



**ASIA AND PACIFIC
DEPARTMENT**

The Vietnamese Economy – Recent Developments and Outlook

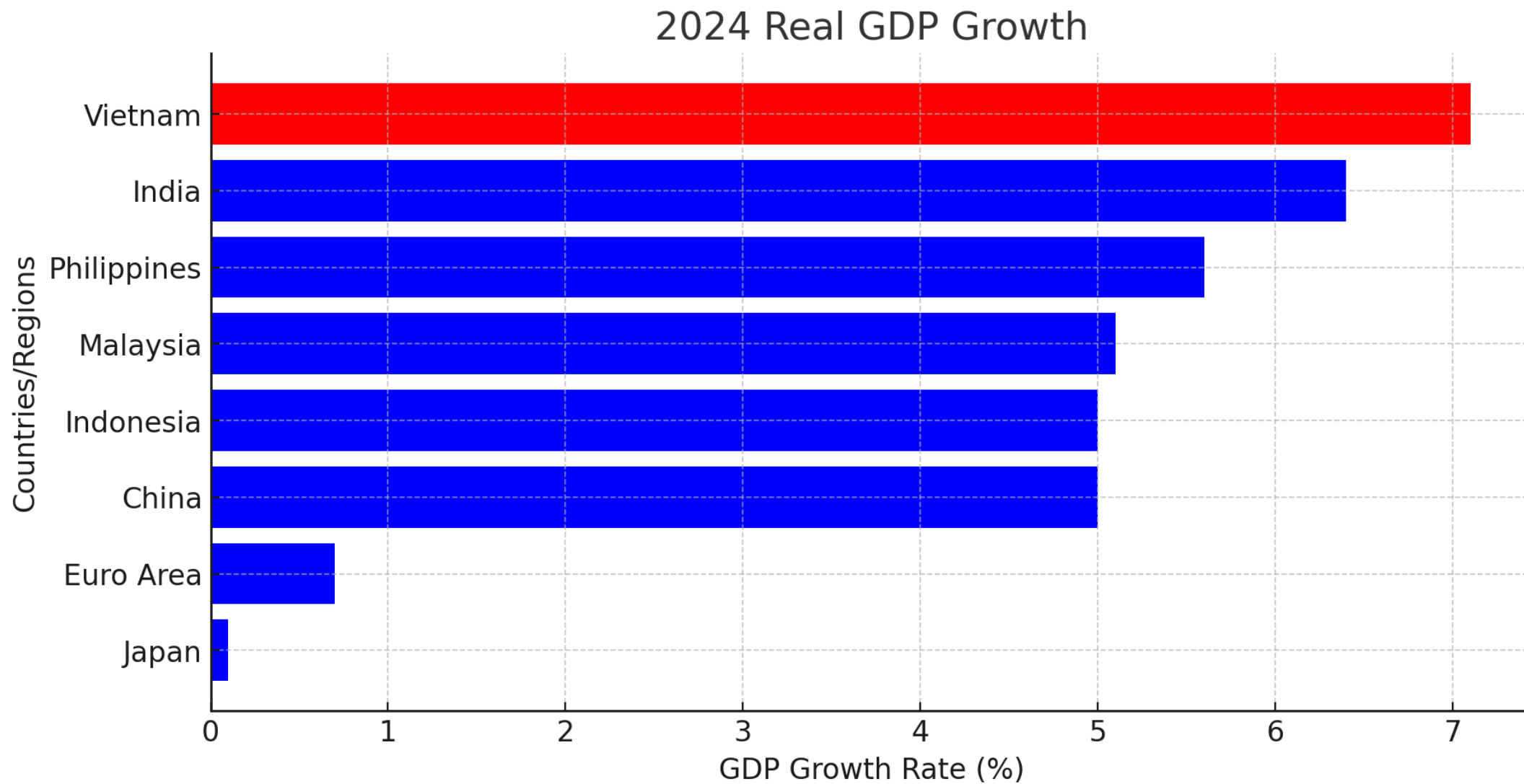
DR. JOCHEN M. SCHMITTMANN

**IMF REGIONAL RESIDENT
REPRESENTATIVE**

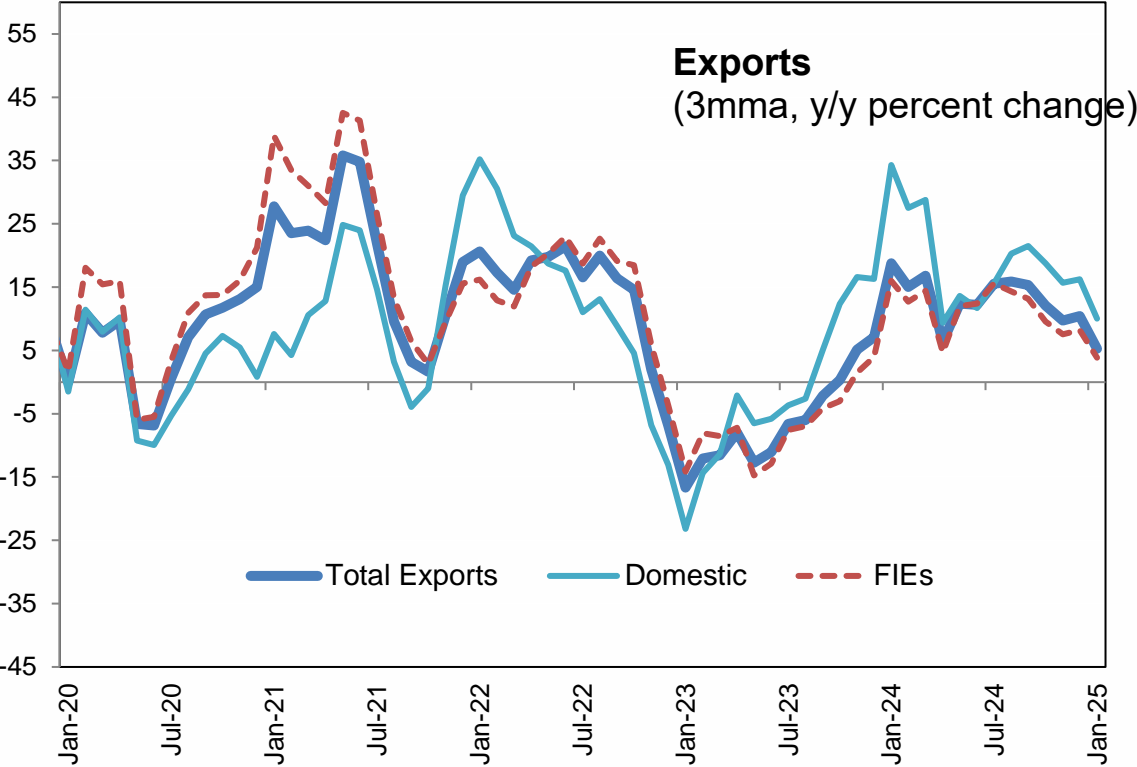
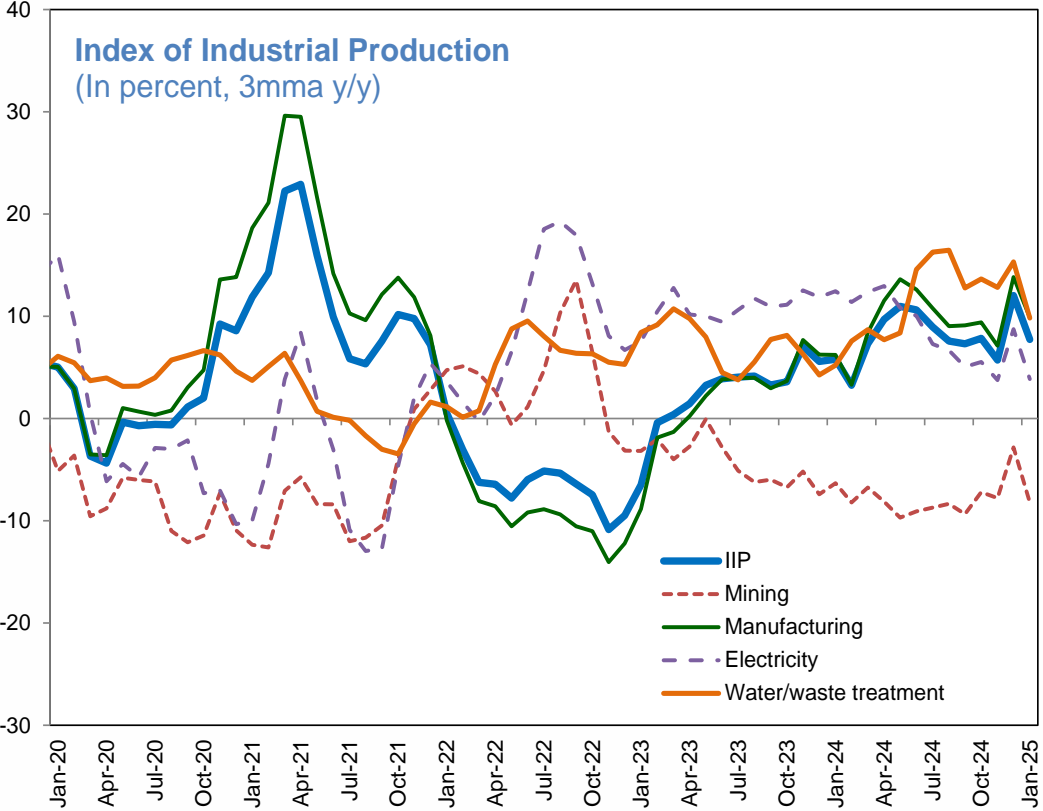
FEBRUARY 26, 2025

