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## WAITING FOR CHANGE, THE ECONOMY TAKES A CAUTIOUS APPROACH

- In January 2025, Vietnam's economy was affected by the Lunar New Year holiday, leading to fewer working days and slower trade activities. However, the trade surplus still exceeded \$3 billion.
- The Industrial Production Index increased slightly by 0.6% YoY, but the PMI declined for the second consecutive month, reflecting weaknesses in manufacturing due to falling orders and output. This was partly driven by concerns over the US's new tariff policies, causing trading partners to adopt a wait-and-see approach.
- On the other hand, retail and tourism showed positive signs, with international visitor arrivals reaching a record high.
- Inflation was higher than expected but remained under control. Both public investment and FDI investment saw slowdowns in January.
- Despite concerns about a potential global trade war this year, the Government remained determined to submit proposals to the National Assembly for raising the GDP growth target to at least 8% and increasing public investment plans for 2025. This move underscores the Government's commitment to leveraging internal resources to drive growth, mitigate external risks such as trade wars, and enhance infrastructure to attract high-quality FDI while improving overall economic efficiency.

**In the extraordinary National Assembly session in February, we observed several noteworthy points: (1) Adjusting the GDP growth target for 2025 to at least 8% and keeping CPI under control within the 4.5 – 5.0% range; (2) Restructuring the Government; and (3) Reporting on special mechanisms and policies for investing in the Ninh Thuan nuclear power plant.** The Government's proposals and adjustments are aimed at promoting sustainable economic development, addressing existing bottlenecks, and creating a buffer for fiscal and monetary policy implementation. We will provide a more detailed analysis below.

Regarding the compilation of economic data for January:

**CPI** in January increased more than PHS's forecast, rising by 0.98% compared to the previous month. Year-on-year, January CPI grew by 3.63%, while core inflation rose by 3.07%. The surge in consumer demand during the Lunar New Year was the primary factor driving price increases across most commodity groups. Additionally, the seasonal transition to winter, leading to a rise in flu cases, contributed to a sharp increase in the prices of pharmaceuticals and healthcare services. Pork prices also continued to climb during and after the Lunar New Year.

**Retail sales** surged in January 2025, driven by strong consumer demand during the Lunar New Year. Notably, the tourism sector witnessed remarkable growth, with international arrivals to Vietnam reaching a record high of nearly 2.1 million.

**Industrial production growth (IIP)** Manufacturing activity weakened in January due to fewer working days compared to the previous month and the same period last year. The IIP declined by 9.2% MoM but still posted a 0.6% YoY increase. However, certain sectors, such as motor vehicle

manufacturing, furniture, and textiles, maintained impressive growth despite the reduced number of working days.

**Trade activities** were also affected during the Lunar New Year holiday in January. Both export and import turnover saw a slight YoY decline. The trade balance recorded a surplus of nearly \$3.13 billion in the first month of the year. In reality, the decline in trade activities in January does not fully reflect Vietnam’s overall trade situation due to seasonal factors. We typically analyze data for the first two months of the year to exclude this effect.

**Foreign Direct Investment (FDI)** into Vietnam reached \$4.33 billion, marking a 48.6% YoY increase. Notably, adjusted registered capital rose by \$2.73 billion, 6.1 times higher than the same period last year. January 2025 saw the first billion-dollar project of the year—the \$1.2 billion capital expansion by Samsung Display. However, disbursed FDI amounted to only \$1.51 billion in January, the lowest level in nearly a year. The slowdown in newly registered capital had been partially anticipated by PHS, partly due to the early-year cyclical pattern and partly due to the impact of Trump’s return to the White House.

**Public investment expenditure** remained weak due to the Lunar New Year, as investment activities in January were mainly focused on allocating the 2025 capital plan. The state budget recorded a surplus of over VND 140 trillion in January.

**Table 1: Vietnam economic indicators**

Indicators		Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
GDP	% YTD YoY		7.4			7.6	
CPI	%YoY	3.5	2.6	2.9	2.8	2.9	3.6
Retail sales	%YTD YoY	8.5	8.8	8.5	8.8	9	9.5
Export	%YoY	15.9	11.1	10.8	10.1	2.8	-3.9
Import	%YoY	15.6	10	13.2	11.6	18.6	-2.7
Trade Bal	Tỷ USD	4.1	2.2	2.5	0.96	-2.2	3.1
Realized FDI	Tỷ USD	1.6	3.2	2.2	2.1	3.7	1.5
IIP	%YTD YoY	8.6	8.6	8.3	8.4	8.4	0.6
PMI manufacturing		52.4	47.3	51.2	50.8	49.8	48.9

Sources: PHS compiled