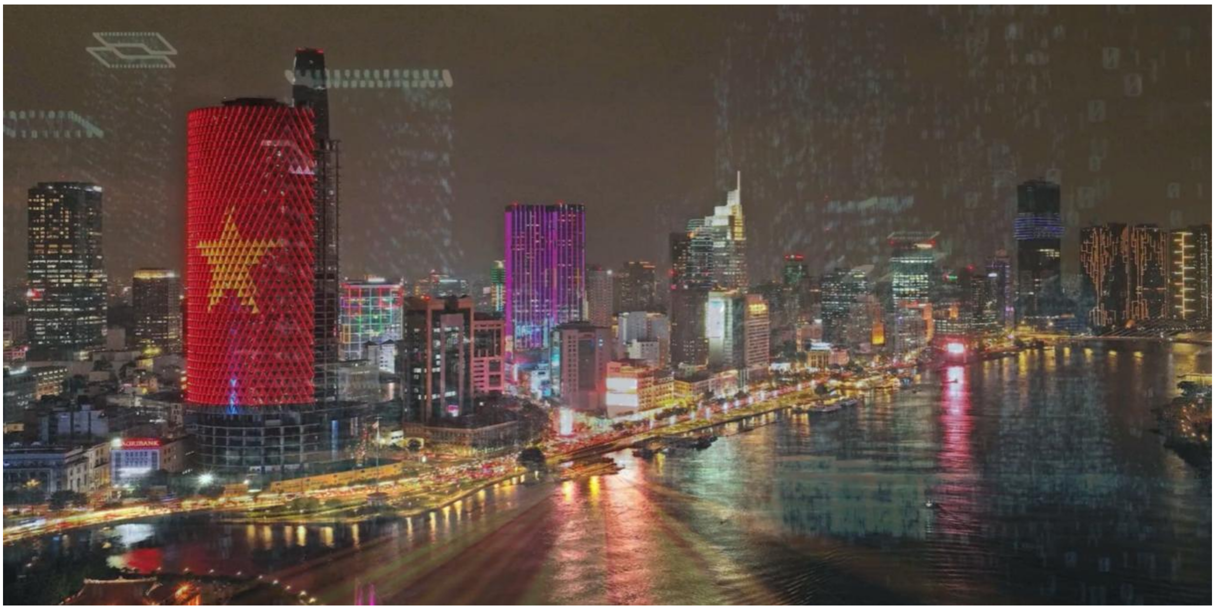

Lumen Vietnam Fund – December 2025 Mid-Month Update

Lumen Vietnam Fund - Vietnam Macro 2026 Outlook

Vietnam Macro Review 2025

We anticipate Vietnam to end 2025 with a GDP growth of 7.9%, driven by a strong manufacturing sector with solid export activities amid global uncertainty, and a robust service sector underpinned by the recovery of retail sales, the logistics industry, and tourism.

Vietnam's continue to growth strongly in 2025 has not only outperformed regional peers and exceeded forecasts from international organizations confirming the government policy shifts implemented since mid-2024. Thus, 2025 serves as a strong foundation for recent reforms and strategies, whose effectiveness will help Vietnam to achieve outstanding results in the upcoming five-year period (2026–2030)

Vietnam Macro Outlook 2026

2026 marks the inaugural year of Vietnam's five-year development plan and political term (2026–2030). This represents the most ambitious period for the Vietnamese government in history, featuring a target annual GDP growth of +10%, alongside comprehensive reforms and readiness initiatives including legal frameworks, institutional structures, and state budget allocations.

With such sweeping master reforms domestically, Vietnam's economy is expected to shift its primary growth drivers from external factors (export activities and the expanding manufacturing output of Foreign Direct Investment - FDI companies) to internal factors. These internal factors include the recovery and increase of private consumption demand, as well as accelerated infrastructure investment from both public expenditure and private participation.

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We forecast Vietnam to achieve a GDP growth of 8.0% in 2026, which is lower than the government's target. This reflects our caution view regarding persistent external headwinds, including global trade risks, and the deceleration in the expansion of FDI companies in Vietnam.

- **Accelerating Public Investments:** Public investment in Vietnam is set to experience a notable acceleration, with the government planning to allocate a budget of USD 42.3 billion. This amount marks a significant increase of 30% compared to the previous year's investment plan, representing a break from the average annual budget growth rate of 4-5% observed over the past five years. The substantial rise in the public investment budget reflects the country's commitment to improve infrastructure development as a key driver of economic growth. Importantly, recent improvements in legal frameworks have created more favorable conditions for local private companies to participate in large-scale infrastructure projects. This shift is expected to amplify the positive impact of public investment, as increased collaboration between the government and private sector will help accelerate project implementation and enhance the overall effectiveness of infrastructure spending.

