



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
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Viet Nam: economic update Q1

MARKET INTELLIGENCE REPORT

Summary

- [The Vietnamese economy](#) is forecast to grow 6 per cent in 2024 and 6.5 per cent in both 2025 and 2026, up 5 percent from last year, according to the World Bank.
- In Q2 of this year, Viet Nam was Southeast Asia's top performing economy, growing at 6.9 percent (with Philippines and Malaysia in second and third place at 6.3 per cent and 5.9 per cent, respectively) according to the latest McKinsey report. With this robust performance, Viet Nam remains in the group of fastest growing economies in the world.
- While the Vietnamese economy is not yet back to pre-pandemic growth rates, due to lingering headwinds caused by external risks, the overall outlook remains upbeat.
- Driven by a surge in in new export orders, an upswing in manufacturing (the second fastest growth period on record) and prudent fiscal and monetary policy, growth hit 6.4 per cent in the first half of this year. Economists are expecting a more muted performance in the second half due to a slow-down in trade-related manufacturing and ongoing external risks.

- Longer term, Viet Nam has set a goal of reaching upper middle-income status by 2035, high-income status by 2045, and achieving net zero carbon emissions by 2050. To drive these outcomes current policy priorities include green and digital transformation, more efficient public service delivery, improving urban environments, developing a more highly-skilled workforce, and continuing to increase foreign direct investment.
- This presents opportunities for New Zealand companies, particularly in sectors like green technology (i.e. smart transport, renewable energy, smart farming, sustainable water and natural resource management) education and training, and public sector and digital technology expertise, particularly digitisation of government services. It also presents an opportunity to advance New Zealand's objectives for more efficient and seamless trade in goods, including e-certification.
- Viet Nam's export-oriented manufacturing sector, globally integrated economy, proximity to China and maritime trade connections mean it is well-integrated into global supply chains. Predicted stability in foreign and trade policy means it is also well-placed to benefit from shifts in the international trading system such as 'friend-shoring' and export diversification strategies. New tax incentives and energy reforms will continue to improve the environment for investment.

Report

The Economy

The first half of 2024 saw impressive GDP growth of 6.4% year-on-year, and 6.9% year on year in the second quarter alone. This was driven largely by strong trade recovery, with exports up 14.5% and imports up 17%. For the remainder of this year, economists predict growth will slow compared to the first half. Trade-related manufacturing - one of Viet Nam's main drivers of recovery - is expected to slow over the near term as an effect of slow economic recovery among its trading partners and continued geopolitical tensions, while domestic demand is also predicted to remain subdued.

The International Monetary Fund (IMF) and the Asian Development Bank predict Viet Nam's economy will grow by close to 6% in 2024 and will see a further increase in 2025 and 2026 to 6.5% growth. Inflation is also expected to remain stable at 4% despite ongoing pressure in the external environment including disruptions in global supply chains.

While the trajectory is positive, there remain several downside risks that could jeopardise Viet Nam's momentum. This includes softened global demand caused by slow economic recovery among its key trading partners and a volatile international environment, both of which could slow down the recovery of its export-led growth. In addition, the lower pace of normalisation of interest rates in many developed economies will continue to put pressure on exchange rates.

A recent IMF Article IV mission produced policy recommendations for Viet Nam, recommending that to sustain high economic growth, the government needs to focus on:

- Increasing productivity
- Further investing in human and physical capital
- Incentivising private investment in renewable energy
- Improving the functioning of the capital markets (including developing a market-based sovereign bond market)
- Continuing efforts to curb corruption, and improve economic governance and transparency
- Stepping up efforts to reduce legal uncertainty and allow for swifter decision making by public officials

Viet Nam has cemented its place in global supply chains as one of the world's most connected and attractive manufacturing hubs. It has trade agreements with economies accounting for 60 percent of global GDP and impressive maritime and air connectivity across North and Southeast Asia.

Viet Nam has pursued an active trade agenda, future-proofing through diversification of market access and FDI sources - including with New Zealand (ASEAN-Australia-New Zealand Free Trade Area Agreement (AANZFTA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP)) and, latterly, IPEF.

Snapshot of New Zealand/Viet Nam two-way trade

New Zealand Goods and Services Trade with Viet Nam (year ended March 2024, NZD)	
Total two-way trade	\$2.61 billion
Ranking	14th
New Zealand Goods Trade (year ended March 2024, NZD)	
NZ goods exports	\$841.46 million
Main exports	Dairy, fruits and nuts, wood
NZ imports	\$1.55 billion
Main imports	Electrical machinery and equipment, footwear, mechanical machinery
New Zealand Trade in Services (year ended March 2024, NZD)	
NZ services exports	\$139.44 million
Main exports	Travel
NZ services imports	\$81.9 million
Main imports	Travel

Bilateral trade between New Zealand and Viet Nam has grown over 44% in the last five years. Viet Nam is currently New Zealand's 14th largest trading partner, and 5th largest in ASEAN, behind Singapore, Thailand, Malaysia and Indonesia. At year-end March 2024, total trade with Viet Nam was valued at NZ\$2.61 billion. New Zealand and Viet Nam have agreed, as part of the Strategic Partnership, to work towards a USD3 billion trade target in 2026.

