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18/03/2025

Vietnam's Macroeconomic Update – February 2025

Summary of Key Information:

- In 2025, the world is witnessing major shifts, with Donald Trump assuming the U.S. presidency for the second time and implementing a series of reforms from day one. With a new strategic direction emphasizing a multipolar world rather than U.S. dominance, Trump is reshaping bilateral and multilateral relations in ways unseen for decades.
- The economies of the U.S. and China, the two global powerhouses, are also undergoing significant transformations. The U.S. appears to be preparing for short-term economic challenges in pursuit of long-term strategic goals, while China is solidifying its status as a technology leader by unveiling groundbreaking advancements in AI, robotics, and semiconductors.
- Vietnam's economy has remained relatively stable in the first two months of 2025. However, the pressure to achieve this year's growth targets is immense, coupled with global uncertainties that could hinder progress. On the other hand, Vietnam is aggressively implementing measures to meet its 2025 objectives, leaving room for optimism about positive outcomes for the year.

GLOBAL MACRO UPDATE

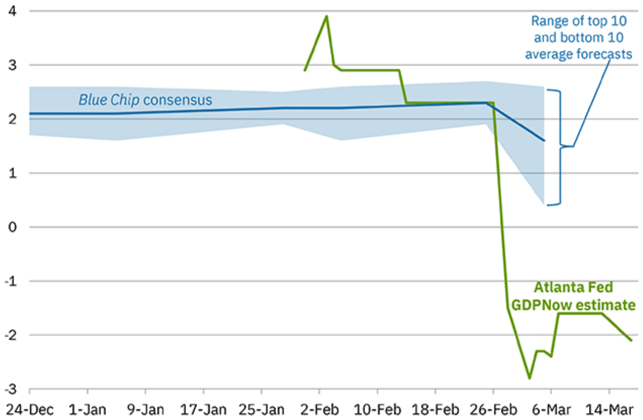
The world has experienced the first two months of 2025 with a wide range of emotions. The most significant and pivotal event during this period was the official inauguration of U.S. President Donald Trump, followed by a series of highly controversial policies aimed at making America "great again." While it is still too early to assess the full impact of his proposals and strategies on the U.S. and the world, one thing is certain—America under Trump's leadership is no longer the same as before.

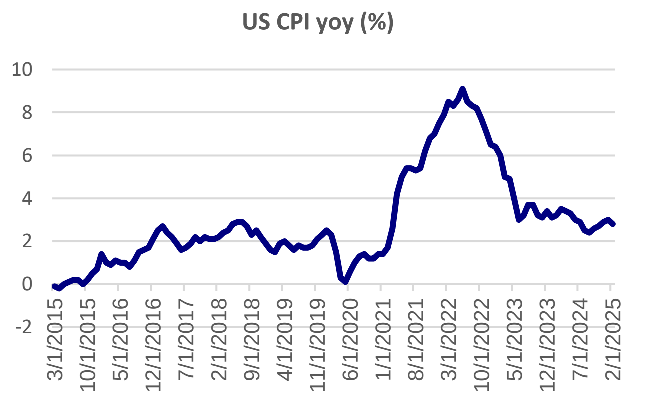
One of the most notable aspects of Trump's second term is that he entered office with significantly better preparation compared to his first term. During his initial presidency, his administration struggled with internal disagreements, leading to frequent personnel changes and inconsistencies in governance. This time, with four years of prior experience in government and an additional four years of preparation during Biden's presidency, Trump has had ample time to refine his vision and assemble a strong leadership team aligned with his "Make American Great Again" agenda.

His core team consists of loyalists who have been tested over the past eight years, ensuring greater consistency in policy execution. Additionally, with the strategic support of billionaire and visionary Elon Musk, Trump's current administration is expected to drive transformative changes in an America that many view as having stagnated under Biden's four-year term.

Of course, this also comes with certain disadvantages. Trump's greatest advantage during his first term was that he was an outsider to the global political system at the time. Combined with his sharp business acumen and extensive experience in negotiation, his non-traditional background gave him a significant edge in bilateral and multilateral dealings with world powers.

However, this advantage has somewhat diminished as global leaders have had eight years to study and prepare for his approach. Unlike before, when he often took the initiative in diplomatic interactions, many international partners are now better equipped to anticipate and counter his tactics, making negotiations more challenging and less one-sided than in his first term.





Source: Bloomberg Terminal, Atlanta Fed, GTJA RS team

In the U.S. market, the first economic fluctuations under President Donald Trump's new administration have emerged, bringing both positive and negative aspects. As Trump implements new tariff proposals on trade partners, establishes the Department of Government Efficiency (D.O.G.E.) led by tech billionaire Elon Musk, and increases diplomatic dialogues worldwide, a sense of deep structural reform is spreading across the globe.

The first and most significant development is the Atlanta Fed's projection that U.S. GDP in Q1 2025 may contract, showing a sharp decline after several adjustments. The institution later clarified that this negative GDP figure was partly due to an unusually large gold import volume in the early days of 2025. If this anomaly were excluded, GDP would still be positive at around 0.4%. However, this situation still suggests that the U.S. economy may cool down rapidly in the early phase of Trump's second term.

The slowdown in GDP may be attributed to several factors.

