

Macro Note

Vietnam: 1Q GDP overshadowed by Trump tariffs

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- Vietnam's real GDP in 1Q25 slowed to 6.93% y/y, from the 7.55% expansion in 4Q24. This is slightly below our and consensus median forecast of 7.1%. The slower pace is partly due to festive season of Lunar New Year holidays, as factory activity moderated during the quarter while exports momentum picked up.
- Despite a respectable 1Q GDP report, what markets are focusing on is the surprisingly large 46% reciprocal tariff slapped against the country by US President Trump that is set to be effective 9 Apr. While there are efforts underway to negotiate with the US, the outcome remains uncertain.
- **Outlook** – After an upbeat year in 2024, the outlook for Vietnam has decidedly turned negative with the US levying a punitive tariff on the country. Unless there are reversals in the meantime, Vietnam would need to brace for the impact of the tariff, including the postponement or cancellation of export orders and investment plans being put on hold. In view of the significant downside risks, we're lowering our forecast for Vietnam's GDP growth in 2025 by 1% pt to 6.0% (from previous call of 7.0%) vs 7.09% in 2024. The National Assembly had previously set a growth target of 6.5-7.0% for 2025, while Prime Minister Pham Minh Chinh has maintained "at least" 8% of expansion this year.

Growth pace moderated in 1Q25

Vietnam's real GDP moderated to 6.93% y/y in 1Q25, according to the National Statistics Office on Sun (6 Apr). The pace is slightly below our and consensus view of 7.1% and behind the 7.55% growth in 4Q24.

The slower pace is partly due to festive season of Lunar New Year holidays, as factory activity moderated during the quarter while exports momentum picked up. Manufacturing output slowed to 9.3% y/y from 9.97% in 4Q24. While the latest PMI data suggest that Vietnam's manufacturing sector returning to expansion zone in Mar after 3 straight months contraction, the data may be put to a severe test after the announcement of "reciprocal tariff" by US President Trump on 2 Apr. Overall services sector moderated to a 7.7% y/y pace from 8.2% in 4Q24, but still the second quickest increase in the past 9 quarters.

In the first 3 months of 2025, exports increased by 10.6% y/y to USD 102.8 bn while imports jumped by 17%, resulting in a trade surplus of USD 3.1 bn, well below the surplus of USD 7.8 bn in the same period in 2024. The US continued to be the largest export market, accounting for about 31% share of the total, followed by China (12.8%), and South Korea (7%).

Total registered foreign direct investment (FDI) into Vietnam hit nearly USD 10.98 bn USD in 1Q25, up 34.7% y/y according to local media citing data from Foreign Investment Agency (FIA). Realized FDI rose 7.2% y/y to USD 4.96 bn in 1Q25.

After rising for 3 consecutive years (to USD 25.4 bn in 2024), the government targets realized FDI of USD 27 bn – USD 28 bn of FDI this year, and targets to draw USD 38 bn – USD 40 bn of pledged (or registered) FDI this year after attracting USD 38.2 bn in 2024, according to Bloomberg, quoting a statement on government's website which cited Do Thanh Trung, deputy finance minister at the cabinet meeting Sun (6 Apr). Against a backdrop of global trade tensions and the latest salvo of US "reciprocal" tariffs, these targets are likely to face difficulties as investors pause to reassess their business plans.

Outlook – Prospects dimming post-Liberation Day

After an upbeat year in 2024 and a somewhat respectable 1Q25 GDP report, that is already in the past. What the markets are focusing on is the surprisingly large 46% reciprocal tariff slapped against the country by US President Trump that is set to be effective 9 Apr, in an unprecedented announcement that lifted the average US tariff rate to a level not seen in a century (For further details on the Liberation Day tariff, please refer to US: "Liberation Day" tariffs very broad-based & material, 3 Apr 2025, [link](#)).

