

Alex Fusté
Chief Global Economist Andbank

From Stability to Acceleration. Vietnam's Economic Vision for 2025

Growth in 2024 reached 7.09% with inflation at 3.63%. The 2025 GDP growth target is set at 8-10%.

Looking back at the 2024 macro economy, Vietnam has built a stable foundation with many bright spots. Specifically, in 2024, GDP grew by 7.09 per cent. In particular, inflation - a major concern for many countries - is still being controlled stably in Vietnam. Credit volumes maintained a stable growth rate, reflecting more flexible and effective management of monetary and fiscal policies. GDP growth has reached a positive level, along with positive factors that help the Government confidently set a high growth target of 8-10 per cent by 2025. This target is based on three main components: import and export, investment, and domestic consumption.

Vietnam is entering a new era of growth. Developing and understanding the growth vectors for 2025

In terms of **import and export**, during the Trump 1.0 era, Vietnam's export turnover to the US surged. **Investment**, contributing 31-32% to GDP, remains vital. The ICOR index, which reflects investment efficiency, has improved from 7.3x in 2009 to 5.13x today, signaling better capital utilization. Key projects like Long Thanh International Airport, Tan Son Nhat Airport's Terminal 3, the 519-km Quang Trach - Pho Noi power line, and the North-South high-speed railway highlight progress, influencing real estate, private investment, and GDP. Public investment not only drives growth but also encourages private sector participation. **Domestic consumption**, the third growth lever, is crucial but lacks breakthroughs; with 10-12% growth in consumption, Vietnam could achieve double-digit GDP growth.

Two scenarios for Vietnam's economic growth in 2025

We propose two economic growth scenarios for Vietnam in 2025. A scenario 1, in which the US trade policy is too tough and monetary policy is adjusted from moderate to slightly tightening. IN such a case, Vietnam's GDP growth is expected to be about 6.5-7 per cent. A scenario 2, in which US policies (tariffs) are adjusted more targeted, while monetary policy remains flexible (dovish). The Vietnamese economy can growth at 8-9 per cent.

International Financial Center Takes Shape

Ho Chi Minh City's development into an international financial center is picking up speed with a new steering committee being formed under PM Chinh. The plan will require reforms including the development of a more complete financial transaction ecosystems, an improved digital infrastructure framework, and legal scaffolding to support the whole thing. Current market metrics show room for growth - HoSE's market-cap-to-GDP ratio is 70%, below regional peers Thailand (104.2%) and Malaysia (93.7%).

Digital Technology Push Gains Speed

The government's "Resolution 57" aims to position Vietnam among Southeast Asia's top three countries for digital technology R&D by 2030. It focuses on science, technology, and digital transformation, targeting the development of five globally competitive tech firms. Digital payments are booming, with NAPAS processing 9.56 billion transactions worth \$2.4 trillion in 2024, and instant transfers growing by a third annually.

Trade Relations Roundup

US-Vietnam trade reached \$132 billion in 2024, with Vietnam's exports at \$119 billion. Vietnam-China trade topped \$205 billion, creating an \$82.8 billion deficit. The UK's membership to CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) will open new opportunities in the consumer goods, technology, and machinery sectors.

Corporate profits & Equity market. Positive Outlook

In the case that the global economy slows down but avoids recession, the obstacles in the Vietnamese real estate sector are resolved, helping banks confidently disburse credit, thereby improving personal consumption, corporate profits can increase by 16-17 per cent. Third, in the scenario where public investment creates real momentum and confidence for the private economic sector, corporate profit growth can exceed 20-25 per cent.

Market outlook – Recommendations & Targets from fundamental analysis

Equities – VNI Idx: OVERWEIGHT (New target Price at ~1,500)

