July 2025

CLMV Outlook 2025 (Mid Year Update)

Same Region, Diverging Challenges

CLMV growth decelerates to 5.1% in 2025 amid global challenge.
Domestic demand and tourism offer some relief.
Risks remain uneven across countries.

SCB EIC

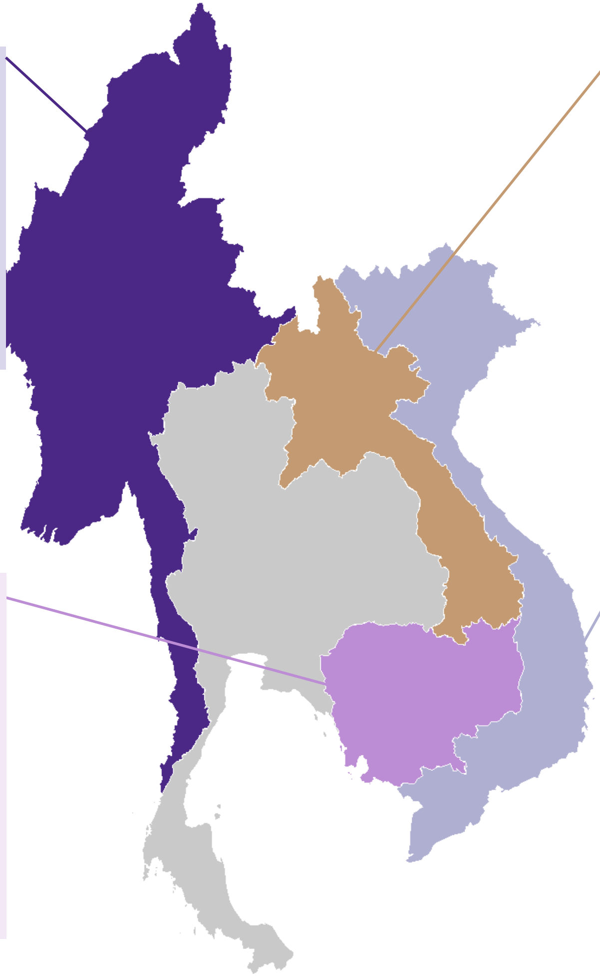
Executive Summary: CLMV Economy 2025

Myanmar (Page 52)

- **Economy to contract by -0.5%,** driven by persistent political instability and recent earthquake disruptions.
- **Domestic demand remains weak,** weighed by high inflation, conflict, and disaster-related shocks.
- **FDI and policy space remain limited,** with low investor confidence amid sanctions and macroeconomic constraints.

Lao PDR (Page 40)

- **Moderate growth 3.6% in 2025, with limited U.S. exposure** but risks from export concentration and weak labor market.
- **Inflation eased**, supported by government action and Kip stability. Electricity prices remain an upside risk.
- **Structural vulnerabilities persist**, driven by high public debt, SOE-related liabilities, and a fragile financial sector.



Cambodia (Page 28)

- **Economic growth to slow by 3.9% in 2025,** pressured by U.S. tariff exposure, weak real estate, and delayed FDI inflows.
- **Border tensions with Thailand could drag economic growth to 2.1%,** depending on the severity and duration of the conflict. Inflation is likely to rise due to supply shortage.
- **Domestic vulnerabilities rise,** with high borrowing costs, subdued investment, and risk of post-restructuring NPLs.

Vietnam (Page 10)

- **GDP growth revised up to 6.3%,** supported by export relief under trade deal with U.S., strong tourism, resilient FDI.
- **Solid domestic demand,** supported by rising jobs, wages, and macroeconomic policy.
- **Risks remain from U.S. trade deal uncertainties** and transshipment rules. **Economic reform may weigh short term** but boost long-term growth.

Source: SCB EIC analysis.

SCB EIC expect the global growth to slow due to trade protectionism and geopolitical tensions. Global inflation is projected to ease gradually, except the U.S., where inflation risks remain.

Global economic growth forecast by SCB EIC (as of July 2025)

GDP Growth (%YOY)	2023	2024	2025F	
			Jun 25	Jul 25
Global	2.9%	2.8%	2.3%	2.4%
US	2.9%	2.8%	1.5%	1.5%
Eurozone	0.4%	0.9%	0.7%	0.8%
Japan	1.5%	0.1%	0.9%	0.9%
China	5.4%	5.0%	4.5%	4.7%
India	8.8%	6.7%	6.2%	6.4%
ASEAN-5*	4.3%	5.4%	4.6%	4.8%

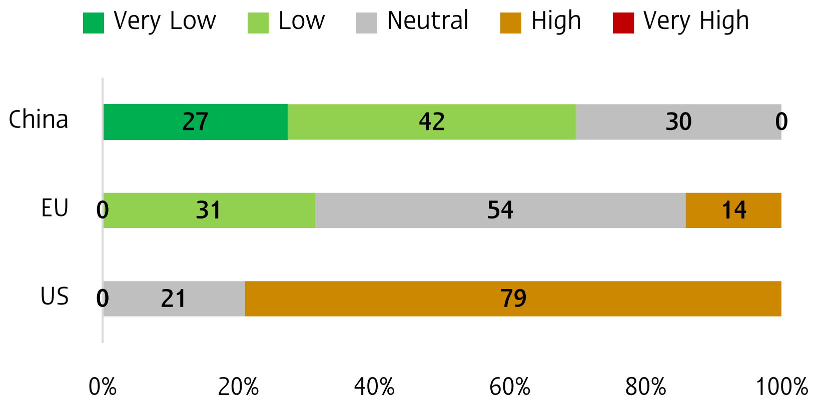
Inflation in Major Economies

Unit: %

Economies	Target	CPI	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
US (PCE)	Headline & Core 2%	Headline	2.6	2.7	2.3	2.2	2.3	
		Core	2.7	2.9	2.7	2.6	2.7	
China (CPI)	Headline 2%	Headline	0.5	-0.7	-0.1	-0.1	-0.1	0.1
		Core	0.6	-0.1	0.5	0.5	0.6	0.7
Eurozone (HICP)	Headline 2%	Headline	2.5	2.3	2.2	2.2	1.9	2.0
		Core	2.7	2.6	2.4	2.7	2.3	2.3
Japan (CPI)	Headline 2%	Headline	4.0	3.6	3.6	3.5	3.4	3.3
		Core	2.6	2.6	2.8	3.0	3.2	3.4

Global Chief Economists' outlook on inflation in U.S., Europe, and China in H2 2025

Unit: % of Chief Economists surveyed



China is facing deflationary pressures.

Inflation in the EU has returned to its target.00

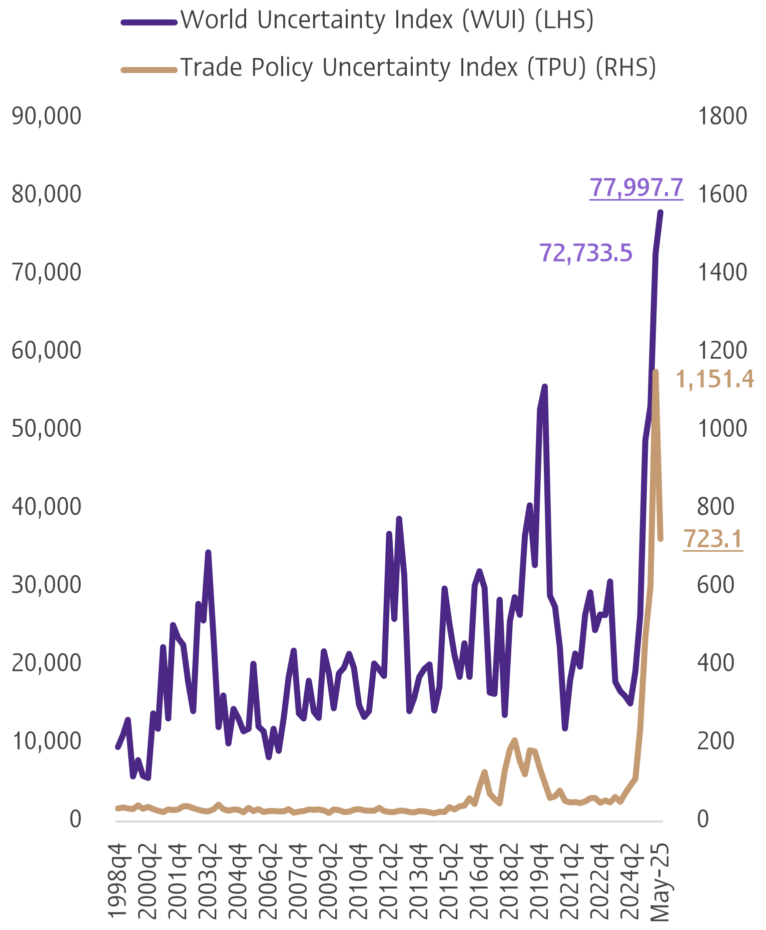
The U.S. faces high inflation risks due to trade tariffs.

Note: *ASEAN-5 includes Indonesia, Malaysia, Philippines, Singapore and Vietnam.
Source: SCB EIC analysis based on data from IMF, World Bank, CEIC, Bloomberg and Chief Economist Survey April 2025 by WEF (A survey of 38 Chief Economists)

The world is facing high and multi-dimensional economic uncertainty, driven by Trump's trade policies and rising geopolitical risks.

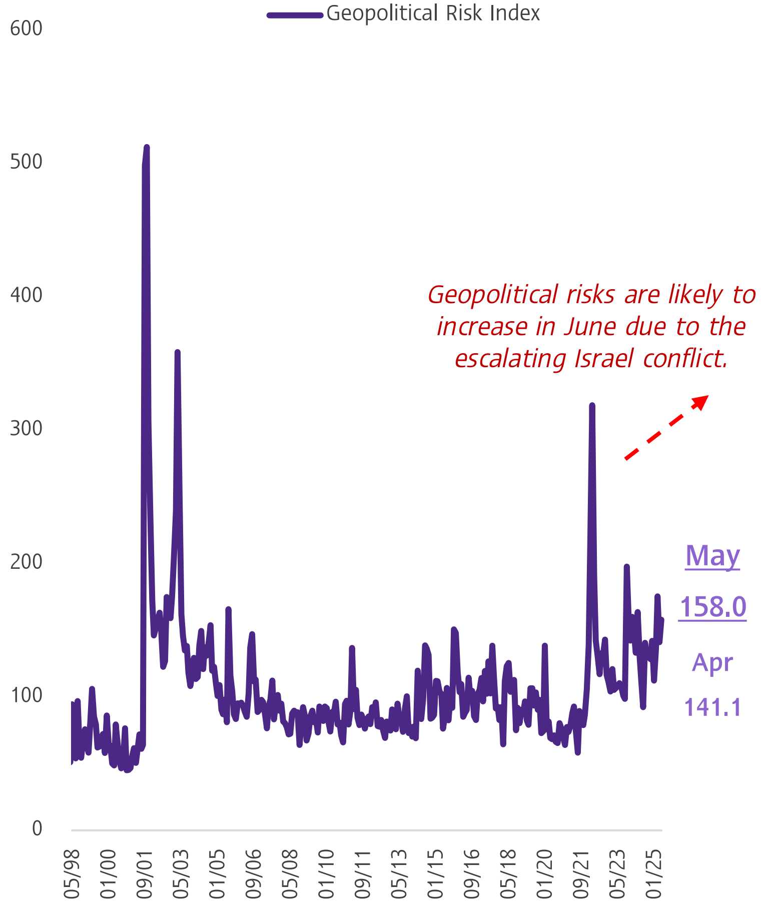
Global uncertainty and global trade policy uncertainty

Unit: Index



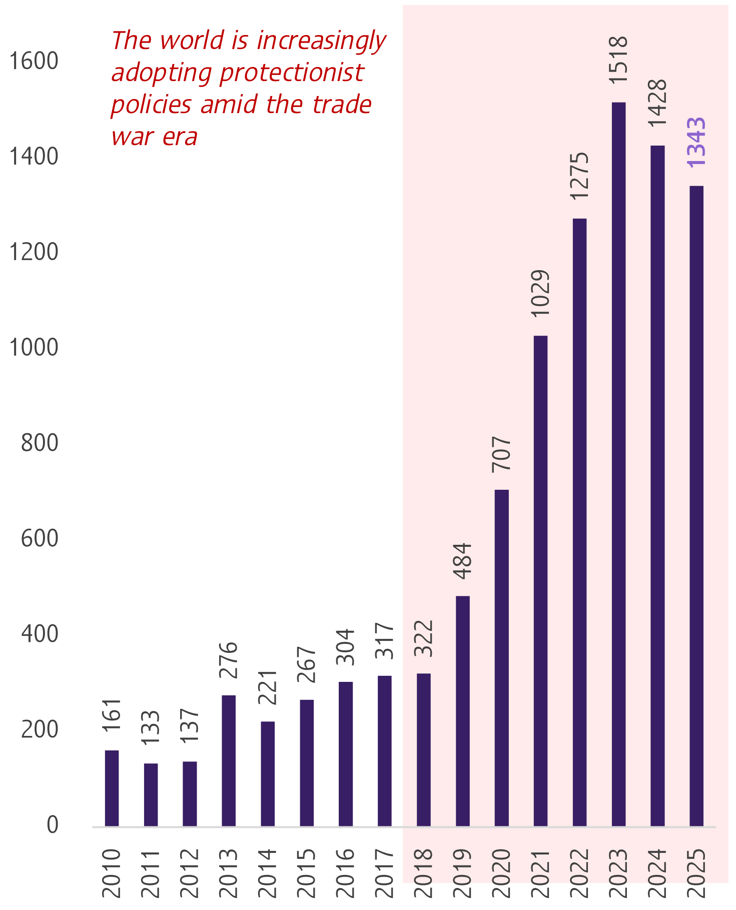
Geopolitical Risk Index, GPR

Unit: Index



New discriminatory policies on global trade and industries

Unit: Number of new policies during January 1 – June 17 each year

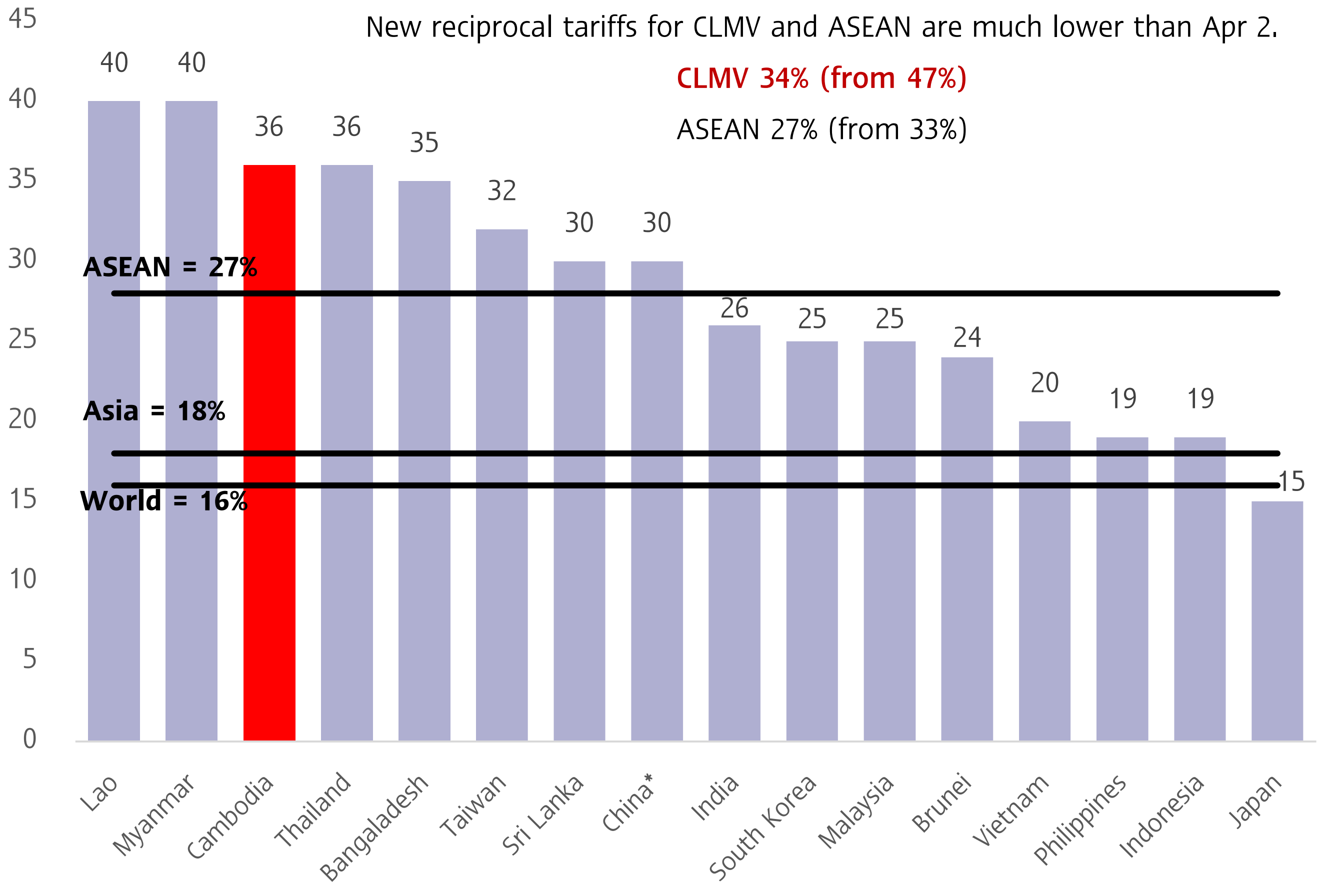


Source: SCB EIC analysis based on data from Caldara, Dario, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino, and Andrea Raffo (2020), "The Economic Effects of Trade Policy Uncertainty," Journal of Monetary Economics, 109, pp.38-59; Hites Ahir, Nicholas Bloom, and Davide Furceri (2022), "The World Uncertainty Index"; and Global Trade Alert.

As announced by the US in early July, ASEAN faces an average 27% reciprocal tariff, higher than Asia 19% and world 16%. CLMV countries are hit hardest with 34% average, well above all averages.

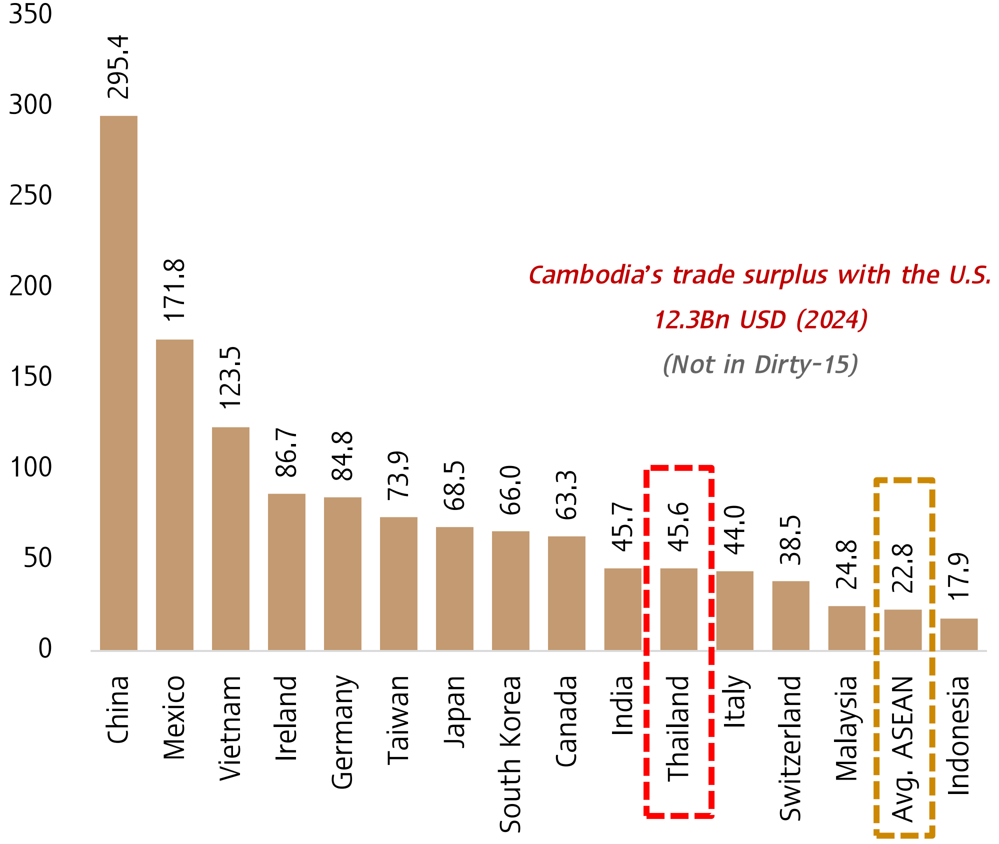
Tariffs announced by the U.S. to selected countries after 7 July

Unit: % (including reciprocal tariffs, universal tariffs, and country-specific tariffs)



Trade Balance with US in 2024

Unit: Billion USD



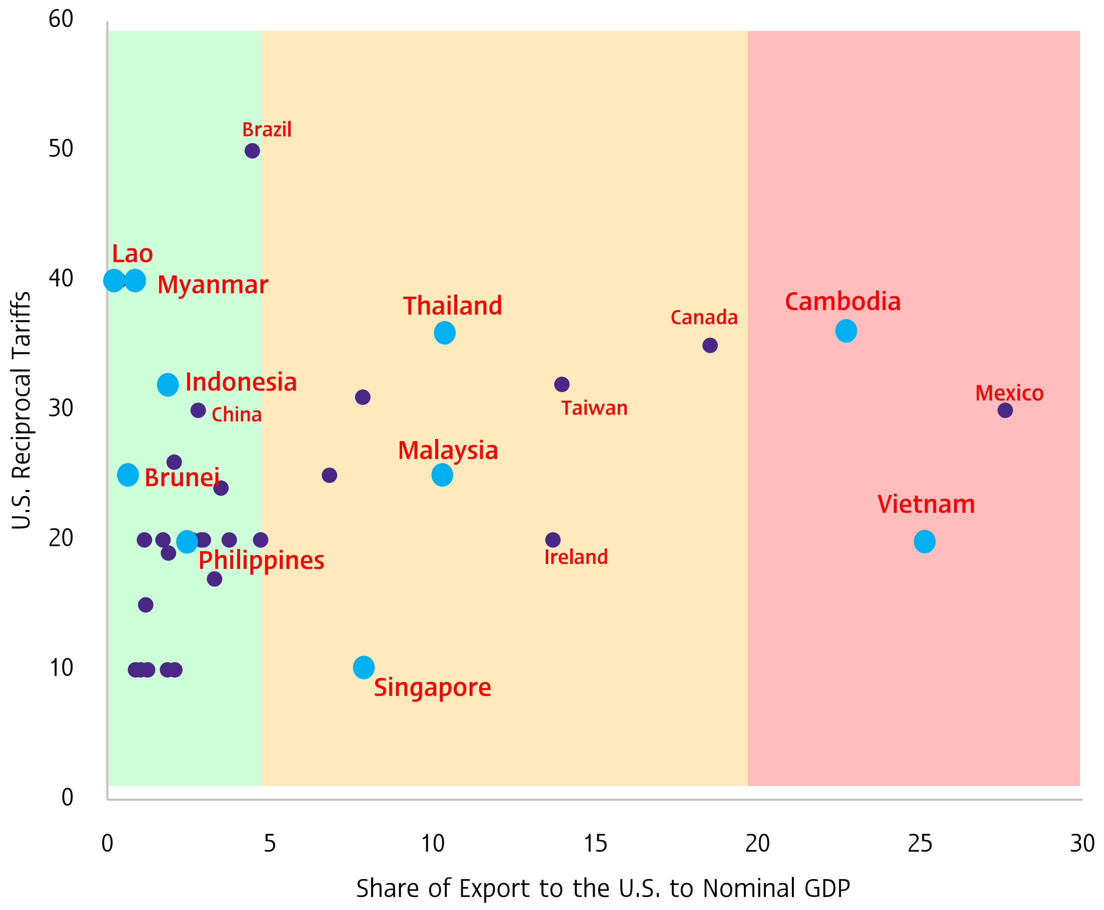
Note: * The 30% U.S. tariff on China under the May 12 deal includes a 20% country-specific tariff on fentanyl and a 10% retaliatory tariff under Trump 2.0. Including the earlier 25% from Trump 1.0, total tariffs on Chinese goods reach 55%.

Source: SCB EIC analysis based on data from The White House and U.S. Census Bureau.

ASEAN is likely to face strong pressure from U.S. tariffs and rising Chinese imports, with limited capacity to cushion the impact.

Export value to the U.S. and Reciprocal Tariffs (Top-30 GDP and ASEAN)*

Unit: % Export value to the U.S. to Nominal GDP(X-Axis); % Reciprocal Tariffs from the U.S. (Y-Axis)



ASEAN faces varying degrees of direct Impacts from U.S. tariffs

Strong Impact	Moderate Impact	Slight Impact
(%Export to US >20% of GDP)	(%Export to US 10-20% of GDP)	(%Export to US <5% of GDP)
Vietnam, Cambodia	**Thailand, Malaysia, Singapore**	**Philippines, Brunei, Indonesia, Myanmar, Lao PDR**

Why ASEAN Can't Leverage Integration to Cushion External Shocks

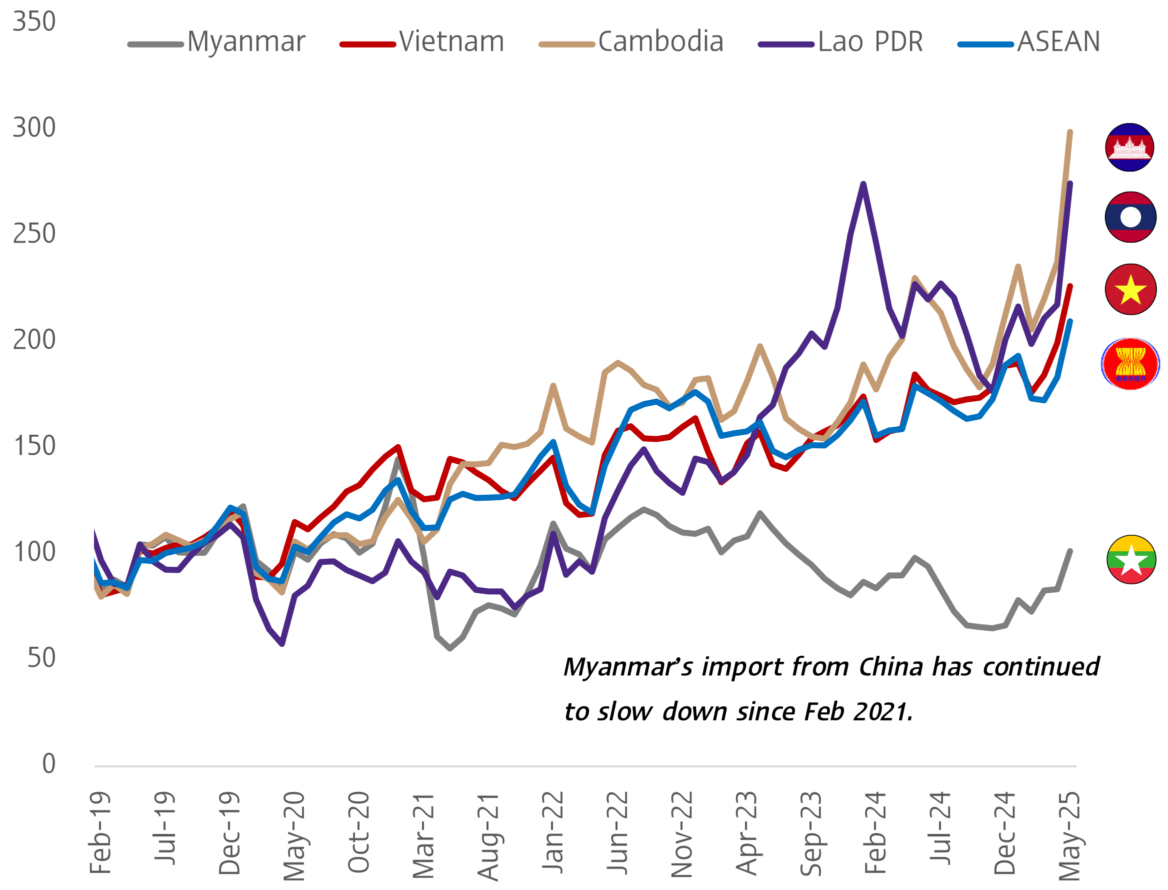
- **Weak integration :** ASEAN lacks supranational institutions and a common market structure like the EU. Intra-ASEAN trade remains low at 21% compared to 60% in EU.
- **Product substitution :** Many ASEAN countries export the same products—like rice, footwear, and electronics—leading to competition instead of complement for regional value chains.
- **Export-driven :** ASEAN depend on FDI and external markets like U.S. and China rather than building internal demand. The size of middle class is relatively small with limited purchasing power.
- **Reliance on intermediate goods:** Most of intra-ASEAN trade are intermediate goods, not final products, limiting regional trade. Most exports are part of global supply chains, not consumption.
- **Rise of non-tariff barriers**: Although 99% of tariffs have been removed by ASEAN FTA, non-tariff measures (like safety standard) have doubled, limiting trade and investment flows within ASEAN.

Note: *Myanmar, Lao, and Cambodia 2024 data are not available so used the latest data available.
Source: SCB EIC analysis based on data from Trademaps, U.S. Census Bureau, Nikkei Asia, General Customs Administration of China and The White House.

ASEAN has emerged as a key destination for China's exports since COVID-19, **driven by strategic location and low tariff barriers.** This raises risks of a China influx and U.S. concerns over transshipment.

China's export value index to ASEAN countries

Unit: Index 3mm, Average 2019 = 100



Effectively Applied Tariff Rate (EATR) of CLMV on China and world goods in 2022*

Unit: %

		Cambodia	Lao PDR	Myanmar	Vietnam
Intermediate goods	China	6.0	0.0	0.1	0.7
	World	3.9	0.7	0.6	0.9
Capital goods	China	12.2	0.0	0.1	0.2
	World	12.2	2.0	0.6	0.3
Raw materials	China	9.2	0.6	0.1	3.0
	World	4.2	1.1	1.7	2.6
Consumer goods	China	11.4	0.1	0.6	0.8
	World	12.8	0.7	1.1	2.1
All Products	China	8.2	0.1	0.2	0.5
	World	7.2	1.1	0.8	1.1

Avg. EATR: 2.2%

- **Since Trump 1.0, China has diversified exports. ASEAN becomes a key destination** due to strategic location and lower tariffs.
- **CLMV offer favorable rates on Chinese goods with an average EATR of 2.2%.** Most countries, except Cambodia, apply near-zero tariffs under bilateral agreement with China.
- **Overcapacity and weaker U.S. demand may flood CLMV with cheap Chinese goods,** straining local producers.
- **China-ASEAN trade ties raise transshipment concerns,** complicating U.S. trade negotiations.

Note: * Effectively Applied Tariff Rate (EATR) of Lao PDR as of 2021; Cambodia's EATR on Chinese goods remains relatively high due to a sensitive list under RCEP and ACFTA, allowing gradual tariff cuts over 15–20 year.
Source: SCB EIC analysis based on data from China General Administration of Customs, WITS, and CEIC.

Although CLMV countries have secured tariff reductions effective Aug 1, further reductions are unlikely due to time constraints and domestic challenges such as labor rights and politics

Major countries' negotiation progress

U.S. - UK Trade Agreement (17 June)
- Universal 10% tariff remains unchanged
- Opening the domestic market

Reduction in product-specific tariffs, such as first 100,00 cars

UK will increase imports from U.S.

U.S. – China Temporary Agreement (12 May) – reduced from 145% to 30%
- The total rate now 55% if includes prior Trump 1.0-era duties.
- China imposed a 10% tariff on U.S. goods and eased rare earth export controls.

U.S. – Indonesia Agreement (15 July) - reduced from 32% to 19%
- Transshipment via Indonesia subject to 19% plus original country rates.
- **Indonesia granted full market access to U.S. goods with a 0% tariff** and will import U.S. energy, agriculture, and aircraft.

U.S. – Japan Agreement (22 July) - reduced from 25% to 15%
- **Tariffs on Japan's autos reduced to 15%.**
- **Japan grants market access to certain U.S. goods,** including trucks and rice.
- Japan will invest USD 550 Billion in the U.S.

Product-specific tariffs (announced on 9 July)

Copper 50% (Effective 1 Aug)

Pharmaceuticals 200% (Threatened)
Semiconductor (Threatened)

CLMV negotiation progress (as of 25th July 2025)

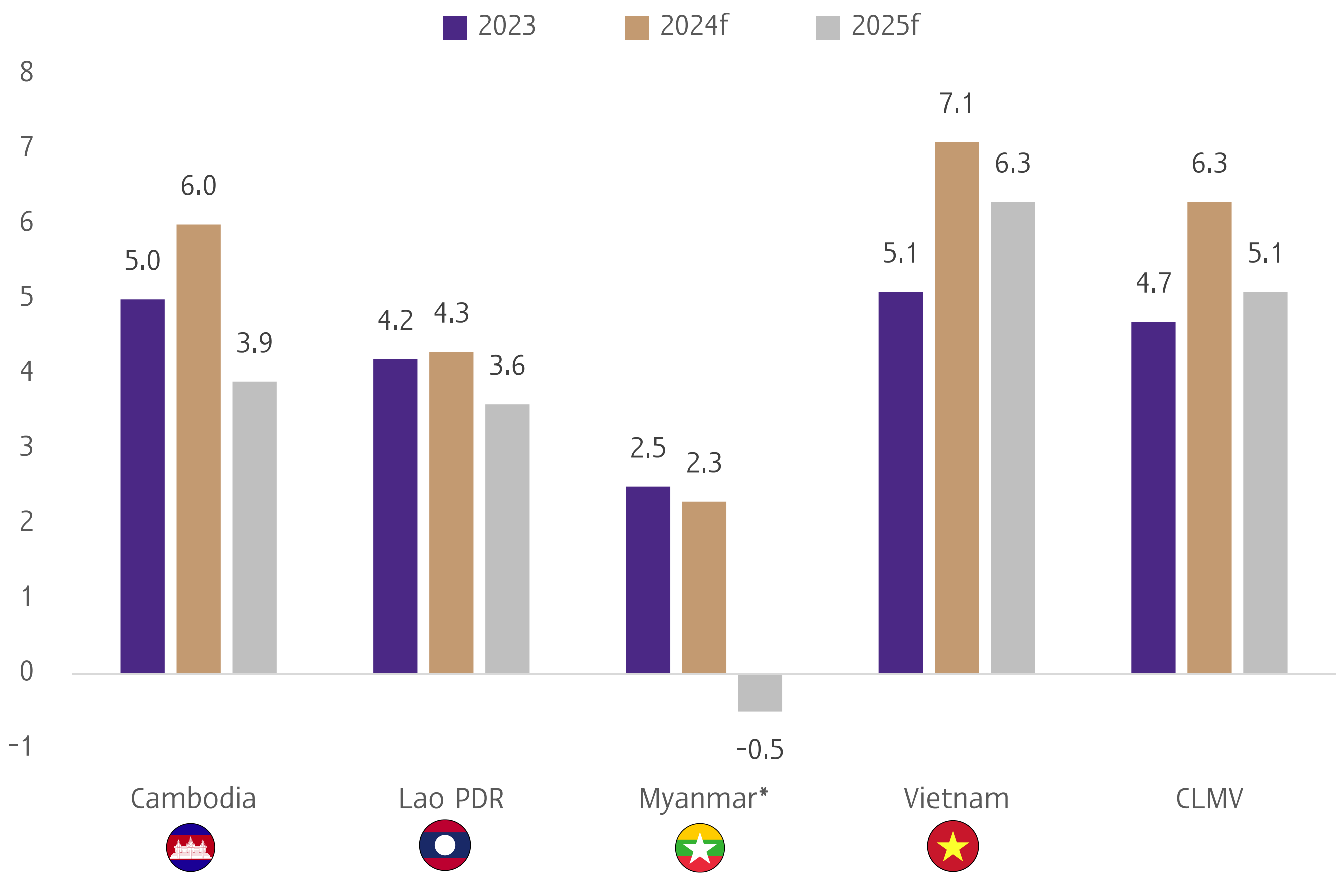
Country	Tariffs effective 1 Aug (Tariff announced on 2 Apr)	Status	Key offers/ demands
Vietnam	**20%** (on goods exported to the U.S) **+ 40%** transshipping tariff (46%)	**Deal concluded** on July 3	• **Vietnam will open its market to U.S. goods,** imposing **0% tariffs.** • Trump aims to increase U.S. SUV exports to Vietnam.
Cambodia	**36%** (49%)	**In progress:**	Cambodia agreed to strengthen **labor rights**, tighten **origin certification**, and increase **access for U.S. agricultural products**
Lao PDR	**40%** (48%)	**No formal talk reported**	-
Myanmar	**40%** (44%)	**No formal talk reported** Junta **submitted formal request** in July 2025	• Myanmar requested tariff cut to **10–20% after being notified of a 40% tariff from the U.S.** • **Will slash levy on U.S. imports to 0%-10%**

Source: SCB EIC analysis based on data from The White House, Goldman Sachs, FT, Bloomberg ,CNBC, BBC, Xinhua, CNN, Reuters and Open Development Cambodia.

CLMV growth is expected to slow due to direct and indirect effects from U.S. tariffs and domestic challenges. However, Vietnam's robust growth and tourism recovery may help cushion the impact.

CLMV's Economic Growth

Unit: %YOY



Positive factors

- **Tourism continues to recover, but at a slower pace.**
- **Lower tariffs and government reforms in Vietnam** could support production and export.
- **Limited direct tariff impact on Myanmar and Lao PDR** due to low export exposure.