First, D.O.G.E.'s intensified efforts to reduce public sector employment **and** eliminate inefficient government spending will likely decrease total demand in the economy. Under Biden's administration, the public sector accounted for 31% of newly created jobs, compared to an average of only 9% in previous periods. Thus, layoffs in the public sector could lead to temporary unemployment spikes and a reduction in consumer spending among those affected.

Beyond job creation, Biden's administration also engaged in aggressive government spending, running an annual deficit of over $2 trillion. Now, Elon Musk is seeking to cut this figure by at least half. Such sharp reductions in government expenditure could significantly weaken total demand in the U.S. economy.

However, this is not entirely negative. A decline in overall demand is likely to help stabilize prices in the U.S., and recent inflation data has already reflected this trend.

For example, egg prices, which had surged 6-8 times at the beginning of Trump's second term due to the reduction of poultry stocks to combat H5N1, have recently shown signs of stabilization. Additionally, U.S. real estate prices, which have been relatively high, are starting to cool in areas like Washington, D.C., as many government employees decide to sell off properties following downsizing in the public sector.

The deflationary effects of reduced demand may also be counterbalanced by increased import tariffs, which help reduce the government's fiscal deficit. At the same time, Trump's tariff threats have already yielded positive results, as Japanese, Taiwanese, and EU companies have announced plans to open factories and invest heavily in the U.S. This move is expected to create new jobs and support Trump's broader strategy of bringing manufacturing and employment back to the U.S.

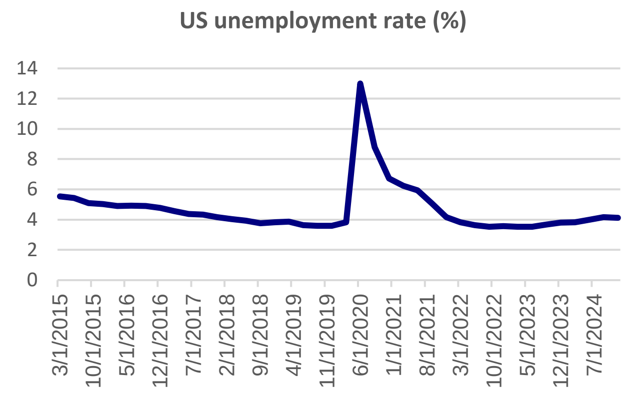
Additionally, estimates suggest that between $5-9 trillion in U.S. government debt will need to be rolled over in 2025. Given the high inflation and soaring bond yields at the end of 2024, before Trump took office, controlling long-term interest rates has become a critical priority.

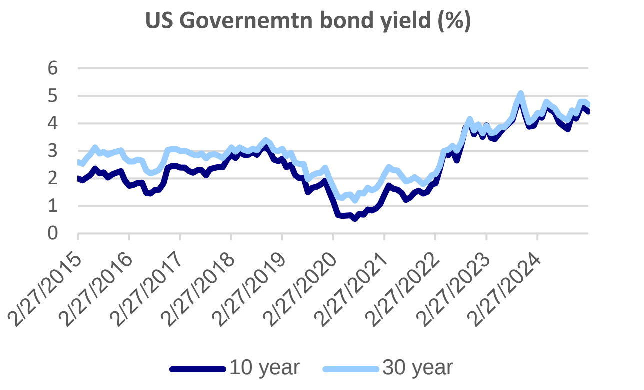
Part of these challenges is attributed to former Treasury Secretary Janet Yellen, who issued many short-term bonds (around 2-year maturities) to borrow from the market at lower interest rates, aiming to reduce borrowing costs. However, this strategy created long-term risks as these bonds are now approaching maturity.

Since Trump took office, U.S. bond yields have declined slightly, suggesting that his administration has made some progress in addressing its policy priorities.

Overall, it is still too early to assess the effectiveness of Trump's policies. However, it is certain that his presidency is bringing profound changes to the global landscape.

With U.S. Secretary of State Marco Rubino officially discussing the shift toward a multipolar world, America's role will undoubtedly be adjusted. Meanwhile, new power centers such as China, Russia, and other emerging blocs are expected to rise and counterbalance U.S. influence.





Source: Bloomberg Terminal, GTJA RS team

In contrast to the U.S. trend of scaling back and restructuring its global role, ***China*** is positioning itself as a strong supporter of long-standing international commitments and institutions. Alongside its push for innovation across all scientific and technological fields, China is increasingly becoming a trusted partner for many nations and global institutions.

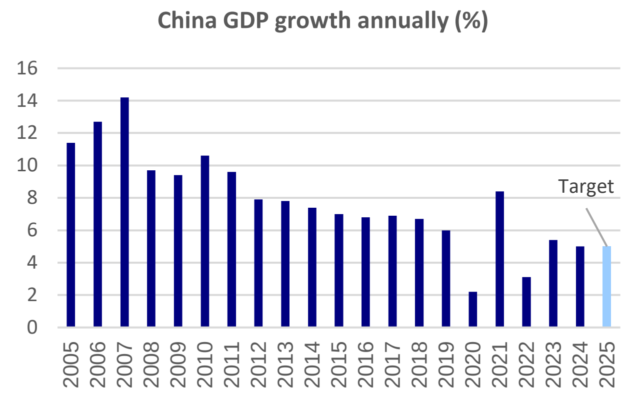
One of China's most significant recent achievements is the launch of Deepseek AI, an open-source artificial intelligence model. This breakthrough allows the world to access cutting-edge AI technology with maximum security and minimal cost. Despite being open-source, Deepseek's quality has been highly praised worldwide, ushering in a new era of AI democratization for humanity.

