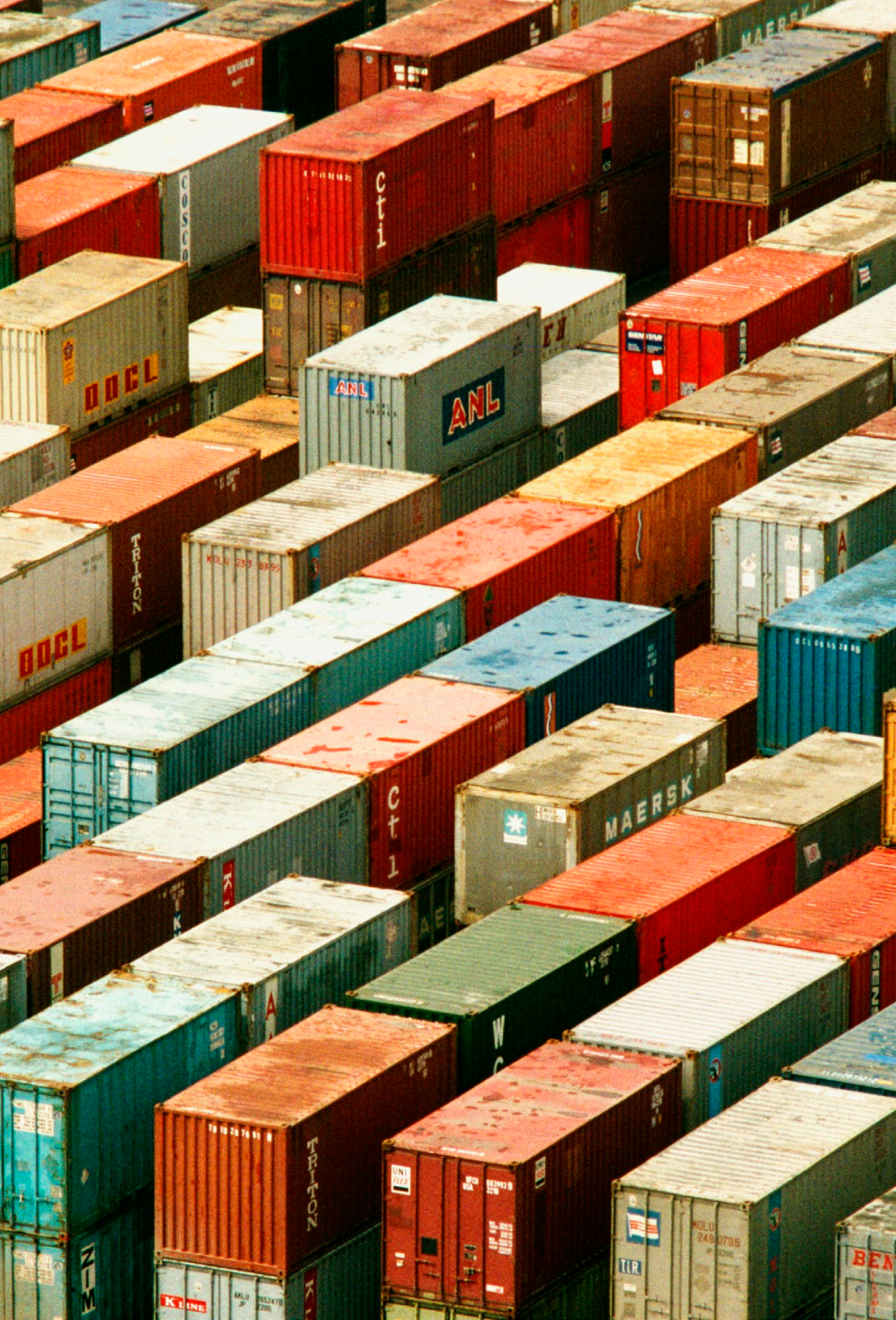




US Tariff Policies: Impact and Pathways

for Vietnam's Manufacturing Businesses



Introduction

Vietnamese manufacturing and service businesses face a complex landscape in 2025. While both sectors are concerned about macroeconomic stability, rising costs, and regulatory compliance, manufacturing is particularly vulnerable to trade protectionism and export market fluctuations. Conversely, service providers struggle with shifting consumer behaviour and complex human resource management. The new US tariff policy (effective April 2025) imposes up to 46% tariffs on certain Vietnamese goods. Key sectors like apparels, shoes, wood, furniture, agriculture, and seafood are particularly hard hit, facing higher production costs, reduced long-term orders, and intensified competition from rivals in Mexico, Indonesia, and Malaysia.