Negative factors

- **High U.S. tariffs may disrupt CLMV exports**
- **China's overcapacity may flood CLMV market**
- **Sluggish labor market**
- **Country-specific challenges**
  e.g politics and earthquake in Myanmar, border dispute in Cambodia, fragile external stabilities in Lao PDR

Risk factors

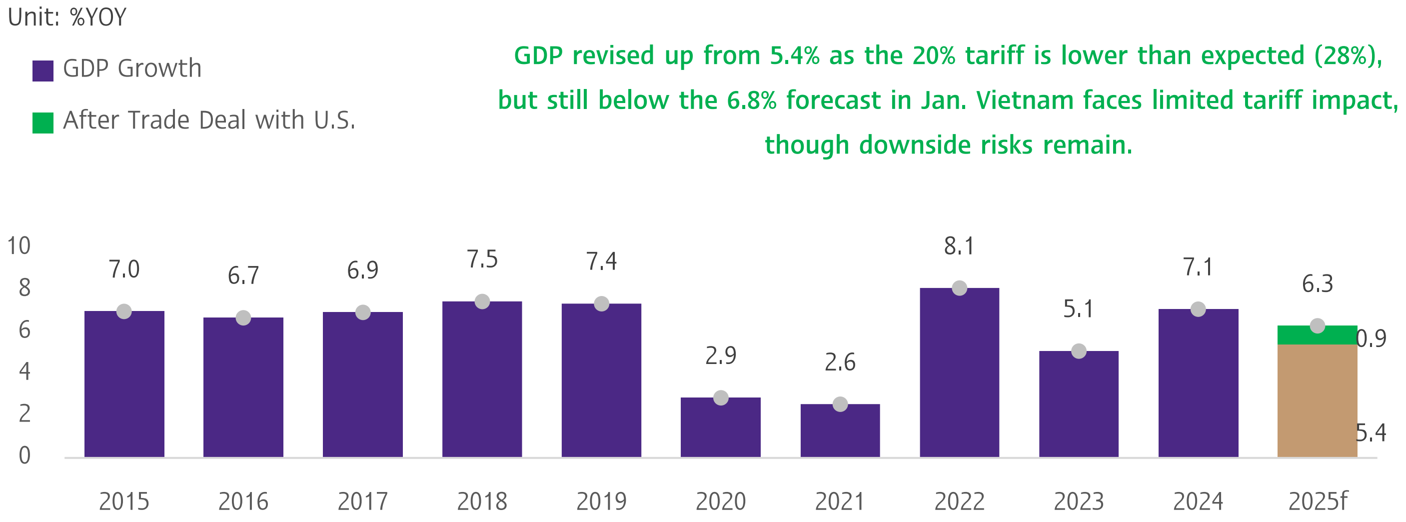
- **Climate change and natural disaster**
- **High external debt.**
- **Escalating domestic unrest** (Myanmar) **and prolonged conflict** (Cambodia)
- **Volatile global markets** could impact highly dollarized economies (via currency and interest rate fluctuations)

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

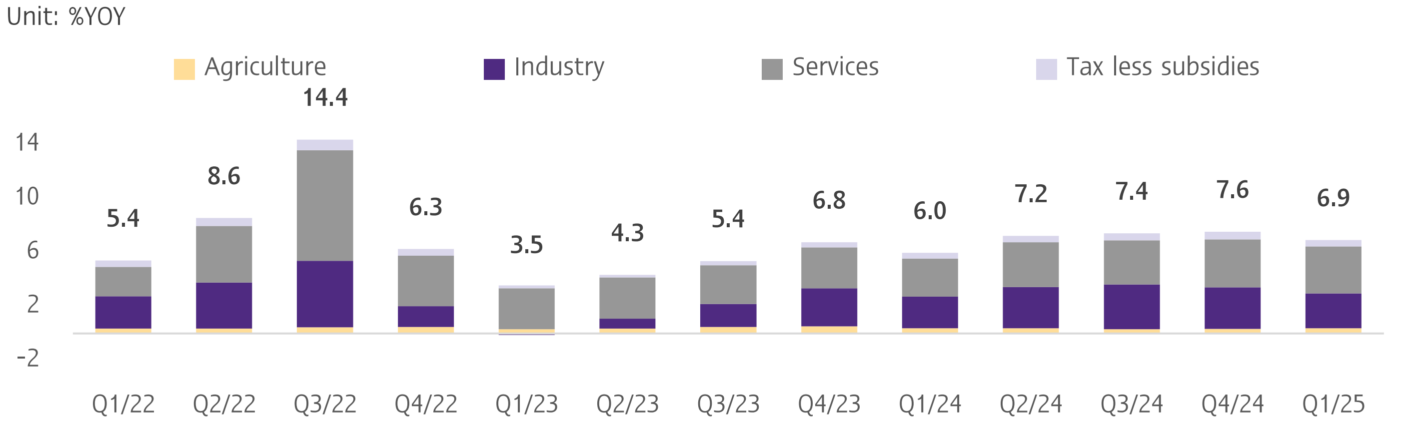
Vietnam’s
Economic Outlook

Vietnam's economy is projected to slow to 6.3% in 2025 due to the moderate impacts from Trump 2.0 tariffs, but foreign investment shifts and government support may cushion the slowdown.

Vietnam's GDP (yearly)



Vietnam's quarterly GDP, by production approach



Positive factors

- Foreign investment relocation
- Continued tourism recovery
- Gradual recovery of domestic demand
- Accommodative macroeconomic policies
- First in the region to secure a U.S. trade deal
- Government reform, increasing private driven and new investment projects (e.g. nuclear power and China railway link) may boost efficiency, energy security, logistics, FDI and sustain growth

Negative factors

- **Global slowdown, tariffs, policy uncertainty** hit external demand
- **Rising China influx** pressures local manufacturers
- **High NPLs threaten** small bank stability

Risk factors

- **Geopolitical tensions** may drive up commodity prices and inflation
- Higher US tariffs vs regional peers
- Clarity on U.S. transshipments tariffs.
- Climate change threatens agriculture

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

SCB EIC

Vietnam's exports may rise due to specific tariff-exempt electronic front-loading to the U.S., though potential specific tariffs pose downside risks.

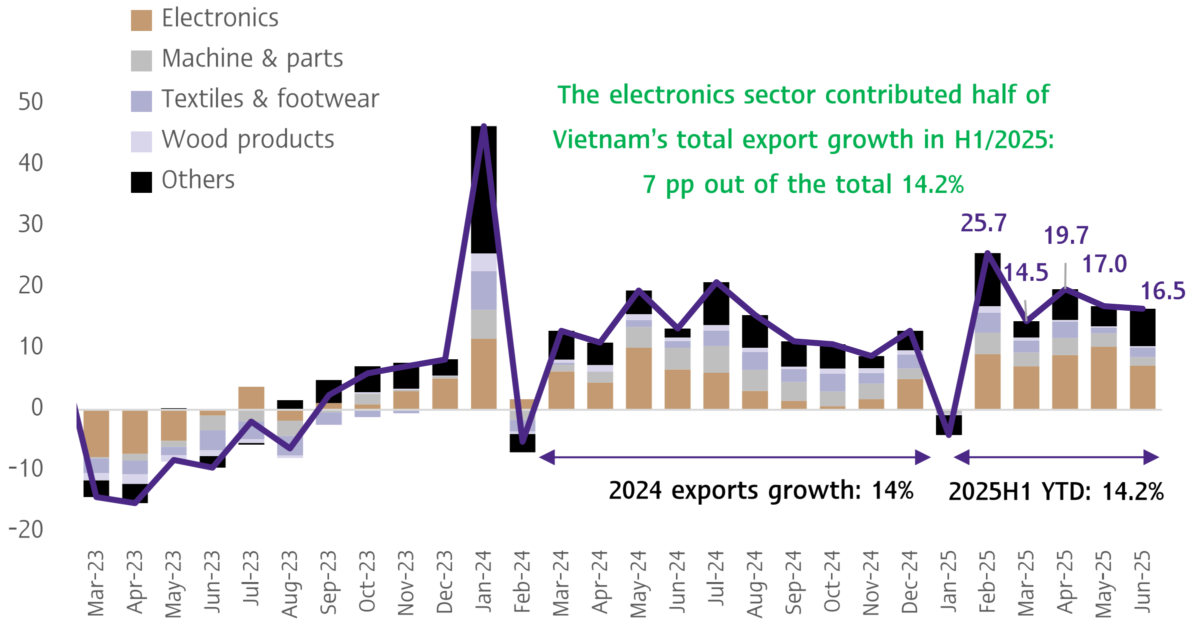
Export Leading Indicators: Vietnam and Selected Economies

Unit: %YOY

Economies	%YoY	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Japan	Total Export to US	8.1	10.5	3.1	-1.8	-11.0	-11.4
	Vehicle Motors	21.8	13.9	4.1	-4.8	-24.7	-26.7
	Parts of Motor Vehicles	-13.4	0.9	-10.7	-5	-19.0	-15.5
	Steels	-12.8	3.9	-16.6	-29	-1.5	-28.5
	Electrical Machinery	8.8	11.7	6.1	10.2	-5.4	-0.4
South Korea	Total Export to US	-9.5	0.8	2.2	-7	-8.1	-0.5
	Passenger Cars	-27.3	10.5	-8.4	-15.5	-23.5	-12.3
	Steel Products	-13.6	10.1	-7.7	13.7	-5.5	1.9
	Semiconductors	14.2	8.5	34.3	8.8	22.1	13.9
Vietnam	Total Export to US	4.3	34.2	32.3	34	36.1	31.8
	Electrical Products & Parts	22.4	47.3	74.5	84.3	74.6	78.6
Taiwan	Total Export to US	0.7	65.6	39.8	29.5	87.4	90.9
	Electronic Products	2.2	79.1	46.7	32.6	115.3	118.3

Contribution to Vietnam's exports growth

Unit: %YOY



Vietnam's exports are expected to grow thanks to temporary U.S. tariff exemptions on electronics, though risks remain if specific tariffs are introduced.

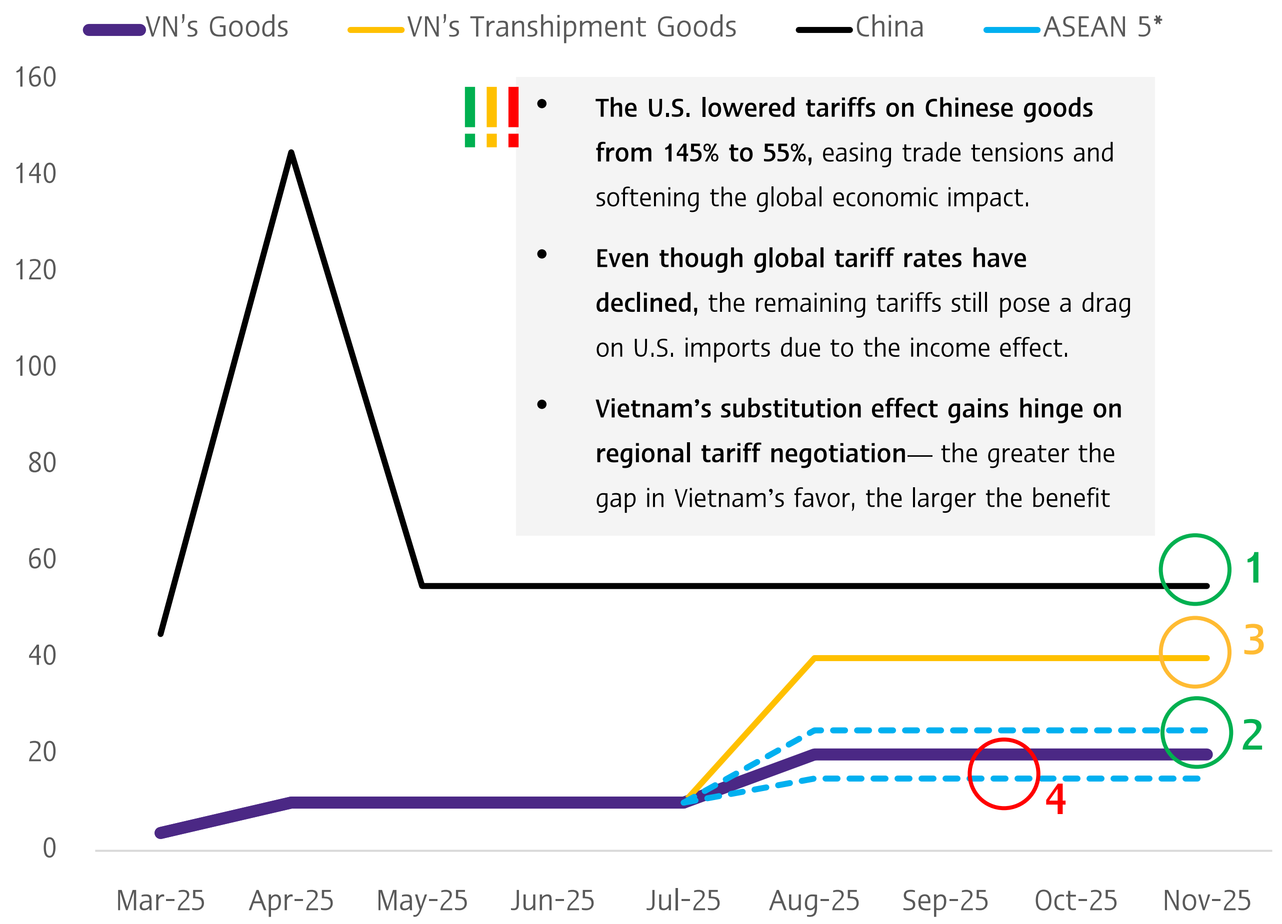
- **Vietnam's exports continue to benefit from the U.S. temporary exemption on certain electronic products, such as computers** — a key category that accounts for nearly 30% of Vietnam's total exports to the U.S. This has led to front-loading of shipments and sustained high export levels, similar to Taiwan, which also relies heavily on electronic exports to the U.S.
- **Vietnam's limited reliance on high-specific-tariff goods like autos and steel (1.5% of Vietnam's total export to the U.S.)** helps sustain export growth to the U.S. and shields it from sharper tariff impacts seen in countries like South Korea and Japan.
- **Vietnam's export outlook face downside risk if the U.S. imposes specific tariffs on electronics,** which have driven growth through front-loading since early this year.

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

Vietnam's 20% reciprocal tariff supports exports competitiveness, but gains depend on regional peers' tariff levels and U.S. enforcement of the 40% transshipment rule.

The U.S. Reciprocal Tariffs Timeline on Vietnam, China and ASEAN 5

Unit: %



- **The U.S. lowered tariffs on Chinese goods from 145% to 55%,** easing trade tensions and softening the global economic impact.
- **Even though global tariff rates have declined,** the remaining tariffs still pose a drag on U.S. imports due to the income effect.
- **Vietnam's substitution effect gains hinge on regional tariff negotiation**— the greater the gap in Vietnam's favor, the larger the benefit

1. **Vietnam's lower tariffs than China support export gains via** substitution effect to higher-tariff Chinese goods to the U.S.
2. **Vietnam's lower tariffs than regional peers enhance** its substitution effect, by replacing higher-tariff exports from competitors.
   - **Vietnam exports should grow as trade reallocates** toward its lower tariff rate, dropping from 46% to 20%.

3. **The impact of the 40% transshipment tariff on Vietnam's exports remains uncertain, depending on U.S. enforcement**
   - **Impact is limited if the U.S. targets only fully transshipped goods** (90%–100% made in China), as Vietnam contributes minimal value added.
   - **The impact could be more significant if the U.S. requires higher local content, as Vietnam relies heavily on imported input**—especially from China—raising cost and reducing competitiveness.

4. **If Vietnam faces higher tariff than regional peers, the substitution effect could reverse**— shifting buyers to lower-tariff countries and weakening Vietnam's export and competitiveness.
   - **China may retaliate** if it see the Vietnam–U.S. deal as a threat, though no action has been taken yet.

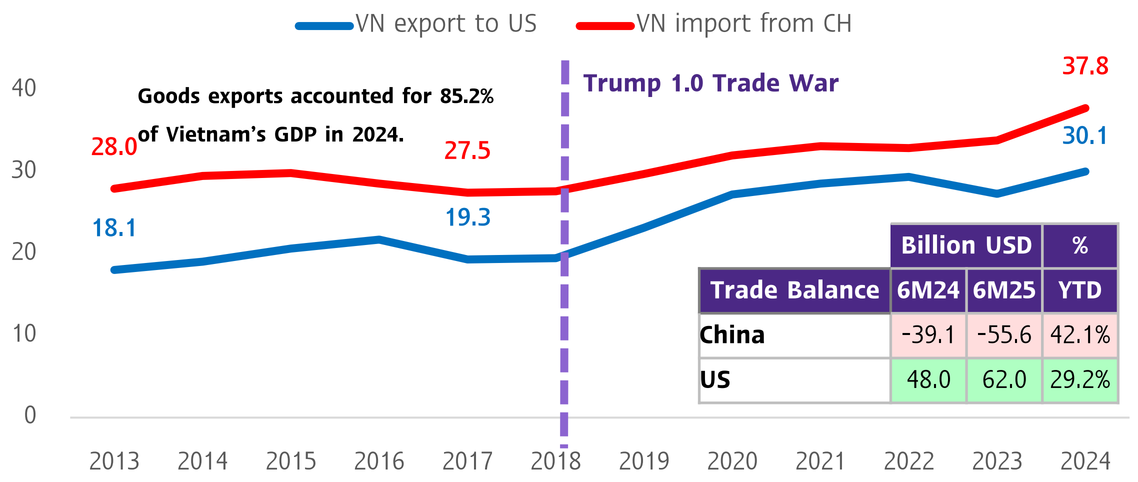
Note: *ASEAN 5 included Thailand, Malaysia, Singapore, Indonesia, and Philippine. As of March 2025, the simple average MFN tariff that the U.S. collects from Vietnam and the ASEAN-5 average is 3.7%. However, from April to July, the rate will remain at 10%, meaning they are currently aligned and diverge on 1st August reciprocal tariffs resumed. (Purple line)

Source: SCB EIC analysis based on data from The White House and Goldman Sach.

Vietnam's export will face direct impacts from income and substitution effects, and indirect pressure from weaker global demand and rising competition.

Share of Vietnam's Exports to the U.S. and Share of Vietnam's Imports from China

Unit: % of Vietnam's Total Exports / % of Vietnam's Total Imports



	Billion USD		%
Trade Balance	6M24	6M25	YTD
China	-39.1	-55.6	42.1%
US	48.0	62.0	29.2%

Vietnam's major export markets in 2024 and US' Reciprocal Tariffs to each market

Unit: %

Country	Share to total export	U.S. Reciprocal Tariffs
U.S.	30.1%	-
EU28	17.9%	15% (UK 10%)
ASEAN	9.3%	27%
China	6.5%	55%*
South Korea	6.4%	25%
Japan	6.2%	15%
Others	17.9%	World (16%) Asia (19%)

Vietnam's top export markets face higher tariff rates compared to the world average

Direct Impact on Export from Trump 2.0 Tariffs

- **Vietnam's exports are highly U.S.-dependent,** accounting for 30% of total exports and 25% of GDP in 2024.
- **Even with the 20% reciprocal tariff, Vietnam's exports still face strong income effects**— through reduced U.S. demand or lower producer revenues from absorbing cost from tariffs, though it's an improvement over the previous 46% rate. (Vietnam continues to request further tariff reductions).
- **The substitution effect depends on how regional peers negotiate with the U.S.** A lower tariff than Vietnam could significantly shift trade away, and vice versa.

Indirect Impact on Export from Trump 2.0 Tariffs

- **Global slowdown is dampening demand,** and Vietnam's Top-5 export markets after the U.S. (46.3% of exports in 2024) also face high tariffs.
- **An influx of Chinese goods** is expected to reduce Vietnam competitiveness, pressuring local production and increasing competition in key export markets.
- **Heightened competition in global markets.** Countries facing U.S. trade barriers are redirect exports to other markets, intensifying global competition and challenging Vietnam's position.
- **Shift in import behavior of trading partners.** Some countries may boost U.S. imports to reduce trade surpluses, potentially reduce imports from Vietnam.

Note: * The 30% U.S. tariff on China under the May 12 deal includes a 20% country-specific tariff on fentanyl and a 10% retaliatory tariff under Trump 2.0. Including the earlier 25% from Trump 1.0, total tariffs on Chinese goods reach 55%.
Source: SCB EIC analysis based on data from the Ministry of Commerce, and Trademap.

SCB EIC

Vietnam's market opening to U.S. products may bring both opportunities and risks, though challenges remain uncertain until the deal with the US is finalized.

Vietnam import share of total of that product and Effective Applied Tariff Rate (EATR) by WITS in 2022

Unit: % share of that specific product and % of effective applied tariff rate *EATR

Raw Material (12.3% of Vietnam Total Import)				
Rank	Partners	%Share of product	%EATR (Simple Avg)	%EATR (Weighted Avg)
1	Australia	19.5	0.4	0.0
2	Kuwait	14.3	0.5	1.0
3	Cambodia	9.9	4.5	0.5
4	**US**	**9.5**	**8.7**	**2.9**
5	Brazil	6.8	8.8	8.0
9	China	4.0	0.8	3.0

Intermediate Goods (28.0% of Vietnam Total Import)				
Rank	Partners	%Share of product	%EATR (Simple Avg)	%EATR (Weighted Avg)
1	China	38.4	0.7	0.7
2	S. Korea	11.7	0.4	0.2
3	Japan	6.7	0.3	0.3
4	Thailand	4.3	0.0	0.0
5	**US**	**4.1**	**5.8**	**1.6**
6	Indonesia	3.5	0.0	0.0

Consumer Goods (15.5% of Vietnam Total Import)				
Rank	Partners	%Share of product	%EATR (Simple Avg)	%EATR (Weighted Avg)
1	China	36.1	0.8	0.9
2	S. Korea	13.6	1.2	1.5
3	Thailand	9.0	0.1	0.1
4	Japan	5.7	1.0	0.9
5	Indonesia	5.7	0.3	0.4
8	**US**	**3.1**	**16.4**	**10.0**

Capital Goods (42.4% of Vietnam Total Import)				
Rank	**Partners**	%Share of product	**%EATR (Simple Avg)**	**%EATR (Weighted Avg)**
1	China	37.6	0.7	0.2
2	S. Korea	27.8	0.6	0.3
3	Japan	8.0	0.7	0.2
4	**US**	**2.9**	**3.8**	**0.8**
5	Thailand	2.8	0.0	0.0
6	Malaysia	2.1	0.0	0.0

Before the deal: Vietnam's top import partners faced near zero EATR (0-1%,) while U.S. imports faced higher rates.

Implication on Vietnam Economy

- **With Vietnam cutting tariffs on U.S. goods to 0%, U.S. competitiveness is expected to rise,** boosting imports to Vietnam and narrowing trade surplus with the US.

SCB EIC view benefits for Vietnam from opening its market to U.S. goods :

- **Cheaper imports could lower living costs for consumers**
- **Reduced prices of imported inputs** boost businesses competitiveness and help reduce prices of final goods.

SCB EIC expect limited impact on Vietnam's domestic production and employment from opening market access to U.S. goods.

- **Low purchasing power limits demand for pricier U.S. products,** even with lower tariffs.
- **Imports may shift from other partners to the U.S.,** reducing the substitution effect.
- **The influx of U.S. goods is likely to be modest**—82.7% of imports are inputs and only 15.5% are consumer goods.

Risks remain as the U.S.–Vietnam deal is not yet finalized.

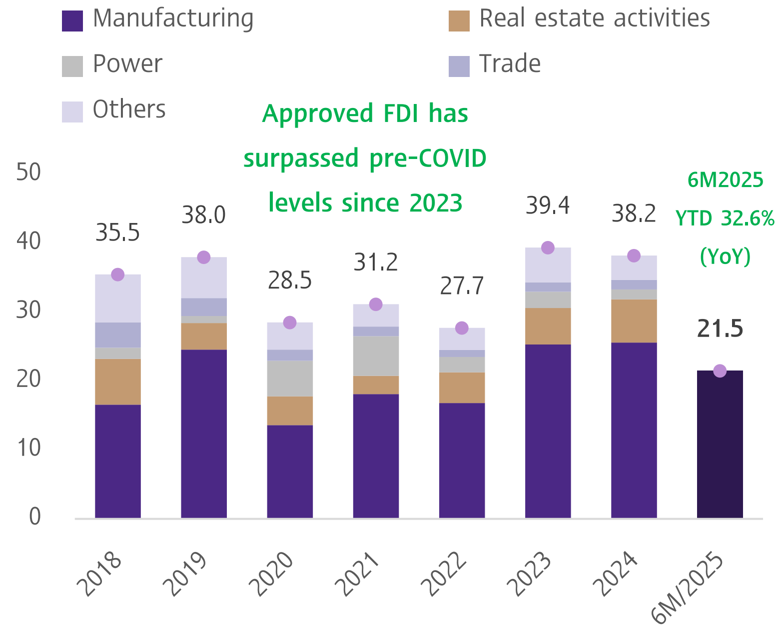
- **High impact :** If Vietnam must import goods it already produces—like agricultural products—it could hurt local production and jobs.
- **Limited impact : If** Vietnam imports goods it doesn't produce, such as Boeing airplane, would have limited impact.

Source: SCB EIC analysis based on data from World Integrated Trade Solution (WITS) and international news such as Reuters, and Bloomberg.

FDI inflows may ease slightly in 2025 due to US policy uncertainty but are expected to remain resilient due to firm relocations and a robust amount of approved FDI.

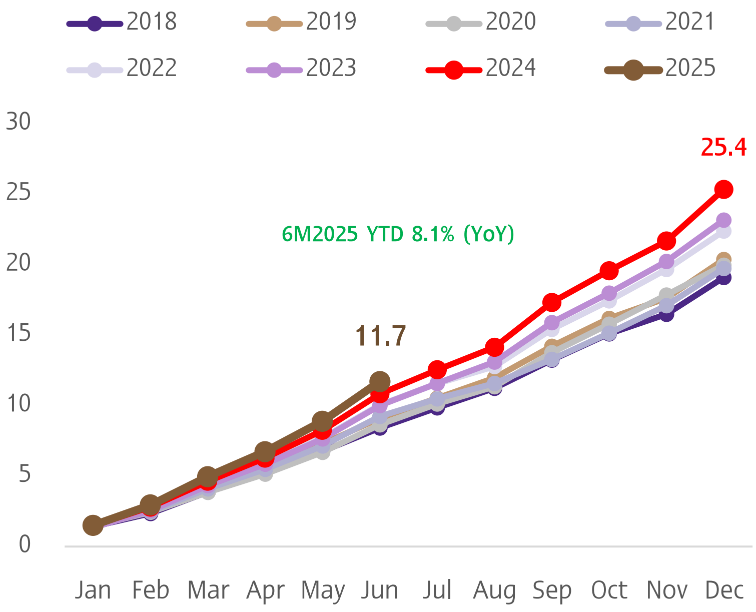
Approved FDI by industry (total registered capital)

Unit: USD Billion



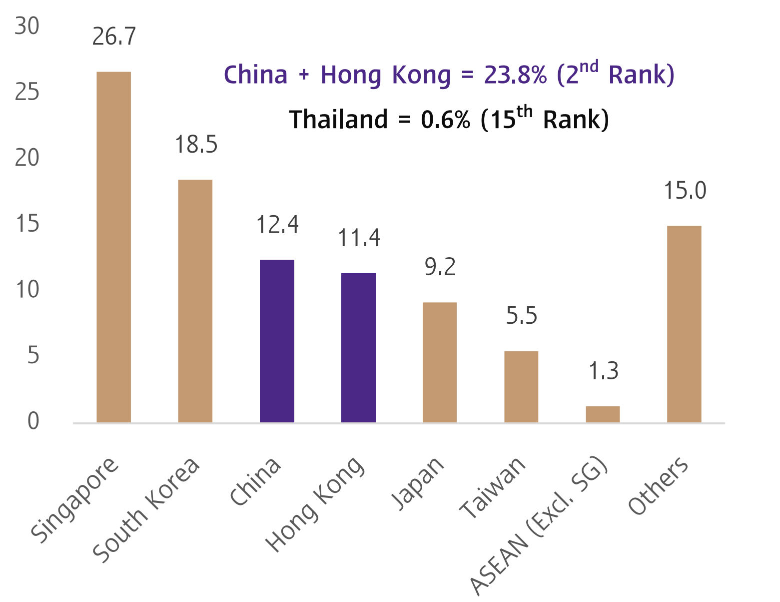
Disbursed FDI (implementation capital)

Unit: USD Billion, year-to-date



Share of Vietnam Total Registered Capital by Country

Unit: % Share of Total Registered Capital in 2024



- **Vietnam remains attractive for FDI as foreign firms diversify from China.** Chinese firms, in particular, may shift operations to Vietnam to avoid U.S. tariffs, leveraging its proximity and strong supply chain—especially in electronics, textile, and furniture.
- **SCB EIC sees limited downside risk from Trump's potential crackdown on Chinese rerouting.** as Vietnam's 20% reciprocal and 40% transshipment tariffs are lower than China's 55%*. These rates may still encourage Chinese firms to shift production to Vietnam, boosting FDI through increased local content.
- **Due to U.S. policy uncertainty and ongoing ASEAN negotiations, investors may take a wait-and-see approach.** FDI into Vietnam could rise if peers fail to secure favorable tariffs, but may fall if they negotiate better terms.

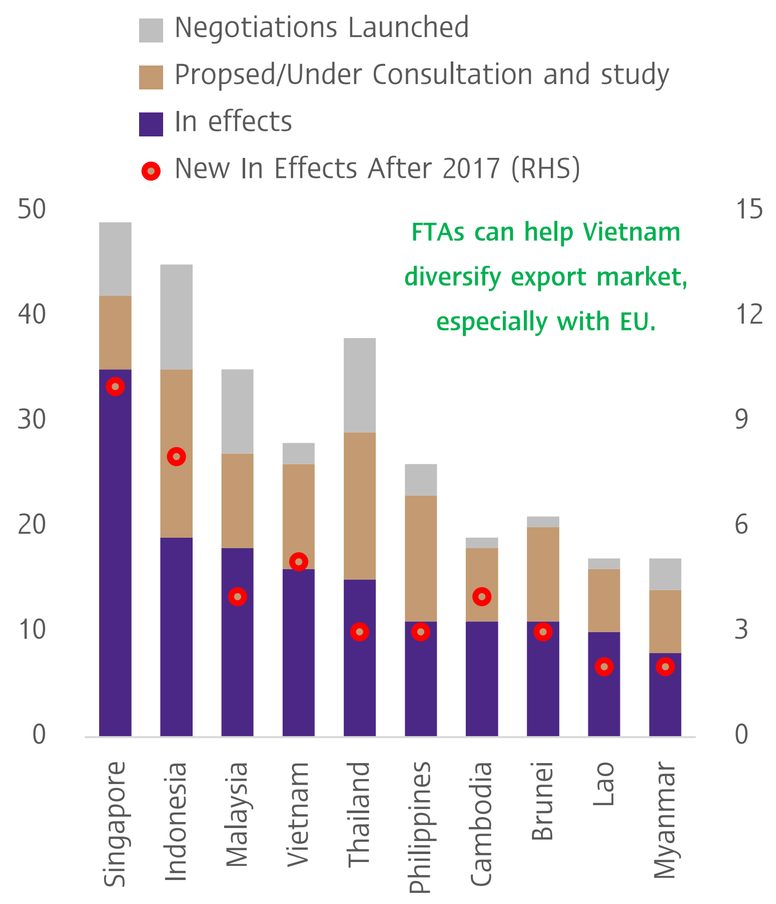
Note: *The 30% U.S. tariff on China under the May 12 deal includes a 20% country-specific tariff on fentanyl and a 10% retaliatory tariff under Trump 2.0. Including the earlier 25% from Trump 1.0, total tariffs on Chinese goods reach 55%.
Source: SCB EIC analysis based on data from the Ministry of Planning and Investment.

SCB EIC

Vietnam's FDI outlook remains attractive in 2025, supported by more FTAs, better education performance, and lower labor costs than ASEAN peers.

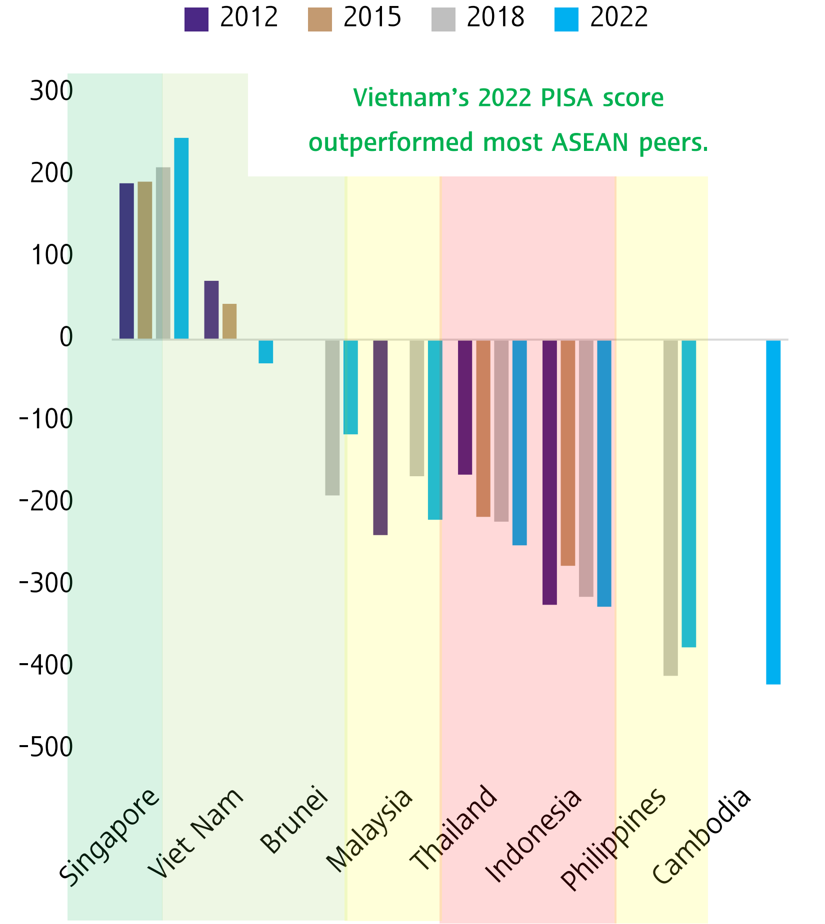
ASEAN Free Trade Agreement (FTA)

Unit: Number of FTA



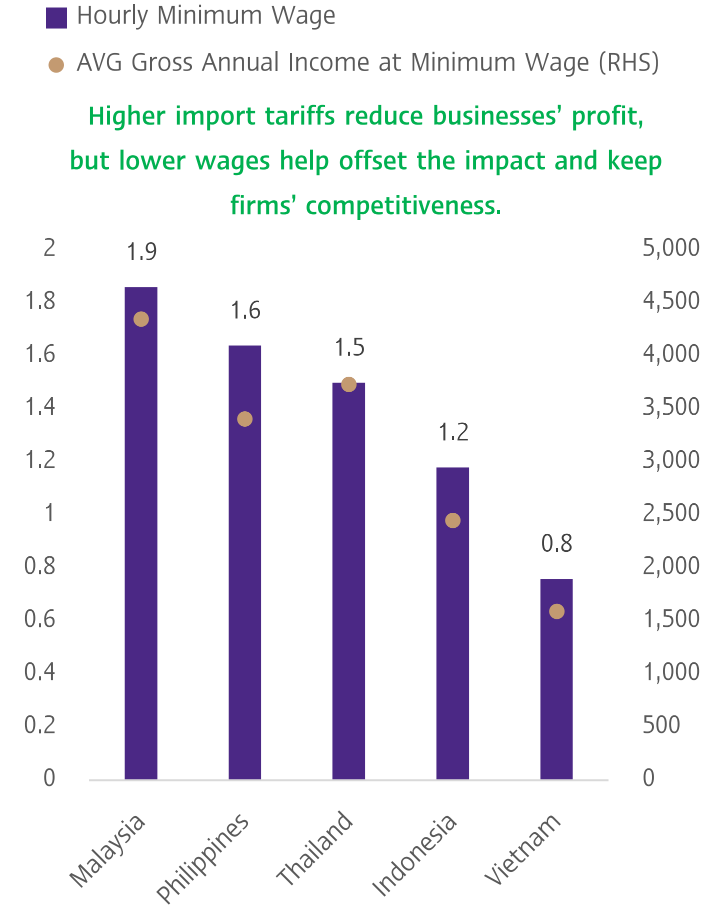
ASEAN PISA Score by Country

Unit: PISA Score* (Including Mathematics, Science, and Reading)



Minimum Wage 2025 (By World Population Review)

Unit: USD



Note: *The Program for International Student Assessment (PISA) assesses 15-year-old students in participating countries every three years, with a total of 81 participating countries.
Source: SCB EIC analysis based on data from CEIC, OECD, Statista, and ADB.

SCB EIC

Vietnam's reforms in energy, infrastructure, and free trade zones aim to boost its appeal to both domestic and foreign investors.

Power Development Plan 8 (PDP)		
Power source	**Previous PDP8**	**Revised PDP8**
Wind	• onshore wind: 21,880 MW • offshore wind: 6,000 MW	• onshore & nearshore wind: 26,066 – 38,029 MW • offshore wind: 6,000 – 17.032 MW, expected to be operational between 2030 -2035
Solar	12,836 MW (not including existing rooftop solar power)	46,459MW – 73,416 MW (including concentrated and rooftop solar power)
Biomass, waste-to-power and other new sources	• biomass: 1,088 MW • waste-to-power: 1,182 MW	• biomass: 1,523-2,699 MW • waste-to-power: 1,441-2,137 MW • geothermal and other new sources: 45 MW
Hydropower	29,346 MW	33,294-34,667 MW
Hydro-pump storage	2,400 MW	2,400-6,000 MW
Battery storage	300 MW	10,000-16,300 MW
Nuclear	N/A	4,000-6,400 MW
Coal	30,127 MW	31,055 MW
Domestic gas	6,900 MW	10,861 – 14,930 MW
LNG	22,400 MW	22,524 MW
Flexible source	300 MW	2,000-3,000 MW
Import	5,000 MW from Laos	9,360-12,100 MW from Laos and China (with a target of importing at least 8,000 MW from Laos)
Export	5,000-10,000 MW	5,000-10,000 MW to Singapore, Malaysia and other partners (up to 2035)

Government Infrastructure Investment Project

Vietnam's FDI is expected to grow, driven by clear incentives, energy security, better connectivity, and strong long-term policy commitment.

1. **Power Development Plan 8 (PDP8) such as Nuclear Power**

Before : Major blackouts in 2023 forced factories to cut operating hours.
Heavy reliance on coal and weather disruptions caused energy shortages.

After : Reforms aim to meet rising power demand and support net-zero goals
Reducing fossil fuel dependence enhances energy security and economic growth
A more secure, resilient, and sustainable energy sector supports industrial expansion, attracts FDI, and positions Vietnam as a regional leader in energy transition.

2. **Railway Linking Vietnam and China**

Before : Vietnam's railway system is outdated, limiting trade and economic growth.
Lack of modern infrastructure has slowed passenger and cargo transport efficiency.

