CLMV Outlook

CLMV Economic Outlook 2025

CLMV economies are expected to slow down moderately in 2025. External demand is expected to weaken, but domestic demand would help shore up growth. Risks are tilted to the downside from country-specific factors and high uncertainties surrounding global economic policies.

Dec 2024

SCB EIC

Executive Summary: CLMV Economy 2025

Cambodia

Cambodia's economy is projected to grow steadily by 6% in 2025, driven by tourism and exports despite a slower pace. This would strengthen the labor market and domestic demand. Easing US interest rates could improve domestic financial conditions and support loan growth recovery. However, the economy has yet to return to pre-COVID growth rates, as lingering pandemic impacts and structural issues persist. Additionally, China's economic slowdown continues to weigh on recovery, particularly in FDI, tourism, and real estate. Future risks, including high private debt, rising NPLs, and Trump 2.0, threaten trade and investment.

Lao PDR

Lao PDR's economy is projected to grow moderately by 4.3% in 2025, underpinned by regional demand, supporting exports and tourism, along with FDI in power and logistics sectors. Fiscal management plan indicates government efforts to achieve long-term fiscal sustainability. However, short-term fiscal and external risks persist, including high public debt, a speculative credit rating, and low foreign reserves, pressuring economic growth potential, reflecting the importance of debt restructuring plans with China for short-term stability. Inflation remains elevated, eroding purchasing power, while global uncertainties could intensify challenges.

Myanmar

Myanmar's economy is expected to see slower growth in FY24/25 and FY25/26 at 2.3% and 2.2% respectively amidst the stalled economic environment caused by ongoing conflicts. Households become more fragile from a weak labor market and lower real incomes. Disruptions to trade and logistics persist, leading to shortages and high inflation. Currency volatility remains a key concern since the weak Kyat would elevate inflation. A recovery hinges on a sustainable end to the conflict, which appears unlikely in the short-term. Risks are to the downside from additional western sanctions and policy uncertainty.

Vietnam

Vietnam's economy is expected to moderate slightly to 6.5% in 2025 on the back of a global economic slowdown, especially in China. However, trade and FDI reallocation would help partially offset its impacts as firms relocate to reduce geopolitical risks and avoid tariffs. Domestic demand remains resilient, supported by higher employment, wage increases, and lower inflation. Fiscal and monetary policies should remain accommodative amidst stabilizing credit growth. Nonetheless, there are downside risks from additional US punitive measures on Vietnamese exports and China overcapacity weighing on domestic manufacturers.

Source: SCB EIC analysis.

Global outlook: SCB EIC forecasts a global economic slowdown in 2025, with Trump 2.0 as a key factor. Yet, policy rates in major economies may be cut more slowly from higher inflation pressures.

SCB EIC's global economic growth forecast

(%YOY)	2023	2024F		2025F	
		As of Sep 24	As of Nov 24	As of Sep 24	As of Nov 24
Global	2.8%	2.7%	2.7%	2.8%	2.5%
US	2.9%	2.5%	2.7%	1.9%	1.9%*
Eurozone	0.4%	0.8%	0.8%	1.3%	0.6%*
Japan	1.7%	0.1%	-0.2%	1.1%	0.9%
China	5.2%	5.0%	4.9%	4.5%	4.2%
India	7.7%	7.2%	7.0%	6.8%	6.5%
ASEAN-5**	4.3%	4.9%	5.1%	5.0%	4.9%

SCB EIC's View on Trump 2.0's Impact on Global Inflation and Interest Rate

Impact	2025F	Medium Term
Global Inflation	↑	↑
Policy rates of major economies	The terminal rate rises due to higher domestic inflationary pressures.	

<u>Baselines Case:</u>

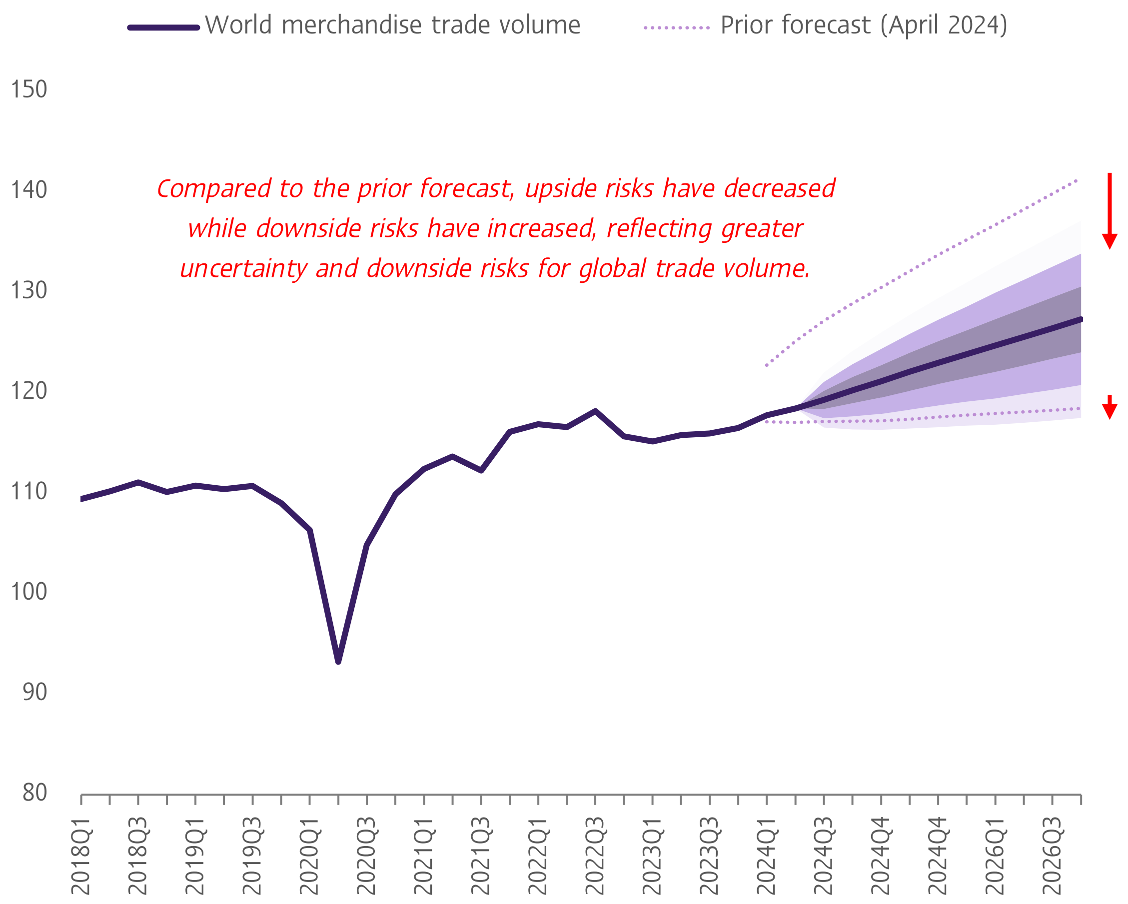
- **The US will increase import tariffs** on Chinese goods by an average of 20pp and on goods from other countries by an average of 10pp. Other countries will retaliate with equal measures. Europe and China will impose average tariffs of 10pp on each other's goods. *(The U.S. tariff hikes will vary depending on target country and type of goods.)*
- **US corporate income tax cuts** will be extended under the Tax Cut and Jobs Act for another 10 years (until 2034).
- **Immigration control policies** will be implemented, with Europe adopting similar measures.
- **The effects of Trump 2.0 policies will start to become visible from the second half of 2025 through the medium term.**
- **Countries will introduce economic stimulus measures** to mitigate the impacts.

Notes: *Without Trump 2.0, the US economy in 2025 is likely to be better than previously estimated (but offset by the net negative effects of Trump policies on the US), while the eurozone economy is likely to be worse than previously estimated (and further negatively impacted by Trump 2.0) **ASEAN-5 (Indonesia, Malaysia, Philippines, Singapore, and Vietnam).
Source: SCB EIC analysis based on data from IMF WEO (Oct24), Goldman Sachs, Capital Economics, Bloomberg, Reuters, and The Economist.

Despite resiliency in 2024, global trade volume would slow down in 2025 due to Trump 2.0. There is high uncertainty regarding the potential protectionism measures.

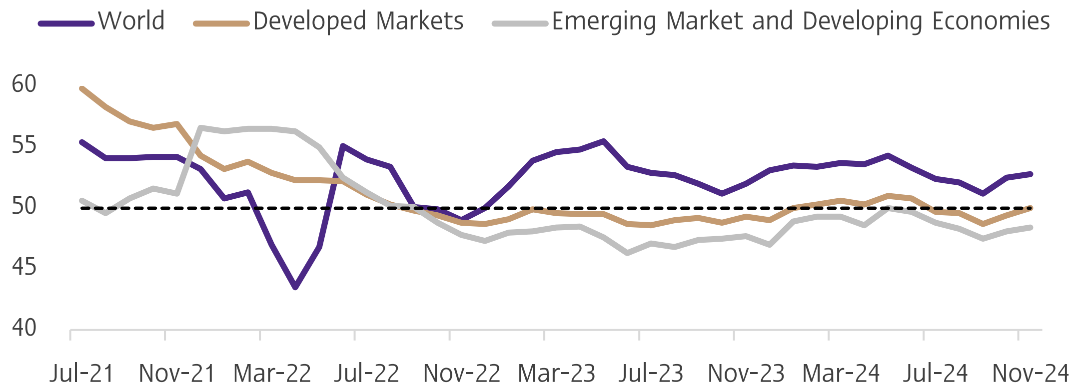
Global Trade Volume Forecasts by WTO

Unit: Index (2015=100), seasonally adjusted



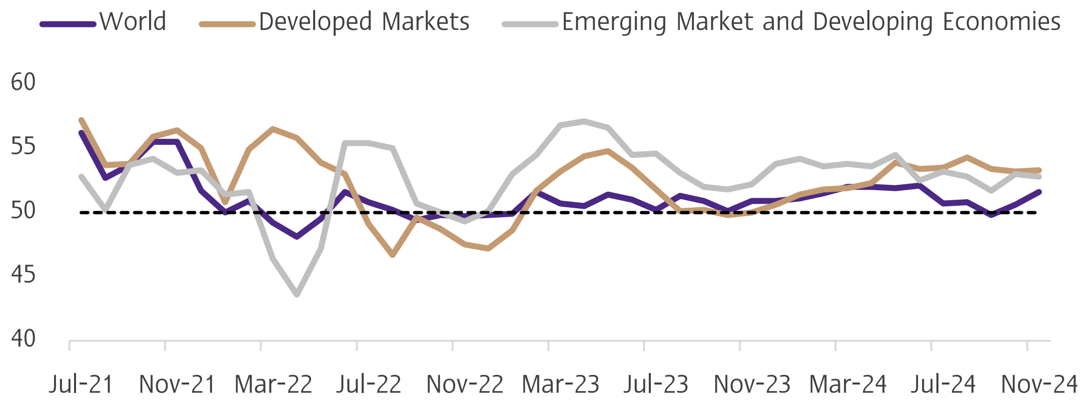
Manufacturing Purchasing Manager's Index (PMI)

Unit: Index, > 50 = Expansion



Services Purchasing Manager's Index (PMI)

Unit: Index, > 50 = Expansion



Source: SCB EIC analysis based on data from the WTO, JP Morgan, and S&P Global.

The CLMV economies are expected to be impacted by Trump 2.0 policies through various direct and indirect channels, although there may also be advantages from trade and FDI reallocation.

Trump 2.0: political environment and policy timelines

Trump 2.0's US political environment is more conducive:

- **Executive power:** Stronger political networks, more allies to implement policies unlike Trump 1.0 (Trump had no political experience).
- **Legislative power:** Both houses are won by Republican, which helps reduce opposition from policy dissenters.
- **Judicial power:** 6 out of 9 votes are Conservative (half of them appointed by Trump 1.0).

Policies	Possible Outcomes	Timeline
Immigration Policy	Prevent Illegal Immigrants	Immediately
	Deport Illegal Immigrants	Gradually
Import Tariffs	Raise tariffs in China products less than 60% and 10% for others	2025
Corporate Tax Cuts	Extend the Tax Cuts and Jobs Act for 10 years and cut corporate income taxes	2025
Green energy	Amend or reverse Biden's Green policies such as the IRA	2025

Trump 2.0 channels of impacts on CLMV economies

Foreign trade

(-) **Decelerate exports** in line with the global economy, particularly China.
(-) **Accelerate imports from China** as Chinese exporters redirect markets, weighing on domestic manufacturers.
(-) **Risks of additional punitive measures** remain, especially Vietnam (large trade surplus with the US).
(+) **Medium-term benefit from trade reallocation** to avoid US tariffs.

FDI

(-) **US economic policy uncertainties could deter investment plans** at least H1/25.
(+) **In the medium-term, CLMV economies could benefit from investment reallocation.**

Exchange rate

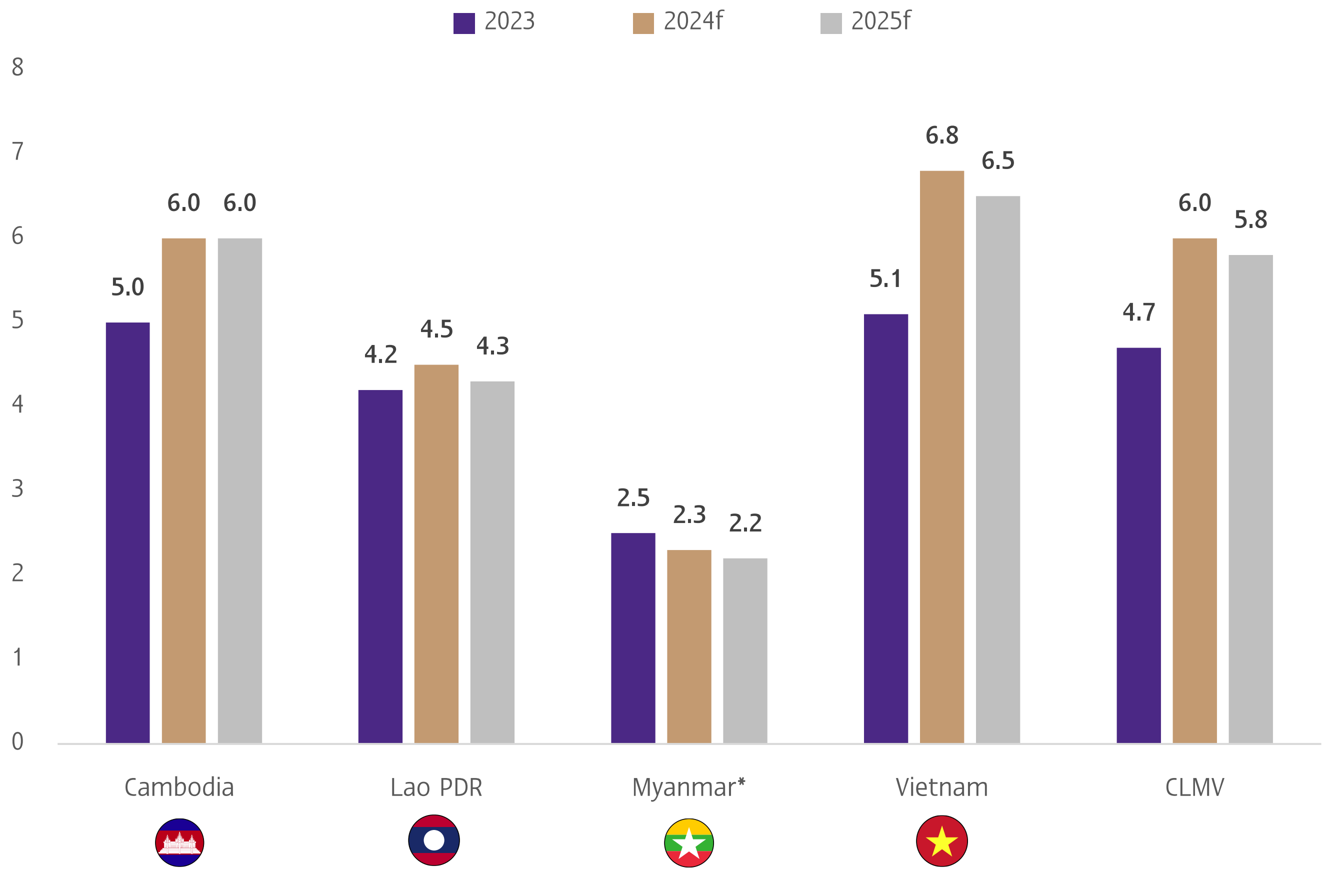
- **CLMV currencies could face depreciation pressures** from a stronger USD due to a higher FED terminal rate, global uncertainties, and heightened geopolitical risks.
- **Inflation pressures could rise** following higher import prices.

Source: SCB EIC analysis based on data from the IMF, Goldman Sachs, and foreign press.

Amidst the slowing global economy, CLMV economies are expected to moderate slightly in 2025. However, domestic demand and trade/FDI reallocation would support economic growth.

CLMV's Economic Growth

Unit: %YOY



Positive factors

- **Tourism sector** continues to recover
- **Trade and FDI reallocation** to the region
- **Stronger domestic demand** from higher employment
- **Lower global interest rates** could support capital inflows

Negative factors

- **Global economic slowdown,** especially in China, from Trump 2.0 policies such as tariff hike.
- **China overcapacity** could result in an influx of Chinese goods avoiding US tariffs, pressuring domestic manufacturers.
- **Elevated levels of non-performing loans** could impact lending.
- **Country-specific challenges** such as conflict in Myanmar and fragile fiscal and external stabilities in Lao PDR.

Risk factors

- **High debt:** private debt in Cambodia and Vietnam, public debt in Lao PDR and Myanmar
- **Climate change** affecting agricultural production
- **Geopolitical tensions** may increase commodity prices and fuel inflation
- **Volatility in global financial markets** from Trump 2.0 and a stronger USD could exacerbate depreciation of CLMV currencies

Notes: *2025f for Myanmar is Fiscal Year 2025 (March 2025 – April 2026)
Source: SCB EIC analysis based on data from CLMV statistics bureaus and IMF.

Thailand's trade and TDI with CLMV could see modest growth in 2025 as CLMV economies hold up well despite a global slowdown. However, FDI would remain lower than pre-COVID levels.

Thai exports to CLMV* by product

Unit: %YOY (Share in 2023)

Items	2024Q1	2024Q2	2024Q3	Aug-24	Sep-24	Oct-24	YTD
Total (100%)	6.5%	7.5%	13.7%	13.7%	8.3%	27.9%	11.0%
Total (ex. gold) (98.4%)	-5.7%	-2.0%	5.6%	10.2%	-3.9%	10.4%	0.2%
Electrical appliances (7%)	11.0%	7.2%	14.3%	18.2%	16.6%	24.8%	11.9%
Auto & parts (8.2%)	-48.2%	4.5%	49.7%	95.4%	16.5%	10.7%	-5.7%
Agriculture (2.5%)	24.3%	29.7%	49.2%	66.4%	30.2%	56.8%	36.8%
Chemical & Plastics (11.1%)	-4.9%	-4.6%	8.6%	6.2%	2.6%	6.6%	0.3%
Agro (16.2%)	8.8%	3.2%	2.5%	9.0%	-0.5%	8.6%	5.2%
Computer & parts (1%)	-3.0%	27.3%	14.7%	22.1%	-22.8%	11.5%	12.8%
Rubber products (1.8%)	5.2%	10.1%	6.8%	5.7%	8.5%	27.7%	9.4%
IC (0.5%)	-20.0%	-15.1%	2.0%	10.1%	6.8%	53.3%	-6.4%
Machinery & parts (2.7%)	0.0%	7.0%	11.7%	23.0%	-7.8%	11.7%	7.1%
Refined fuel (17.6%)	-13.2%	-15.6%	-13.6%	-17.8%	-32.1%	-0.1%	-12.7%
Textile (3.4%)	-4.4%	-8.5%	-0.4%	2.3%	-9.4%	-0.6%	-4.0%
Manufacturing (62.3%)	10.0%	13.1%	23.5%	23.1%	21.4%	39.3%	17.7%
Mining and fuel (18.9%)	-10.2%	-9.8%	-12.5%	-17.4%	-30.0%	1.3%	-9.6%

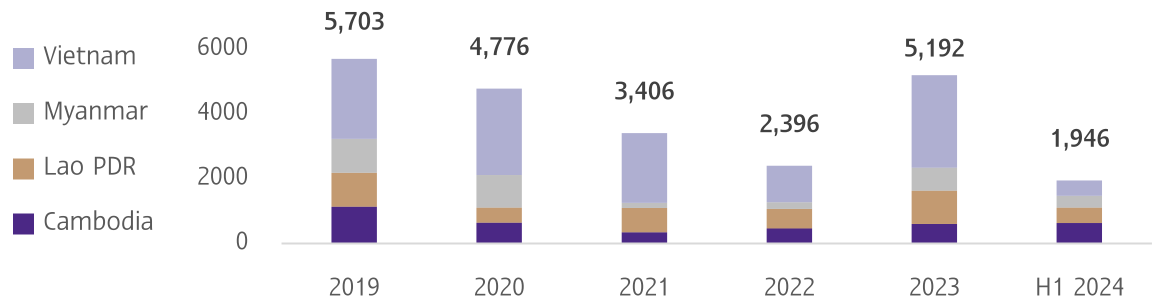
Thai imports from CLMV* by product

Unit: %YOY (Share in 2023)

Items	2024Q1	2024Q2	2024Q3	Sep-24	Oct-24	YTD
Total	2.4%	2.8%	17.6%	19.7%	11.4%	7.7%
Total (ex. gold) (95.7%)	4.7%	10.1%	18.4%	21.0%	18.4%	11.5%
Fuel products (30%)	-2.0%	-7.7%	3.3%	4.7%	15.5%	-0.5%
Capital goods (12.7%)	5.1%	7.8%	23.7%	32.0%	17.9%	13.1%
Raw and intermediate materials (30.2%)	3.7%	6.1%	41.8%	45.3%	7.7%	14.9%
Consumer goods (22.7%)	8.2%	17.0%	13.9%	15.7%	12.4%	12.3%
Vehicles and logistics equipment (3.9%)	-35.2%	-30.5%	-29.3%	-27.1%	-13.2%	-30.1%
Arms and ammunition (0.4%)	167.3%	-24.2%	-49.9%	-60.7%	-54.7%	0.1%

Thailand's outward direct investment to CLMV

Unit: USD million



Note: *As of 2023, Thailand's exports to CLMV account for 9.4% of total export value, while imports account for 4.3% of total import value.

Source: SCB EIC analysis based on data from the Ministry of Commerce and Bank of Thailand.

