

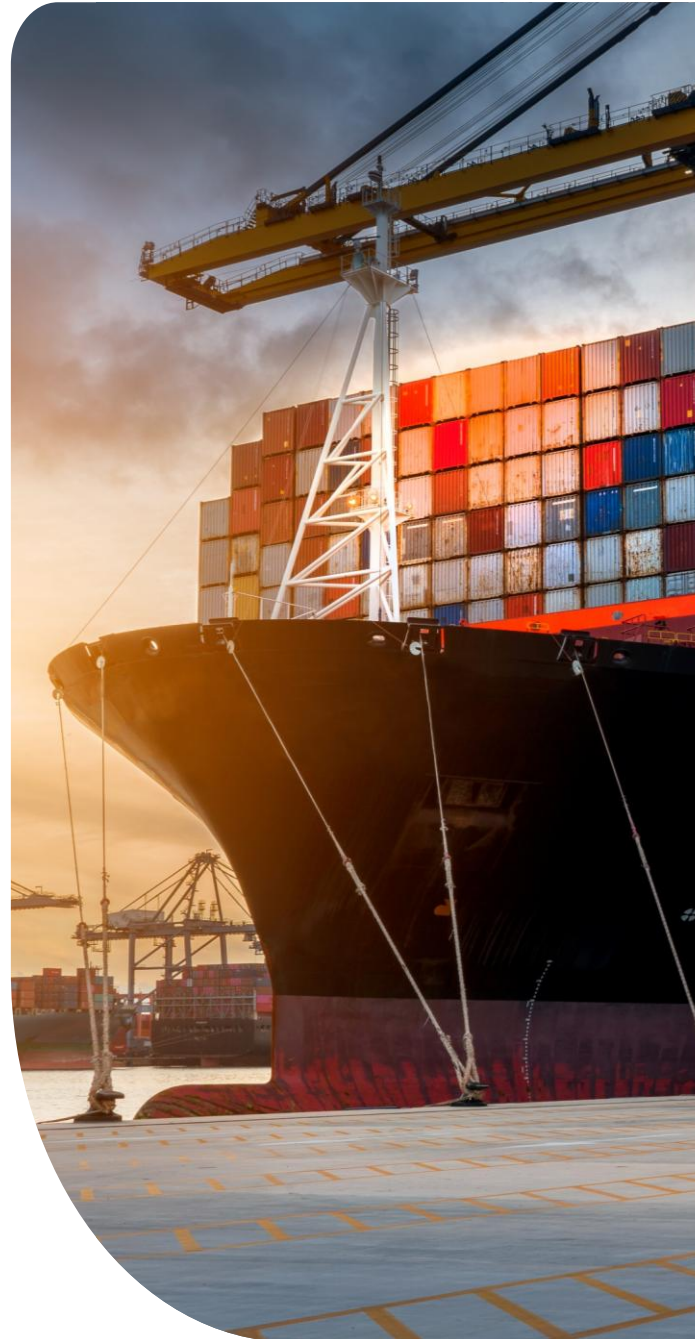
News Insight & Recap

April 2025



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GRANT THORNTON INSIGHTS

In April 2025, Vietnam's economy showed signs of strain amid mounting external pressures, particularly after the U.S. announced the imposition of new tariff rates on a wide range of Vietnamese goods. The World Bank revised its 2025 growth forecast for Vietnam down to 5.8%, citing weakened global demand and Vietnam's high trade dependency on key partners like the U.S. and China. This vulnerability was reflected in a sharp contraction in manufacturing activity, as the PMI dropped to its lowest level since mid-2023. Despite a headline surge in FDI, the decline in new project registrations signals growing investor caution, while the trade surplus narrowed by nearly 60%, driven by faster import growth.

In response to the current challenging environment, Vietnam is making adjustments both tactically and strategically. In the short term, the government is ramping up imports from the U.S., particularly high-value goods like aircraft and machinery, to ease trade imbalances and build goodwill in negotiations. Concurrently, it is accelerating outreach to new markets through FTAs and diplomatic channels, with notable momentum in non-traditional destinations such as India, the UK, and the Middle East.