After : Improve trade, tourism, and investment between Vietnam and China.
Strengthened supply chains will boost economic integration and regional connectivity.
Improve efficiency and attract more FDI.

3. **Approved Danang as first free trade zone** will offer tax incentives and streamlined licensing, and is set to become a global innovation, financial hub and supply chain hub.

After : Boosts competitiveness and investment attraction, strengthens Vietnam's role in regional and global supply chains, and drives balanced regional development.

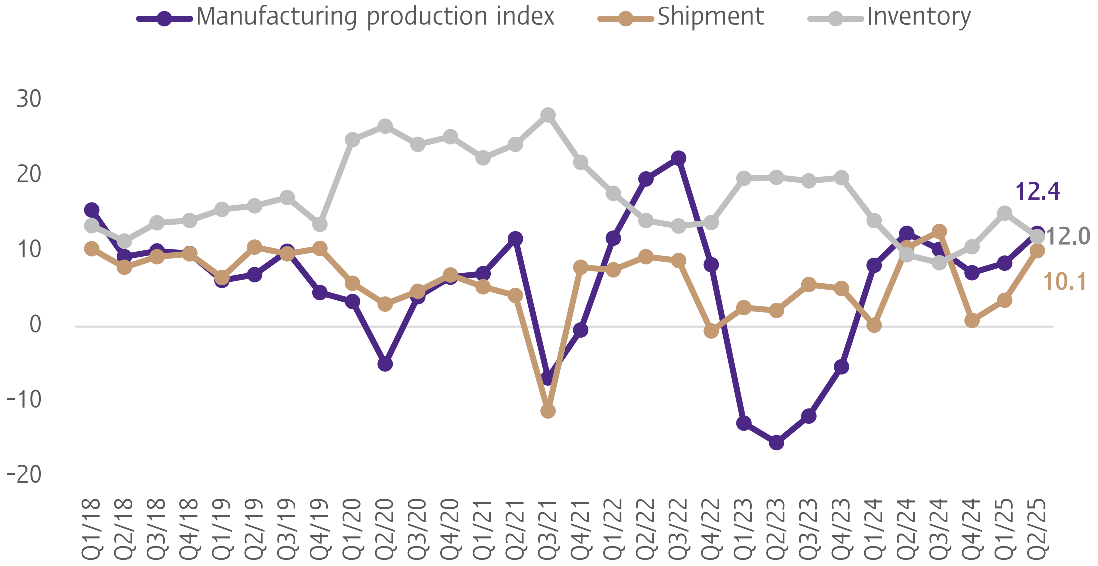
Source: SCB EIC analysis based on data from Watson Farley & Williams, Nikkei Asia, and Reuters.

Manufacturing is expected to grow and remain resilient, though global trade uncertainty and the U.S. deal terms pose risks.

Manufacturing: Pressures from slower exports and China's overcapacity

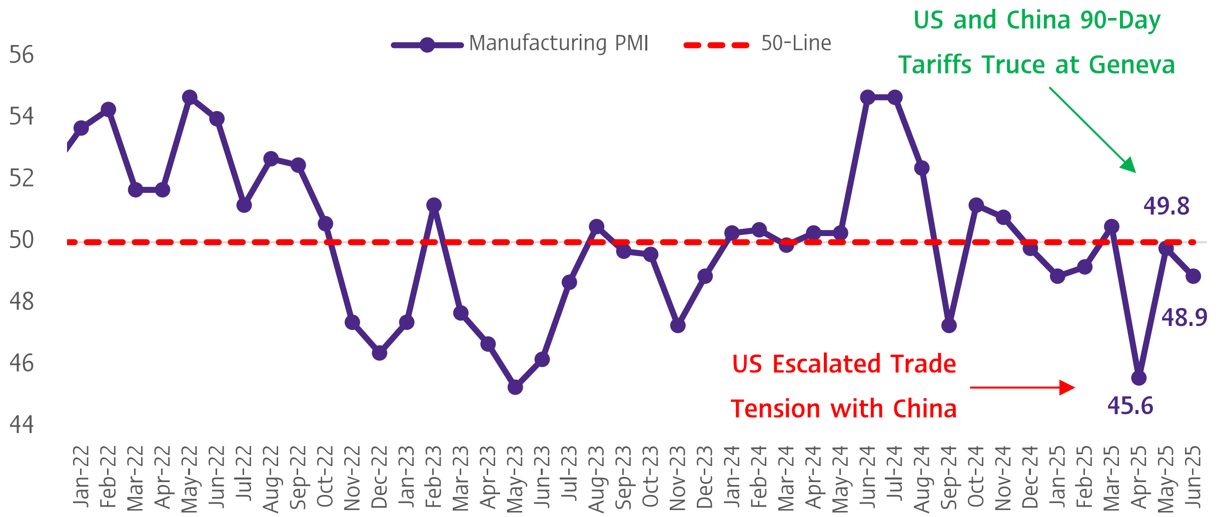
Manufacturing sector indicators

Unit: %YOY



Manufacturing PMI

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



April's PMI highlights Vietnam's sensitivity to the global trade environment

Manufacturing outlook 2025:

- **Growth is expected to continue, supported by** frontloaded electronics orders ahead of potential Trump 2.0 tariffs. With inventories low, restocking will also drive production.
- **However, risks remain** as export demand softens and the initial 10% tariff (with a 90-day window) —set to rise to 20%—adds uncertainty.

Future risks: Trade uncertainty, global slowdown, and evolving U.S. trade deal

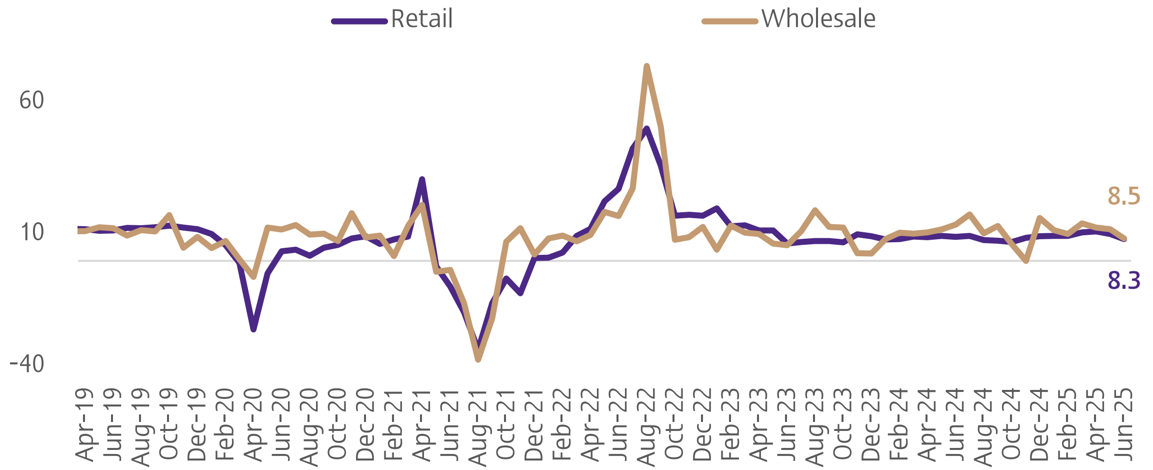
1. **Rising Chinese competition** pressures domestic manufacturers
2. **Uncertain trade policy**, especially if U.S.–China tensions escalate
3. **Recent trade deal raise risks around the U.S. 40% transshipment rule** and ASEAN tariff gaps
4. **Electronics face high tariff risk** if current U.S. exemptions and production shifts back home

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

Domestic consumption is expected to grow steadily, supported by rising tourist spending and a recovery in the real estate sector, though Trump's tariffs may dampen the outlook.

Retail and wholesale* sales growth

Unit: %YOY



Consumption outlook will be supported by:

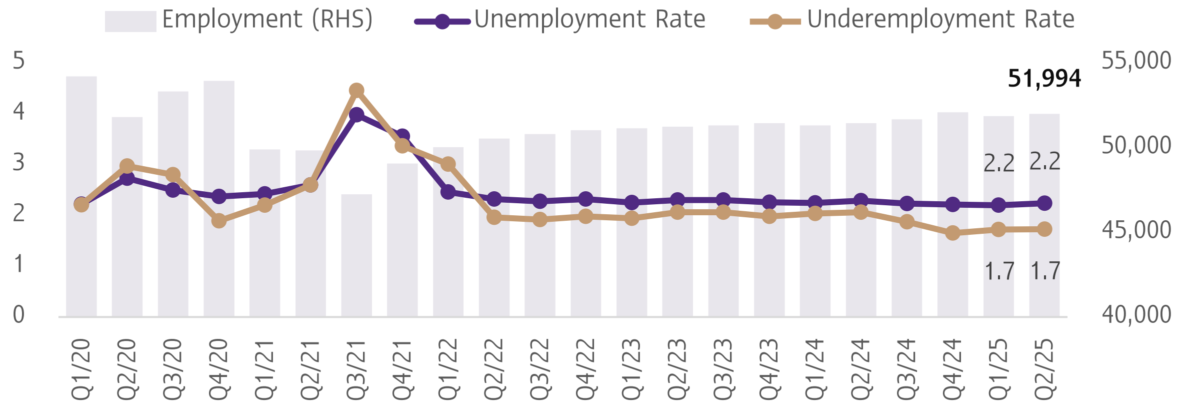
- Labor & Income: Stronger employment from export recovery, minimum wage hike, and public sector pay increases (since July 2024)
- Recoveries in real estate and construction sectors
- Strong growth in tourism supports solid domestic consumption and employment.
- Government support schemes Vietnam Grand Sale 2024, extension of VAT cut until Dec 2026

Downside risks:

Trump's Tariffs could slow global economy, impacting manufacturing and tourism, leading to a weaker employment, confidence, and consumption.

Employment and unemployment rates

Unit: % (LHS), thousand persons (RHS)



Average Monthly Earnings of Wage Workers

Unit: Thousand VND

Note: *Wholesale data only covers Hanoi.

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

SCB EIC

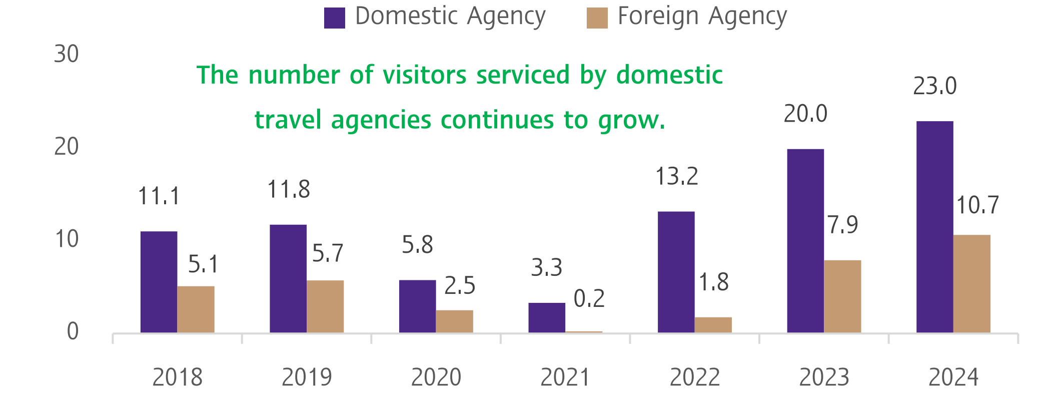
Vietnam's growing tourism boosts receipts, supports domestic travel agencies, and strengthens consumption and employment.

Tourism Receipts

Unit: VND Trillion

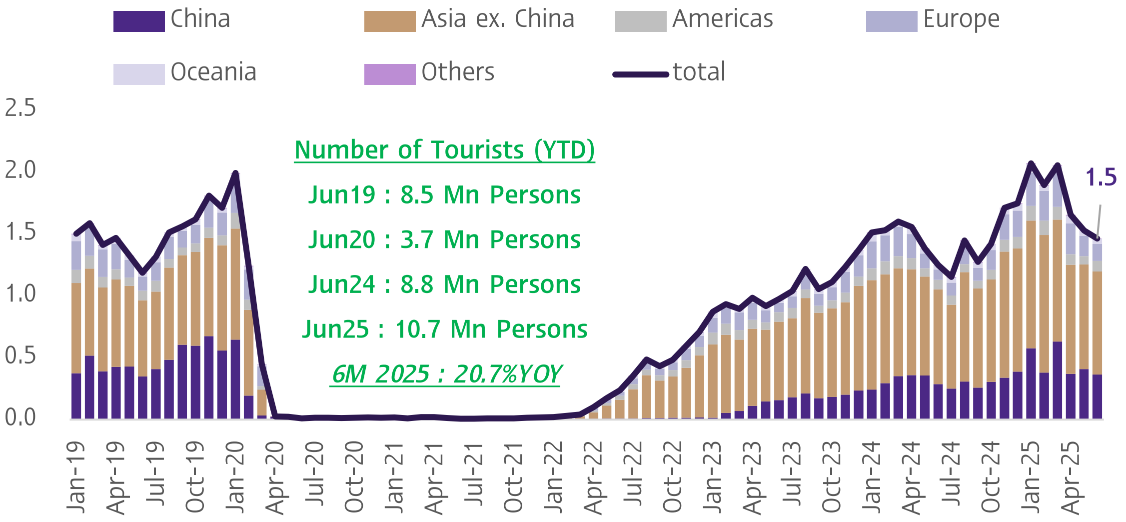
Number of Visitors Serviced by Travel Agency

Unit: million persons



Monthly Foreign visitor arrivals

Unit: million persons



- **Tourism sector is expected to grow, driven by proactive government policies**
  1) The introduction of 90-day e-visas (up from 30 days)
  2) Expansion of visa-free access to travelers from countries such as France, Germany, Italy, Japan, Russia, and South Korea
  3) Government support through tourism promotion and infrastructure investment
- **A solid tourism sector is expected to support domestic consumption and jobs,** driven by more visitors, higher tourism receipts, and increased use of local travel services.
- **A global economic slowdown from Trump's tariffs could pose downside risks to tourism.**

Source: SCB EIC analysis based on data from General Statistics Office, Vietnam Bond Market Association, the IMF and foreign press.

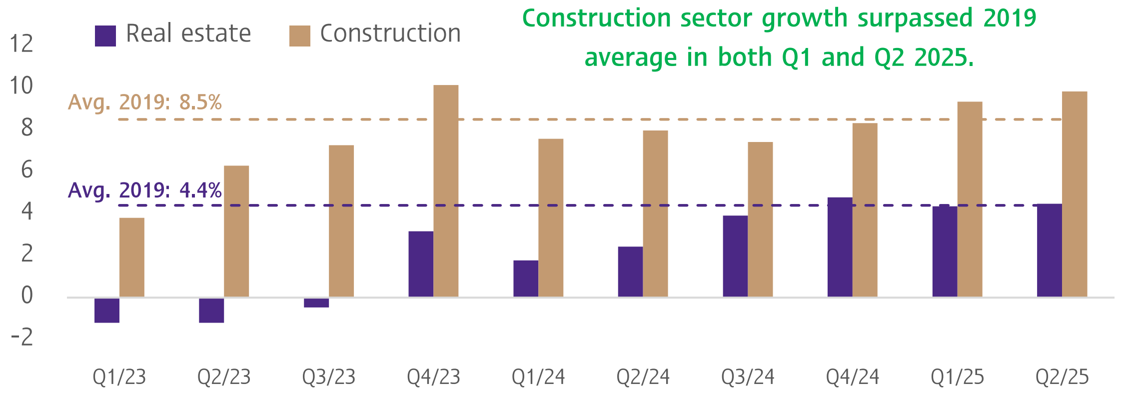
SCB EIC

Real estate sector is expected to recover gradually in 2025, supported by improved credit growth toward the central bank's 16% target, easing financial conditions, and policy support.

Real estate: Gradual recovery ahead with improved market conditions

Real GDP growth of real estate and construction sectors

Unit: %YOY



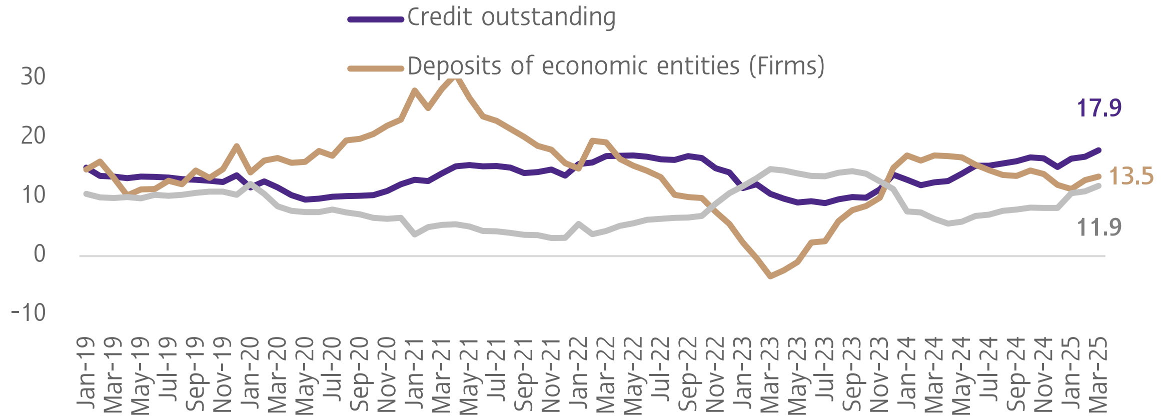
Real estate outlook 2025: Gradual recovery as market conditions improve.

- Financial conditions ease, with lower rates, higher credit growth, and corporate bond issuance.
- Demand for residential real estate is resilient in line with urbanization and growing population.
- Commercial and industrial real estate is supported by growing middle class and FDI relocation.

- **Short-term outlook: Resilient growth** supported by easing financial conditions, real estate recovery, and central bank efforts to boost credit
- **Medium-term outlook: Moderate** from 13-15% to a more sustainable path as private debt remains high at 172% of GDP in 2023 (IMF). Focus will shift from quantitative credit targets to quality lending.

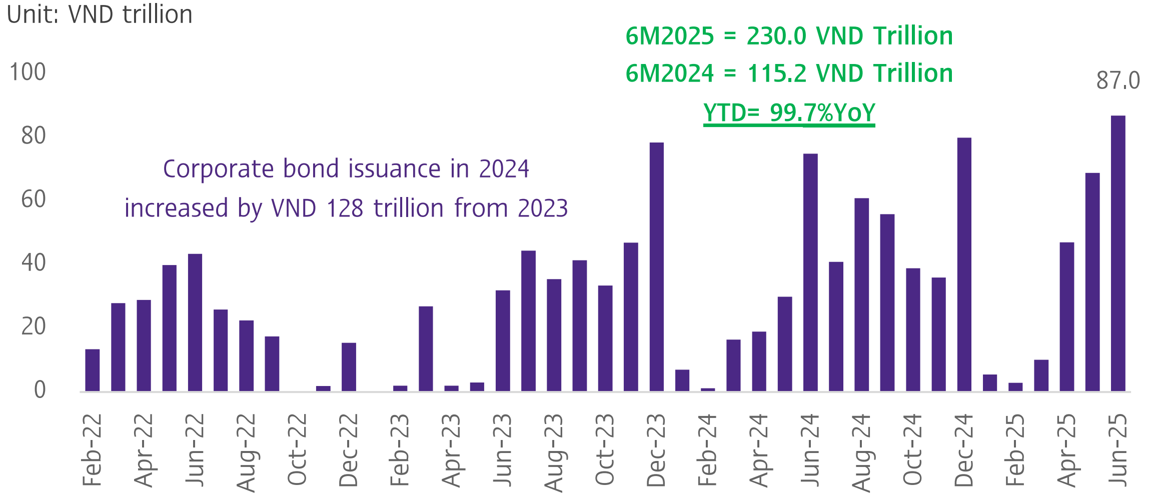
Credit outstanding and deposits

Unit: %YOY



Corporate bonds issuance

Unit: VND trillion



Source: SCB EIC analysis based on data from General Statistics Office, Vietnam Bond Market Association, the IMF and foreign press.

SCB EIC

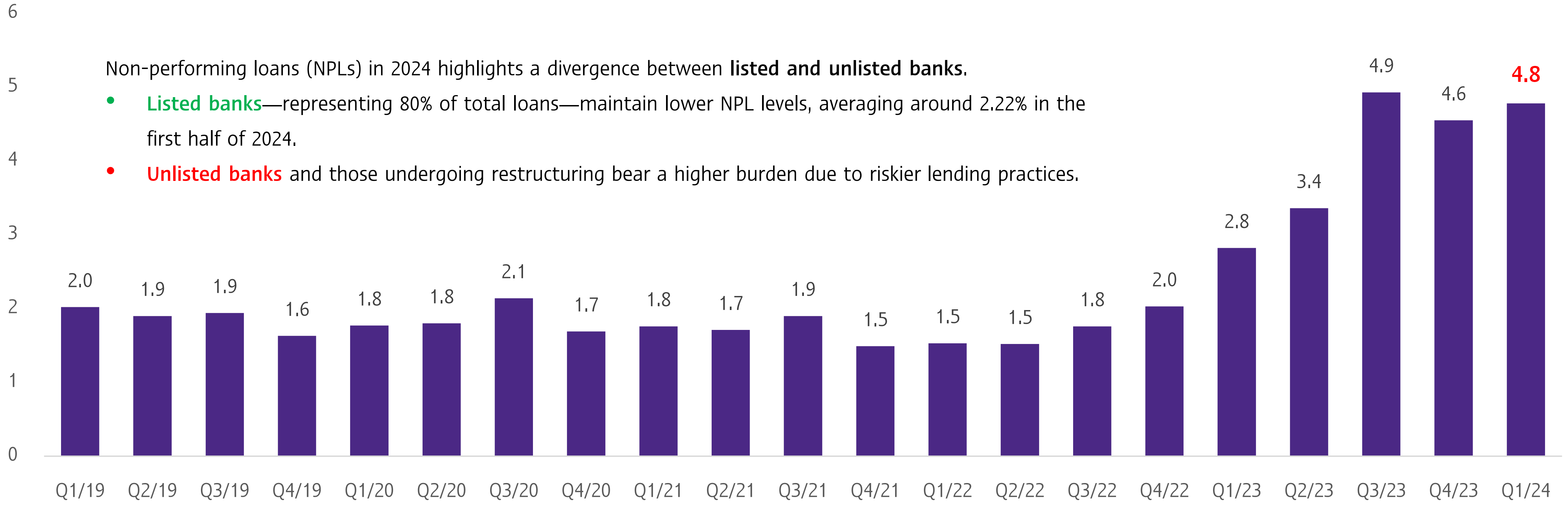
Although NPL forbearance measure could ease NPL in short run, NPL remain elevated and may pressure financial stability and small bank.

NPL ratio

Unit: %

Non-performing loans (NPLs) in 2024 highlights a divergence between **listed and unlisted banks**.

- Listed banks—representing 80% of total loans—maintain lower NPL levels, averaging around 2.22% in the first half of 2024.
- Unlisted banks and those undergoing restructuring bear a higher burden due to riskier lending practices.

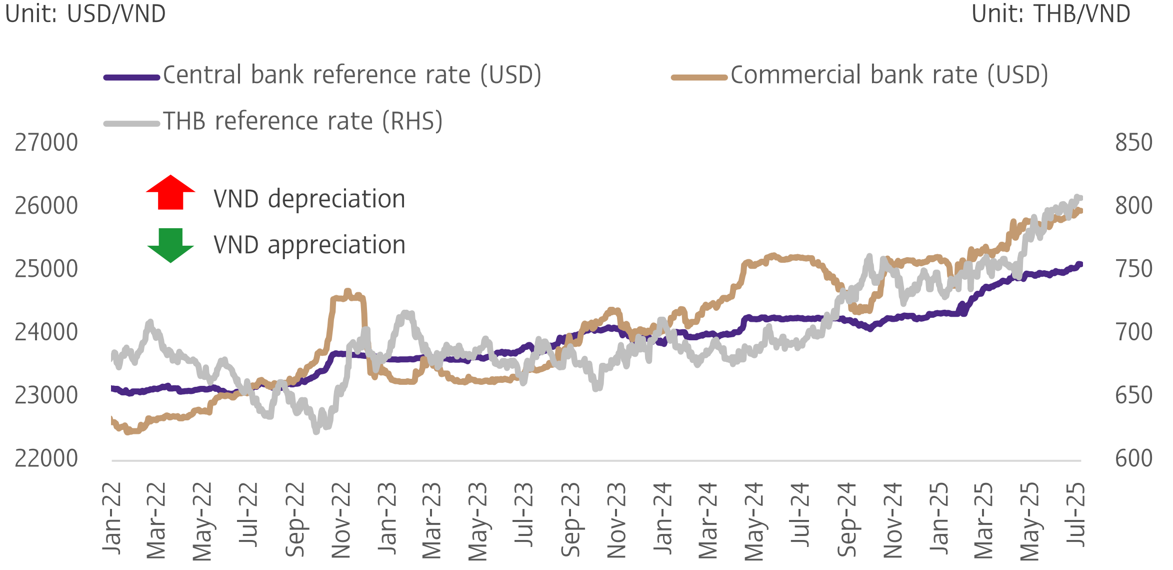


- **NPL forbearance measure:** (allowing banks to restructure and maintain loan classification) has been extended until end-2024, which should ease NPL pressures in the short-term. However, NPLs may rise afterward which may pressure financial stability, particularly in small banks with lower capital.
- **Smaller private banks and unlisted institutions face the most significant NPL increases,** as their clients tends to have weaker financial resilience. These banks require closer monitoring due to their vulnerability in an uncertain economic environment. Trump 2.0 could worsen their existing condition.

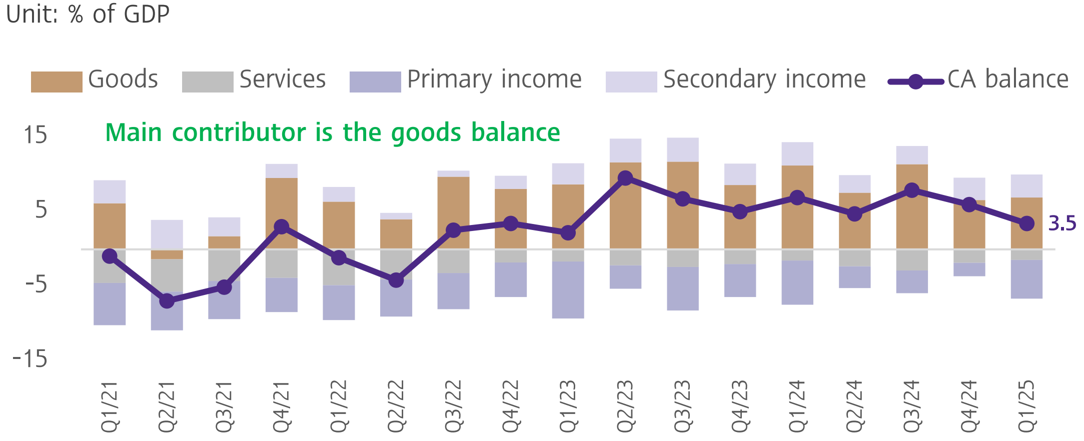
Source: SCB EIC analysis based on data from the State Bank of Vietnam.

USD/VND may weaken further due to a smaller trade surplus, limited FX intervention, and fewer Fed cuts. However, Vietnam could limit depreciation to avoid currency manipulation issues.

Exchange rate



Current account balance

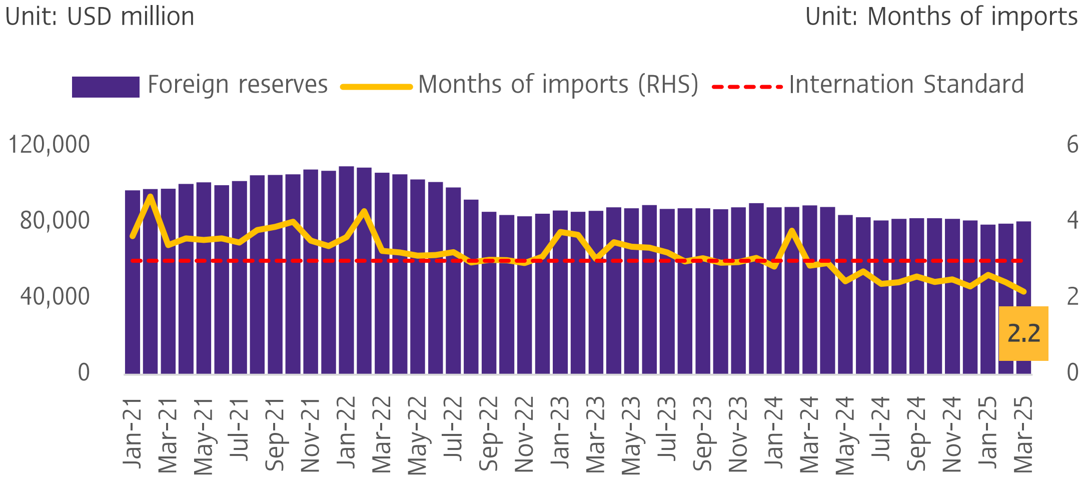


USD/VND is expected to depreciate further in 2025 due to several reasons.

- **SCB EIC expects the Fed to cut rates by only 25-50 bps in 2025** (previous forecast 75 bps).
- **Limited FX intervention** as foreign reserves remain below international standards.
- **Smaller current account surplus:** mainly from weaker goods exports amid global slowdown and increased import under the recent deal with U.S.

However, VND depreciation is likely to be limited as Vietnam remains on the U.S. currency monitoring list (as of Jun25).

Foreign reserves



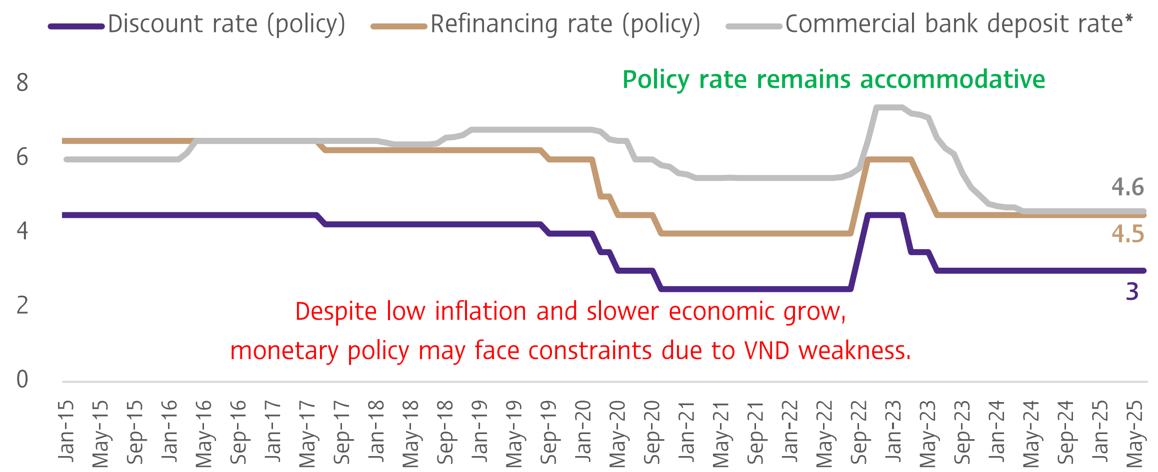
Source: SCB EIC analysis based on data from State Bank of Vietnam, Joint Stock Commercial Bank for Foreign Trade of Vietnam, Bank of Thailand, CEIC, and the IMF.

SCB EIC

Inflation is expected to ease in 2025 due to lower commodity and service prices, **allowing monetary policy to remain accommodative.** However, inflation risks remain on the upside.

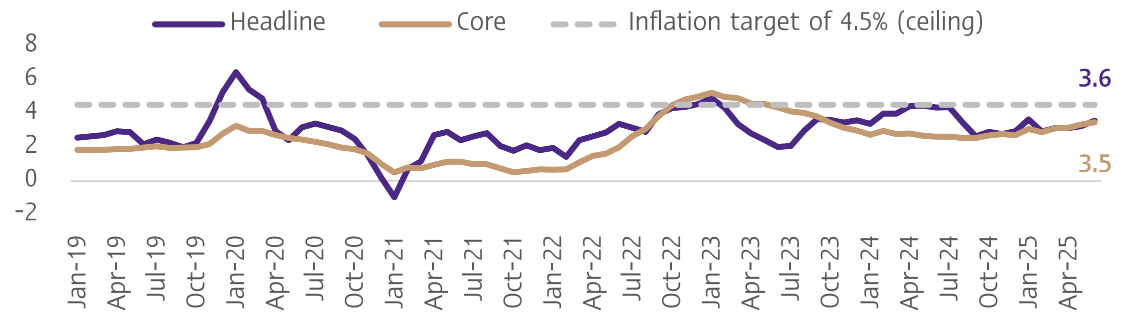
Policy rate and deposit rate

Unit: %



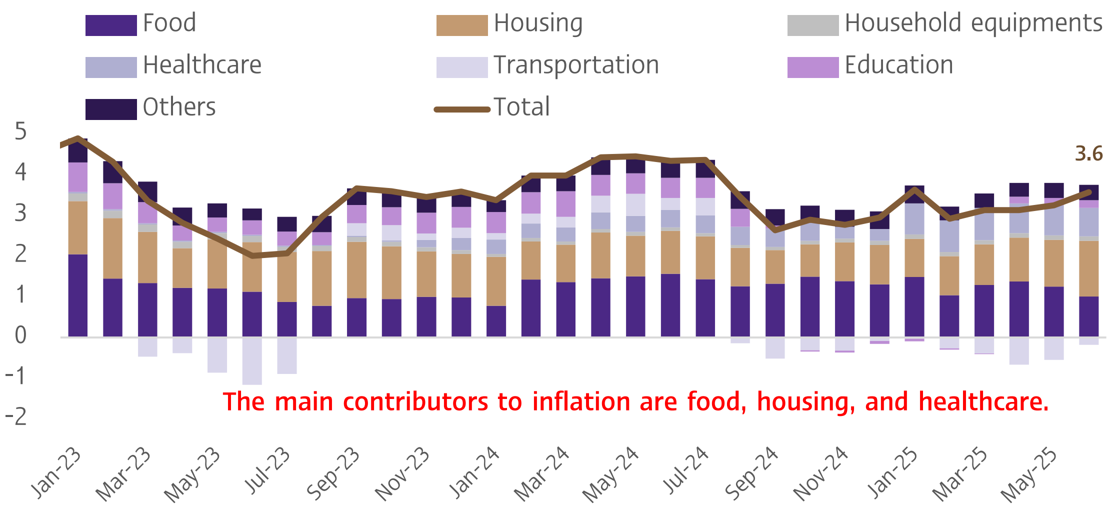
Inflation

Unit: %YOY



Contribution to headline inflation

Unit: %YOY



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

- Lower commodity prices, especially oil
- Cheaper US import products due to a recent trade deal with 0% tariffs.
- Global economic slowdown: leading to lower demand and declining commodity prices.
- Slower increases in government-controlled service prices such as education and healthcare.

Inflation face upside risks:

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

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.

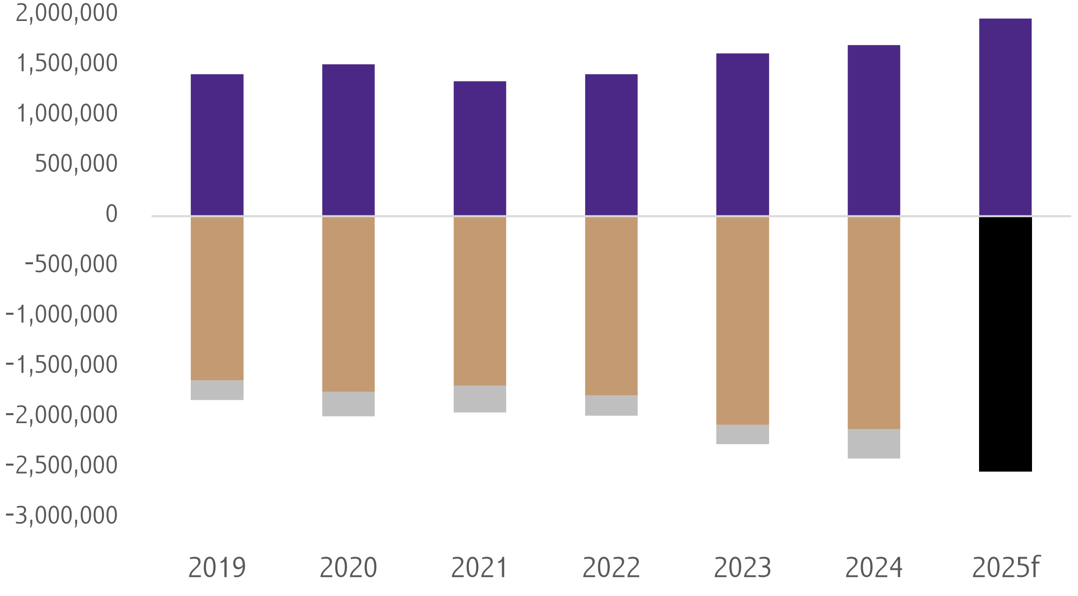
Fiscal policy should remain accommodative in 2025, with public investment playing a key role.

Vietnam retains fiscal space to deploy further stimulus if downside risks emerge.