However, DeepSeek is certainly not China's only AI breakthrough, as major corporations such as Alibaba, ByteDance, and Tencent are also developing their own AI models with remarkable quality and cost efficiency. By demonstrating its capabilities in artificial intelligence, China is solidifying its role as a global technological pillar in the years ahead.

Of course, China's technological leadership extends beyond AI. Recently, Huawei announced that it has successfully developed EUV (Extreme Ultraviolet) lithography machines, with trial production and commercialization of advanced chips expected between Q3 2025 and 2026. This development suggests that ASML's monopoly in EUV lithography could soon be challenged. As China moves closer to mastering EUV technology, it takes a significant step toward full autonomy in semiconductor manufacturing—a feat that no other country in the world has yet achieved.

With rapid advancements in technology—ranging from AI to robotics, automation, and drones—China successfully achieved its 5% GDP growth target in 2024 and is aiming for a similar growth rate in 2025.

Of course, China still faces certain structural economic challenges, particularly the persistent risk of deflation. However, with recent monetary and fiscal stimulus packages, along with the Chinese government's strong commitment and the nation's vast resources, it is highly likely that China will complete its economic restructuring and emerge as a leading powerhouse on the global stage in the years ahead.



Source: Bloomberg Terminal, China Bureau of Statistics, GTJA RS team

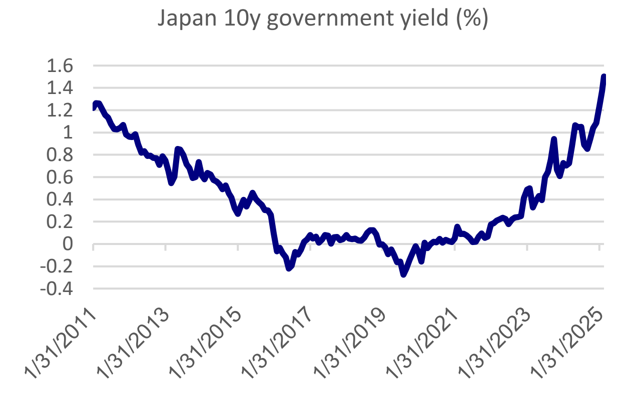
In Japan, the country's economic difficulties have yet to see significant improvement. In addition to GDP growth remaining weaker than expected (Q4 GDP increased by 0.6% compared to the 0.7% forecast), inflation continues to rise, reaching 3.2% versus the 3.1% forecast.

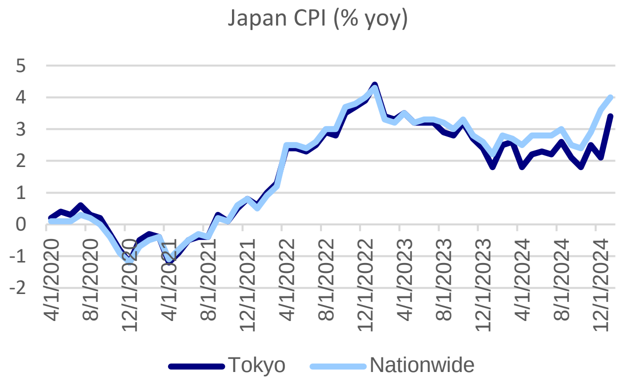
Inflation in Japan surged last year, exceeding the 2.0% target set by the Bank of Japan (BOJ). This prompted the BOJ to raise interest rates multiple times in 2024, which caused panic in global financial markets mid-year.

The main reason behind this turmoil was the long-standing carry trade strategy widely used by investors. Under this strategy, investors borrowed JPY at low-interest rates, converted it into higher-yielding foreign currencies (such as USD), and invested in markets offering better returns. However, BOJ's rate hikes significantly increased borrowing costs and triggered exchange rate risks as the JPY appreciated, forcing investors to unwind their carry trade positions, leading to major market fluctuations.

Additionally, the rise in inflation has driven Japan's 10-year bond yields sharply higher, recently surpassing pre-2008 levels seen during the global financial crisis and continuing an upward long-term trend.

The increase in Japan's 10-year bond yields is expected to have negative effects on capital costs and the bond portfolios of many funds and institutions in Japan as well as globally. This, in turn, could make the financial markets more fragile and increase volatility across global asset classes.





Source: Bloomberg Terminal, GTJA RS team

VIETNAM

In Vietnam, the Industrial Production Index (IIP) for February recorded a remarkable growth of 17.2% compared to the same period in 2024. However, this impressive increase was partly influenced by the early arrival of the Lunar New Year this year, which ended in January, allowing for a longer production period in February. When considering both January and February, the IIP grew by approximately 7.2% year-over-year, which is still a solid increase.

GDP

The main driver of growth in the first two months of 2025 remained the manufacturing and processing sector, which expanded by 9.3%. Key sub-sectors with notable growth included leather production (+22.5%), apparel (+15.3%), and wood products (+12.5%), alongside electronics, optical devices, and computers (+9.5%), where FDI enterprises dominate.

