

News Recap

December 2024



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GRANT THORNTON INSIGHTS

As we conclude the year 2024, it is important to recognize the complex landscape Vietnam navigated throughout the year. Despite facing significant challenges, including global economic slowdown and geopolitical tensions, coupled with domestic hurdles such as the stagnant real estate sector and natural disasters like typhoon Yagi, Vietnam's economy has continuously proven its resilience, showcasing a strong rebound with GDP growth reaching 7.09%, a notable improvement from the 5.05% recorded in 2023. This growth reflects the country's ability to navigate adversity while capitalizing on opportunities in sectors critical to its development.

In 2024, foreign direct investment (FDI) continued to be a bright spot in the economy, reflecting strong international confidence in Vietnam's potential for doing business. The manufacturing industry continued to lead in attracting investment, demonstrating its role as a cornerstone of Vietnam's economic development. The steady flow of FDI also facilitated the development of industrial real estate, driven by increased demand for facilities from investors. In particular, the semiconductor industry has also become a key focus, with the Vietnamese government actively encouraging investment from global tech companies.

Looking ahead to 2025, there is a palpable sense of optimism regarding the potential for robust economic growth. Vietnam has set a GDP growth target of 6.5-7.0% for the year, reflecting the country's confidence in ongoing recovery trends and structural reforms. However, the economy continues to face significant uncertainties, such as rising trade barriers, inflationary pressures, and the need to address infrastructure bottlenecks may impact growth. Nevertheless, there is optimism that Vietnam's proactive approach will enable the country to navigate these obstacles and maintain steady progress.

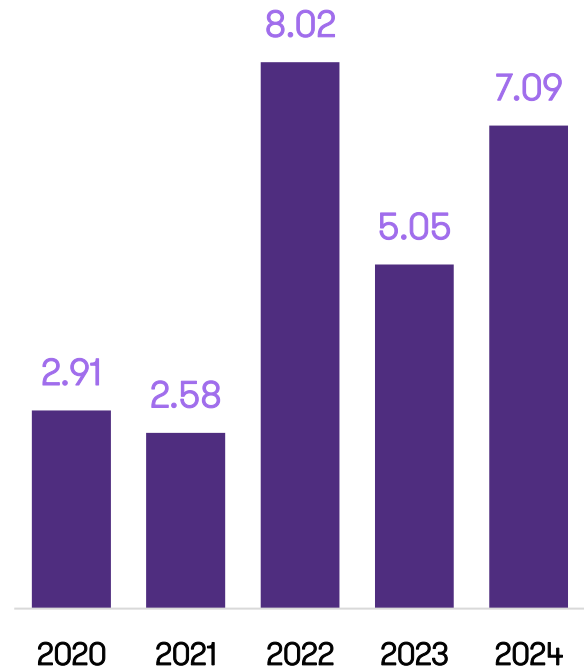


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1. VIETNAM'S ECONOMY EXPANDS OVER 7%, ACHIEVING TARGET

According to the General Statistics Office (GSO), Vietnam concluded 2024 with GDP growing by 7.09%, surpassing the National Assembly's target of 6.5%. This figure marks a strong performance during the period from 2020-2024, second only to the 8.02% growth in 2022. In 2024, quarterly growth showed consistent improvement, with the economy expanding by 5.98% in Q1, 7.25% in Q2, 7.43% in Q3, and 7.55% in Q4. Moreover, inflation remained under control, with the average CPI rising by 3.63%, below the 4-4.5% target.

Vietnam's GDP Growth from 2020-2024 (%)



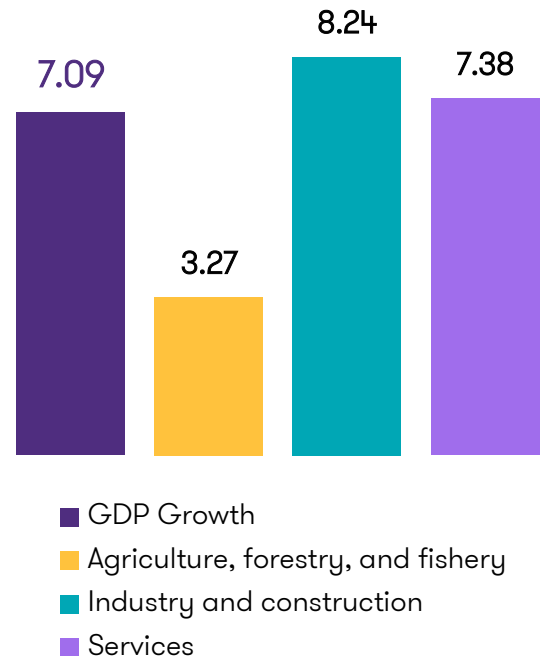
[Source: Vietnamnews]



1. VIETNAM'S ECONOMY EXPANDS OVER 7%, ACHIEVING TARGET (CONT.)

By economic sector, agriculture, forestry, and fishery increased by 3.27%, industry and construction rose by 8.24%, and services expanded by 7.38%. Industry and construction and services together led the economy with notable recovery. Meanwhile, despite challenges from natural disasters, the agriculture sector still posted positive growth. Overall, while 2024 posed significant challenges, Vietnam's economy showed remarkable resilience, laying a solid foundation for achieving higher results in 2025.