State budget plan

Unit: VND billion

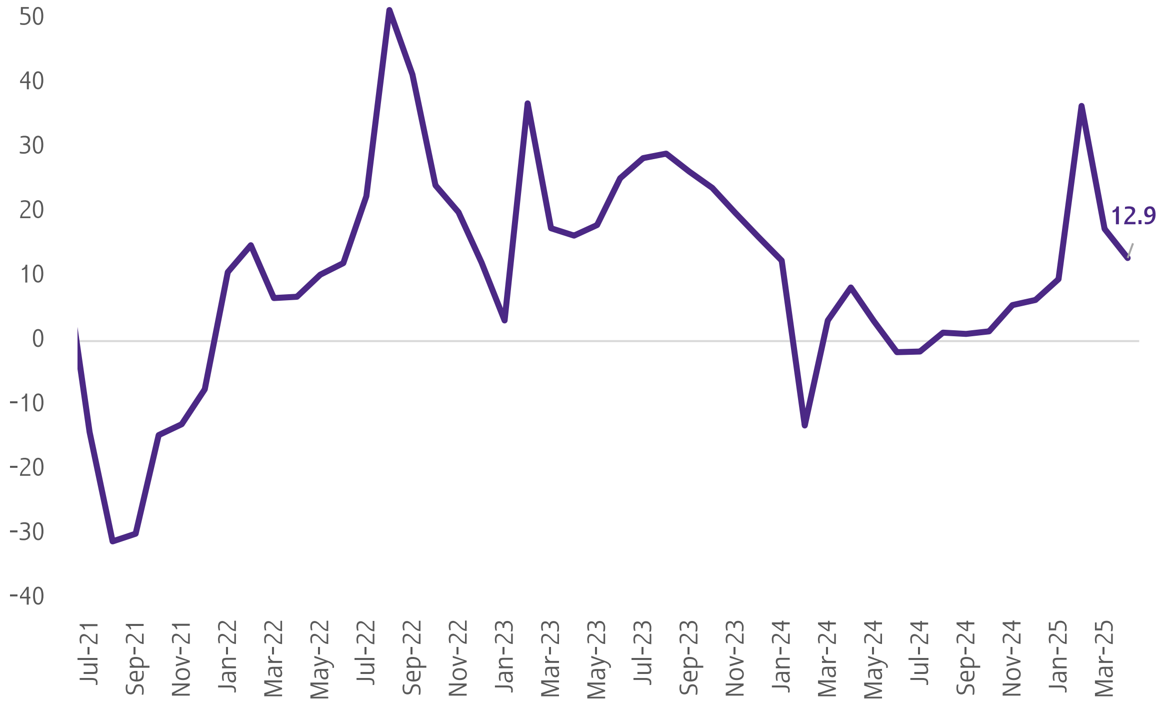
- **Wider fiscal deficit for budget plan 2025** (**3.8% of GDP vs 3.6% in 2024)** suggesting an accommodative fiscal stance in 2025.
- **Public debt remains manageable at 34.7% of GDP in 2024 lowering down from 36.4% in 2023. Still well below 60% ceiling reflecting ample fisc**al space for additional stimulus measures
- **Public debt is projected at 36-37% of GDP in 2025.**



Investment capital from the state budget

Unit: %YOY

- **State investment moderated in 2024** from high base and expect **acceleration in 2025** to support the economy amid high global uncertainty.
- **Other stimulus measures in 2025:**
  - Extension of VAT reduction to 8% (from 10%) until December 2026
  - Positive effects from 30% increase in public employee base salary effective since July 2024



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

Government reforms and Resolution 68 signal a strategic shift in Vietnam's economic path, laying the foundation for long-term growth despite short-term pains.

Government Reform (December 2024)	
To increase government efficiency	• Streamline Administrative Structure : reduce provinces from 63 to 34, eliminate district-level governments, and merge ministries, communes, and party bodies. (5 ministries and about 950 other units to be eliminated, and 696 district governments to be abolished. • Downsize and Modernize Public Sector : Lay off at least 20% of civil servants by 2030 (100,000 positions to be eliminated by August; a further 700,000 to be cut by 2030), redirect spending toward productive uses, and improve public sector salaries over • Simplify Regulations and Cut Red Tape : Remove 30% of administrative procedures, reduce agency sign-offs and approval delays, and eliminate overlapping jurisdictions. • Accelerate Digital Government Transformation Digitize administrative processes, and reduce face-to-face paperwork
To support regional growth	• Enable Economic and Regional Growth expand maritime access to 60%+ of provinces, boost investor confidence and regional competitiveness and target high-tech, green, and strategic sectors.

Short-term pain : **Weaker consumption from rising unemployment, reduced investor confidence** due to civil servant layoff (7.9% of total employment).
Long-term gain : **More sustained economic growth and escape the middle-income trap.** These will boost long-term competitiveness, attract more FDI, increase wage and bring a virtuous economic cycle.

Economic Structural Reform (Resolution 68 Plan, May 2025)			
Indicator	Current	2030	2045 *
Registered enterprises	~940,000 – 970,000	2 million	3 million
Unregistered Household Businesses	~5 million	Many expected to formalize	Vast majority formalized
Large private firms in global chains	Estimated fewer than 10	At least 20	expected to rise further
Private sector share of GDP	~50%	55–58%	Over 60%
Share of employment	~82%	84–85%	High and stable employment share
Share of state budget revenue	~30–32%	35–40%	expected to rise further
Labor productivity Growth	~6.0–6.5% annually	8.5–9.5% annually	Sustainably high
International competitiveness	Medium	Integration into global supply chains	High regional & global competitiveness

The plan shift from state-ownership dominance to a more private-sector-led mixed economy.
Short-term pain : **Dampen sentiment and strain small-scale operators** due to regulatory uncertainty, increased compliance demand, and formalization burdens on small businesses
Long-term gain : **Unlock productivity, innovation, and integrate domestic firms into GVC.**

- **Large private enterprises will be the main contributor to economic growth** by benefiting from strategic projects, preferential bidding processes, and government-backed funding.
- **Small firms will contribute more to the economy and gain competitiveness** from formalization, and improved access to credit, land, technology and government services.

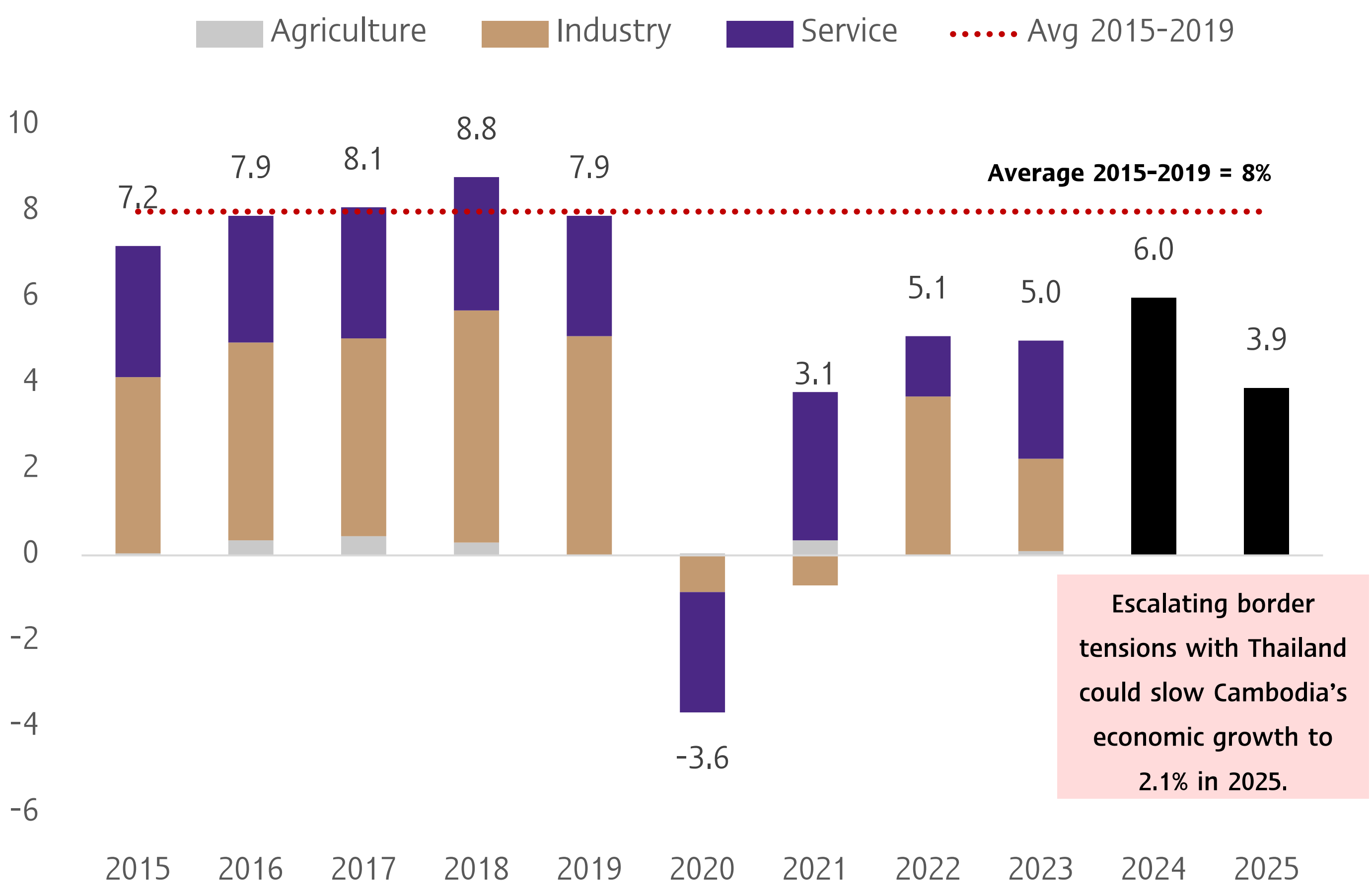
Source: SCB EIC analysis based on data from Nikkei Asia, Reuters and Bloomberg.

Cambodia’s
Economic Outlook

Cambodia's growth is expected to slow to 3.9% in 2025, weighed down by global headwinds and high U.S. exposure. Border conflicts could further drag the economy.

Cambodia's Economic Growth

Unit: %YOY



Escalating border tensions with Thailand could slow Cambodia's economic growth to 2.1% in 2025.

Positive factors

- **Continued tourism recovery**
- **Fiscal stability remains sound** with low public debt, a narrowing budget deficit, and ample fiscal space

Negative Factors

- **Exports in some sectors** face high U.S. tariffs (36%) and weak competitiveness
- **China slowdown** impacts Chinese tourists and delayed FDI
- **Border tensions and Thai import bans** risk fueling inflation, reducing tourist arrivals, and undermining business sentiment.
- **COVID-19 scars in labor market**
- **Subdued domestic investment,** especially in real estate and construction

Risk Factors

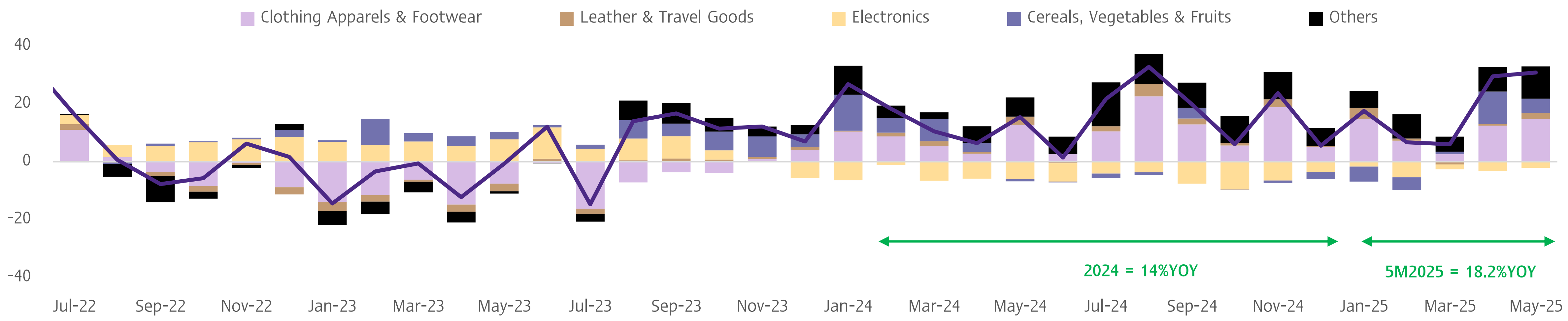
- **Trump 2.0 may heighten geopolitical risks**, hurting Cambodia's trade and foreign direct investment
- **Dollarized economy and high Fed rates** keeps borrowing costs elevated, limiting credit growth
- **Post-restructuring NPL risks and high external debt**
- **Climate change** threatens crop yields 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.

Exports are expected to drop sharply in H2/2025 as U.S. reciprocal tariffs kick in, early gains fade, and domestic risks weigh on the outlook.

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

Unit: %YOY



- **Exports rose 18.2%YoY in 5m2025,** driven by a rebound in apparel and footwear and frontloaded U.S. shipments.
- **Despite U.S. reciprocal tariff cut from 49% to 36% starting August 1, the rates remain high** relative to Asian and global averages, weighing on Cambodia's competitiveness.
- **Exports are expected to contract in H2/2025** as frontloading fades and global headwinds grow, with **garments, footwear, and electronics are likely to be hit hardest.**
- Although **Thailand accounts for only 3.2% of Cambodia's exports, agricultural products and electrical machinery**—especially wires and cables—**are likely to be affected by the border dispute.**

Domestic challenges weighing on export outlook beyond Trump 2.0

The U.S. may impose more tariffs over concerns like cyberattacks, scams, and money laundering.

Tariff cuts may end with least-developed country (LDC) status or due to Western human rights concerns.

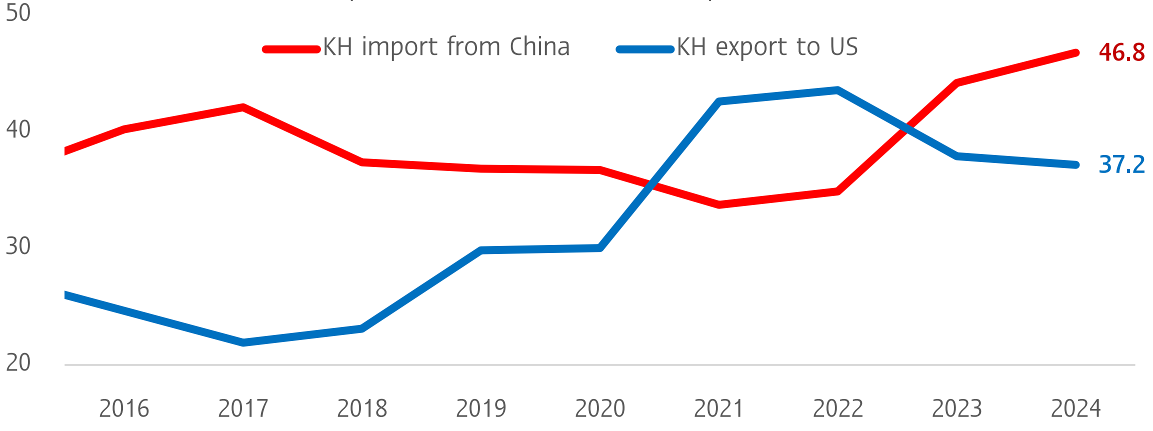
Climate change could pose risks to agricultural production.

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

The U.S. tariff and the anticipated global trade slowdown are likely to negatively affect Cambodia's economy, given its growing dependence on exports to the U.S. and imports from China.

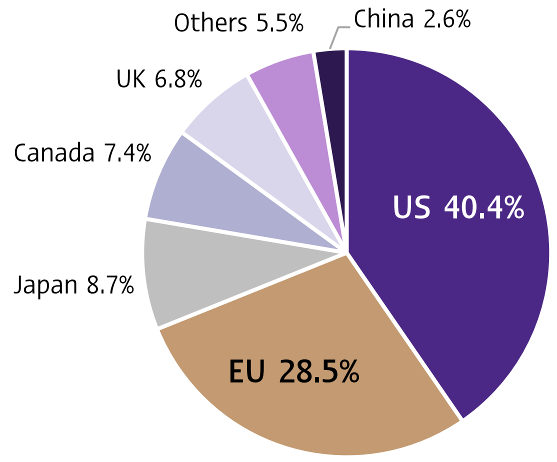
Share of Cambodia's Exports to the U.S. and Imports from China

Unit: % of Cambodia's total exports; % of Cambodia's total imports



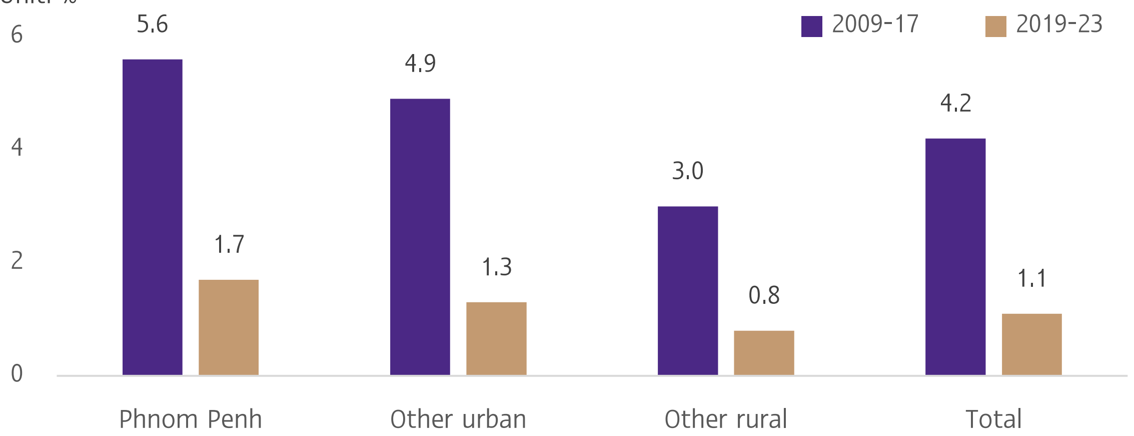
Cambodia's Garment, Footwear and Travel goods (GFT) export by market

Unit: % share to total GFT exports



Annual job growth

Unit: %



- **Even with U.S. tariffs dropping from 49% to 36% on Aug 1, Cambodia remains exposed to U.S. trade policy,** especially in GFT sectors (garments, footwear, and travel goods). EU market access is limited by the partial EBA suspension over labor rights.
- **A global slowdown and weaker demand from China and ASEAN may further curb Cambodia's exports** for final and intermediate goods, especially in agriculture.
- **Trade shocks could slow growth and raise social risks, with over 700,000 garment jobs at risk**—threatening household welfare and deepening inequality amid a fragile post-COVID recovery.

Source: SCB EIC analysis based on data from the CEIC, World Bank, Bloomberg and Trademap.

With reciprocal tariffs still high, Cambodia risks losing competitiveness in the U.S. market.

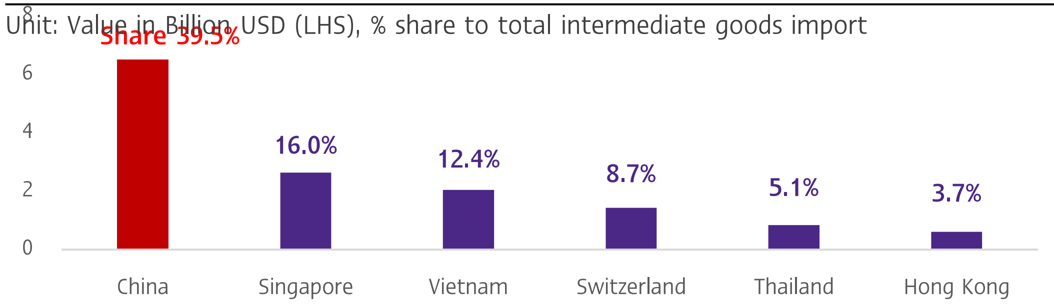
Its heavy reliance on Chinese intermediate goods may also raise transshipment concerns.

Assessing the impacts of the Top-10 Cambodia export products (by SCB EIC)

	Cambodia export products to US	KH Export to US / Total Export to US	KH Export to US / Total KH Export that Product (%)	Top-5 competitors of each product in 2024 (Calculated using the value of U.S. imports for each product)				
1	**Apparel and clothing (knitted or crocheted)**	23.1	34.6	China	Vietnam	Bangladesh	India	Indonesia
2	**Leather, saddlery and harness and travel goods**	15.0	72.5	China	Italy	Vietnam	France	Indonesia
3	**Furniture**	11.0	93.2	China	Vietnam	Mexico	Canada	Italy
4	**Electrical machinery & equipment and parts**	10.2	53.9	China	Mexico	Vietnam	Taiwan	Malaysia
5	**Apparel and clothing (not knitted or crocheted)**	8.8	27.8	China	Vietnam	Bangladesh	India	Indonesia
6	**Rubber and Rubber products**	7.8	51.6	Thailand	Mexico	Canada	China	Japan
7	**Footwear and gaiters**	5.8	34.0	China	Vietnam	Indonesia	Italy	Mexico
8	**Wood and Wood Products**	3.6	97.1	Canada	China	Brazil	Chile	Vietnam
9	**Plastics**	3.1	82.1	China	Canada	Mexico	South Korea	Germany
10	**Toys, games and sports requisites**	2.5	72.8	China	Vietnam	Mexico	Taiwan	Japan

Intermediate goods imports by market in 2022

Unit: Value in Billion USD (LHS), % share to total intermediate goods import



The U.S.-Vietnam trade deal, with lower tariffs on Vietnamese goods 20% (and 40% transshipping tariff), pressures Cambodia's key exports—garments, furniture, and toys—despite Vietnam's higher labor costs.

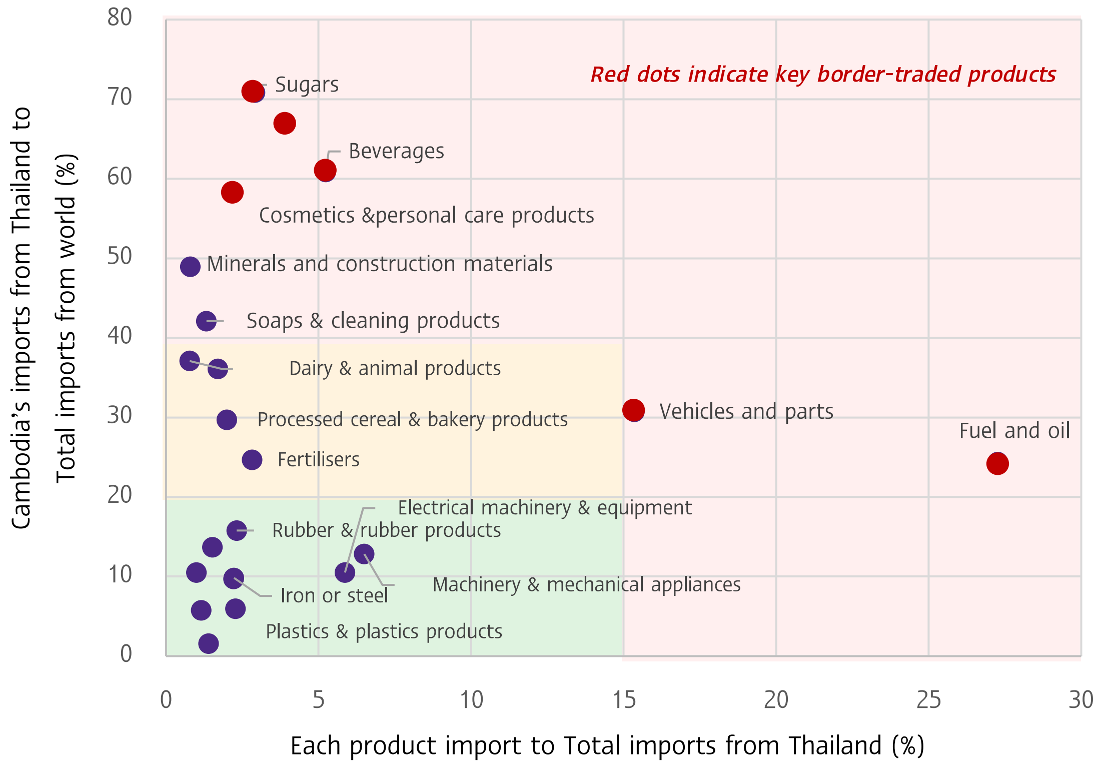
Other ASEAN countries like Thailand, Indonesia, and Malaysia, **with similar or lower tariffs—are increasingly edging out Cambodia in U.S. imports** of leather goods, electrical machinery, and rubber.

Cambodia's reliance on Chinese input raises transshipment risks, making tariff cuts below 36% harder and increasing chances of facing high U.S. tariffs like Vietnam.

Source: SCB EIC analysis based on data from Trade Maps and WITS.

Conflicts with Thailand pose downside risks to Cambodia's economy, given its reliance on Thai imports and tourism. Imports may be hit harder than exports, adding inflationary pressure.

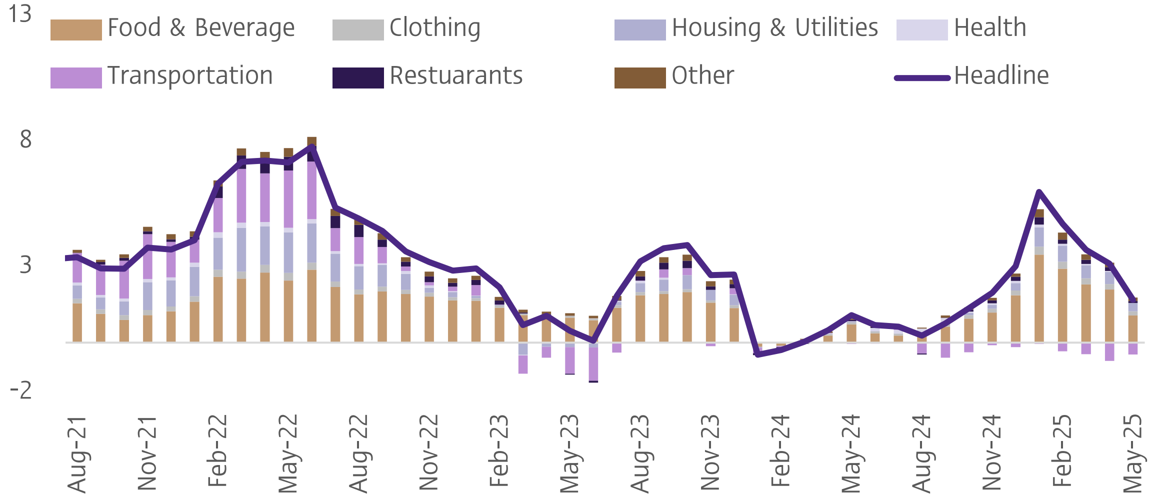
Assessment of sectoral impact on Cambodia's imports (by SCB EIC)



Severely impacted	Moderately impacted	Slightly impacted
high reliance on Thai products and large import share	Relatively low import share	Low Thai exposure and access to alternative import sources

Contribution to inflation by category

Unit: %YOY



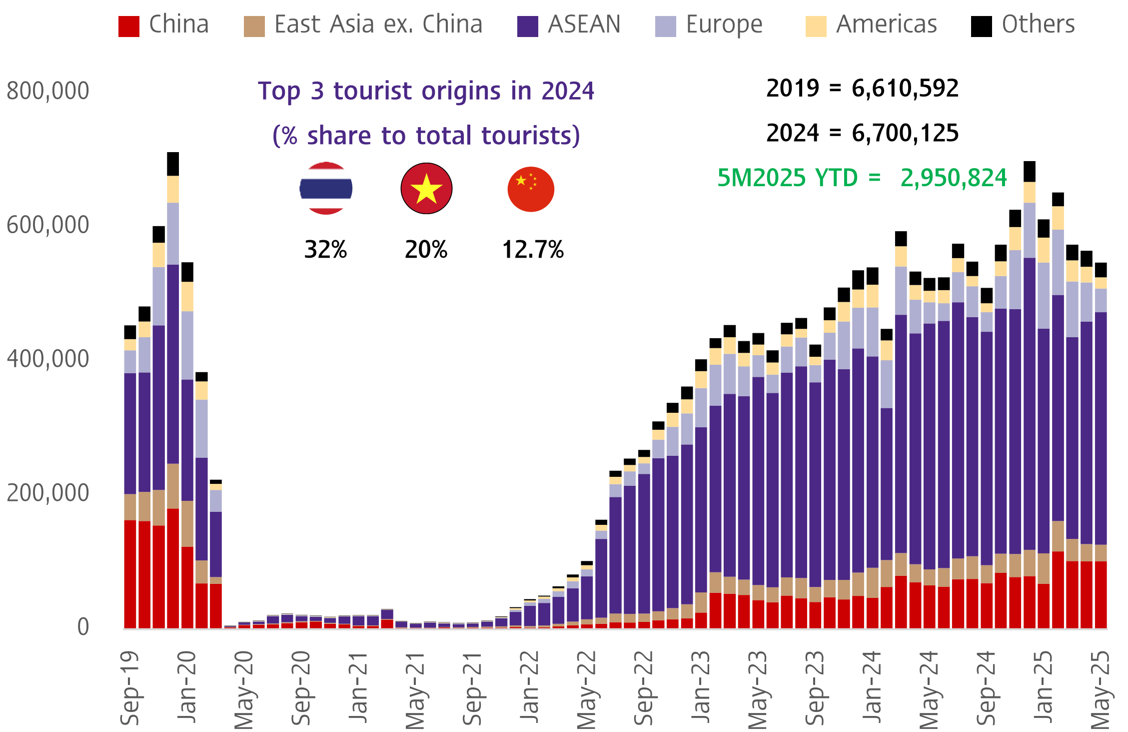
- **The ongoing Thailand–Cambodia dispute poses risks to Cambodia's economy**, which depends on Thailand for 14% of its total imports—making it the country's third-largest import source. **Border clashes have disrupted trade flows.** If tensions persist, they could further undermine consumer confidence and weaken business sentiment.
- **Prolonged border disruptions, oil import bans from Thailand, logistics delays, and rising global prices could drive up Cambodia's inflation in H2 2025 and into 2026**, adding pressure on consumers and dampening demand.
- **Migrant returns could push Cambodia's unemployment rate** well above 0.3% in 2024, while pressuring wages and weakening domestic consumption.

Source: SCB EIC analysis based on data from Trademap, the General Department of Customs, National Institute of Statistics and Thailand Ministry of Customs.

Tourist arrivals now exceed pre-COVID levels, but global slowdown and security concerns may slow recovery from key markets like Thailand and China.

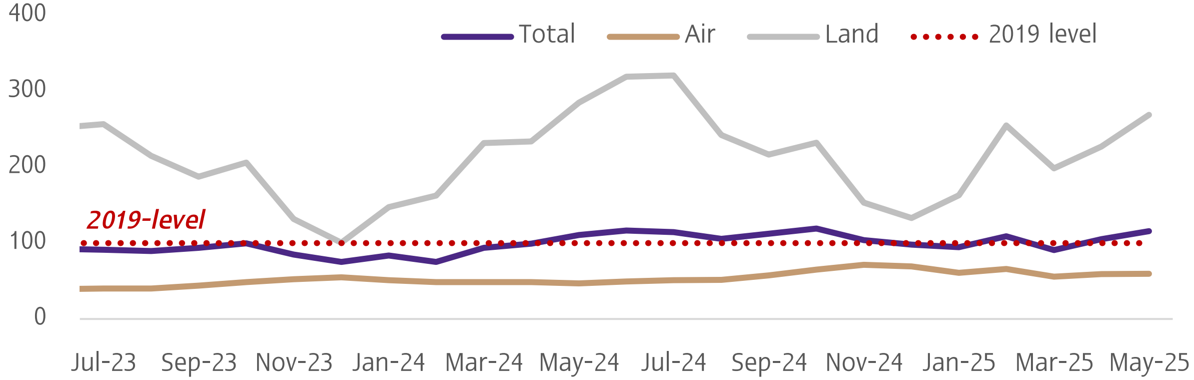
Foreign tourist arrivals

Unit: Person



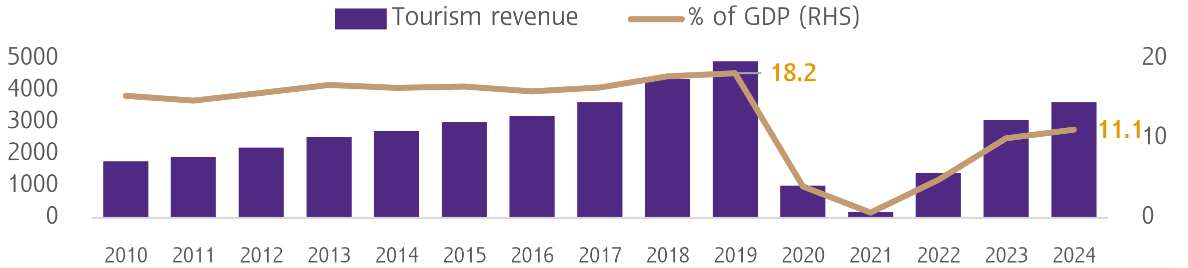
Tourist Modes of Visit Recovery Rate

Unit: Index (2019=100)



Tourism revenue*

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



- **Tourism rebounded strongly in H1/2025, led by Thai visitors.** However, security concerns, border unrest, and scam-related issues may slow arrivals from Thailand and China—especially in border provinces like Poipet, Koh Kong, Oddar Meanchey, and Preah Vihear. Weak global growth could further weigh on overall activity.
- **Tourism revenue remains slow to recover, with low-spending land arrivals dominating and high-spending air travelers still lagging.** Geopolitical tensions under Trump 2.0 may further delay their return.

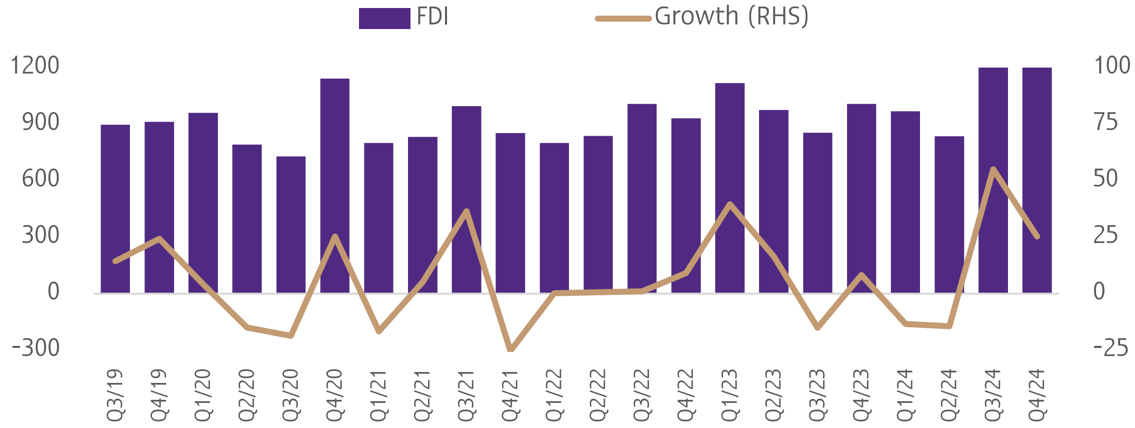
Note: *Calculated from old GDP base, 2024 GDP is calculated from grow rate of 6%.

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

FDI outlook remains clouded by investor uncertainty, weak sentiment, and slow infrastructure progress. Relocation gain would be limited from due to U.S. tariffs and low productivity.

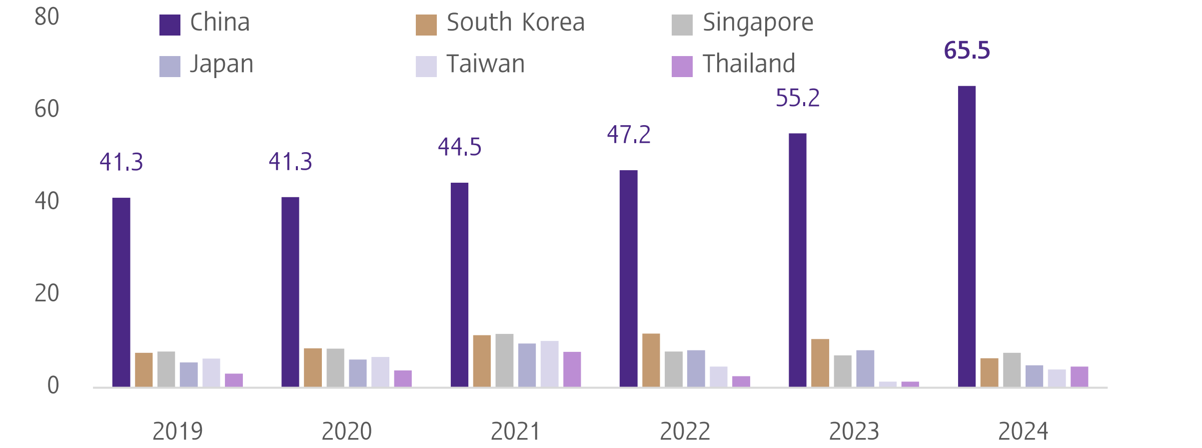
Net Foreign Direct Investment into Cambodia

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



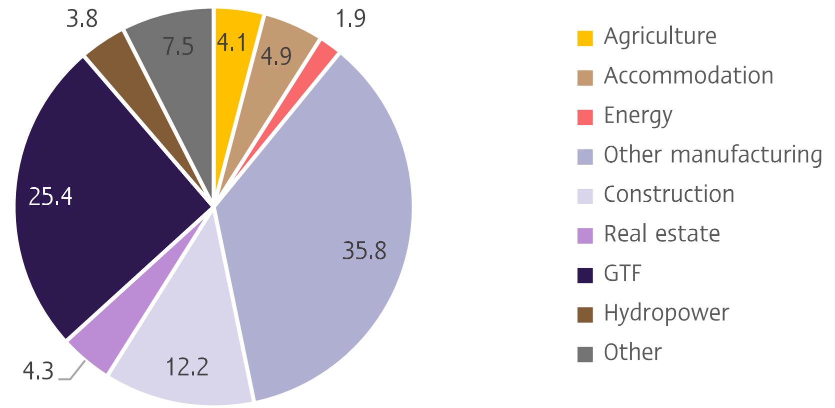
Share of FDI value among top investors in Cambodia

Unit: % to total FDI value



Share of Cambodia's FDI inflows by sectors in 2024

Unit: % to total FDI inflows, excluding financial sectors



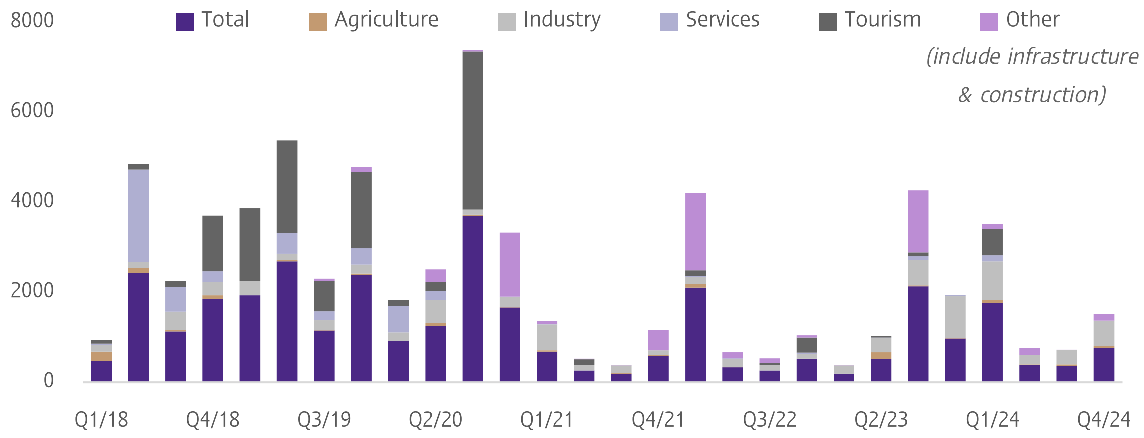
- **Net FDI inflows are stabilizing, but uncertainty persists due to challenges in key source countries** like China, South Korea, and Singapore, partly driven by global trade policies.
- **Cambodia risks missing shifts in supply chain relocation to higher-value sectors** due to low labor productivity. **Key industries like garments and footwear face added strain from a 36% U.S. tariff**—higher than ASEAN's average 27% and Vietnam 20%.
- **Slow progress on key infrastructure projects** like the Funan Techo Canal, Techo International Airport, the Kampot Logistics and Multi-Purpose Port, **may deter FDI in 2H25.**
- **The border conflict between Cambodia and Thailand** has led investors to reassess the long-term investment in Cambodia amid geopolitics and regional instability.