- **Multiple Drivers for Private Consumption:** Total retail sales, a major proxy for consumption demand, are on a recovery path with estimated growth of 9.3% in 2025 versus 9.0% in 2024, although this remains below the ten-year average growth rate of 15% per annum prior to the COVID period. Several drivers such as lower personal income taxes are expected to support retail sales and help achieve a higher growth rate in 2026 and beyond.

  The expanding fiscal policy through accelerated public investment will anchor the recovery of general consumption. The rapid construction of numerous infrastructure projects nationwide is anticipated to create thousands of new jobs. The expansion of infrastructure not only improves the country's long-term economic prospects but also directly enhances the income of the broader population by providing employment opportunities and supporting wage growth.

- **Stabilization of Foreign Exchange (FX):** We anticipate the Vietnamese currency will depreciate by approximately 3.3–3.5% in 2025, compared to a 5.0% depreciation in 2024. Reduced FX pressures are expected next year, driven by the current lower Federal Reserve rate of 3.5-3.75%, compared to the current overnight interbank rate for the Vietnamese Dong of 5-6%. This scenario contrasts clearly with 2024 and 2025, when the Fed rate hovered near 5% while the VND interbank rate was below 4%. Consequently, with diminishing FX pressure anticipated in the coming years, Vietnam should have increased flexibility in its monetary policy to meet economic objectives.

- **Expansive fiscal and monetary policy:** With one of the healthiest national balance sheets worldwide, Vietnam is expected to enter 2026 with substantial fiscal flexibility, supporting the achievement of its five-year economic plan. On the monetary front, Vietnam is likely to continue pursuing an accommodative policy by promoting credit growth. Interest rates are projected to rise by 30-50 basis points, not due to policy changes from the State Bank, but purely as a reflection of increased demand from banks seeking to meet ambitious credit growth targets.

Simultaneously, inflationary pressures are projected to remain moderate at 3.5% in 2026, closely aligning with the estimate for 2025, as domestic consumption is only beginning to rebound and is unlikely to substantially influence consumer goods prices. Additionally, given the anticipated slowdown in global economic growth in 2026, upward pressure on commodity prices should be minimal. Although the banking system is experiencing high credit growth and increased liquidity, these factors are not expected to significantly affect CPI basket products in the absence of a full recovery in consumption - a scenario more probable in later years rather than in 2026.

Lumen Vietnam Fund – Shaping Vietnam Long-term Growth

Vietnam has consistently demonstrated robust economic performance, achieving an average annual GDP growth rate of 6% over the past two decades. Despite this notable achievement, the government recognizes that the nation's full economic potential remains untapped. In pursuit of accelerated development, Vietnam is implementing a comprehensive strategy aimed at realizing double-digit GDP growth over the next five years. **This strategy is structured around four key pillars designed to unlock the country's latent capabilities and propel it toward sustained prosperity.**

Enhancing the Business and Investment Environment

The first strategic priority involves the continued improvement of the business and investment climate. The year 2025 has seen the completion of significant legal and institutional reforms, including the streamlining of government structures and the resolution of longstanding legal bottlenecks. These foundational changes are expected to fundamentally transform the investment landscape, providing a solid framework for economic expansion and establishing the conditions necessary for Vietnam's economy to reach new heights.

Developing Key Local Industries

The second focus is on fostering the growth of domestic enterprises. The government has shifted its emphasis from state-owned and foreign-invested companies to supporting local businesses. A suite of policies has been introduced to enhance the competitiveness of private companies, enabling their participation in major national projects. Notably, amendments to investment and public-private partnership laws in 2025 have facilitated greater private sector involvement in large-scale initiatives, resulting in more efficient project implementation and increased national benefits.

Modernizing Infrastructure

Third, Vietnam is accelerating public investment in infrastructure over the next five to ten years. As previously outlined, infrastructure development not only provides a short-term boost to GDP but also generates substantial long-term economic impacts.

Building a Comprehensive Financial Market

Finally, the government is committed to developing a sophisticated financial sector, including the digitalization of the economy and the establishment of international financial centers in Ho Chi Minh City and Danang. Ongoing reforms in banking sector as well as regulatory enhancements for digital assets and stock market upgrade are integral to this effort.

As 2025 draws to a close, Vietnam is expediting the completion of legal and infrastructural conditions to launch its first international financial center in Ho Chi Minh City by December 2025. The operationalization of the International Financial Centers (IFCs) is set to deliver substantial benefits by transforming Vietnam's financial landscape.