While there are efforts underway by Vietnamese officials to negotiate with the US, the outcome remains highly uncertain. Vietnam Communist Party General Secretary To Lam offered to reduce tariff rates to zero, according to US President Trump who said both had a phone call on 4 Apr. A delegation led by Deputy PM Ho Duc Phoc is now in the US for negotiations. We had expected the US to levy a rate of around 10% for most countries on Liberation Day, which would have been more tolerable, but that turns out to be just the universal baseline tariff rate and that additional reciprocal rates are to be added on globally.

Vietnam is particularly vulnerable to trade restrictions and would need to brace for the impact of the tariff spreading through ahead, due to the open nature of its economy: export constitutes 90% of Vietnam's GDP, second highest after Singapore (174%) in ASEAN, as well as its outsized exposure to the US market.

The US accounted for 30% share of Vietnam's exports of USD 402 bn in 2024 and its largest market, followed by China (15%) and South Korea (6%). The major products sold to the US in 2024 include electrical products HS85 (USD 41.7 bn), mobile phones and related HS84 (USD 28.8 bn), furniture HS94 (USD 13.2 bn), footwear HS64 (USD 8.8 bn), apparel knitted HS61 (USD 8.2 bn), and apparel nonknitted HS62(USD 6.6). Products from these sectors accounted for nearly 80% of the shipments that Vietnam sent to the US in 2024.

With such punishingly high tariff rate, Vietnam companies now face the real risks of declines in exports orders as US consumers react to higher prices by cancelling or delaying their purchases, or even considering domestic alternatives as price differentials narrow.

For now, we are factoring in a 20% decline of Vietnam's exports to the US in 2025 (after gaining 20% in 2024). Assuming Vietnam's exports to non-US markets stagnate with 0% gain in 2025 (from USD 283 bn in 2024), this would leave Vietnam's total exports declining by about 6% in 2025 vs 13% gain in 2024. With these assumptions, and after taking into account the impact on production and FDI declines, our model yields a negative 1% pt on GDP growth from our baseline forecast.

In view of the significant downside risks, **we're lowering our forecast for Vietnam's GDP growth in 2025 by 1% pt to 6.0%** (from previous call of 7.0%), vs 7.09% in 2024. We are pegging the growth projections for 2Q25 and 3Q25 at 6.1% and 5.8%, respectively. Under these conditions, both the realigned FDI and registered FDI could back towards the USD 20 bn level this year. As these are just preliminary assessments, the risks are tilted towards the downside given the unprecedented nature of the US tariff measures.

The National Assembly had previously set a growth target of 6.5-7.0% for 2025, while Prime Minister Pham Minh Chinh has maintained "at least" 8% of expansion this year. Given the circumstances, these official projections may require further reassessment unless the reciprocal tariff can be reduced to somewhere around 20% or better, from the current 46%.

SBV to hold rates steady for now

With overall and core inflation staying below official target of 4.5% in the first 3 months of the year and for most of 2024, this has opened the possibility for the State Bank of Vietnam (SBV) to ease its policy stance. However, the exchange rate market has now emerged to become yet another consideration for SBV, as the Liberation Day tariffs set off another round of market turmoil.

At the current juncture, we expect SBV to keep its main policy rate steady for now, with the refinancing rate held at 4.50%. However, the risks are biased towards rate cuts in view of downside pressures on business and exports activities with the shockingly high US tariff rate of 46% against Vietnamese exports.

If domestic business and labour market conditions deteriorate sharply in the next 1-2 quarters, we see the possibility of SBV lowering the policy rate in one-step to the COVID-19 low of 4.00%, then followed with another 50bps step to 3.50%, provided that the FX market is stable and the US Fed moves ahead with rate cuts. For now, our base case remains no change to the SBV policy.

Our latest Monthly FX & Rates Strategy (Tariff-mania!, 4 Apr 2025, [link](#)) argues the case that Asia FX is set to begin its next phase of weakness after the Trump administration slapped punitive tariffs on various Asian economies with up to a combined 54% high for China. Export volumes are almost certain to decline, dimming the growth and hence currency outlook of the respective regional economies.