- Recent Developments
- Outlook and Risks
- Growth Potential
- Policies

Vietnam's economic growth in 2024 was among the fastest in the world.

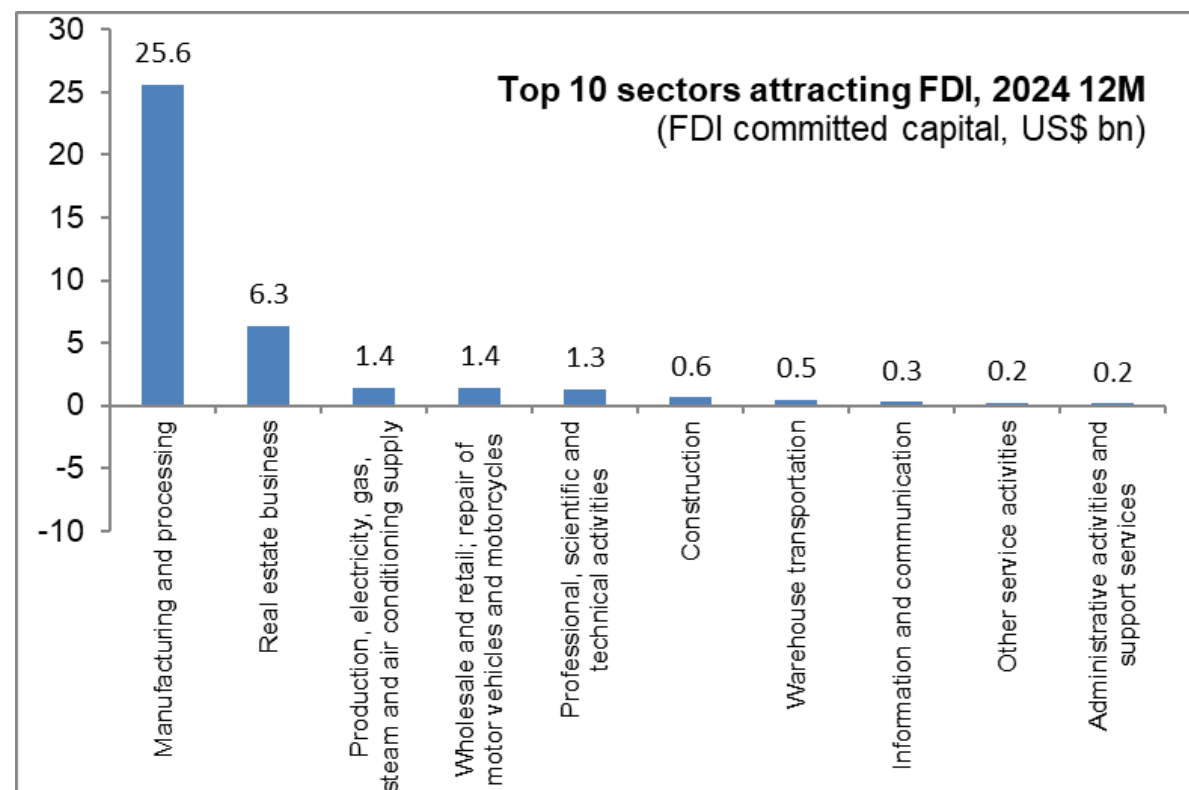
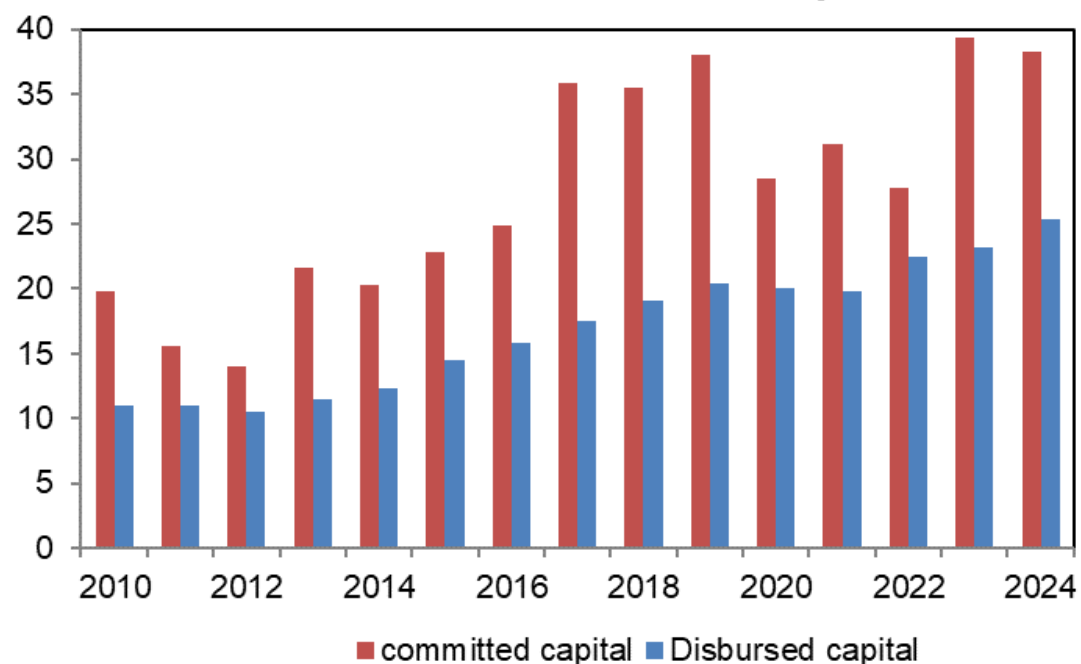


Export-oriented manufacturing has been a key driver of growth.



Manufacturing FDI remains strong. China related FDI has been on the rise.

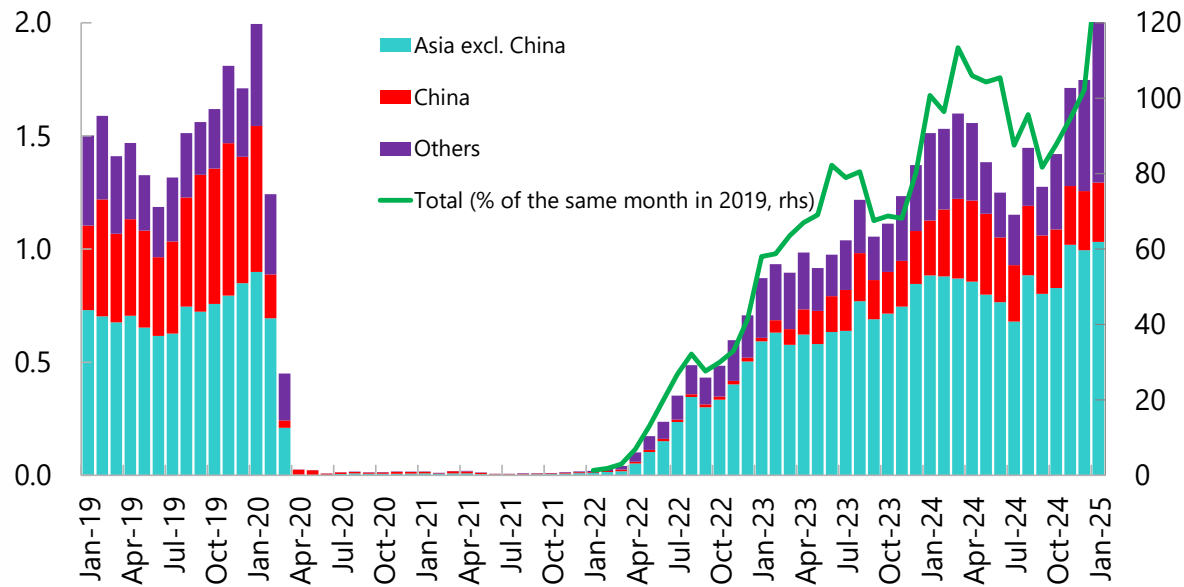
FDI Committed and Disbursed Capital



Vietnam is leading the tourism recovery in ASEAN.

