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Vietnam Macroeconomic Commentary: June 2025

Vietnam's GDP growth accelerated from 7.1% YoY in 1Q25 to 7.5% in 1H25, driven by a 28% YoY surge in exports to the US in Q2 - up from 22% YoY growth in Q1. Exports from Vietnam (and Asia) to the US jumped as companies "front loaded" purchases of "Made in Vietnam" products during Trump's "tariff pause" period.

On July 2nd, President Trump announced on social media that the US had reached an agreement with Vietnam, under which Vietnam's exports to the US would be charged a 20% tariff, with a 40% tariff levied on so-called "transshipments" from China to the US via Vietnam. The exact tariff details are still being worked out and based on information we've received from well-placed sources in both the Vietnam and US negotiating teams, we expect tariffs on Vietnam's exports to the US to ultimately average below 20% (we would not be surprised if the final average rate is around 15%).

The imminent imposition of tariffs prompted an immediate increase in purchases by US customers, but that makes it inevitable that export growth to the US will slow significantly in H2. The "New Export Orders" Sub-Index of Vietnam's Purchasing Manager's Index (PMI) continued to drop from 44.5 in May to 43.6 in June after having peaked at 54 a year ago; Vietnam's exports to the US surged 23% last year driven by the inventory re-stocking/de-stocking cycle of US retailers as well as a surge in tech products.

In addition to the outlook for slower export growth in H2, we see signs that local consumer confidence has now levelled out, after having risen steadily since mid-2024. Real retail sales (i.e., excluding inflation), a close proxy for domestic household consumption, slowed slightly, easing from 7.5% YoY in 1Q25 to 7.2% in 1H25.

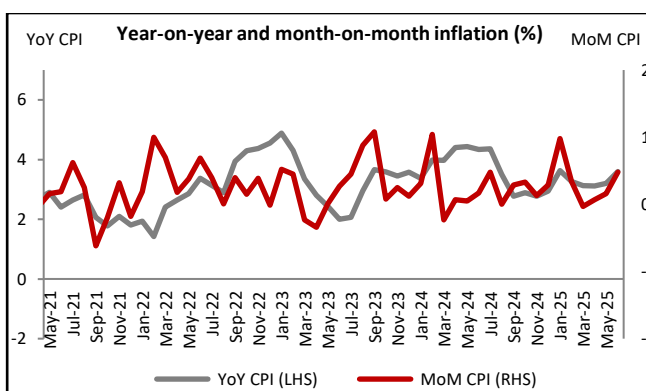
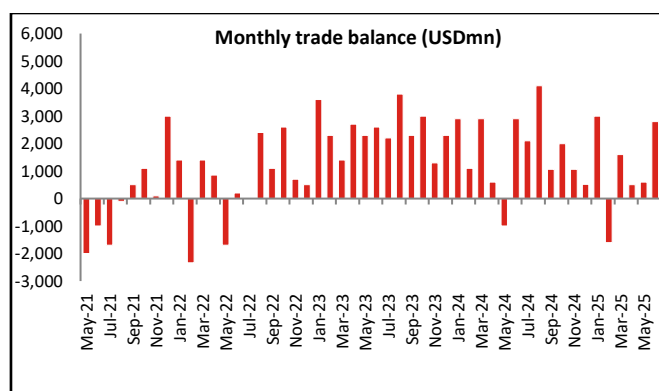
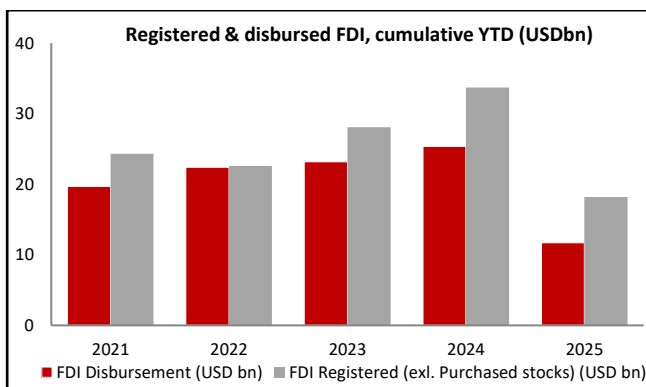
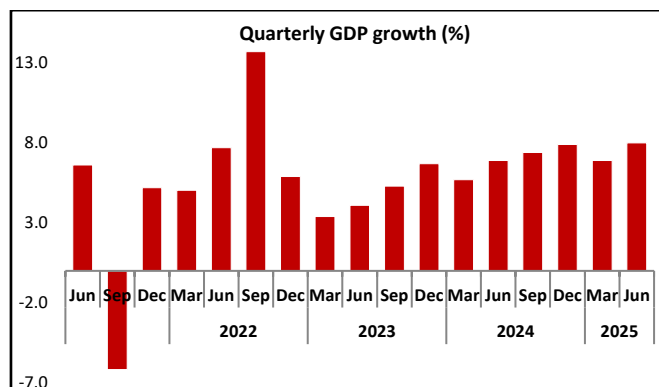
Further to that last point, tourist arrivals surged by 21% YoY in both Q1 and H1, driven by a full recovery of Chinese tourist arrivals in Vietnam. Had tourism arrivals not surged, we estimate real retail sales growth would have been around 5-6%, lower than the 8-9% annual growth rates often seen pre-COVID. One reason for tepid consumption growth is that many households are still re-building their savings safety nets that were depleted during COVID.

The net result of slower export growth and flat consumption growth in H2 will almost certainly be slower GDP growth. That said, the Government's infrastructure spending/disbursements leapt 40% in Q2, with most of that disbursement taking place in May and June, which we discussed in this [report](#). However, that sudden spending surge has not yet been translated into actual economic activity, partly because of the rapid, recent increase in disbursements and partly because some of those funds may have been channeled into land acquisition, which does not immediately boost GDP.

Further to that last point, the growth of construction activity (which accounts for 5% of GDP) only picked up from 8% in Q1 to 8.5% in H1, despite the fact that infrastructure spending surged from a 1% YoY drop in Q1 to 40% growth in H1. Consequently, construction activity will almost certainly accelerate further in H2 and in 2026.

Finally, CPI inflation in Vietnam ticked up from 3.2% YoY in May to 3.6% in June driven by a circa 5% increase in retail petrol prices during the month, which was in-turn driven by a surge in global oil prices prompted by geopolitical issues in the Middle East. Note also that the USD-VND exchange rate ended in June with a 2.5% YTD depreciation, which is nearly unchanged from end-May.

Macroeconomic Charts



Macroeconomic Indicators

	2024	Jun-25	YTD	YOY ¹
GDP growth (%)	7.1	8.0	7.5	
Inflation (%) ²	3.6	3.6	3.3	
FDI commitments (USD bn)	33.7	2.7	18.2	27.2
FDI disbursements (USD bn)	25.4	2.8	11.7	8.1
Imports (USD bn)	380.8	36.7	212.2	17.9
Exports (USD bn)	405.5	39.5	219.8	14.4
Trade surplus/(deficit) (USD bn)	24.8	2.8	7.6	
Exchange rate (USD/VND) ³	25,485	26,116	26,116	

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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