

Michael Kokalari, CFA
Chief Economist

Vietnam Macroeconomic Commentary: January 2025

Vietnam's economic statistics for January and February are always impacted by the timing of the Lunar New Year holiday. This year, the holiday was in January (versus February in 2024), resulting in four fewer working days during the month.

In January, industrial production growth in Vietnam was nearly flat year-on-year. There was also slowing export and manufacturing momentum, a topic we have discussed in several of our recent monthly economics commentaries. The S&P Global PMI fell from 49.8 in December 2024 to 48.9 in January 2025, driven by a contraction in new orders and by an aggressive depletion of finished goods inventories; the "Stocks of Finished Goods" sub-index of Vietnam Manufacturing PMI fell to a near record-low level of 44.5 in January.

In other words, factories are running down their inventories of finished products in response to both plunging orders from foreign clients and in anticipation of slower export growth this year following unusually strong growth in exports to the US last year. Exports to the US fell by 2% in January, after having surged by over 20% in 2024, according to Vietnam's General Statistics Office (GSO). Overall exports fell 4% in January, although this number is also distorted by the timing of the holiday.

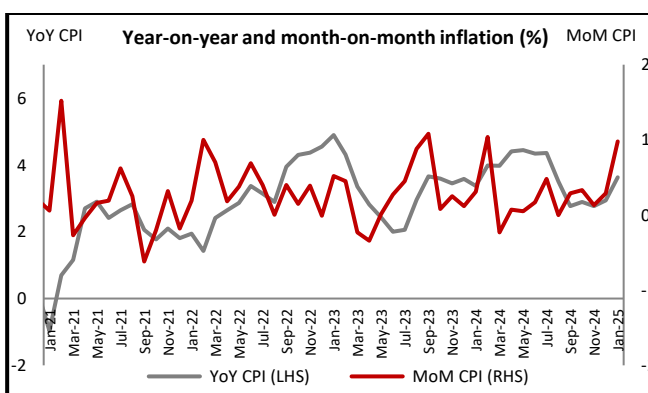
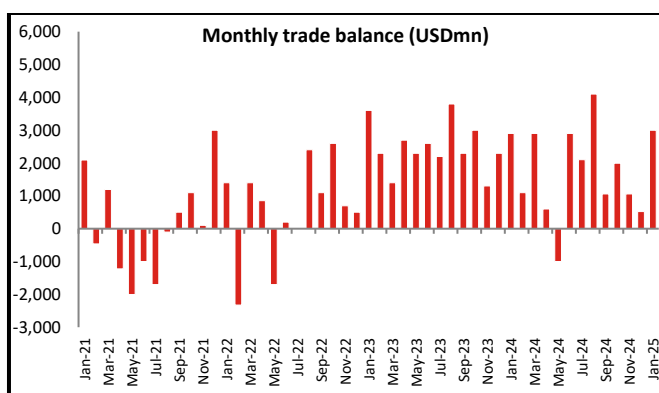
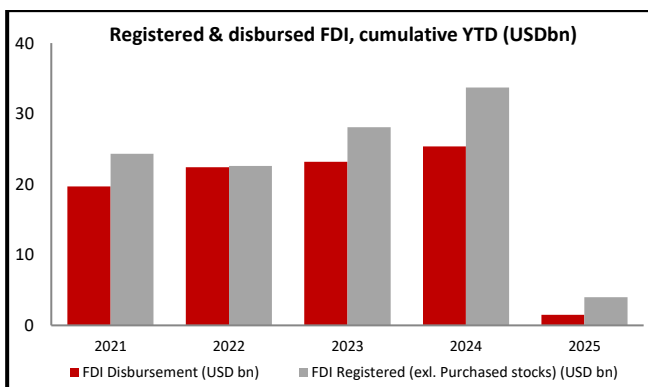
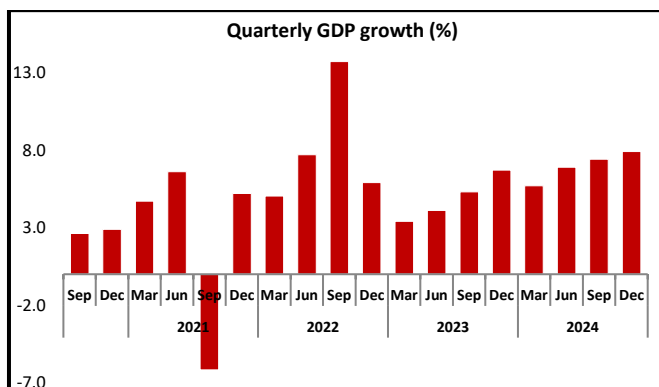
Unlike several countries, Vietnam has NOT experienced a surge in exports to the US following the presidential election. In our view, this is a good sign that multinational companies are not overly concerned that Trump will impose high tariffs on "Made in Vietnam" products; in fact, Samsung Display registered an additional USD 1.2bn FDI investment in Vietnam in January. Furthermore, Trump has not mentioned Vietnam publicly since taking office, in sharp contrast to the numerous comments he has made about Mexico, Canada, the EU, and China. We continue to believe that Trump poses no major economic risk to Vietnam.