To keep organisations informed on the current climate, we've conducted a focused pulse survey to assess how Vietnamese manufacturers are navigating these shifts. Our findings capture the proactive strategies and risk management efforts emerging within the industry. Responses were collected from a broad spectrum of companies operating in Vietnam, with 78% from manufacturing and 22% from services. Notably, 33% of businesses export directly to the US, while 67% don't, offering a balanced view of both direct and indirect exposure.

We believe the insights and analysis in this survey will enhance your understanding of the evolving landscape, empowering you to make strong decisions and achieve resilient growth for your business in this new era.

Key findings

Our survey represents feedback from:

- **75% respondents holding management positions** within manufacturing companies operating in Vietnam.
- **57% local Vietnamese companies** and **43% of multinational companies**.
- **77% companies** representing **key manufacturing sub-sectors in Vietnam**, including Food and Beverage Processing, Furniture, Chemical and Plastics, Metals and Metal products.
- **36% of companies** with varying levels of export dependence on the US market, with the largest segment (31%) exporting between 0-10% of their total production, followed by 25% exporting 26-50% and 19% exporting 76-100% to the US.

Looming concerns

What are manufacturing companies and related service providers thinking about the US tariffs?

86%

express substantial concern about the potential negative impacts of US tariffs on their operations

23%

anticipate Higher costs to be the primary impact of US tariffs, followed by Market shifts and Lower demands from the US (both 15%)

Actions in response

How are they responding to the potential impact of US tariffs?

Specific actions that businesses are taking to prepare for or mitigate the potential impact can be categorised into three strategies

Reduce trade dependency and control high costs

44%

are diversifying sourcing to other countries

34%

are negotiating with existing suppliers

Enhance operational efficiency

40%

are automating and streamlining processes

32%

are improving efficiency/reducing waste

Protect long-term competitiveness

41%

are looking to diversify into new markets

25%

are adjusting pricing strategies

Primary impacts of US tariffs on Vietnamese businesses

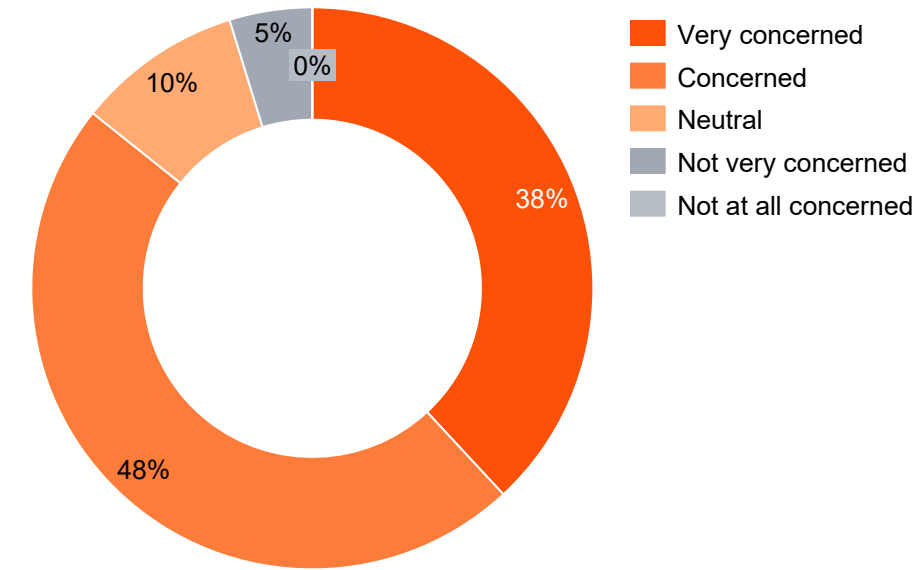
It is crucial for businesses to understand impacts on exports, consequences for local manufacturers, and service provider challenges. Understanding these factors is vital for maintaining resilience and achieving a competitive edge amid rising costs and competition.