New Zealand's trade relationship with Viet Nam is heavily weighted towards commodities, mostly dairy, horticulture (primarily fruit and nuts) and timber for New Zealand, and electrical equipment and machinery for Viet Nam. Travel between New Zealand and Viet Nam also shows strong post-pandemic recovery, ranking third in New Zealand's top ten exports to Viet Nam at year end March 2024 (after dairy, and fruit and nuts). Viet Nam is also keen to re-establish direct airlinks with New Zealand.

Around 60% of New Zealand businesses currently active in Viet Nam represent the food and beverage sector. Other sectors represented are healthcare, tech, textiles, timber and aviation.

Viet Nam's favourable demographics

Viet Nam's open trade and economic policies have led to the creation of millions of jobs, particularly in manufacturing, hospitality, tourism and in the retail sector. This has resulted in a burgeoning middle class and growing sophistication in consumer behaviour, including for foreign-sourced products and education services. GDP per capita grew from US\$100 in 1990 to an expected US\$4500 in 2024.

Today 55% of the population is under 35 years of age, and urbanisation is rapidly increasing: in 1986, there were fewer than 13 million urban residents. Today there are 30 million. Disposable incomes in the urban centres of Ho Chi Minh City, Ha Noi, and Da Nang are significantly higher than the national average and more middle-class consumers in these cities are adapting to western-style dining, with a willingness to spend more for food and drink – including wine and imported spirits.

Between 2016 and 2021, Viet Nam led ASEAN in terms of growth of per capita spending by the middle 60% of the population, with a compound annual growth rate of 10.1%.

Opportunities for New Zealand firms in Viet Nam

Viet Nam presents a dynamic and fast-evolving commercial environment. The value of the retail market is estimated at US\$276 billion in 2024, and is expected to reach US\$488 billion by 2029. New Zealand enjoys an excellent reputation among Vietnamese consumers for quality education, clean safe high-quality food, and as a tourism destination.

The majority of Vietnamese retail grocery trade still occurs in traditional settings, but the rapid development of modern convenience stores, supermarkets, and other retail spaces presents a significant growth opportunity and valuable product-to-market mechanism for exporters, especially in the food and beverage sector. The widespread and rapidly growing use of social media and e-commerce sites demonstrates that Vietnamese retailers and consumers – especially the younger generation - are quick to embrace technology in their consumer habits.

Viet Nam presents New Zealand exporters with attractive demographics for growth and receptivity for New Zealand's premium products and services. Per capita F&B spending is forecast to grow from US\$813 in 2020 to \$1,172 by 2025. The healthcare sector is forecast to grow at an average rate of over 10% every year over the next five years.

In addition to food & beverage and healthcare, Viet Nam's growing manufacturing sector will continue to fuel a market for New Zealand primary products, particularly timber and aluminium. The local wood processing industry has become one of Viet Nam's top export industries over the past ten years. Wood processing export revenue has increased from approximately USD\$1 billion in 2004 to over USD\$17.5 billion in 2024.

Digitalisation is another area ripe with opportunities, and Viet Nam has already demonstrated strong interest in accessing New Zealand expertise. Earlier this year the Vietnamese government unveiled a comprehensive digital roadmap, prioritising digital economic growth, expanded public services and robust digital infrastructure.

A core objective of Viet Nam's digital roadmap is the development of a thriving digital technology sector, with a goal of cultivating 48,000 domestic technology enterprises. Another key focus is the digital modernisation of existing economic sectors: aiming for 60% of businesses in industrial and export processing zones to integrate digital platforms into their operations. The government also intends to significantly increase the number of public services available online.

The semiconductor industry is another high priority for Viet Nam, with the government recently announcing plans to develop manpower for the semiconductor system and promote a Vietnamese semiconductor ecosystem in the coming years. Viet Nam plans to invest approximately USD \$1 billion in training 50,000 semiconductor engineers by 2030, and possibly scaling to 100,000 engineers beyond that. The Vietnamese government has signalled interest in New Zealand meeting some of this demand.

Agriculture plays an extremely important role in Viet Nam's national economy. This sector makes up 15% of the country's GDP and employs over 40% of Viet Nam's labour force, particularly in rural areas. Viet Nam has strong ambition to transform its agriculture sector into one that is modern, sustainable and high value-added creating significant opportunities for New Zealand agribusiness products and services.

New Zealand's high-quality education and pastoral care for students continues to make

New Zealand a popular destination for middle class Vietnamese. Viet Nam is our 5th largest market for international education.

Aviation training is a key area for further growth. Reflecting the increasing demand for air travel in Viet Nam, the government aims to have 28 operational airports by 2030, including ten international airports – an increase of 27.3% compared to 2024. During the first half of this year, Vietnamese airlines served nearly 37.5 million passengers, increasing 3.7% year on year. Notably, they included 20.2 million passengers on international routes, soaring 38.6 per cent year on year and equivalent to that in the first half of 2019 when the aviation market enjoyed the strongest growth prior to Covid-19.

In recent years, renewable energy has become one of the highest priority areas for foreign direct investment (FDI) in Viet Nam. During the period of 2015 – 2022, Viet Nam attracted FDI of US\$ 106.8 billion into this sector, ranking it second among developing economies worldwide. With increasing demand for energy as well as the country's high-level commitment to phasing out coal power generation by the 2040s and achieving net-zero carbon emissions by 2050, the renewable energy market is full of potential.

In line with its other environmental/climate commitments, Viet Nam has committed to establishing and operating a carbon credit market by 2027. New Zealand's expertise and experience on managing and measuring carbon emissions is of significant interest to Viet Nam.

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