86

Outstanding Purchases and Loans: None

Latest Financial Arrangements

In millions of SDRs

Type	Date of Arrangement	Expiration Date	Amount Approved	Amount Drawn
ECF[1]	04/13/2001	04/12/2004	290.00	124.20
ECF[1]	11/11/1994	11/10/1997	362.40	241.60
Stand-By	10/06/1993	11/11/1994	145.00	108.80

[1] Formally PRGF.

Projected Payments to Fund

In millions of SDRs (based on existing use of resources and present holdings of SDRs)

		Forthcoming			
	2025	2026	2027	2028	2029
Principal					
Charges/interest		0.01	0.01	0.01	0.01
Total		**0.01**	**0.01**	**0.01**	**0.01**

Exchange Rate Arrangements

The *de facto* exchange rate arrangement is classified as crawl-like while the *de jure* exchange rate arrangement is managed floating. The State Bank of Vietnam (SBV) has gradually increased exchange rate flexibility. In August 2015 it widened the Vietnamese dong (VND)/USD trading band to +/-3 percent from +/-1 percent while devaluing the central parity by one percent. SBV further widened its trading band to +/-5 percent from +/-3 percent in October 2022. In January 2016, it announced the VND/USD rate would be adjusted daily based on (i) the previous day's weighted average VND/USD exchange rate; (ii) a weighted average of movements in VND exchange rates vis-à-vis seven other important trading partners' currencies; and (iii) domestic macroeconomic conditions.

Vietnam has accepted the obligations under Article VIII, Section 2, 3, and 4 of the IMF's Articles of Agreement and maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions, except for those exchange restrictions imposed for security reasons, which have been notified to the IMF pursuant to Executive Board Decision No. 144-(52/51).

Article IV Consultations

Vietnam is on a 12-month consultation cycle. The previous Article IV consultation was held in-person during June 12-26, 2024, and was concluded by the Executive Board on August 30, 2024.

Technical Assistance

In recent years, Vietnam has received technical assistance (TA) in the areas of statistics (government finance (GFS), external sector (ESS), monetary and financial (MFS), prices, and national accounts statistics), debt management, tax administration, fiscal risks, liberalization of capital controls on external debt, foreign exchange reserve management, crypto asset supervision and regulation, bank stress testing, macroeconomic frameworks, and forecasting and policy analysis system (FPAS). The last IMF-World Bank Financial Sector Assessment Program was undertaken during 2012–13, and the Financial Sector Stability Review (FSSR) took place during 2021–23. The FSSR report was approved by the SBV management. FSSR follow-up TA with the State Securities Commission on a crypto regulatory framework started in May 2025 and TA to SBV on bank stress testing started in July 2025.

In 2019, the IMF's Institute for Capacity Development (ICD) started a multi-year TA on FPAS. In early 2022, Phase I of FPAS TA on modelling capacity was successfully completed and Phase II on developing organizational FPAS processes started in April 2022. Phase II was successfully completed in September 2024, when the authorities and TA mission team agreed to conclude the project.

In 2022 and 2023, the IMF's Fiscal Affairs Department and the Capacity Development Center of Thailand (CDOT) have provided TA on tax administration and compliance risk management, strengthening Vietnam Treasury's cash management, internal audit, and chart of accounts. TA and training were also provided for the formulation of a medium-term debt strategy, debt management institutional arrangement, custom modernization, and pension fund modeling as well as SOE financial risk management.

The IMF's Monetary and Capital Markets Department (MCM) started a multi-year project on strengthening the SBV Internal Audit in August 2022. In November 2022, the IMF's Legal Department (LEG) started a multi-year project to help SBV and relevant government agencies strengthen AML/CFT legal frameworks and risk-based AML supervision, including to meet FATF requirements.