The VND weakened to a fresh record low of about 25,800 /USD in the aftermath of US' 46% tariff on Vietnamese goods which ranks one of the highest reciprocal rates the Trump administration has slapped on its global trading partners on 2 Apr. The prohibitive tax will make Vietnamese products lose its price competitiveness in the US which is Vietnam's largest export market. The latest trade action could significantly derail Vietnam's goal of achieving 8% GDP growth this year. As growth uncertainties deepen, pressure on the VND will inevitably build. Overall, we reiterate our expectations of further VND weakness and updated USD/VND forecasts are 26,500 in 2Q25, 27,200 in 3Q25, 26,800 in 4Q25 and 26,500 in 1Q26.

Our Forecast

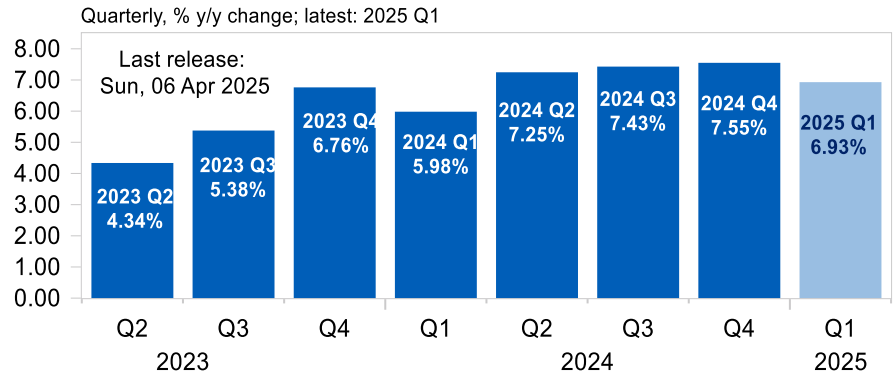
%	As of 06 Apr	2Q25	3Q25	4Q25	1Q26
VND Refi Rate	4.50	4.50	4.50	4.50	4.50

Source: Global Economics & Markets Research

Vietnam: Quarterly Real GDP Growth

Source: Macrobond, UOB Global Economics & Markets Research

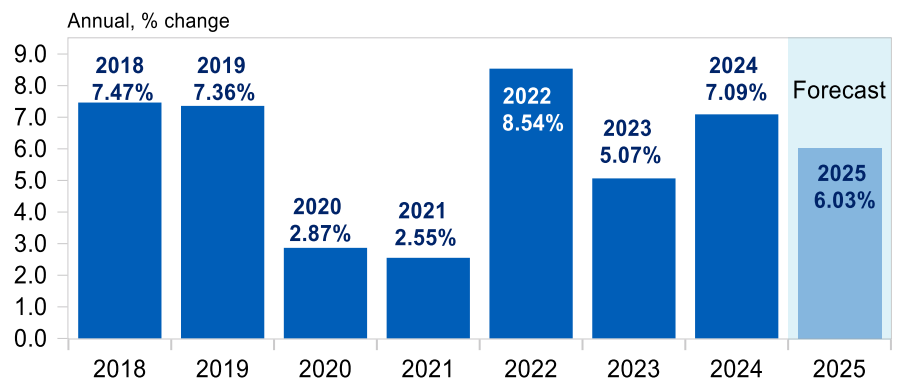
Vietnam, Real Gross Domestic Product (% y/y)



Vietnam: Annual Real GDP Growth Projection

Source: Macrobond, UOB Global Economics & Markets Research

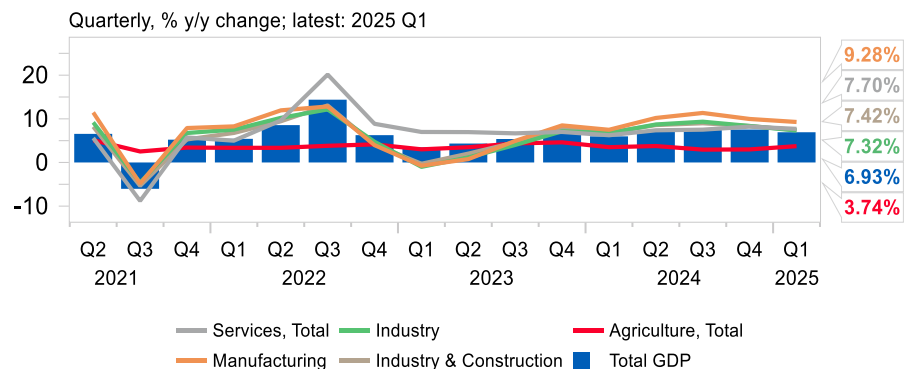
Vietnam: Real GDP growth (VND)