		Level of Impact		
		Low to medium	Medium	High
Type of business		Service Providers	Manufacturing (not exporting to US)	Manufacturing & Exporting to the US
Main Impacts		<p>Logistics and transportation: Declining US exports may reduce demand for air and sea freight services.</p> <p>Financial and consulting: Exporter pressure may lead to reduced service usage or higher credit risks.</p> <p>IT and outsourcing: May benefit if US firms shift outsourcing from China to Vietnam.</p>	<p>Supply chain volatility: Suppliers to FDI firms or US exporters may face reduced orders or stricter requirements.</p> <p>Increased domestic competition: Export barriers may redirect goods to the domestic market, intensifying competition.</p> <p>Exchange rate fluctuations: Trade tensions can cause currency volatility and rising prices of imported materials, affecting production costs.</p>	<p>Increased input costs or reduced competitiveness in the US: Retaliatory tariffs will raise prices, reducing competitiveness against rivals.</p> <p>Decline in orders: Higher costs may lead US partners to reduce orders or shift to other suppliers.</p> <p>Legal risks: Companies may face increased legal, audit, and documentation expenses.</p> <p>Supply chain disruptions: Ripple effects from US or China involvement may cause production delays and operational instability.</p>

Reactions of manufacturing companies and related service providers to US tariffs

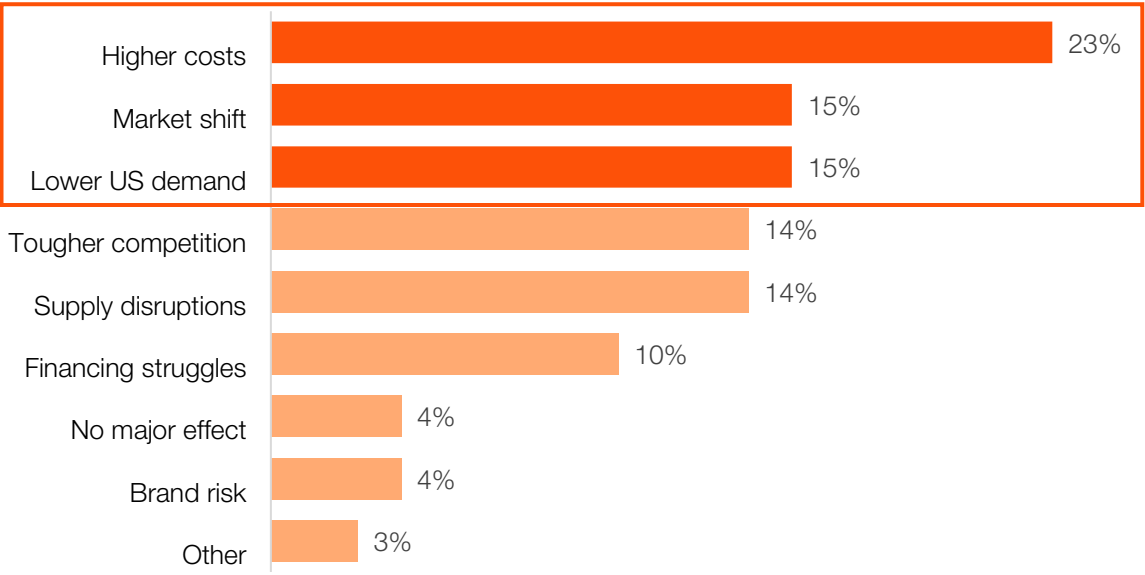
Vietnamese manufacturing businesses are on high alert as they navigate the uncertain terrain shaped by US tariffs. **86%** of survey respondents expressed concern or deep concern about the tariffs' impact, with the remaining **14%** showed neutral or light concern only.

Q: How concerned are you about the potential impact of US tariffs on your company's business in Vietnam?



Significant challenges anticipated from US tariffs include **higher costs (23%)** and **market shifts (15%)**. This pervasive anxiety underscores the urgent threat that evolving US trade policies pose to the stability and growth of Vietnamese businesses. As they brace for potential financial and operational impacts, companies face the challenge of adapting to an increasingly competitive global landscape.

Q: What do you anticipate will be the primary impact of the US tariff decisions on your business?



A Multi-Perspective View from Businesses

As U.S. tariffs continue to pressure global trade, Vietnamese businesses are undergoing a comprehensive transformation—from supply chains and production to markets and services—to adapt and stay competitive.



The journey begins with supply chains, where companies are realising the risks of over-reliance on a single source like China. Diversifying suppliers, especially toward more stable regions, has become essential. At the same time, many are seeing the opportunity to renegotiate supplier contracts to better control costs and improve cash flow.