Vietnam's 2024 GDP Growth by economic sector (%)



[Source: Vietnamnews]



2. VIETNAM'S 2025 GDP GROWTH PROJECTED TO OUTPACE REGIONAL PEERS

Oxford Economics projects Vietnam's GDP will grow 6.5% in 2025, continuing to outpace its regional peers in the ASEAN-6 group. The organization attributes the country's economic growth to the strong manufacturing sector, particularly machinery and textiles, along with ongoing expansion of the semiconductor industry, though at a more moderate pace than in 2024. Oxford Economics also forecasts a temporary slowdown in FDI inflows due to potential U.S. tariff announcements. While credit growth is expected to improve, challenges in the real estate sector are anticipated to persist throughout the year. Overall, this forecast aligns with the projections of other institutions, such as the Asian Development Bank (6.6%) and Standard Chartered (6.7%), reflecting a shared confidence in Vietnam's economic outlook for 2025 among experts.

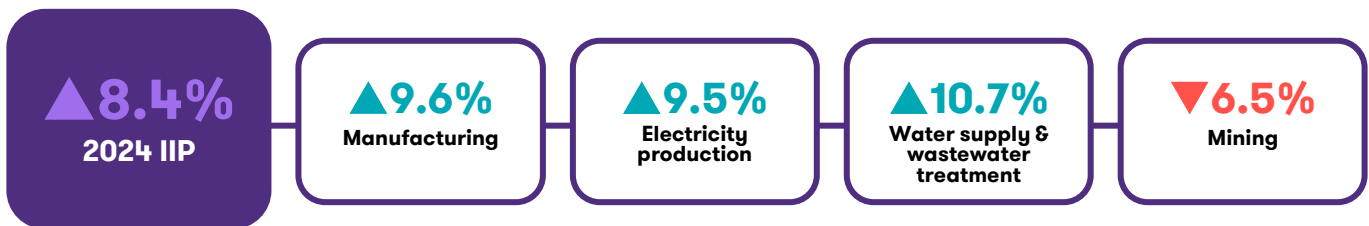
[Source: TheInvestor]



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3. STRONG RECOVERY WITNESSED IN VIETNAM'S INDUSTRIAL SECTOR IN 2024

Vietnam's index of industrial production (IIP) grew by 8.4% year-on-year in 2024, which surpassed those of previous years, including 3.3% in 2020, 4.7% in 2021, 7.4% in 2022, and 1.3% in 2023, which was notably low due to the significant challenges faced that year. The growth was driven by the strong recovery in manufacturing (up 9.6%), electricity production (up 9.5%), and water supply/wastewater treatment (up 10.7%). However, the mining sector declined by 6.5%. Notable sub-sectors in manufacturing showing strong growth included plastics (24.9%), leather products (13.7%), electrical products (11.9%), electronics (8.3%), and food processing (7.4%).

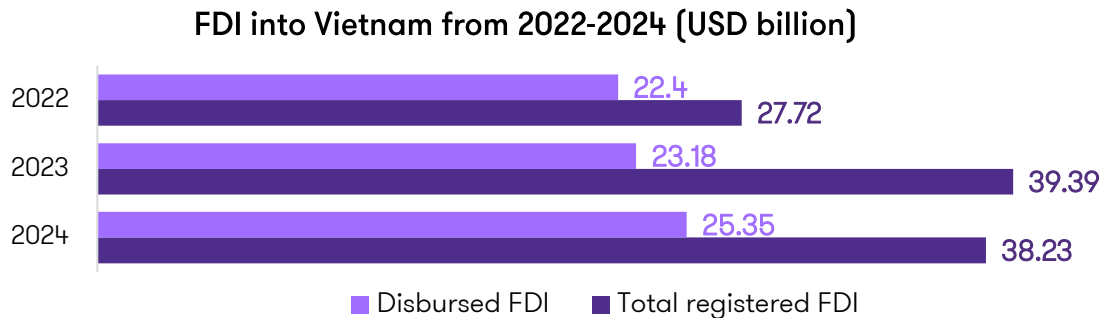


(Source: TheInvestors)



4. 2024 FDI DISBURSEMENT ACHIEVES RECORD FIGURE

By December 31, 2024, Vietnam recorded USD38.23 billion in total registered foreign direct investment (FDI), a 3% year-on-year decline, as reported by the Foreign Investment Agency (FIA) under the Ministry of Planning and Investment (MPI). This drop highlights a slowdown in investment flows during the latter part of the year. However, disbursed FDI reached USD25.35 billion, up 9.4% year-on-year, which is the highest figure ever recorded. This achievement reflects the unwavering investor confidence in Vietnam's attractiveness as a business destination.