The IMF's Statistics Department (STA) provided TA on GFS and ESS) (with CDOT), prices and national accounts statistics. In April 2023, STA provided a TA to help the SBV transition to the new financial soundness indicators (FSIs) compiling format, and in November 2023, STA and CDOT provided a TA to assist the Ministry of Finance (MOF) in the preparation of GFS aligned to international standards. In 2024-25, STA and CDOT provided TA to help SBV evaluate the quality of source data and estimation methodologies used for compiling Vietnam's balance of payments (BOP) and upgrade the legal framework on compilation of the BOP and international investment position. Also, in April 2024, STA provided TA for the rebasing of national accounts and the development of Residential Property Price Indices.

Resident Representative

Mr. Jochen Schmittmann is the Resident Representative for Vietnam, Cambodia, and Lao P.D.R., based in Hanoi, since August 2023.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

World Bank: http://www.worldbank.org/en/country/vietnam

Asian Development Bank: https://www.adb.org/where-we-work/viet-nam

Statement by Mr. Idwan Suhardi Bin Hakim, Executive Director for Vietnam, Mr. Kaweevudh Sumawong, Alternate Executive Director, and Ms. Vi Thi Tra Nguyen, Senior Advisor to Executive Director

September 8, 2025

The Vietnamese authorities would like to thank the IMF's Article IV mission team for their constructive and candid policy discussions. The authorities are encouraged by staff's positive assessment of the strengthening of Vietnam's economic recovery. The authorities broadly agree with staff's assessment of the outlook and the thrust of recommendations.

In June 2025, the authorities of Vietnam undertook a comprehensive transformation of provincial administration, reducing the number of centrally governed provinces and cities from 63 to 34. This transition from a three-tier to a two-tier local government system, marked by the elimination of district-level administration, reflects a decisive transition towards a more agile and responsive governance framework. More importantly, amid rapid economic transformation, this bold reform enhances Vietnam's capacity to address emerging challenges and capitalize new opportunities through a streamlined and efficient state operations.

Recent Development in the first half of 2025 and Outlook

Vietnam's economy continues to demonstrate robust momentum. Growth accelerated in the first half of 2025, registering a remarkable 7.52% expansion, the highest rate in 15 years. This remarkable performance was driven by resilient domestic consumption and export performance, underpinned by strong services and manufacturing sectors. Inflation remained contained, with the Consumer Price Index rising slightly to 3.57% in June, below the government's target.

Investment activity remained strong, with total social investment rising by 9.8%, significantly outpacing the 6.6% increase during the same period of 2024. Foreign direct investment reached USD 11.72 billion in the first half of 2025, an 8.1% increase and the strongest first-half performance since 2021. Meanwhile, Vietnamese outbound investment surged, with 86 newly licensed projects totaling USD 357.7 million. Trade activity also surged by 16.1%, with total trade reaching USD 432.03 billion.

Looking ahead, the government is implementing a coordinated and targeted strategy, including accelerated public investment disbursement, to achieve a growth target of 8% or higher in 2025. This approach is anchored in maintaining macroeconomic stability, managing inflationary pressure, as well as advancing balanced and sustainable development across economic, social, and environmental dimensions.

Fiscal Policy

Vietnam's fiscal policy remains proactive and prudent. State budget revenue rose by 28.3% in the first half of 2025, while expenditure increased by 38.5%, underscoring the authorities' firm commitment to financing socio-economic development, national defense, and public welfare. Well-calibrated expansionary measures continue to support businesses and households, facilitating Vietnam's economic growth activities amid a volatile and challenging global environment. Notably, the extension of the 2% VAT reduction on selected goods and services through 2026 will play a vital role in supporting domestic consumption and production.

Public investment execution is gaining momentum. In the first half of 2025, disbursement reached 36.01% of the Prime Minister's plan, surpassing last year's pace, and rose to 43.9% by the end of July. Nearly 7% was disbursed in July alone, demonstrating improved implementation capacity and the authorities' firm commitment to achieving the target of 100% disbursement for 2025, as recently emphasized by the Prime Minister. At the same time, ministries and agencies are actively reviewing the 2021–2025 Public Finance Plan to inform the 2026–2030 strategy, which will prioritize public investment in key infrastructure projects to enhance Vietnam's long-term growth.

