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Vietnam Macroeconomic Commentary: May 2025

The three outstanding features of Vietnam's economy in May (and 5M25) are: 1) a dramatic acceleration / surge in infrastructure spending as the year has progressed; 2) a surge in exports to the US during Trump's 90-day "pause" period on reciprocal tariffs; and 3) a near 50% year-on-year (YoY) surge in Chinese tourist arrivals in 5M25.

Regarding #1 above, Vietnam's Government guided earlier for a 40% increase in infrastructure spending this year, but the actual disbursements got off to a very slow start, with roughly flat growth YoY in Q1 and below 20% YoY growth in 4M25. However, infrastructure spending rocketed to 39% YoY in 5M25, according to the Ministry of Finance.

Further to #2 above, the growth of Vietnam's exports to the US was stable at around 15% YoY for months leading up to March, unlike in much of Asia where exports to the US surged in expectation of stiff tariffs by Trump. Most companies and most economists/analysts (including us) did not expect Trump to impose significant tariffs on Vietnam. As news of the impending imposition of tariffs on Vietnam leaked out, exports to the US surged 32% YoY in March. Exports to the US then surged 34% YoY in April and 37% in the month of May.

Obviously, this temporary phenomenon will reverse once the 90-day pause period ends in July and Trump's reciprocal tariffs take effect. While negotiations between the Vietnamese and US trade officials continue, we still expect circa 20% tariffs on Vietnam's exports to the US after the pause expires.

Next, the near 50% YoY surge in Chinese tourist arrivals in 5M25 was driven in part by issues discussed in this [article](#). We estimate that foreign tourists account for about 10% of Vietnam's total retail sales, and real retail sales (i.e., excluding inflation) grew by over 7.4% YoY in 5M25, meaning it is likely that the surge in tourism contributed around 2%pts to that growth. Consequently, it is likely that real retail sales, excluding the boost from tourist arrivals, are growing at around a 5% pace.

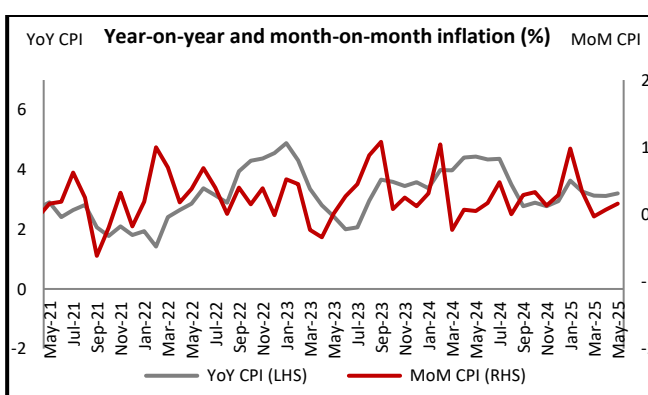
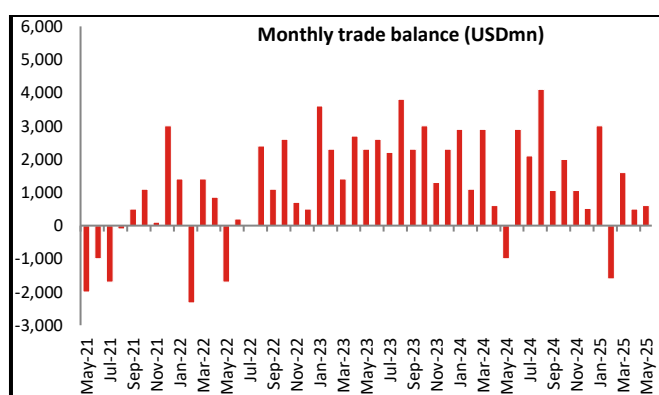
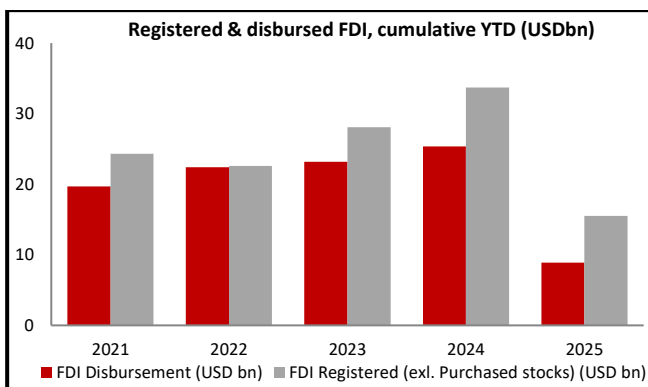
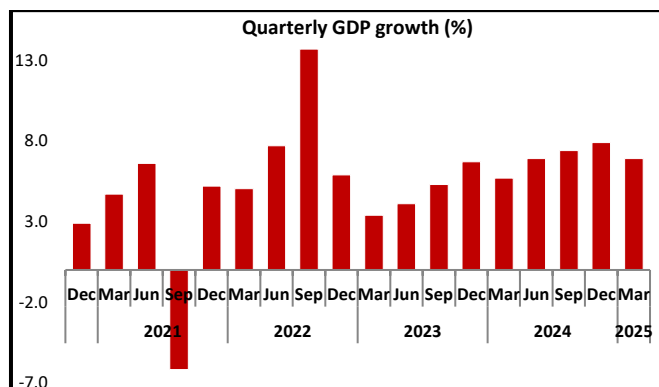
That figure is a good proxy for how fast spending by domestic Vietnamese consumers is growing, which in-turn is consistent with the aggregate revenue growth of consumer staples companies in Vietnam.

The net result of all of the above is that we expect Vietnam's GDP growth to accelerate from 6.9% YoY in Q1 to about 7.5% in Q2, driven by the acceleration in exports to the US and infrastructure spending (tourist arrival growth was already very high in Q1). We then expect that GDP growth will dip back down to circa 7% in H2 after the temporary surge in exports to the US passes.

We have previously noted for a few consecutive months that Vietnam's new export orders started contracting in late 2024; they continued to contract for the seventh month in-a-row in May. Export orders started contracting well in advance of concerns about Trump's tariffs, owing to the inventory restocking destocking cycle of US retail companies, but concerns about Trump's tariffs exacerbated this issue.

Finally, Vietnam's macro economy remained stable in May, with both CPI inflation and the value of the USD-VND exchange rate essentially unchanged during the month. CPI inflation ticked up from 3.1% YoY in April to 3.2% in May while the depreciation of the VN Dong versus the USD ticked up from 1.9% YTD at end-April to 2.1% at end-May.

Macroeconomic Charts



Macroeconomic Indicators

	2024	May-25	YTD	YOY ¹
GDP growth (%)	7.1		6.9	
Inflation (%) ²	3.6	3.2	3.2	
FDI commitments (USD bn)	33.7	3.6	15.5	46.6
FDI disbursements (USD bn)	25.4	2.2	8.9	7.9
Imports (USD bn)	380.8	39.0	175.6	17.5
Exports (USD bn)	405.5	39.6	180.2	14.0
Trade surplus/(deficit) (USD bn)	24.8	0.6	4.7	
Exchange rate (USD/VND) ³	25,485	26,033	26,033	

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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