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

Domestic investment remains weak, weighed down by a sluggish real estate sector and high borrowing costs, with post-COVID oversupply and soft demand likely to prolong the downturn.

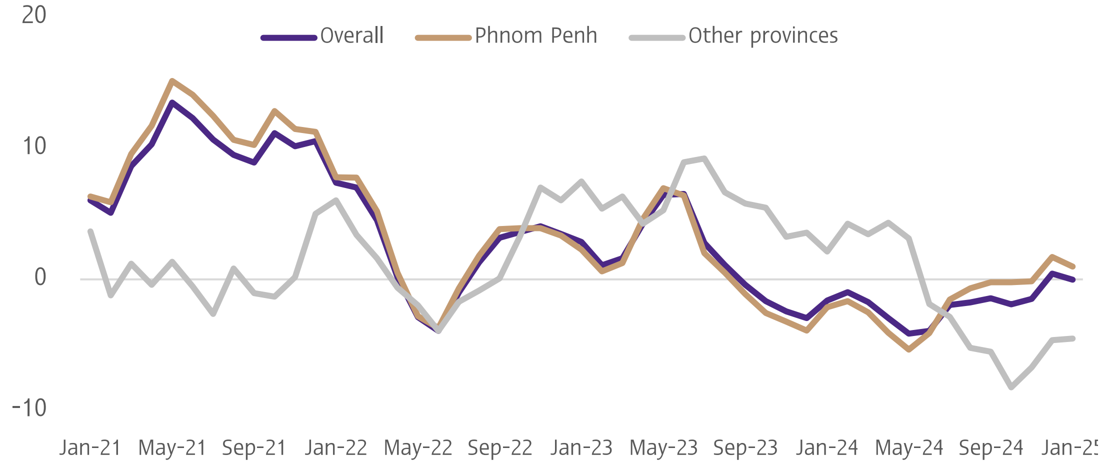
Approved Fixed Asset Investments*

Unit: Million USD



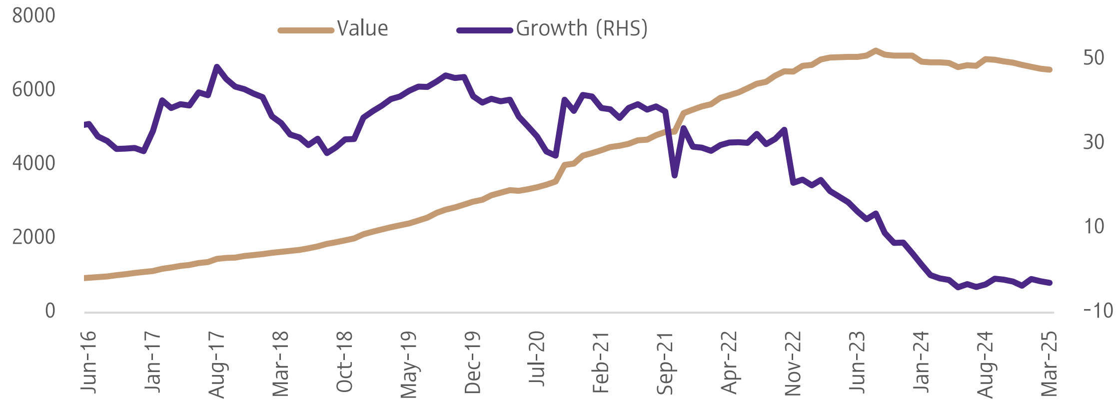
Housing Price Index

Unit: %YOY



Housing loans

Unit: Million USD, %YOY (RHS)



- **Domestic investment has dropped to just 2.1% of total approved projects**, mainly due to a real estate slowdown. **Housing prices remain low,** especially outside Phnom Pen, despite slight recovery signs.
- **Housing demand has slowed** due to oversupply, reduced buyer confidence, and delayed developer activity following a pre-pandemic boom.
- **High borrowing costs and tighter credit**, with mortgage rates at 9-11%, continue to pressure housing. **Weak demand and economic slowdown are likely to dampen consumption through 2025.**

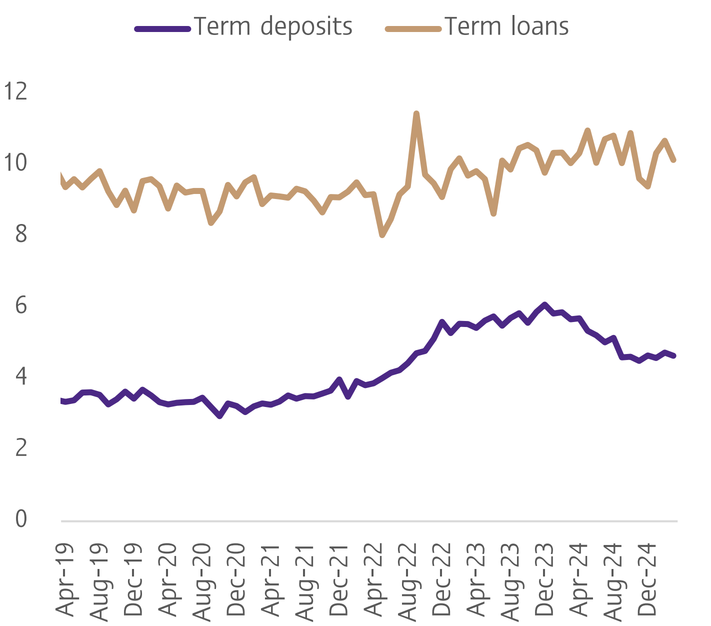
Note: *Both domestic and foreign investment.

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

Loan growth remains weak under high U.S. rate, with NPLs likely understated due to ongoing restructuring. A spike is expected when measures end in 2025.

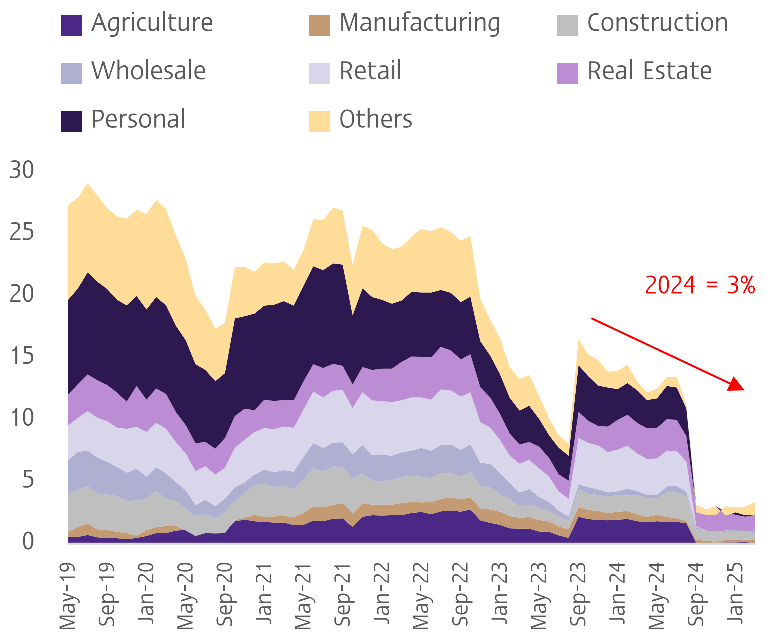
Deposit and lending rates (in USD)

Unit: %



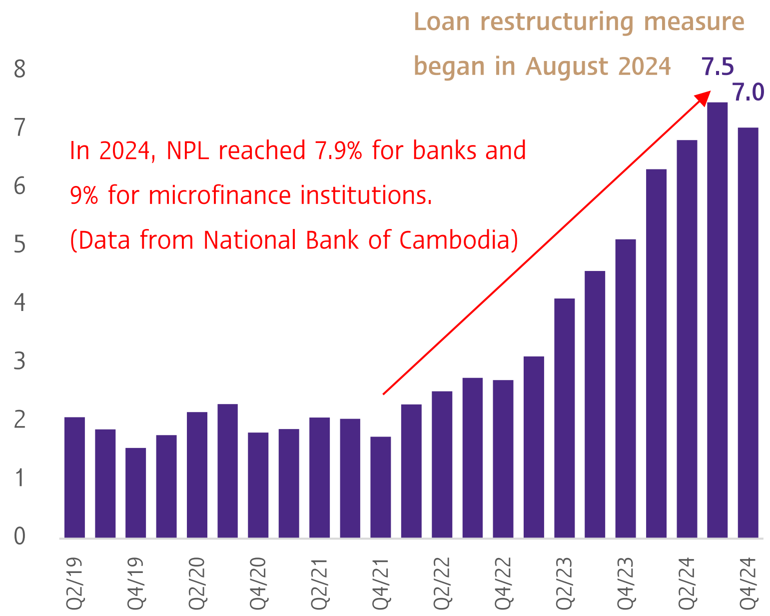
Commercial Banks' loan outstanding*

Unit: %YOY



NPL ratio of financial institutions**

Unit: % of outstanding loan



- **Cambodia's dollarized economy keeps borrowing costs high under U.S. rate pressure, constraining economic growth.** Weak real estate and construction further weigh on bank lending, which may decline due to high rates and last year's high base.
- **NPLs rose to 7.9% in Q4 2024** from 1.8% in 2019, driven by post-COVID forbearance expiry, economic slowdown, and weak lending standards. **A temporary issue of Prakas from the central bank allows loan restructuring without reclassification, but NPLs may rise after the Prakas ends in Dec 2025.**

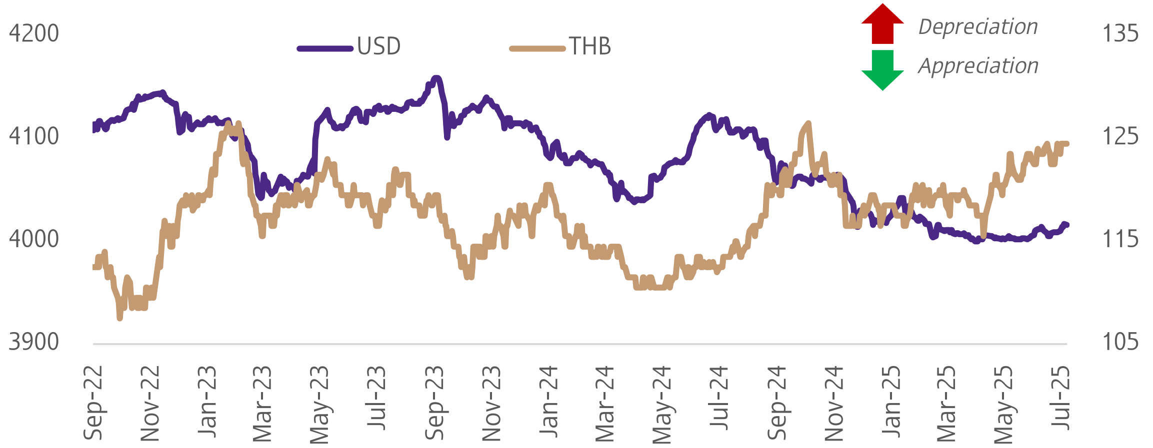
Note: *The spike up of outstanding loan in 2023 is form the temporary increase from merger of microfinance institution into commercial bank, leading to high base in 2023. ** Data from IMF.

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

The Riel shows mixed performance, with risks of further depreciation. The current account deficit is expected to remain wide in 2025 due to falling exports and subdued inflows.

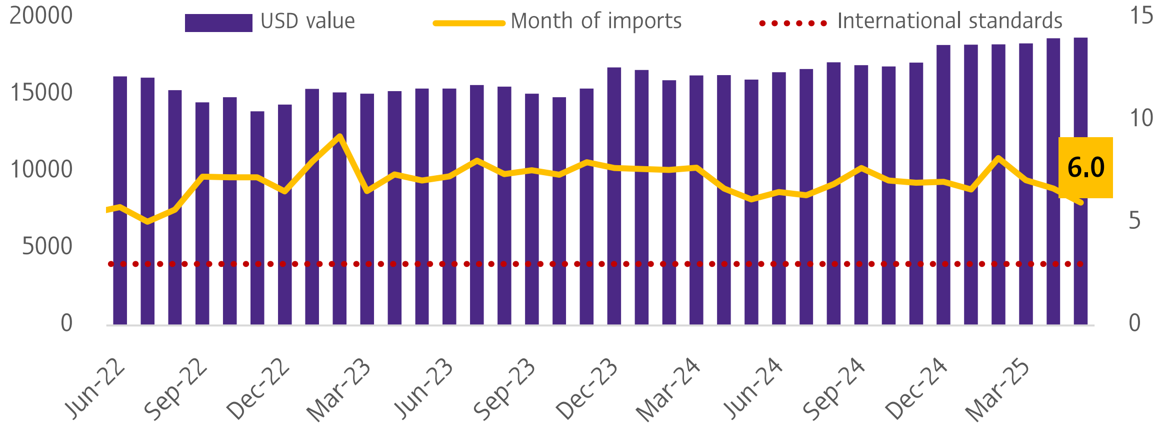
Foreign exchange rate

Unit: USD/KHR, THB/KHR (RHS)



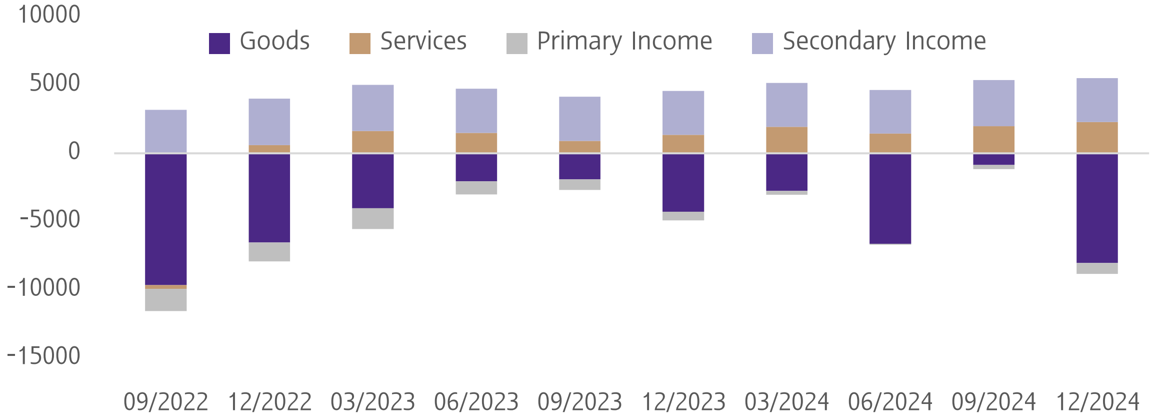
Cambodia's Foreign Reserves Adequacy

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



Cambodia's Current Account Balance

Unit: Billion KHR



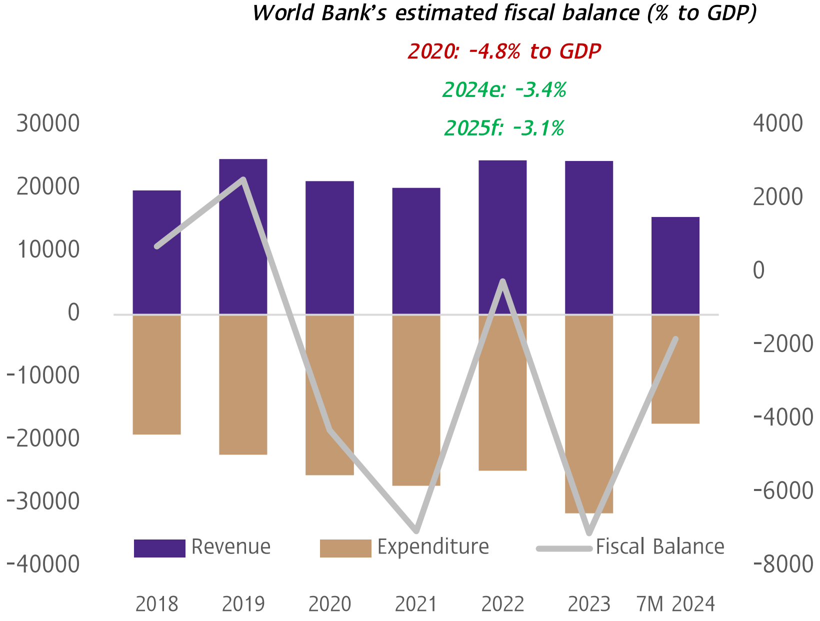
- **The riel strengthened against the USD in 1H2025**, supported by exports, tourism, and remittances. **However, it weakened versus the baht** due to trade disruptions and rising import costs. **Further depreciation remains a risk amid ongoing tensions.**
- **The central bank prioritized riel stability against the USD, limiting depreciation.** Its intervention capacity remains adequate, with foreign reserves covering about six months of imports.
- **The current account deficit is likely to remain wide,** as export weakness, domestic uncertainty, reduced FDI inflows, and lower remittances continue to weigh on external balances.

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

Despite rising external debt and debt service, Cambodia's debt-distress risk remains low, supported by a low public debt ratio and narrowing fiscal deficit amid improving revenues.

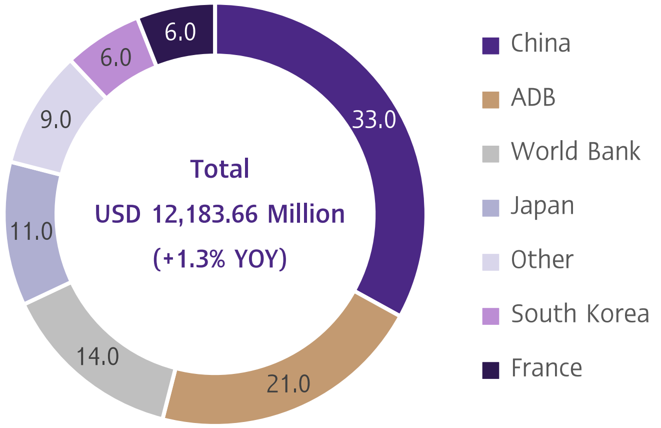
Cambodia's Government Budget Balance

Unit: KHR billion



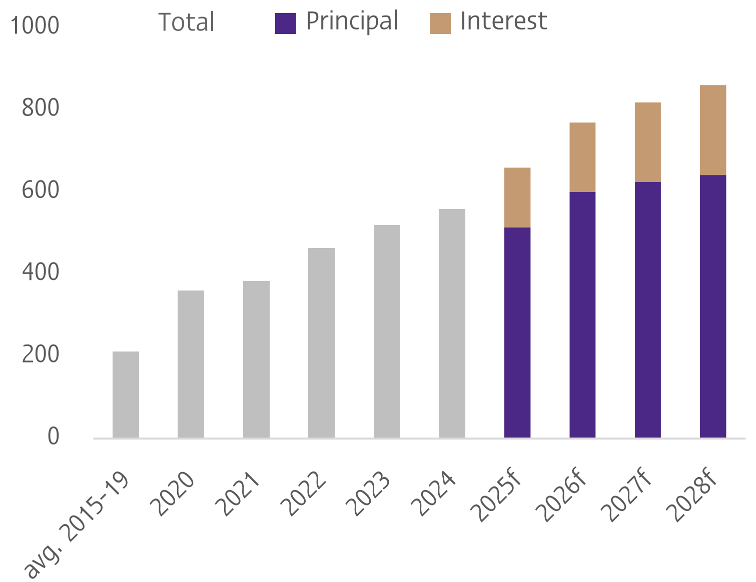
Public debt stock at the end of Q1 2025

Unit: % share to total public debt stock



Projection of external debt service payment

Unit: Million USD



- **Cambodia's fiscal deficit has narrowed due to** stronger VAT and excise tax revenues, and a rebound in tourism income. **However, this is not enough to offset the COVID-era revenue shortfalls.** In 2025, softer tourist arrivals and weak consumption may weigh on imports and sectoral revenues. This will constrain the government revenue base.
- **Public debt remains low at 26.6% of GDP,** lower than CLMV peers. **However, with 99% being external**—mainly from China and Japan—Cambodia faces exchange rate risks in its dollarized economy. **Currency volatility may raise external debt servicing burden and strain fiscal health, though overall debt distress risk remains low despite rising medium-term obligations.**

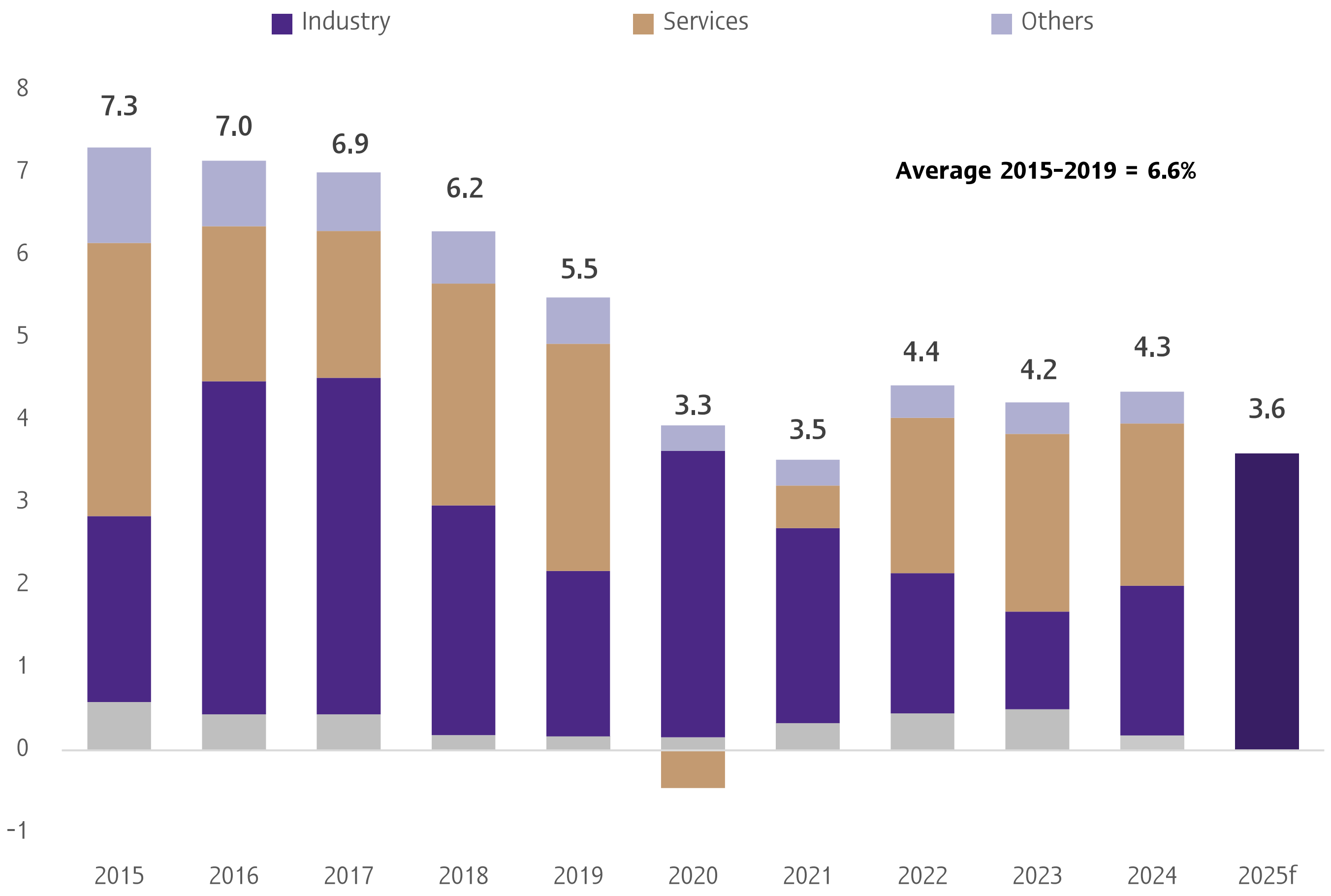
Source: SCB EIC analysis based on data from the National Bank of Cambodia, Ministry of Economy and Finance, and the IMF.

Lao PDR's
Economic Outlook

Lao PDR's economic growth is expected to decelerate to 3.6% in 2025, weighed down by regional slowdown, global policy uncertainty and enduring domestic challenges.

Lao PDR's Economic Growth*

Unit: %YOY



Positive Factors

- **Logistics via the China-Laos railway** may cushion export downturn
- **Kip depreciation eases,** foreign reserves strengthen
- **Lower inflation** helps reduce consumer strain

Negative Factors

- **Trade, foreign direct investment, and tourism** slow amid partners' economic slowdowns
- **Real wage decline and outmigration shrink labor supply** erode purchasing power
- **High public debt and limited fiscal space** limit stimulus options

Risk Factors

- **Climate change** threatens crops, water and electricity shortage from hydropower plants.
- **Kip volatility** risks inflation and external debt services
- **Fragile financial sector** exposed to FX swings and rising SOE-related debt, posing systemic risks and limiting shock resilience
- **Dollarization** weakens effectiveness of monetary policy

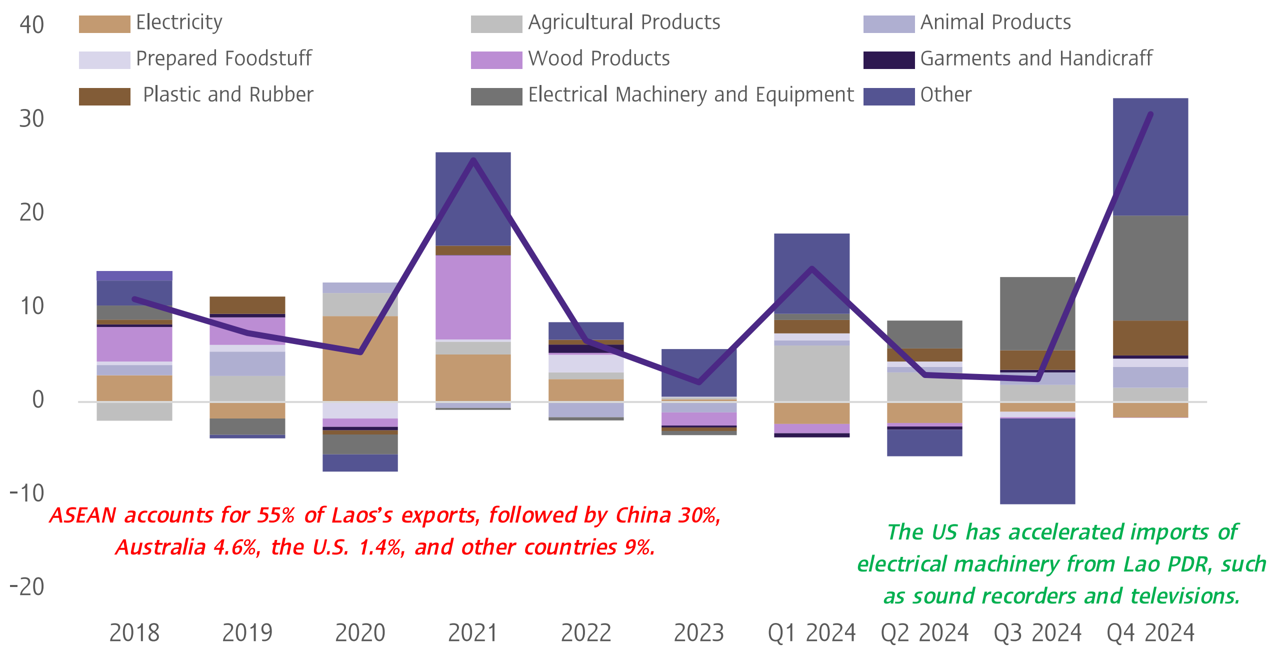
Note: *There is a significant difference between GDP data reported by official statistics and the IMF. The chart and forecast are based on official statistics.

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

Exports are expected to decline in H2/2025, with weakness driven by trade partner slowdown rather than tariff impacts; FDI Inflows likely to remain subdued amid global uncertainty.

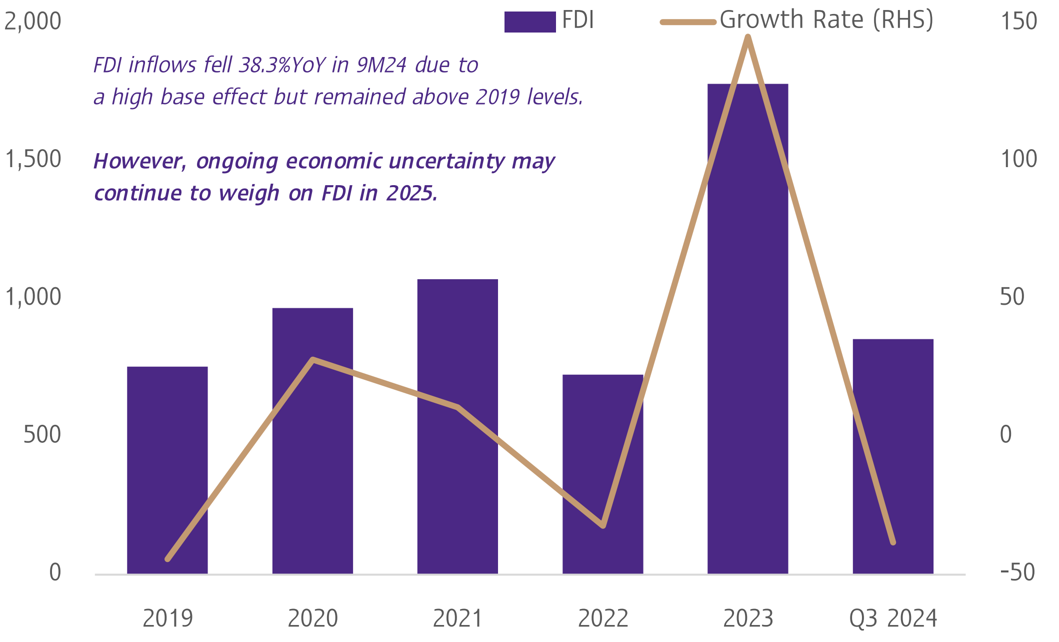
Lao PDR's Exports

Unit: %YOY



Net Foreign Direct Investment (FDI)

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

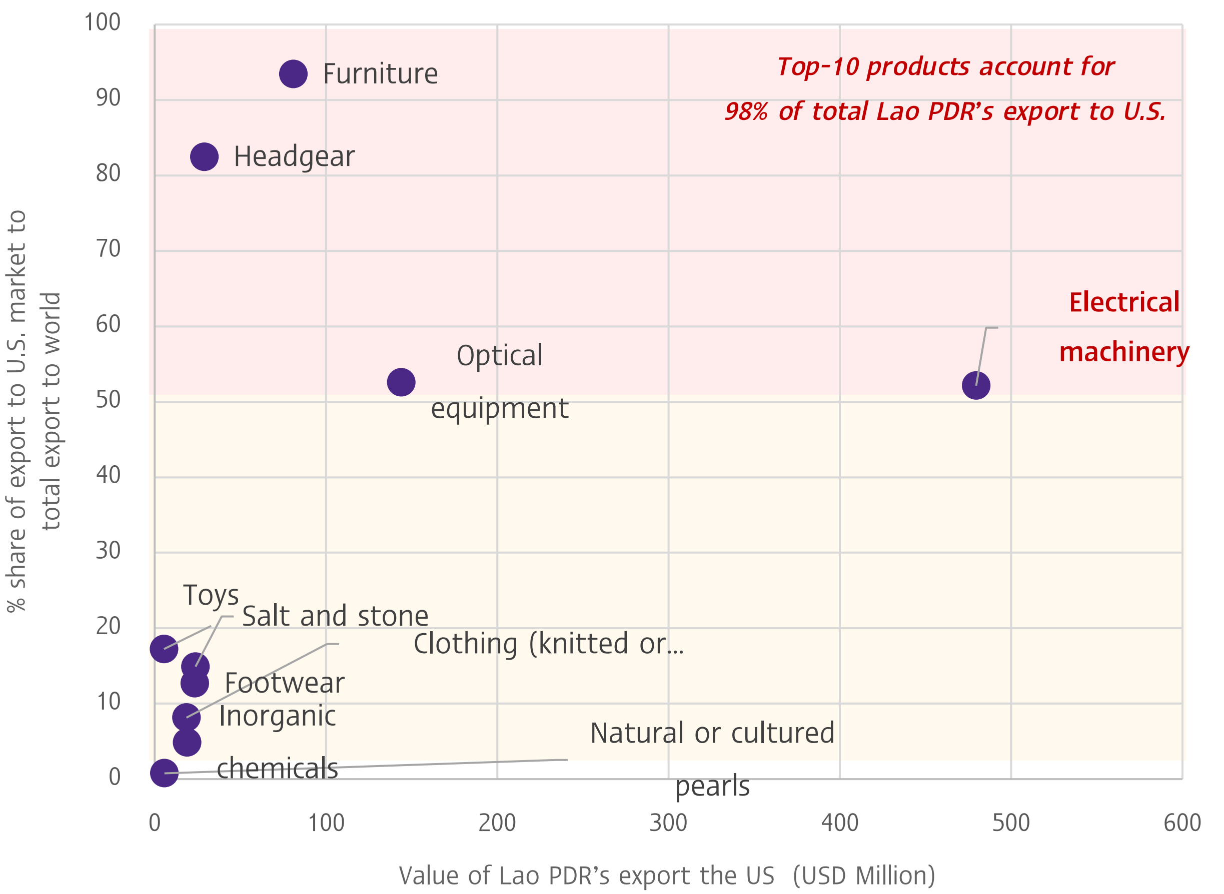


- **Exports are expected to decline in 2025 after frontloading to the US and trade partners fade, particularly in electrical machinery, before higher tariffs take effect and dampened global demand**. U.S. tariffs of 40% have limited direct impact, but **slowdown in key partners like ASEAN and China (85% of exports) poses risks.** China-Laos railway and exports of agricultural products (such as fruits and cassava) and electricity may help cushion the export fall.
- **FDI is expected to remain stable, as major investors like China face economic headwinds and one-off investments—**such as the China-Laos railway, Oudomxay solar plant, and wind power installations**—fade. A gradual recovery in FDI is likely in 2025–2026 in line with global economic conditions** as well as energy-related and logistic sectors attracting investments from China and ASEAN countries.

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

Some export sectors are likely to face concentration risks, especially electrical machinery, due to high reliance on the U.S. market and indirect impacts from the global demand slowdown.

Top-10 Lao PDR's export value and concentration in the U.S. market by product in 2024



Major export products of Lao PDR to global economy in 2024

Products	Value (USD Million)	% share of total Lao's PDR export to world
Mineral fuels	2,381	21.5%
Ores, slag and ash	1,121	10.1%
Electrical machinery	920	8.3%
Fertilizers	844	7.6%

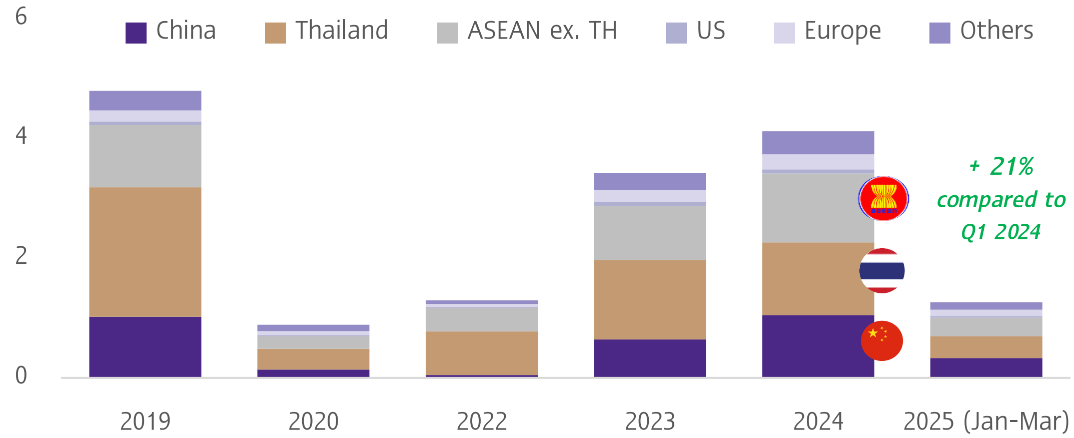
- **President Trump announced a tariff reduction on goods from Lao PDR, lowering the rate from 48% to 40%, starting Aug 1.** While this marks a decrease, the new rate remains relatively high compared to the CLMV average of 34%.
- **Despite Lao PDR's limited overall exposure to the U.S. market, the impact from Trump tariff remains unavoidable. Certain sectors, such as, electrical machinery, optical equipment, and furniture face concentration risks,** with over half of their exports going to the U.S.
- Additionally, exports of mineral fuels, ores, and fertilizers could weaken due to heavy reliance on demand from China and broader global economic slowdown.

Source: SCB EIC analysis based on data from Trademap and CEIC.

Tourism saw robust growth in early 2025, but momentum may ease amid global slowdown and waning promotional campaigns. Long-term strategies aim to boost revenue and local benefits.