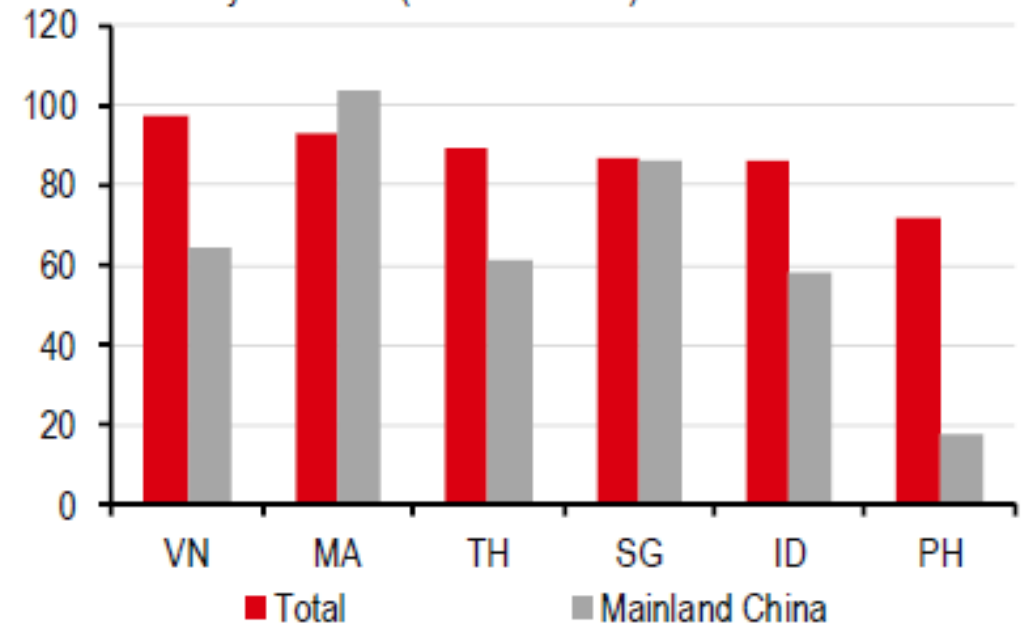
International Visitors to Vietnam

(In million people, % of Pre-Pandemic)



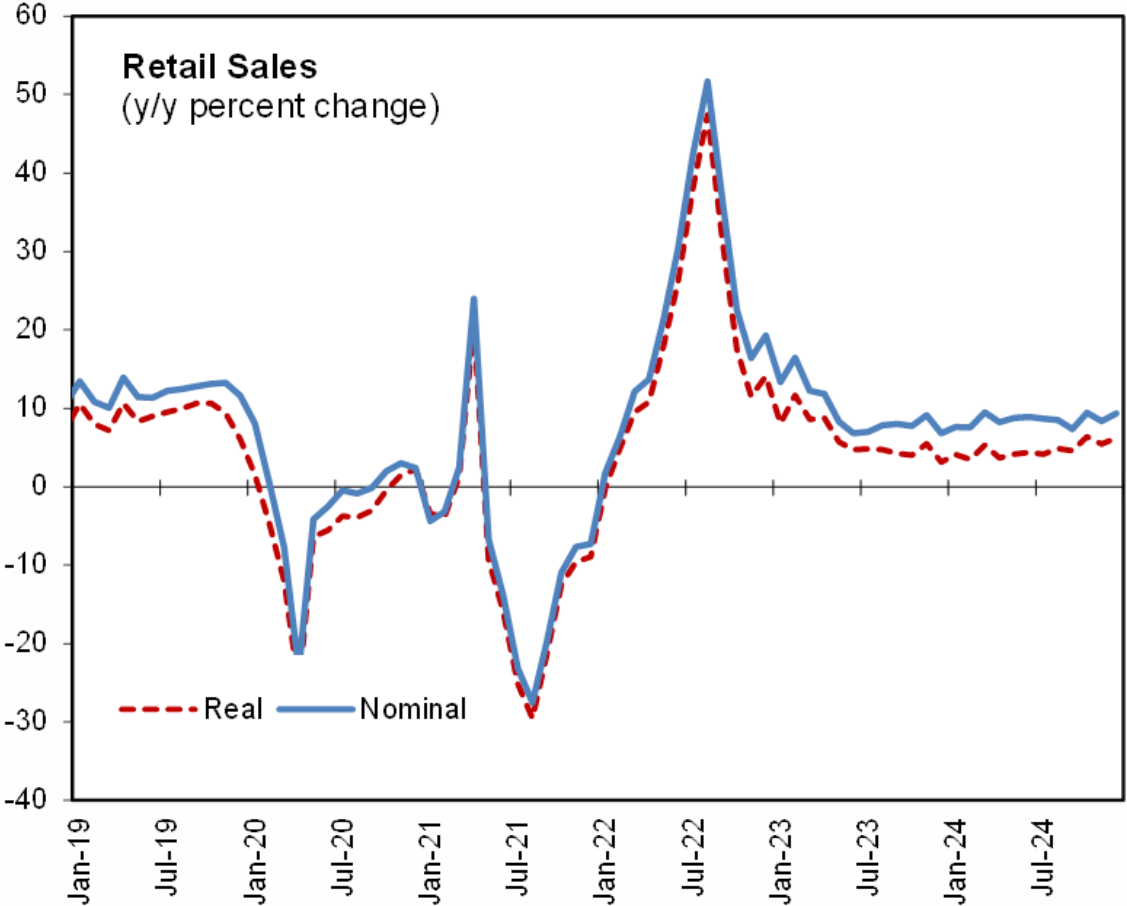
Sources: Vietnamese authorities, IMF staff calculations.

Recovery of tourists (% of 2019 YTD)