Overall, Vietnam's textile, garment, and footwear industries have greatly benefited from political instability in Bangladesh in 2024, leading to an increase in new orders. Meanwhile, the wooden furniture industry has seen a strong shift in production to Vietnam since the first U.S.-China trade war, further supporting the sector's robust expansion.

The water supply, waste treatment, and wastewater management sector also experienced solid growth of 8.0% in the first two months of 2025. Meanwhile, electricity production and distribution saw only a modest increase of 2.3%. The mining sector continued to decline, with industrial output dropping by 6.4%, as Vietnam gradually moves away from a resource-intensive economic model toward more sustainable development strategies.

Although industrial output continues to grow, and the government remains committed to strategic initiatives aimed at lifting Vietnam out of the middle-income trap and achieving advanced industrialization in the coming years, part of the early 2025 growth was driven by preemptive production increases in anticipation of shifts in the global economy following President Trump's inauguration.

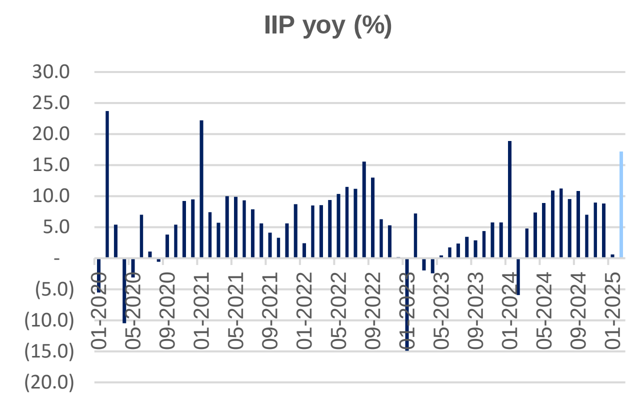
Looking ahead, Vietnam's ability to sustain its current production capacity will face challenges, given its export-oriented economic model. With the global trade environment expected to face headwinds under President Trump's administration, Vietnam's trade-dependent industries may need to adapt to potential disruptions in global commerce.

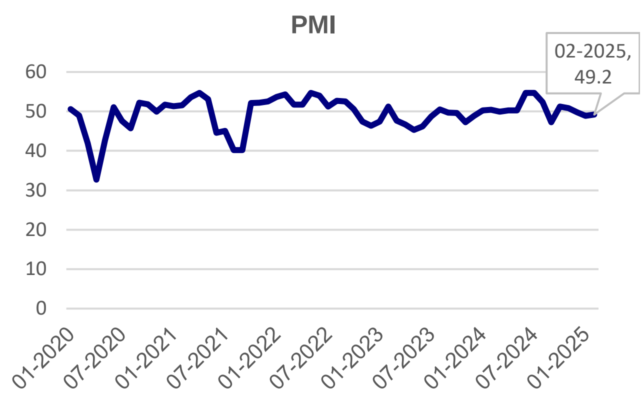
Industrial manufaturing

The biggest current concern is that the PMI has consistently indicated expectations of production contraction over the past three months. S&P Global reported that February's PMI reached 49.2 points, a slight increase from 48.9 in the previous month but still below the neutral threshold of 50.

Survey results show a decline in overall orders for the coming period, driven by weaker demand from both domestic and international markets. This was accompanied by a drop in production towards the end of February.

In addition to the decline in output and orders, firms have also halted hiring expansion, making February the fifth consecutive month of workforce reduction. However, some positive signs emerged as purchasing activity for raw materials saw a slight recovery, indicating expectations of demand stabilization soon.





Source: General Statistic Office, S&P Global, GTJA RS team

Total retail sales of goods and services

The total retail sales of goods and services in February 2025 is estimated to have reached VND 562 trillion, reflecting a growth rate of approximately 9.4% compared to 2024. This growth rate surpasses the 8.4% increase recorded in the same period of 2024, indicating a steady recovery in both economic activity and consumer spending.

Adjusted for inflation, the growth rate of total retail sales of goods and services stands at 6.2%, also higher than the 5.3% growth observed in the first two months of 2024.

Retail sales of goods continue to account for 77.2% of total retail sales, maintaining a solid growth rate of 8.3%. Meanwhile, tourism and travel services remain a highlight, posting a remarkable 17.3% increase, although their contribution remains modest at 1.3% of total retail sales. Accommodation and food services also saw impressive growth at 12.7%, accounting for 11.5% of total retail sales.

Overall, Vietnam's retail sector is in a recovery phase, supported by strong economic growth, a young population, rising incomes, and improved transportation infrastructure. Additionally, the easing of entry regulations for international tourists has contributed to the increase in foreign visitors, further boosting growth in this sector.

After the Lunar New Year holiday, the influx of international tourists to Vietnam continued, with an estimated 1.89 million visitors in February 2025, reflecting a 23.7% increase compared to the same period in 2024.

In the first two months of the year, the total number of international arrivals reached 3.96 million, demonstrating an impressive growth rate of 30.2% compared to the same period last year. With this momentum, tourist arrivals to Vietnam have surpassed pre-COVID-19 levels and are making a significant contribution to the country's economic growth.

Asia remains the most important source market for Vietnam's tourism, recording a 34.7% increase compared to the first two months of 2024. Meanwhile, Europe and the Americas saw similar growth rates of 18.6% and 17.2%, respectively, while Oceania recorded a single digit increase of 7.8%.