In production—the heart of operations—businesses are accelerating automation and adopting lean models to boost efficiency. Not only exporters, but also domestic manufacturers are actively integrating into local and FDI supply chains as a practical strategy to optimise costs and enhance competitiveness.

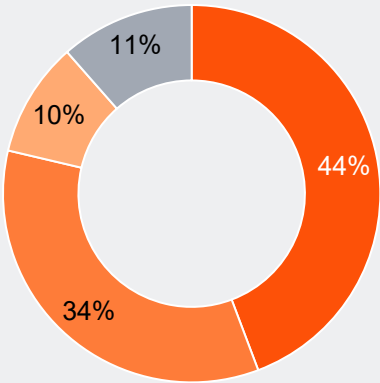


On the market front, as traditional export destinations become more unpredictable, Vietnamese companies are expanding into the EU, ASEAN, and Japan—leveraging the country’s strong network of free trade agreements. Meanwhile, they are also refining pricing strategies and strengthening digital brand presence in existing markets to unlock untapped potential.



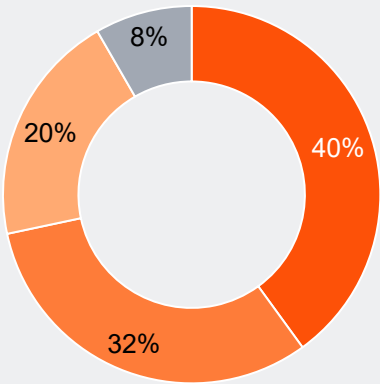
Finally, service providers—especially in logistics, consulting, banking, and insurance—are facing declining demand from export clients and rising credit risks. In response, they are diversifying their customer base and improving service quality to maintain resilience in a shifting landscape.

Q: What specific actions is your company taking to prepare for or mitigate the potential impact of US tariffs?



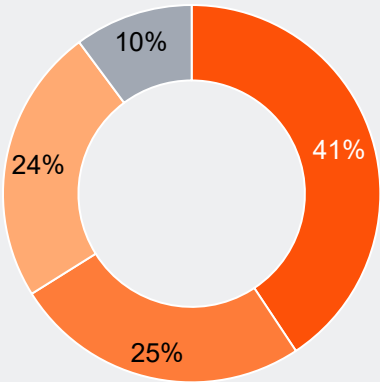
Supply chain & Sourcing

- Diversifying sourcing to other countries
- Negotiating with existing supplier for better pricing/terms
- Stockpiling key materials or components
- Other



Production & Operations

- Automating or streamlining production processes
- Improving efficiency/reducing waste
- Shifting production to different product lines
- Other

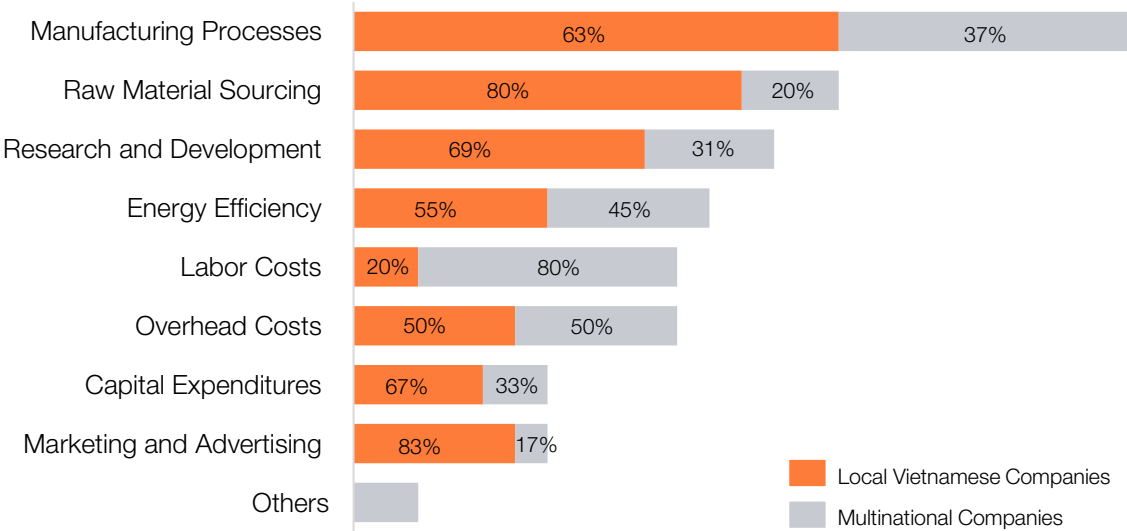


Sales & Marketing

- Diversifying into new markets
- Adjusting pricing strategies
- Increasing marketing effort to existing markets
- Other

Approaches to navigate tariff pressures

Q: If your company plans to reduce costs in response to tariffs, which of the following areas would you most likely target?