At the core, however, is a deeper structural challenge. Businesses in the domestic sector are still building capacity to participate more meaningfully in higher-value production. Localization, value-chain control, and support for domestic producers are critical for the long-term economic growth of Vietnam. The current trade tensions may, in that sense, become a catalyst: pushing Vietnam to accelerate reforms, not just to weather this period of uncertainty, but to anchor more sustainable growth.



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1. THE WORLD BANK REVISES DOWN VIETNAM'S 2025 GROWTH FORECAST

The World Bank has revised Vietnam's 2025 GDP growth forecast down from 6.8% to 5.8%, citing increased global trade policy uncertainty and weakening external demand. The organization stated that Vietnam is vulnerable to disruptions as imports and exports totaling nearly 170% of the country's GDP. Vietnam is also dependent on the two major markets in the current spotlight of the global trade landscape: the U.S., which accounts for 30% of its exports, and China, which provides roughly 38% of its imports. To safeguard long-term growth, the World Bank stresses the need for stronger public investment, financial sector improvements, and structural reforms. Meanwhile, for 2026 and 2027, the World Bank projects a rebound in growth to 6.1% and 6.4%, respectively, assuming both global conditions stabilize and Vietnam continues to implement key domestic reforms.

[Source: VietnamPlus]

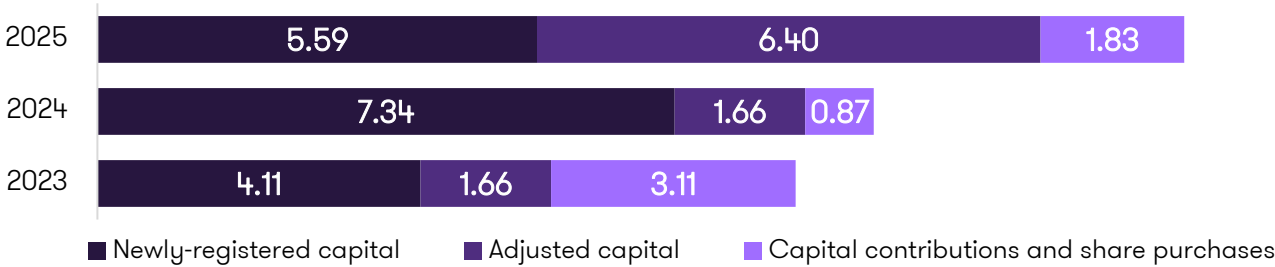


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2. MIXED FDI TRENDS IN THE FIRST FOUR MONTHS OF 2025

Vietnam attracted USD13.82 billion in foreign direct investment (FDI) in the first four months of 2025, up nearly 40% year-on-year, while disbursed capital rose 7.3% to USD6.74 billion, according to the Foreign Investment Agency (FIA). The surge was driven by a nearly 4-fold rise in adjusted capital for existing projects, reaching USD6.4 billion, and a sharp rise in share purchases, which climbed to USD1.83 billion, doubling the level from a year ago. Meanwhile, new projects recorded registered capital declining 23.8% year-on-year to USD5.59 billion.

Breakdown of 4-month FDI capital into Vietnam from 2023-2025 (USD billion)



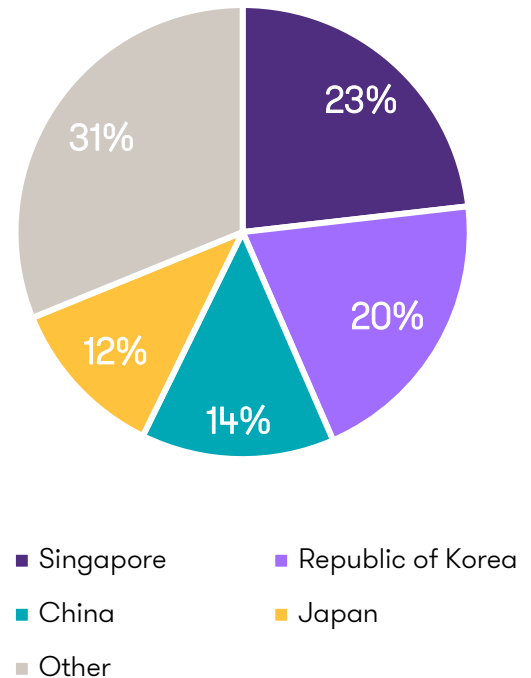
(Source: Vietnam Investment Review)