Source: CEIC, HSBC; NB: data as of Dec for VN/TH/PH and as of Nov for the rest

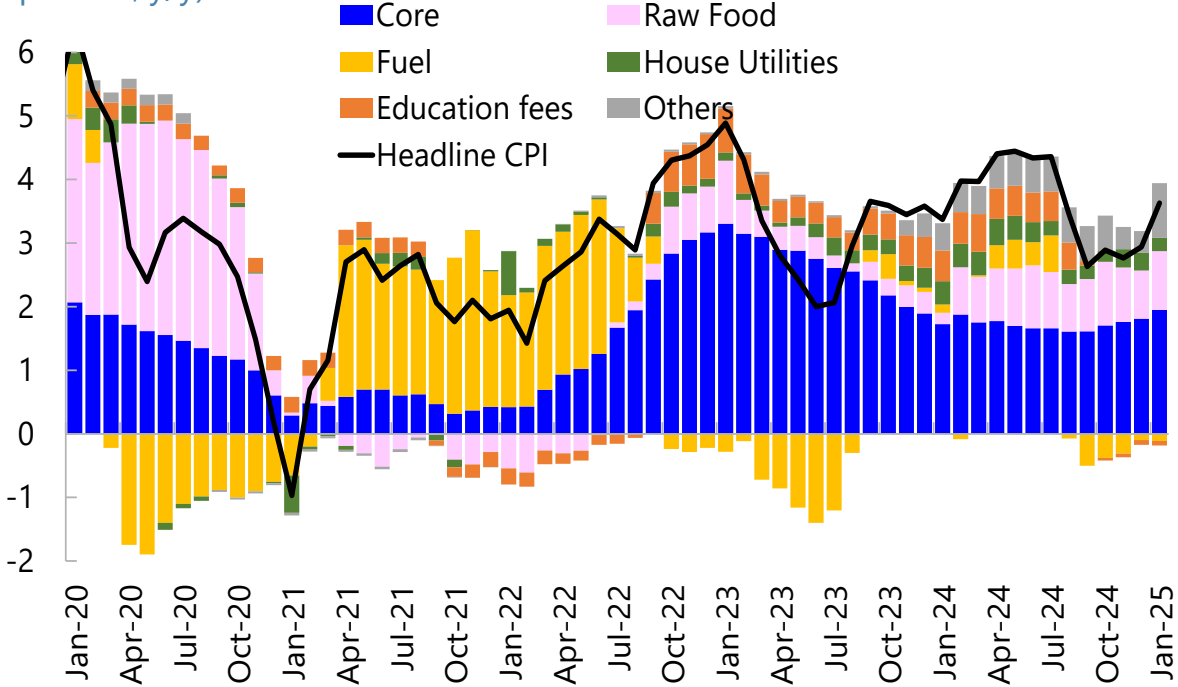
Domestic demand indicators have been slower to recover.



Headline inflation is within the target range, amid currency depreciation pressures.

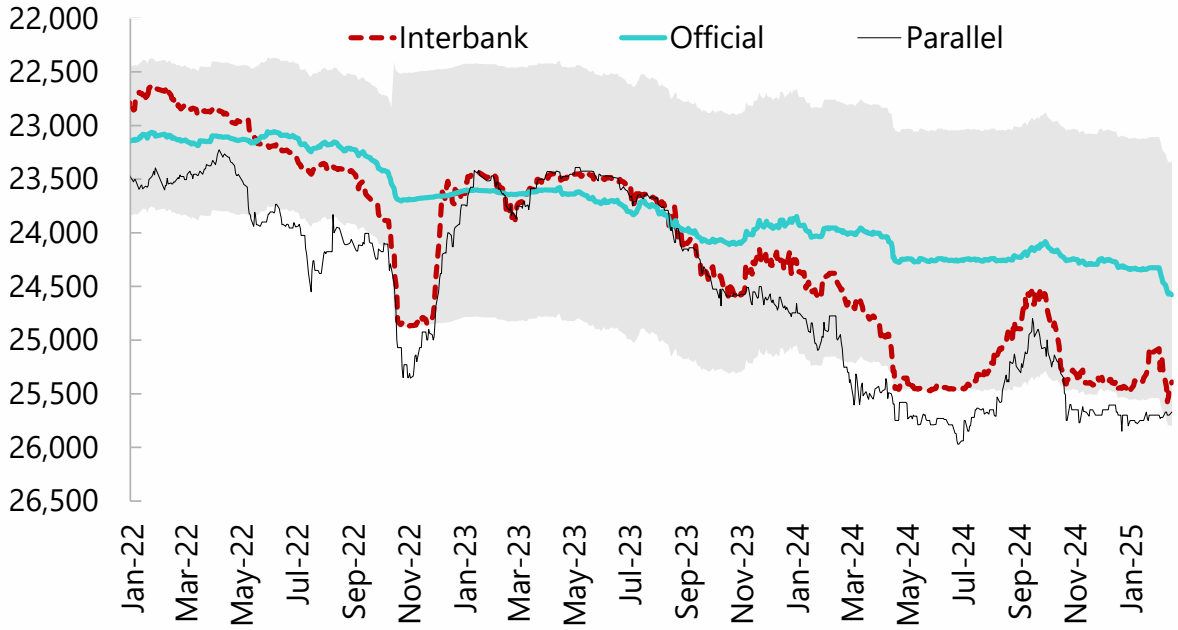
Headline Inflation Decomposition

(In percent, y/y)



Sources: Vietnamese authorities, IMF staff calculations.

Exchange Rates

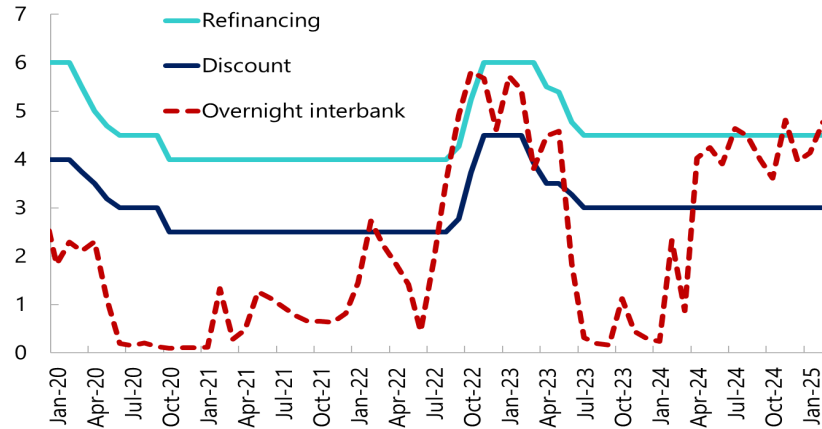


Sources: IMF staff calculations.

Monetary and financial conditions have been accommodative.

Policy Interest Rates

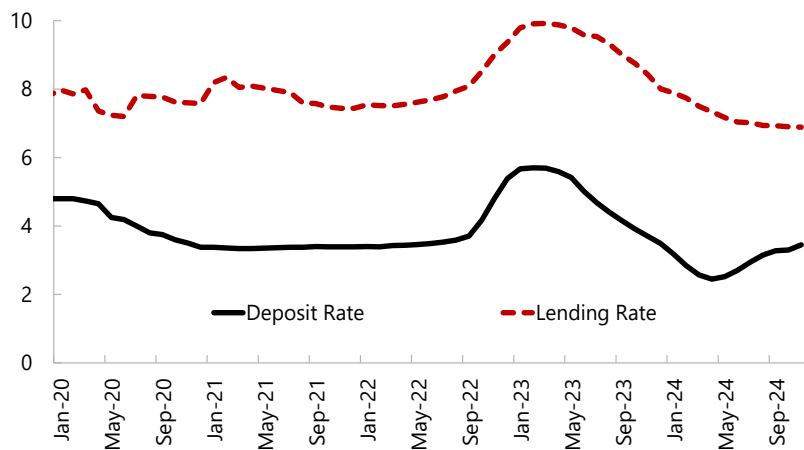
(Monthly averages, in percent)



Sources: Vietnamese authorities and IMF staff calculations.