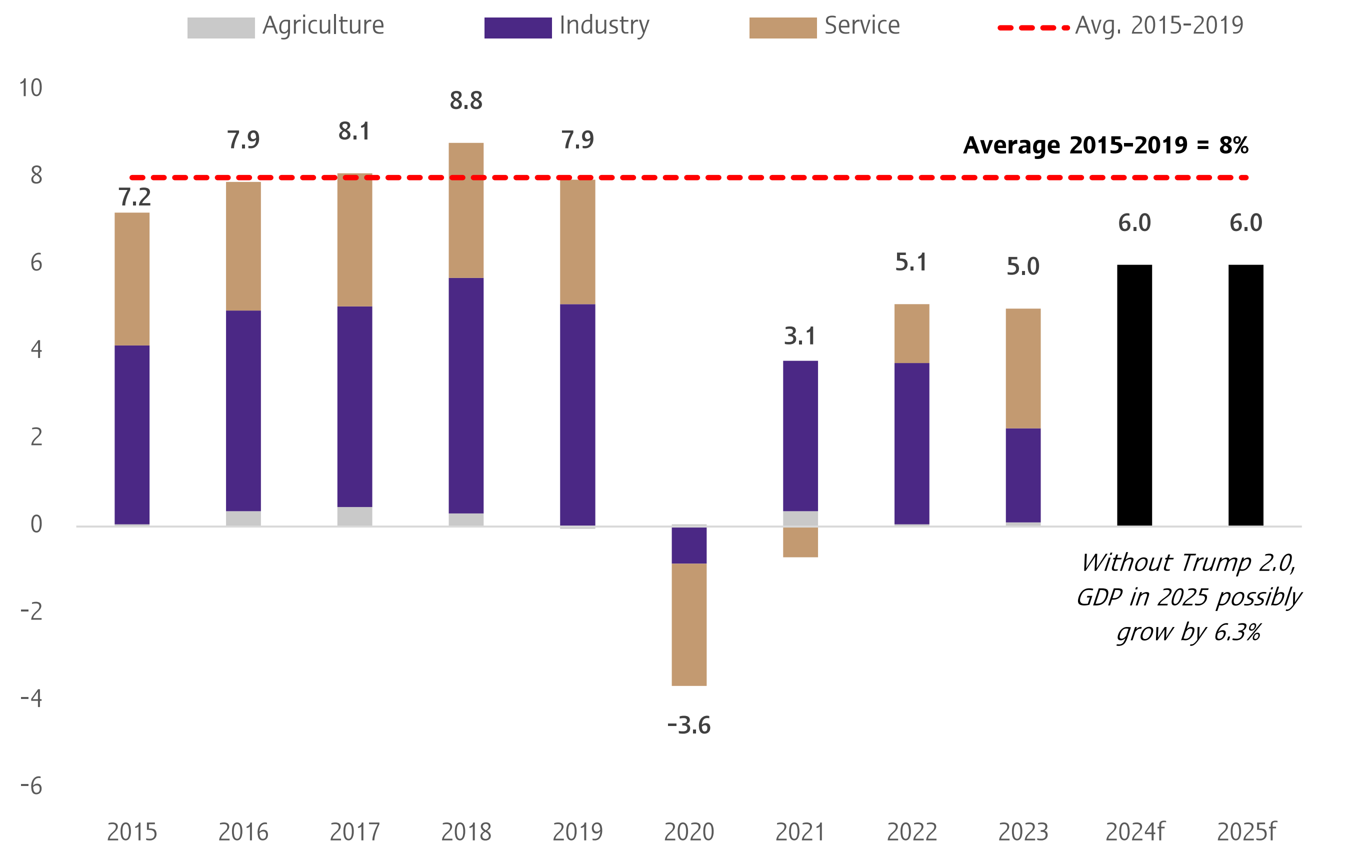
Cambodia's Economy

Cambodia's economy is expected to grow steadily by 6% in 2025, supported by continued growth in tourism and exports which will strengthen the labor market. However, investment remain subdued. Several downside risks including Trump 2.0 and slowing down in global economy could further hinder the recovery.

Cambodia's economy is expected to grow by 6% in 2025, supported by exports and tourism. However, risks line up toward downside from a slowing global economy, especially Trump 2.0.

Cambodia's Economic Growth*

Unit: %YOY



Positive factors

- **Continued tourism and export recovery** are in line with global demand, leading to improving labor market and domestic demand.
- **Easing US interest rate cycle** could ease Cambodia's financial conditions through dollarization and support loan growth recovery.
- **Fiscal stability remains sound** with low public debt, narrowing budget deficit, and adequate fiscal space for additional stimulus.

Negative Factors

- **China's economic slowdown** impacts Chinese tourists and delayed recovery of real estate and construction sector.
- **Exports in some sectors face risks from potentially higher US tariffs.**
- **Structural problems persist**, including reliance on concentrated export markets and FDI partners as well as low value-added export products.

Risk Factors

- **High private debt and rising NPLs** pose risks to financial stability and lending by financial institutions.
- **Trump 2.0 could escalate geopolitical tensions**, weakening global demand and exports order, while driving up inflation—adversely impacting Cambodia trade and foreign investment.
- **Climate change** impacts agricultural production and farm income.

Note: *The base year for GDP calculation was adjusted from 2000 to 2014 to reflect the changing economic structure

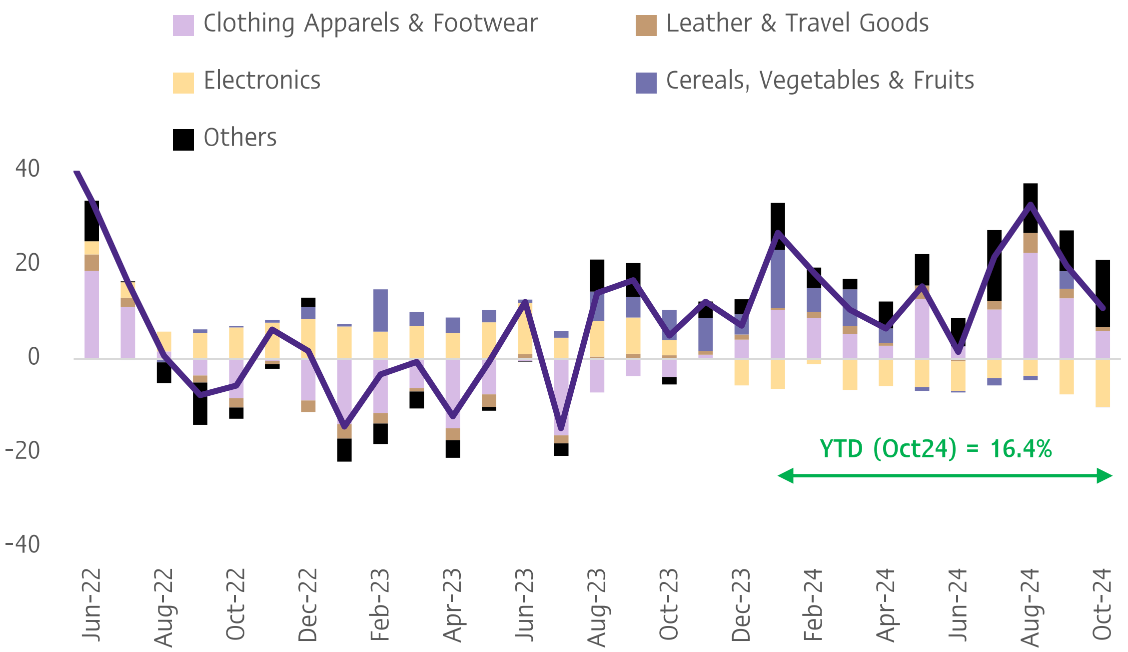
Source: SCB EIC analysis based on data from CEIC, National Institute of Statistics, and National Bank of Cambodia.

SCB EIC

Exports should continue to expand in 2025, albeit at a slower pace in line with global demand. However, risks to export outlook arise from concentrated markets and global uncertainty.

Cambodia Exports (excluding gold, precious metals, and pearls)

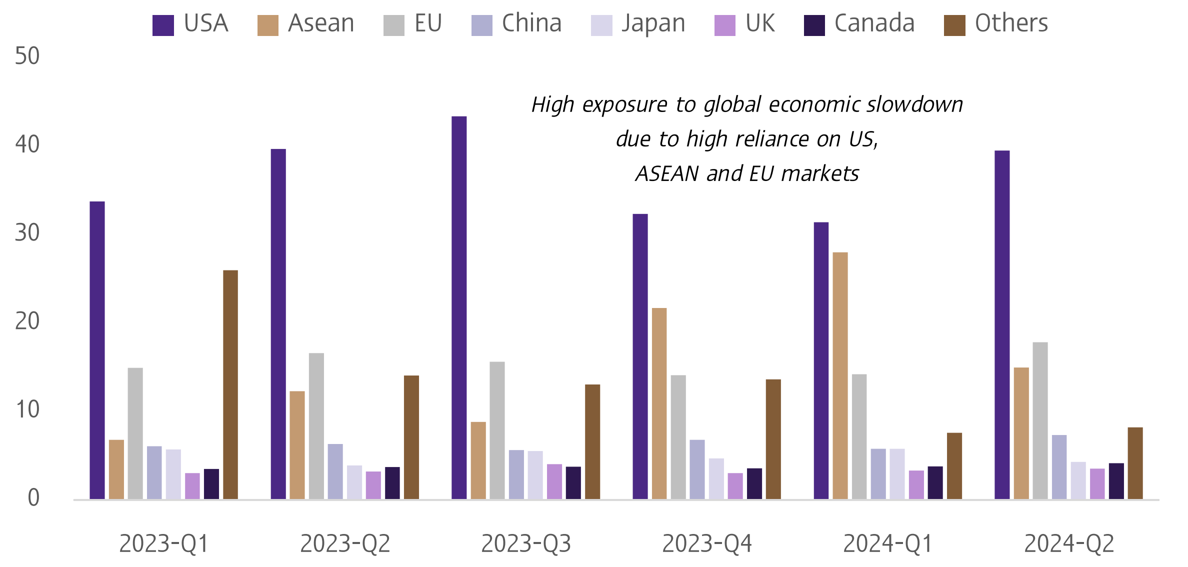
Unit: %YOY



- **Exports growth remain robust in 2024**, supported by recovery in the garment sector, with YTD growth at 16.4%YOY. However, exports in agriculture and electronics products, such as solar cells, slowed down, and expected to decelerate in the remaining months.
- **In 2025 and the medium-term, exports are expected to grow at a slower pace.** Trump 2.0 may weaken demand of major trading partners.

Cambodia's Export Share by Major Trading Partner

Unit: %



Risks to export outlook:

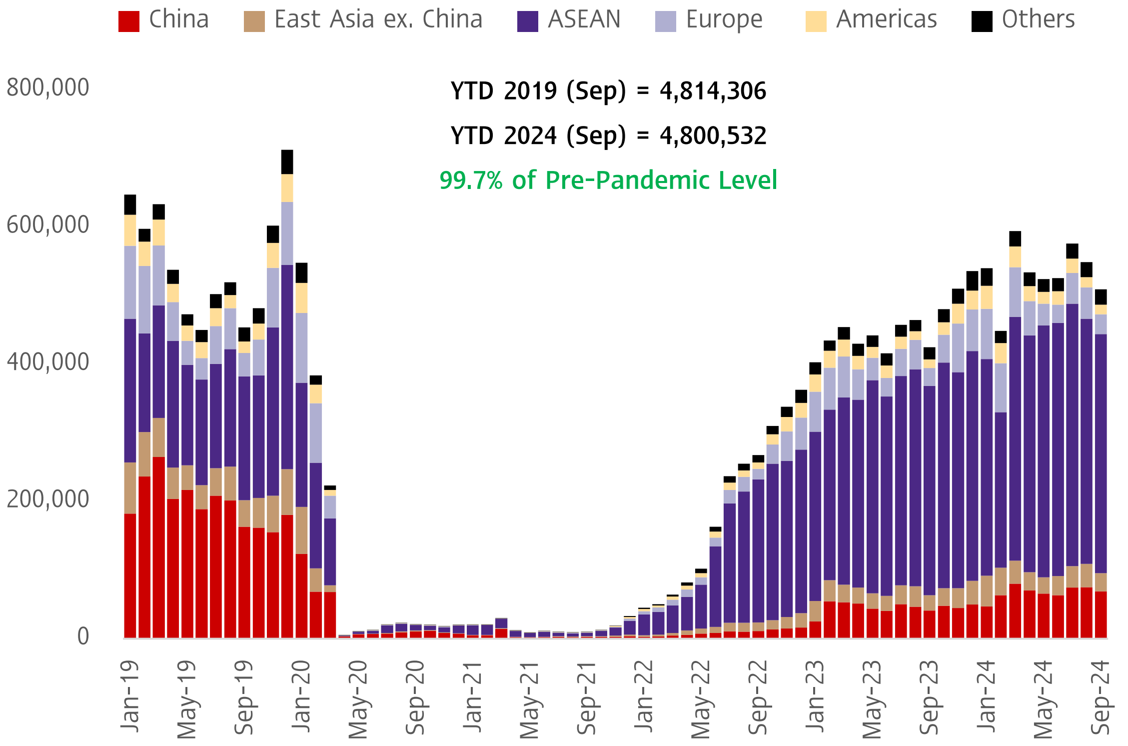
- **Trump 2.0** may lead to higher trade protectionism and global economic slowdown in 2025.
- **Climate change** could pose significant risks to agricultural production.
- **Low-value added of exports** could increase sensitivity to trade disruptions.
- **Strong currency** compared to regional peers due to a peg regime to USD.
- **Reduction of tariff privileges** when graduating from least-developed country status and/or concerns about human rights from western countries.

Source: SCB EIC analysis based on data from the General Department of Customs and Excise of Cambodia.

Tourist arrivals would return to pre-pandemic levels in 2024 and grow further in 2025. However, tourism revenue remains low due to slow recovery in air travelers, especially from China.

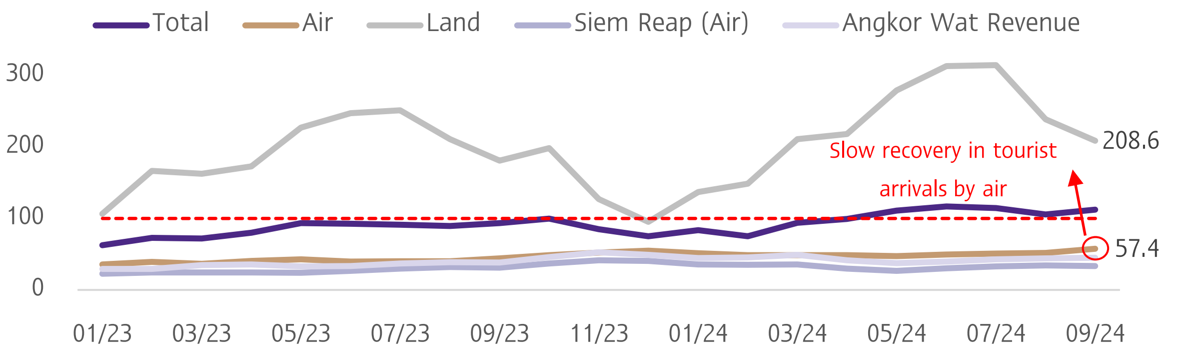
Foreign tourist arrivals

Unit: Person



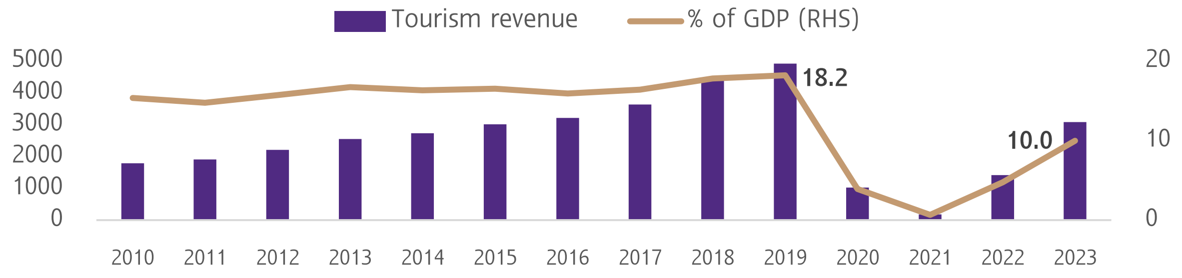
Tourist Modes of Visit and Angkor Wat Revenue Recovery Rate

Unit: Index (2019=100)



Tourism revenue*

Unit: Million USD (Left) / % of GDP (Right)



Number of foreign tourists are expected to fully recover to pre-COVID levels in 2024 and grow further in 2025. However, tourism revenue will recover slowly due to relatively low-spending land arrivals. Meanwhile, high-spending air travelers remain below pre-pandemic levels. In addition, impacts from Trump 2.0 on China could further delay the return of high-spending Chinese tourists. For example, Angkor Wat tourism revenues record only a half of pre-pandemic levels.

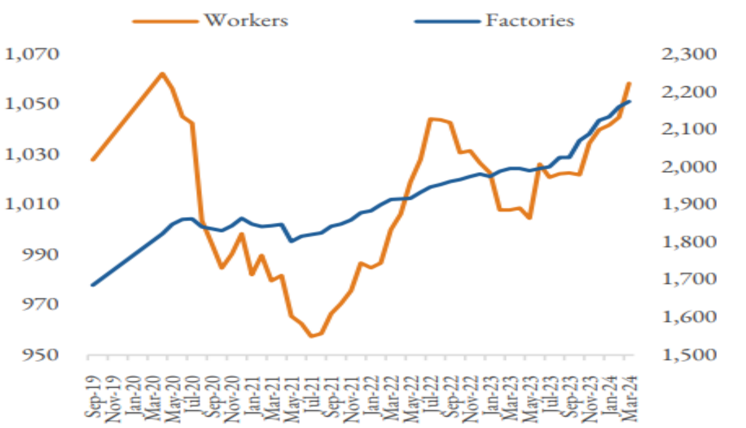
Note: *Calculated from old GDP base

Source: SCB EIC analysis based on data from the Ministry of Tourism, Angkor Enterprise, and Foreign Press.

Recovery in tourism and exports would help strengthen labor market in 2025. However, real estate and investment remain subdued from China's economic slowdown.

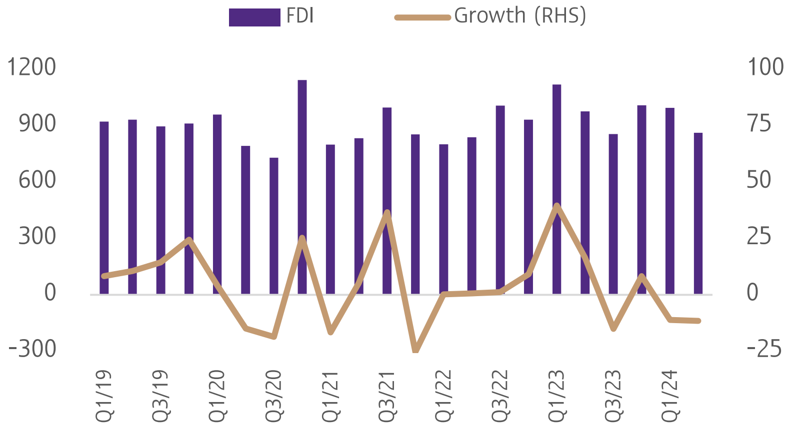
Number of Manufacturing Workers and Factories*

Unit: Thousand Workers (LHS)/ Thousand Factories (RHS)



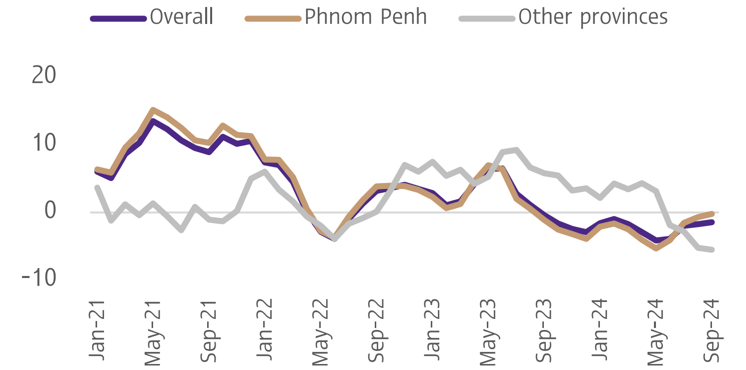
Net Foreign Direct Investment

Unit: Million USD (LHS) / %YOY (RHS)



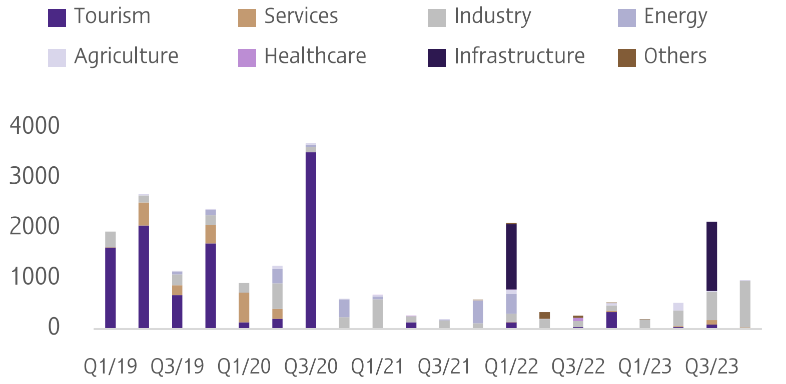
Housing Price Index

Unit: %YOY



Approved Fixed Asset Investments**

Unit: Million USD



- **The labor market should continue to improve** as export and tourism sectors recover, especially garment manufacturing sector which account for 83.3% of total manufacturing jobs.

- **Net FDI inflows remains weak** due to China's economic slowdown, accounting for 70-80% of total net FDI.
- **Domestic investment remains sluggish** amid fragile business balance sheets as well as delayed infrastructure project approvals and implementation.
- **Housing prices declines** due to oversupply, weak market confidence, and tight financial conditions.

SCB EIC's views on investment outlook:

- **Limited benefits from supply chain relocations of higher value-added sectors from geopolitical tensions** due to relatively low labor productivity compared to regional peers.
- **Despite these challenges, Cambodia remains appealing for labor-intensive industries** hiring low-skilled labor due to its competitiveness in wage.

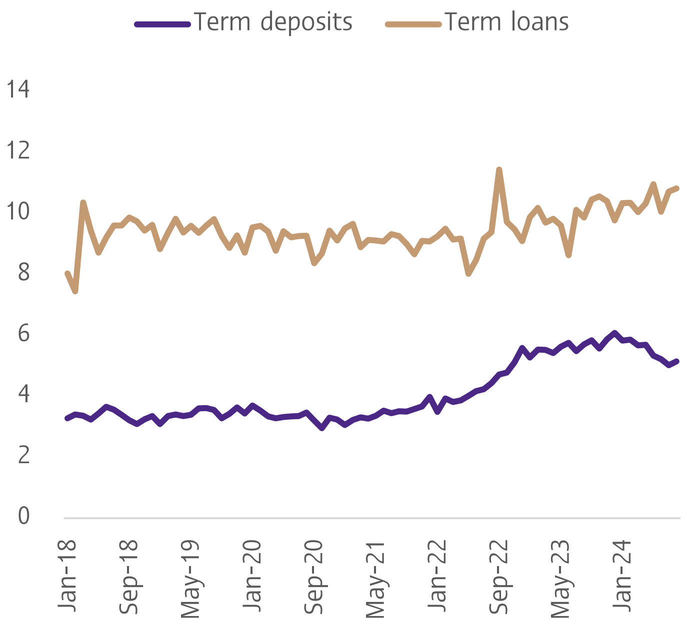
Note: *Figure from World Bank, **Both domestic and foreign investment

Source: SCB EIC analysis based on data from the World Bank, the National Bank of Cambodia, National Institute of Statistics, CEIC and Foreign Press.

