6 January 2026

Global Markets Research

Research Alert

Stellar 8.0% GDP growth for Vietnam in 2025

Strongest growth since 2022 albeit missing official growth target of 8.3-8.5%
4Q GDP surprised on the upside at 8.5% y/y amid strong external & domestic demand
SBV to maintain policy rates in 2026 amid robust growth and within-target inflation

Details

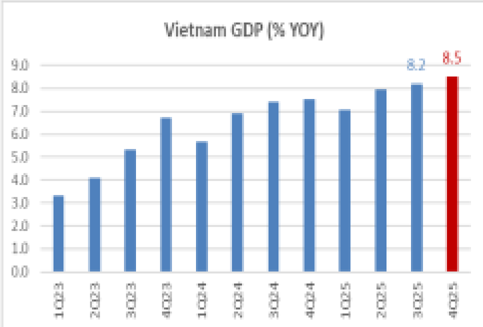
Despite official GDP forecast miss, the Vietnamese economy grew a robust 8.0% y/y in 2025 (2024: 7.1% y/y) as growth in 4Q GDP accelerated to 8.5% y/y from 8.3% y/y in the preceding quarter. The result was nonetheless above consensus estimate and the latter, the strongest quarterly growth since 3Q of 2022.

Growth was broad-based during the year, with the agriculture, forestry and fisheries expanding by 3.8% y/y in 2025 (2024: 3.3% y/y), as agricultural production remained stable despite temporary disruption from storms and flooding. Industry & construction surged 9.0% y/y (2024: 8.2% y/y) with the manufacturing sector staying as the main driver of expansion. Services sector also picked up pace, accelerating to 8.6% y/y from 7.4% y/y previously, buoyed by strong growth in trade and tourism activities (tourist arrivals: +20.4% y/y to 21.2m in 2025).

On the demand side, investment and trade momentum remained robust despite the upheavals from US tariffs. Available data showed that export growth recorded its eleventh month of double-digit growth at 23.8% y/y in December (Nov: 15.1% y/y, 2025: 17.0% y/y), while import growth also picked up to 27.7% y/y (Nov: 16.0% y/y, 2025: 19.4% y/y). Retail sales grew at a faster pace of 9.8% y/y in December, from 7.1% y/y the preceding month, with all sectors recording stronger growth during the month.

Meanwhile, inflation remains mild and matched consensus forecast at 3.5% y/y in December (Nov: 3.6% y/y), while core was also steady at 3.3% y/y for the third straight month. For the whole year 2025, the CPI increased by 3.3% y/y.

Figure 1: Strongest growth since 2022



Source: Bloomberg

Figure 2: Robust growth for domestic and external demand

Source: Bloomberg

Outlook

The Vietnamese economy ended a turbulent year on a positive note, but 4Q data also partially benefitted from calmer weather conditions and working through backlogged projects.

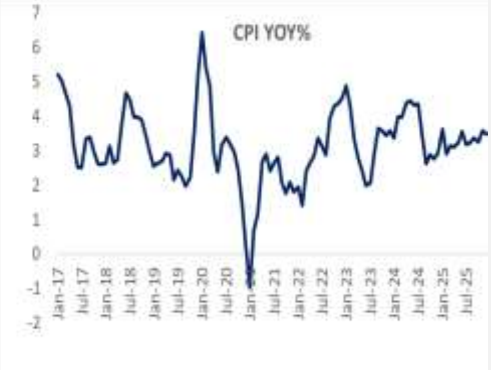
Leading indicators like the PMI suggest that the economy entered 2026 on an equally positive note, with manufacturers still optimistic of securing new business, while rapid increase in imports driven by production needs, particularly those of export-oriented manufacturing also supports expectations that exports will continue posting solid momentum in at least 1Q of the year.

On the domestic front, consumer spending is expected to stay sturdy supported by a resilient labour market (unemployment rate: 2.2%), positive wage growth and the extension of the 2% reduction on VAT to end-2026, while total investment will stay elevated on high implementation rate of FDI and public investment that focuses on infrastructure investment, developing the science and technology sectors (state investment: 19.7% y/y in 2025, non-state: 8.4% y/y and FDI: 11.7% y/y).

Threats of sectoral tariffs, namely semiconductor and selected agriculture products like coffee which are duty exempted for now, as well as shocks from climate change and escalating natural disasters like storms could nonetheless disrupt output, growth, commodity prices and inflationary pressures.

With this, consensus is pencilling in GDP growth of 6.9% y/y and inflation of 3.5% y/y for 2026, while the IMF is projecting sharply lower growth of 5.6% y/y and CPI of 3.2% y/y. We opine that the latter is on the lower side, and are in fact, expecting growth of "around 7.0%" for 2026 with inflation estimated at 3.4% y/y. Amid still robust growth and tame inflationary pressure, there is also no change in our expectations that the SBV will leave its policy rate unchanged at 4.50% for the whole of 2026.

Figure 3: Tame CPI leaves room for the central bank to maintain its policy rate



Source: Bloomberg

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