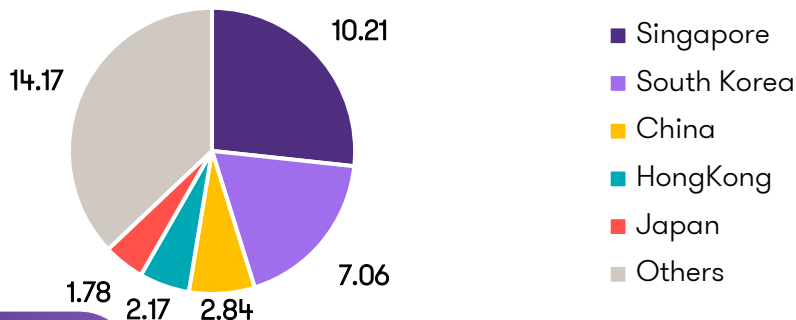
(Source: Vietnam Investment Review)



4. 2024 FDI DISBURSEMENT ACHIEVES RECORD FIGURE (CONT.)

In 2024, Vietnam attracted investments from 114 countries and territories, with Asian nations remaining the primary sources of capital. Singapore emerged as the top investor, contributing nearly USD10.21 billion to the total registered FDI. South Korea followed with USD7.06 billion and China ranked third with USD2.84 billion. By sector, the manufacturing industry continued to dominate, attracting USD25.58 billion, while the real estate sector recorded USD6.31 billion, making it the second-largest recipient of investment.

FDI into Vietnam in by country (billion USD)

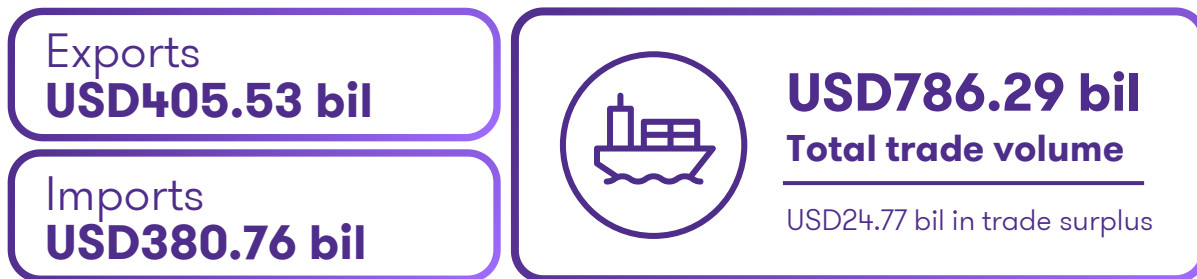


(Source: Vietnam Investment Review)



5. TRADE SURPLUS THROUGH DECEMBER 2024

Vietnam's total trade turnover in 2024 reached USD786.29 billion, up 15.4% year-on-year. Export turnover recorded USD405.53 billion, growing 14.3% and particularly surpassing the USD400 billion mark for the first time, highlighting the country's export strength. Meanwhile, imports totaled USD380.76 billion, rising 16.7%. This resulted in a trade surplus of USD24.77 billion. The U.S. remained Vietnam's largest export market with a turnover of USD119.6 billion while China was the top import source, with imports totaling USD144.3 billion.



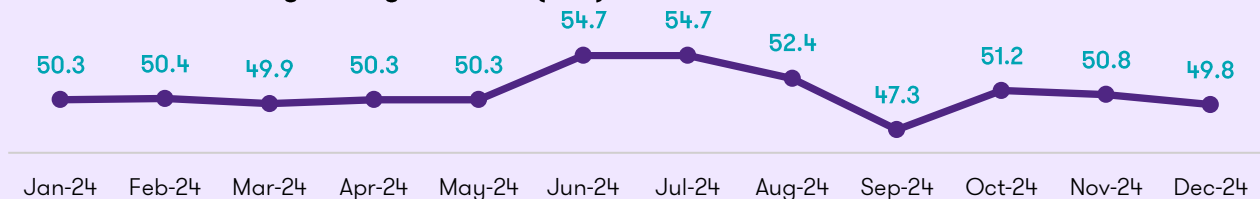
[Source: Vietnamnews]



6. DECEMBER PMI SHOWS DECLINING BUSINESS CONDITIONS

According to S&P Global, Vietnam's Purchasing Managers' Index (PMI) fell to 49.8 in December 2024 from 50.8 in November, indicating a decline in business conditions. New export orders dropped for the second month, while overall new business grew modestly. Notably, material shortages and exchange rate fluctuations put pressure on input costs, leading to the sharpest rise in output prices since July. Employment continued to decline for the third month and business confidence also reduced, reflecting some concerns in the global economy and the potential of U.S. tariff among firms.