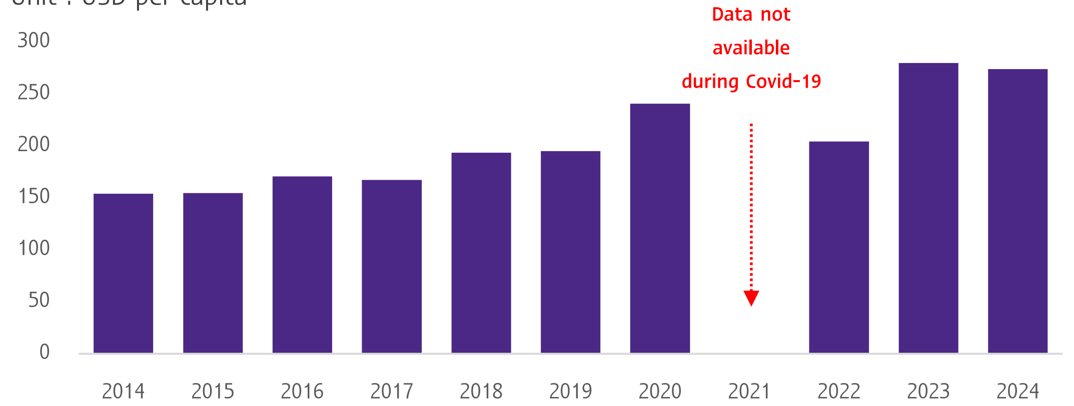
Foreign tourist arrivals

Unit: million persons



Average tourist spending

Unit : USD per capita



Tourism sector target through 2030

Expected economic outcome in 2030

- USD 200 billion Tourism revenue in 2030
- Increasing women labor force
- Infrastructure improvement

Tourism sector focus areas:

- green tourism & climate resilience
- cross-border connectivity
- high-quality cultural
- digital transformation
- community participation

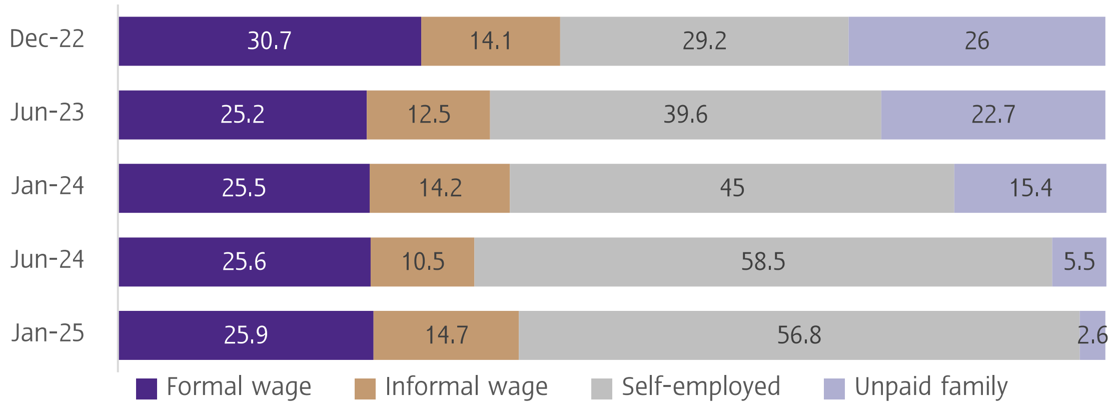
- **Laos welcomed over 1.2 million tourists in Q1 2025, up 21%YoY, mainly from Thailand, China, and ASEAN.** Growth was boosted by lingering effects of the 'Visit Laos Year 2024' campaign, including free visas and extended stays. **Per-tourist spending stayed steady at a high level.**
- **To sustain tourism growth, the government is developing new attractions** in Xieng Khouang and Vang Vieng. However**, tourism may slow as visa-free access ends for Chinese and European tourists and economic challenges affects key markets like ASEAN.**
- **Medium-term plans focus on eco- and inclusive tourism** to boost local jobs and tourism revenue.

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

The labor market is recovering amid job shifts, but weak currency, persistent inflation, and climate risks continue to weigh on wages and income stability.

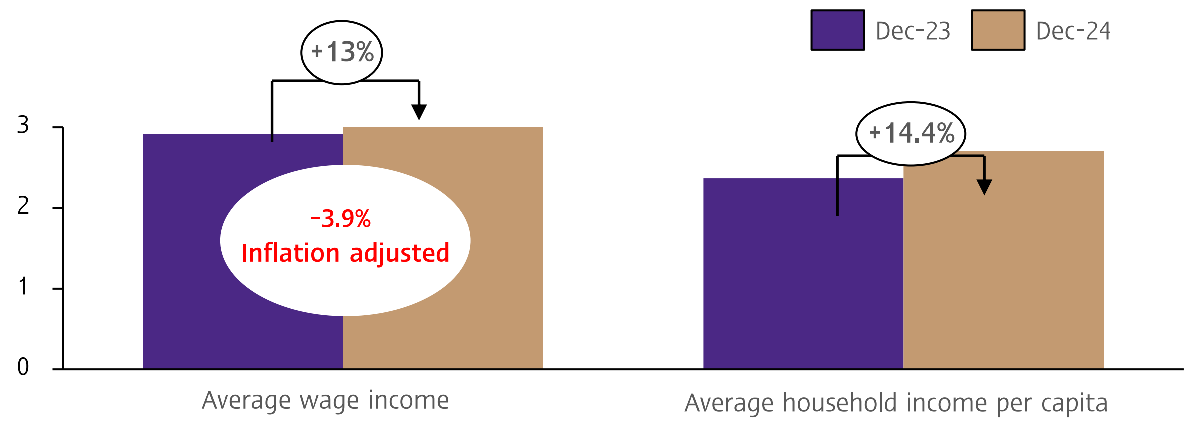
Employment Status of World Bank Household Survey Respondents (Jan-Feb 2025)

Unit: % of respondents



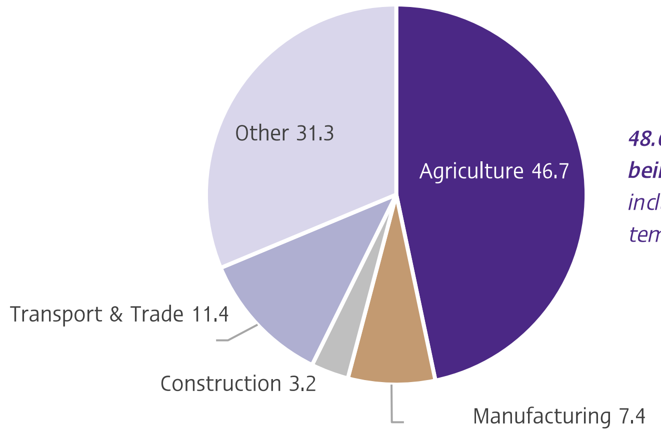
Monthly Wages and Household Income

Unit: LAK million



Sectoral employment of World Bank Household Survey in 2024

Unit: % of respondents



***48.6% of farm households reported being affected by climate change,** including floods, droughts, and extreme temperatures.*

- **The labor market is recovering but remains fragile**, with shifts from services to agriculture and formal jobs to self-employment, signaling lower-productivity and income.
- Despite a 13% rise in nominal wages, **real wages fell 3.9%, signaling weaker purchasing power** and continued pressure on living standards.
- **Labor migration boosts household income** by LAK 22.9 million annually (76% of annual household income at minimum wage) but **reduces domestic labor supply, worsening shortages and structural issues. Climate risks also threaten jobs,** with nearly half of employment in agriculture, increasing income uncertainty.
- **Climate risks also threatens jobs,** with nearly half of employment in agriculture, increasing income uncertainty.

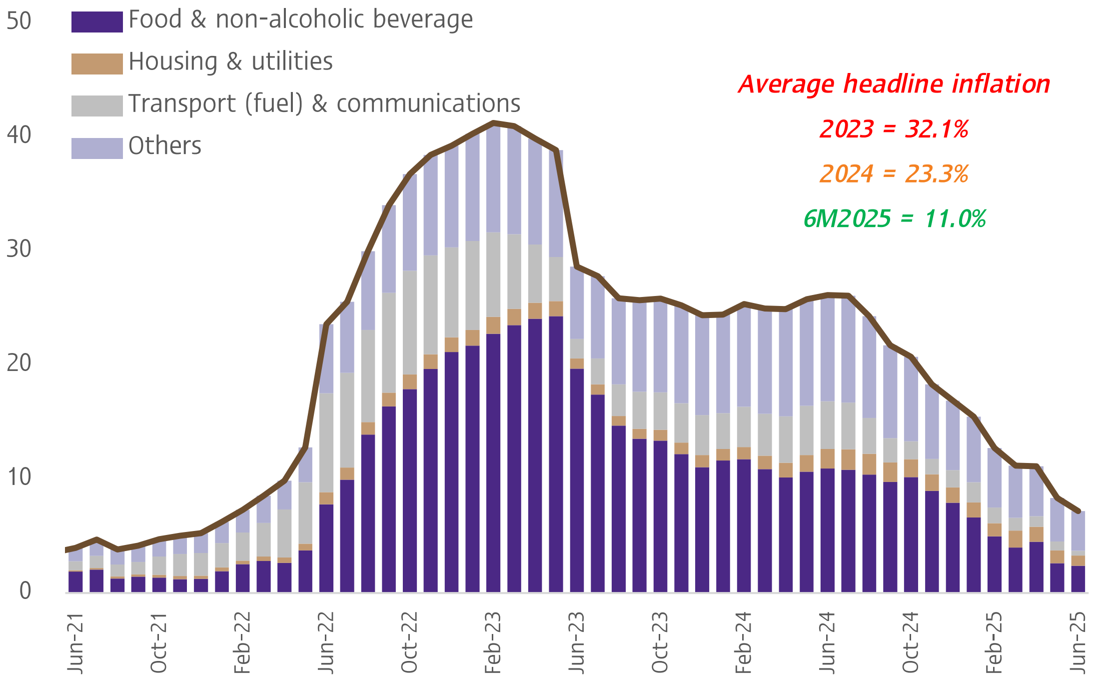
Source: SCB EIC analysis based on data from World Bank and CEIC.

SCB EIC

Inflation is easing in 2025 thanks to a steadier LAK, but high electricity costs still weigh on consumer spending. The policy rate is likely to remain high.

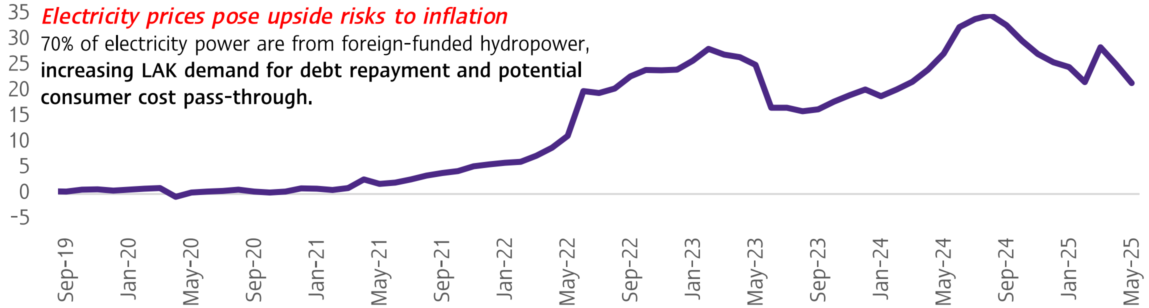
Headline Inflation

Unit: %YOY



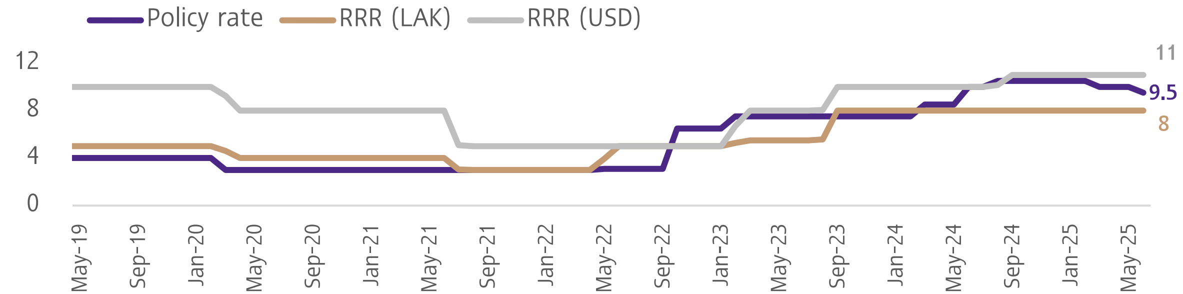
CPI : Housing, Utilities and Fuel charges

Unit: %YOY



Bank of Lao PDR's Policy Rate & Reserve Requirement Ratio (RRR)

Unit: %YOY



- **Headline inflation has gradually declined for 12 consecutive months**, driven by lower food prices, reduced fuel charges, and a stable exchange rate.
- **Despite easing, inflation may stay double digits in 2025** due to planned electricity price hikes, geopolitical tensions, trade barriers, and uncertainty from dollarized economy.

- **The BOL cut its policy rate by 50 bps in June 2025 to** support growth amid easing inflation, **while keeping RRR for both LAK and USD unchanged to help stabilize the currency.**
- **Real interest rates turned positive for the first time in over five years,** signaling improved macroeconomic stability but possibly dampening credit and investment.

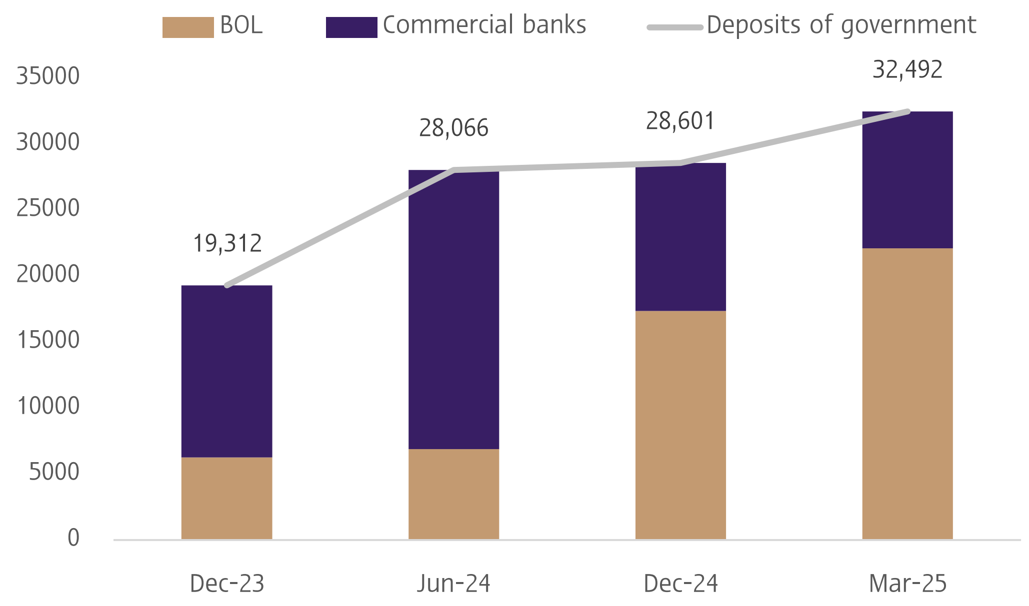
Source: SCB EIC analysis based on data from CEIC, Lao Statistics Bureau and World Bank.

SCB EIC

Treasury Single Account (TSA) implementation supports liquidity and inflation control, but credit expansion remains constrained due to high rates and weak investment demand.

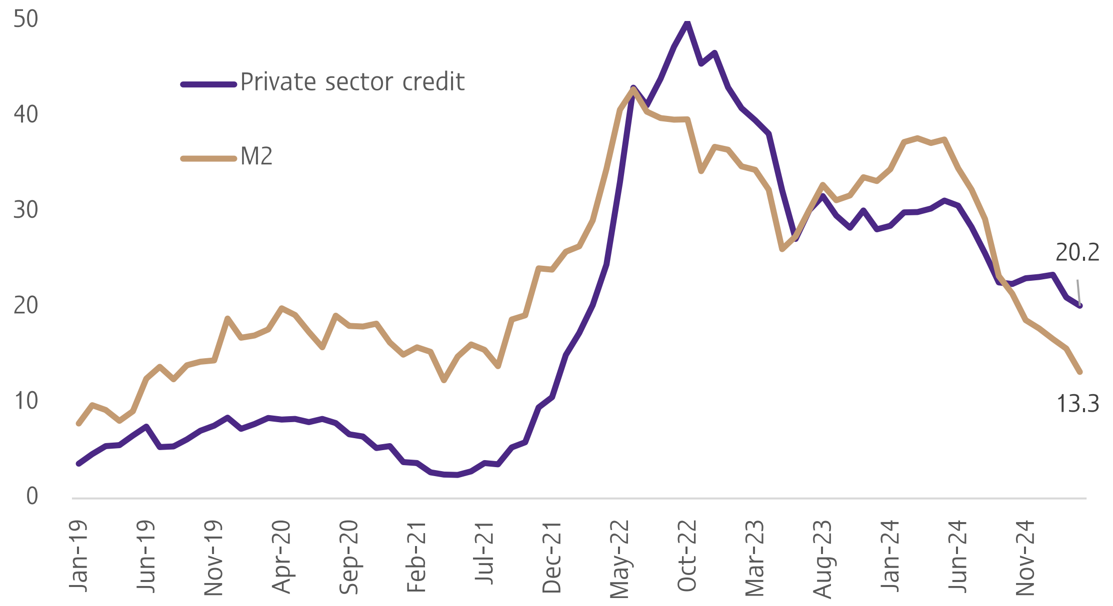
Deposits of government

Unit: LAK Billion



Lao PDR's Money Supply and Private Credit Growth

Unit: %YOY



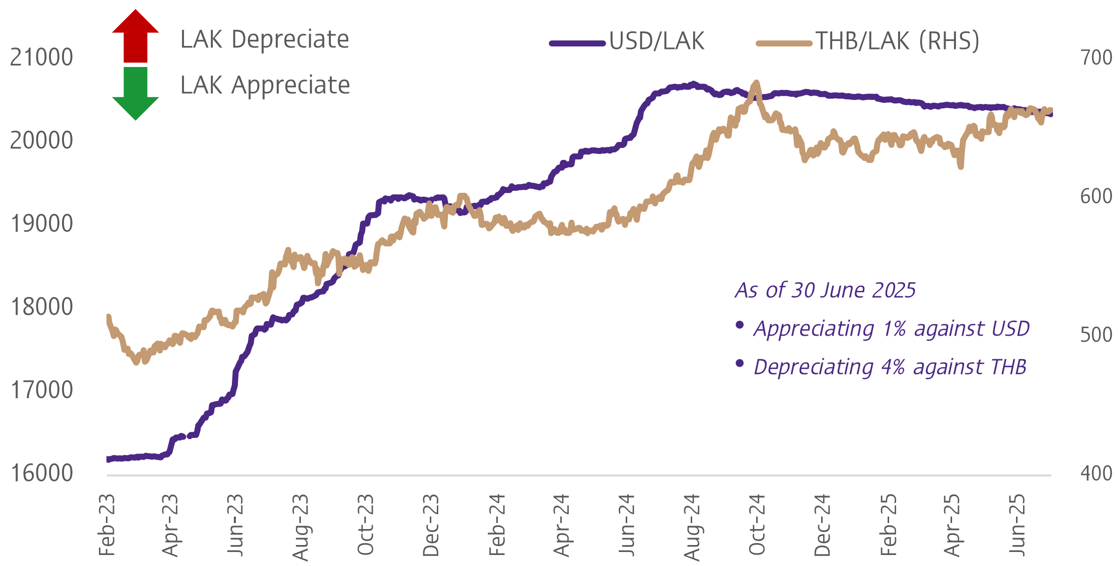
- **The Treasury Single Account (TSA) rollout in July 2024 supported tightening liquidity more effectively** by shifting government deposits from commercial banks to a consolidated account at the central bank, boosting its control over money supply and support monetary tightening.
- With government deposits in commercial banks accounting for approximately 5%, the TSA shift tightened liquidity, easing inflation short-term and slowing money supply and private credit growth. **However, inflation may stay high relative to regional peers before gradually easing, while credit remains weak amid low investment demand and high borrowing costs.**

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

Central bank actions have stabilized the LAK against the USD, though it remains weak. Stronger foreign reserves support future currency interventions.

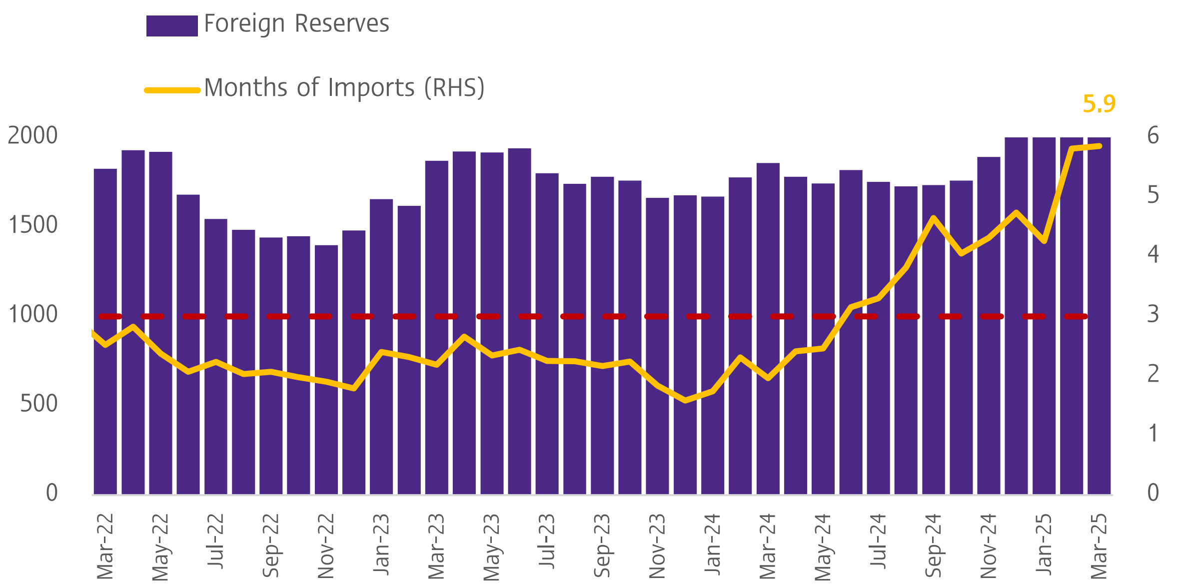
Lao Kip (LAK) Exchange Rate (Official rate)*

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



Lao PDR's Foreign Reserves Adequacy

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



- **The BOL aims to stabilize the LAK by restricting foreign currency use in key transactions,** requiring exchanges through authorized commercial banks or official markets and aligning exchange rates with official bank announcement.
- **Building on 2024 regulations requiring exporters to convert earnings to Kip** within a set timeframe, **these measures aim to curb sharp LAK depreciation.**

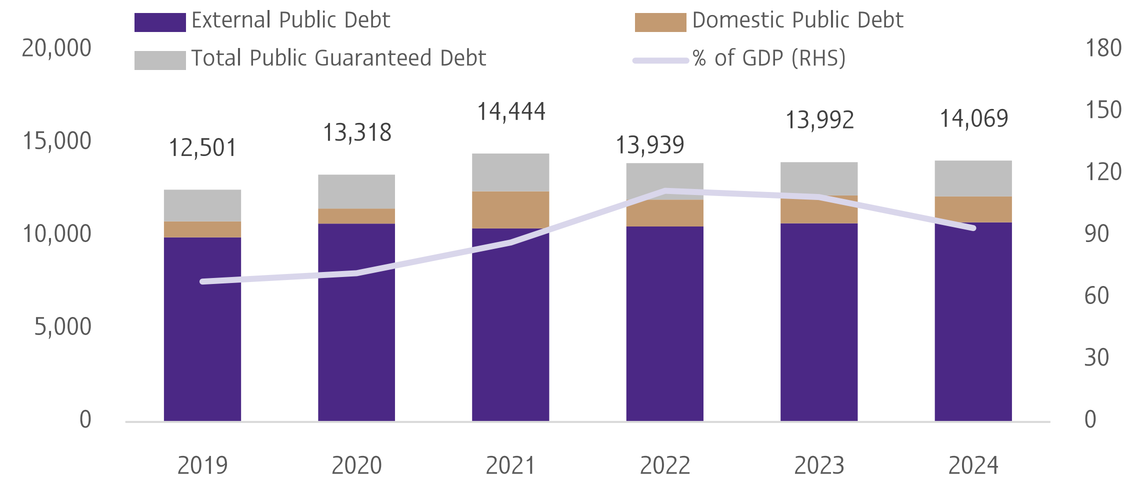
- **The LAK has strengthened against the USD in 2025 but remains weak, especially against the THB,** due to a persistent trade deficit with Thailand. Continued high demand for foreign currency from debt repayments and import needs may lead to renewed depreciation.
- **Lao PDR's foreign reserves hit a record high in March 2025,** with over 5 months of import coverage-signaling better capacity for FX intervention and improved macroeconomic stability as well as **reduced short-term currency volatility.**

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.

High public debt and debt service burden, driven by China-linked and SOE liabilities, continues to strain the economy. Debt rescheduling and bond issuance offers only short-term relief.

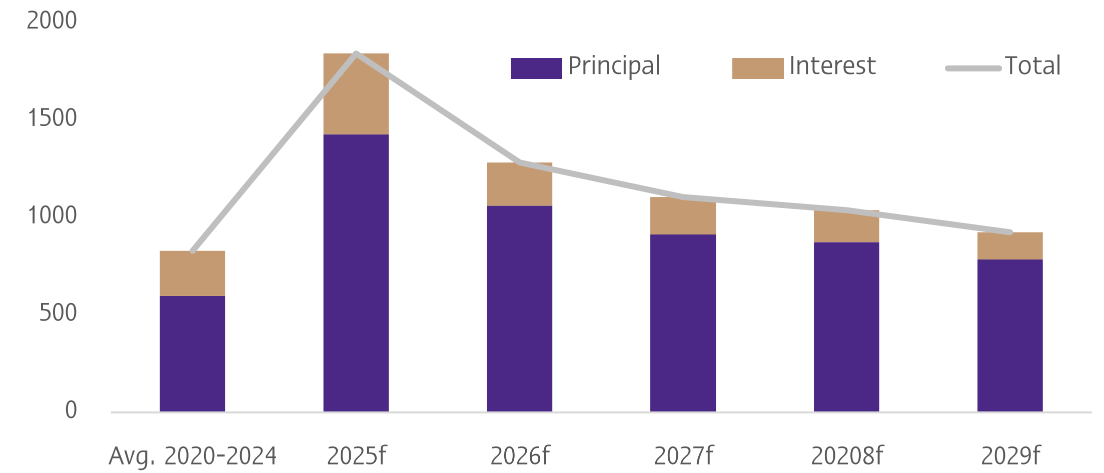
Lao PDR's Public and Publicly Guaranteed debt (PPG)

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



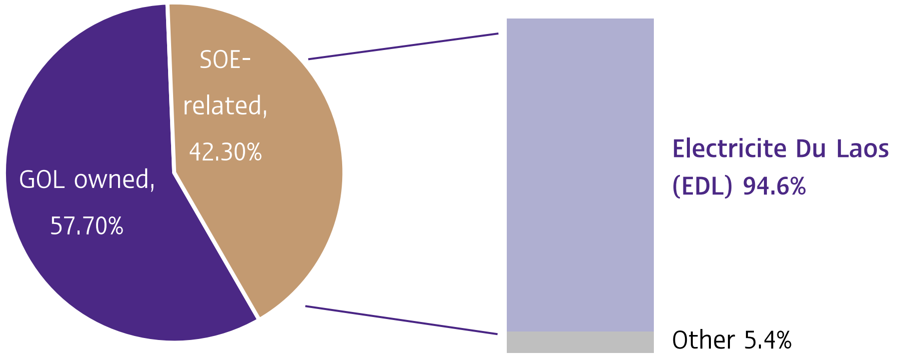
External public debt repayment projections (as of 2024)

Unit: USD million



External Public Debt Stock by debtors in 2024

Unit: % of total external public debt stock



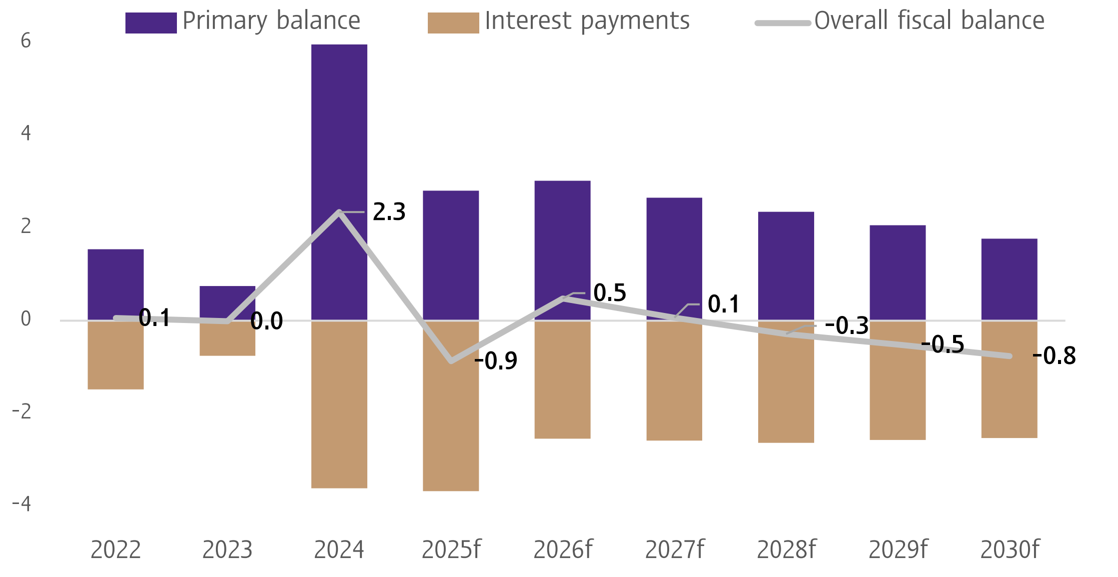
- **External PPG debt remains high in absolute terms** despite a slight GDP ratio drop. **Debt service exceeds half of domestic revenue, limiting fiscal space, with nearly half of the external debt owed to China.**
- **State-owned enterprises, especially EDL, hold significant external debt** from Chinese-financed power projects. Weak performance and currency depreciation raise EDL's repayment concerns, risking a **government bailout that could strain public finances and the banking system.**
- **Bilateral debt rescheduling with China and expanded bond issuance may offer short-term debt relief,** but weak credit ratings and high-risk limit Laos's access to favorable external borrowing.
- **Long-term debt sustainability still depends on structural fiscal and SOE reforms.**

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

Temporary improvement in government revenue collection helps stabilize public finances, but high interest costs and debt burdens continue to suppress the medium-term fiscal outlook.

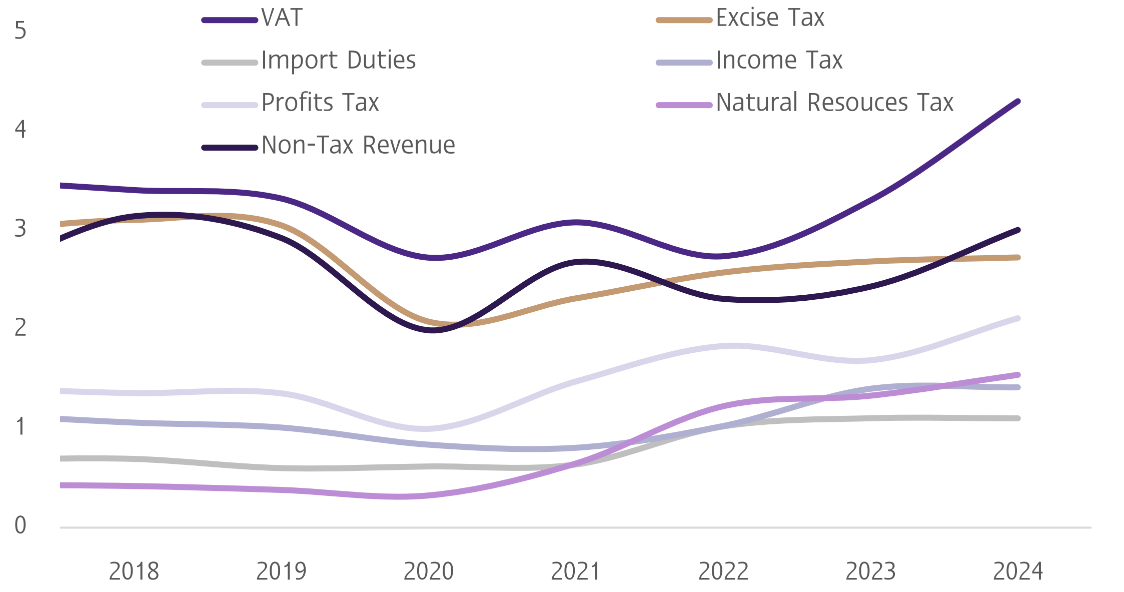
Fiscal Balance (IMF Fiscal Monitor forecasts as of April 2025)

Unit: % of GDP



Revenue collection by category

Unit: % of GDP



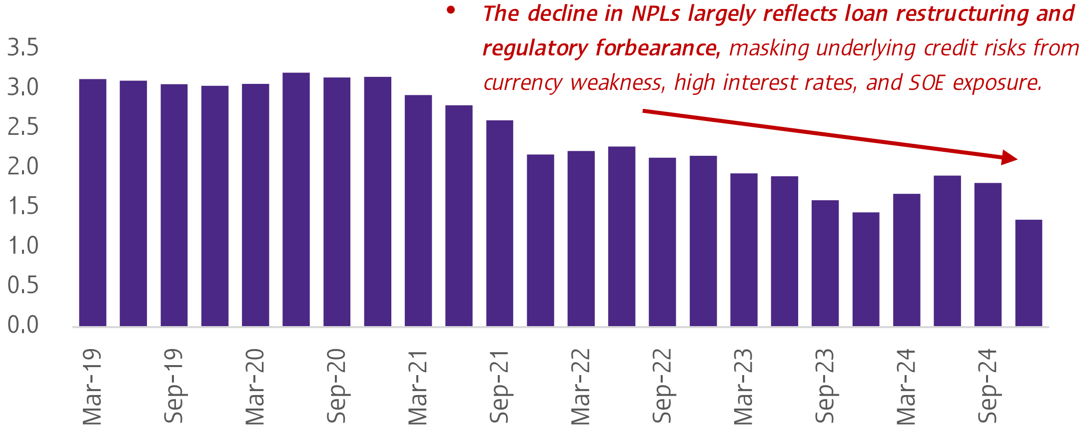
- **Fiscal consolidation in 2024 led to a temporary surplus** (2.3% of GDP), driven by stronger revenue from a VAT hike (from 7% to 10%), higher mining-related receipts, and economic activity. **This helped ease short-term debt service pressures but did little to address long-standing structural imbalances.**
- **Despite revenue gains, fiscal space remains constrained as most revenue went to debt service.** Spending cuts in health, education, and infrastructure raise concerns for long-term economic growth, especially future human capital and competitiveness.
- **A fiscal deficit is expected in 2025** due to stimulus measures, highlighting the trade-off short-term economic growth and fiscal sustainability. **Persistent fiscal constraints leave Lao PDR vulnerable to shocks and narrow policy space for future development.**

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

Despite lower NPLs and a solid capital buffers, the financial sector remains vulnerable to underlying credit risks from currency weakness, high interest rate, and rising SOE-related debt.