Continued easing cycle in US could also relax Cambodia's financial conditions in 2025 and reduce pressure on high NPLs and weak loan growth. Yet, Trump 2.0 may slow the pace of Fed easing.

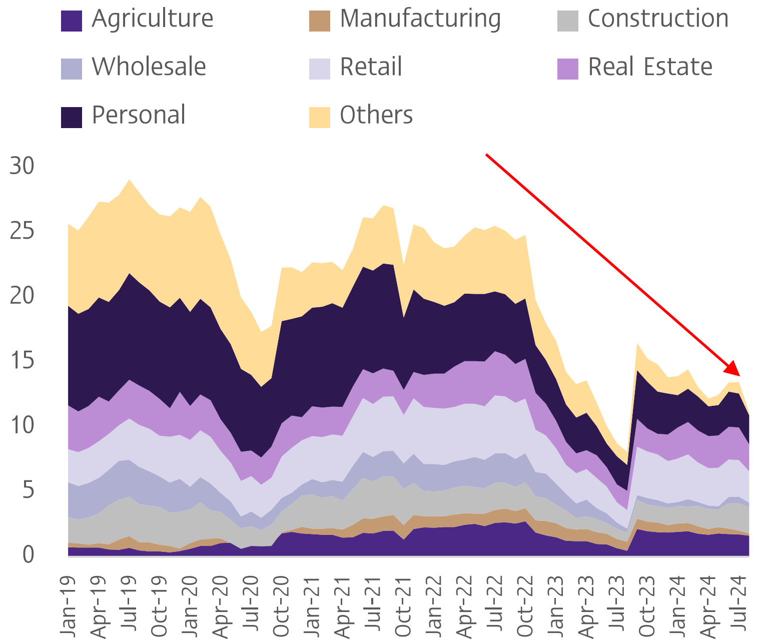
Deposit and lending rates (in USD)

Unit: %



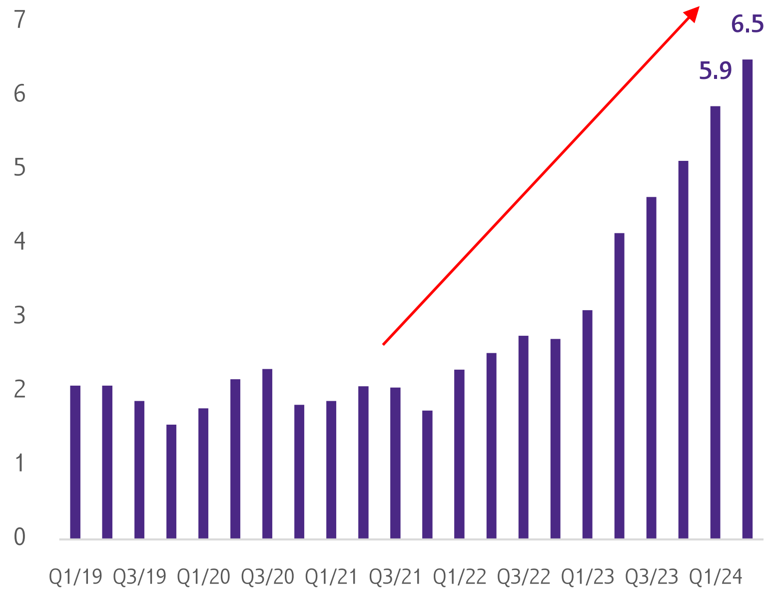
Commercial Banks' loan outstanding

Unit: %YOY



NPL ratio of financial institutions

Unit: % of outstanding loan



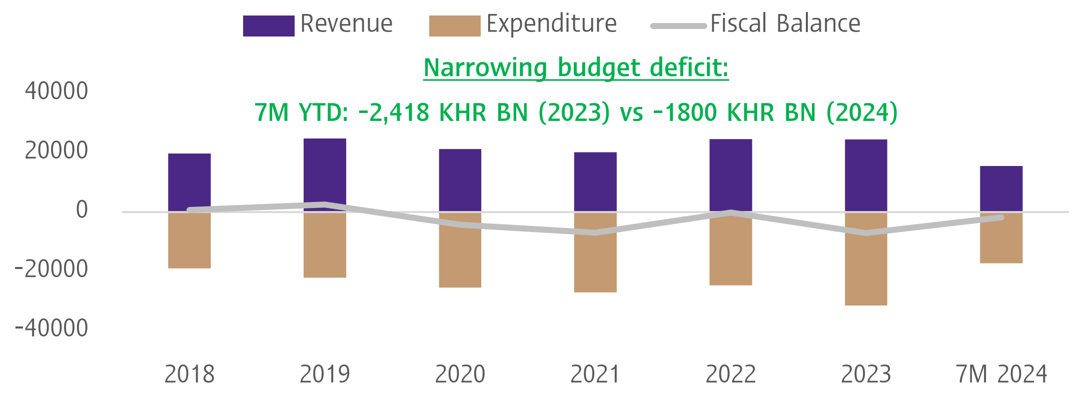
- **2024 Recap: weak loan growth and rising NPLs.** Outstanding loan growth remain subdued due to weak economic recovery, slow investment in real estate and construction, and tighter lending standards amid high funding costs. Meanwhile, NPLs continue to increase following the expiration of support measures and pressure on borrowers.
- **2025 Outlook: gradual recovery ahead.** Loan growth is expected to improve as the global easing cycle, led by the US Federal Reserve, reduces funding costs. As Cambodia is highly dollarized, lower US interest rates will ease domestic financial conditions and support lending activity.
- **Downside risks from Trump 2.0:** Global policy interest rates may decline more slowly with a higher terminal rate than earlier expected as potential tariff hikes and geopolitical tensions could raise global inflation. This could indirectly affect Cambodia through tighter financial conditions.

Source: SCB EIC analysis based on data from the National Bank of Cambodia.

Cambodia's fiscal stability remains sound to provide fiscal buffer against future shocks. There remains room to manage further exchange rate volatility due to foreign reserves adequacy.

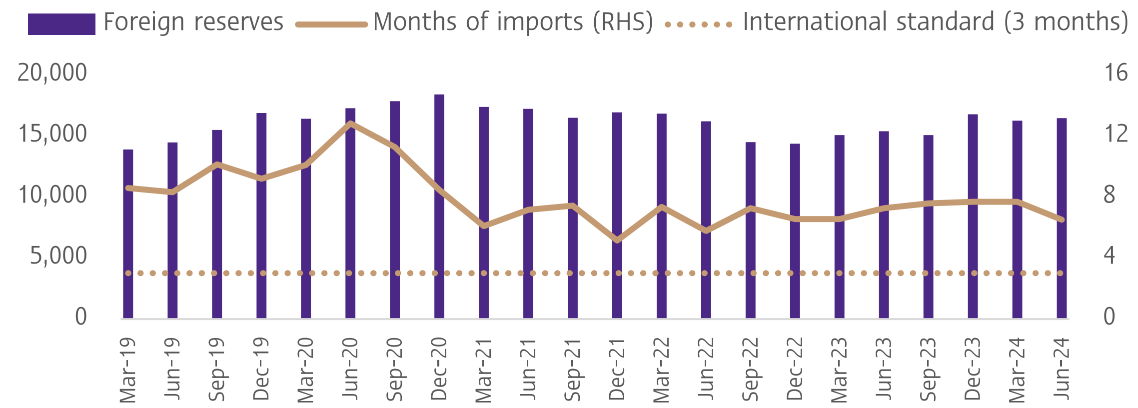
Cambodia's Government Budget Balance

Unit: KHR billion



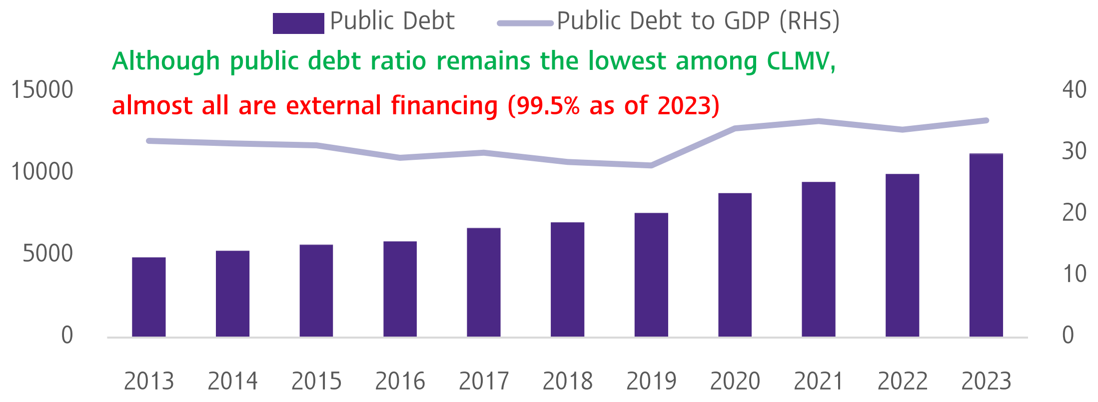
Cambodia's Foreign Reserves Adequacy

Unit: Million USD (LHS) / Month of Imports (RHS)



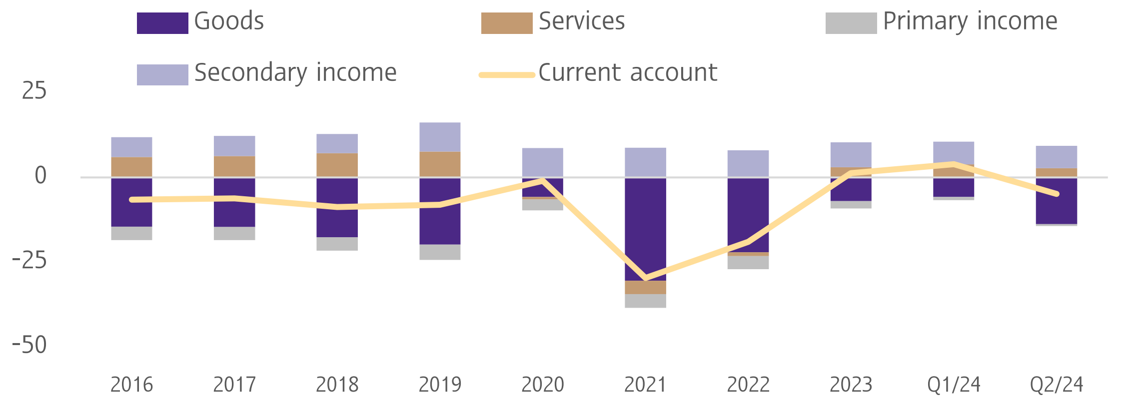
Cambodia's Public Debt Ratio

Unit: Million USD (LHS), % to GDP (RHS)



Cambodia's Current Account Balance

Unit: % to GDP



Source: SCB EIC analysis based on data from the National Bank of Cambodia, Ministry of Economy and Finance, and the IMF.

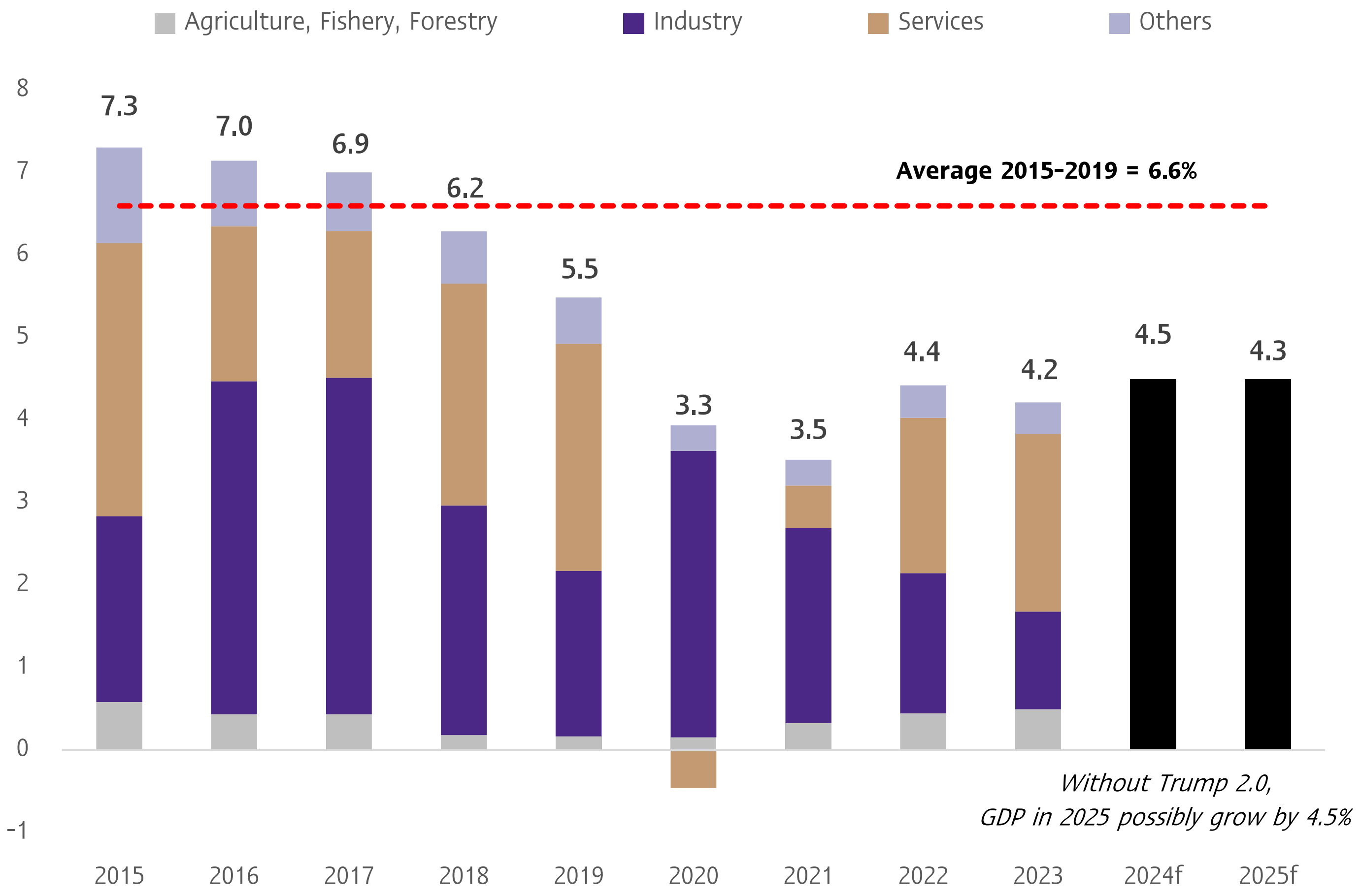
Lao PDR's Economy

Lao PDR's economy is projected to grow moderately by 4.3% in 2025. The growth is underpinned by regional demand, which supports exports and tourism, along with investment in logistics and renewable energy. However, significant pressures persist from weak fiscal and external stabilities.

Lao PDR's economy is expected to grow moderately by 4.3% in 2025. Regional demand would support growth, but global economic policy uncertainties and domestic challenges cloud the outlook.

Lao PDR's Economic Growth*

Unit: %YOY



Positive Factors

- **External demand** supports regional trade and tourism.
- **Development of logistics infrastructure** boosts regional connectivity.
- **FDI** in hydropower, logistics, and renewable energy industries.
- **A future debt management plan** is a key towards fiscal sustainability.

Negative Factors

- **The LAK remains weak amid limited foreign reserves.**
- **Persistent high inflation** weakens purchasing power, leads to labor migration and shortages, that increases business costs.
- **High public debt burden, limited fiscal space and country's speculative credit rating** (Tris Rating: BB+), pressure the government's ability to borrow and implement fiscal stimulus measures.

Risk Factors

- **Climate change** may affect agricultural output and electricity production from hydropower plants.
- **Trump 2.0 and global economic slowdown** could weigh on external demand, while intensifying exchange rate depreciation and inflation pressures.
- **Dollarization** limits effectiveness of monetary policy transmission.

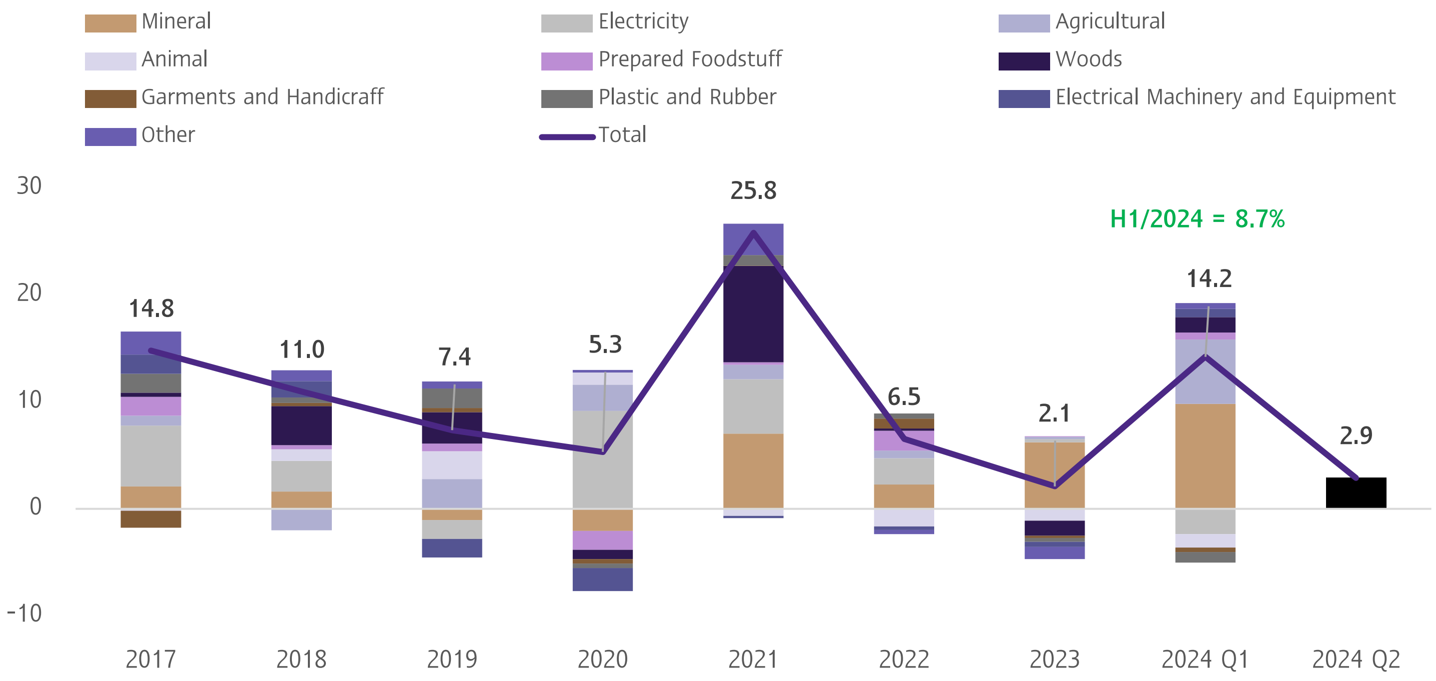
Note: *There is a significant difference between GDP data reported by official statistics and the IMF. The chart and forecast are based on official statistics.
Source: SCB EIC analysis based on data from the Bank of Lao PDR and IMF.

SCB EIC

Exports is expected to expand at a slower pace in 2025 after resilient growth in 2024, due to indirect impacts from Trump 2.0, a weaker regional economy, and climate risks.

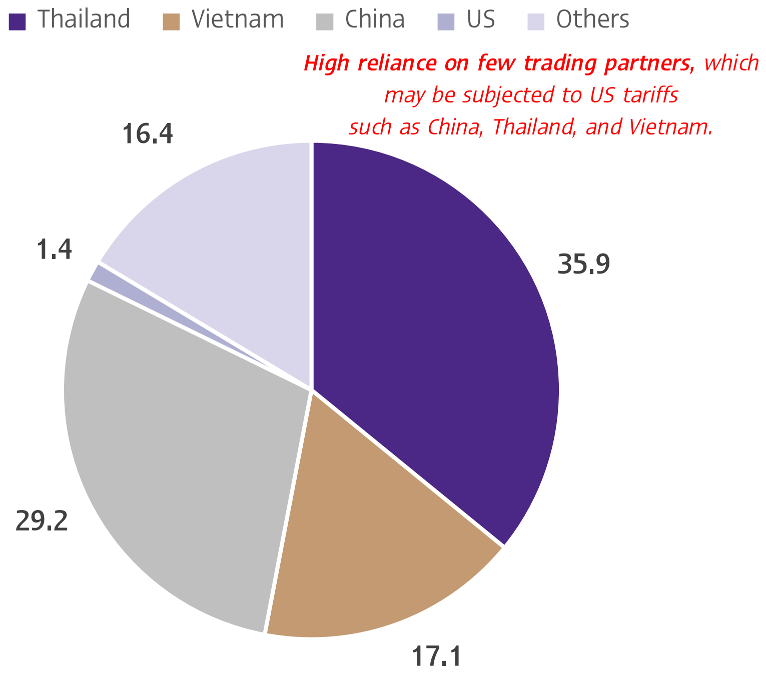
Lao PDR's Exports

Unit: %YOY



Lao PDR's Export Share by Major Trading Partner in 2022

Unit: % of total exports



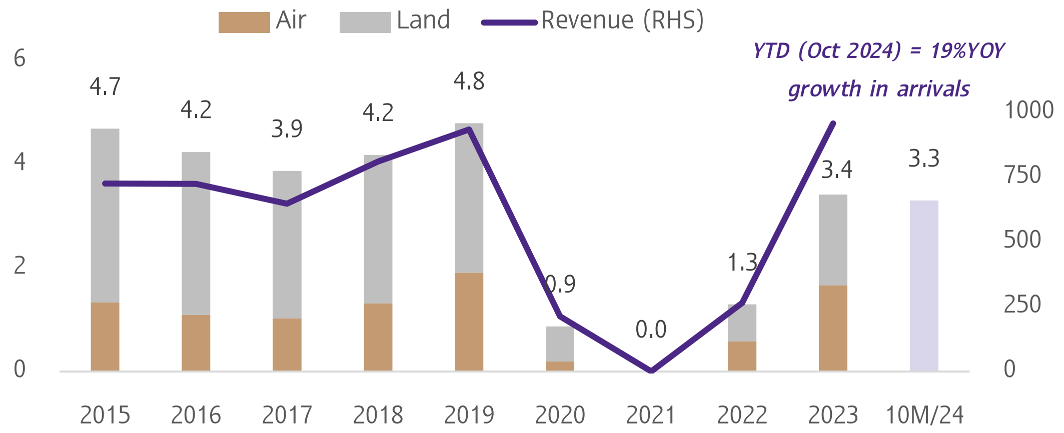
- **Exports in 2024 is expected to grow strongly** driven by regional trade expansion, strong Chinese-manufacturing demand for export products, and improvement in global logistics costs and shipping times. Key products include electricity, fertilizers, potash, agriculture, and raw materials.
- **Exports growth in 2025 would remain positive but at a slightly slower pace** as Trump 2.0 could elevate global economic uncertainty. While tariffs from Trump 2.0 may not directly impact Lao exports as the U.S. is not a major trading partner, indirect effects could arise through a slow down in Lao PDR's main trading partners—China, Thailand, and Vietnam (82.3% of total exports). Additionally, climate change poses a significant risk on agriculture and electricity sectors, which made up 39.6% of Lao PDR's total exports in 2023.

