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## Vietnam Macroeconomic Commentary: March 2025

Vietnam's GDP growth dipped to 6.9% for the first quarter of 2025 after ending 2024 with 7.1% growth. The first quarter's growth was affected by the slowdown in export growth we have been forecasting, although that was partly offset by a pick-up in consumption (which we also expected) and by an unforeseen increase in tourist arrivals, which added well over 1%pts to Q1 GDP growth.

Foreign tourism accounts for about 8% of Vietnam's GDP and tourist arrivals jumped by 30% in Q1 after having surged 40% in 2024. The number of tourists visiting Vietnam recovered to pre-COVID levels last year, so we expected tourist arrivals growth to normalize to a circa 15% rate this year, in-line with the pre-COVID average. Instead, Chinese tourist arrivals nearly doubled year-on-year in Q1 for reasons discussed in this CNBC [article](#), which in-turn drove the 30% jump in overall arrivals in the quarter.

Next, Vietnam's export growth slowed from 14% in 2024 to 11% in 1Q25, due to a predictable pattern in the inventory destocking/restocking cycle of large retail customers in the US. The possibility that Trump would target Vietnam with onerous tariffs did not significantly boost Vietnam's exports to the US until the very last few weeks of Q1 when production and exports to the US both surged.

The actions of many/most US companies suggest that they did not expect Trump to target Vietnam, and we also ascribed to that view because targeting Vietnam goes against the US economic interest - and against Trump's family's own economic interest - which we discussed in this [report](#). Exports from much of Asia to the US soared in the months leading up to the April 2<sup>nd</sup> tariff announcement, but Vietnam's export growth to the US ranged between ~15-20% for six months until February, when exports to the US suddenly surged by over 30% YoY in March.

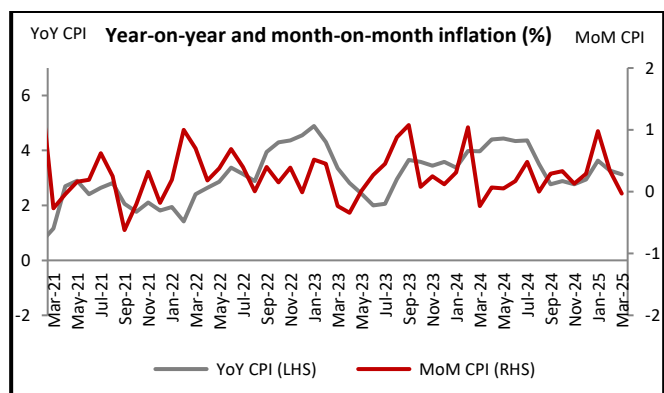
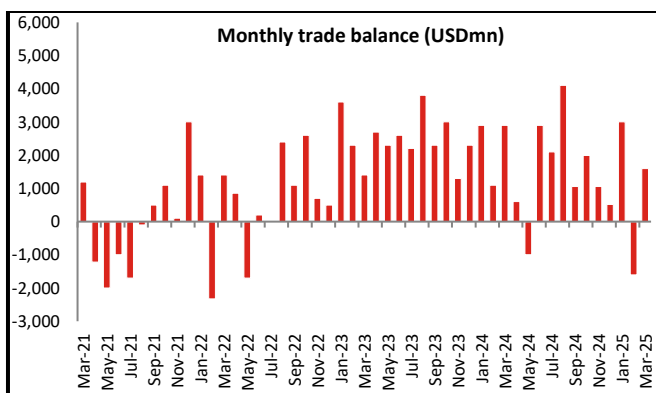
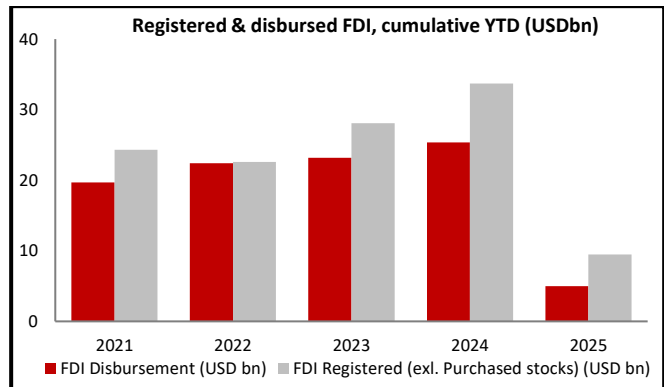
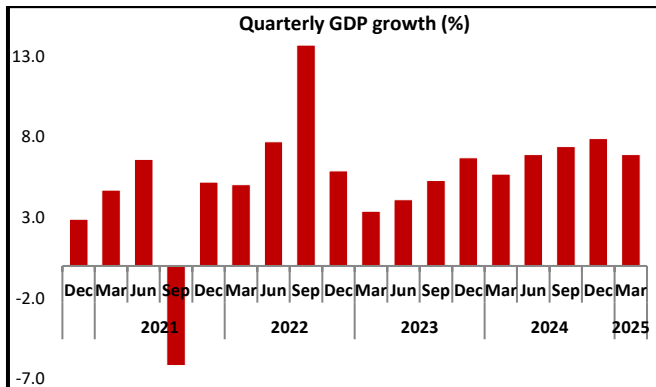
Furthermore, the "Production" sub-index of Vietnam's PMI popped last month after having contracted for the previous six consecutive months. That lifted Vietnam's headline PMI from 49.2 in February to 50.5 in March. In contrast, the New Export Orders sub-index of the PMI started rolling over in mid-2024 (which we highlighted in several of presentations and reports) and plunged further into contractionary territory in the month of March.

The combination of falling new orders together with a surge in production last month further depleted the backlog of work at factories in Vietnam. Specifically, the "Backlog of Work" sub-index fell further, from 45.1 in February, to 43.4 in March which is a very negative leading indicator for production activity in the months ahead.

Regarding retail sales, sentiment had been steadily improving since mid-2024, gathering momentum in recent months – evidenced by an acceleration in real retail sales (ie. excluding inflation), from 5.9% in 2024, to 7.5% in 1Q25. We had been forecasting a steady increase in consumer sentiment and spending this year, expecting retail sales growth (excluding inflation) to reach 8% for the full year, but we need to reassess that forecast given the extreme trade uncertainty will likely lead to the slowdown in factory activity and potential impacts on consumer sentiment.

Finally, the value of the VN Dong was nearly unchanged in March and depreciated by less than 0.5% YTD as of end-March (and by around 2% YTD after Trump's tariff announcement). The stability of the USD-VND exchange rate in the lead-up to Trump's April 2<sup>nd</sup> tariff announcement reflected confidence that Trump would not target Vietnam (which we also believed), although continued modest inflation in Vietnam (CPI inflation was 3.2% in March) also engendered confidence in the currency.

Macroeconomic Charts



Macroeconomic Indicators

	2024	Mar-25	YTD	YOY <sup>1</sup>
GDP growth (%)	7.1	6.9	6.9	
Inflation (%) <sup>2</sup>	3.6	3.1	3.2	
FDI commitments (USD bn)	33.7	7.1	9.5	29.3
FDI disbursements (USD bn)	25.4	2.0	5.0	7.2
Imports (USD bn)	380.8	36.9	99.7	17.0
Exports (USD bn)	405.5	38.5	102.8	10.6
Trade surplus/(deficit) (USD bn)	24.8	1.6	3.2	
Exchange rate (USD/VND) <sup>3</sup>	25,485	25,565	25,565	

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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