MACRO UPDATE

January 2026

BUILDING MOMENTUM

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KEY TAKEAWAYS ON MONTHLY ECONOMIC DATA

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SPOTLIGHT

Entering FY2026, the government set an aggressive 10% GDP growth target (Resolution 01/NQ-CP). This elevated objective necessitates a strategic pivot toward domestic growth engines. The roadmap prioritizes the consolidation of state-owned economic foundations, the revitalization of the private sector, and the formalization of the shadow economy (specifically SMEs and household businesses) to broaden the tax base and enhance transparency.

1. **Retail momentum shows signs of fatigue:** Domestic consumption remains a key pillar of the growth narrative, with January retail sales reaching VND632.4tn (+2.6% MoM; +9.3% YoY). However, beneath the headline expansion, momentum is decelerating. Disaggregated data reveals a slowing growth trajectory across goods, services, and tourism relative to the prior-year period, suggesting that consumer sentiment may require further stimulus to sustain the targeted growth pace.
2. **Disinflationary trends take hold:** Headline CPI moderated to +2.53% YoY (vs. +3.48% in Dec 2025) and edged up just 0.19% MoM. The deceleration was underpinned by cooling food and catering costs (+1.31% YoY) and deepening deflationary pressure in the energy sector, with fuel prices contracting 3.76% YoY. Meanwhile, core CPI remained sticky but stable at 3.19% YoY, reflecting resilient underlying demand.
3. **Strong sentiment in manufacturing activities masks base effects:** The industrial sector posted a statistically striking headline figure, with the IIP surging +21.54% YoY. We caution that this print is heavily distorted by the low base effect of early 2025, a period dampened by anxieties over US tariff risks. On a sequential basis, IIP actually contracted slightly by 0.24% MoM. However, leading indicators paint a constructive picture. The PMI reached 52.5, supported by the highest employment creation in 19 months and sustained output expansion, signaling genuine operational recovery beyond the statistical noise.
4. **A swing to trade deficit:** January recorded a trade deficit of US$1.78bn (January 2025: +US$3.17bn) where domestic sector remained the primary drag, posting a US$3.4bn deficit. While exports expanded an impressive 29.7% YoY to US$43.19bn, they contracted 2% MoM, reflecting seasonal cyclicality.
5. **Divergence between commitment and disbursement:** Total registered FDI in 01/2026 USD 2.58 billion (-40.4% YoY), while disbursed FDI capital amounted to USD 1.68 billion (+11.3% YoY). The Government has submitted to the Politburo a draft Resolution on the foreign-invested sector, which is expected to help strengthen institutional capacity to attract high-quality FDI inflows in the future. However, the U.S. government has recently reached an agreement to reduce reciprocal tariffs with India and lower tariffs on Bangladesh's textile and garment exports, which could put pressure on Vietnam's traditional FDI sectors.
6. **Accelerated public spending:** Fiscal consolidation remains on track with robust revenue collection, while expenditure execution shows improvement over historical trends. Revenue reached VND370.1tn (+20.4% YoY), securing 14.7% of the annual estimate. Public investment has been historically a weak point in Q1 yet January 2026 reported the disbursement of VND43.1tn (+19.3% YoY) ~ 4.8% of the annual plan – an improvement compared to January 2025 (3.6% of plan; +11.8% YoY).

MACRO INDICATORS

Monthly Data	Jan-2026	MoM	YoY	YTD
PMI	52.5	-	-	-
IIP (YoY)	-	-0.24%	+21.5%	+21.5%
Retail Sales (Tn VND)	632.4	+2.60%	+9.3%	+9.3%
Export Value (Bn USD)	43.19	-1.91%	+29.7%	+29.7%
Import Value (Bn USD)	44.97	+0.64%	+49.2%	+49.2%
Trade Balance (Bn USD)	-1.78	-172%	-157%	-157%
Disbursed FDI (Bn USD)	1.68	-58.2%	+11.3%	+11.3%
Registered FDI (Bn USD)	2.58	-45.5%	-40.4%	-40.4%
Disbursement of public investment (Tn VND)	43.12	-62.7%	+19.3%	+19.3%

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KEY TAKEAWAYS ON MONETARY POLICIES

SPOTLIGHT

In January, the State Bank of Vietnam (SBV) actively reduced the outstanding volume of reverse repurchase agreements (reverse repos/T-bills) via open market operations (OMO), capitalizing on a stable exchange rate environment supported by robust remittance inflows. However, liquidity conditions deteriorated significantly in late January and early February. This tightening was driven by a surge in demand for physical cash holdings, coinciding with a gradual reduction in deposit auctions by the State Treasury.