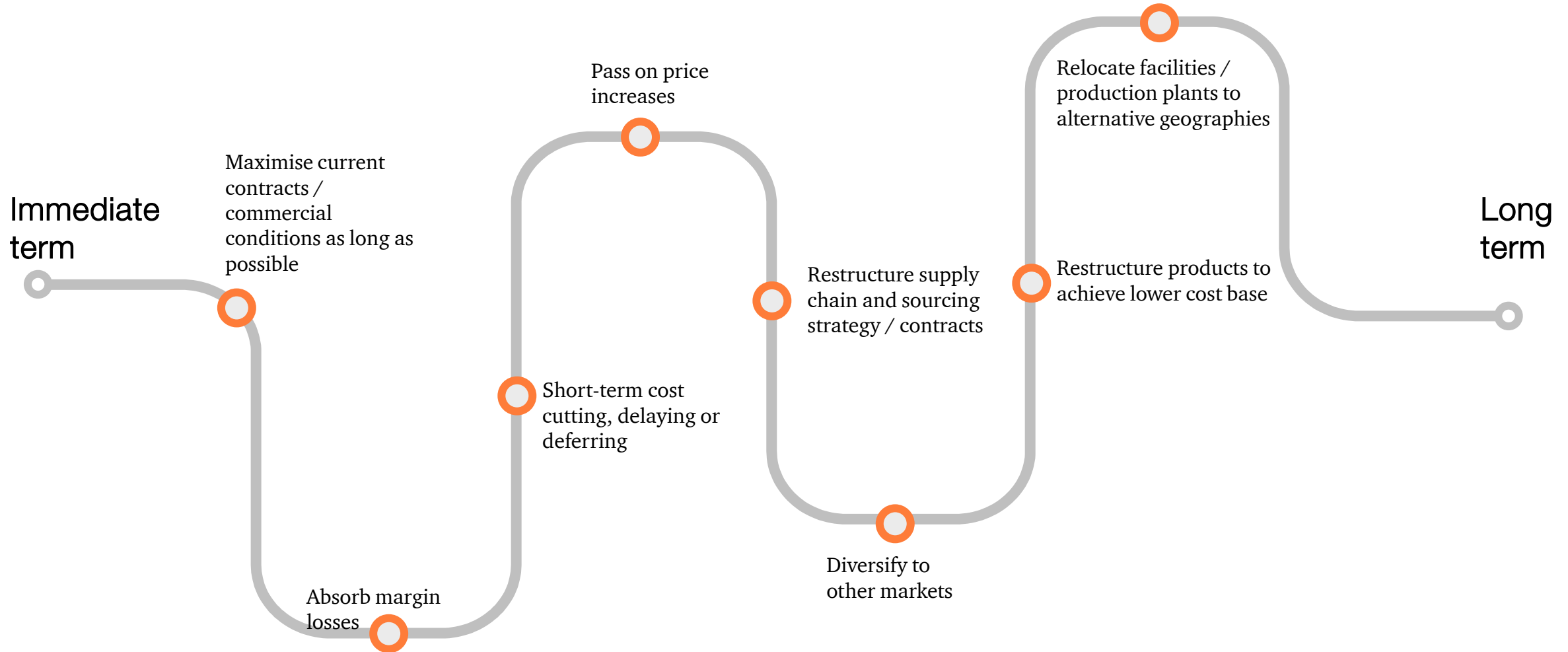
Both **local and multinational** companies prioritise similar top 1 cost lever on Manufacturing Processes at **63% and 37%**, respectively. This aims to improve efficiency and reduce waste through initiatives like lean manufacturing, process automation, and investments in more advanced production technologies.