Monetary Policy

Monetary policy remains focused on maintaining price and macroeconomic stability while fostering economic activity. The State Bank of Vietnam (SBV) has maintained policy interest rates to contain inflation while ensuring favorable financing conditions. Inflation has been relatively stable and remained below the target over the past 12 months. By end of June 2025, the money supply expanded by 7.09%, credit growth reached 8.30%, and capital mobilization rose by 6.11%, reflecting notable improvement compared to the same period last year. Meanwhile, the foreign exchange market remained stable, with the exchange rate appreciating by 2.95% year-to-date to 25,052 VND/USD at end-June. The SBV is committed to maintaining a flexible approach to exchange rate management, coordinating with other monetary policy tools, and intervening when necessary to limit excessive volatility and build reserves when market conditions allow.

The SBV continues to modernize its monetary policy framework under the Banking Sector Development Strategy. Key initiatives include strengthening policy transmission, forecasting, and communication. The Forecasting and Policy Analysis System is being refined to support evidence-based decision-making.

The SBV has been working to reduce the use of credit ceilings by transitioning toward indirect instruments and macroprudential measures. Credit growth ceilings are no longer applicable to foreign commercial banks, joint venture banks, the Cooperative Bank, and non- bank finance institutions. Meanwhile, a roadmap is being developed for the transition to indirect policy tools. Compliance with risk weights and provisioning requirements for high- risk sectors has also been closely monitored.

Financial Sector

Vietnam’s financial sector remains resilient and stable, supported by ample liquidity and strengthened institutional frameworks. Liquidity conditions are steady, and credit institutions continue to meet prudential requirements. The sector delivered a strong performance, with net profit after tax rising by 16.1% in 2024, while the ratio of impaired assets declined to 5.16% as of March 2025.

To further enhance financial stability, in June 2025, the National Assembly passed the amendment to the Law on Credit Institutions to facilitate liquidation procedures of collateral assets and enhance the resolution of non-performing loans. The amended Law will be in effect from October 2025.

The banking system is nearing completion of its 2021–2025 restructuring roadmap. Most institutions have strengthened capital buffers and governance frameworks, meeting regulatory requirements. Progress is also being made on the resolution plan for Saigon Commercial Bank, guided by investor proposals and regulatory oversight.

Structural Reform

Vietnam's reform momentum has accelerated, guided by four landmark Resolutions issued by the Politburo. These Resolutions, to be implemented from 2025 to 2030, aim to drive technological adoption, innovation, digital transformation, international integration, legal reform, and private sector development. Collectively, they lay the foundation for a high-productivity, innovation-led economy, supported by comprehensive action programs and institutional reforms.

In preparation for administrative reorganization, the government has streamlined its institutional framework, reducing five ministries, one ministerial-level agency, and three government-affiliated units. Internally, the focus has shifted towards specialization, professionalism, and operational efficiency with strengthened governance.

Looking ahead to October 2025, the government plans to submit a legislative package to the National Assembly, including updates to the laws governing economics, finance, statistics, and public administration. A revised law on statistics will align national data practices with international standards and the new administrative structure, advancing the

National Statistical Strategy through 2030. With support from the IMF, the SBV has compiled the International Investment Position (IIP) index and is laying the legal foundation for its publication and adopting other modern statistical methodologies.

Vietnam has also made significant progress in strengthening its anti-money laundering and counter-terrorist financing (AML/CFT) framework. Since November 2024, the SBV has used the IMF's AML/CFT toolkit to conduct risk assessment of the banking sector and updated its 2025 inspection plan accordingly. The SBV has actively engaged with the FATF/APG Joint Working Group to pursue follow-up measures after completing its National AML/CFT Action Plan in 2025.

The Vietnamese authorities remain firmly committed to sound macroeconomic policies, supported by robust regulatory and supervisory frameworks. At the same time, they are advancing structural reforms to foster sustainable growth. The authorities value their partnership with the Fund and look forward to further deepening the collaboration with AIV mission team and functional departments in the future.