1. **During the first two days of February, liquidity pressure intensified to concerning levels, with the overnight interbank rate averaging 17% and isolated transactions reported as high as 21%.** The primary driver was seasonality, specifically the heightened demand for cash holding among residents ahead of the Lunar New Year, compounded by the corporate tax payment cycle.
2. **A contributing factor stems from the structural funding composition of the interbank system.** The pressure to deliver on credit growth targets in 2025 has exposed the system's reliance on wholesale funding channels—specifically OMO and State Treasury deposits—as deposit mobilization from residents and economic institutions has failed to keep pace with lending expansion. The SBV's net withdrawal stance in January 2026, combined with the State Treasury's temporary suspension of deposit auctions at the state-owned commercial banks (Big 4), further exacerbated liquidity strains in the opening days of February 2026.
3. **The SBV responded with swift intervention, executing large-scale open market operations valued at over VND160tn across just three sessions between February 2 and 3, alongside three USD-VND swap sessions totaling US$4bn.** Concurrently, the State Treasury resumed deposit auctions, injecting more than VND160tn from February 4 to 9. These decisive measures lifted the State Treasury's deposit balance to over VND500tn and pushed outstanding OMO volume to excess of VND450tn—a record high surpassing the 2025 peak. Consequently, interbank interest rates have moderated, with the overnight tenor softening to an average of 9% from February 6 to 9.
4. **Looking toward the first half of 2026, we anticipate that liquidity pressures will gradually subside in the post-Tet period.** While interest rates are projected to moderate in the second quarter of 2026, they are likely to remain established at a higher base relative to 2025, as the structural imbalances in bank funding relative to credit demand remain unresolved. Nevertheless, a favorable exchange rate environment is expected to persist, providing the SBV with the necessary headroom to expand credit growth limits in support of the ambitious 10% GDP growth target for the year.

MACRO INDICATORS

Monthly Data	Jan-2026	MoM	YoY	YTD
CPI	-	+0.05%	+2.53%	+2.53%
USDVND Exchange rate*	26,110	-1.02%	+3.20%	-1.01%
USDVND Exchange rate on the free market**	26,500	-1.27%	+3.72%	-1.19%
Refinancing rate	4.50%	+0 ppt	+0 ppt	+0 ppt
OMO Interest rate (Monthly Avg.)	4.50%	+0 ppt	+0 ppt	+0 ppt
Overnight Interbank Interest rate (Monthly Avg.)	4.36%	-1.5 ppt	+0.2 ppt	+2.6 ppt