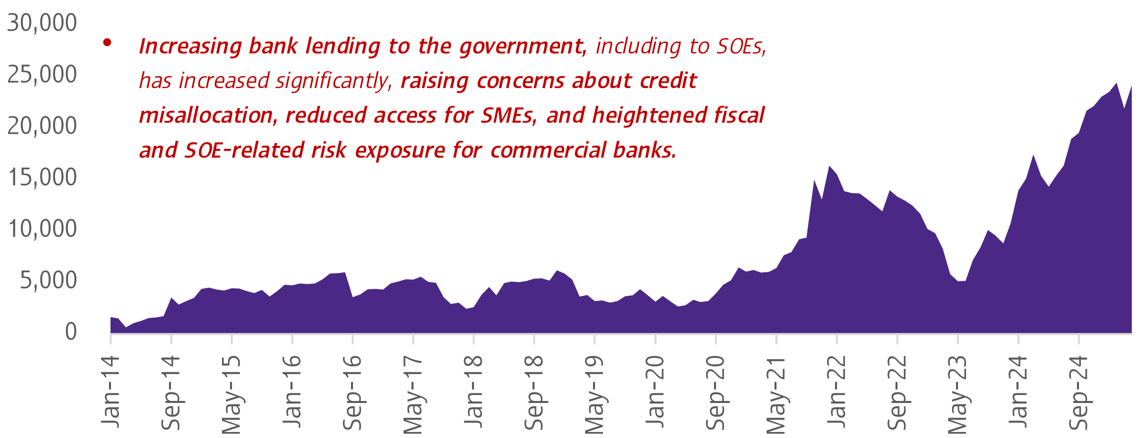
Non-performing loan ratio

Unit: %



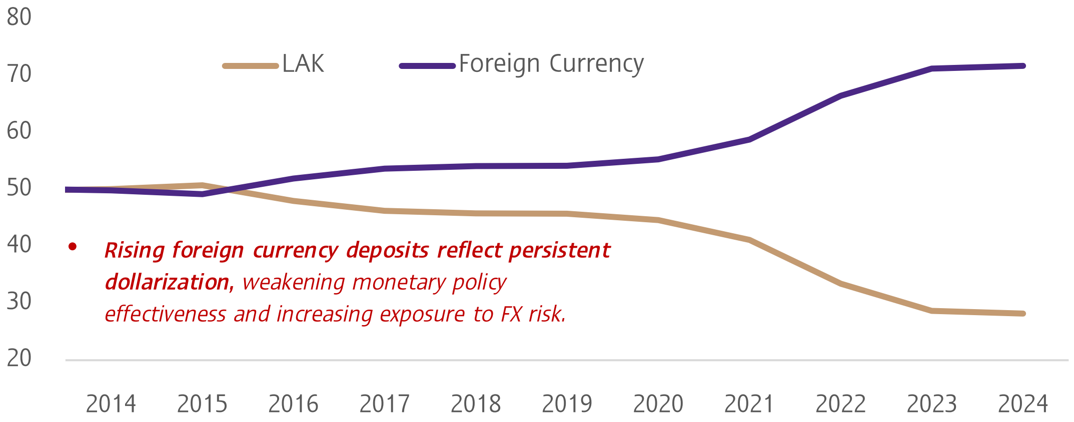
Commercial banks’ net credits to government

Unit: Billion LAK



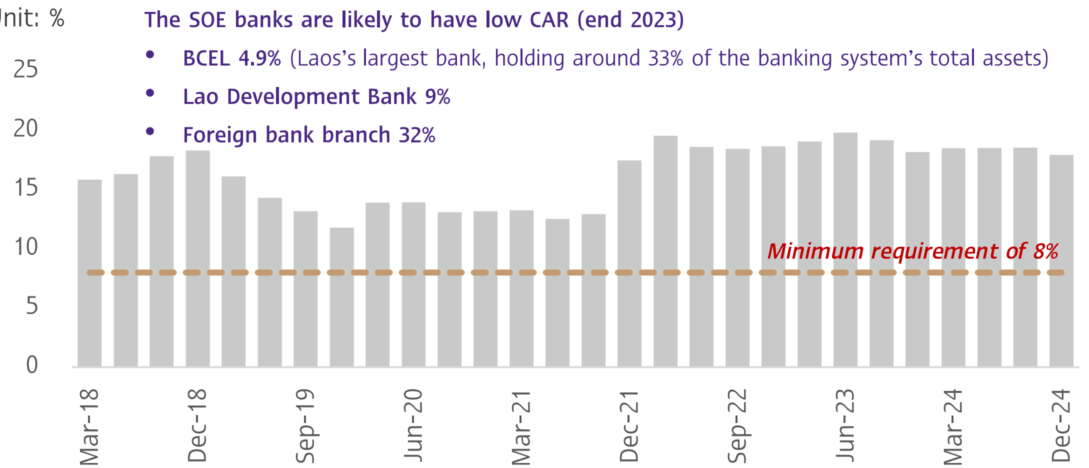
Commercial bank deposits by currency

Unit: % to total deposits



Capital Adequacy Ratio

Unit: %

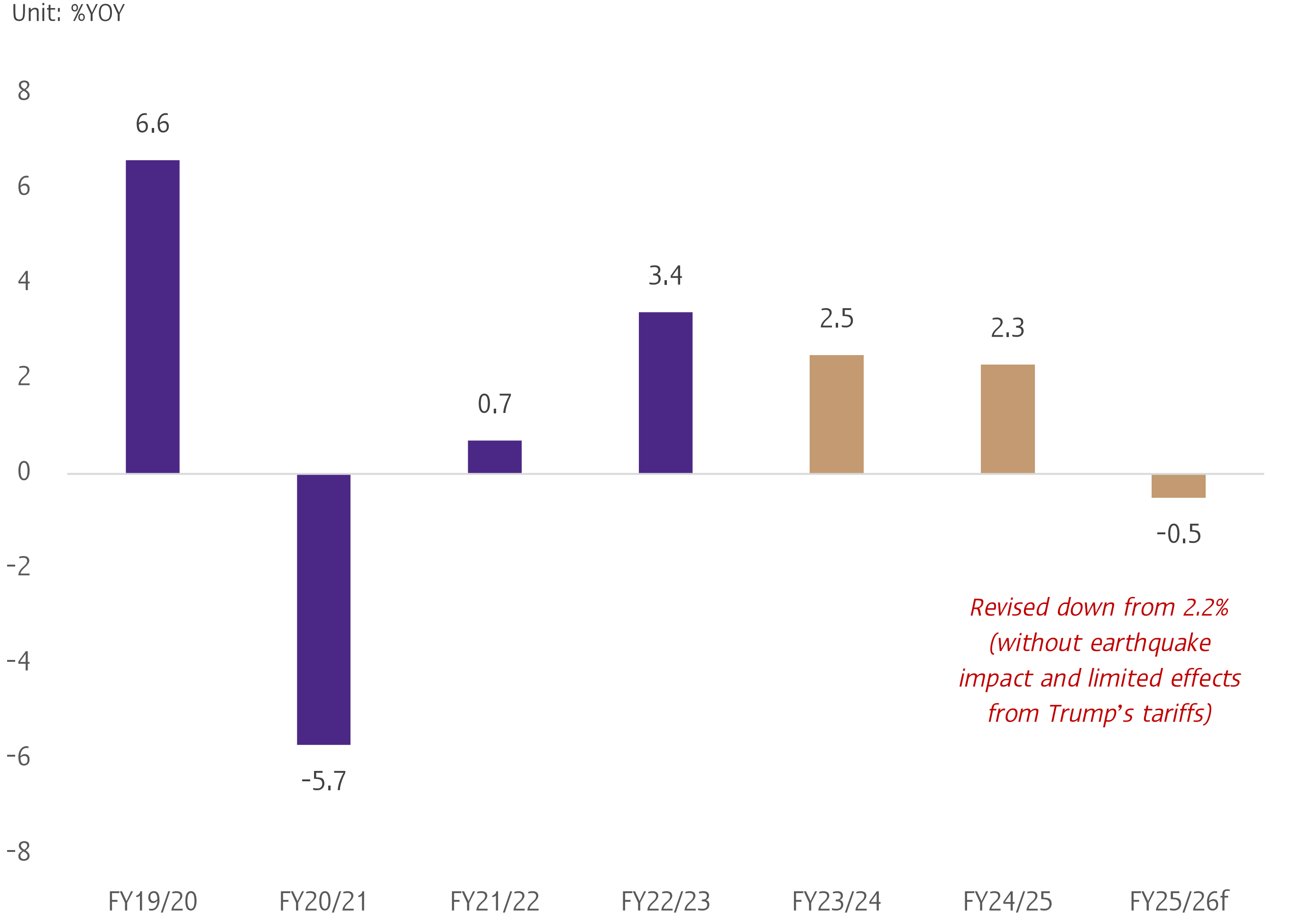


Source: SCB EIC analysis based on data from CEIC, AMRO, BCEL, Bank of Lao PDR and World Bank.

Myanmar's
Economic Outlook

Myanmar's economy is expected to contract by -0.5% in FY25/26, weighed down by existing vulnerabilities and the global economic slowdown. The political outlook remains highly uncertain.

Myanmar's economic growth forecasts* (by SCB EIC)



Positive factors

- **Limited direct impact from Trump's tariffs** due to low exposure to the U.S. market
- **Moderate demand for resource-based commodities,** such as petroleum gas and rare earths
- **The U.S. lifted some sanctions on business allies of Myanmar's Generals** such as KT Services & Logistics, **but other sanctions remain.**

Negative Factors

- **Prolonged conflicts** disrupting economic activities
- **Trade and investment hit by quake-damaged infrastructure and indirect impact from Trump's policies**
- **Sluggish labor market** suppresses consumption and deepens poverty
- **Persistent high inflation** driven by kyat weakness and food shortages
- **Shortage of production inputs** such as electricity and materials

Risk factors

- **Escalating political violence and an uncertain election timeline**
- **Reduced international aid** risks derailing economic recovery
- **Climate change** e.g., Typhoon and flooding
- **Risks to fiscal stability** due to reduced government revenue and limited sources of government borrowing

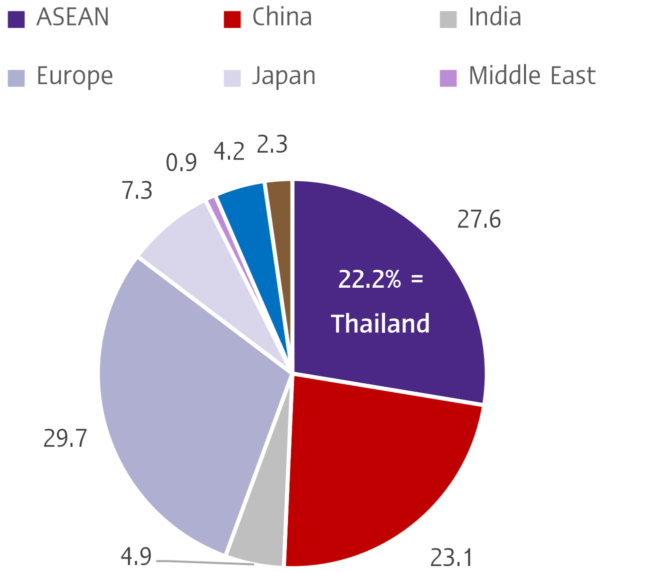
Note: *GDP reported by Myanmar and the IMF/World Bank differs significantly. For this research, official GDP reported by Myanmar will be used.
Source: SCB EIC analysis based on data from the Central Bank of Myanmar, IMF, and World Bank.

SCB EIC

Myanmar's economy is expected to face limited impact from Trump 2.0 and maintain demand for resource-based commodities. However, the global slowdown could weigh down on overall growth.

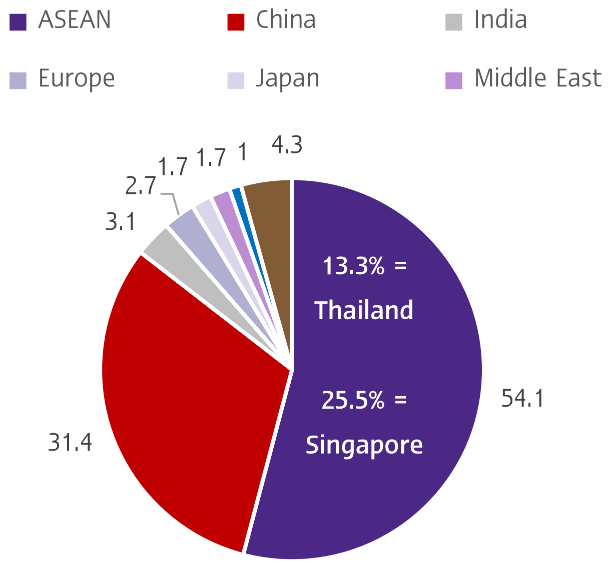
Export Share by Major Trading Partners in 2023

Unit: % of total exports



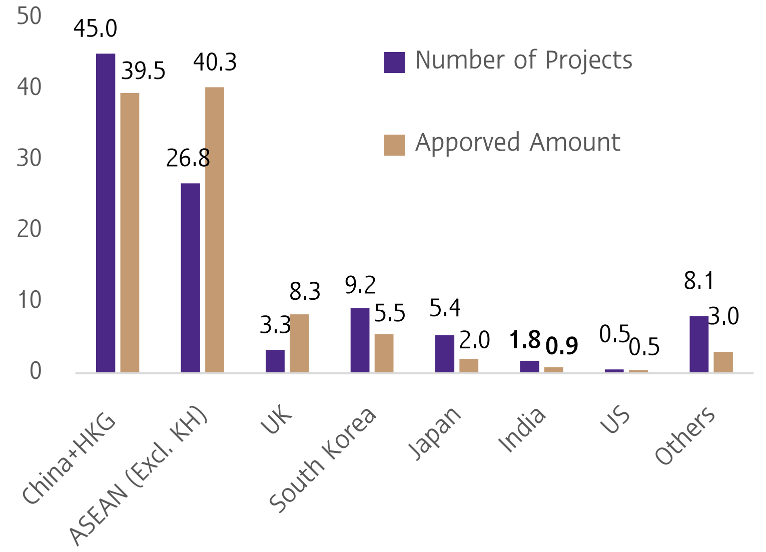
Import Share by Major Trading Partners in 2023

Unit: % of total imports



Cumulative Existing Enterprises FDI (As of May 2025)

Unit: % of total number of projects and % of approved amount



Myanmar is less exposed to direct impacts from Trump's tariffs but faces severe domestic challenges and a partial decline in FDI, particularly from China and ASEAN

Limited Direct Impact:

- U.S. reciprocal tariffs of 40% on Myanmar are expected to have limited impacts, as exports to the U.S. made up just 4.2% of total exports and 0.9% of GDP in 2023.

Moderate Indirect Impact:

- Trump 2.0 tariffs may slow global growth, impacting Myanmar's key partners such as China and ASEAN—facing 55%* and 27% reciprocal tariffs, respectively. Together, they made up over 50.7% of Myanmar's 2023 exports and 31.4% of imports from China, raising concerns over rising Chinese imports hurting local industry.
- As of Apr 2025, China and ASEAN account for nearly 72% of projects and 80% of FDI approved value. Despite the slowdown, limited impact is expected as inflows remain subdued.

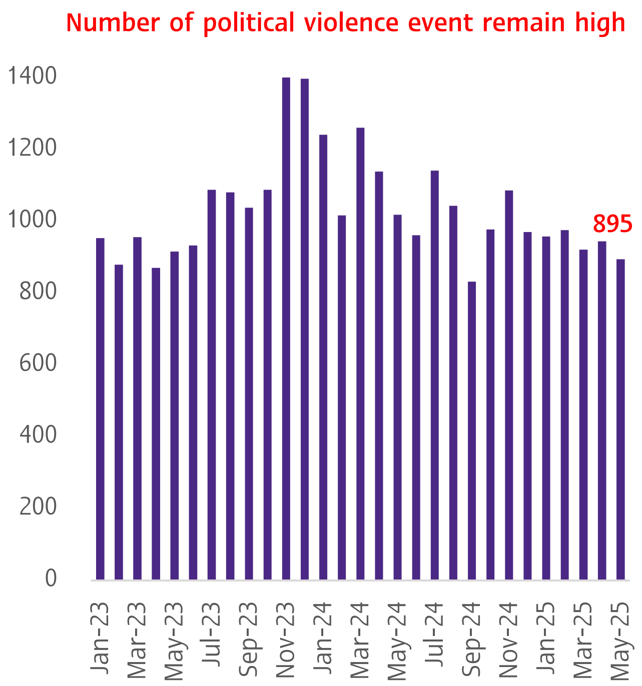
Note: As of May 2025, China will face reciprocal tariffs of 55% (30% from Trump 2.0 +25% from Trump 1.0) while ASEAN countries will face 10% reciprocal tariffs until 1st August 2025. Rates will revert to 27% for ASEAN if the negotiations fail.

Source: SCB EIC analysis based on data from CEIC, Ministry of Planning and Finance and Directorate of Investment and Company Administration.

While Myanmar faces limited impact from Trump 2.0 tariffs, domestic challenges like earthquakes and political unrest continue to fuel high uncertainty.

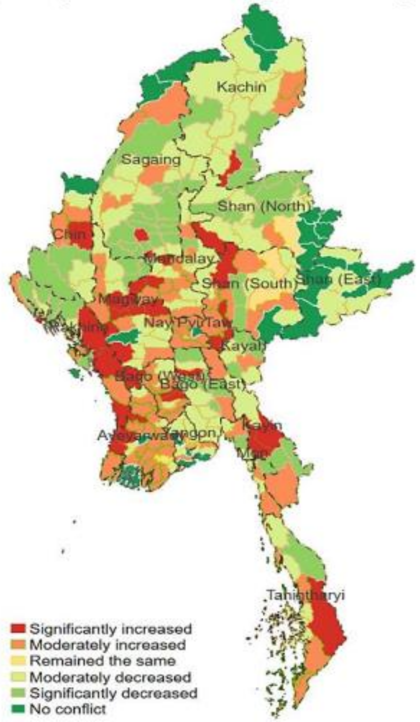
Number of political violence events

Unit: Number of events

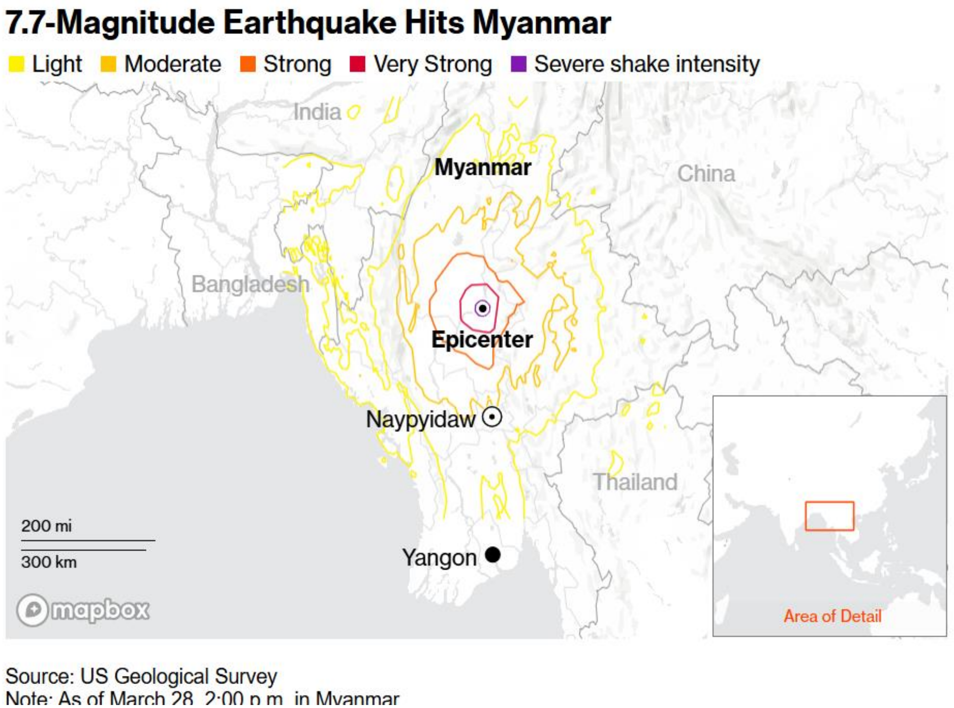


Change in conflict intensity (World Bank Figure)

Unit: Oct 2024-Mar2025 compared to same period last year



Earthquake-affected area



- **Domestic issues such as political unrest and damage from the March earthquake continue to weigh on Myanmar's economy,** with averaging 1,000 incidents per month.
- **Myanmar's conflict is fragmented, involving many groups with different objectives. Thus, the political situation remains highly uncertain with no clear end.**
- **The earthquake caused major infrastructure damage,** disrupted logistics, and deepened economic strain still lingering from Typhoon Nagi in Sep24*.

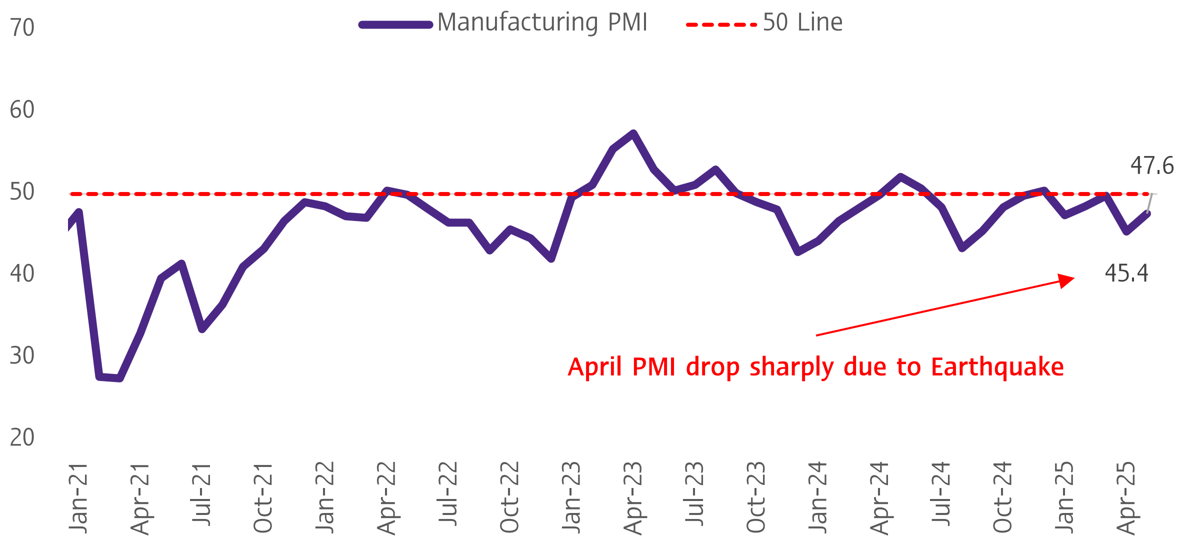
Note: *In the previous outlook, Myanmar's economy showed signs of recovery from the impact of Typhoon Nagi; however, recent developments have further undermined that recovery.
Source: SCB EIC analysis based on data from ACLED, the World Bank and Bloomberg.

SCB EIC

Monthly data shows weak economic activity due to ongoing conflict, with added pressure from the recent earthquake and the global slowdown risks.

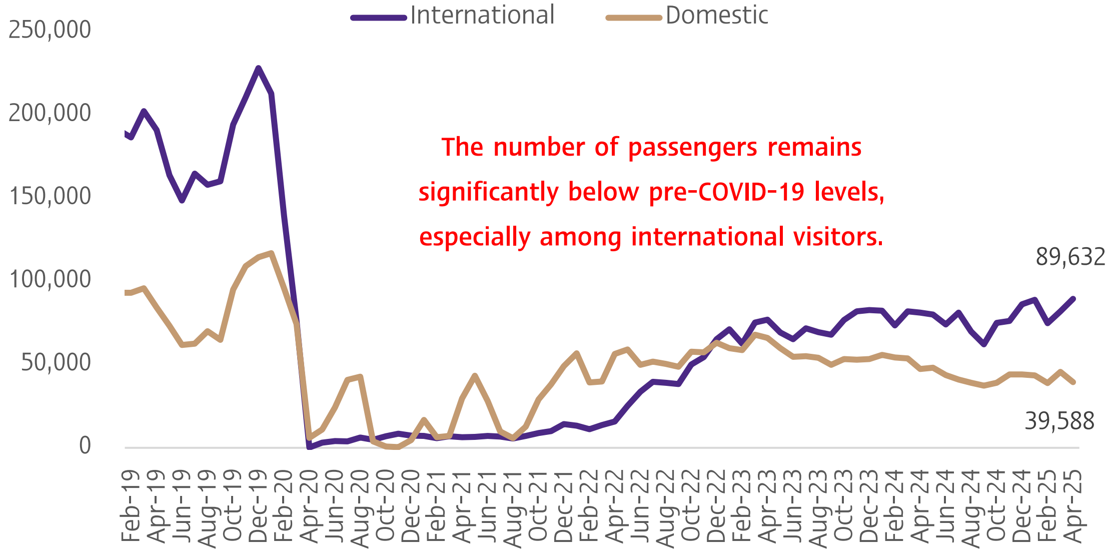
Myanmar Manufacturing Purchasing Manager Index (PMI)

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



Number of inbound passengers at Yangon airport

Unit: Persons



Myanmar's manufacturing PMI rose slightly to 47.4 in May 2025, falling below the 50 threshold for 5 consecutive months.

- **Output contracted for the 5th month** at a slower rate than last month.
- **New orders continue to fall** due to weak domestic demand and ongoing global uncertainty.
- **Employment drops sharply** in 3 months amid resignations and reduced workloads.
- **Input costs rose at the slowest pace since Dec 2022,** easing cost pressures due to weak demand
- **Output prices increased at the softest rate in 18 months**, reflecting limited pricing power.
- **Business sentiment improved slightly** but remained below average, showing ongoing caution.

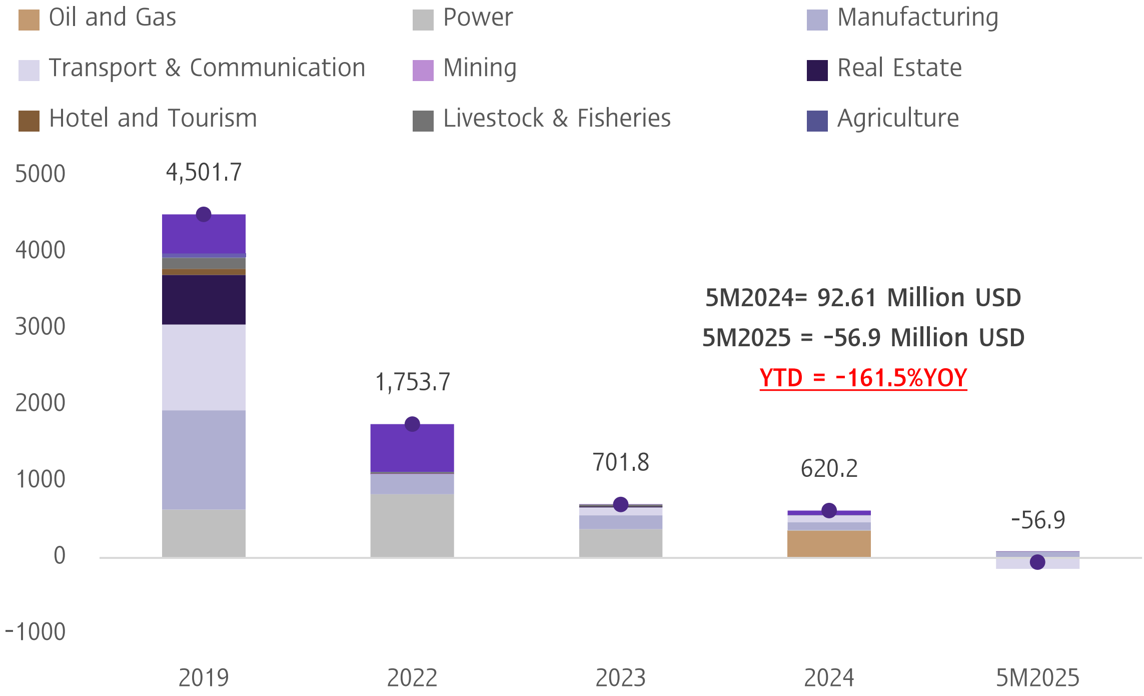
- **Tourism remains weak,** with only 129,220 travelers through Yangon Airport—far below the pre-Covid level of 300,000—due to Covid-19 and ongoing unrest.
- **Tourist numbers may fall further in 2025 as earthquake damage** to infrastructure undermining confidence and interest in attractions.
- **Trump 2.0 tariffs pose an indirect risk to** Myanmar's economy by dampening global tourism amid a broader slowdown.

Source: SCB EIC analysis based on data from S&P Global, CEIC, and Ministry of Transport and Communications.

Foreign direct investment is expected to remain weak due to domestic conflict, poor business climate, government policy uncertainty, and remaining sanctions—worsened by the recent earthquake.

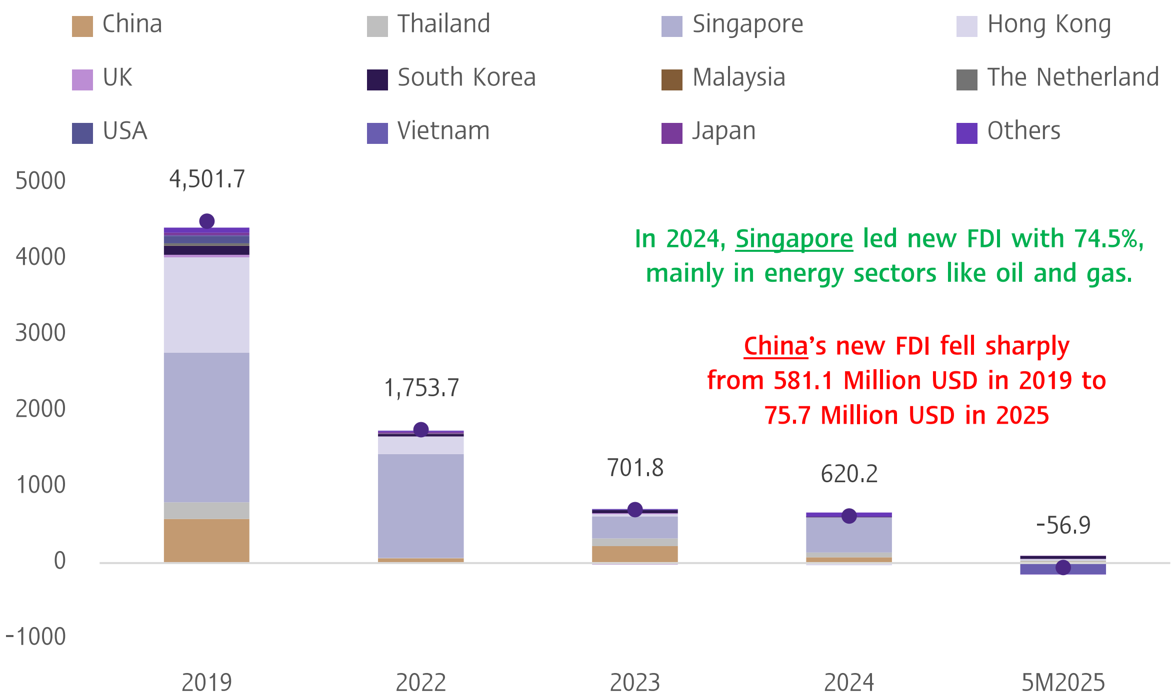
New Approved Foreign Direct Investment (FDI) By Sector*

Unit: Million USD (Calculate from Cumulative Approved FDI at Current-Cumulative Approved FDI in the past)



New Approved Foreign Direct Investment (FDI) By Country*

Unit: Million USD (Calculate from Cumulative Approved FDI at Current-Cumulative Approved FDI in the past)



- **New foreign direct investment (FDI) has not recovered from its pre-pandemic level and keeps declining since the 2021 coup.**
- **SCB EIC expects FDI to remain weak** due to political conflict, high inflation, poor business environment (subdued consumption and economic activities), government policy uncertainty and remaining sanctions—damaging Myanmar's reputation. The recent earthquake and fiscal constraints from high public debt further dampen investor confidence.
- **The Trump 2.0-driven global slowdown may further weigh on FDI**—especially from Singapore, China, and Thailand—but the impact should be limited as current investment levels are already low.

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

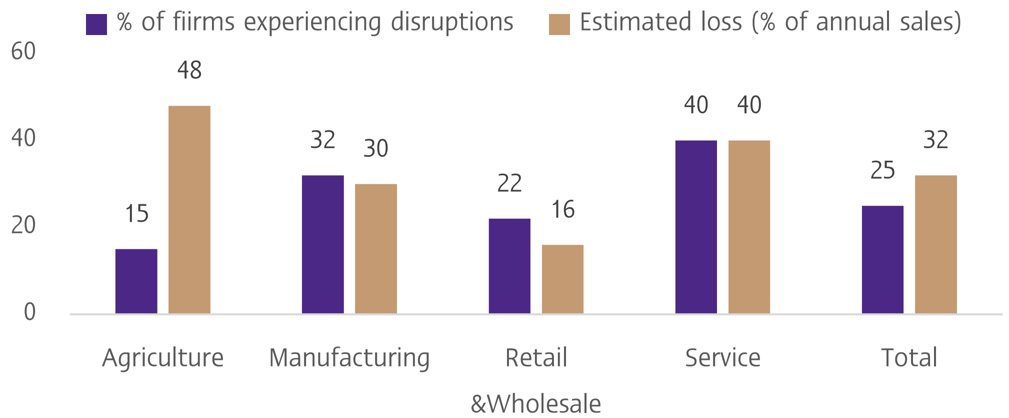
Source: SCB EIC analysis based on data from CEIC and Directorate of Investment and Company Administration.

SCB EIC

The earthquake severely disrupted operations and sales for Myanmar's firms, with over half unlikely to recover within six months due to complex challenges.

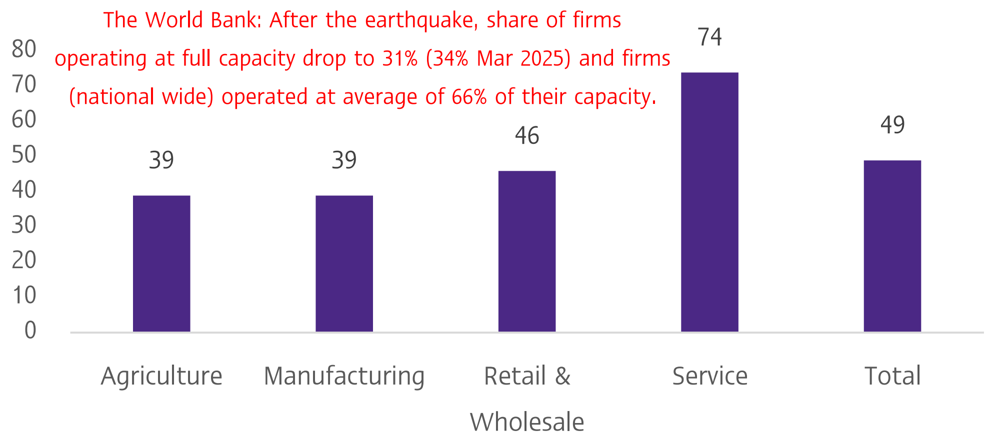
Firms' reporting operation disruption and losses due to earthquake

Unit: % Share of firm and % estimated losses of annual sale (Survey by the world bank)



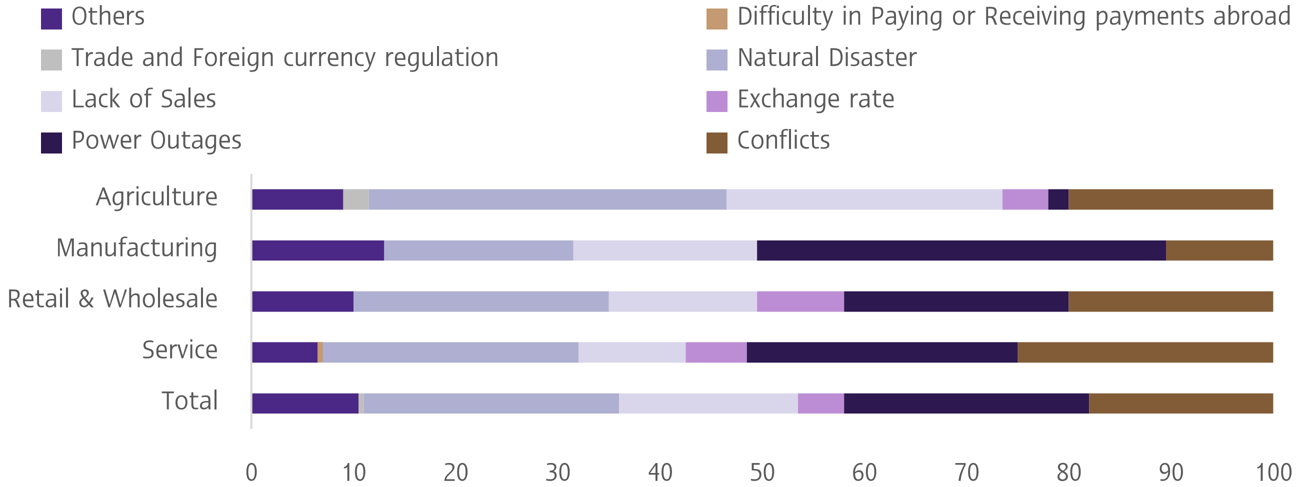
Firms expect to recover to pre-earthquake level within the next 6 months

Unit: %Share of firm reporting (Survey by the world bank)



Challenges to firms' operations (Survey by The World Bank in April 2025)

Unit: %Share of firm reporting



Myanmar's Firms Outlooks

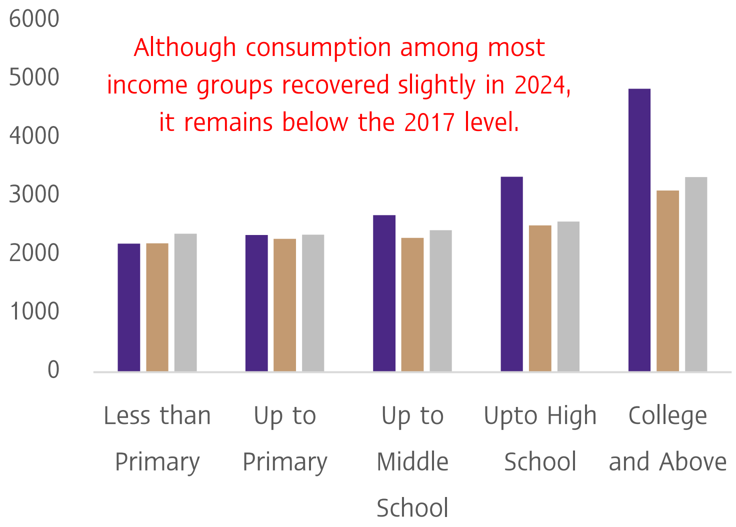
- **The earthquake disrupted one-fourth of firms and cut annual sales by a third**, worsening recovery efforts after Typhoon Nagi, according to the World Bank.
- **Firms are expected to continue struggling, with fewer than half anticipating recovery within next 6 months** —highlighting uncertainty amid constraints like limited funding.
- **Most firms face complex and persistent challenges**—such as natural disasters, structural power outages, ongoing conflicts, and weak sales due to high prices. These issues are likely to worsen, further straining business conditions.

Source: SCB EIC analysis based on data from The World Bank Firms Monitoring Surveys.

Consumption is expected to remain weak, weighed down by soft labor demand, conflicts, high poverty, and elevated inflation. Natural disasters may further disrupt consumption recovery.

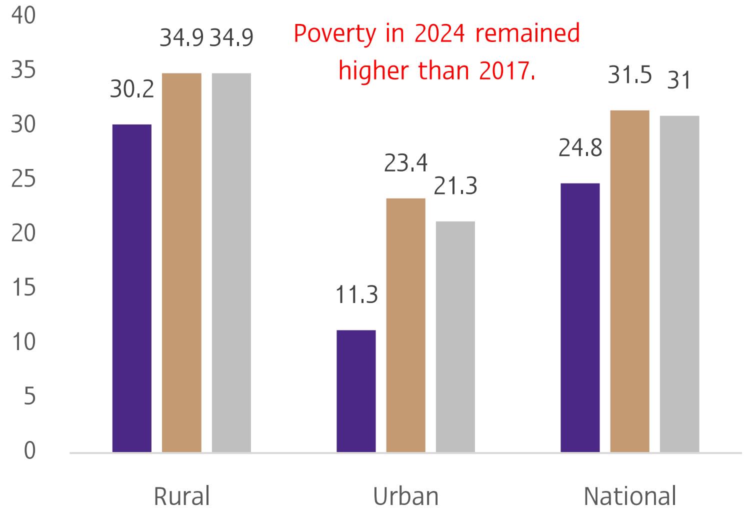
Mean daily consumption expenditure*

Unit: Kyat (By the World Bank)



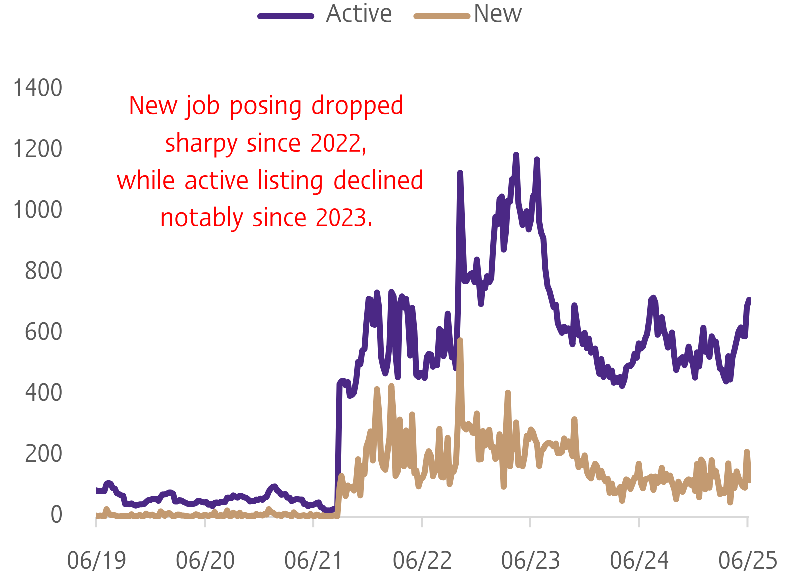
Poverty rate in Myanmar

Unit: % (By the World Bank)



Weekly Total Active and New job postings

Unit: Person



Consumption is expected to remain weak, with a sluggish recovery due to multiple structural challenges:

- **Labor market weakness**: Active and new job postings plunged—especially in services—while manufacturing shows no recovery. The coup and recent earthquake triggered migration, causing labor shortages and reducing production capacity.
- **Persistent poverty:** High poverty limits household spending. Ongoing conflict disrupts reforms in business, education, and skill development, likely keeping poverty elevated or worsening.
- **High inflation and falling real income:** Inflation remains high, while job quality deteriorates due to conflict and natural disaster. Nominal wages lag behind inflation, eroding real income and consumption.
- **Impact of natural disasters.** Typhoon Nagi and the recent earthquake have forced households—especially those with little or no savings—to cut spending significantly to cope with losses.