Lending and Deposit Rates

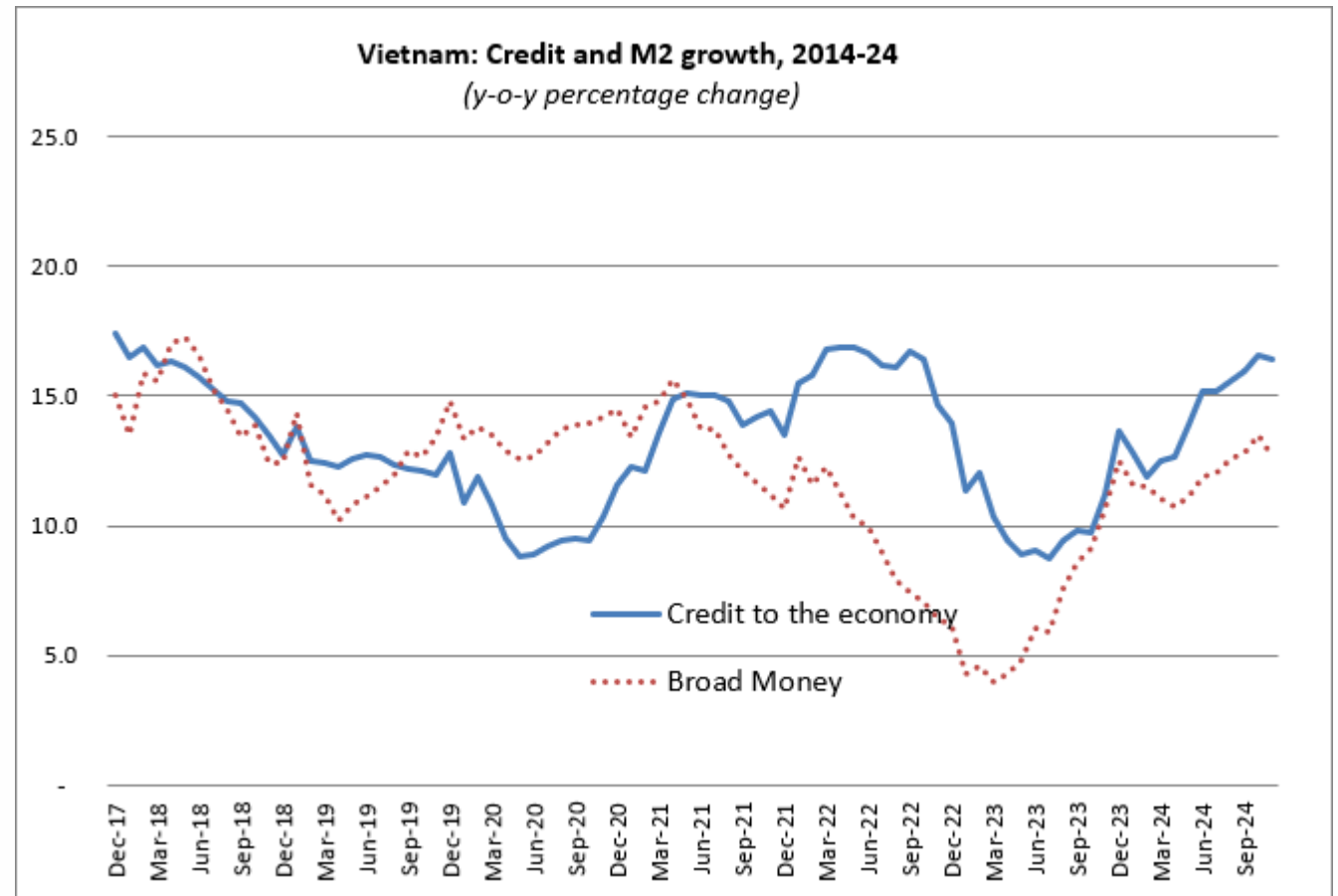
(Monthly values, in percent)



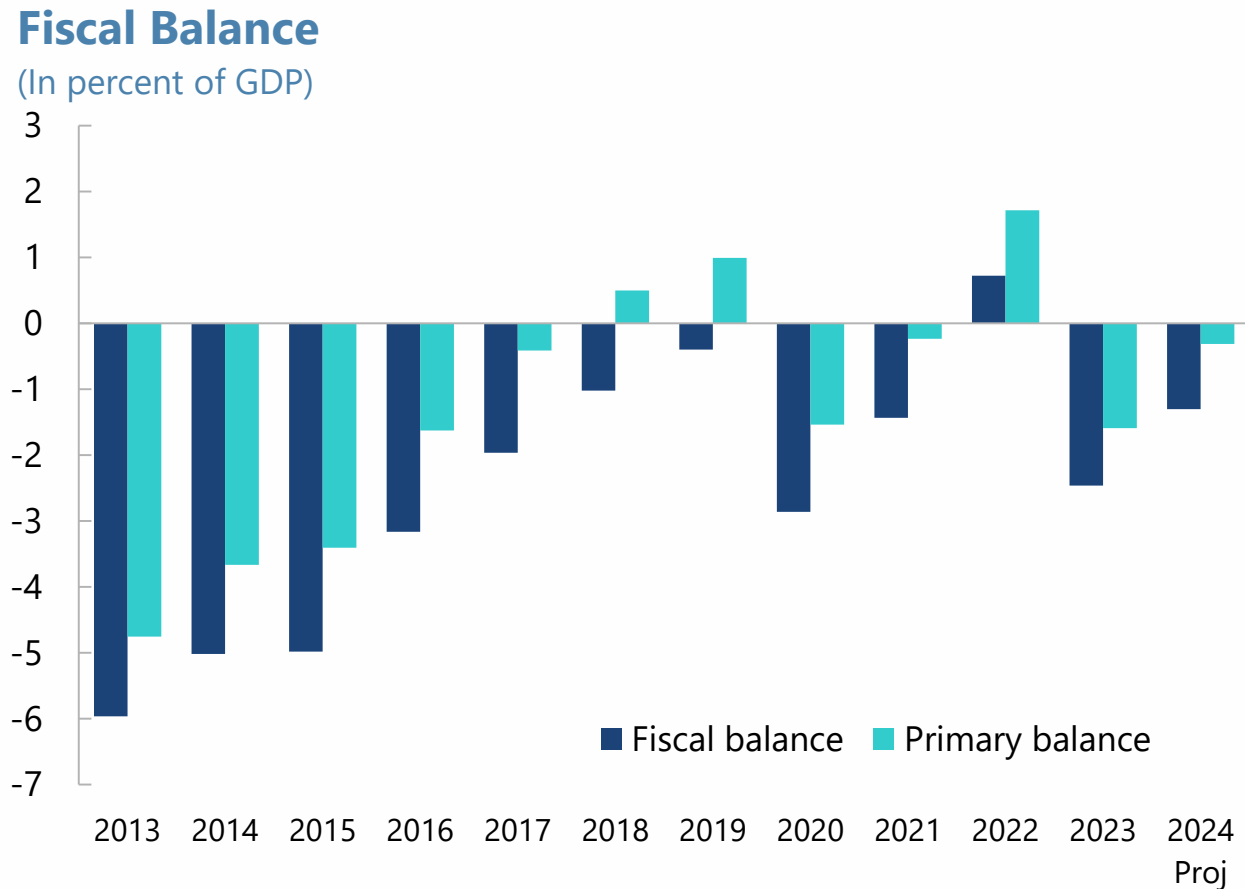
Sources: National authorities and International Financial Statistics.

Vietnam: Credit and M2 growth, 2014-24

(y-o-y percentage change)



The Fiscal deficit in 2024 is expected to decline to 1.3 percent of GDP due to a sharp rebound in tax revenue.



Sources: Vietnamese authorities; and IMF staff calculations.

- Recent Developments
- Outlook and Risks
- Growth Potential
- Policies

The baseline outlook for 2025 is positive but uncertainty is exceptionally high.

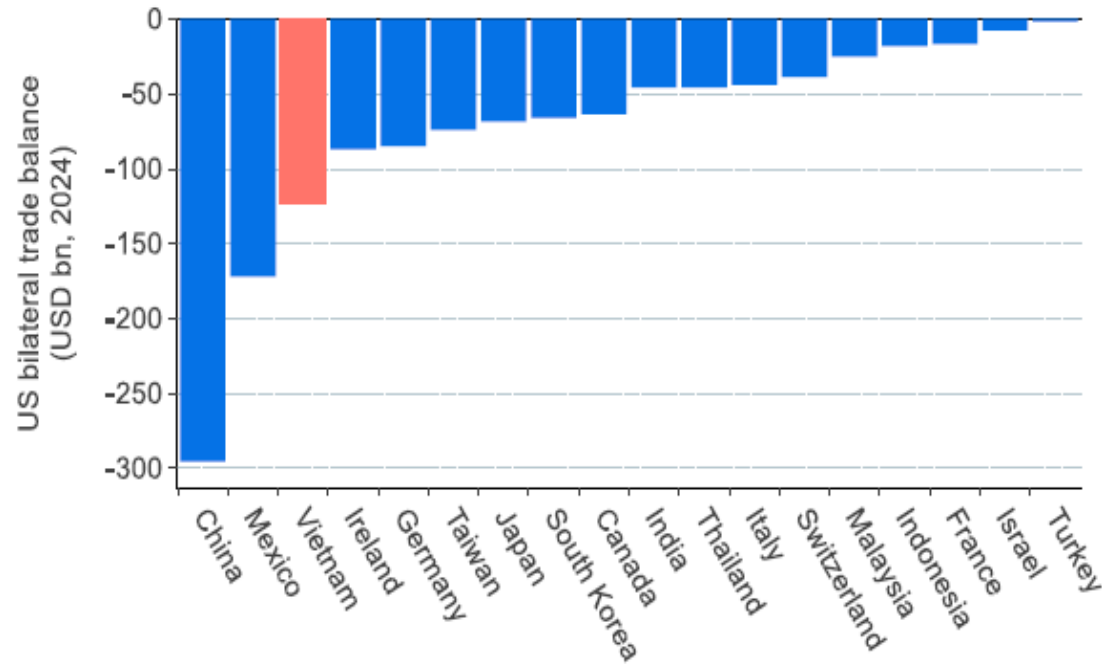
Growth is expected to remain strong with accommodative policy settings (8% official growth target).

