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GROWTH TARGETS FACE HEADWINDS FROM TARIFF UNCERTAINTY

- U.S. President Donald Trump announced countervailing tariffs on trade partners, with Vietnam facing the highest rate of 46%. However, the decision to suspend the tariffs for 90 days to allow negotiations has eased short-term pressure, providing Vietnam with the opportunity to develop a response strategy and strengthen its position in global supply chains.
- Vietnam's GDP in Q1 increased by 6.93%, the highest in the past 5 years, but still below the 8% target. Meanwhile, inflation remains low. Indicators for consumption and production show an improving picture. The PMI index returned to the expansionary zone, although businesses remain cautious due to global risks.
- Both trade activity and FDI investment set new records in Q1. Thanks to balanced growth across economic activities, state budget revenue recorded an outstanding increase of nearly 30% compared to the same period last year. On the other hand, public investment disbursement stays slow, despite high expectations.
- The Q1 data does not yet reflect the direct and indirect impacts of the tariffs, so we believe that the economic outlook in the near future will be highly uncertain. We are also cautiously adjusting our economic forecasts and developing multiple scenarios to better align with the current situation.

Trade War 2.0

U.S. President Donald Trump announced countervailing tariffs on all trade partners, with Vietnam facing the highest tariff rate of 46%. However, the Trump administration implemented a 90-day suspension of tariffs for negotiations, which has eased short-term pressure, allowing Vietnam to develop a response strategy and strengthen its position in global supply chains. We believe the government will implement a range of solutions to boost domestic consumption and investment, including private investment, foreign direct investment (FDI), and public investment. However, we also need to adjust our economic projections accordingly.

Vietnam's Economy in Q1: Continued Improvement

GDP: Vietnam's GDP grew by 6.93%, the highest in five years, confirming a strong and sustainable recovery trend. Despite this outstanding growth compared to previous years, it still falls short of the ambitious target of over 7.7% (aiming for 8% for the full year of 2025).

CPI: The CPI aligned with PHS's forecast, recording a slight decrease of 0.03% from the previous month and a 3.13% increase YoY, driven by a sharp drop in fuel and rice prices in line with global market trends. The average inflation for Q1 stood at 3.22%, still far below the government's target.

Retail sales: Domestic retail sales were also strongly boosted. In addition to the momentum from tourists, demand for domestic goods has also recovered, although it remains largely focused on essential goods (food, education). Specifically, total retail sales of goods and services in March reached VND 570.9 trillion, a 1.7% increase from February and a 10.8% increase YoY, marking the highest revenue in the last 22 months.