Primarily, the IFCs will serve as gateways for global capital, successfully attracting FDI, institutional investors, and financial institutions through specialized activities in HCMC (offshore transactions) and Da Nang (free trade zone). This aligns with Vietnam's Free Trade Agreements to further integrate the country into global value chains.

Secondly, the IFCs will enhance capital retention. Although Vietnam records a large trade surplus, FDI firms often repatriate profits due to unattractive foreign-currency deposit rates. The IFCs will allow the application of differentiated monetary policies, enabling Vietnam to retain a larger portion of this surplus. This retention is vital for financing the country's accelerating infrastructure needs and maintaining ample foreign-currency reserves necessary for stabilizing the VND - USD exchange rate.

Furthermore, the centers will drive market integrity and reform. They will create a regulated and transparent "playing field" for capital seekers and suppliers, accelerating the state equitization process. Finally, the IFCs will foster talent and innovation by creating substantial jobs in FinTech and finance and promoting knowledge transfer.

Vietnam Macro Key Indicator

Macro indicators	2022	2023	2024	2025F	2026F
Population and GDP					
Population (avg., mn)	99.5	100.4	101.3	101.9	102.5
Nominal GDP (USD bn)	409.6	429.7	476.3	531.4	592.5
Real GDP growth (%)	8.0	5.1	7.1	7.9	8.0
Trade and Service growth (%)	10.0	6.4	7.3	8.4	8.8
Agricultural growth (%)	3.4	3.6	3.2	3.6	3.5
Industrials and construction growth (%)	7.8	4.5	8.2	8.8	9.0
Total retail sales growth (%)	21.5	10.4	9.0	9.3	9.8
Prices					
Consumer price inflation (year-end)	4.5	3.5	2.9	3.7	3.5
Money, FX & Interest rates					
Credit growth (avg.,% YoY)	14.5	13.7	15.1	18.0	18.0
Broad money supply M2 (avg.,% YoY)	6.2	12.5	10.7	16.0	18.0
Avg. 12M deposit rate (%)	7.0	6.8	4.9	5.2	5.7
Avg. lending rate (%)	7.4	8.2	7.8	8.1	8.6
5-yr VGB yields (year-end, %)	4.7	1.7	2.4	2.4	2.4
USD/VND (year-end)	23,610	24,260	25,480	26,372	27,295
USD/VND (avg.)	23,218	23,935	24,870	25,741	26,642
Foreign Trade					
Total trade of goods(USD bn)	716.9	681.1	786.3	919.7	1002.3
Total trade (% GDP)	175.0	158.5	165.1	173.1	169.1
Total exports (USDbn)	371.3	354.8	405.5	470.4	508.0
Exports growth (%, YoY)	10.5	-4.4	14.3	16.0	8.0
Total imports (USDbn)	345.6	326.3	380.8	449.3	494.2
Imports growth (%, YoY)	7.8	-5.6	16.7	18.0	10.0
Trade balance of goods (USD bn)	25.7	28.5	24.8	21.1	13.8
FDI, Balance of Payment					
Current-account balance (USD bn)	-1.1	25.7	27.7	8.7	1.4
Current-account balance (% of GDP)	-0.3	6.0	5.8	1.6	0.2
Personal remittance (USD bn)	19.0	19.0	19.0	19.0	19.0
FDI registered (USD bn)	27.7	39.4	38.2	41.3	41.3
FDI disbursement (USD bn)	22.4	23.2	25.4	27.4	28.7
BOP (USD bn)	-22.7	5.6	-9.2	-2.8	-10.1
BOP (% GDP)	-5.6	1.3	-1.9	-0.5	-1.7
Grand official reserves (USD bn)	87.0	92.6	83.4	80.7	70.6
Fiscal Policy, Solvency indicators					
External debt (USD bn)	144.7	140.5	151.5	186.0	213.3
External debt (% GDP)	35.9	32.7	31.8	35.0	36.0
Public debt (USD bn)	152.8	156.4	165.3	186.0	213.3
Public debt (% GDP)	37.3	36.4	34.7	35.0	36.0
Public investment (USD bn)	22.2	25.8	24.9	34.2	42.3
Public investment (% GDP)	5.4	6.0	5.2	6.4	7.1
Fiscal balance (USD bn)	3.0	-0.9	8.3	-9.6	-17.8
Fiscal balance (% GDP)	0.7	-0.2	1.7	-1.8	-3.0

Source: GSO, State Bank of Vietnam, VNHAM's forecasts

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