By country, Chinese tourists have become the largest group of international visitors to Vietnam, accounting for 24.1% of the total foreign tourist arrivals in the first two months of 2025. South Korea follows at 22.3%. In recent years, China has consistently recorded the highest growth rate in tourist arrivals to Vietnam, surpassing South Korea as Vietnam's largest tourism market since late 2024.

Source: General Statistic Office, GTJA RS team

FDI

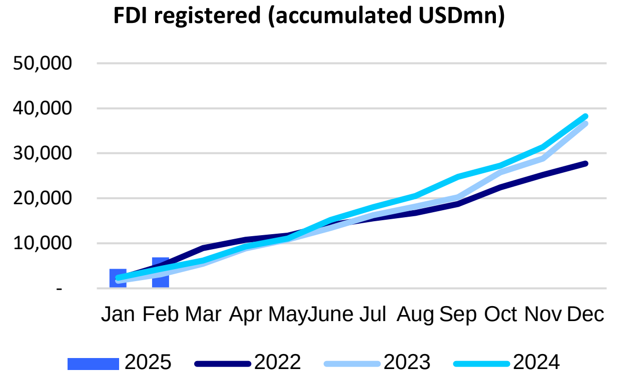
In the first two months of 2025, registered FDI in Vietnam reached approximately $6.9 billion, of which $6.38 billion came from new project registrations or expansions of existing projects, while $0.53 billion was allocated for capital contributions and share acquisitions in existing enterprises.

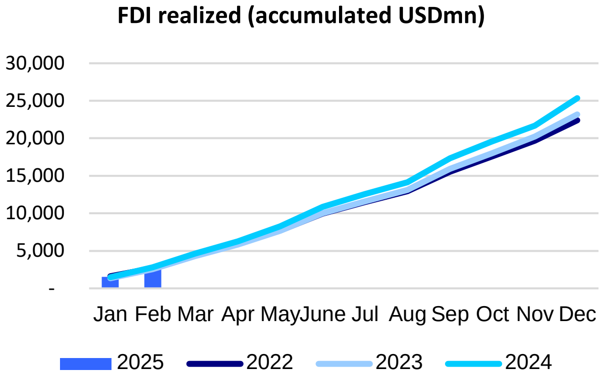
This represents a 60.8% growth in total registered FDI during the first two months of 2025, marking a very positive increase as Vietnam continues to solidify its position within the global supply chain.

By investment structure, the majority of registered FDI was directed toward the expansion of existing projects, totaling approximately $4.2 billion, which is nearly eight times higher than the same period in 2024. Meanwhile, new project registrations reached $2.2 billion, representing a 40% decline compared to the same period last year.

Overall, there has been a **shift in FDI allocations toward existing projects since November 2024**, indicating **investors' concerns about potential policy shifts following the U.S. presidential election**.

Disbursed FDI in February reached $1.44 billion, bringing the total disbursed FDI in the first two months of this year to $2.95 billion, a 5.4% increase compared to the same period in 2024. This indicates that Vietnam continues to maintain positive growth in both registered and disbursed FDI, contributing to a solid foundation for an economic growth model that leverages foreign technology while facilitating learning, technology transfer, and mastery for domestic enterprises—aligning with the modernization goals and transformative era set forth by the Party and the State.





Source: Ministry of Planing and Investment, GTJA RS team

Import/ Export

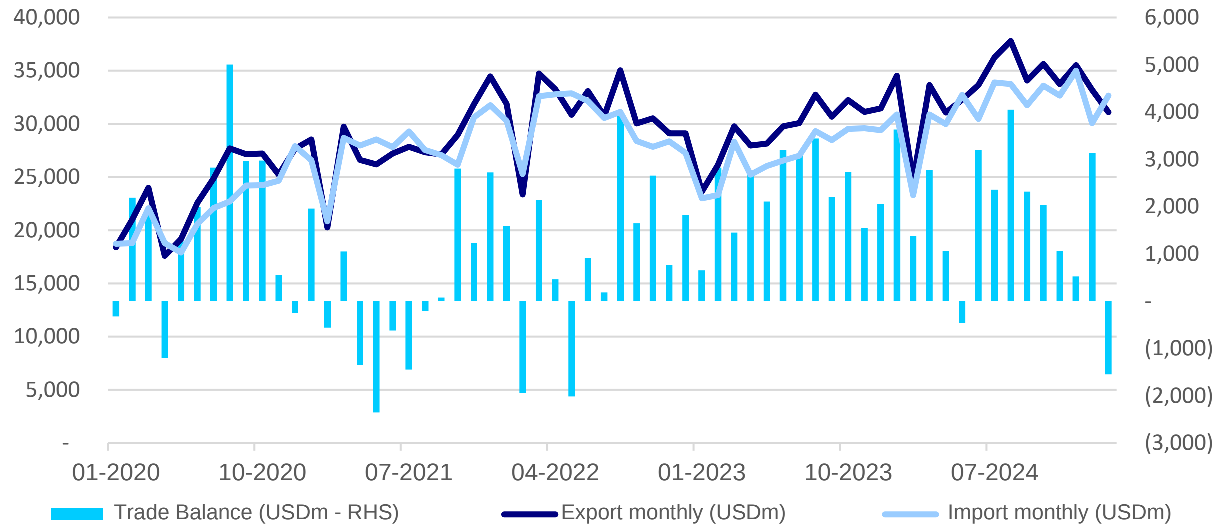
Accompanying the growth of FDI activity in Vietnam, the country's total import-export turnover in the first two months of 2025 reached $127 billion, with exports amounting to approximately $64.3 billion and imports at $62.7 billion. As a result, Vietnam recorded a trade surplus of $1.6 billion, a slight decrease compared to the same period in 2024.