Source: SCB EIC analysis based on data from Bank of the Lao PDR, Lao Statistics Bureau and CEIC.

Tourism would strengthen in 2025, driven by increasing tourist numbers, higher spending, and government initiatives. Meanwhile, **FDI growth may slow down from economic uncertainty.**

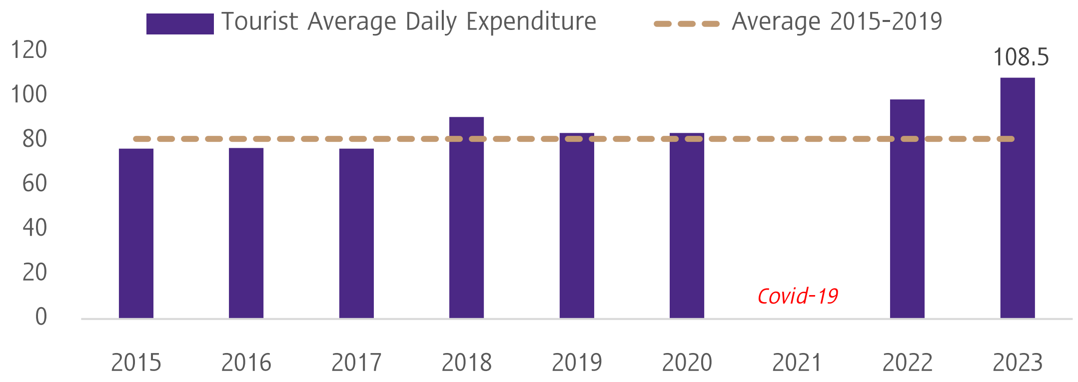
Foreign tourist arrivals

Unit: million persons (LHS), USD million (RHS)



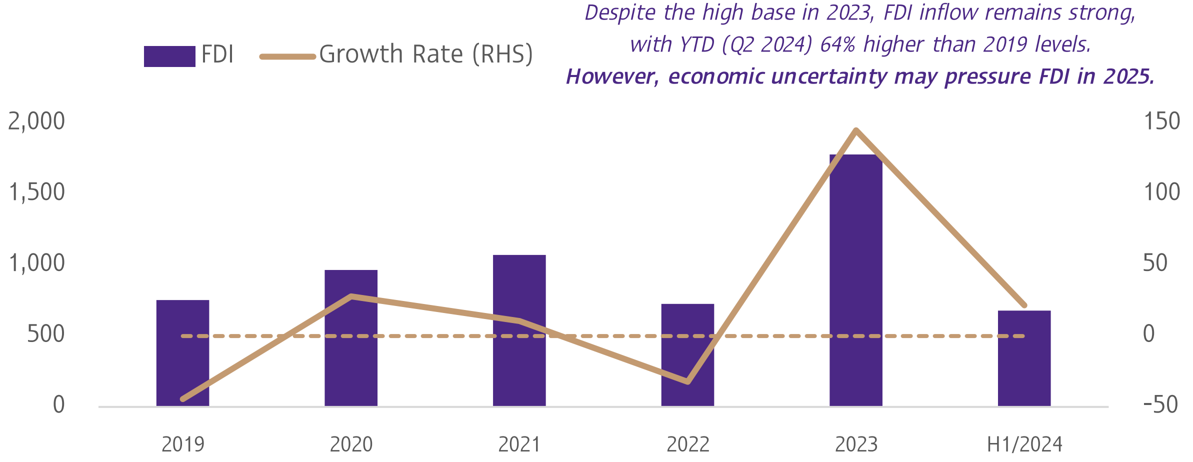
Tourist Average Daily Expenditure

Unit : USD per capita



Net Foreign Direct Investment

Unit: USD million (LHS); %YOY (RHS)



- **Tourism:** Tourist numbers should rise further in 2025, with government promotional campaigns, visa incentives, and the Lao PDR-China high-speed railway driving growth, Notably, average tourist spending has risen significantly, exceeding pre-pandemic levels, driven by new tourist markets such as the US, suggesting strong growth potential for the sector. Risks to the outlook include a global economic slowdown that may weigh on tourism spending.

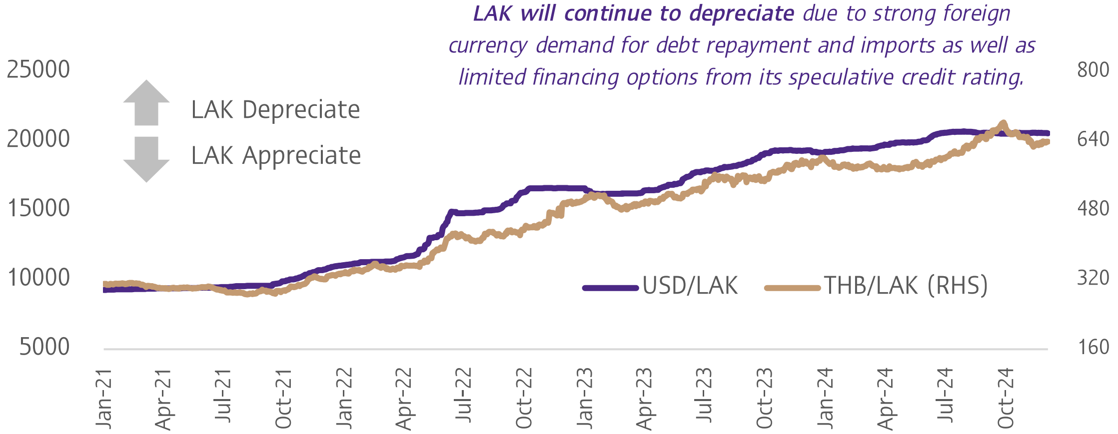
- **Foreign Direct Investment (FDI)** is expected to grow at a slower pace in 2025. Renewable energy production and logistics remain high-potential industries attracting foreign investors. Also, investment from China is likely to accelerate due to geopolitical issues as Lao PDR maintains strong ties with China. However, risks remain from economic uncertainties such as fragile public and external stabilities and a global slowdown that may lower investors' sentiment.

Source: SCB EIC analysis based on data from Bank of the Lao PDR, Ministry of Information Culture and Tourism, CEIC and Lao News Agency.

Despite tighter monetary policy, LAK would depreciate due to high foreign currency demand amid low foreign reserves and limited external funding options under country's speculative credit rating.

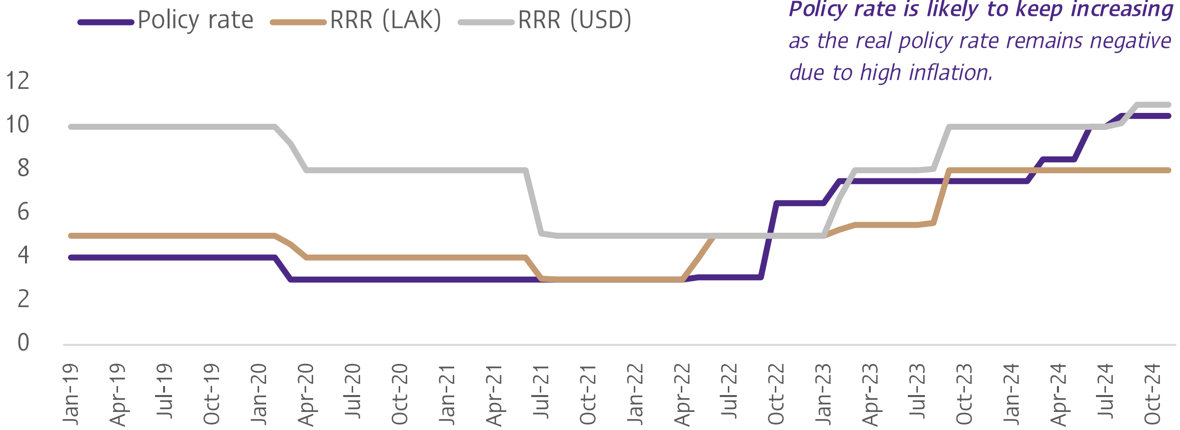
Lao Kip (LAK) Exchange Rate (Official rate)*

Unit: USD/LAK (LHS) ; THB/LAK (RHS)



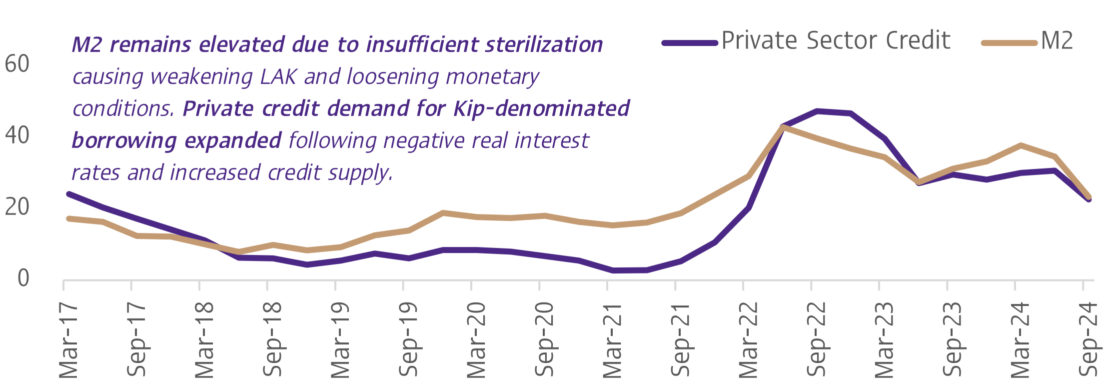
Lao PDR's Policy Rate & Reserve Requirement Ratio

Unit: %YOY



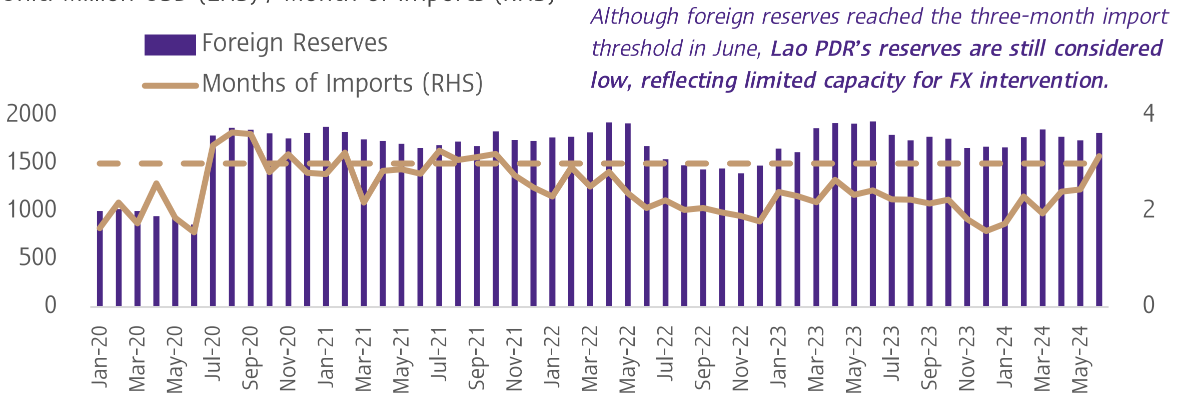
Lao PDR's Money Supply and Private Credit Growth

Unit: %YOY



Lao PDR's Foreign Reserves Adequacy

Unit: Million USD (LHS) / Month of Imports (RHS)



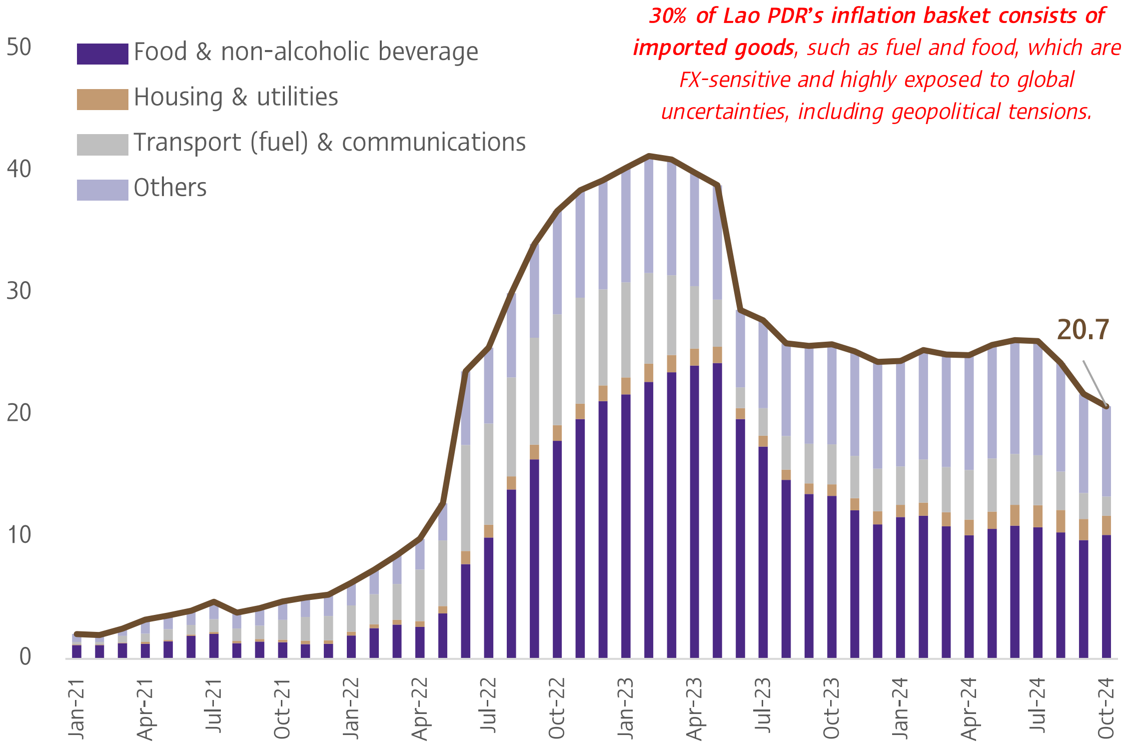
Note: *The exchange rate in parallel (black) markets is weaker than the Official rate.

Source: SCB EIC analysis based on data from CEIC, Bank of Lao PDR, IMF, Tris Rating and Bank of Thailand.

Domestic demand remains fragile as high inflation weakens purchasing power and raises business costs. Trump 2.0 could lead to a stronger USD and further elevate the inflation outlook.

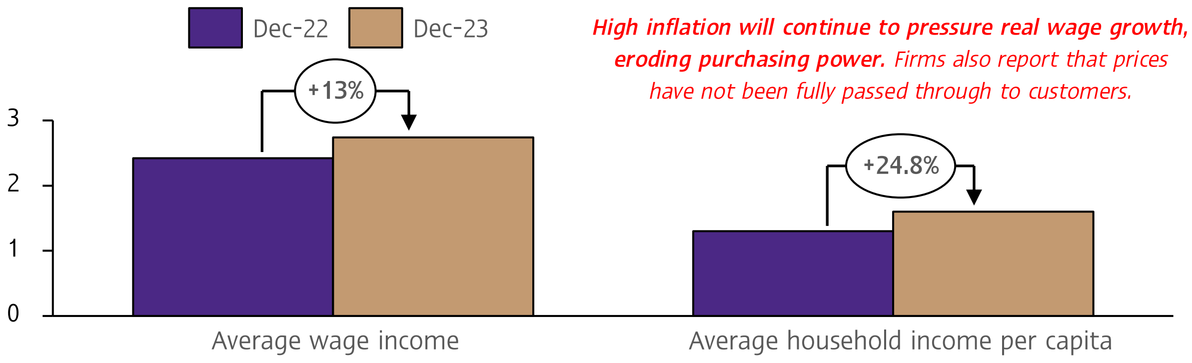
Headline Inflation

Unit: %YOY



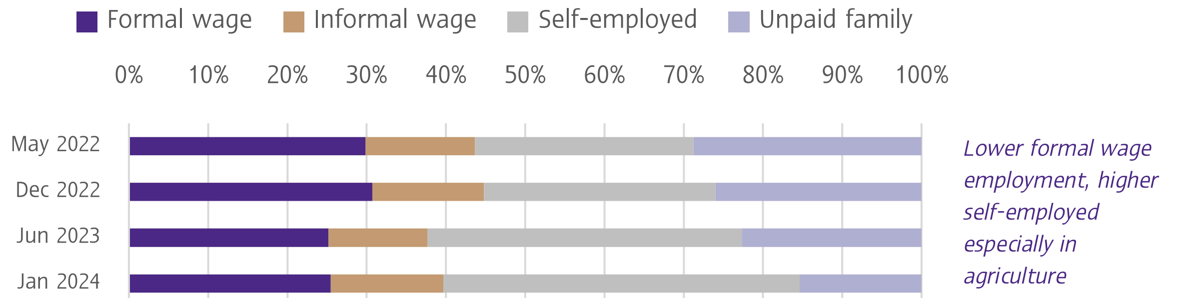
Monthly Wages and Household Income

Unit: LAK million



Employment Status of World Bank Household Survey Respondents (Jan-Feb 2024)

Unit: % of respondents



- **Headline inflation in 2024 slowed** as tighter monetary policy and slower pace of exchange rate depreciation lower imported inflation.
- **Inflation in 2025 is projected to remain elevated at a comparable rate to 2024** due to continued currency weakness. Trump 2.0 policies could heighten geopolitical uncertainty and lead to a stronger USD, risking imported fuel and food price surges that fuel inflation.

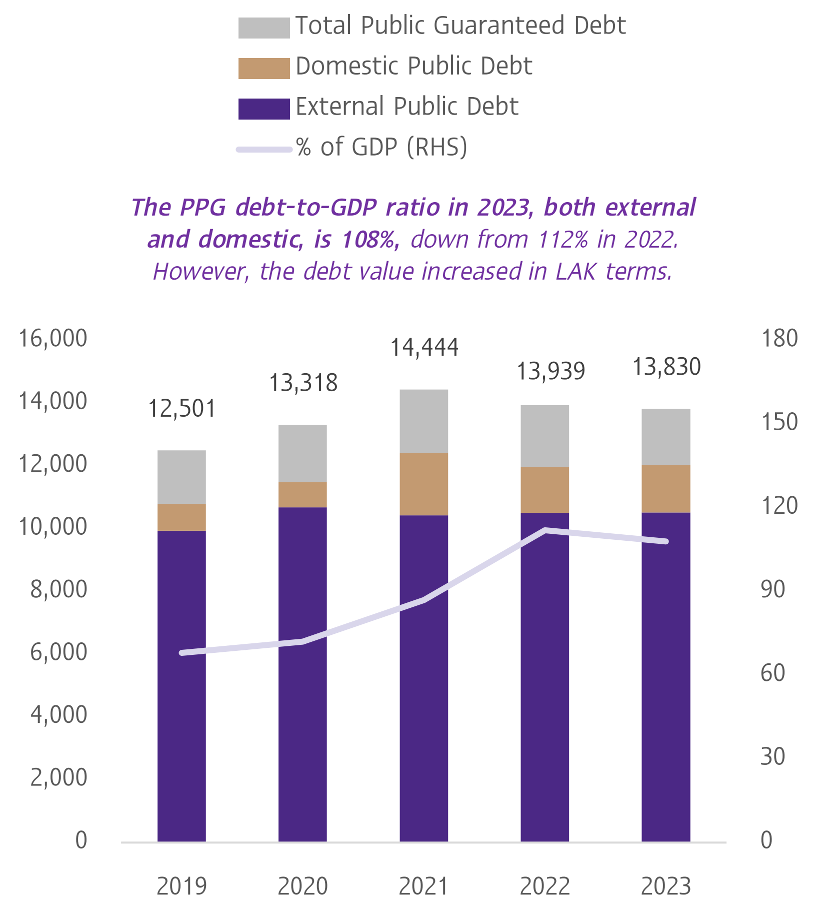
Higher inflation keeps pressure on real wages, eroding purchasing power and driving increased outward migration. This exacerbates labor shortages, raises wages, and further fuels inflation.

Source: SCB EIC analysis based on data from CEIC, Lao Statistics Bureau and World Bank.

Despite lower public debt-to-GDP ratio, Lao PDR continues to face a high public debt repayment trajectory, pressuring local currency and economy. Debt restructuring with China is key to short-term external stability.