**Ask rate by Vietcombank on 01/30/2025*
***Average bid-ask rate on 01/30/2025*

CONSUMPTION ACTIVITIES REMAIN SUBDUED

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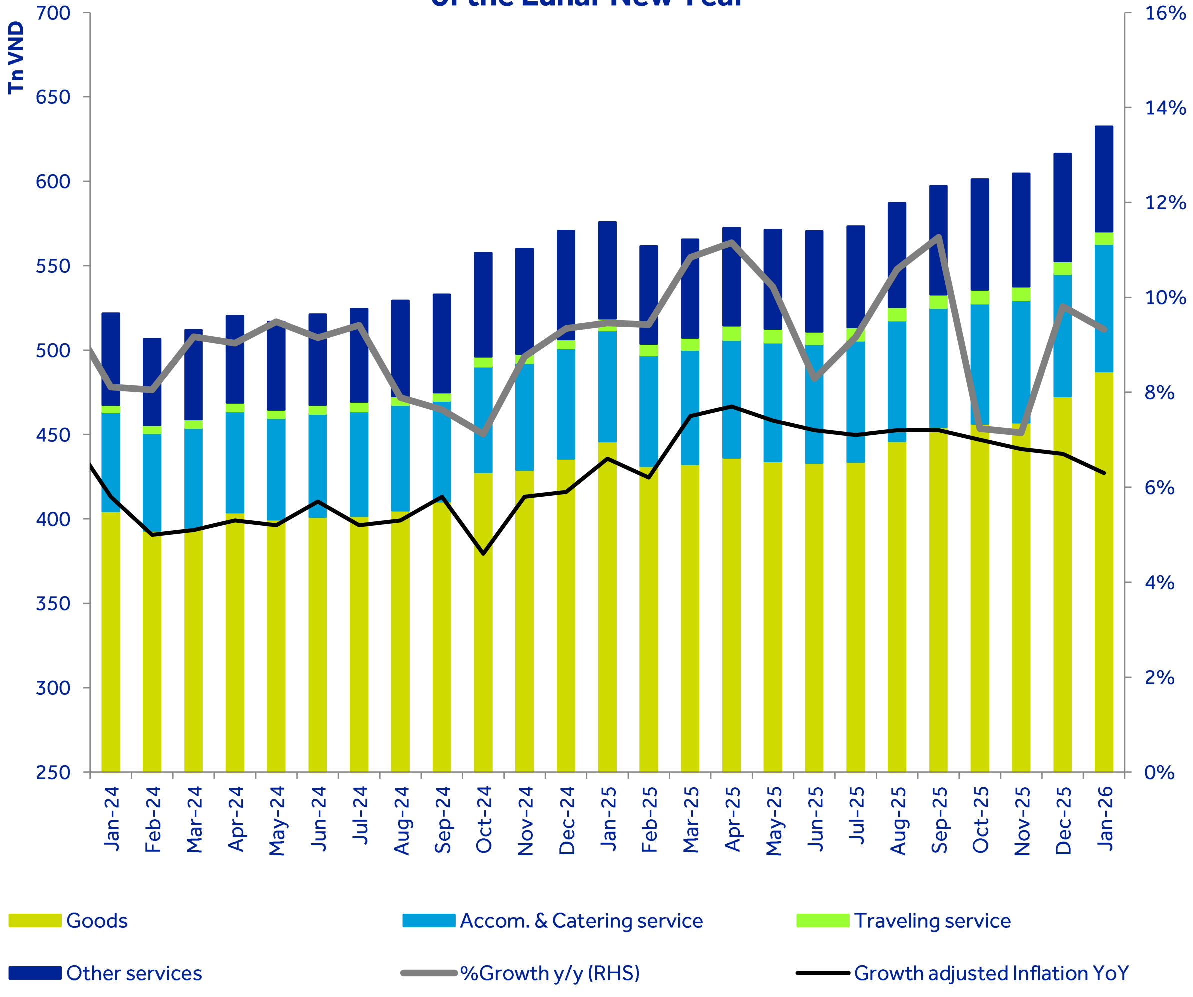
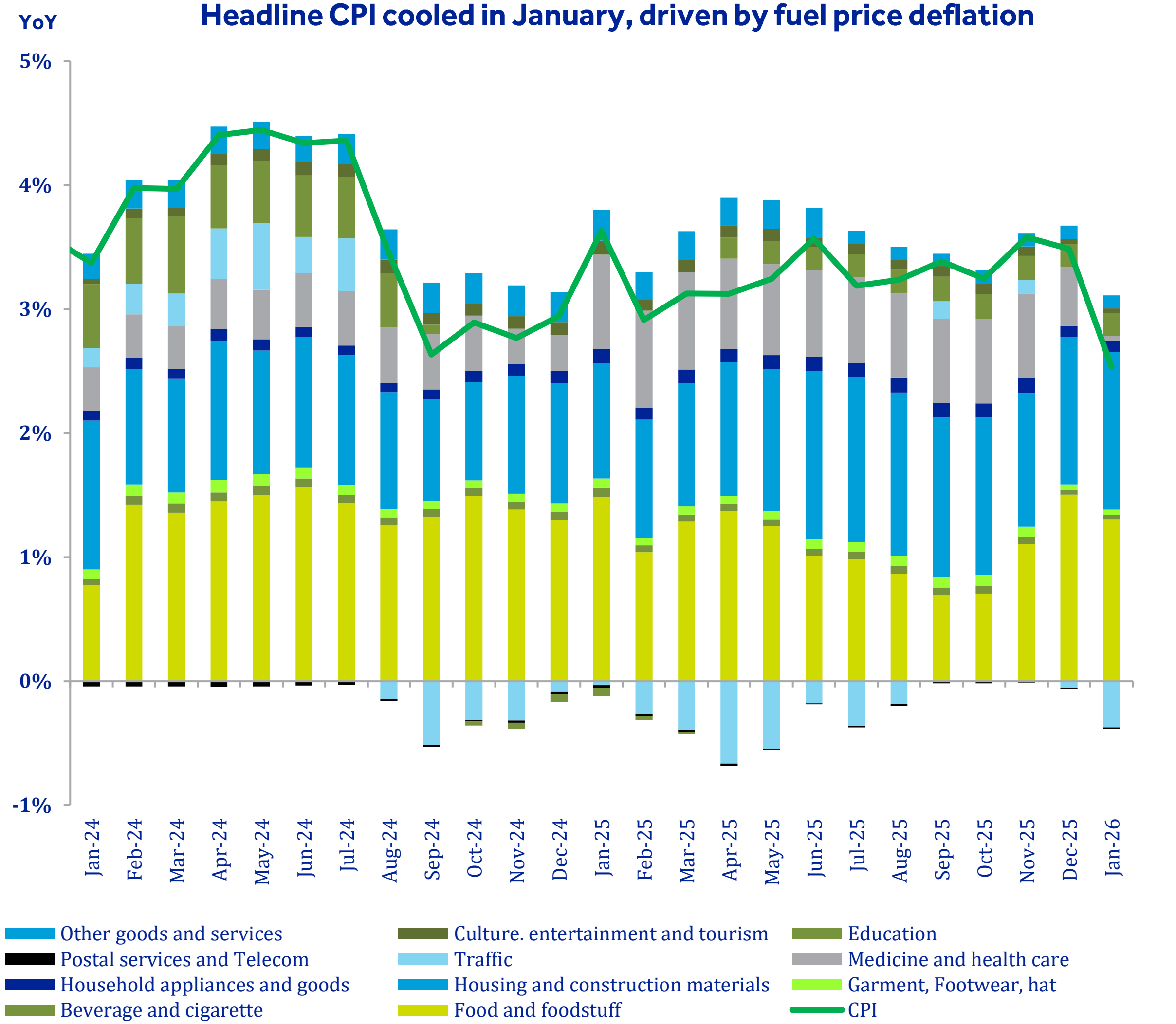
Steady growth in retail sales yet momentum remained muted ahead of the Lunar New Year