Vietnam: Real GDP Growth By Sectors, Quarterly

Source: Macrobond, UOB Global Economics & Markets Research

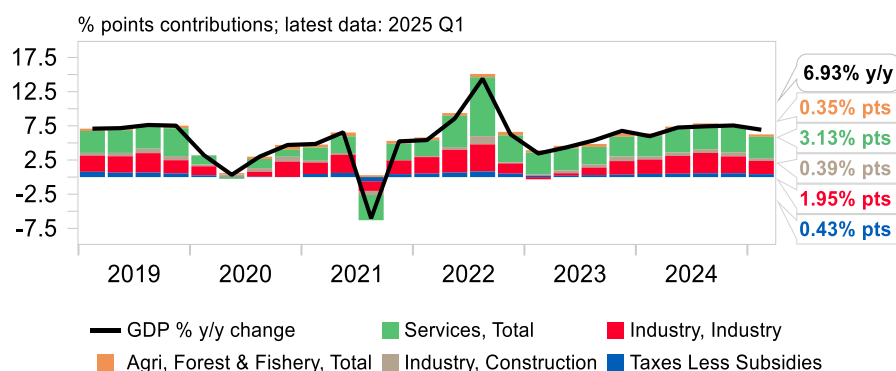
Vietnam, Real GDP by Sectors, Production Approach



Vietnam: Real GDP Growth, Sector Contributions, Quarterly

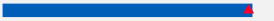

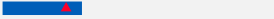

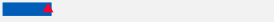

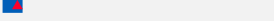


Source: Macrobond, UOB Global Economics & Markets Research

Vietnam: Retail GDP Growth Contributions by Main Sectors (% points)



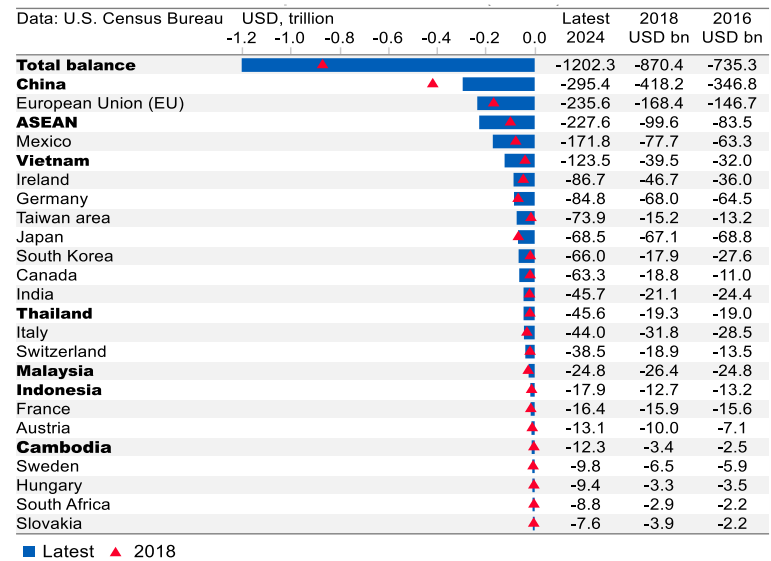
Vietnam: Major export items to the US (Annual)

