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A NEW AMBITIOUS GROWTH TARGET

- Economic activity in February 2025 recorded strong growth compared to the same period last year, thanks to the low base effect as February 2024 coincided with the Lunar New Year holiday. On average, over the first two months of the year, after excluding cyclical factors, production, exports, and FDI inflows remained relatively stable compared to the same period. However, the economy needs stronger momentum to achieve the government's ambitious GDP growth target of over 8%.
- Public investment remained a bright spot in February, reflecting the government's determination to accelerate disbursement early in the year. However, with an annual target exceeding VND 875 trillion, an average monthly disbursement of over VND 73 trillion is required, posing significant challenges ahead.
- With more ambitious targets for 2025 and new policy directions on inflation control, public debt, etc., PHS believes the government will need to fully leverage necessary fiscal and monetary policies to support the economy in the coming period.

CPI in February continued to rise compared to the previous month, in line with PHS's forecast, driven by higher pork prices due to supply shortages, rising costs of dining out, rental housing, and transportation services amid increased consumer demand. However, due to last year's high base, the CPI rose only 2.91% YoY. Accordingly, in the first two months of 2025, the average CPI increased by 3.27% YoY, while core inflation rose by 2.97%.

Retail sales in February decreased by 2.7% MoM but grew by 9.4% YoY as consumer demand returned to normal after the Lunar New Year. Notably, the services sector drove growth in the first two months of the year, supported by a continued high influx of international visitors to Vietnam in February. The number of arrivals exceeded 1.9 million, making it the second-highest monthly figure on record, just behind January 2025.

The Industrial Production Index (IIP) in February 2025 continued to decline by 2.2% MoM but grew by 17.2% YoY. Overall, in the first two months of 2025, the IIP increased by 7.2% YoY. Leading this growth were key industries such as motor vehicle manufacturing, leather and related products, furniture production, as well as apparel and textile manufacturing.

Trade Export activities remained weak in February, while imports showed some signs of recovery, particularly in the electronics sector. However, in the current context, Vietnam's trade outlook is more unpredictable than ever as multiple risks continue to unfold. President Trump's unstable trade policies, along with retaliatory measures from tariff-affected countries, will further exacerbate global trade tensions.

FDI into Vietnam reached nearly \$6.90 billion in the first two months of the year, up 35.5% YoY. Meanwhile, realized FDI was estimated at \$2.95 billion, increasing by 5.4% YoY. This marks the highest realized FDI for the first two months of the year in the past five years. Moreover, Vietnam has achieved a significant milestone in its foreign relations by officially upgrading its ties with Singapore and Indonesia to a Comprehensive Strategic Partnership. Notably, this marks the first time Singapore has established a Comprehensive Strategic Partnership with an ASEAN country, marking a historic milestone in bilateral relations.

State Budget In the first two months of 2025, total state budget revenue reached 25.4% of the annual estimate, increasing by 25.1% YoY. Notably, revenue from real estate transactions amounted to VND 61.6 trillion, equivalent to 21.0% of the annual estimate, and surged by 100.6% YoY. This partly reflects the recovery of the real estate market, as many localities accelerated land auctions following the introduction of new land price frameworks. On the expenditure side, total state budget spending in the first two months increased by 12.7% YoY, reaching 11.2% of the annual plan. Notably, public investment spending in February amounted to VND 50 trillion, a higher level compared to previous years, as early-year disbursement typically lags. However, significant challenges remain in meeting the annual disbursement target.

Table 1: Vietnam economic indicators

Indicators		Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
GDP	% YTD YoY	7.4			7.6		
CPI	%YoY	2.6	2.9	2.8	2.9	3.6	2.9
Retail sales	%YTD YoY	8.8	8.5	8.8	9	9.5	9.4
Export	%YoY	11.1	10.8	10.1	2.8	-3.9	25.9
Import	%YoY	10	13.2	11.6	18.6	-2.7	40.4
Trade Bal	Bil USD	2.2	2.5	0.96	-2.2	3.1	1.7
Realized FDI	Bil USD	3.2	2.2	2.1	3.7	1.5	1.5
IIP	%YTD YoY	8.6	8.3	8.4	8.4	0.6	7.2
PMI manufacturing		47.3	51.2	50.8	49.8	48.9	49.2

Sources: PHS compiled