2. MIXED FDI TRENDS IN THE FIRST FOUR MONTHS OF 2025 (CONT.)

In terms of sectors, the manufacturing industry continued to attract the most capital, with USD8.37 billion in registered FDI, making up nearly 70% of the total, followed by real estate at USD2.63 billion, accounting for 21.9%. Among investor countries, Singapore remained the largest source of FDI with over USD3.2 billion (23.5% of the total), up 10% year-on-year. South Korea ranked second with close to USD2.8 billion, more than triple its figure from the same period last year, followed by China, Japan, and Hong Kong.

Top sources of FDI into Vietnam in the first 4 months of 2025 (%)



(Source: Vietnam Investment Review)

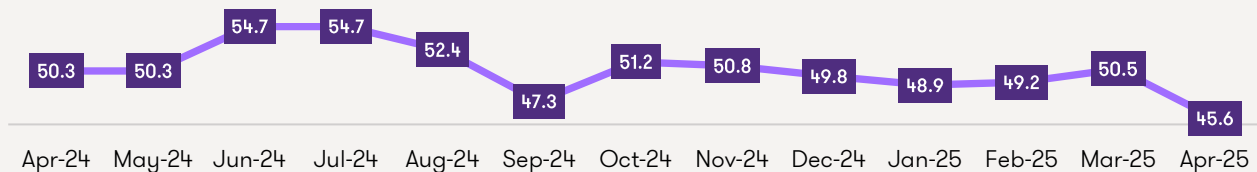


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3. MANUFACTURING WEAKENS SHARPLY ON TARIFF CONCERNS

Vietnam's manufacturing sector contracted sharply in April following the U.S. tariff announcement of the U.S., with the Purchasing Managers' Index (PMI) falling to 45.6 from 50.5 in March, the lowest level since May 2023. According to S&P Global, new orders, particularly from export markets, declined at the fastest pace in nearly two years, leading to marked drops in output, employment, and purchasing activity. In addition, business confidence fell to the lowest level since August 2021. The downturn reflects a shock for firms, and in response, the government is stepping up trade negotiations and introducing measures to support affected businesses.

Vietnam's Purchasing Managers' Index (PMI)



[Source: S&P Global]



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4. FOUR-MONTH TRADE SURPLUS NARROWS AMID AS IMPORTS OUTPACE EXPORTS

In the first four months of 2025, Vietnam's total trade turnover reached USD276.89 billion, marking a 15.7% increase from the same period last year, according to the National Statistics Office (NSO). Exports rose by 13% to USD140.34 billion, while imports climbed 18.6% to USD136.55 billion. This resulted in a trade surplus of US\$3.79 billion, dropping by nearly 60% from the USD9.05 billion surplus in the same period of 2024. The narrowing surplus highlights a shift in the trade balance as import growth outpaces exports, suggesting rising import activities from Vietnam.

Exports

USD140.34 bil

Imports

USD136.55 bil



USD276.89 bil

Total trade volume

USD3.79 bil in trade surplus



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[Source: Vietnamnews]

5. VIETNAM STRIVES TO DIVERSIFY EXPORT MARKETS AMID TRADE UNCERTAINTY

Vietnam's exports continued to perform strongly in the early months of 2025, with the trend of diversification on the rise lately. While exports to the U.S. showed signs of slowing, growth was witnessed in other major partners such as the EU, Japan, South Korea, and China. More importantly, Vietnamese businesses have intensified efforts to diversify beyond traditional markets, expanding into emerging destinations like Canada, the UK, Mexico, India, the Middle East, and Africa. These new markets are being accessed through active promotion of free trade agreements (FTA) like the CPTPP and the UK-Vietnam FTA, which have facilitated notable growth in exports of textiles, seafood, footwear, and machinery. Exporters are also increasingly leveraging digital platforms, trade fairs, and direct matchmaking to reach new buyers, especially in Latin America and the Middle East.