The imposition of tariffs on Vietnamese exports to the US is increasing direct costs and reducing competitiveness. To adapt, a synchronised strategy is required—not merely “cost-cutting” but “restructuring” toward sustainability and agility. Transitioning from traditional operations to lean, flexible, digitised models and reducing reliance on a single market is the most effective way to navigate this period of uncertainty with resilience.

Cost Optimisation Response Framework to U.S. tariffs

1. Internal Optimisation Strategy	2. Value Chain Reengineering Strategy
<div>Reducing production, energy, and labour costs through process improvement and technology.</div> <ul style="list-style-type: none">• Manufacturing Processes• Energy Efficiency• Labour Costs	<div>Reducing indirect costs and increasing operational efficiency through digitalisation and supply chain flexibility.</div> <ul style="list-style-type: none">• Raw Material Sourcing• Overhead Costs• Digital Transformation
3. Defensive Financial Strategy	4. Other Strategic Cost Areas
<div>Preserving liquidity and reallocating capital for operational efficiency.</div> <ul style="list-style-type: none">• Capital Expenditures• Cash Flow Management• Debt & Credit Renegotiation	<div>Streamlining discretionary expenditures and prioritising high-impact investments to drive cost efficiency</div> <ul style="list-style-type: none">• Marketing and Advertising• Research and Development (R&D)

To further unlock cost reductions, businesses in most impacted categories may choose to respond with a variety of levers



Source: PwC's framework on Cost levers

As Vietnam's businesses face the complex challenges posed by global economic shifts and US tariffs, the need to proactively adapt and innovate has never been more crucial.

By focusing on strategic cost management and leveraging expert insights, companies can unlock opportunities for growth and resilience. Embracing the right strategies will not only help businesses navigate current pressures but also position them for long-term success in an evolving market landscape. Essential steps and support services can aid businesses in charting a forward-thinking path.

The way forward

How PwC delivers impact across key focus areas

At PwC, we help businesses unlock value through major concerns and explore how these strategies come to life through real client success stories.



Improve Margins

We help clients identify cost reduction opportunities and ensure optimal trade-offs between cash outflows and operational efficiency.

- Modernising warehouse for a large aluminium company to improve throughput and enhance stock storage
- Digitising the procure-to-pay process to reduce paper usage and enhance visibility and controls for a large Vietnamese FMCG company
- Reducing SG&A expenses for a mid sized Vietnamese fashion retailer



Rapid diagnostics

We conduct targeted operational assessments to uncover actionable insights for improving cash flow and reducing costs.

- Developing a turnaround strategy for a local spices/ condiments manufacturer and distributor
- Reducing supply chain assets (packaging materials) by improving inventory turnover and minimising purchases of returnable assets for a local beverage company



Reduce invested capital

We provide support in maximising contract leverage and streamline supply chain inventory to free up working capital.

- Optimising inventory sufficiency across the value chain for a large European edible nuts manufacturer and exporter
- Improving working capital for a large logistics business through initiatives focused on Accounts Receivable and Accounts Payable



Cash & liquidity management

We develop and implement tailored strategies to strengthen liquidity and ensure sustainable financial health.

- Facilitating Working Capital Financing for a Mid-sized furniture manufacturing company exporting to the US
- Enhancing cash and liquidity for a mid-sized building materials manufacturer



Assess relocation to lower-cost bases

We evaluate and support strategic relocation decisions to more cost-effective production or sourcing locations.

- Providing change management consultancy for factory relocation of one of the largest FMCG companies

Illustrative, Not exhaustive



As we look towards 2025, the path ahead for Vietnam's manufacturing and services sector is both challenging and filled with potential. While the global landscape presents uncertainties, the resilience and adaptability of Vietnamese businesses stand out. By embracing strategic changes and leveraging inherent strengths, we are poised not only to overcome these hurdles but to transform them into opportunities, fostering sustained growth and innovation.

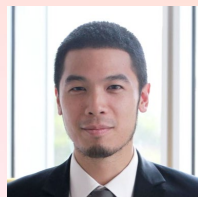


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Contact us

Our teams are here to help. From preparation assessment to supply chain evaluation and value creation, our professionals bring deep insights across Vietnam's key industries to help businesses define their next moves in difficult situations like this.

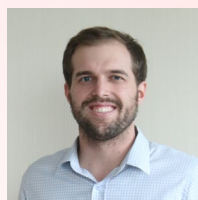
Contact us to discuss what the trade challenge means for your business and how you can preserve and create value even in the face of uncertainty.



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