Government restructuring: opportunities from efficiency gains, implementation risks

Risks:

- Rising global trade tensions are a major risks given Vietnam's open and exported-oriented economy. Intensification of geopolitical conflicts could lead to inflationary and FX pressures, lower external demand, and impact FDI.
- Global interest rates may remain higher than expected for longer and financial markets more volatile. Uncertainty could affect investment.
- Domestically, persistent vulnerability in the domestic banking sector and high corporate leverage remain risk factors.

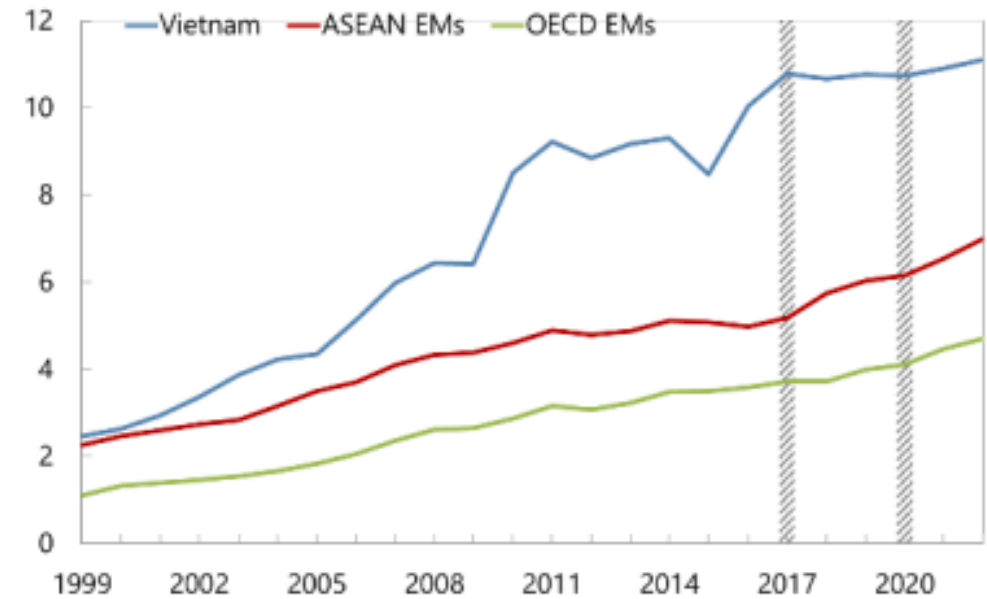
Trade has been critical to the Vietnamese success story, but the external environment is becoming more difficult to navigate.



Source: USCB, Bloomberg, Macrobond, ANZ Research

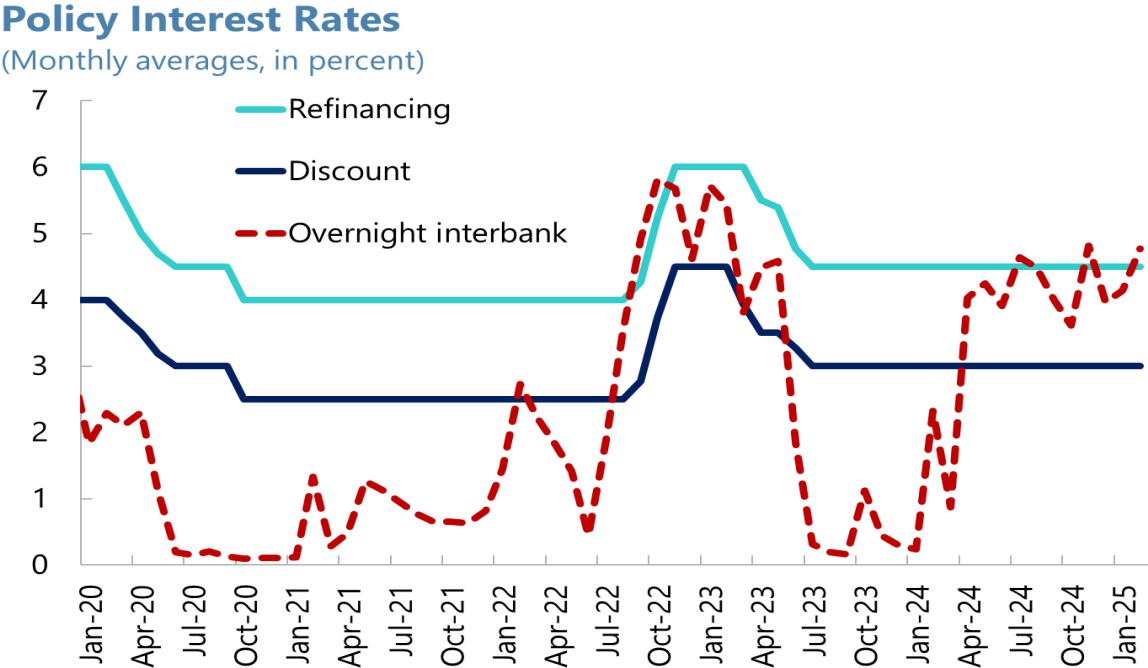
China-Originated Value Added

(Percent of the country's total exports to US)



Sources: EORA and staff calculations.

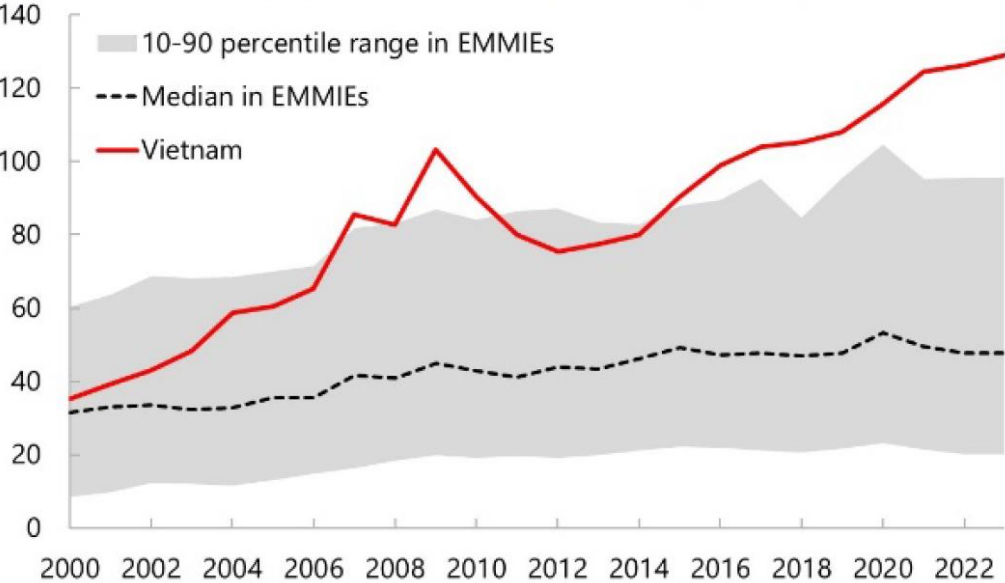
Higher US rates constrain Vietnam's monetary policy.



Sources: Vietnamese authorities and IMF staff calculations.