Source: Macrobond, UOB Global Economics & Markets Research

United States: Major Imports Categories 2-digit HS from Vietnam, USD															
Data: U.S. Census Bureau		USD, billion													
		0	5	10	15	20	25	30	35	40	45	2024	2023	2022	2019
85-Electrical Machinery & Equipment & Parts Thereof; Sound Recorders & Reproducers, Television Recorders & Reproducers, Parts & Accessories												41.7	41.1	45.5	21.5
84-Nuclear Reactors, Boilers, Machinery & Mechanical Appliances; Parts Thereof												28.8	17.2	12.9	3.7
94-Furniture; Bedding, Cushions Etc.; Lamps & Lighting Fittings Nesoi; Illuminated Signs, Nameplates & the Like; Prefabricated Buildings												13.2	10.6	13.2	7.2
64-Footwear, Gaiters & the Like; Parts of Such Articles												8.8	7.7	10.9	7.0
61-Articles of Apparel & Clothing Accessories, Knitted or Crocheted												8.2	7.6	10.4	7.7
62-Articles of Apparel & Clothing Accessories, Not Knitted or Crocheted												6.6	6.4	7.6	5.8
39-Plastics & Articles Thereof												3.3	2.5	2.7	0.8
95-Toys, Games & Sports Equipment; Parts & Accessories Thereof												2.8	2.7	3.2	1.3
															

US: Trade deficits against trade partners (Annual)

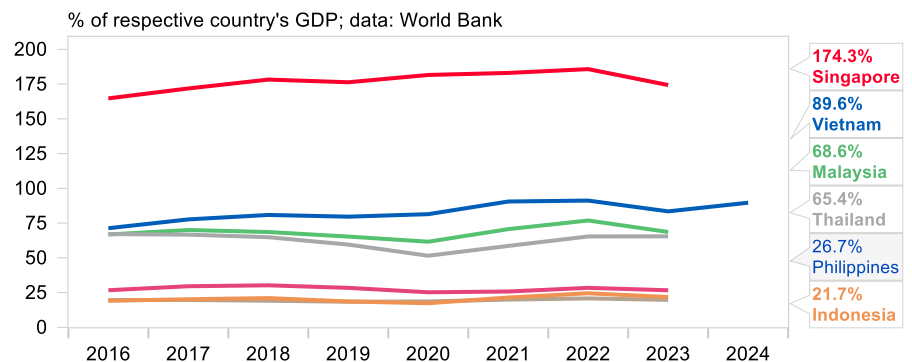
Source: Macrobond, UOB Global Economics & Markets Research



ASEAN: Openness to trade

Source: Macrobond, UOB Global Economics & Markets Research

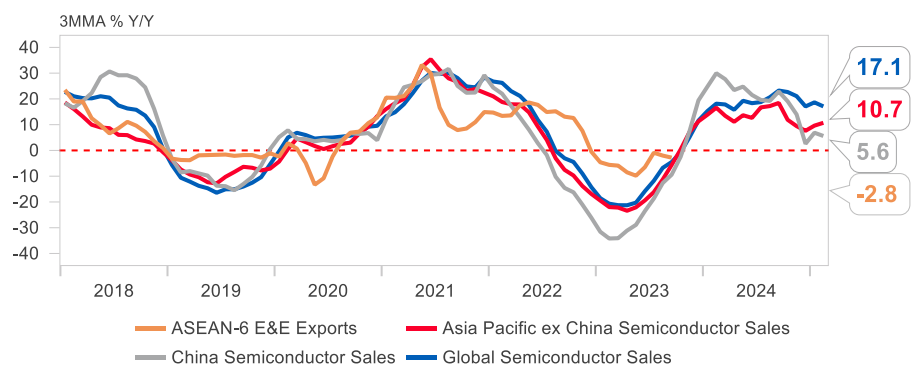
ASEAN: Exports of Goods & Services as % of GDP (Annual; latest: 2023)



