

Vietnam’s economy grew a stellar 7.1% in 2024

**4Q growth surpassed expectations at 7.6% on robust investment and manufacturing
GDP growth target of 6.5-7.0% for 2025; Prime Minister pushing for 8.0% growth
SBV will likely maintain policy rate amid robust growth and manageable inflation**

Summary

Vietnam’s economy outperformed its regional peers and surpassed consensus forecast with a stellar 7.6% y/y in growth in 4Q (3Q: 7.4% y/y). This brings full year growth well above government’s target at 7.1% y/y for 2024 (2023: 5.1% y/y), as the manufacturing hub continued to benefit from strong export growth and foreign direct investment (FDI), and amid resilient domestic consumption.

For 2025, Vietnam has set an official GDP growth target of 6.5% to 7.0%, in line with consensus forecast, but Prime Minister Pham Minh Chinh has pledged to push for an 8.0% growth for the year.

Details

Double-digit growth in exports, alongside robust FDI (disbursed FDI: +9.4% y/y to \$25.4bn in 2024), helped support manufacturing activity in 2024. Exports gained for the 10th straight month in December at +12.8% y/y (prior: +8.2% y/y), led by shipments of electronics, smartphones, garments, as well as farm produce. Consequently, the manufacturing sector grew a strong 9.8% y/y for the year.

On the domestic front, still strong retail sales (Dec: +9.3% y/y vs Nov: 8.8% y/y) suggests resilient domestic consumption, supported by solid wage growth, accommodative monetary policy and an inflation environment that remains manageable and below government’s target of 4.0% (CPI: 2.9% y/y in December, 3.6% y/y for 2024). Consumer spending, could nonetheless, face some headwind amid reports that Vietnam plans to cut at least one fifth of its public workforce in a major overhaul.

Outlook

We have a positive economic outlook for Vietnam, as growth drivers like public and private investments, and foreign trade are expected to remain robust in 2025.

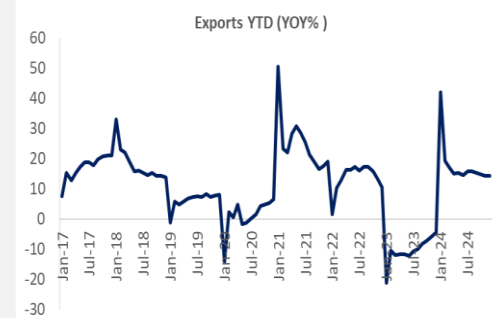
- Manufacturing sector should remain strong as Vietnam is a hub for assembly, packaging, and testing for semiconductor chips, and the chip-led tailwind is expected to continue in 2025.
- While noting potential slowdown in global trade growth amid heightened trade tension with Trump administration in view, it should also be noted that Vietnam is also seen as a viable alternative to China in the production of electronics, and in fact, has pulled in foreign capital from tech giants like

Figure 1: Strongest GDP growth since 3Q of 2022, as the manufacturing sector remained robust



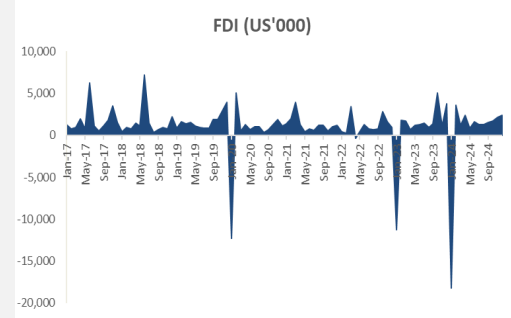
Source: Bloomberg

Figure 2: Sustained double-digit growth for exports



Source: Bloomberg

Figure 3: Resilient FDI flows into Vietnam

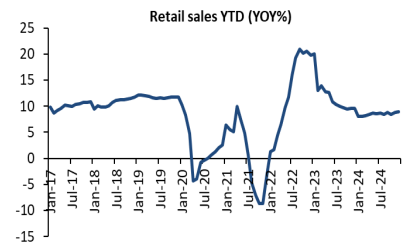


Source: Bloomberg

Samsung Electronics and Intel. This should help to support for both exports and manufacturing sector during the year.

- The domestic sector remains bright. Solid wage growth, driven by FDI job creation as well as still accommodative monetary policy (we expect no change in SVB refinancing rate at 4.50%) and robust tourism should support private consumption.
- The domestic sector will also benefit from faster disbursement of funds to boost investment and fund big infrastructure projects, like the 3000km expressway and “basic” completion of Long Thanh International Airport’s initial phase, largely in line with the Prime Minister’s push to achieve the 8% GDP growth target.

Figure 4: Resilient consumer spending



Source: Bloomberg

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