The FDI sector continued to be the driving force behind Vietnam's foreign trade, with a total trade value of $86.1 billion, accounting for 67.8% of the country's total trade. Due to its product advantages and extensive network, the FDI sector contributed $6.2 billion to Vietnam's trade surplus, significantly offsetting the trade deficit of domestic enterprises.

In February, Vietnam's export sector recorded $31.1 billion in exports. Cumulatively, for the first two months, exports totaled $64.3 billion, reflecting an 8.6% growth compared to the same period in 2024. While this growth rate is moderate compared to the double-digit growth of previous years, it remains encouraging given the rising uncertainties in global markets. The FDI sector contributed $46.2 billion to Vietnam's exports, representing 71.8% of total export turnover.

Vietnam's import sector recorded $32.7 billion in imports for February, bringing the total import turnover for the first two months of the year to $62.7 billion, reflecting a 15.7% increase compared to the same period in 2024. The FDI sector accounted for 63.7% of total imports, reaching $40 billion in the first two months of the year.

Overall, Vietnam's import-export activities are experiencing fluctuations in line with recent global trends. However, with strong demand for imported production materials, there is optimism that exports will soon regain momentum, helping Vietnam increase its trade surplus and contribute to the country's ambitious 8% GDP growth target for 2025.



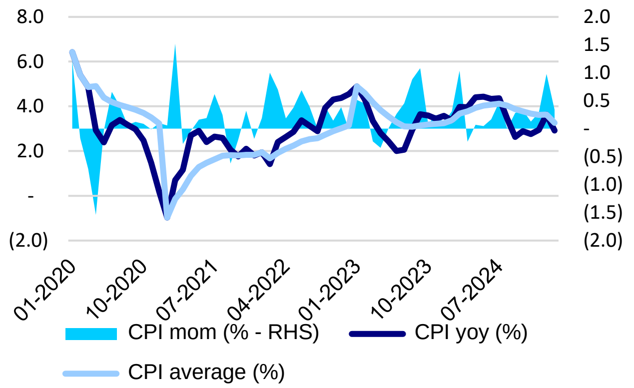
Source: Custom Vietnam. General Statistics Office, GTJA RS team

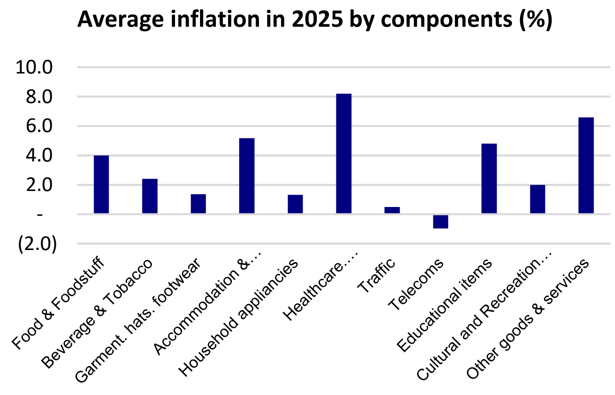
Inflation remained relatively stable

Alongside strong economic growth, inflation in Vietnam has remained relatively stable in the early months of 2025. The Consumer Price Index (CPI) recorded a 2.91% increase in February compared to the same period in 2024. On average, for the first two months of 2025, CPI grew by 3.27%, still well below the 4.5% ceiling. As inflation in the U.S. continues to cool while China struggles with deflation risks, inflationary pressures in Vietnam are gradually easing, reducing concerns about their impact on growth targets.

Healthcare and pharmaceuticals remained the biggest contributors to inflation in early 2025, with costs rising 14.3% over the first two months. Housing and construction materials saw the second-highest price increase at 5.1%, reflecting improving real estate market conditions. Meanwhile, food price pressures remained moderate, fluctuating between 2-4%.

Notably, education services (-0.78%) and transportation costs (-1.56%) declined. Education costs, which surged in previous years, have stabilized following the government's tuition reduction policies for public school students. Similarly, transportation costs benefited from the global decline in oil prices, driven by easing geopolitical tensions and progress toward a peace agreement in the Russia-Ukraine conflict.