Semiconductor sales and ASEAN exports

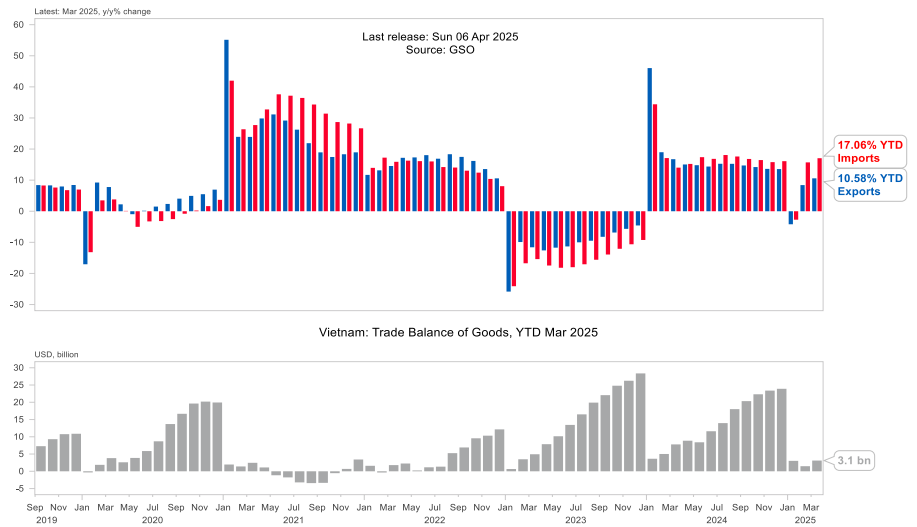
Source: Macrobond, UOB Global Economics & Markets Research

Global Semiconductor Sales - An Upturn in Global Tech Cycle



Vietnam: Foreign Trade YTD

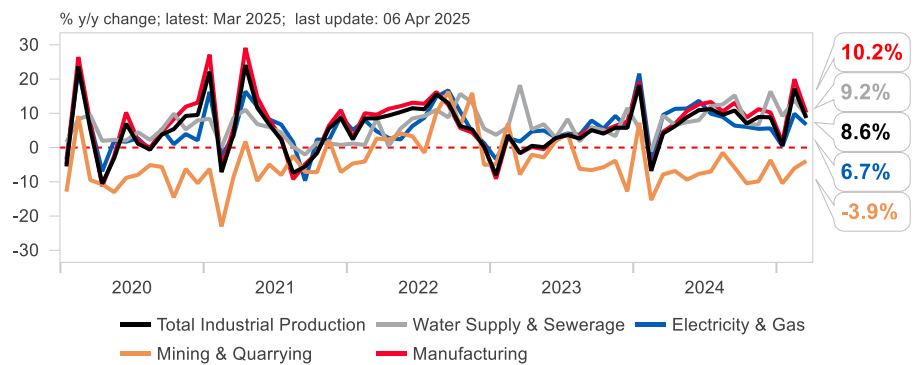
Source: Macrobond, UOB Global Economics & Markets Research



Vietnam: Manufacturing Activities

Source: Macrobond, UOB Global Economics & Markets Research

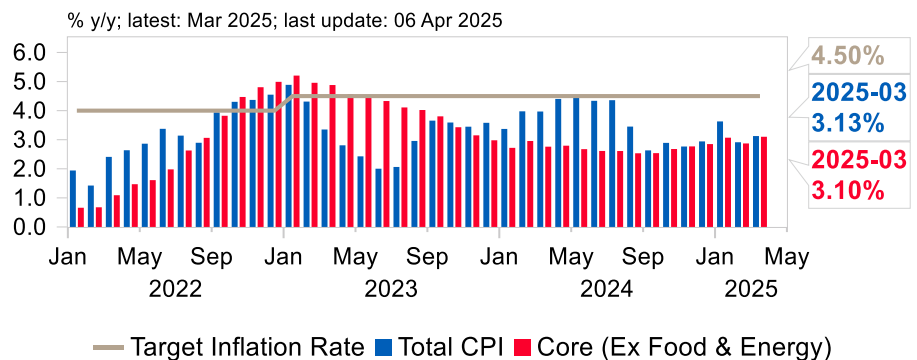
Vietnam: Industrial Production, Monthly



Vietnam: Consumer Price Index (CPI)