Source: GSO

Headline CPI cooled in January, driven by fuel price deflation



Source: GSO

MANUFACTURING ACTIVITIES SUSTAINED IMPROVEMENT

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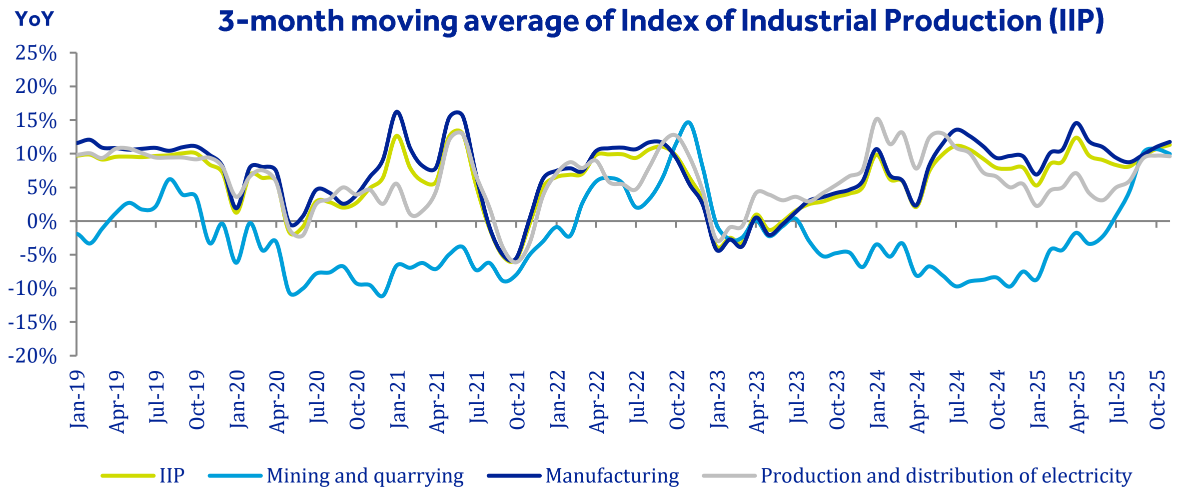
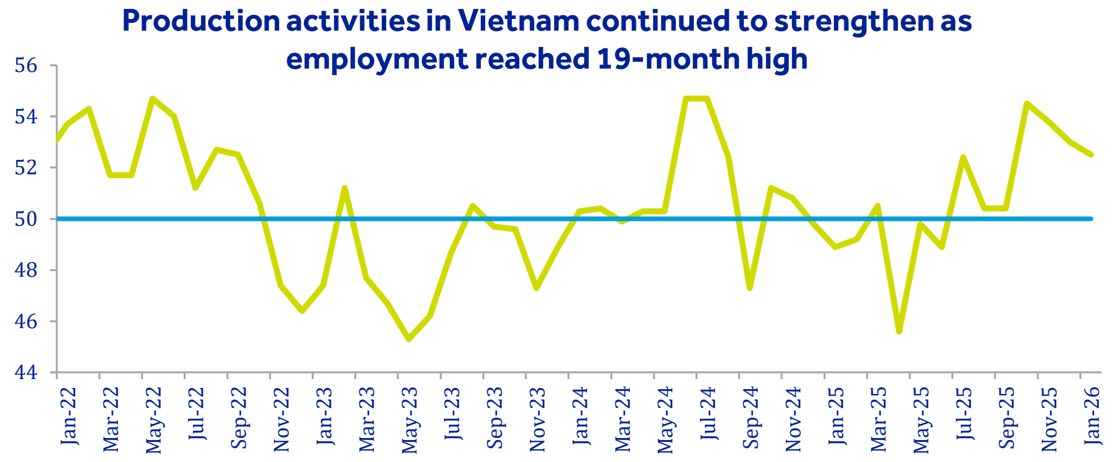
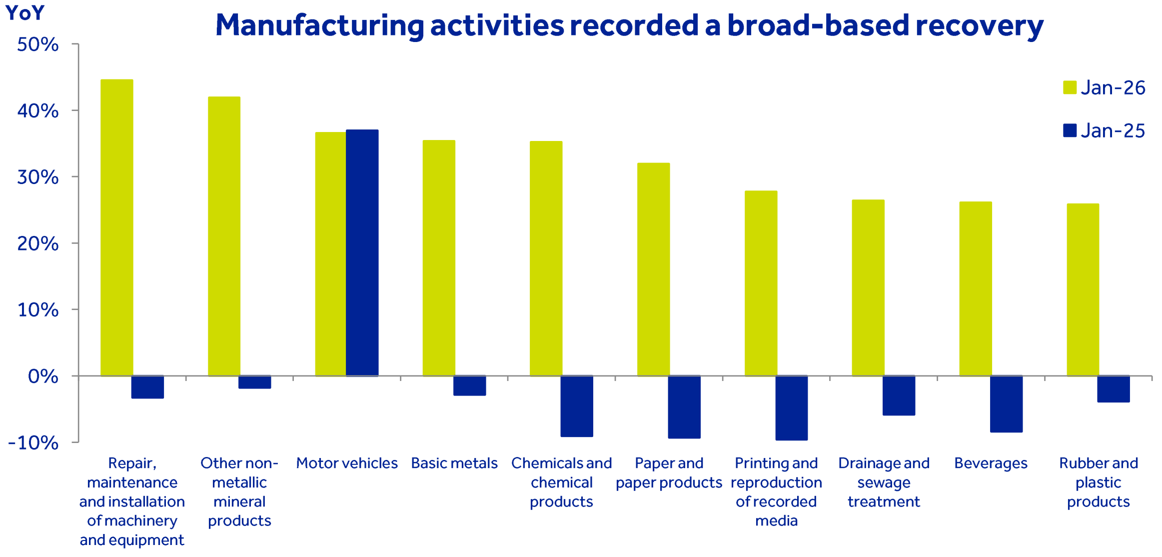




