When the Tide Turns: As Vietnam Accelerates, Can Thailand Keep Up?

"The question is no longer if Vietnam will surpass Thailand — but whether Thailand can transform fast enough before ASEAN moves on without it."

In Southeast Asia's fast-shifting economic arena, the race for ranking is heating up. Thailand once sat comfortably among the region's top three, but Vietnam is closing in fast. The story ahead is not about size — it's about strategy, consistency, and the rhythm of transformation.

The Narrowing Gap

For decades, Thailand held the position of ASEAN's second-largest economy after Indonesia. But that changed quietly in 2022, when Singapore overtook Thailand, pushing it to third place. Now another challenger, Vietnam, is catching up at remarkable speed.

IMF data tells the story: Thailand's GDP reached US$526.5 billion in 2024, while Vietnam's climbed to US$459.5 billion. Ten years ago, the gap was more than double; today it is less than US$70 billion. The difference lies in momentum — Thailand grew 2.5 percent last year, Vietnam 7.1 percent, the fastest rate in ASEAN. The trend lines diverge: Thailand's rises steadily; Vietnam's shoots upward with intent.

By 2030, the IMF expects Thailand to slip to fifth place, overtaken by both Vietnam and the Philippines — a reshuffle that could redefine Southeast Asia's economic hierarchy.

Vietnam's Formula: Clarity – Consistency – Cost-Efficiency

Behind Vietnam's climb lies a disciplined framework born of the Đổi Mới reforms of 1986 — a "market economy under state direction." Pragmatic and steady, it has provided policy continuity even as other nations oscillated between political cycles.

In the first half of 2025, Vietnam attracted US$21.5 billion in foreign investment, almost matching Thailand's US$20.5 billion in applications during the same period. Studies by Thailand Development Research Institute show investors from South Korea and China shifting attention away from Thailand toward Vietnam, now positioning itself as a manufacturing hub for the digital era.

Samsung's vast complex in Thai Nguyen, north of Hanoi, employs 160,000 people and alone generates about 15 percent of Vietnam's exports. The country has also leveraged free-trade agreements — 16 FTAs covering 60 countries, including the EU-Vietnam FTA that opens a tariff-free highway to Europe. Thailand, by comparison, has 14 FTAs covering 18 countries and an agreement with the European Free Trade Association still awaiting ratification.

Cost remains another magnet. Average monthly wages range between US$150 and 500, compared with Thailand's US$250 to 800. But Vietnam's edge now extends beyond cheap labor — it reflects deliberate strategy and policy coherence.

Thailand's Structural Fatigue

Thailand's problem is not stagnation but structural exhaustion. Growth has hovered below 3 percent for several years, while household debt nears 90 percent of GDP, constraining consumption and private investment. Flagship programs — from Thailand 4.0 to the Eastern Economic Corridor — have moved slower than promised, hampered by policy discontinuity and shifting political priorities.

According to the UNDP Human Development Report 2025, Thailand's HDI stands at 0.798 (76th globally, "high"), but its inequality-adjusted HDI drops to 0.677, a loss of 15.2 percent due to inequality. Vietnam's HDI in 2023 was 0.766 (91st) and IHDI 0.641 (-16.3 percent). Though still behind, Vietnam is narrowing the gap through education reform — including a national plan to make English a second language by 2035.

The effects show in the classroom: in the OECD PISA 2022 assessment, Vietnam scored 1,403 points versus Thailand's 1,182, outperforming in math, science, and reading. Thailand's human-capital edge is eroding, while Vietnam is nurturing a younger, more technically skilled, and linguistically capable workforce.

The Youth Advantage and the Digital Frontier

Nearly 58 percent of Vietnam's population is under 35 — a demographic engine powering its ascent. Each year it produces 55,000–60,000 software engineers, more than ten times Thailand's output, with starting salaries of ฿21,000–43,000 (Glassdoor Vietnam) compared with ฿38,000–55,000 in Thailand (JobDB).