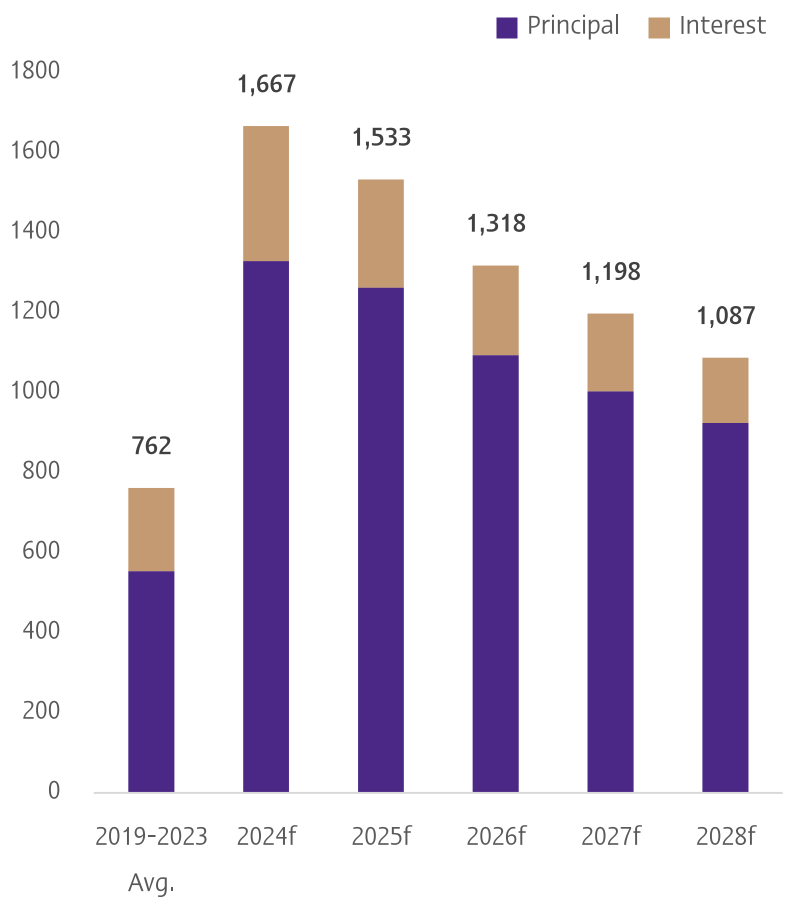
Lao PDR's Public and Publicly Guaranteed debt (PPG)

Unit: USD million (LHS); % of GDP (RHS)



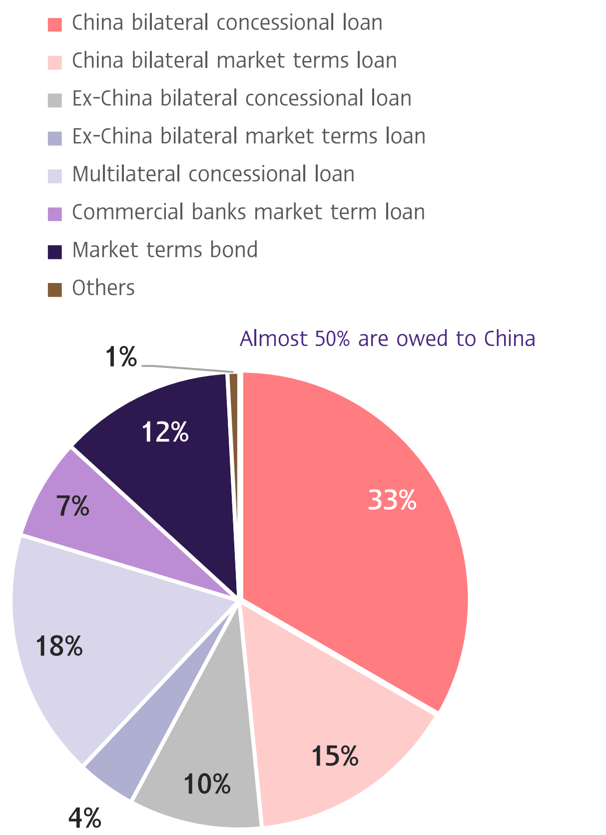
External public debt repayment projections (as of 2023)

Unit: USD million



External Public Debt Stock by Creditor in 2023

Unit: % of total external public debt stock



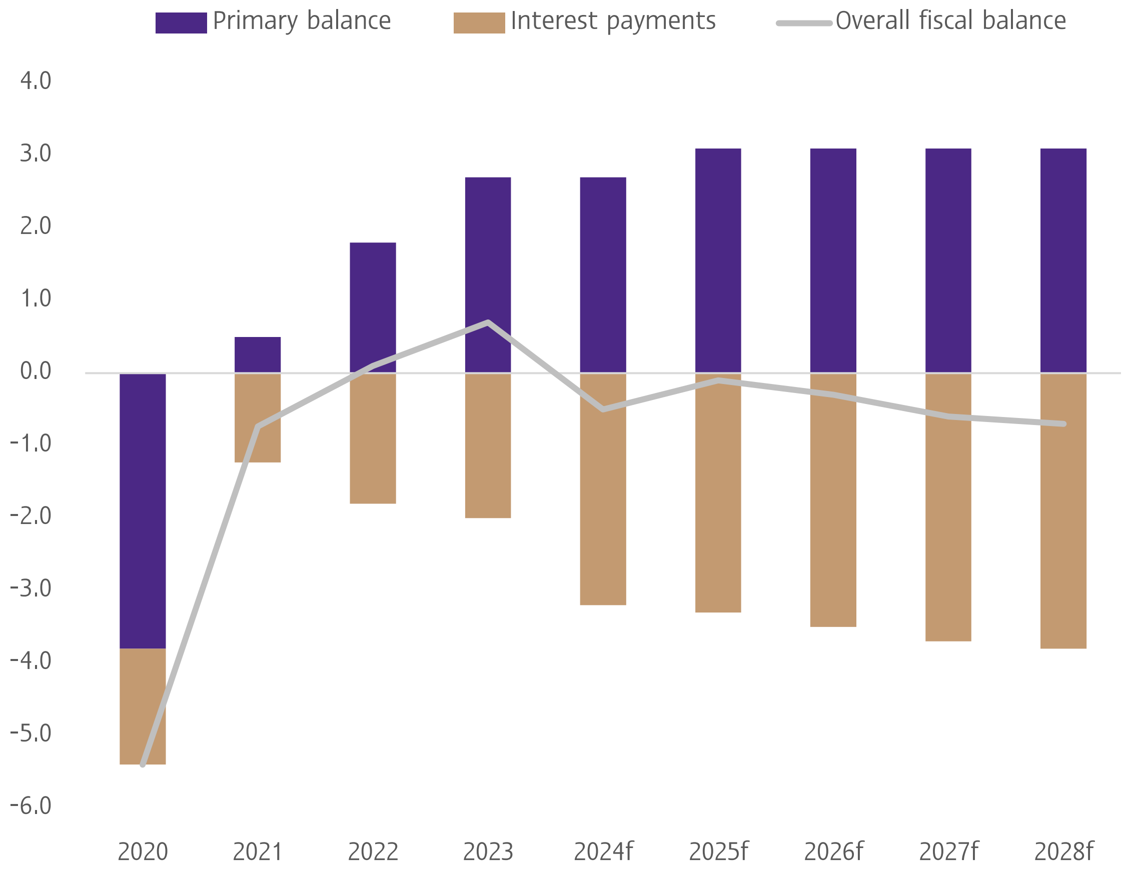
As of 2023, external public debt is composed of 58.6% in USD, 15% in SDR, 11.7% in THB, 8.5% in CNY and 2.6% in EUR.

Source: SCB EIC analysis based on data from Ministry of Finance Lao PDR.

Lao PDR is tightening fiscal policy, which is a key step for fiscal stability. However, this will lead to lower public investment, pressuring growth. Additional funding will still be needed for interest payments.

Fiscal Balance (IMF forecasts as of November 2024)

Unit: % of GDP



Lao PDR's Medium-Term Public Debt Management Plan

- **Extension of debt relief from China** and, to a lesser extent, asset sales.
- **Aim to reduce public debt-to-GDP ratio (excluding publicly guaranteed debt) by 5 percentage points to 89% by 2025** through tighter control of new borrowing.
- **Require state-funded investment projects to generate sufficient income to repay debts.**
- **Explore non-debt funding sources**, such as increasing government revenue, repayments from state enterprises, and asset expansion.
- **Enhance economic stability** to support improvements in the country's credit rating.
- **Negotiate debt restructuring** to delay repayments or roll over debt obligations.
- **Implement regulations requiring exporters to deposit foreign currency earnings into Import-Export accounts in Lao PDR** and convert them back into Kip.

However, additional borrowing may still be necessary if non-debt funding sources are insufficient to meet repayment obligations.

Potential Sources of Foreign Currency Funding

Issuance of bond in foreign currency

May face limitations from speculative credit rating (BB+)

Borrowing from IMF, Chiang Mai Initiative Mechanism or other organizations

The process is relatively complex and face geopolitical issue

Restructuring debt with creditors, especially China

Through currency swaps or selling shares instead of cash

Source: SCB EIC analysis based on data from Bank of the Lao PDR, Ministry of Finance Lao PDR, and the IMF.

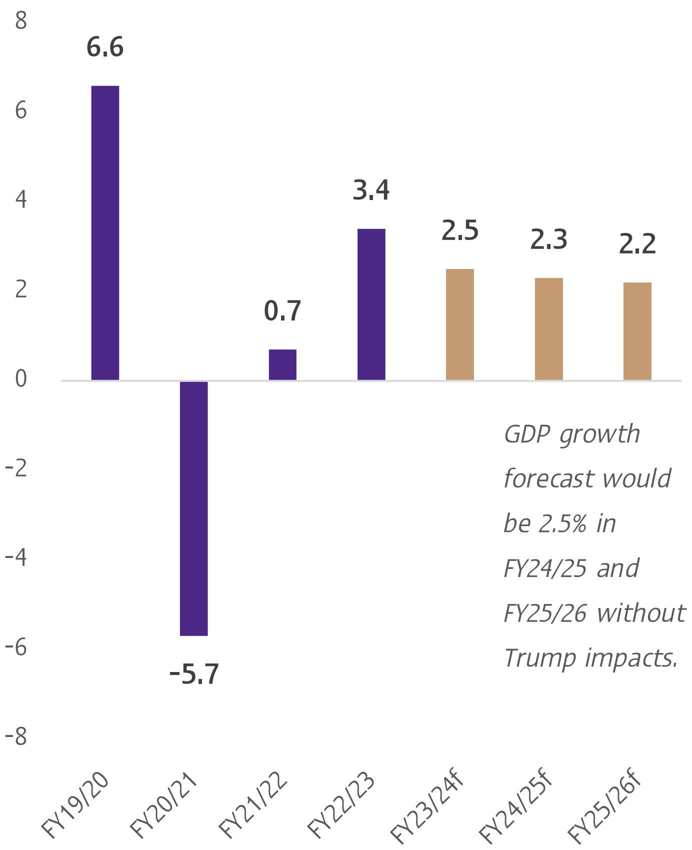
Myanmar’s Economy

Myanmar’s economy in 2025 will continue to be pressured by ongoing conflicts, resulting in a weak economic environment. Currency volatility remains a key concern as the weak Kyat fuels inflation. A recovery hinges on a sustainable end to the conflict, which appears unlikely in the short-term.

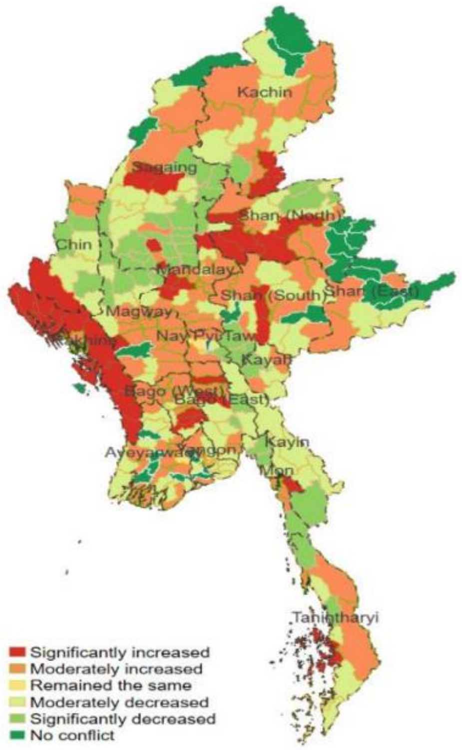
Myanmar’s economy is expected to see slower growth at 2.3% in FY24/25 pressured by ongoing conflicts and a global economic slowdown. The political outlook remains highly uncertain.

Myanmar’s economic growth forecasts*

Unit: %YOY



Change in conflict intensity (World Bank Figure)**



Myanmar’s conflict is fragmented, involving many groups with different objectives. Thus, the political situation remains highly uncertain with no clear end.

Positive factors

- **Agricultural sector** may benefit from improved crop prices
- **Higher demand for some domestic orders** to replace imports

Negative Factors

- **Prolonged conflicts** disrupting economic activities
- **Trade disruption,** especially in the border areas
- **Fragile labor market** resulting in increased household vulnerability and poverty
- **High inflation** owing to Kyat weakness
- **Shortage of production inputs** such as electricity and materials
- **Western sanctions** continue to erode business confidence

Risk factors

- **Currency volatility** due to a shortage of US dollar
- **Uncertain government policies** such as conscription laws, currency controls, and price controls
- **Additional sanctions from Western nations**
- **Risks to fiscal stability** due to reduced government revenue and limited sources of government borrowing
- **Climate change**, such as impacts of Typhoon Yagi

Note: *GDP reported by Myanmar and the IMF/World Bank differs significantly. For this research, official GDP reported by Myanmar will be used. **January-October 2024 compared to the same period last year

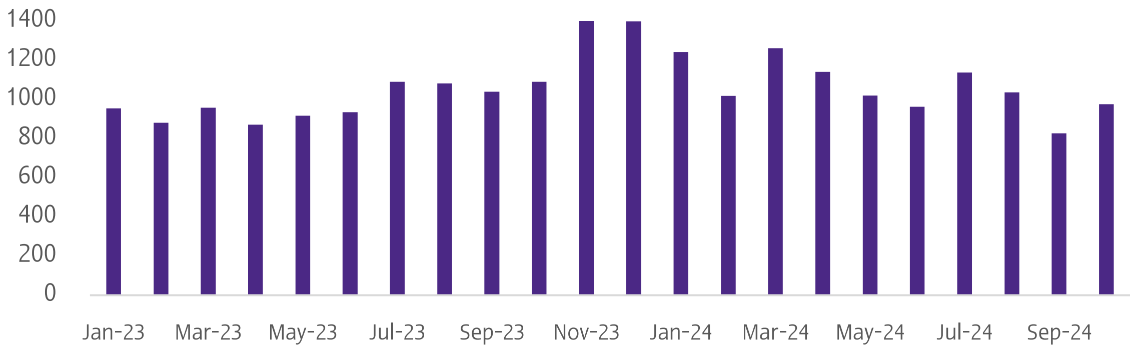
Source: SCB EIC analysis based on data from the Central Bank of Myanmar, IMF, and World Bank.

Monthly indicators show improving but weak economic activity amidst the ongoing conflict.

With no signs of a quick resolution, economic growth will remain subdued in 2025.

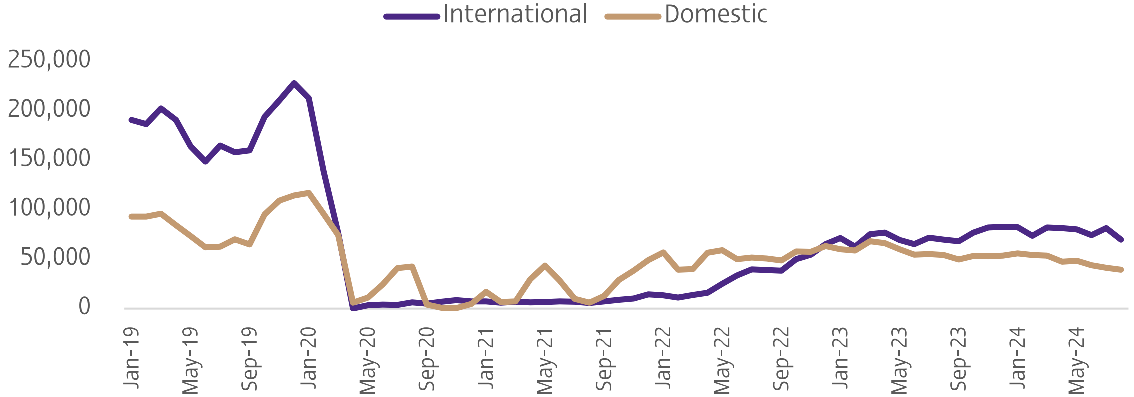
Number of political violence events

Unit: Number of events



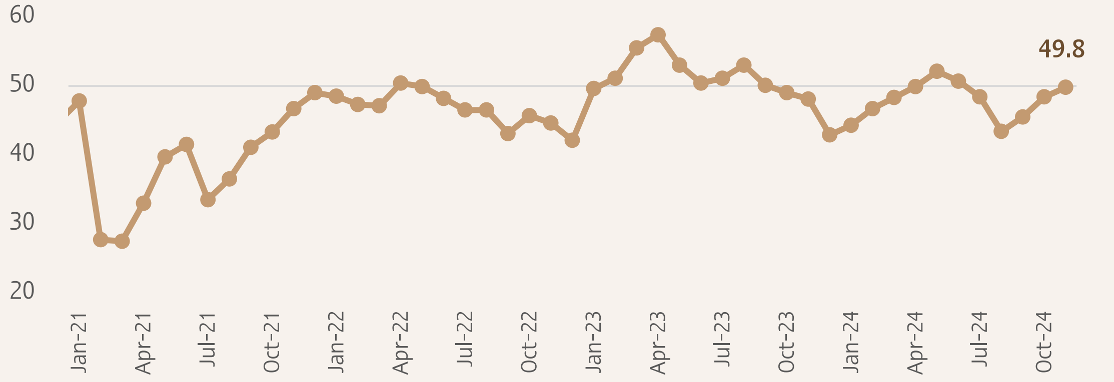
Number of inbound passengers at Yangon airport have not recovered

Unit: Persons



Manufacturing PMI remained in contraction, but improving

Unit: Index, seasonally adjusted (>50 = expansion, <50 = contraction)



Insights from the Manufacturing PMI (Nov 2024):

1. **New orders and output rose** for the first time in five and six months, respectively
2. **Supplier's delivery time continued to lengthen further,** likely reflecting ongoing disruptions due to the conflict. **Backlogs rose from input shortages.**
3. **Employment fell for the 18th consecutive month** and was the largest decrease since August, with the main reason being resignations
4. **Sentiment was neutral for the year ahead,** with respondents citing concerns about future demand and raw material shortages
5. **Cost pressures eased from a slightly stronger local currency**, but the strengthening of USD after Trump's election victory may reverse this trend

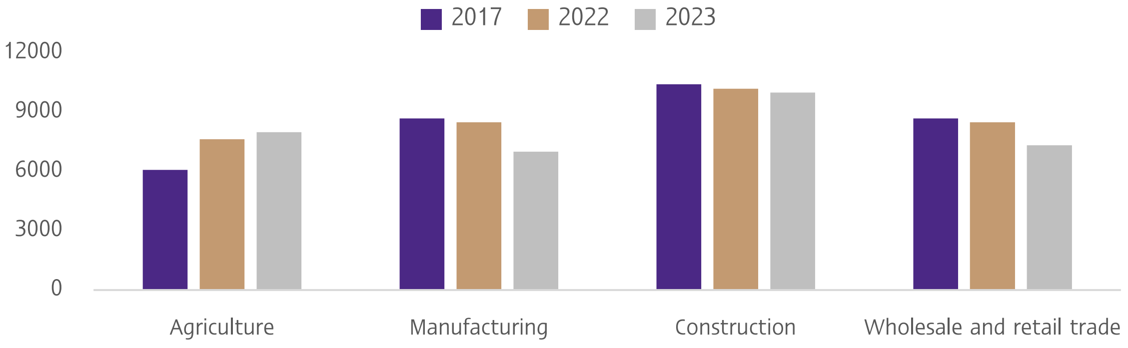
Source: SCB EIC analysis based on data from ACLED, HDX, S&P Global, and CEIC.

Consumption would continue to be sluggish as Myanmar's households have become more fragile due to a weak labor market and real income.

Weak real income contributed to a rise in poverty and insecurity

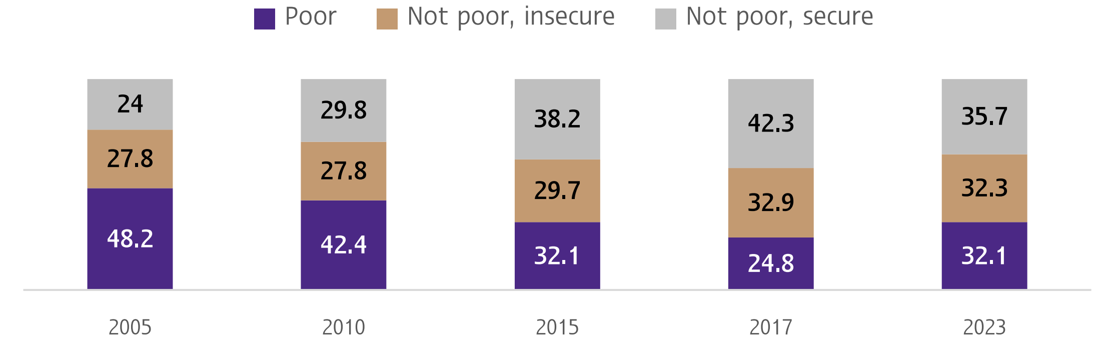
Real wages of salaried workers (Median) by key industries

Unit: MMK, 2023 price



Proportion of poor, not poor but insecure, not poor and secure population*

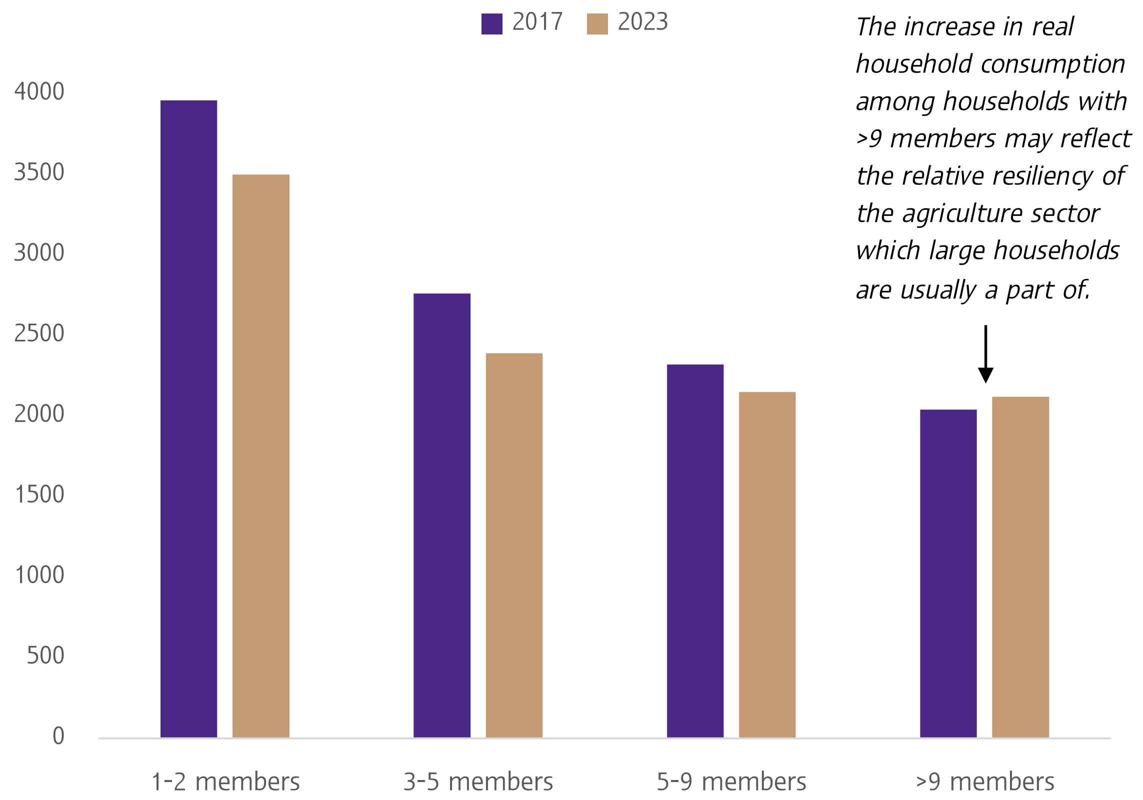
Unit: % of population



Consumption fell across almost all sizes of household

Real household consumption by sizes of household

Unit: MMK, adult equivalent consumption per capita



Note: *The poverty line was 1,590 kyat per day in Q1 2017, equivalent to approximately 2,762 kyat at 2023 prices. Insecure group is defined as expenditure higher than the poverty line but lower than 1.5 times.