Source: GSO, GTJA RS team

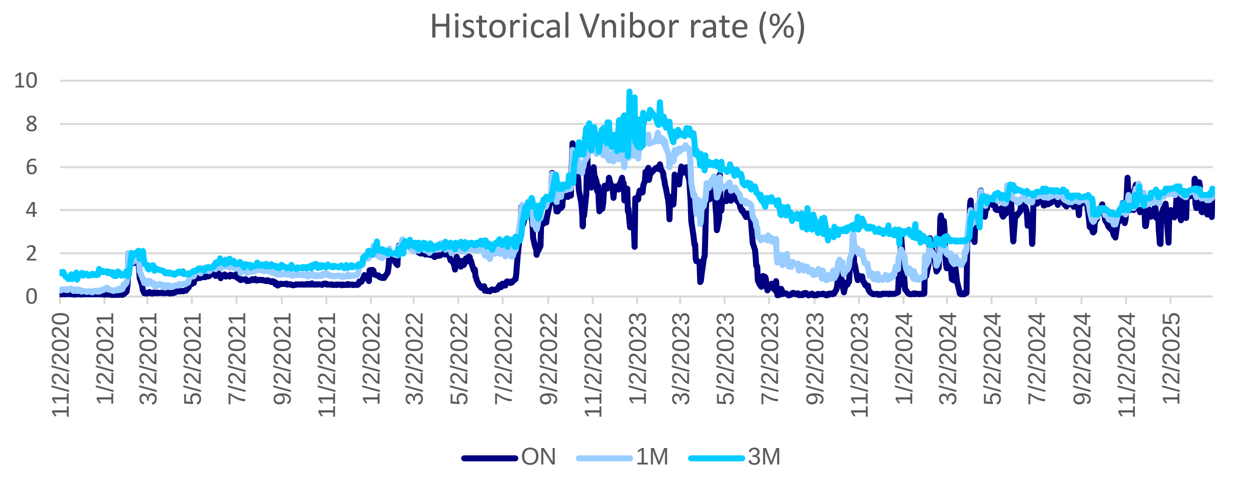
According to early 2025 credit forecasts, the credit market has shown relatively growth, expanding by approximately 1%. With high credit demand expected throughout 2025 to support economic growth, there is likely to be pressure on interest rates and market liquidity.

Indeed, in the early months of the year, several banks raised deposit interest rates to balance capital needs. Additionally, banks actively participated in open market operations (OMO) with the State Bank of Vietnam (SBV), indicating a shortage of capital in the financial system. By the end of February, Deputy Governor Đào Minh Tú confirmed in a statement to the media that banks have increasingly limited room to support the market through interest rate cuts, due to restrictions on mobilized capital.

If these trends persist, they could pose challenges to achieving 2025 growth targets. Fortunately, the Prime Minister and SBV have promptly intervened, implementing liquidity support measures for banks. These steps have stabilized interest rates and alleviated funding pressures on commercial banks.

However, challenges remain, especially as liquidity shortages seem to be emerging in major economies like the U.S. Therefore, liquidity and interest rate trends need to be closely monitored to ensure that investors are not caught off guard.

Additionally, the potential reversal of JPY carry trade strategies is another risk factor that warrants close observation



Source: Bloomberg Terminal, GTJA RS team

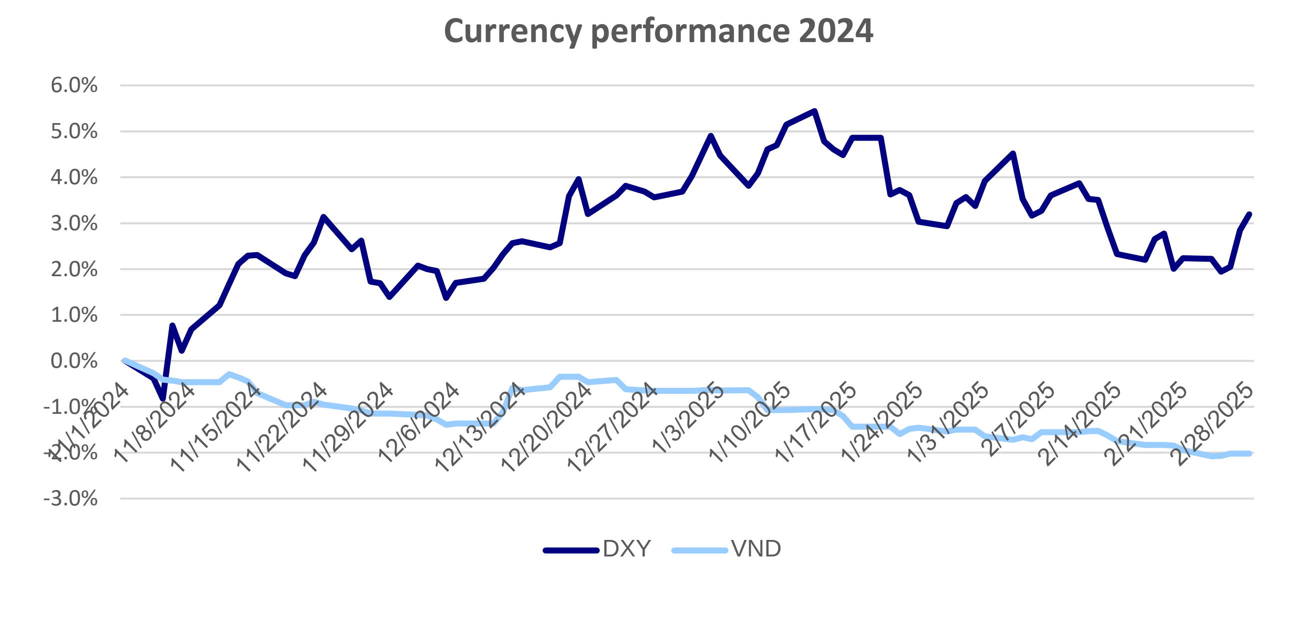
Exchange rate

The exchange rate has experienced fluctuations since Donald Trump's election as U.S. President. Until early 2025, the exchange rate remained relatively stable, supported by intervention from the State Bank of Vietnam (SBV). During January 2025, the VND appreciated by about 1% against the USD, driven by strong remittance inflows ahead of the Lunar New Year. However, this appreciation was relatively modest compared to similar periods in the past, indicating shifts in global capital flows.