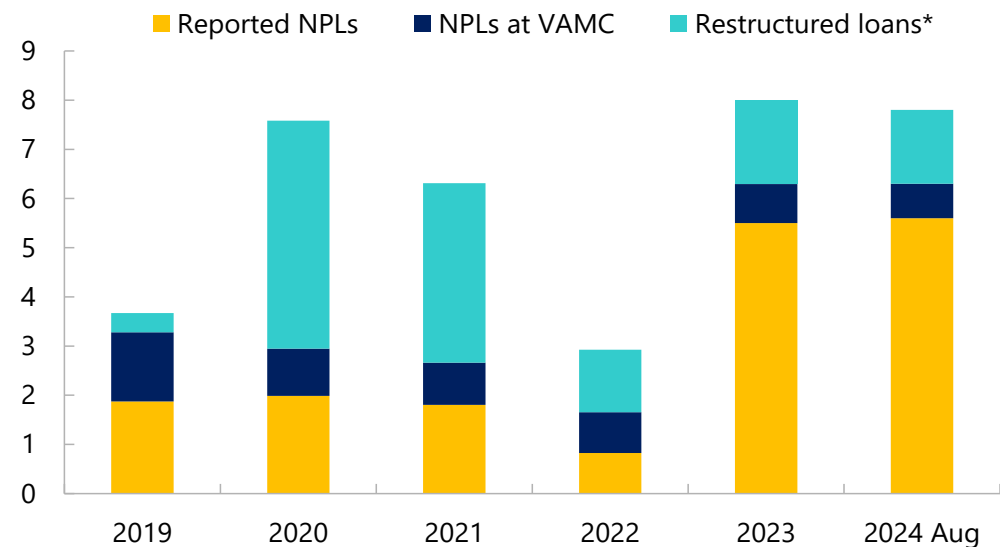
Financial vulnerabilities remain elevated.

Credit to Private Sector in Emerging Market and Middle-Income Economies (In percent of GDP, end of year)



Sources: Vietnamese authorities and IMF staff calculations.

Impaired Assets of Banking System, 2019-2024 (In Percent of Total Loans)



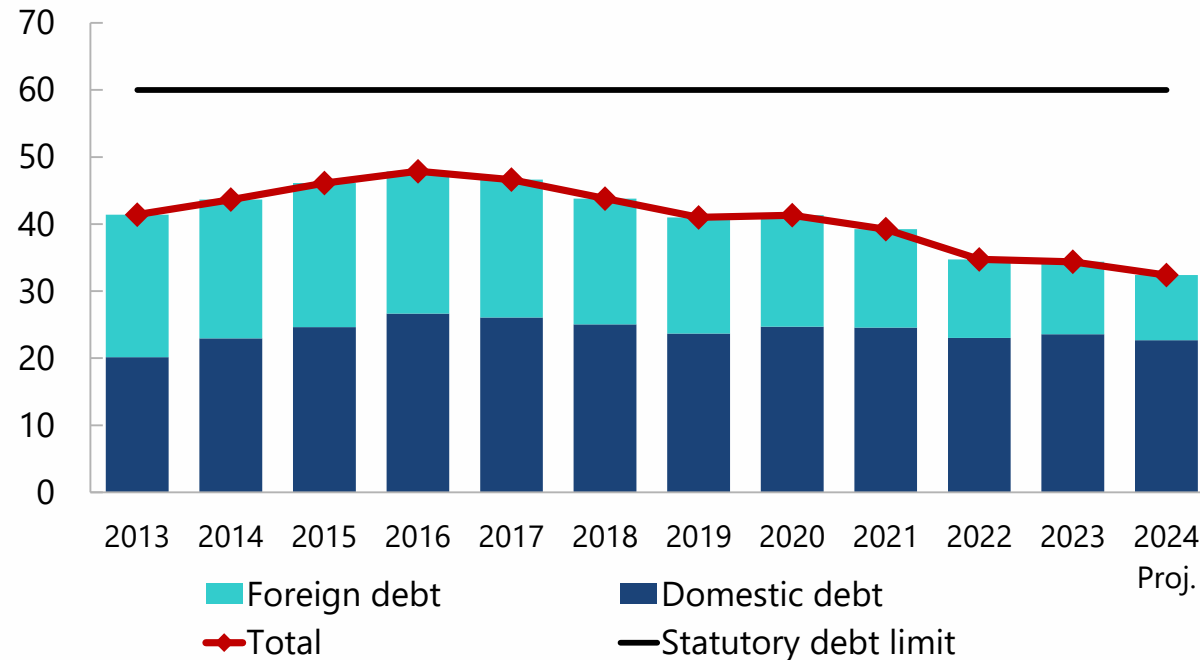
Sources: Financial Soundness Indicators database and IMF staff calculations.
 Note: *restructured loans incl. legacy restructured loans, and loan forbearance under SBV cir 01/20 and circular 02/24

- Recent Developments
- Outlook and Risks
- Growth Potential
- Policies

Low public debt levels imply room to ramp up infrastructure spending...

Public and Publicly Guaranteed Debt

(In percent of GDP)

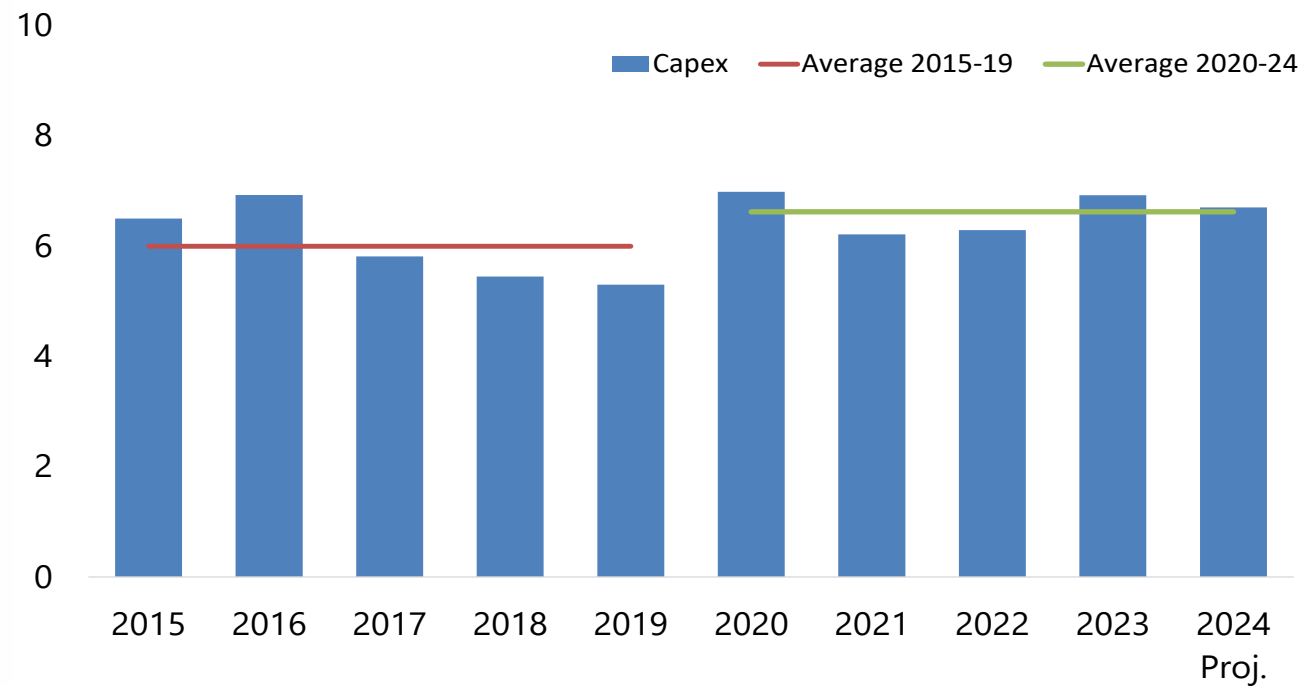


Sources: Vietnamese authorities; and IMF staff calculations.

Note: The formal PPG debt ceiling was revised from 65 to 60 percent of GDP in 2021.

...but execution has been challenging in the past.