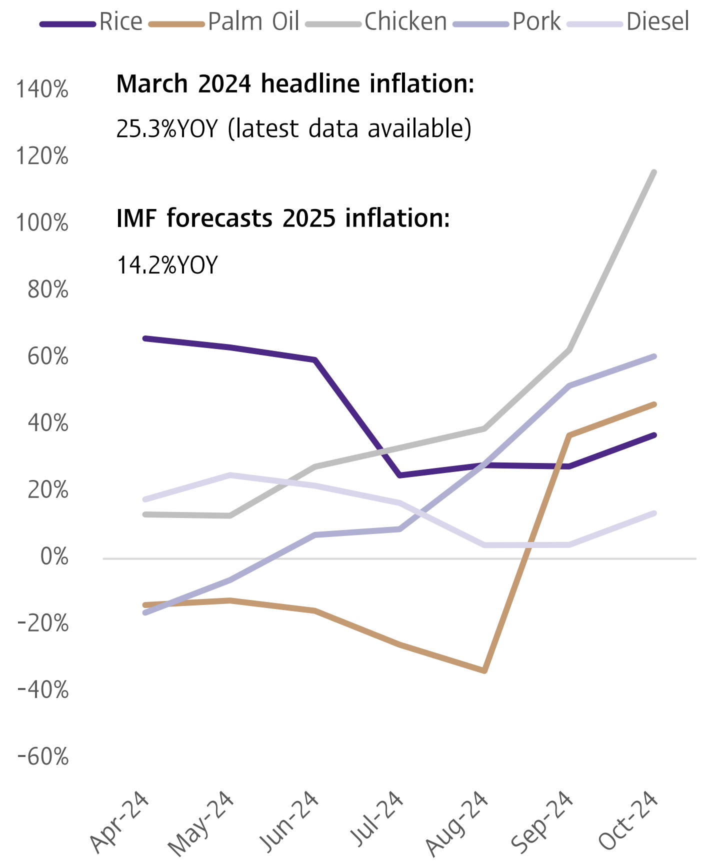
Source: SCB EIC analysis based on data from the World Bank (Sinha Roy, Sutirtha and van der Weide, Roy. 2024. Development Reversed: Poverty and Labor Markets in Myanmar. World Bank.) and Myanmar Firm Monitoring Survey.

SCB EIC

Inflation and input costs would remain elevated, given ongoing supply chain disruptions and currency volatility. This will weigh on consumption and business profitability.

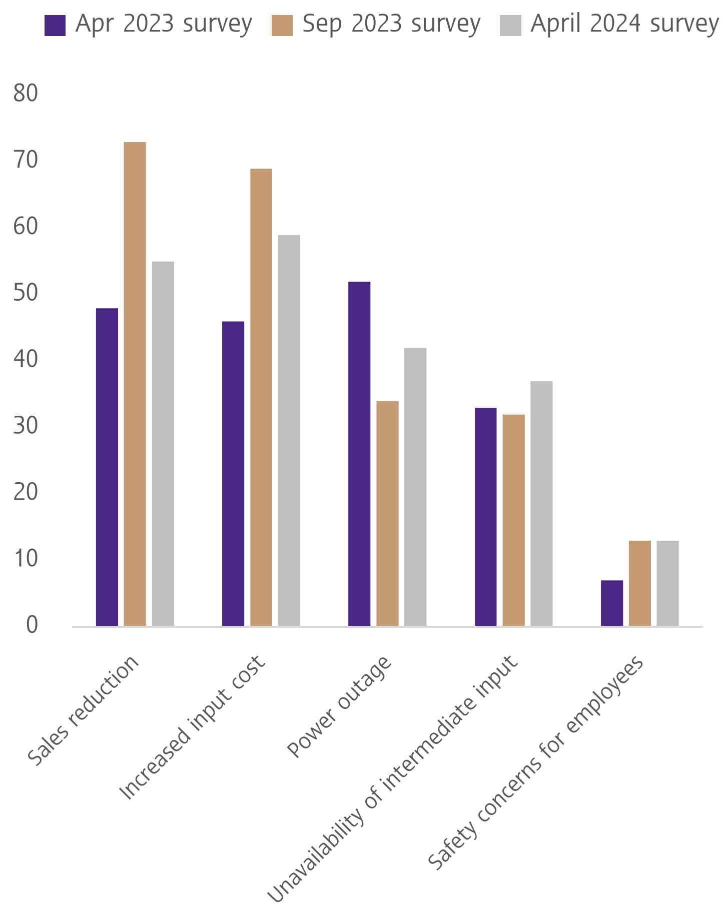
Average retail commodity price increase in Yangon

Unit: %YOY, monthly average



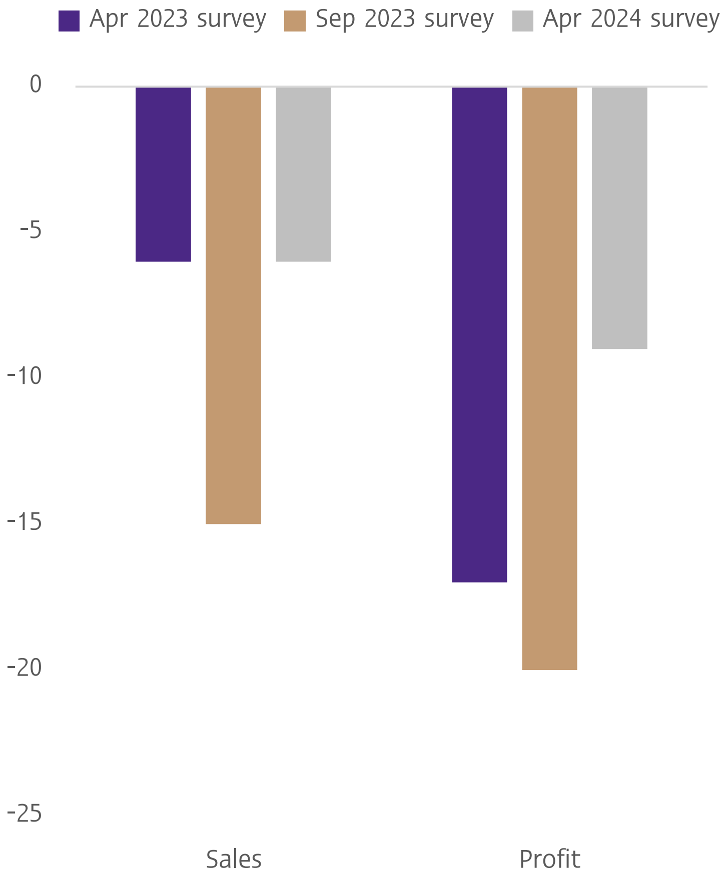
Reasons firms do not operate at full capacity*

Unit: % of businesses, all industries



Changes in sales and profits of firms*

Unit: %YOY, all industries



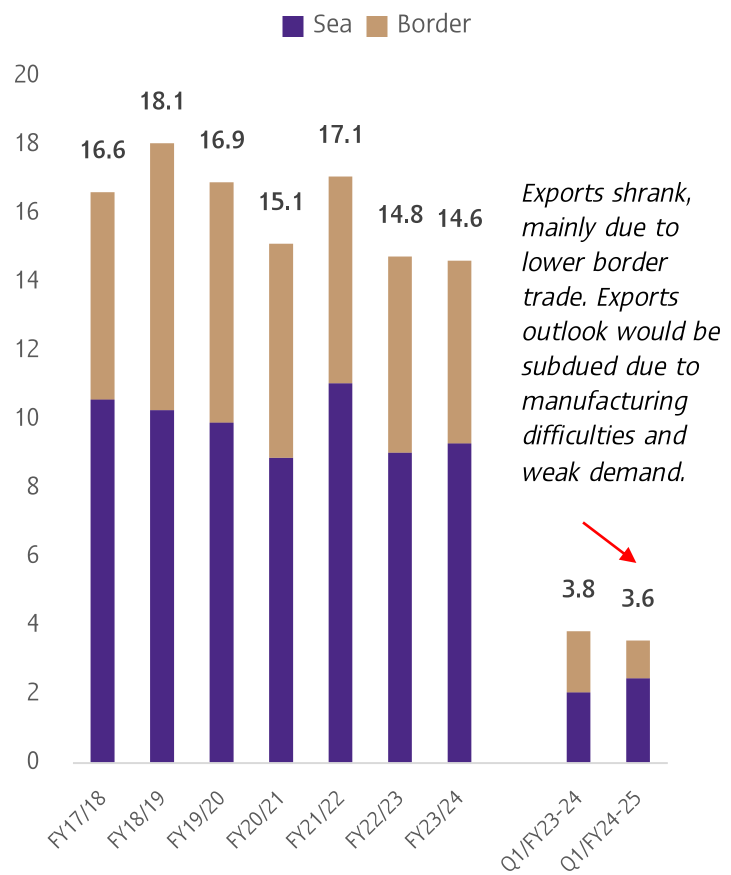
Note: *Data from World Bank Survey

Source: SCB EIC analysis based on data from the World Bank (Myanmar Firm Monitoring Survey), IMF, and CEIC.

Exports would remain subdued but may recover slightly as border disruption normalizes. FDI and tourism may not see a significant recovery due to uncertainty, sanctions, and reputational risks.

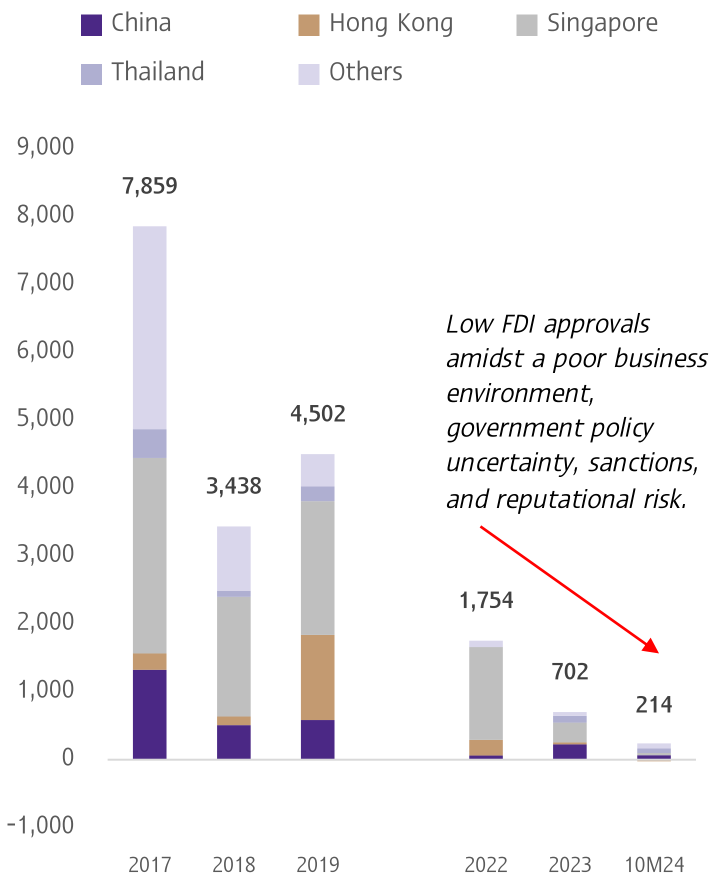
Goods exports value

Unit: USD billion



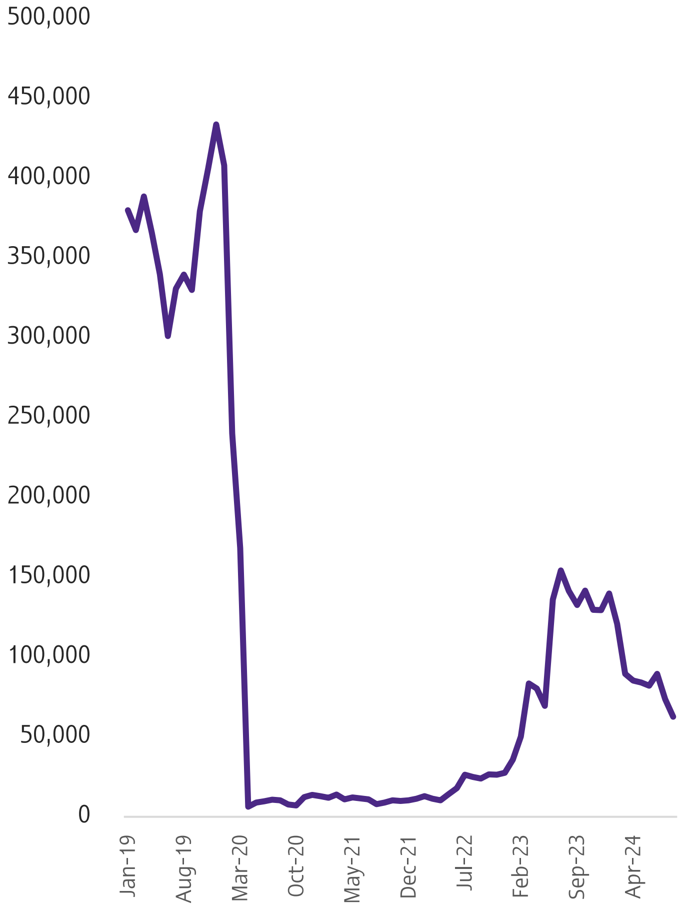
Newly approved FDI*

Unit: USD million



Tourist arrivals

Unit: persons



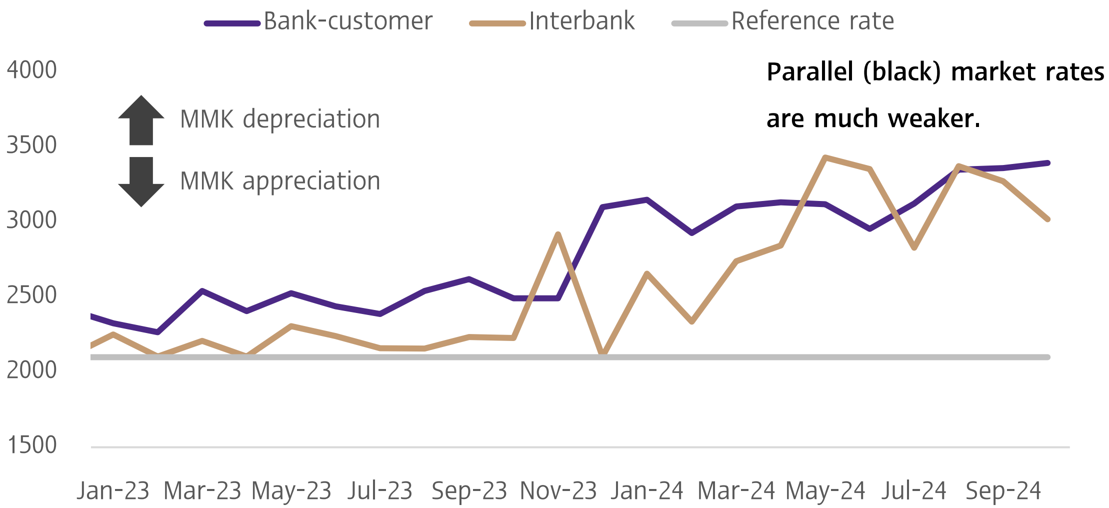
Note: *2020 and 2021 not shown due to unavailability of data.

Source: SCB EIC analysis based on data from the Ministry of Commerce, DICA, Ministry of Planning and Finance, and CEIC.

MMK would continue to weaken due to weak confidence despite moderately tighter monetary policy. Trump 2.0 may add further depreciation pressures from a stronger USD.

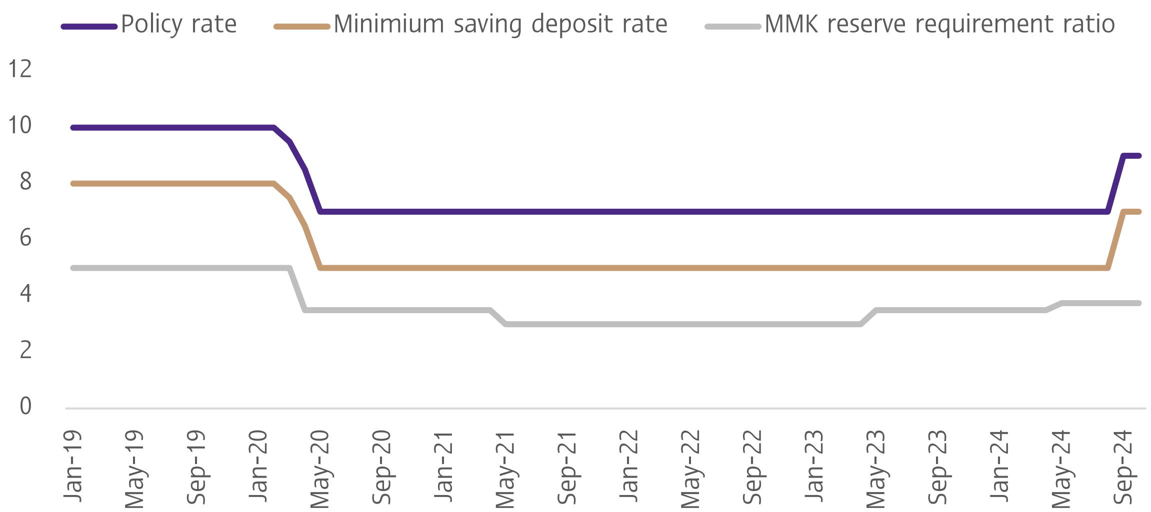
Exchange rate

Unit: USD/MMK



Interest rates

Unit: %



<u>SCB EIC's views on Trump 2.0 and Myanmar:</u>

- **MMK is likely to weaken further.** The Fed's terminal rate is likely to be higher in response to inflationary pressures from Trump's policies, leading to a stronger USD.
- **Myanmar could face tariffs on exports to the US**, but its impacts may be limited as Myanmar is not too reliant on US demand.
- **Additional US sanctions is possible** on drug trafficking and human rights concerns in Myanmar. **On the other hand, new sanctions may have slow pace** as Trump focuses sanctions efforts elsewhere such as Iran and China instead of Myanmar. **Current sanctions are likely to remain** unless the conflict situation improves.
- **Myanmar will have limited options to negotiate with the US on trade and sanctions.**
- **Fiscal space to stimulate the economy in case of trade war escalation is limited.**

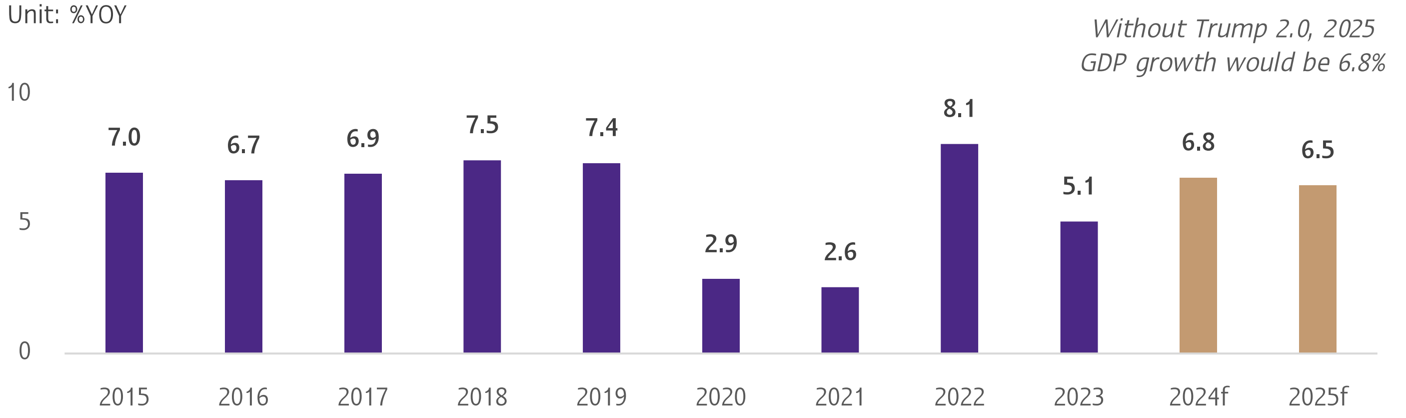
Source: SCB EIC analysis based on data from CEIC, Central Bank of Myanmar, and Ministry of Planning and Finance.

Vietnam's Economy

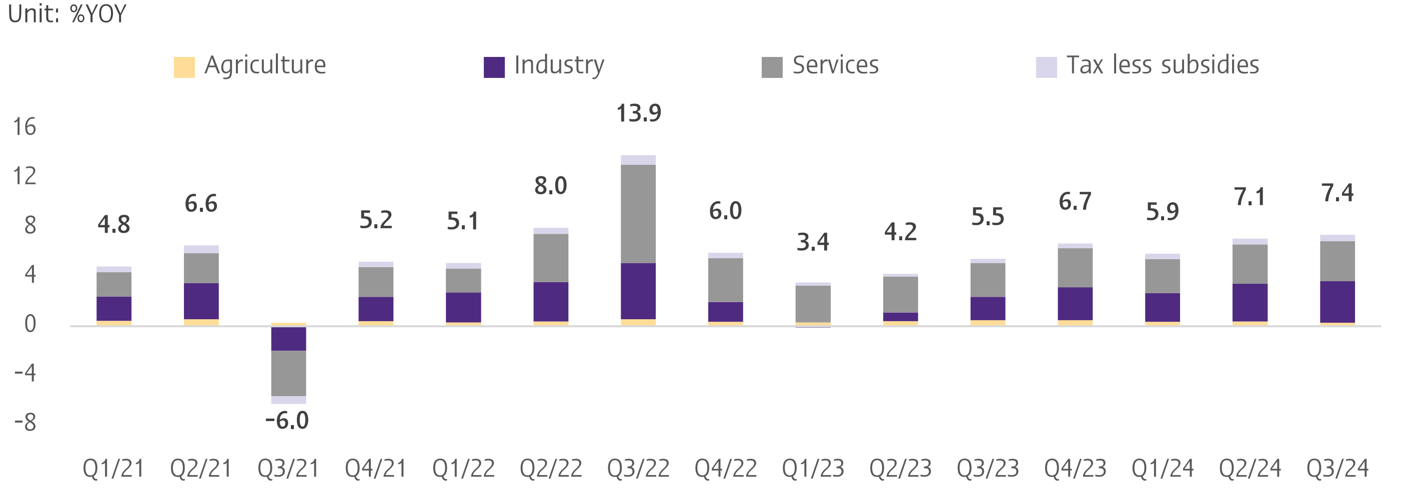
Vietnam's economy is expected to moderate slightly to 6.5% in 2025 on the back of a global economic slowdown. However, trade and FDI reallocation would help partially offset its impacts. Domestic demand should recover gradually, and accommodative macroeconomic policies would be supportive for the economy.

Vietnam's economy in 2025 is expected to moderate slightly to 6.5% as weaker global demand weigh on exports. Continued global supply chain relocation would partially offset its impacts.