Thailand still ranks higher in the Network Readiness Index (40 vs 45) thanks to superior mobile infrastructure, yet Vietnam is moving quickly up the digital-manufacturing ladder. Apple, Intel, and LG are all expanding production bases there, integrating Vietnam into global smart-device supply chains.

In the decade ahead, competition will hinge less on the number of factories than on the number of engineers, programmers, and innovators each nation can produce.

Policy Continuity vs. Political Cycles

Vietnam's one-party system delivers the policy stability investors crave, even amid internal turbulence and corruption probes. Thailand's multiparty politics, by contrast, bring frequent resets that erode reform momentum and investor confidence.

Yet Vietnam's model carries risks: rising wages could erode its cost advantage, recurring power shortages expose infrastructure gaps, and its financial system remains underdeveloped, classified as a Frontier Market by global index providers.

Not a Zero-Sum Game

Forecasts broadly agree on Vietnam's rapid ascent. The CEBR World Economic League Table 2025 projects Vietnam to climb from 34th globally to 25th by 2039, while Thailand remains near 31st.

But this is not a race with a single winner. A richer Vietnam could strengthen ASEAN's regional value chain — if Thailand positions itself wisely. The real challenge is not whether Vietnam overtakes Thailand, but whether Thailand can reinvent itself fast enough to stay relevant in a region that no longer waits.

To do so, Thailand must confront its own inertia: strengthen education, invest in infrastructure, accelerate workforce reskilling, fight corruption, and foster genuine innovation.

The Lesson: Strategy Over Scoreboard

In ASEAN's new economic order, the scoreboard is not the story — strategy is. Vietnam shows that growth is no accident; it rewards nations that plan, persevere, and reform with purpose.

Thailand's strength lies not in imitation but in utilization — leveraging its advanced infrastructure, deeper capital markets, and central geography to reclaim its role as a connector and catalyst for the region.

The question is no longer *if* Vietnam will surpass Thailand — but whether Thailand can transform fast enough before ASEAN moves on without it.

Chart1: GDP, current prices

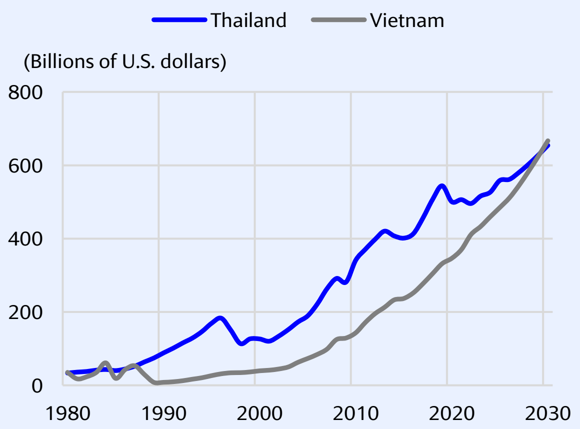
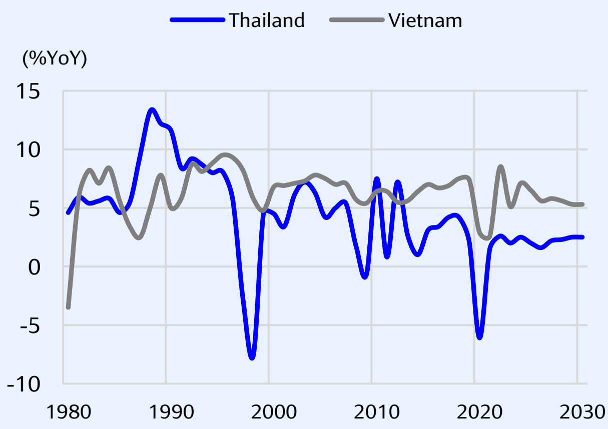


Chart2: Real GDP growth



Source: International Monetary Fund. (IMF)

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