Source: S&P Global



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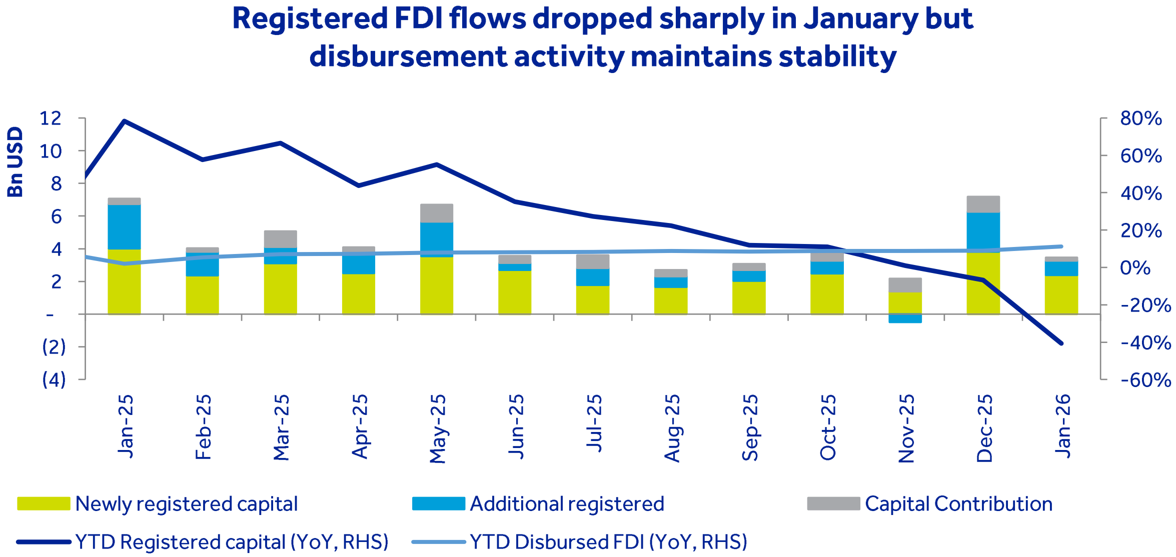

Source: GSO

EXPORTS EXPECTED TO STRENGHTHEN IN POST-TET PERIOD

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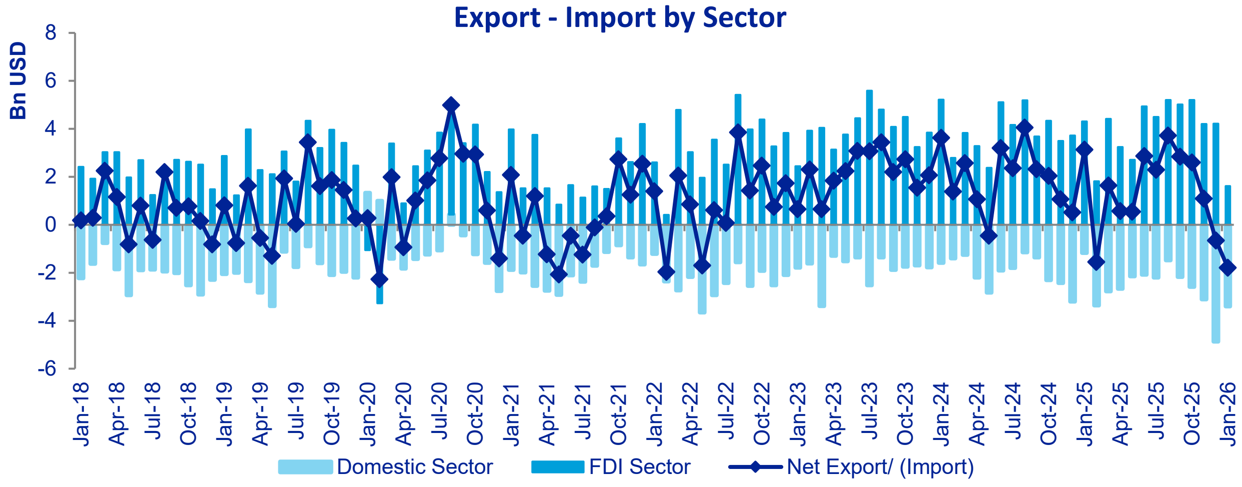