Vietnam's annual economic growth



Vietnam's quarterly economic growth by production approach



Positive factors

- **Relocation of production bases to Vietnam** to reduce geopolitical risks would support exports and FDI
- **Tourism sector** continues to grow
- **Recovery of domestic demand** from stronger employment
- **Accommodative fiscal and monetary policies**
- **Easing inflationary pressure**

Negative factors

- **Global economic slowdown, trade tariffs, and economic policy uncertainty** weighing on external demand
- **Increased influx of Chinese goods** may pressure domestic manufacturers
- **Elevated non-performing loans** may pressure financial stability of small banks

Risk factors

- **Geopolitical tensions** could increase commodity prices, leading to a resurgence of inflation
- **US punitive measures on Vietnamese exports**
- **Climate change** leading to agricultural damage and losses

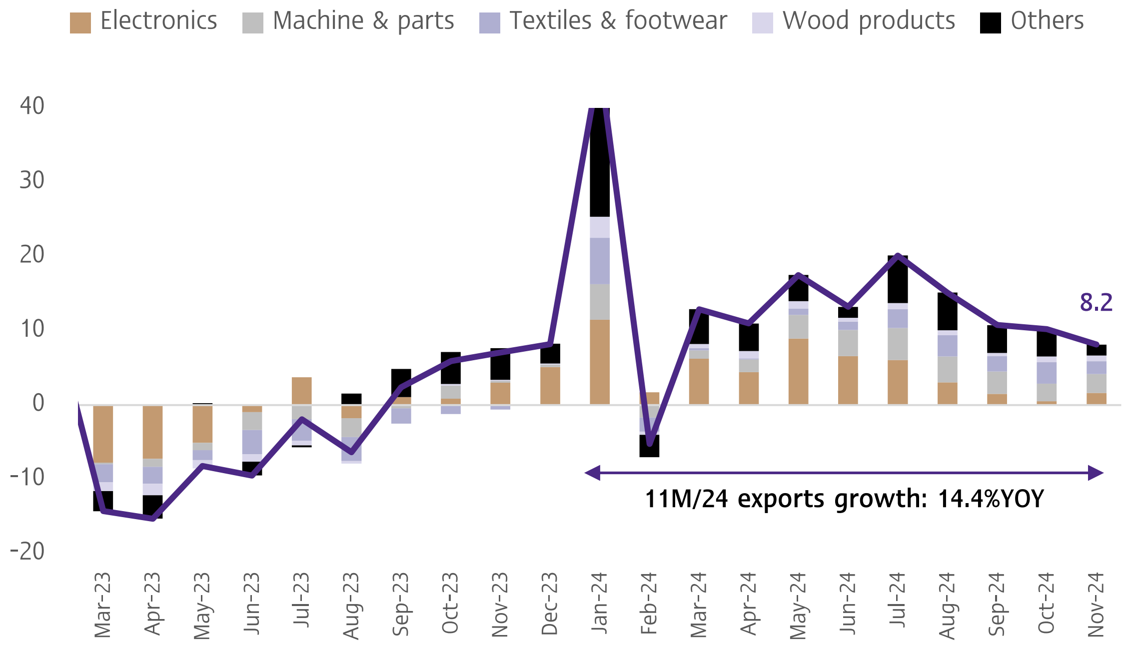
Source: SCB EIC analysis based on data from CEIC and General Statistics Office.

SCB EIC

Exports in 2025 is likely to slow from heightened US tariffs and a weaker Chinese economy.
This would be partially offset by trade reallocation, but there are risks of US punitive measures.

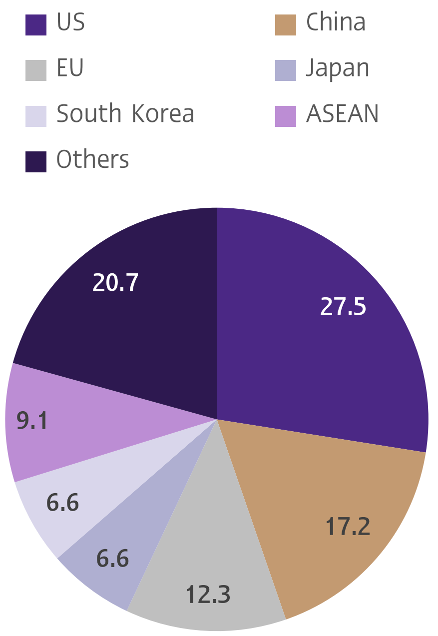
Contribution to exports growth

Unit: %YOY



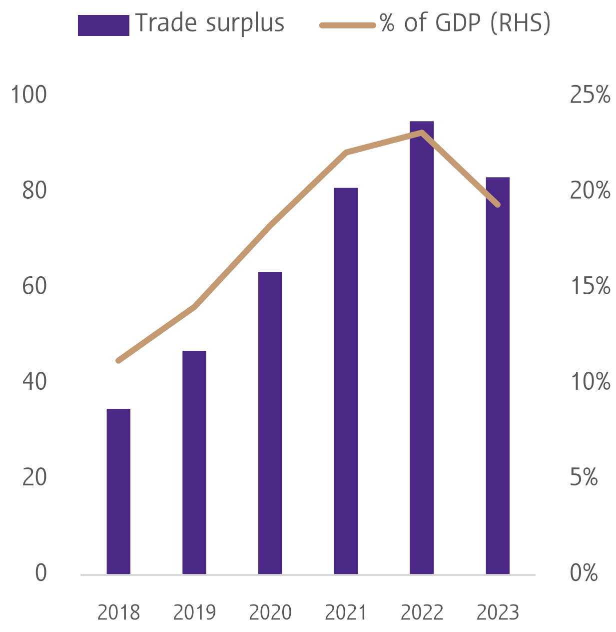
Exports share by country (2023)

Unit: % of exports



Trade surplus with the US

Unit: USD billion (LHS) / % of GDP (RHS)



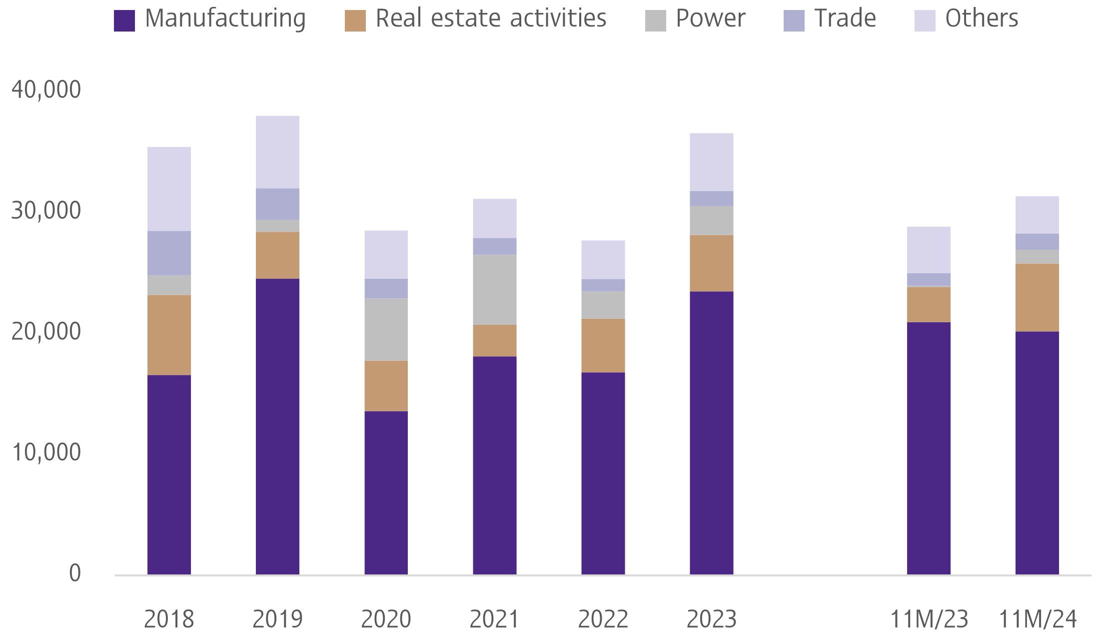
- **Exports is likely to grow at a slower pace in 2025,** pressured by Trump 2.0 trade tariffs and a weaker Chinese economy. However, trade reallocation – foreign firms relocating to Vietnam as an export base and avoiding US tariffs on China's exports – would continue to support exports. Strategic goods such as electronics are expected to be the key beneficiary sector from trade diversification away from China.
- **Risks remains on the downside, especially if the US imposes additional punitive measures on Vietnam**. The US records large trade deficit with Vietnam and has placed Vietnam on its currency manipulator watchlist. Additional tariffs on Vietnam's exports could weigh down growth as the US is its largest exports market.

Source: SCB EIC analysis based on data from CEIC, Trademap, and General Statistics Office.

FDI inflow may ease slightly in 2025 from US policy uncertainty but would remain resilient from firm relocation to reduce rising geopolitical risks and robust amount of approved FDI.

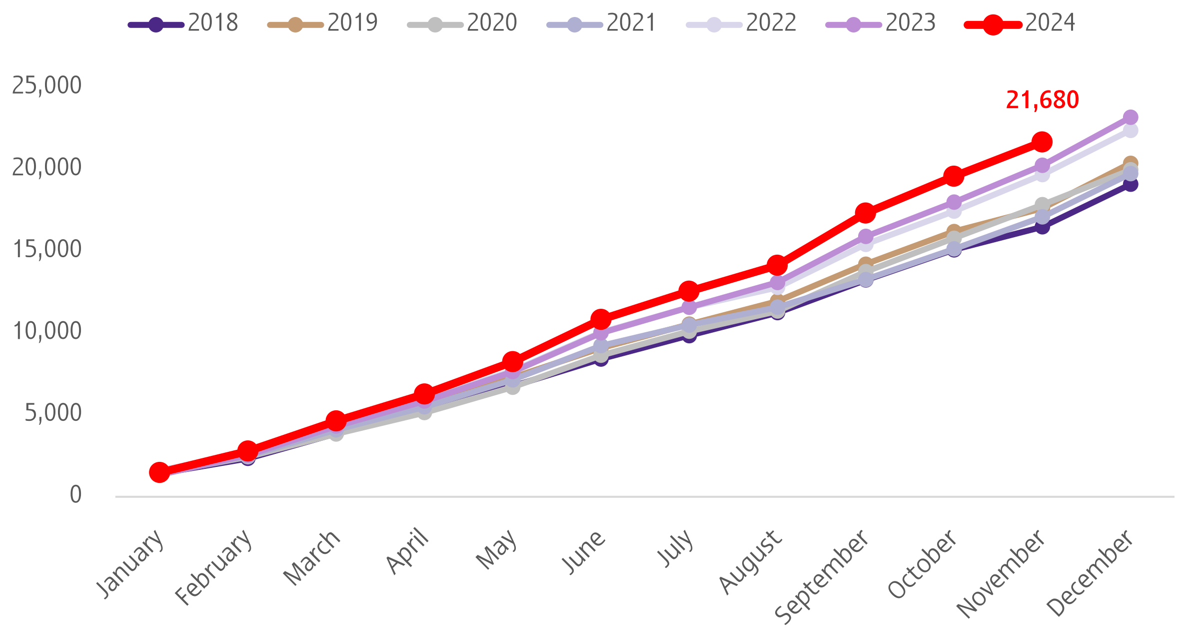
Approved FDI by industry (total registered capital)

Unit: USD million



Disbursed FDI (implementation capital)

Unit: USD million, year-to-date



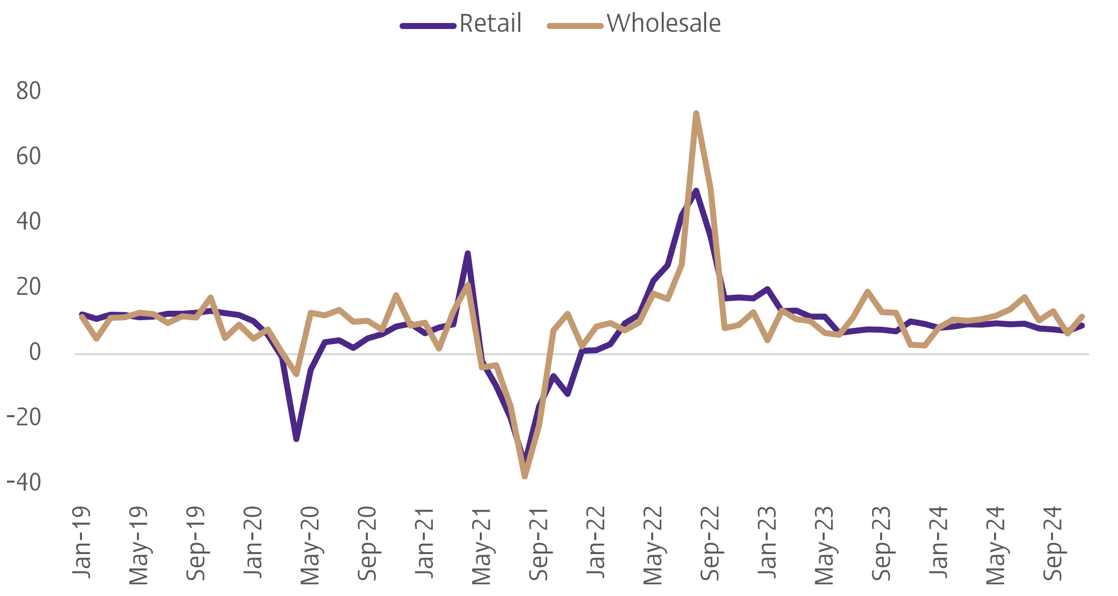
- **Vietnam remains attractive for FDI as foreign firms diversify risks away from China.** In particular, Vietnam could benefit from Chinese firms seeking to avoid US tariffs due to proximity and an established supply chain, especially the electronics sector. Vietnam also benefits from having a large population, lower manufacturing costs, robust economic growth, and various free trade agreements.
- **However, investors may take a wait-and-see approach in the short-term due to US economic policy uncertainty.** This may pressure FDI in the first half of 2025, but a recovery is expected after uncertainty eases. **A key downside risk to FDI is Trump's decision to crackdown on Chinese goods rerouting**, which may affect FDI from China.

Source: SCB EIC analysis based on data from the Ministry of Planning and Investment.

Domestic consumption should see a gradual recovery from stronger employment, wage increases, and lower inflation. Tourist spending should also recover further with more arrivals.

Retail and wholesale* sales growth

Unit: %YOY



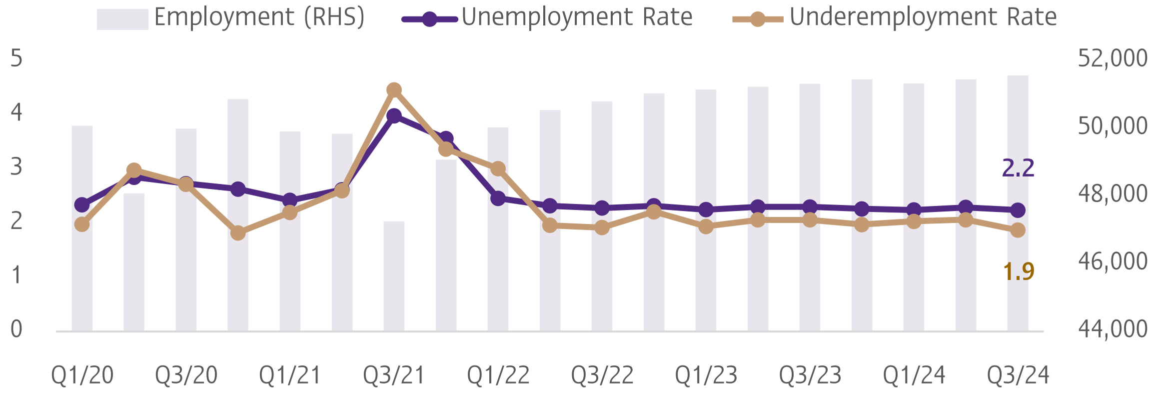
Domestic consumption continues to grow, but at a slower pace than pre-COVID for retail sales. Looking forward, recovery should continue, supported by:

- Stronger employment
- Declining inflation
- Minimum wage hike and wage increases for public sector employees since July 2024
- Recoveries in real estate and construction sectors
- Government support schemes (Vietnam Grand Sale 2024, extension of VAT cut)

Employment and unemployment rates

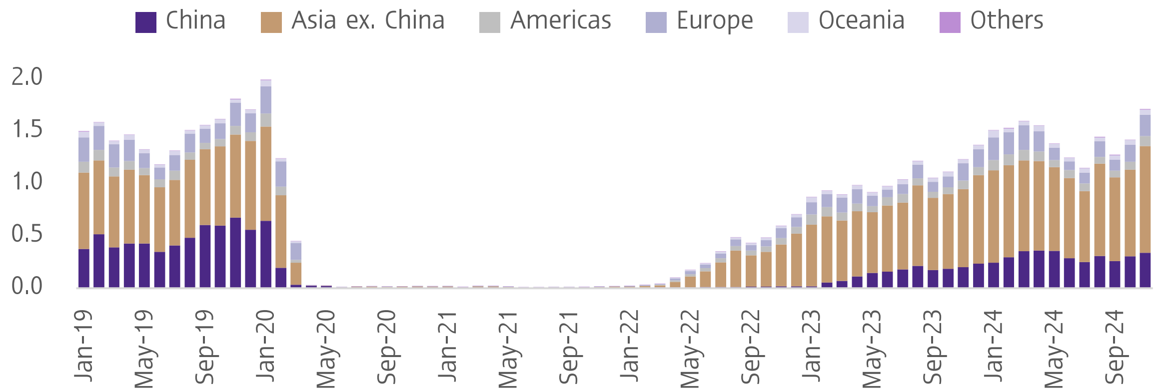
Unit: %

Unit: thousand persons



Foreign visitor arrivals

Unit: million persons



Note: *Wholesale data only covers Hanoi

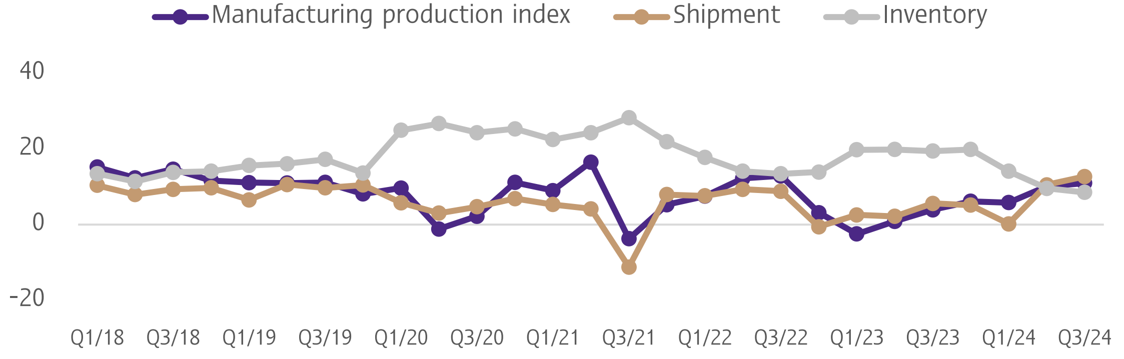
Source: SCB EIC analysis based on data from General Statistics Office.

The manufacturing sector may slow slightly in line with exports, with downside risks from increased influx of Chinese goods. Real estate sector is on track for a gradual recovery in 2025.

Manufacturing: Pressures from slower exports and China's overcapacity

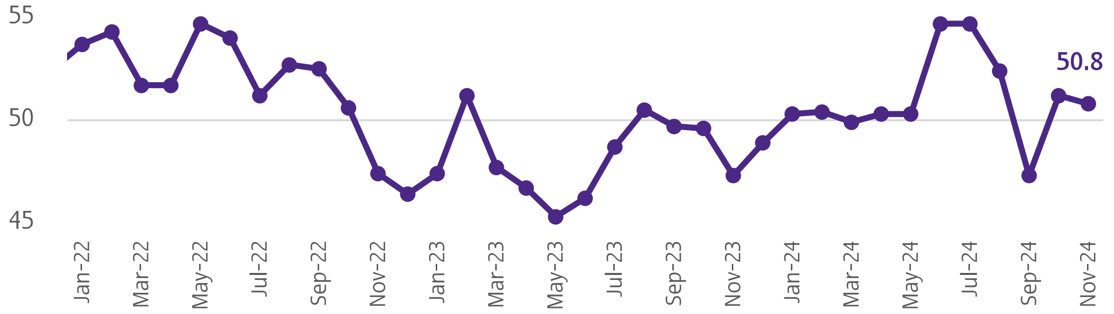
Manufacturing sector indicators

Unit: %YOY



Manufacturing PMI

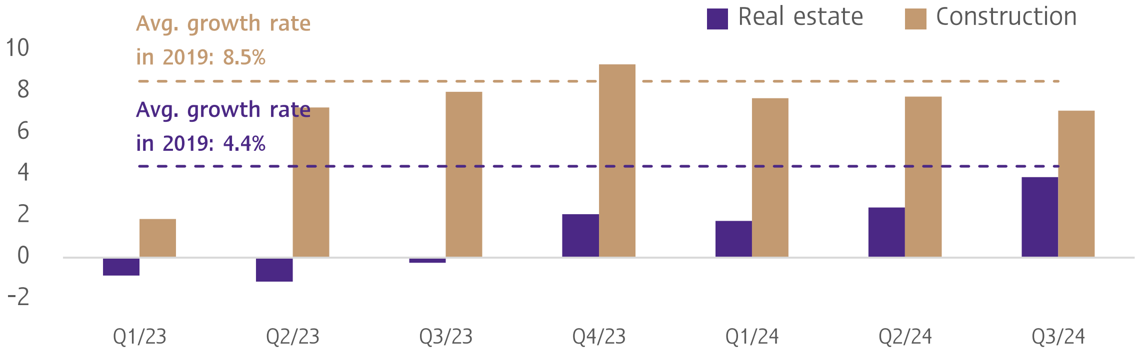
Unit: index (>50 indicates expansion, <50 indicates contraction)



Real estate: Gradual recovery ahead with improved market conditions

Real GDP growth of real estate and construction sectors

Unit: %YOY



Manufacturing sector outlook: Moderation in 2025 in line with exports slowdown. Activity in the first half of 2025 is likely to remain resilient due to frontloading order ahead of Trump 2.0 tariffs but will weaken afterwards. Nonetheless, a sharp slowdown is unlikely as inventory has run down over recent quarters, suggesting room to stock up. Yet, downside risks are from more influx of Chinese goods pressuring domestic manufacturers as alternative market to the US.

Real estate outlook: Gradual recovery in 2025 as market conditions improve. Financial conditions ease, with lower interest rates, higher credit growth, and rising corporate bond issuance which should support sentiment. Demand for residential real estate is resilient on the back of urbanization and population growth. Commercial and industrial real estate growth is supported by a growing middle class and FDI relocation with firms setting up offices in VN.

Source: SCB EIC analysis based on data from General Statistics Office, S&P Global, and foreign press.

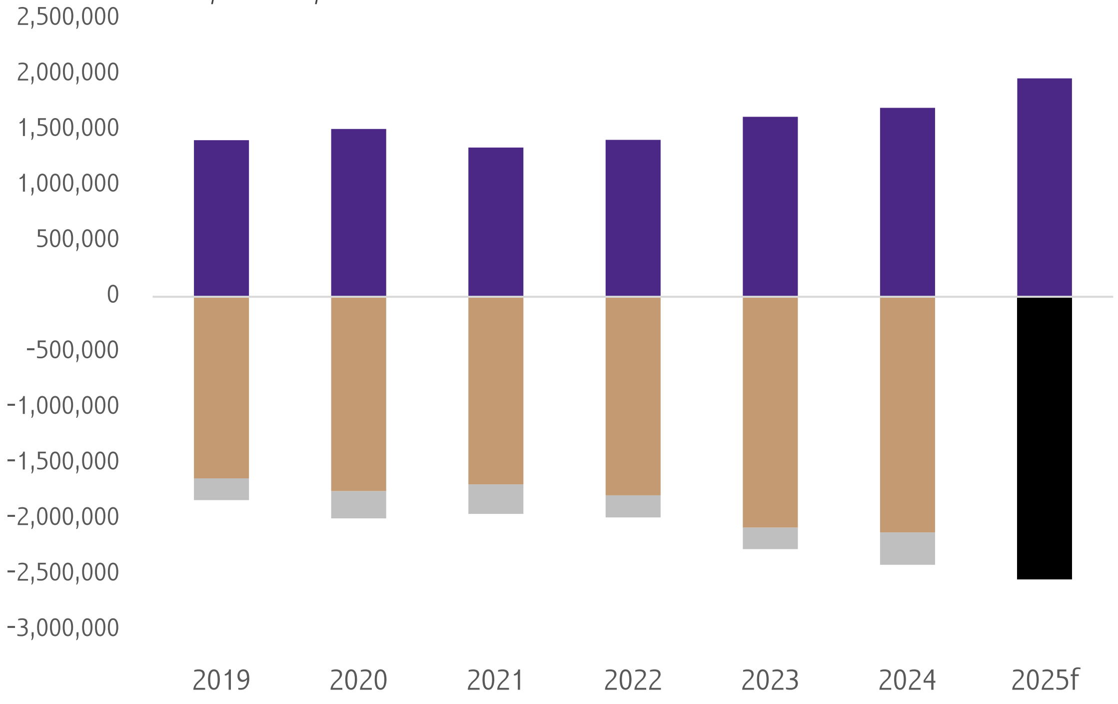
Fiscal policy should remain accommodative in 2025, especially through public investment. Vietnam has fiscal space to implement additional stimulus in coping with downside risks.