Fundamentally, in 2024, the VND moved in line with global USD trends. When the USD strengthened, reflected by an increase in the DXY index, the VND depreciated, and vice versa.

However, since the Lunar New Year—which coincided with Trump's official inauguration and the implementation of his policies—even though the USD weakened slightly, the VND continued to depreciate. This suggests that new factors are emerging, such as concerns over a potential new trade war under Trump and rising global recession risks, which are now exerting greater influence on the VND rather than traditional factors.

Overall, the VND is being managed flexibly and skillfully, with its depreciation remaining moderate. As of now, the VND has depreciated by approximately 1.0% compared to pre-election levels (before Trump's victory) and 0.3% compared to the end of 2024. This level of depreciation is relatively reasonable, aligning with Vietnam's and the U.S.'s macroeconomic shifts.

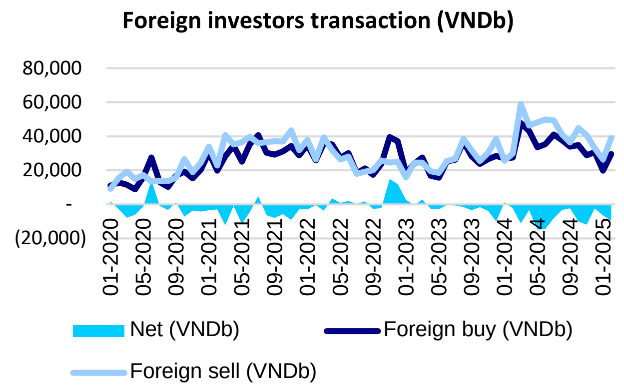


Source: Bloomberg Terminal, GTJA RS team

Stock market performance

Investors continue to engage in net selling on the Vietnamese stock market, with estimated net outflows reaching approximately 16 trillion VND in the first two months of the year, putting pressure on the market. In the short term, rising global uncertainties, attractive USD yields in the U.S., and the upward trend of long-term interest rates in Japan are key obstacles to attracting capital back to the Vietnamese stock market.

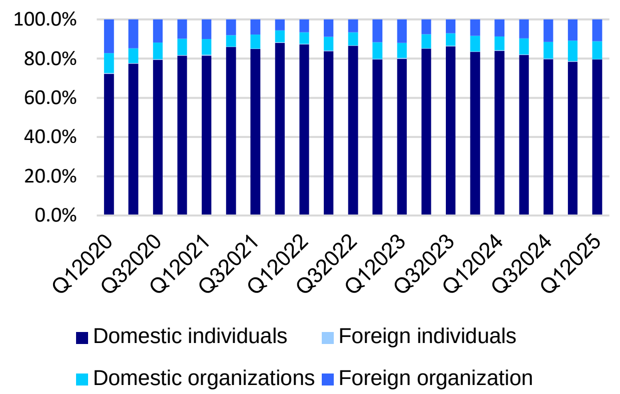
Nevertheless, the VN-Index has shown a positive start in 2025, particularly in February, when it rose by 3.2%, driven by expectations of strong economic growth, potential market reclassification by FTSE, and the implementation of advanced systems like KRX and CCP. Once market sentiment stabilizes in the medium term, liquidity is expected to return, fueling a well-deserved surge in the VN-Index that aligns with Vietnam’s economic potential.

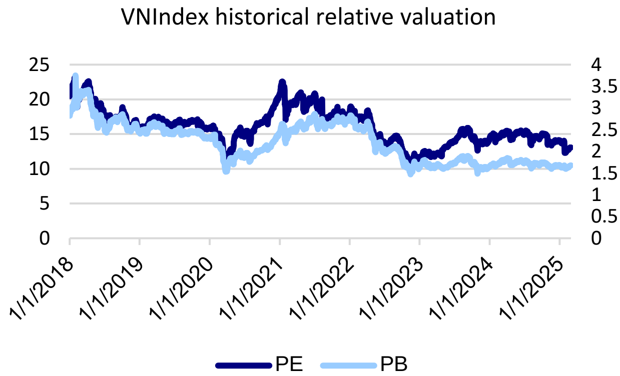


Source: Bloomberg Terminal, Hochiminh Stock Exchange, GTJA RS team

Overall, in the short term, challenges in the Vietnamese stock market remain, as previously warned by GTJAS. However, signs of recovery have emerged since the Lunar New Year, with liquidity improving, suggesting that the market is gradually demonstrating greater maturity and stability. This progress is helping to restore investor confidence after a period of complex domestic and global fluctuations since 2022.

As of the end of February, the Vietnamese stock market remains historically undervalued, presenting a significant investment opportunity. Investors, both domestic and international, still have ample room to allocate capital and benefit from Vietnam's ongoing economic growth.





ASource: Bloomberg Terminal, FiinPro, GTJA RS team

COMPANY RATING DEFINITION

Benchmark: VN – Index. Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% OrThe Fundamental outlook of the sector is unfavorable

DISCLAIMER

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