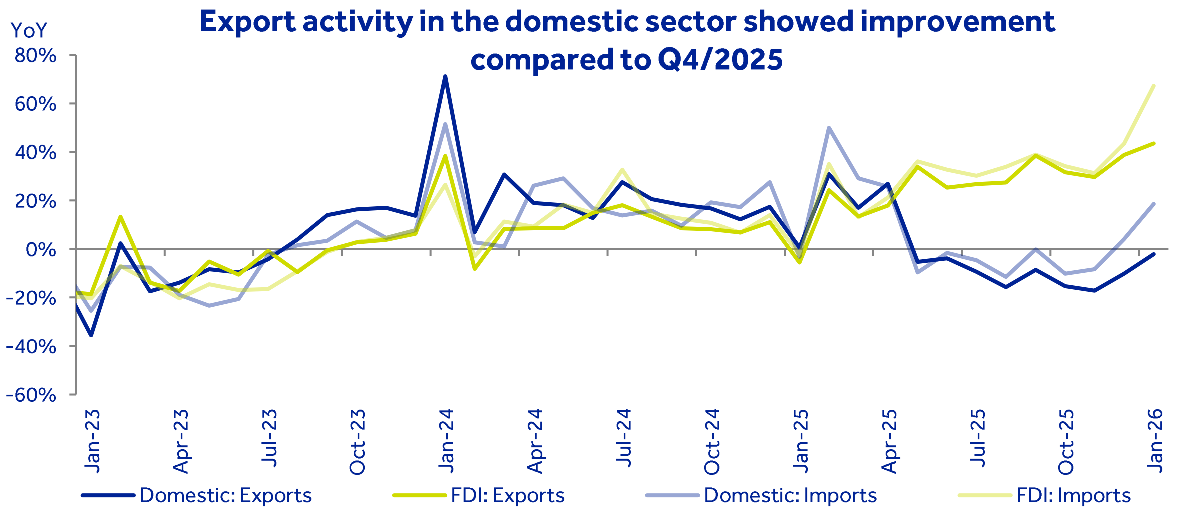

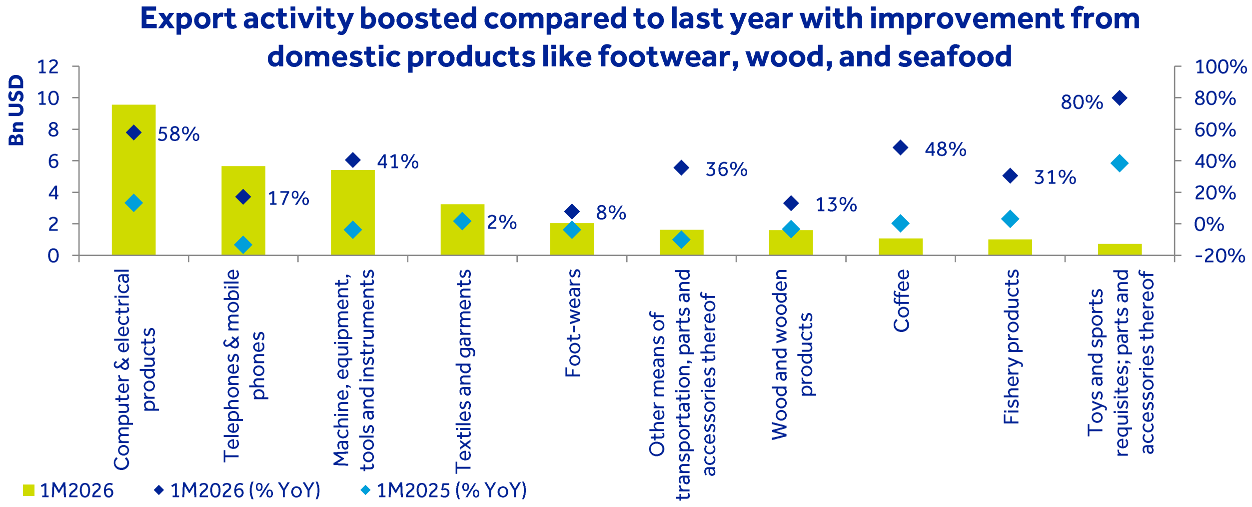

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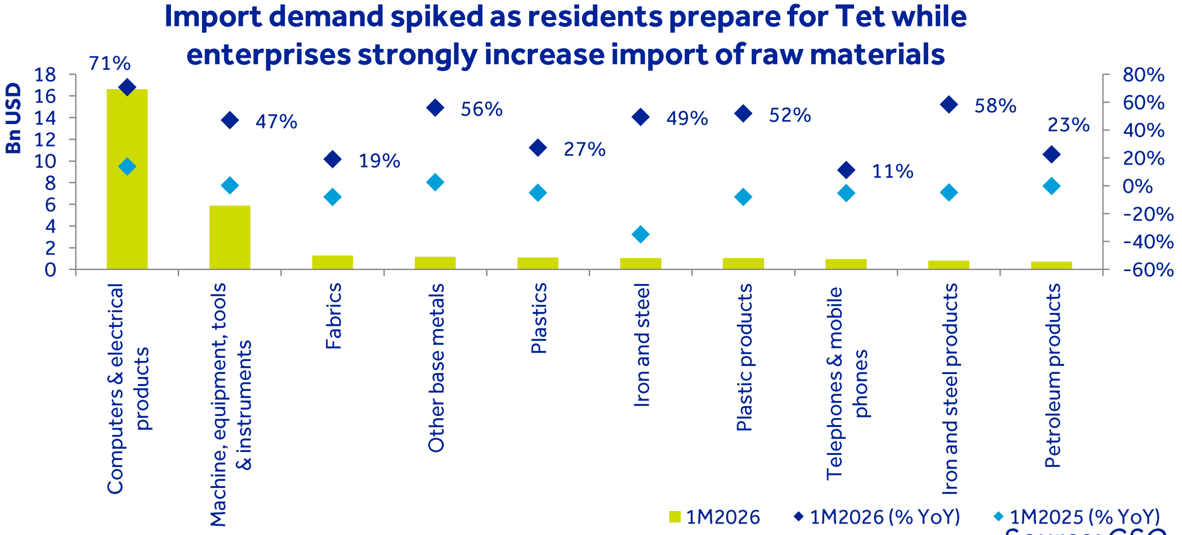