Vietnam's Purchasing Managers' Index (PMI)



(Source: S&P Global)



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7. VIETNAM'S EXPORTS TO EUROPE AND AMERICA SEE SUBSTANTIAL GROWTH

Vietnam's trade with European and American markets saw a robust recovery in 2024, reflecting Vietnam's proactive measures to boost exports, overcome trade barriers, and utilize free trade agreements, such as the EVFTA, CPTPP, and UKVFTA, throughout 2024. Total trade turnover reached approximately USD250 billion, which is a growth of 18.5% from 2023, with exports rising 20.3% to USD202.1 billion and imports increasing 12.6% to USD47.9 billion. This also results in the trade surplus surpassing USD154 billion for the first time. Key markets such as the U.S., EU, and UK recorded substantial growth in exports, driven by the strong performance in electronics, machinery, textiles, footwear, and seafood. These achievements highlight Vietnam's growing global trade presence despite global uncertainties, with the country aiming to further enhance trade relations and expand market access in 2025.

[Source: Voice of Vietnam]



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8. VIETNAM OFFERS UP TO 50% SUPPORT FOR AI AND SEMICONDUCTOR PROJECTS

The Vietnamese Government, through Decree 182, has launched significant support measures for businesses involved in semiconductor, AI, and R&D. This includes up to 50% coverage of initial investment costs via the Investment Support Fund, aimed at promoting innovation in high-tech industries. Eligible projects require a minimum investment of VND3 trillion (USD117.78 million) and at least VND1 trillion disbursed within three years. This initiative highlights the Government's dedication to developing Vietnam's semiconductor and AI sectors, offering financial aid to both large tech firms and R&D centers. By addressing previous policy gaps, such as the missed USD5 billion investment from LG, the decree fosters a more attractive environment for foreign investors. The fund, managed by the Ministry of Planning and Investment, contributes to positioning Vietnam as a prime destination for global investment in advanced technologies.

[Source: Vietnamnews]



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9. VIETNAM'S SEMICONDUCTOR REVENUE IS ESTIMATED AT OVER USD18 BILLION IN 2024

Vietnam's semiconductor industry is rapidly developing, focusing on chip design, assembly, packaging, and testing. The Vietnamese Government highlighted the sector's potential at the National Steering Committee for Semiconductor Industry Development. The sector has attracted 174 FDI projects, totaling around USD11.6 billion, establishing Vietnam as a good destination for global investments. Major tech firms, including the U.S. Semiconductor Industry Association led by John Neuffer, have shown interest. To strengthen the sector by 2030, the Government is implementing strategic initiatives, including setting up the Investment Support Fund, revising the Law on Investment, and streamlining compliance times to 2-3 hours in a bid. Efforts are also underway to enhance utility infrastructure and waste treatment facilities while building a comprehensive industry database.

[Source: Vietnam Government Portal]



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10. PROMISING OUTLOOK FOR INDUSTRIAL REAL ESTATE IN 2025

Vietnam's industrial real estate sector is attracting strong investment despite economic challenges, driven by rising demand and infrastructure growth. In 2024, investor confidence rose, with visits from tech giants like Nvidia, Intel, and Google. Key developments include DEEP C Industrial Park securing USD169 million in investment and KCN Vietnam Group adding 400,000 square meters of industrial space. The northern rental market saw a 1.2% price increase, with net absorption up 32% year-on-year. From 2024 to 2027, industrial land in key zones is expected to expand by 10,600 hectares, with annual growth rates of 7.5% for land, 5.9% for factories, and 10.1% for warehouses. Sustainability efforts, like Lego Vietnam's LEED-certified factory, highlight a commitment to eco-friendly operations, reinforcing Vietnam's status as a growing industrial hub.

[Source: The Saigon Times]



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11. VIETNAM OVERTAKES BANGLADESH AS WORLD'S 2ND-LARGEST APPAREL EXPORTER

Vietnam's apparel-textile sector is poised for significant growth, with export revenues expected to reach USD44 billion in 2024, an 11% increase over the same period last year. This leads to Vietnam surpassing Bangladesh to become the second-largest apparel exporter, after China. According to industry experts, while the sector faced numerous challenges in early 2024, a shift in orders from Bangladesh due to geopolitical issues partially led to a strong recovery for Vietnam in the latter half of the year. Confirmed orders are expected to continue into early 2025, with revenue projected at USD45–46 billion. However, experts also noted that the sector still faces many challenges, including regional instability, high shipping costs, climate change, and energy security concerns.

[Source: TheInvestor]



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