Note: *Consumption values are in real terms. (the World Bank)

Source: SCB EIC analysis based on data from CEIC, the World Bank and Revelio Labs, Inc.

Inflation in Myanmar is expected to stay high due to import restrictions, power shortages, conflict, and earthquake damage, while the central bank struggles with policy rate.

Four main factors causing high inflation in Myanmar

Factor	Result
Export First Policy	• **The export first policy, requiring proof of export earnings for import licenses ,** raises business costs and causes shortages of imported finished goods and inputs.
Power Constraints	• **New energy tariffs doubled prices for high-volume users**, worsening shortages. • **By Jan 2025, only 1,700 of 4,400 megawatts (MW) daily demand was met**, driving up costs.
Conflicts	• **Conflict-driven disruptions to border and road trade have raised logistic costs,** forcing reliance on pricier air and sea routes.
Earthquake	• **Earthquakes worsen supply chain issues by damaging infrastructure,** halting production, and disrupting energy—exacerbating basic commodity shortages.

Fact from the World Bank:

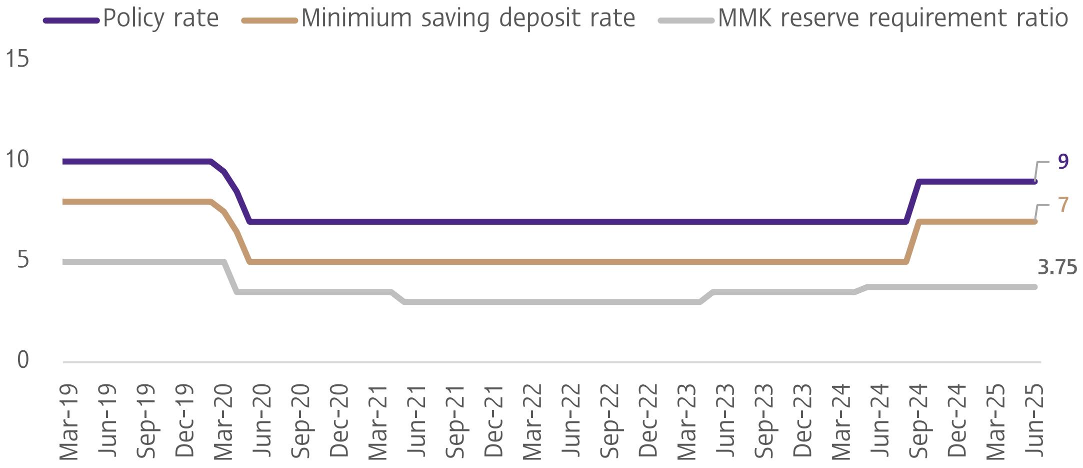
1) **Headline inflation 34%YOY** in April 2025 (24.7%YOY April 2024)

2) **Food Inflation 29.5%YOY**, increase in almost all staple product 20-80%YOY except rice (only 1%).

3) **Non-food inflation rose 36.4%YOY,** mainly from transportation cost as energy price rise sharply.

Policy Rate

Unit: %



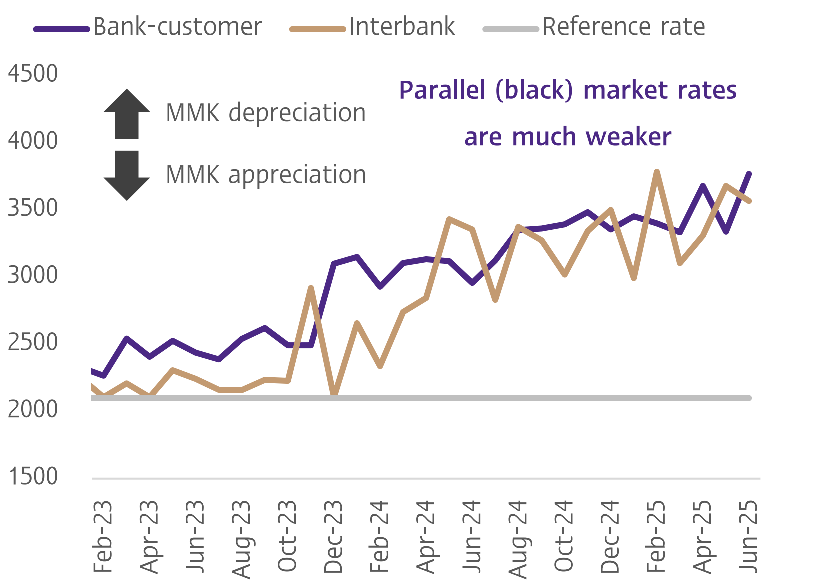
- **Inflation in Myanmar is expected to remain elevated, driven by four key factors** (the left-hand box). All of which continue to erode household purchasing power.
- **Regions experiencing intense conflict and disaster,** such as Kachin (conflict only), Sagaing and Magway (both conflict and earthquake), are seeing more severe inflation.
- **Inflation risks are skewed to the upside**, especially if the Kyat depreciates further or if natural disasters and conflicts intensify, disrupting supply chain.
- **The Central Bank of Myanmar (CBM) faces a challenging policy decision.** While rising inflation calls for rate hikes, the earthquake's impact on growth pressures the CBM to maintain an accommodative stance.
- **Further Kyat depreciation could force additional rate increases.**

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

The MMK is expected to weaken slightly as the current account shifts to deficit amid falling capital inflows and domestic instability.

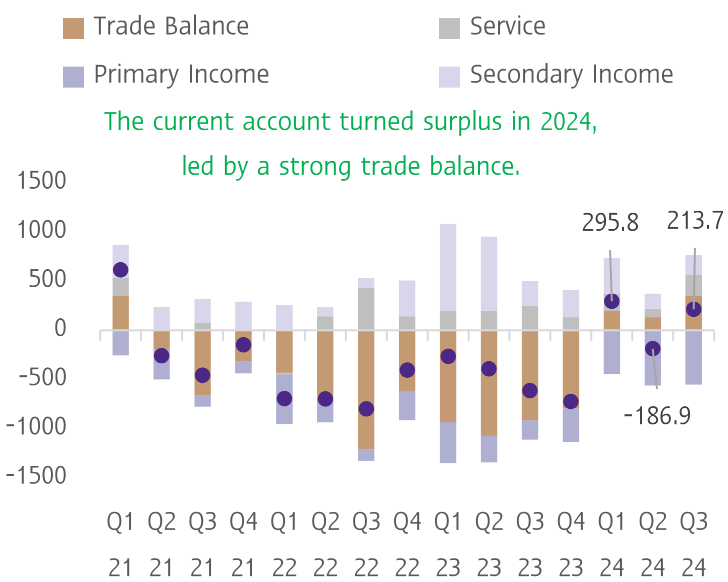
Exchange rate

Unit: USD/MMK



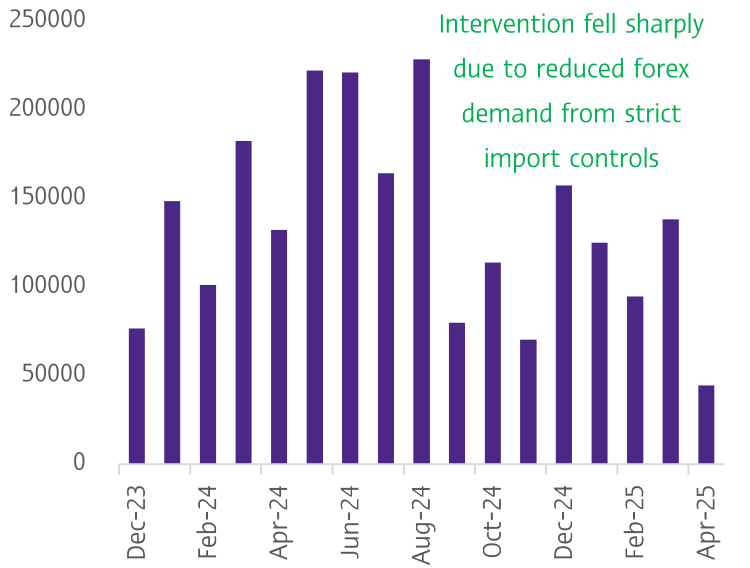
Current Account Balance

Unit: Million USD



Actual Volume of Central Bank (CBM) Intervention

Unit: Volume of foreign exchange sold by CBM in thousand



2024: The Kyat sharply depreciated from Jan and Sep 2024, but stabilized afterward.

- **A trade and current account surplus emerged** due to the government's "export-first" policy,
- **Stability was supported** by CBM's foreign exchange interventions, a ban on parallel market trading, and reduced reliance on U.S. dollar payments by promoting the use of Chinese Yuan and Thai Baht.

2025 – Post-Earthquake : Despite supportive measures, the Kyat is expected to depreciate slightly due to

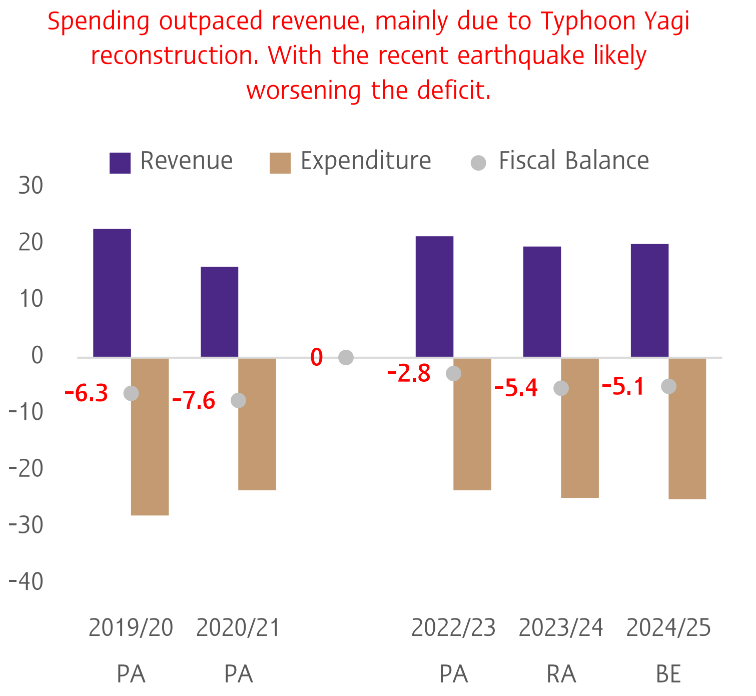
- **Reduced capital inflow amid domestic instability**
- **The current account may shift to a deficit from weaker exports** (due to global trade uncertainty), **higher import** for reconstruction after earthquake after relaxing import restriction, **and lower tourism and transport revenues.**
- **CBM faces challenges raising rates post-earthquake, while the FED may hike further** due to inflationary pressures from Trump's policies.

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

NPLs remain elevated, while limited fiscal space constrain economic stimulus. The lack of substantial international aid may further erode confidence and accelerate capital outflows.

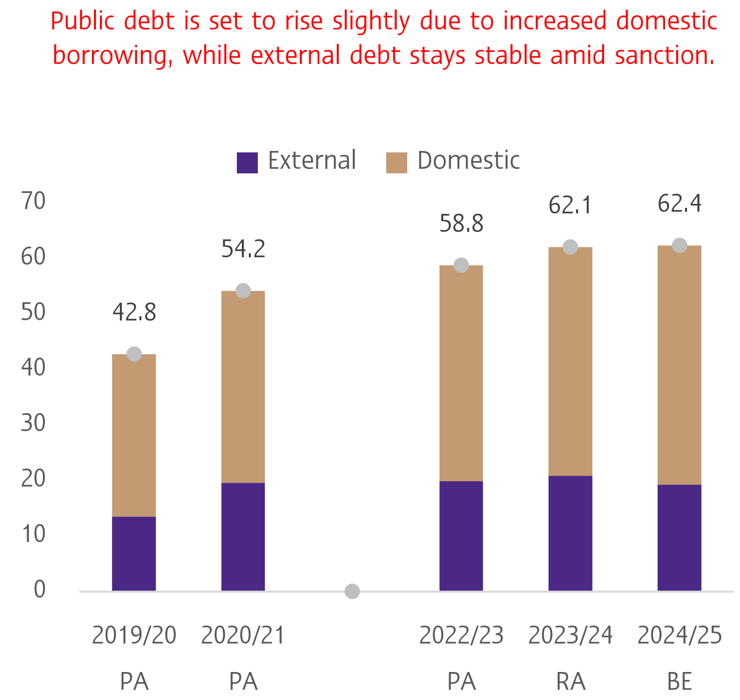
Myanmar Fiscal Balance*

Unit: % of GDP



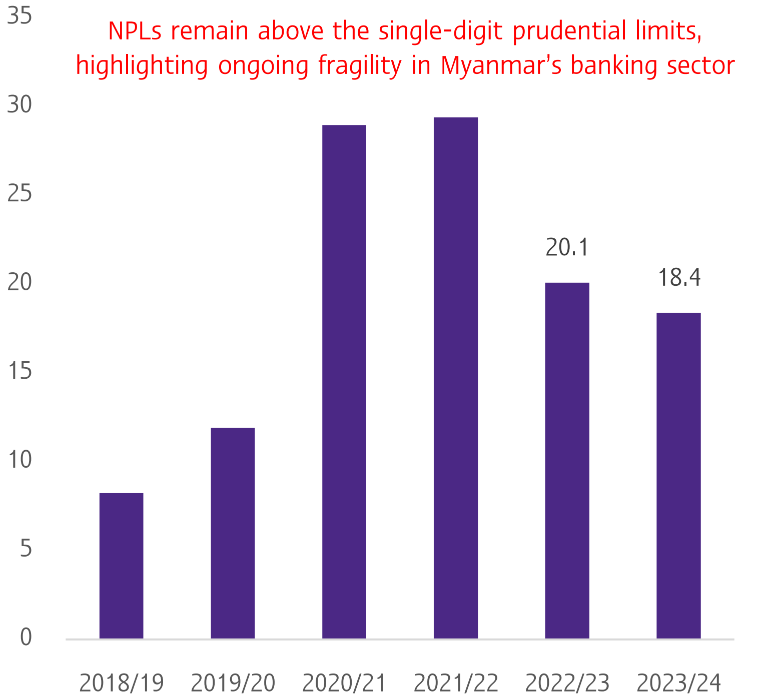
Myanmar Public Debt Stock Composition*

Unit: % of GDP



Myanmar Non-Performing Loans (NPL) Ratio

Unit: %



<u>Myanmar’s Foreign Relation Under Trump 2.0</u>

- **U.S.–Myanmar Tensions Ease as the U.S. Lifts Some Sanctions on Myanmar (July 24, 2025):** The U.S. lifted sanctions on several allies of Myanmar’s generals, including KT Services & Logistics, MCM Group, Suntac Technologies, and Tin Latt Min. However, other existing sanctions are likely to remain in place due to ongoing conflicts.
- **International aid is expected to fall short, and foreign governments may hesitate to offer support** given the military-led regime installed through a coup. This could further destabilize the fragile economy and trigger capital outflows.

Note: *PA = Provisional Actual, RE = Revised Estimate, and BE = Budget Estimate / 2021/22 has no data for Fiscal Budget and Public Debt. Additionally, 2021/2022 Data is not shown due to unavailability of data.

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

CLMV and Thai Economy

Thailand's trade with CLMV is expected to slow due to weaker economic conditions, border tensions and global trade uncertainty.

Thai exports to CLMV, by product

Unit: %YOY (Share in 2024)

Items	2024	2025Q1	Mar-25	Apr-25	May-25	YTD
Total (100%)	12.7%	4.6%	10.1%	25.2%	20.8%	11.7%
Total (ex. gold) (89.3%)	2.3%	11.1%	5.8%	8.2%	5.7%	9.4%
1. Agriculture (3.2%)	15.2%	40.1%	24.8%	42.8%	20.8%	35.8%
2. Agro (15.2%)	-0.8%	8.3%	1.7%	9.2%	1.8%	7.1%
3. Manufacturing (66.3%)	40.5%	4.8%	17.2%	40.0%	34.7%	17.1%
Electrical appliances (7.1%)	2.2%	25.6%	15.1%	12.7%	-6.2%	15.9%
Auto & parts (7.2%)	5.7%	52.9%	65.1%	23.7%	40.4%	43.9%
Computer & parts (1%)	14.5%	113.8%	77.2%	109.2%	34.8%	94.7%
Rubber products (1.8%)	13.1%	4.9%	7.0%	8.0%	16.6%	8.0%
IC (0.4%)	1.1%	228.2%	47.3%	35.9%	119.1%	154.5%
Machinery & parts (2.7%)	9.1%	11.0%	4.2%	6.3%	2.4%	8.2%
Chemical & Plastics (10%)	-11.4%	10.1%	10.5%	11.1%	4.7%	9.0%
Textile (2.9%)	-3.3%	-4.3%	-2.6%	6.1%	-3.3%	-2.3%
4. Mining and fuel (15.3%)	19.9%	-5.9%	-14.2%	-13.7%	-18.4%	-10.1%
Refined fuel (13.8%)	-8.7%	-7.1%	-16.2%	-11.3%	-22.0%	-11.0%

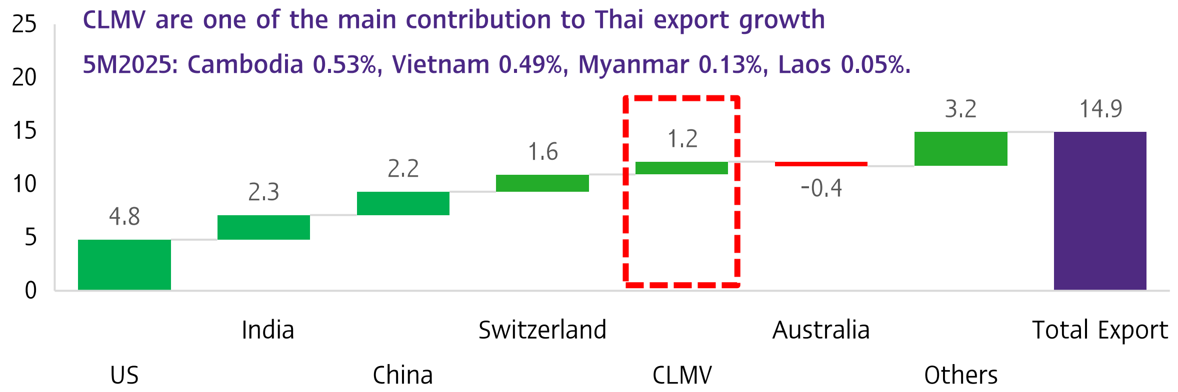
Thai imports from CLMV, by product

Unit: %YOY (Share in 2024)

Items	2024	2025Q1	Apr-25	May-25	YTD
Total	8.9%	16.4%	6.0%	7.2%	12.6%
Total (ex. gold) (99.1%)	12.8%	12.7%	12.7%	7.2%	11.7%
Fuel products (27.2%)	-1.3%	-16.0%	6.3%	-9.6%	-10.2%
Capital goods (13.8%)	17.6%	33.5%	27.7%	35.2%	32.7%
Raw and intermediate materials (33.0%)	18.9%	49.3%	-5.3%	10.0%	28.8%
Consumer goods (23.1%)	10.4%	8.9%	10.9%	6.7%	8.9%
Vehicles and logistics equipment (2.6%)	-26.6%	9.3%	16.9%	-13.2%	5.6%
Arms and ammunition (0.4%)	-4.5%	-58.2%	34.2%	7.6%	-42.3%

Thai Export Contribution to Growth Jan-May 2025

Unit: % of total Thai export and import

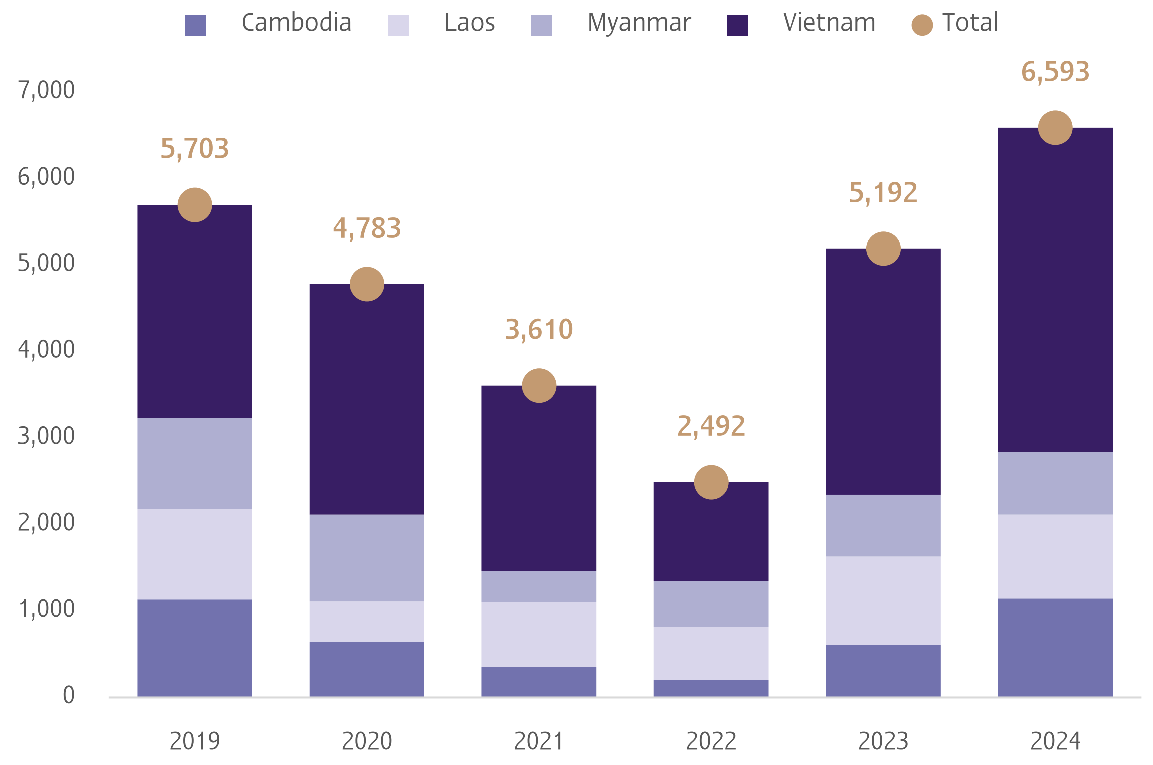


Source: SCB EIC analysis based on data from the Ministry of Commerce.

Thailand's outward direct investment in CLMV has surpassed pre-COVID levels. However, future investment outflow is moderate amid political uncertainty and cautious investment sentiment.

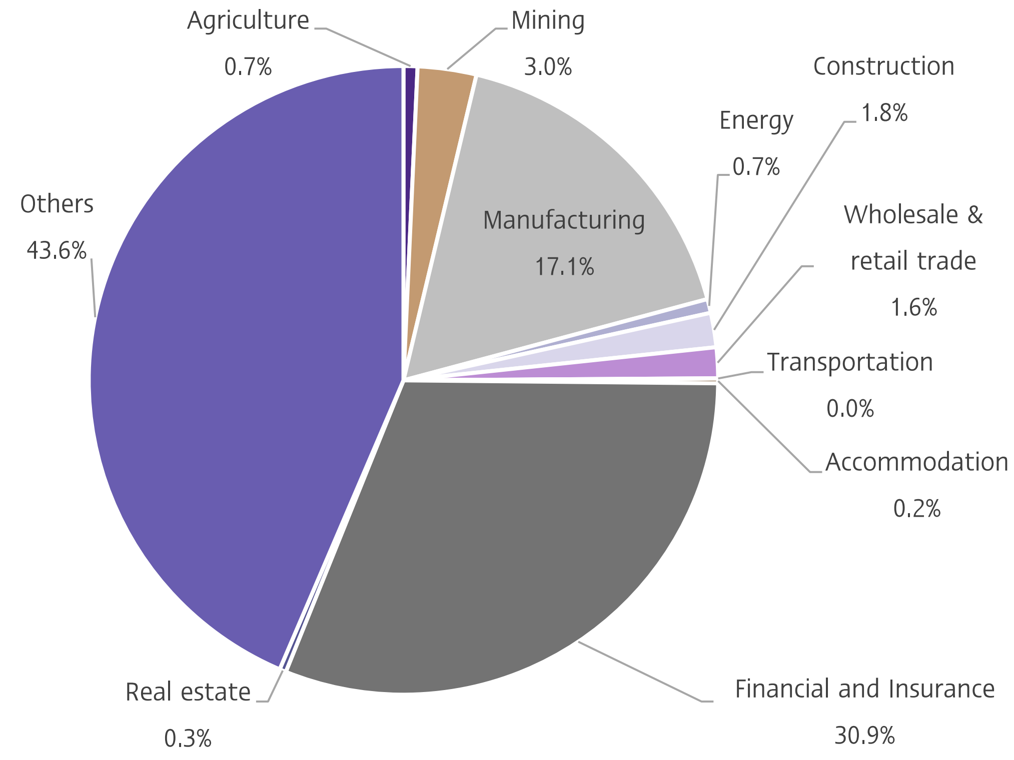
Thailand's outward direct investment flow into CLMV

Unit: USD million



Thailand's outward direct investment flow into CLMV, by sector

Unit: %, Year 2024



- **Vietnam remains the top destination,** especially in financial sector, manufacturing, and logistics, driven by stable policies, growing domestic demand and strategic location.
- **Cambodia and Laos may see steady but modest flows,** as concerns over governance and debt persist.
- **Thailand's outward investment in Myanmar will remain limited only mining sector** due to political instability, natural disaster and sanctions risks.

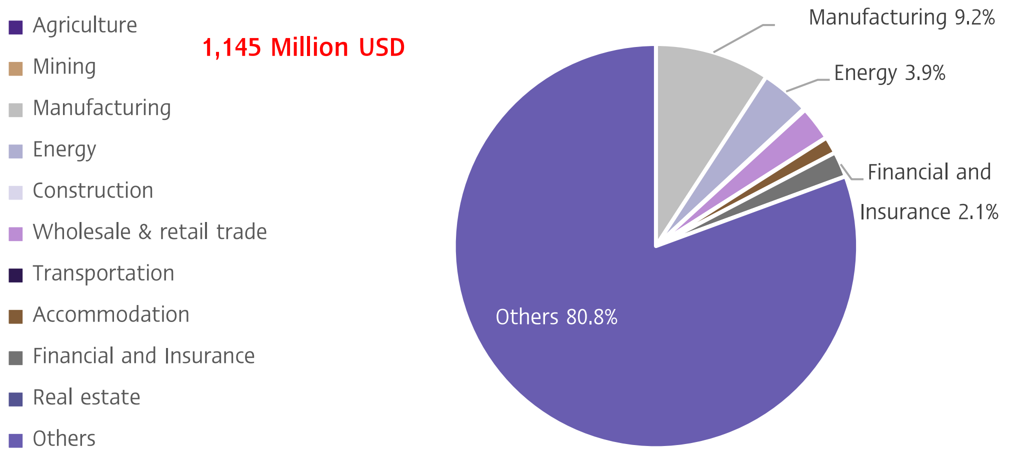
Source: SCB EIC analysis based on data from Bank of Thailand.

Thailand's outward direct investment in CLMV are diverse, mostly are in financial and insurance, manufacturing and others. Mining is the key sector in Myanmar.

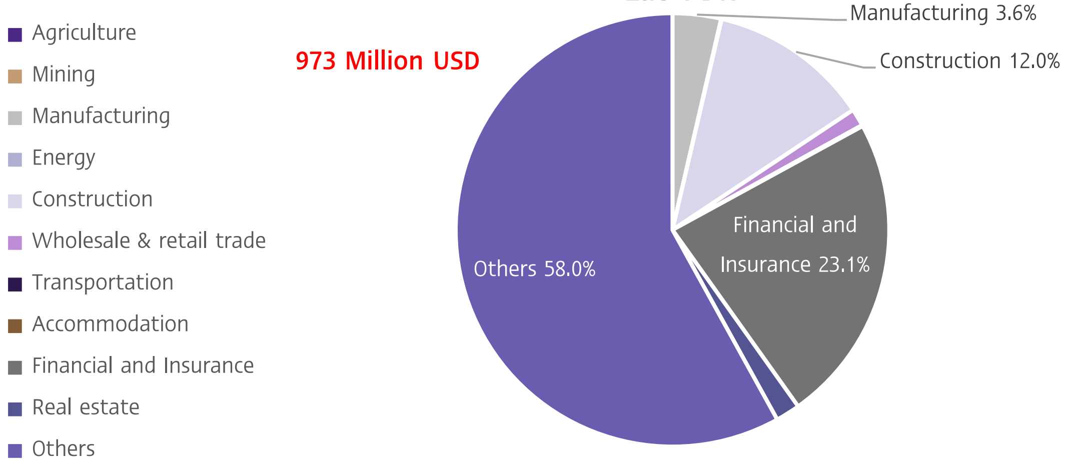
Thailand's outward direct investment flow, by sector

Unit: % share of total ODI flow, Year 2024

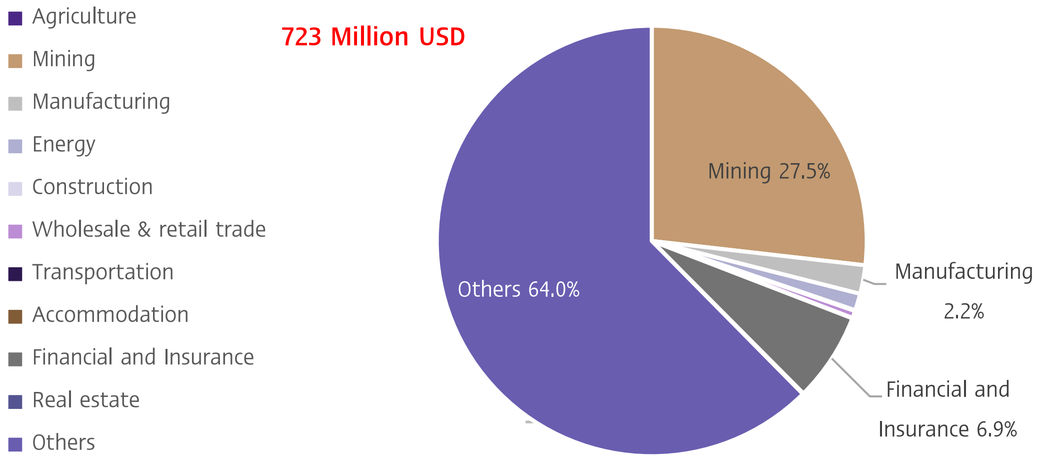
Cambodia



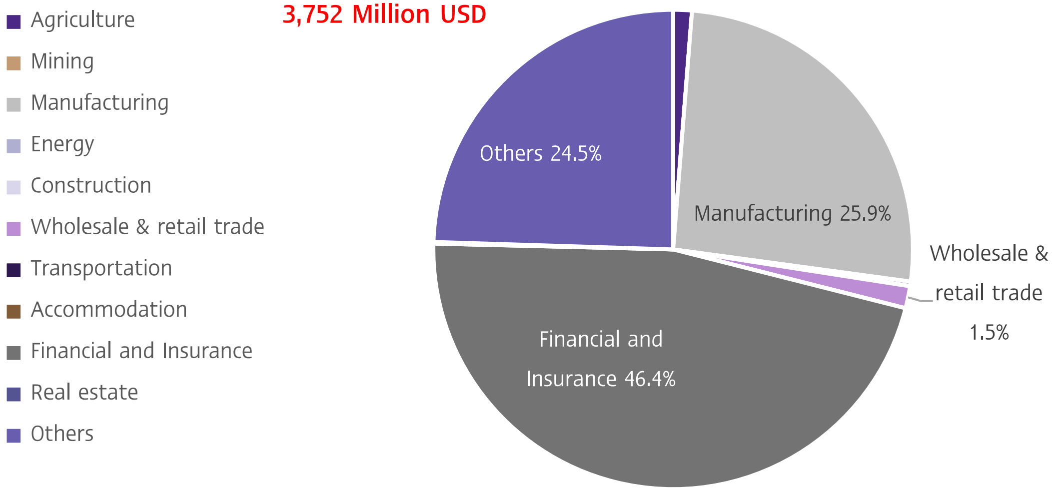
Lao PDR



Myanmar



Vietnam



Source: SCB EIC analysis based on data from Bank of Thailand.

The Thailand–Cambodia conflict poses downside risk to the Thai economy through multiple channels, with the impact depending on the degree of retaliatory measures.

Trade

Border closures disrupt cross-border trade (44% of Thai–Cambodian trade)

Export from Thailand: 9,239 Mn USD (2024)
3.1% of Total Thai exports

- Industrial goods: 63.6%
  Cross-border exports: Beverages, Mineral water, Soft drinks, Motorcycle parts
- Refined oil: Thailand exports 10% of total production, with 25% going to Cambodia

Import to Thailand: 1,211 Mn USD (2024)
0.4% of Total Thai imports

- Mineral ore, gems, fruits & vegetables,garments.

Investment

New Thai investment in Cambodia keeps slowing

1.7% of Thailand's total outward direct investment (2024)

- New investment is pressured by low confidence, U.S. tariff uncertainty, and geopolitical risks.
- **Some businesses may face risks from rising nationalism.**
- Thai firms could face increased default risk from counterparties in Cambodia.

Labor

Impact on Thailand's labor market is limited and likely manageable.

2.5% of Thai labor force
1Mn Cambodians work in Thailand (May 2025)

- Nearly half are legally registered (12.5% of permitted foreign workers in Thailand).
- If tensions moderate, Cambodian workers are unlikely to return home due to lower wages.
- Myanmar workers, making up 73% of Thailand's foreign labor, could partly replace Cambodian workers.

Tourism

Thailand–Cambodia tourism is expected to continue slowing.

Cambodian tourists mainly enter Thailand via border land routes.

- As of May 2025, 36,430 Cambodian tourists visited Thailand (–21%YOY), continuing a decline since early 2025.
- Border provinces are likely to be most affected.

Potential impacts to Thai businesses from prolonged border tensions

0-3 months

- **Disrupt cross-border trade** and logistics
- **Drop in Cambodian tourist arrivals** at border provinces

3-12 months

- **6 months of border closures could hit Thai exports by 1,900-2,000 Mn USD.**
- Higher logistics costs from shift to sea transport
- Slower investment into Cambodia

> 1 year

- Bilateral relationship remains fragile
- Land-based trade routes lose significance
- Thai firms reassess long-term presence in Cambodia
- Businesses consider replacing Cambodian workers returning home with other nations

Source: SCB EIC analysis based on data from Ministry of Commerce, DFT, Foreign Workers Administration Office, TBCC, Nikkei Asia and News Agency.

Thailand stands to gain and face challenges from CLMV economies, influenced by their economic performance and regional stability.

Cambodia

(-) Border conflicts with Thailand

Reduce Thailand's exports to CLMV and strain bilateral ties

(-) Investment uncertainty

Deter foreign investors due to concerns over market access and political stability

(-) Low tourism

Driven by security concerns, rising nationalism, and strict anti-gambling policies

Vietnam

(-) Trade diversion risk

Vietnamese goods could replace Thai exports, potentially attracting more FDI to Vietnam

(+) Mild economic slowdown in Vietnam

Could partially support demand for Thai export products and tourism

Myanmar

(-) Weaker demand for Thai products and tourism

due to political conflict and a recent earthquake, worsening poverty, consumption, and logistics, especially in border areas.

(+) Labor migration to Thailand

due to Myanmar's internal challenges

Lao PDR

(-) Investment risks

Thai investors may be discouraged by Kip volatility, inflation, and persistent external debt

(+) Energy investment

Likely to continue, driven by logistics and sustainability need at a slower pace

(+) Export buffer

Thai refined oil exports may partially reroute to Lao PDR, amid Cambodia's import curbs.

Source: SCB EIC analysis.

Disclaimer

The information contained in this report has been obtained from sources believed to be reliable. However, neither we nor any of our respective affiliates, employees or representatives make any representation or warranty, express or implied, as to the accuracy or completeness of any of the information contained in this report, and we and our respective affiliates, employees or representatives expressly disclaim any and all liability relating to or resulting from the use of this report or such information by the recipient or other persons in whatever manner.

Any opinions presented herein represent our subjective views and our current estimates and judgments based on various assumptions that may be subject to change without notice, and may not prove to be correct.

This report is for the recipient's information only. It does not represent or constitute any advice, offer, recommendation, or solicitation by us and should not be relied upon as such. We, or any of our associates, may also have an interest in the companies mentioned herein.

How satisfied are you with this analysis?

YOUR OPINION IS IMPORTANT TO US

Please take a 7-question survey to help improve SCB EIC's analysis.

Click to take the survey

SCB EIC | ECONOMIC INTELLIGENCE CENTER

INSIGHTFUL ECONOMIC AND BUSINESS
INTELLIGENCE FOR EFFECTIVE DECISION MAKING

- **WEBSITE**

  www.scbeic.com

  up-to-date with email notification

- **LINE OFFICIAL ACCOUNT**

LINE

SCB EIC

SCB EIC