Source: GSO

LIQUIDITY STRAINS INDUCED ELEVATED INTEREST RATES

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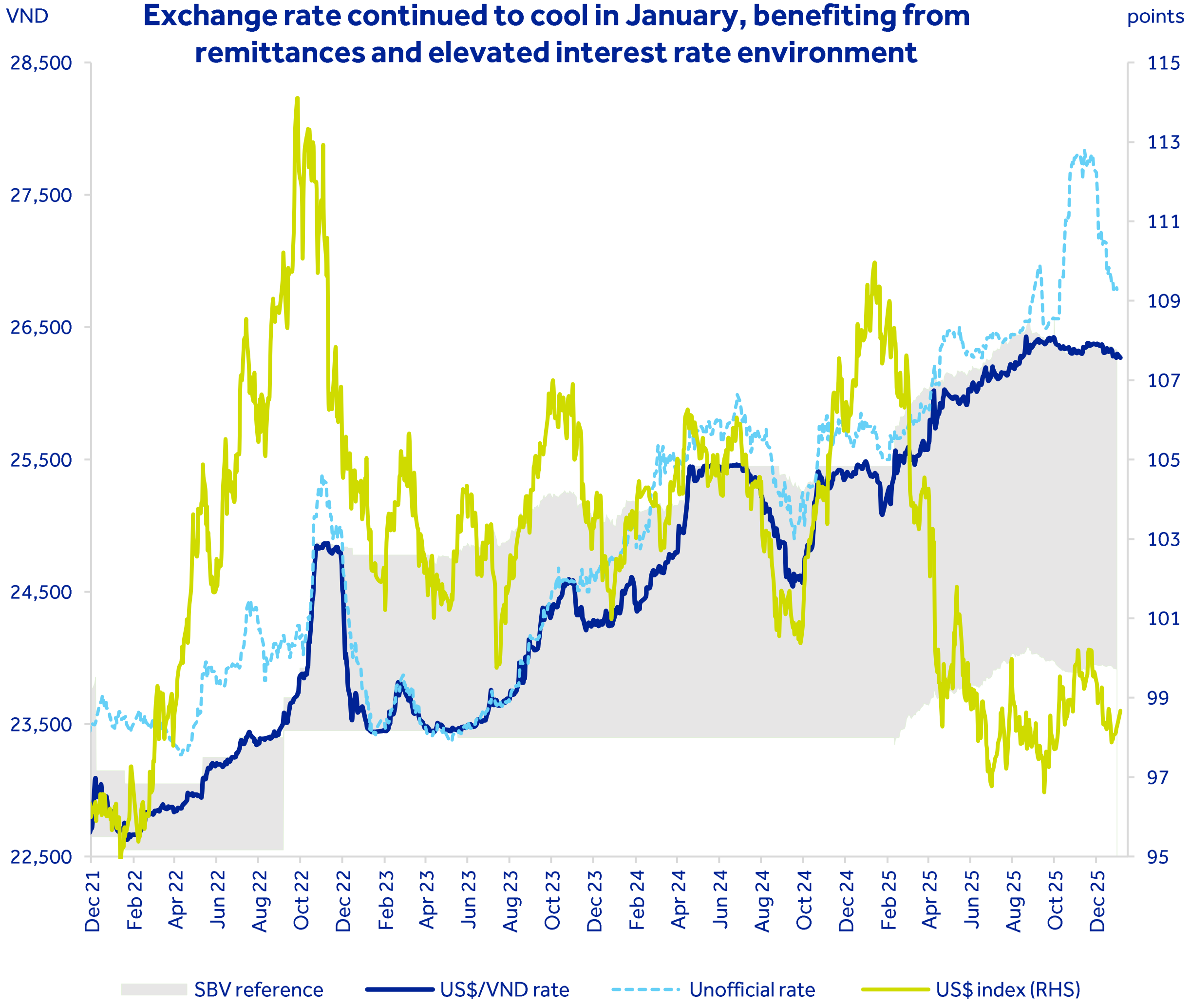
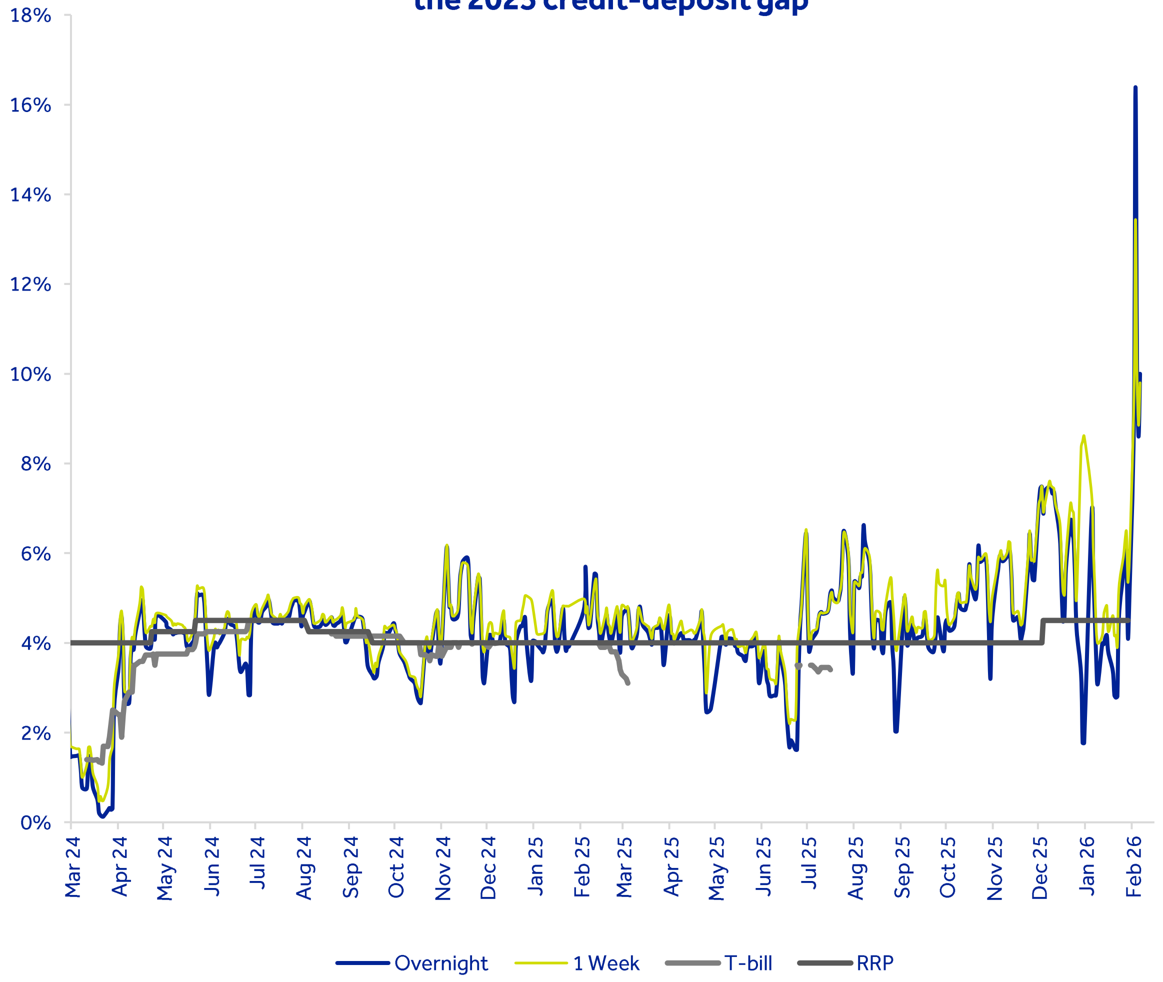
Exchange rate continued to cool in January, benefiting from remittances and elevated interest rate environment