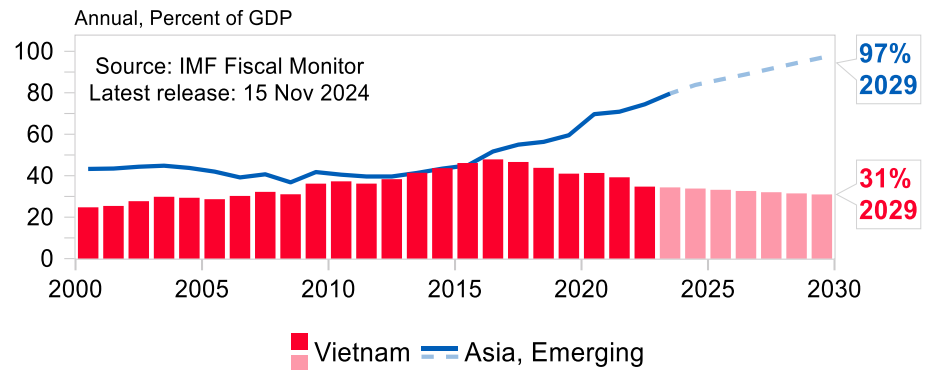
Source: Macrobond, UOB Global Economics & Markets Research

Vietnam, Consumer Price Index, Monthly



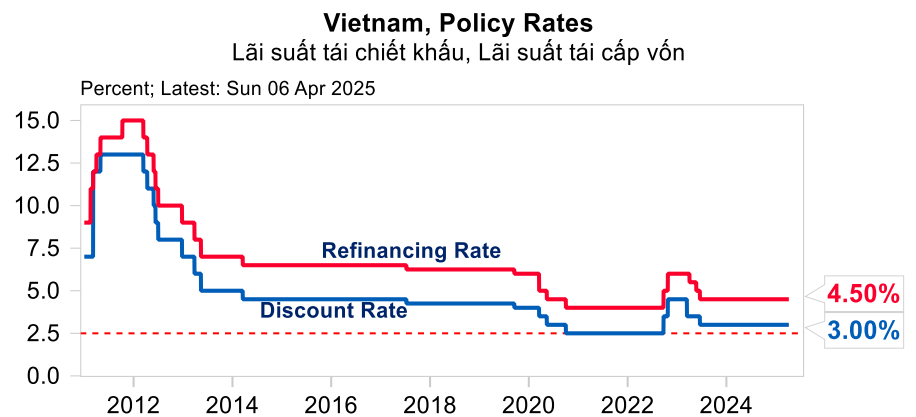
Vietnam: Gross Public Debt (IMF forecasts)

Source: Macrobond, UOB Global Economics & Markets Research



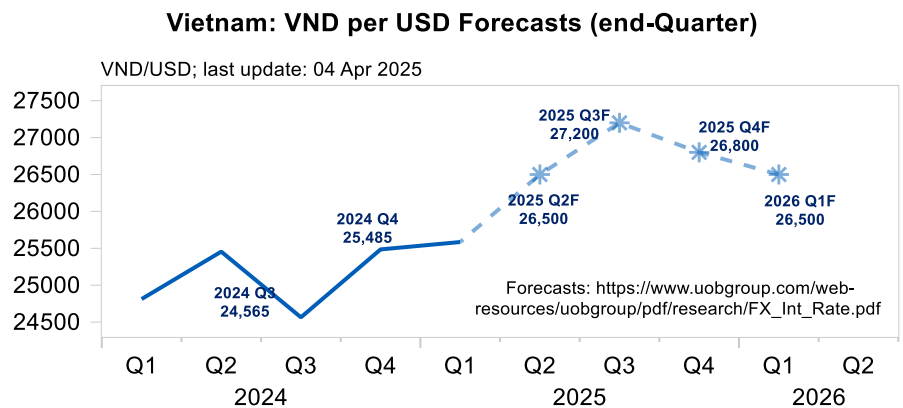
Vietnam: Central Bank Interest Rates

Source: Macrobond, UOB Global Economics & Markets Research



Vietnam: USD/VND Trajectory and Forecasts

Source: Macrobond, UOB Global Economics & Markets Research



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