MATRADE HCMC
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VIET NAM JOINS THE WORLD'S UPPER-MIDDLE-INCOME ECONOMIES

OVERVIEW

The World Bank has officially reclassified Vietnam from a lower-middle-income economy to an upper-middle-income economy, effective 1 July 2026, following sustained economic growth and a rise in Gross National Income (GNI) per capita to USD4,970 in 2025, surpassing the World Bank's upper-middle-income threshold of USD4,636. The milestone reflects Vietnam's strong export performance, robust foreign direct investment (FDI), expanding manufacturing sector, and resilient macroeconomic fundamentals.

This achievement represents a significant step towards Vietnam's national development goals of becoming an upper-middle-income country by 2030 and a high-income economy by 2045. The new classification is expected to strengthen investor confidence, improve Vietnam's international economic standing, and reinforce its attractiveness as a regional manufacturing and investment hub.

HIGHLIGHTS

- The World Bank announced Vietnam's reclassification on **1 July 2026** as part of its annual Country Income Classification update.
- Vietnam's **GNI per capita increased from USD4,490 (2024) to USD4,970 (2025)**.
- The World Bank defines upper-middle-income economies as those with GNI per capita between **USD4,636 and USD14,375**.
- Vietnam joins the Philippines, Jordan, Sri Lanka and Micronesia among countries upgraded this year.
- All five major Southeast Asian economies - Singapore, Malaysia, Thailand, Vietnam and the Philippines - are now classified as upper-middle-income economies or higher.

WHAT VIETNAM'S UPPER-MIDDLE-INCOME STATUS OFFERS

Vietnam's elevation to the World Bank's upper-middle-income category marks more than a statistical milestone, it reflects the country's successful economic transformation and opens new opportunities for trade, investment and business development. The new status enhances Vietnam's international reputation and signals greater economic resilience, making it an increasingly attractive destination for multinational corporations and global investors.

The upgrade offers several strategic advantages:

1. Enhanced Global Investment Appeal

The new classification reinforces Vietnam's position as a stable and fast-growing investment destination. Investors generally associate upper-middle-income economies with stronger institutions, improved infrastructure, a more skilled workforce and lower investment risks. This is expected to support continued inflows of foreign direct investment (FDI), particularly in high-value manufacturing, technology, renewable energy, logistics and advanced services.

2. Higher Consumer Spending Power

As incomes continue to rise, Vietnam's growing middle class is expected to spend more on premium goods and services. Consumer demand is shifting towards higher-quality imported products, branded food and beverages, healthcare, education, digital services and lifestyle products. This creates favourable opportunities for Malaysian exporters offering quality, halal-certified and value-added products.

3. Acceleration of Industrial Upgrading

Vietnam is expected to accelerate its transition from labour-intensive manufacturing to higher value-added industries such as semiconductors, electronics, artificial intelligence (AI), digital economy, green manufacturing and advanced engineering. The Government's focus on innovation and technology will increase demand for industrial equipment, automation solutions and professional services.

4. Improved Infrastructure and Business Environment

The Government continues to invest heavily in transport infrastructure, logistics networks, industrial parks, ports, airports and digital connectivity under its long-term development strategies. Improved infrastructure enhances supply chain efficiency and reduces business costs, making Vietnam an even more competitive regional manufacturing and export hub.

5. Stronger International Economic Standing

Joining the upper-middle-income group enhances Vietnam's credibility in international markets and strengthens confidence among trading partners, financial institutions and multinational enterprises. The new status supports Vietnam's ambition of becoming a high-income economy by 2045 and reinforces its role as one of ASEAN's key growth engines.

6. Expansion of Premium Market Segments

The upgrade is expected to drive rapid growth in premium retail, modern trade, hospitality, healthcare, financial services, education and digital commerce. Malaysian companies can leverage this trend by introducing higher-value products and services tailored to increasingly sophisticated Vietnamese consumers.

CONCLUSION

Vietnam's transition to an upper-middle-income economy signifies the beginning of a new phase of economic development characterised by higher-value consumption, technological advancement and increased global competitiveness. For Malaysian exporters, this represents an opportunity to move beyond traditional export sectors and expand into premium consumer markets, advanced manufacturing supply chains and high-value service industries. Companies that invest early in branding, innovation and strategic partnerships will be well-positioned to benefit from Vietnam's continued economic transformation over the coming decade.

Zaimah Osman (Mdm)
Trade Commissioner

Hafidz Shukri Junit (Mr)
Assistant Trade Commissioner

Cherish Huynh (Ms)
Marketing Officer

MATRADE HCMC
Tel : 84-28-3822-1468
Fax : 84-28-3823-1882
Email : hcmc@matrade.gov.my
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