All of that said, concerns about Trump's tariffs pushed up the US Dollar/DXY Index by 7% in 2024, which in-turn drove a 5% depreciation in the value of the VN Dong. In January, the VND appreciated by 1.6%, supported by a surge of overseas remittances in the lead-up to the Tet holiday, a near USD 3bn trade surplus in the month, and by the State Bank of Vietnam's adept steps to stabilize the USD-VND exchange rate (including higher interbank interest rates).

Next, the lead-up to the Tet holiday typically entails a flurry of household purchases as families prepare for the holidays, which contributed to real retail sales growing 6.6% YoY in January 2025 despite fewer working days during the month. Once the GSO publishes data for February, we will be able to compare 2M24 to 2M25 and get a clearer picture of the likely trajectory for the economy in the months ahead. Nevertheless, we continue to expect consumption growth to accelerate as 2025 progresses.

Finally, inflation ticked up from 2.9% YoY in December to 3.6% YoY in January driven by a circa 10% month-on-month increase in medical prices, which in-turn reflected one-off Government price hikes for certain medicines.

Macroeconomic Charts



Macroeconomic Indicators

	2024	Jan-25	YOY (%)
GDP growth (%) ¹	7.1		
Inflation (%) ²	3.6	3.6	
FDI commitments ³ (USD bn)	33.7	4.0	47.3
FDI disbursements (USD bn)	25.4	1.5	2.0
Imports (USD bn)	380.8	30.1	(2.6)
Exports (USD bn)	405.5	33.1	(4.3)
Trade surplus/(deficit) (USD bn)	24.8	3.0	
Exchange rate (USD/VND) ⁴	25,485	25,082	

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

Disclaimer

© 2025 VinaCapital Fund Management JSC (VCFM). All rights reserved. This report has been prepared and is being issued by VCFM or one of its affiliates for distribution in Vietnam and overseas. The information herein is based on sources believed to be reliable. With the exception of information about VCFM, VCFM makes no representation about the accuracy of such information. Opinions, estimates, and projections express in this report represent the current views of the author at the date of publication only. They do not necessarily reflect the opinions of VCFM and are subject to change without notice. VCFM has no obligation to update, amend or in any way modify this report or otherwise notify a reader in the event that any of the subject matter or opinion, projections or estimates contained within it change or become inaccurate.

Neither the information nor any opinion expressed in this report are an offer, or an invitation to make an offer, to buy or to sell any securities or any option, futures, or other derivative instruments in any securities. Nor should it be construed as an advertisement for any financial instruments. This research report is prepared for general circulation and for general information only. It does not have regard to the specific investment objectives, financial situation or particular needs of any person who may receive or read this report. Investors should note that the prices of securities fluctuate and may rise and fall. Past performance, if any, is no guide to the future.

Financial instruments discussed in this report, if any, may not be suitable for all investors. Investors must make their own financial decisions based on their particular financial situation and investment objectives. This report may not be copied, reproduced, published, or redistributed by any person for any purpose without the express permission of VCFM in writing. Please cite sources when quoting.