Source: SBV, FiinPro, ACBS

Prolonged liquidity pressure due to dual effect of cyclicality and the 2025 credit-deposit gap



Source: SBV, FiinPro, ACBS

VIETNAM-KEY MACRO INDICATORS

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Monthly data	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26
Industrial Production (YoY)	-0.96%	17.56%	9.92%	9.64%	9.56%	7.98%	7.43%	8.90%	12.74%	10.80%	9.13%	10.10%	21.54%
Purchasing Managers Index – PMI	48.90	49.20	50.50	45.60	49.80	48.90	52.40	50.40	50.40	54.50	53.80	53.00	52.50
Retail Sales (YoY)	9.46%	9.43%	10.84%	11.15%	10.22%	8.28%	9.16%	10.59%	11.27%	7.23%	7.15%	9.81%	9.32%
CPI (YoY)	3.63%	2.91%	3.13%	3.12%	3.24%	3.57%	3.19%	3.24%	3.38%	3.25%	3.58%	3.48%	2.53%
Core CPI (YoY)	3.07%	2.87%	3.10%	3.14%	3.33%	3.33%	3.33%	3.19%	3.18%	3.30%	3.28%	3.21%	3.19%
Export Value (% YoY)	-3.17%	50.02%	29.11%	25.71%	-9.69%	-1.62%	-4.65%	-11.48%	-0.21%	-10.23%	-8.36%	4.10%	+29.67%
Import Value (% YoY)	-2.45%	35.07%	13.05%	21.23%	36.17%	32.75%	30.25%	33.92%	38.85%	34.13%	31.29%	43.36%	+49.21%
Trade Balance (BnUSD)	3.13	-1.55	1.63	0.58	0.55	2.86	2.29	3.72	2.85	2.60	1.09	-0.66	-1.78
Disbursed FDI (BnUSD)	1.51	1.44	2.01	1.78	2.16	2.82	1.88	1.80	3.40	2.50	2.30	4.02	1.68
Registered FDI exl Cap. Cont.(BnUSD)	4.01	2.36	3.12	2.50	3.54	2.71	1.78	1.66	2.02	2.48	1.40	3.82	2.38
Disbursed investment from State budget (Tn VND, YTD)	35.42	73.18	116.88	165.57	221.82	301.81	378.29	463.21	549.13	640.16	735.15	850.69	43.12

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