State budget plan

Unit: VND billion

Revenue Expenditures (ex. Principal payment) Principal Payment

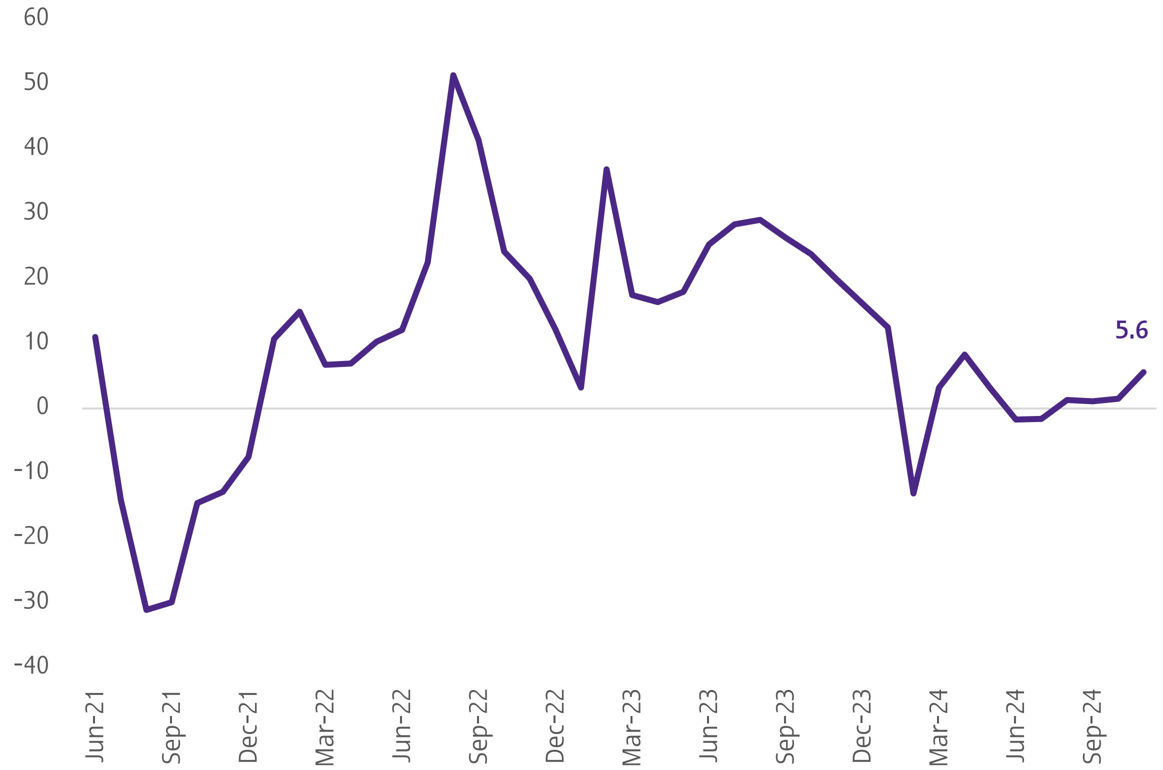
Fiscal deficit for 2025 budget plan is wider *(VND 471.5 trillion or* ***3.8% of GDP*** *vs VND 399.4 trillion or 3.6% in 2024 budget plan), suggesting an accommodative fiscal stance in 2025.* ***Public debt remains manageable at 36.4% of GDP in 2023*** *and thus has fiscal space to implement additional stimulus measures.*



Investment capital from the state budget

Unit: %YOY

State investment moderated in 2024 *from a high base as a supporting engine to economic recovery.* ***In 2025, an acceleration is expected*** *to support the economy amid a global slowdown.* ***Other stimulus measures next year*** *include an extension of VAT reduction to 8% (from 10%) until end of Jun25 and positive effects from 30% increase in public employee base salary effective since Jul24.*



Source: SCB EIC analysis based on data from General Statistics Office, Vietnam Ministry of Finance, and foreign press.

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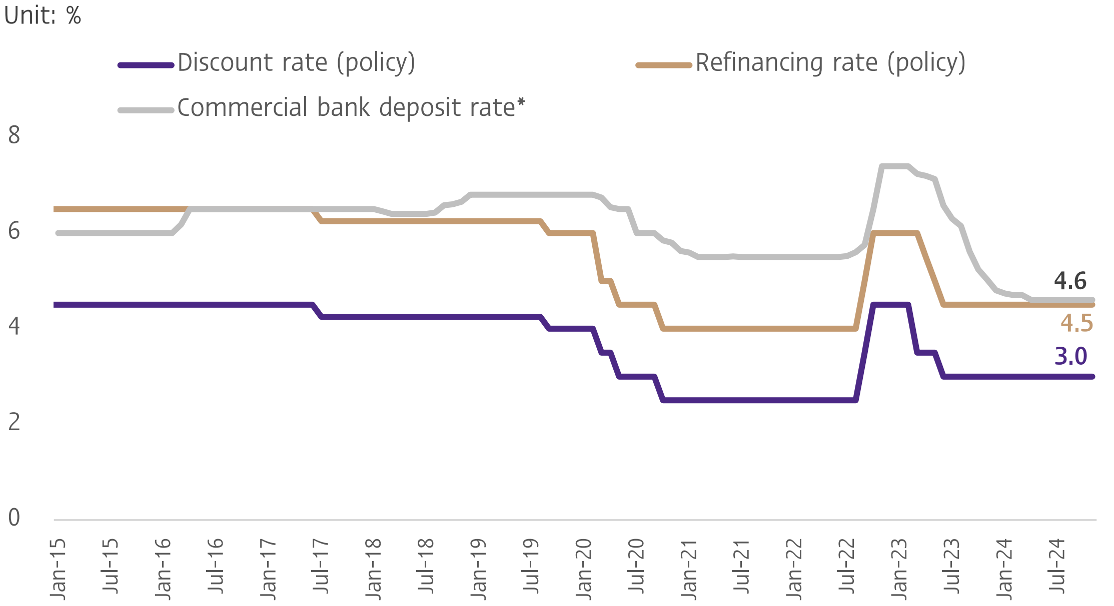
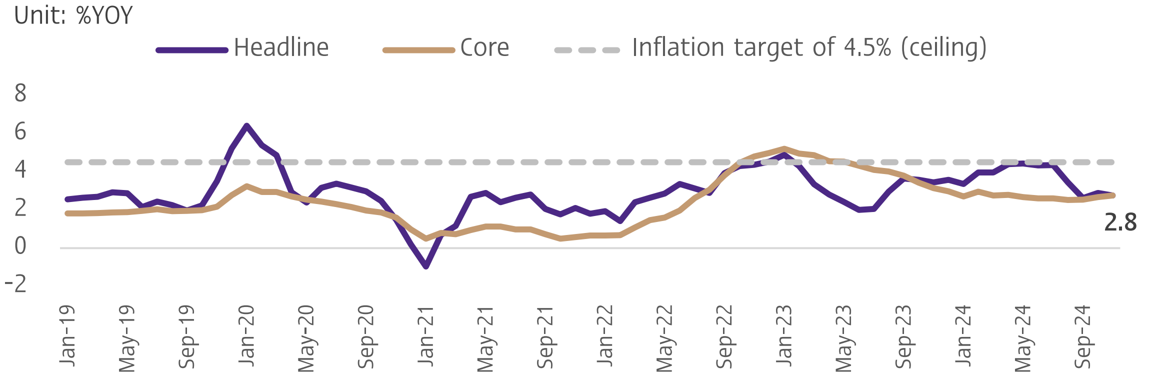
Inflation is expected to slow in 2025 from easing commodity and service prices. Thus, the policy rate would be on hold at an accommodative level to support the economy.

Policy rate and deposit rate



Inflation



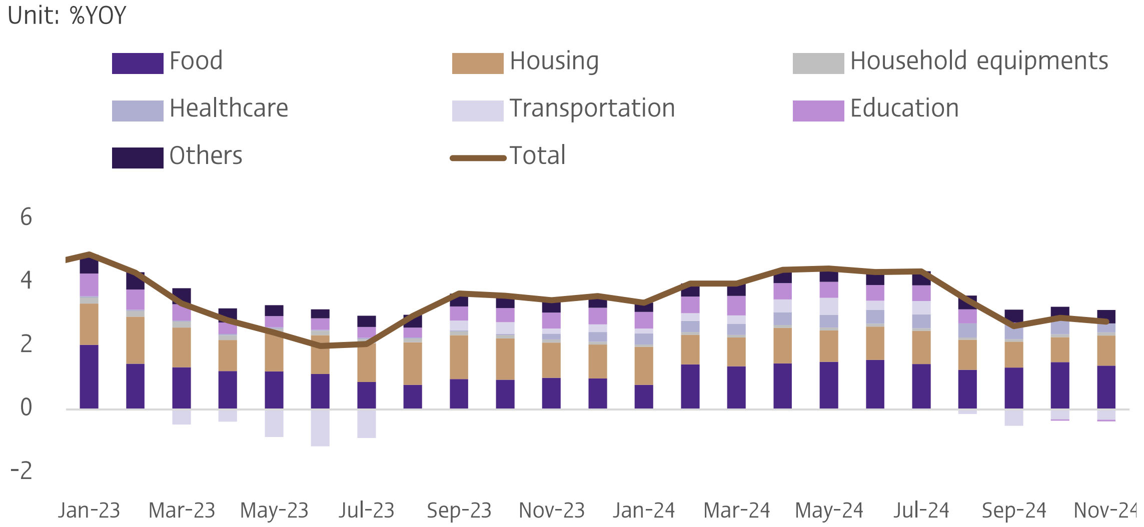
Inflation is expected to slow in 2025 and remain within target, supported by:

- Lower commodity prices, especially oil
- Slower increases in government-controlled service prices such as education and healthcare

However, upside risks are from:

- Volatile food prices due to climate change
- VND depreciation from a higher-than-expected Fed terminal rate
- Demand-pull inflation after wage increases in 2024
- Elevated housing prices caused by slower supply increases after the real estate turmoil

Contribution to headline inflation



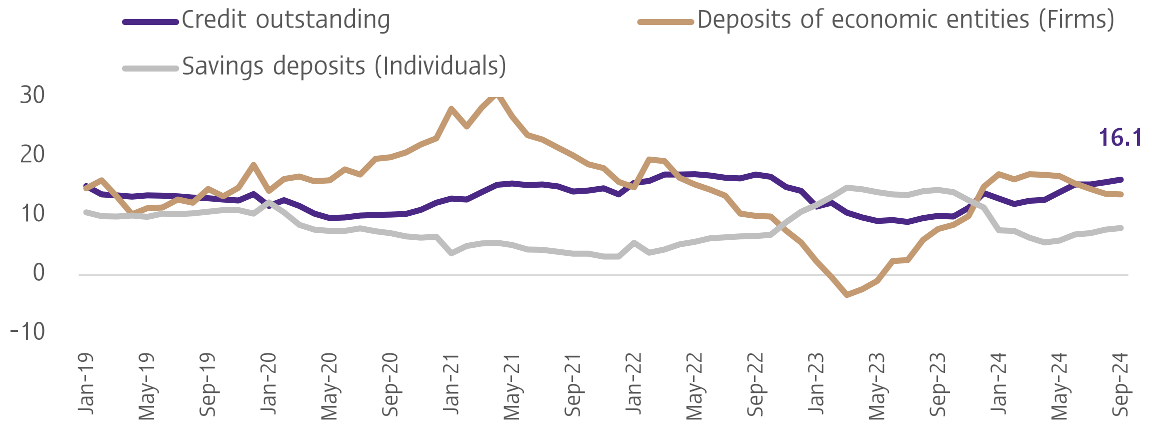
Note: *12-month individual savings account

Source: SCB EIC analysis based on data from General Statistics Office, State Bank of Vietnam,, Vietcom Bank, CEIC, and foreign press.

Credit growth rose after financial stability concerns ease, reaching central bank's target of 15%. In 2025, credit would remain resilient from easing financial conditions and policy support.

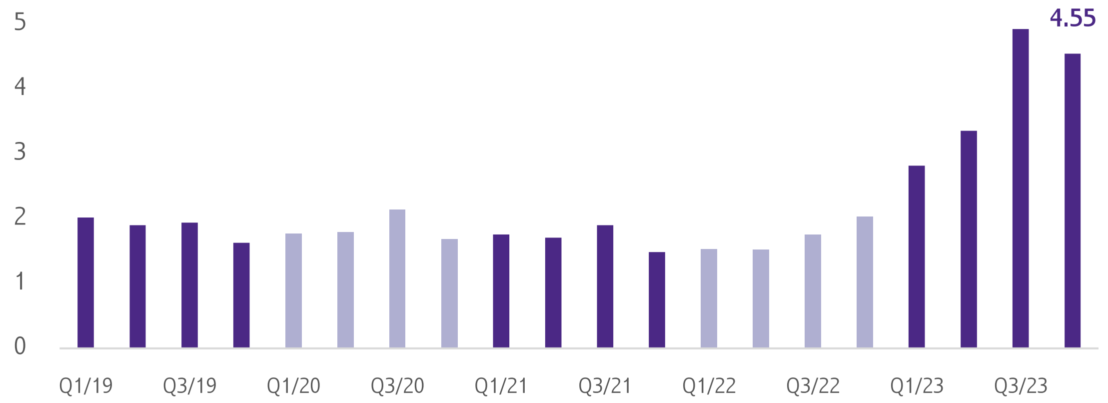
Growth of credit outstanding and deposits of individuals and firms

Unit: %YOY



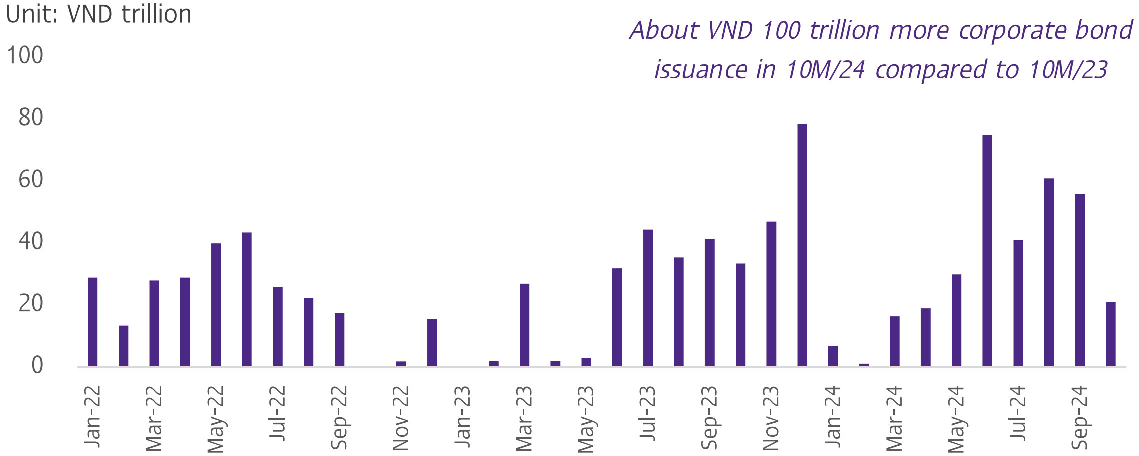
NPL ratio

Unit: %



Corporate bond issuance

Unit: VND trillion

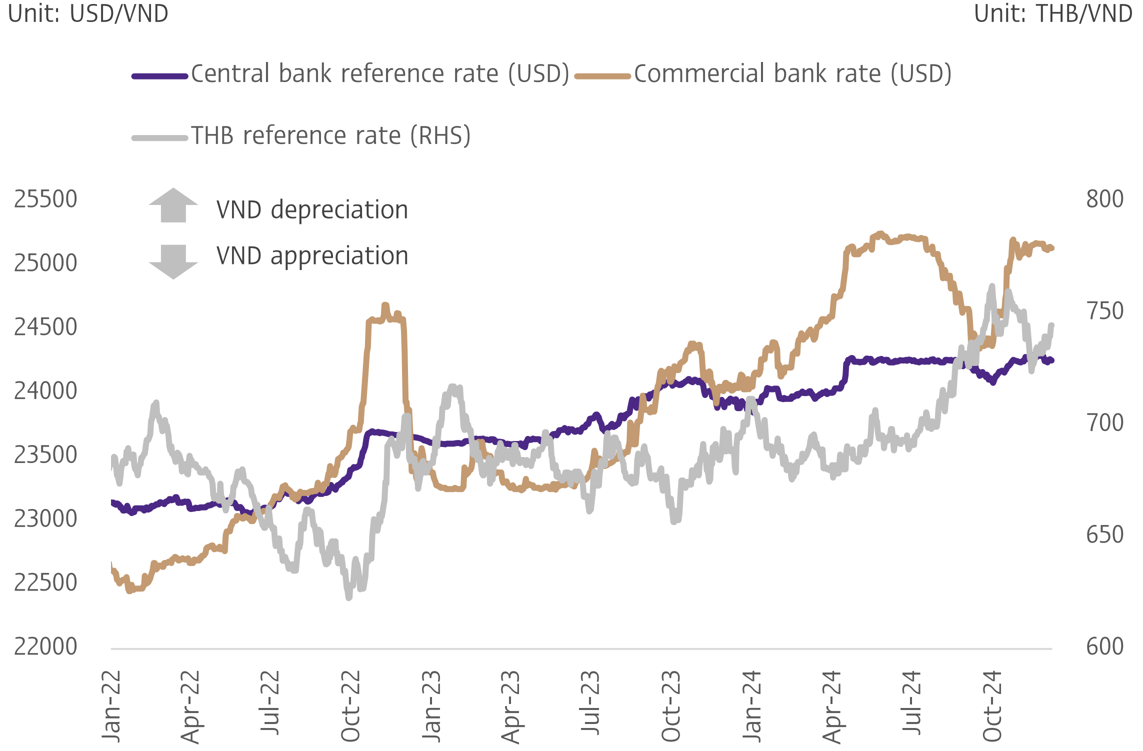


- **Short-term outlook: Resilient growth** in line with easing financial conditions, recovery in real estate sector, and central bank support to boost credit growth.
- **Medium-term outlook: Credit growth should moderate** from yearly growth of around 13-15% to a more sustainable path as private credit to GDP is already elevated at almost 130% of GDP in 2023 according to the IMF. This may be done through a focus on quality lending over quantitative targets.
- **NPL forbearance measure:** NPL forbearance (allowing banks to restructure and maintain loan classification) has been extended until end-2024, which should ease NPL pressures in the short-term. However, NPLs may rise afterward which may pressure financial stability, particularly in small banks with lower capital.

Source: SCB EIC analysis based on data from the State Bank of Vietnam, Vietnam Bond Market Association, the IMF and foreign press.

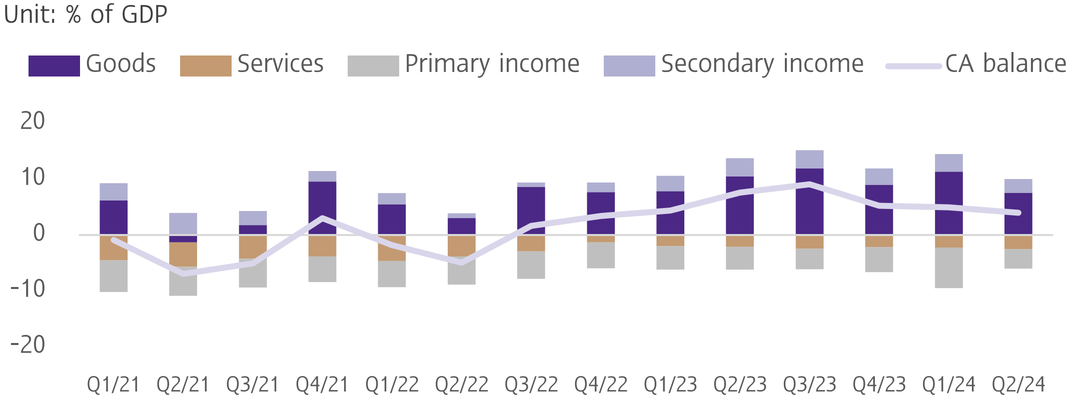
USD/VND would remain broadly stable in 2025 as appreciation pressures from Fed cuts are offset by smaller trade surplus and limited FX intervention. Trump 2.0 poses a depreciation risk.

Exchange rate

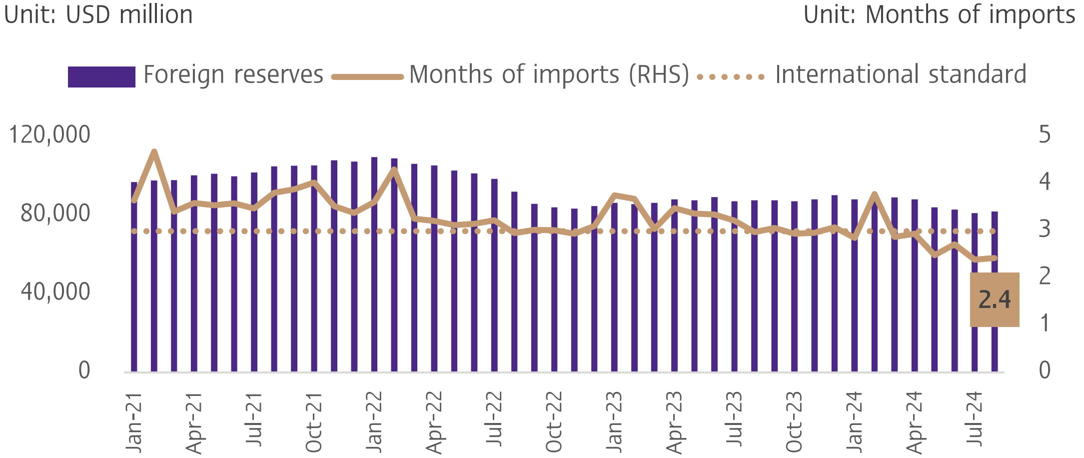


USD/VND is expected to remain broadly stable in 2025 as appreciation pressures from FED cuts are offset by depreciation pressures from a lower trade surplus and limited FX reserves for central bank intervention. Trump 2.0 could pose further downside risks to USD/VND via a stronger dollar from higher FED terminal rate and increased economic policy uncertainties.

Current account balance



Foreign reserves



Source: SCB EIC analysis based on data from State Bank of Vietnam, Joint Stock Commercial Bank for Foreign Trade of Vietnam, Bank of Thailand, CEIC, and the IMF.

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