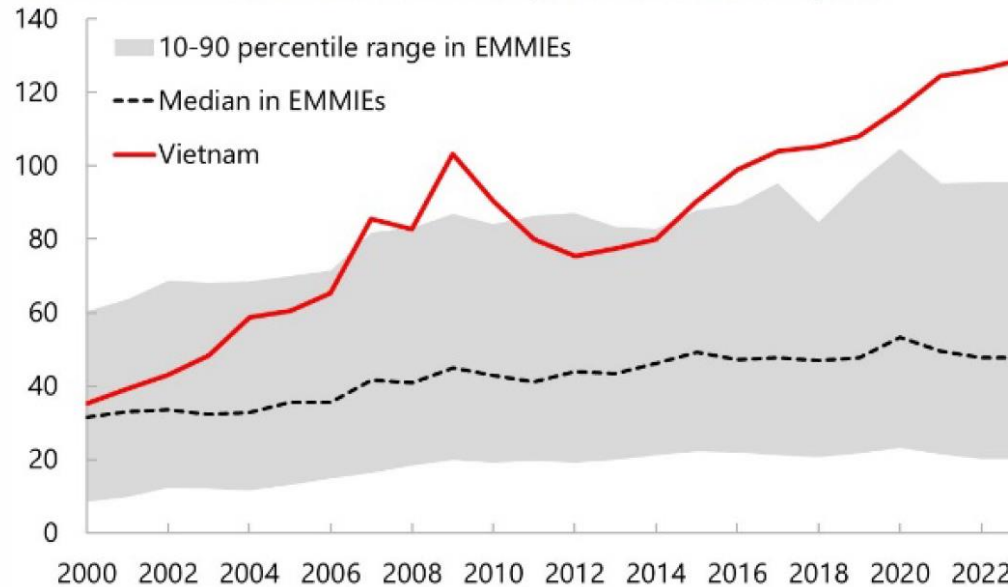
Capital Expenditure (In percent of GDP)



Sources: Vietnamese authorities, IMF staff calculations

Excessive easing of financial conditions could create long-term stability risks.

Credit to Private Sector in Emerging Market and Middle-Income Economies (In percent of GDP, end of year)

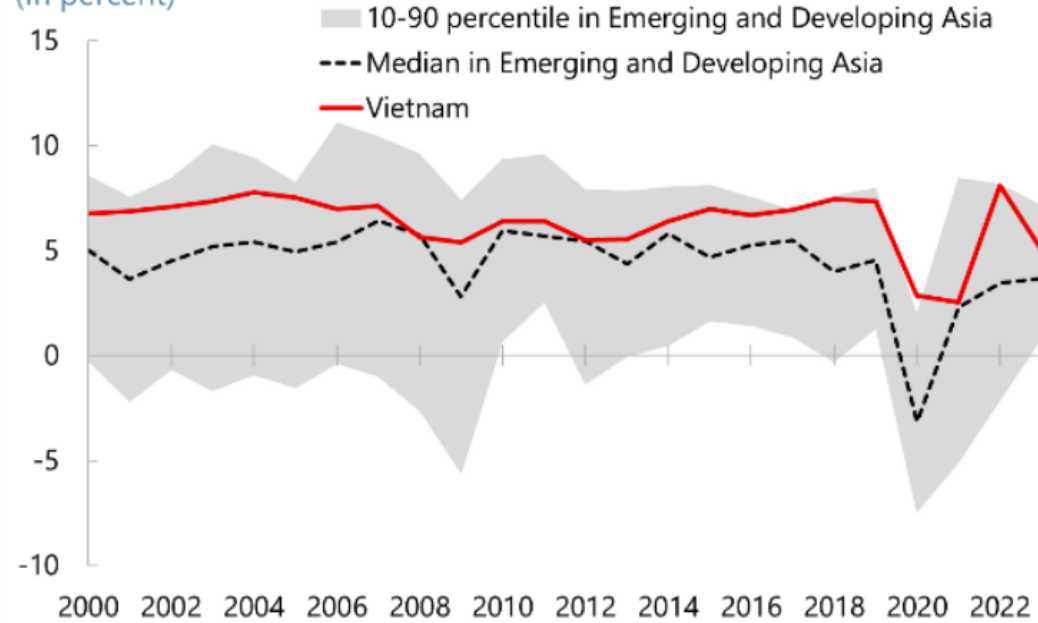


Sources: Vietnamese authorities and IMF staff calculations.

Maintaining the strong growth performance in the medium-term will be more challenging.

Economic Growth in Emerging and Developing Asia

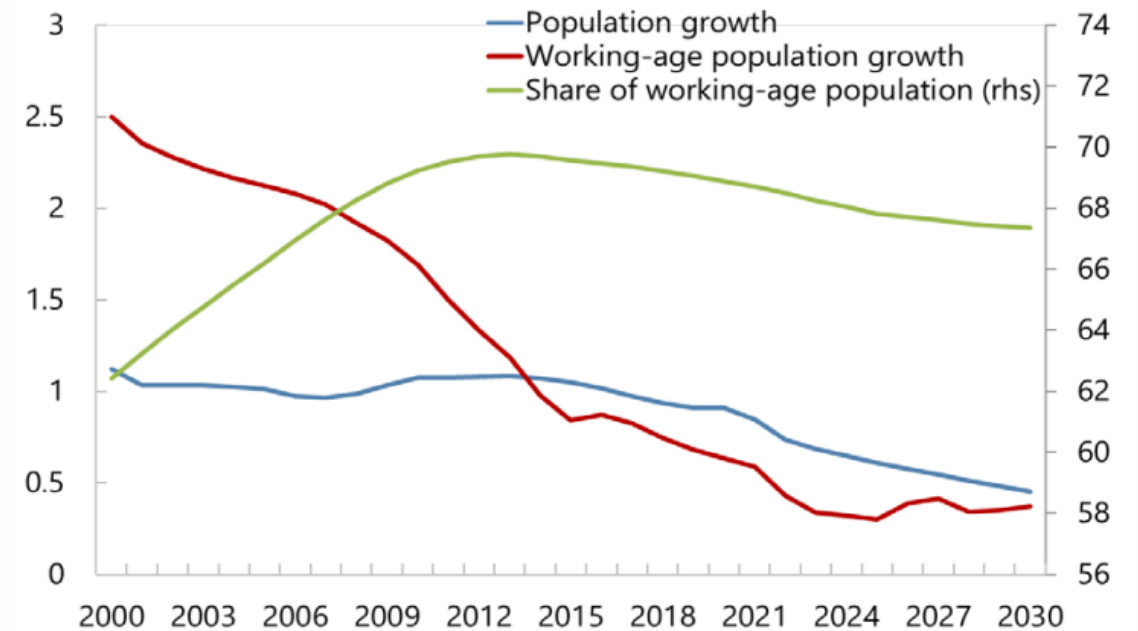
(In percent)



Sources: IMF.

Demographic Dynamics

(Percent (lhs); percent of total population (rhs))



Sources: World Population Prospects 2022.

Vietnam's economic growth has been driven by physical and human capital accumulation.

Table 1. Vietnam: Growth Decomposition (2000-19)

| | Average Growth | | | | | | <i>LF/P</i> (e) 2023-32 | Δ <i>LF/P</i> (e) |
|---------|----------------|------------|------------|----------|-------------|-------------|----------------------------|-----------------------------|
| | <i>GDP/P</i> | <i>K/Y</i> | <i>TFP</i> | <i>h</i> | <i>L/LF</i> | <i>LF/P</i> | | |
| Vietnam | 5.4 | 2.9 | -0.2 | 2.0 | 0.1 | 0.5 | -0.2 | -0.7 |
| AE | 2.6 | -0.5 | 1.4 | 0.9 | 0.8 | 0.0 | -0.3 | -0.2 |
| EM | 3.8 | 0.6 | 1.7 | 1.0 | 0.1 | 0.4 | -0.3 | -0.7 |
| LIC | 5.5 | 3.5 | -0.1 | 1.2 | 0.2 | 0.7 | 0.1 | -0.5 |

P = population

K/Y = physical capital over output

TFP = total factor productivity

h = human capital

L/LF = employment ratio

LF/P = labor force relative to population

- Recent Developments
- Outlook and Risks
- Growth Potential
- Policies

The short-term policy mix should put more emphasis on managing risks.

- Monetary and fiscal policies need to take a cautious approach amid the highly uncertain and complex external environment.
- Further monetary easing would increase financial risk and risks stemming from FX pressures.
- Greater exchange rate flexibility would help anchor inflation expectations and preserve the limited FX reserves.
- Financial sector risks need to be further addressed.

Ambitious reforms are needed to lift growth potential.

- Boost labor productivity through reducing labor skill mismatches and resource misallocation.
- Improve the business environment, reduce red tape and legal uncertainty, and continue to invest in human and physical capital.
- Develop capital markets including the sovereign bond market to improve resource allocation.
- Address climate change including through investment in resilient infrastructure, renewable energies, and the electricity grid
- Bolster economic statistics to enable a better assessment of domestic and external risks and facilitate the design of more effective policies.

Thank you!