[Source: Vietnamnews]

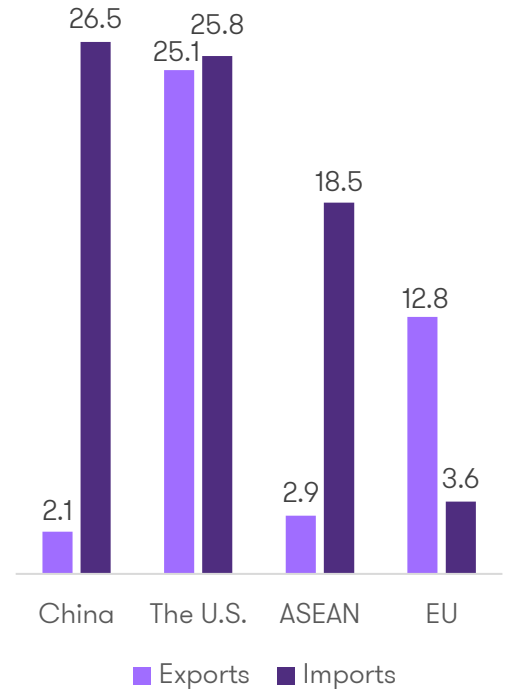


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6. VIETNAM SEEKS TO BALANCE TRADE WITH THE U.S.

Vietnam is ramping up imports from the U.S., especially high-value goods like aircraft and machinery, as part of efforts to balance bilateral trade. This can be seen in the latest data, which shows in the first four months of 2025, imports from the U.S. grew faster than exports, despite Vietnam maintaining a trade surplus. Minister of Industry and Trade Nguyen Hong Dien highlighted the two economies' complementarity and Vietnam's steady demand for U.S. goods. Businesses hope increased imports and ongoing engagement will help advance tariff negotiations.

Growth rate of Vietnam's exports and imports with top markets in the first four months of 2025 (%)



{Source: VietnamPlus}



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6. VIETNAM SEEKS TO BALANCE TRADE WITH THE U.S. (CONT.)

On a different note, Vietnam is intensifying trade diplomacy with the U.S. From May 11 to 14, a Vietnamese delegation led by the Ministry of Finance is in the U.S. to meet with officials, business associations, and companies in semiconductors, high technology, and banking. The group, which marks Vietnam's largest-ever participation in the event, is attending the SelectUSA Investment Summit in Maryland. To help address the trade imbalance, Vietnam has lowered tariffs on a range of U.S. goods including automobiles, soybean meal, corn, cherries, raisins, wood, and ethanol, with further reductions under consideration. These cuts aim to provide consumers with better access to high-quality products and reduce input costs for domestic producers. According to AmCham Vietnam, reciprocal tariff cuts would benefit both U.S. and Vietnamese firms and consumers, supporting a smoother trade relationship.

[Source: VietnamPlus]



7. VIETNAM ADVISED TO INCREASE LOCAL PRODUCTION AMID U.S. TARIFF THREAT

The U.S.'s proposed 46% tariff on Vietnamese exports has intensified calls for Vietnam to raise its localization rate and reduce reliance on foreign-invested enterprises (FIEs), which currently generate over 70% of export value. Experts analyze that Vietnam's trade surplus with the U.S. is largely driven by FIE-led manufacturing sectors, meaning the domestic economy retains only modest value. Statistics show that Vietnam posted a USD3.79 billion trade surplus in the first four months of 2025, driven by a USD14.31 billion surplus from FIEs, while the domestic sector ran a USD10.52 billion deficit. Experts advise that strengthening local value-added production will be critical not just for navigating current trade tensions, but also for enhancing Vietnam's negotiating position. Without such reforms, the country risks remaining in the high-tariff group, limiting future export potential.

[Source: TheInvestor]



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Contact



Mrs. Trinh Thi Tuyet Anh

Director

Business Development and International Liaison

T +84 28 3910 9170

E anh.trinh@vn.gt.com

LinkedIn: Anh Trinh

Ms. Tran Ha Bao Ngoc

Associate

Business Development

E BaoNgoc.Tran@vn.gt.com