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Vietnam Macroeconomic Commentary: November 2024

We have been advising investors for months that Vietnam's economy has been supported by an extraordinary surge in exports to the US this year, which boosted the country's manufacturing sector. However, the growth of consumption by Vietnamese consumers has been fairly modest, which is reflected in modest revenue and earnings growth of consumer-facing companies in 2024.

We have also been predicting that Vietnam's export growth to the US will level off next year, from circa 25% growth in 2024 to 6-8% growth in 2025. That said, we predict that consumption growth in Vietnam will pick up from circa 6% this year to a more typical 8-9% growth rate next year. It is important to note that consumption growth was boosted by an 40% YoY surge in foreign tourist arrivals this year, but with the post-COVID tourism boom now winding down, this figure is likely to fall to below 15% next year.

Vietnam's November economic statistics correlate with those views. Manufacturing output growth remained vigorous at 9.7% YoY in 11M24, but the "new export orders" sub-index of Vietnam's Manufacturing PMI plunged from 50.7 in October to 46.4 in November, which means that new export orders in Vietnam are now shrinking. Vietnam achieved an incredible USD 24bn trade surplus in 11M24 (similar to 11M23 and equivalent to 6%/GDP), including a USD 1.1bn surplus in November. However, falling new export orders are a reliable leading indicator that this robust performance will not be repeated next year.

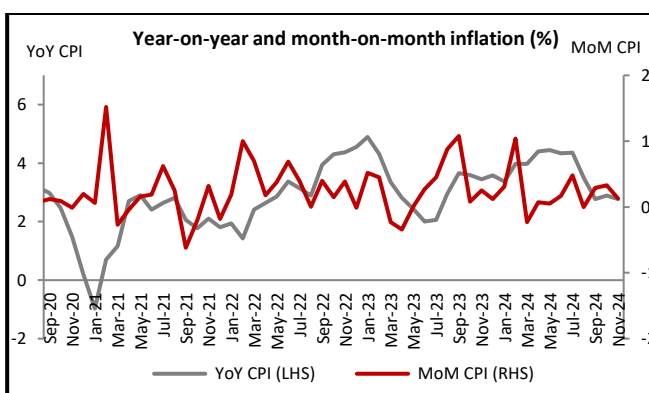
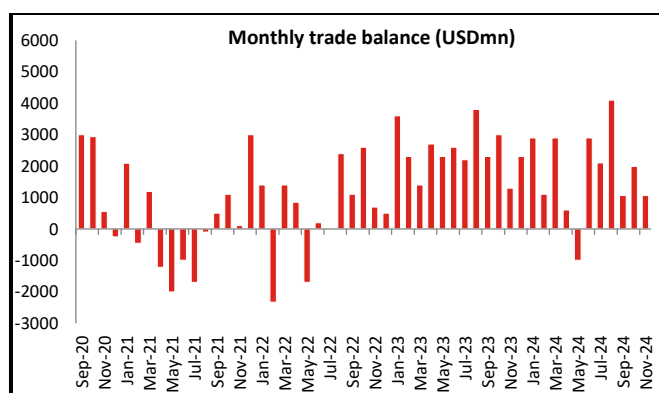
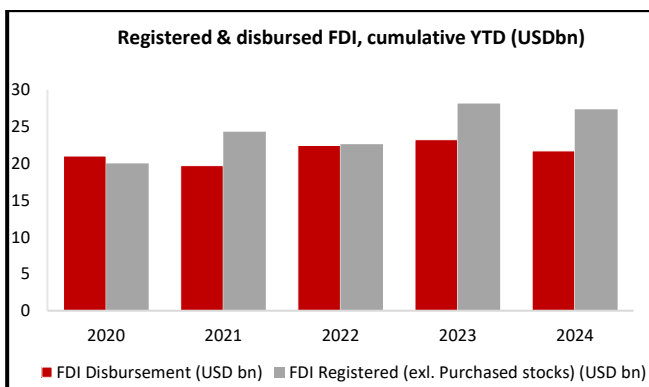
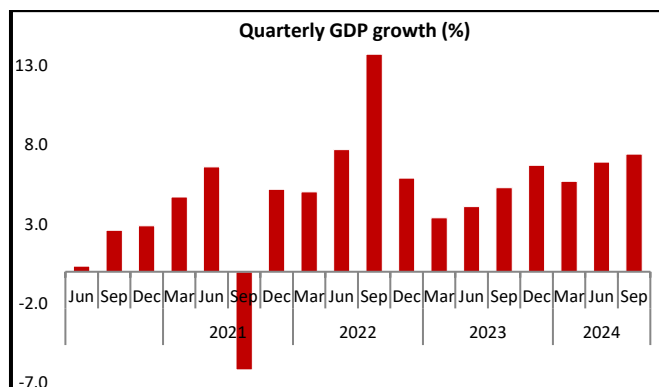
That said, consumer sentiment and spending have gradually been gaining pace as the year progressed. The growth of real retail sales (i.e., stripping out the impact of inflation) accelerated from 4.6% YoY in 10M24 to 5.8% in 11M24. We expect that momentum to continue next year, especially given increasingly vocal commitments that the Government will take aggressive steps to boost Vietnam's GDP growth in 2025 and beyond (which should also help support consumer sentiment).

Next, the value of the VN Dong was essentially unchanged in November (at 4.4% YTD depreciation), despite Donald Trump's announcement that he intends to impose 25% tariffs on Mexico and Canada, plus an additional 10% tariff on China's exports to the US. Some investors have expressed concerns that Trump could target Vietnam next, but the fact that the USD-VND exchange rate did not move on that news shows that the market does not expect Trump to target Vietnam.

Further to that last point, tariffs put depreciation pressure on the targeted country's currency, which in-turn dampens the impact of those tariffs on the final selling prices of that country's products to US consumers (Trump's China tariffs were largely offset by a depreciation in the Chinese Yuan). The value of the Mexican Peso has depreciated by more than 20% YTD, indicating that markets do expect major tariffs on Mexico's exports to the US, partly because of concerns regarding the "transshipment" of products from China to the US via Mexico in order to avoid US tariffs.

One reason markets do not expect Trump to impose major tariffs on Vietnam is that the scale of the transshipment problem is much less in Vietnam than in Mexico. According to [recent research](#) from Harvard University, less than 1% of Vietnam's total exports are of products that have been re-shipped from China to the US (ie. under the guise of having been produced in Vietnam).

Macroeconomic Charts



Macroeconomic Indicators

	2023	Nov-24	YTD	YOY ¹
GDP growth (%)	5.1			
Inflation (%)	3.3	2.8	3.7	
FDI commitments (USD bn)	28.1	6.1	27.3	12.2
FDI disbursements (USD bn)	23.2	4.4	21.7	20.4
Imports (USD bn)	326.4	32.7	345.6	16.4
Exports (USD bn)	354.7	33.7	369.9	14.4
Trade surplus/(deficit) (USD bn)	28.3	1.1	24.3	
Exchange rate (USD/VND) ³	24,265	25,346	25,346	

Sources: GSO, Vietnam Customs, MPI, Bloomberg

Note:

1. FDI and trade data is YTD y-o-y; GDP growth data is latest quarter y-o-y
2. Monthly y-o-y change; year-to-date is monthly average change in CPI per GSO
3. BBG-USD/VND Spot Exchange rate

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