

MACRO UPDATE

February 2026

**INDUSTRIAL EXPANSION
AMID GEOPOLITICAL FRICTION**

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KEY TAKEAWAYS ON MONTHLY ECONOMIC DATA

SPOTLIGHT

February 2026 macroeconomic data reveals a pronounced divergence between domestic consumption and industrial production. Against a backdrop of heightening geopolitical volatility, this bifurcation raises structural concerns regarding supply chain resilience, energy security, and the central bank's runway for further monetary accommodation.

- **Headline inflation has moderated, primarily shielded by deflationary pressures in the food and energy components.** February CPI rose 3.35% YoY and 1.14% MoM, largely driven by seasonal Lunar New Year (Tet) consumption spikes in food (+2.02% MoM), transport (+1.23% MoM), and recreation (+1.36% MoM). However, core CPI presents a more concerning narrative, remaining elevated at 3.74% YoY in February and averaging 3.47% YoY for 2M26. This dichotomy highlights that current tailwinds are narrowly concentrated in food and oil, while underlying price pressures persist.
- **Retail sales momentum is decelerating.** February retail sales reached 613.7 VNDtn (+8.5% YoY), bringing the 2M26 cumulative total to 1,236.6 VNDtn (+7.9% YoY). While the nominal figures appear resilient, actual momentum has decelerated compared to the 9.3% YoY expansion recorded in 2M25. Meanwhile, when adjusted for price fluctuations, real retail sales growth contracted to a mere 4.5% YTD (2M25: 6.8%). This tangible deceleration underscores that sticky core inflation is actively eroding consumer purchasing power and weighing heavily on aggregate demand.
- **A rebound in manufacturing activities.** Despite the seasonal distortion of the Tet holiday reducing February working days, the manufacturing sector demonstrates a solid, broad-based recovery. The cumulative 2M26 Industrial Production Index (IIP) expanded by 10.4% YoY, a marked acceleration from the 7.5% YoY growth seen in 2M25. Underpinning this trend, Manufacturing PMI surged to 54.3 in February where expansion is characterized by the fastest output growth in 19 months, which in turn drove job creation to its highest level since September 2022. Concurrently, new orders accelerated at the fastest pace since October 2025, signaling robust underlying demand.
- **Trade deficit widens on capital expenditure cycle.** The trade balance shifted into deficit, recording a US\$1.04bn shortfall in February and widening the cumulative 2M26 deficit to US\$2.98bn (2M25: +US\$1.77bn). Rather than signaling weakness, this widening deficit is structurally positive; it is driven by the FDI sector aggressively ramping up imports of capital goods to front-load capacity expansion for the upcoming production cycle.
- **Divergence between pledges and disbursements.** Total registered FDI contracted by 12.6% YoY to US\$6.03bn in 2M26. This decline was primarily driven by a drop in supplemental capital adjustments, reflecting a wait-and-see approach from incumbent investors ahead of the new Investment Law's implementation on March 1, 2026. Conversely, disbursed FDI provided a significant bright spot, expanding by 8.8% YoY to US\$3.21bn—the highest two-month figure in five years. Looking ahead, the formal enforcement of the amended Investment Law—which eliminates licensing requirements for 38 conditional business lines and permits early corporate establishment for specific foreign investors—is expected to serve as a potent catalyst, revitalizing registered FDI inflows in subsequent quarters.

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Monthly Data	Feb-2026	MoM	YoY	YTD
PMI	54.3	-	-	-
IIP (YoY)	-	-18.45%	+0.96%	+10.36%
Retail Sales (Tn VND)	613.7	-1.48%	+8.48%	+7.92%
Export Value (Bn USD)	33.06	-23.46%	+6.26%	+18.58%
Import Value (Bn USD)	34.10	-24.17%	+4.42%	+26.08%
Trade Balance (Bn USD)	-1.04	+41.42%	+32.55%	-279%
Disbursed FDI (Bn USD)	1.53	-8.93%	+6.25%	+8.81%
Registered FDI (Bn USD)	6.03	+32.76%	+34.35%	-12.61%
Disbursement of public investment (Tn VND)	38.89	-12.88%	+3.00%	+14.14%

KEY TAKEAWAYS ON MONETARY POLICIES

SPOTLIGHT

As of February 26, credit growth expanded by 1.4% YTD, outpacing a tepid deposit growth of just 0.36%. While regulatory efforts to curtail capital flows into the real estate sector have successfully moderated headline credit expansion, they have failed to meaningfully reduce the banking system's structural reliance on the interbank liquidity—specifically OMO and State Treasury deposits. Against this backdrop, with the system-wide loan-to-deposit funding gap currently standing at approximately 1,130 VNDtn, commercial deposit rates are highly unlikely to face downward pressure as broader credit demand begins to accelerate.

- **Entering early March 2026, liquidity constraints resurfaced abruptly.** The overnight interbank rate hovered near the 10% threshold, driven by a confluence of tightening factors: maturity mismatches in FX swap contracts, scheduled State Treasury deposit auctions, and a contraction of outstanding Reverse Repurchase Agreements (RRP) on the OMO channel. However, swift intervention by the State Bank of Vietnam (SBV) successfully anchored interest rates in Market 2. This stabilization was achieved through fresh FX swap issuances and net liquidity injections via OMO, complemented by the State Treasury resuming deposit auctions at the "Big 4" state-owned commercial banks.
- **Elevated borrowing costs.** Despite these central bank interventions, the persistent divergence between credit and deposit growth in Market 1 during the first two months of the year continues to tether commercial banks to interbank funding. Consequently, deposit rates across state-owned banks have edged up by approximately 0.7% YTD. Concurrently, real estate lending rates remain stubbornly elevated between 10% and 14%—a dynamic that is indirectly inducing margin compression and exerting upward pressure on borrowing costs for both consumer credit and general manufacturing.
- **Cyclical demand and geopolitical frictions.** On the foreign exchange front, excess VND liquidity in late February along with cyclical corporate FX demand for imported capital goods, catalyzed a rapid spike in the exchange rate. By February 27, the interbank USD/VND rate reached 26,058 (+0.34% WoW, albeit -0.92% YTD), while the parallel (free) market rate spiked by 1.4% WoW. Furthermore, subdued momentum in FDI disbursements, coupled with capital flight anxieties stemming from escalating geopolitical conflicts in Iran, have compounded near-term depreciatory pressures on the currency.
- **A high plateau for rates, with room for credit expansion.** Looking ahead to 1H26, we project that while the broader interest rate environment may soften marginally in 2Q26, it will structurally remain at a higher base relative to FY2025. This elevated plateau is dictated by persistent structural funding deficits within the banking system that continue to lag accelerating loan demand. Nonetheless, we anticipate the exchange rate environment will gradually stabilize. This relative FX resilience will furnish the SBV with the requisite monetary accommodation space to extend credit growth quotas—a crucial prerequisite for engineering the government's ambitious GDP growth target of at least 10% for FY2026.

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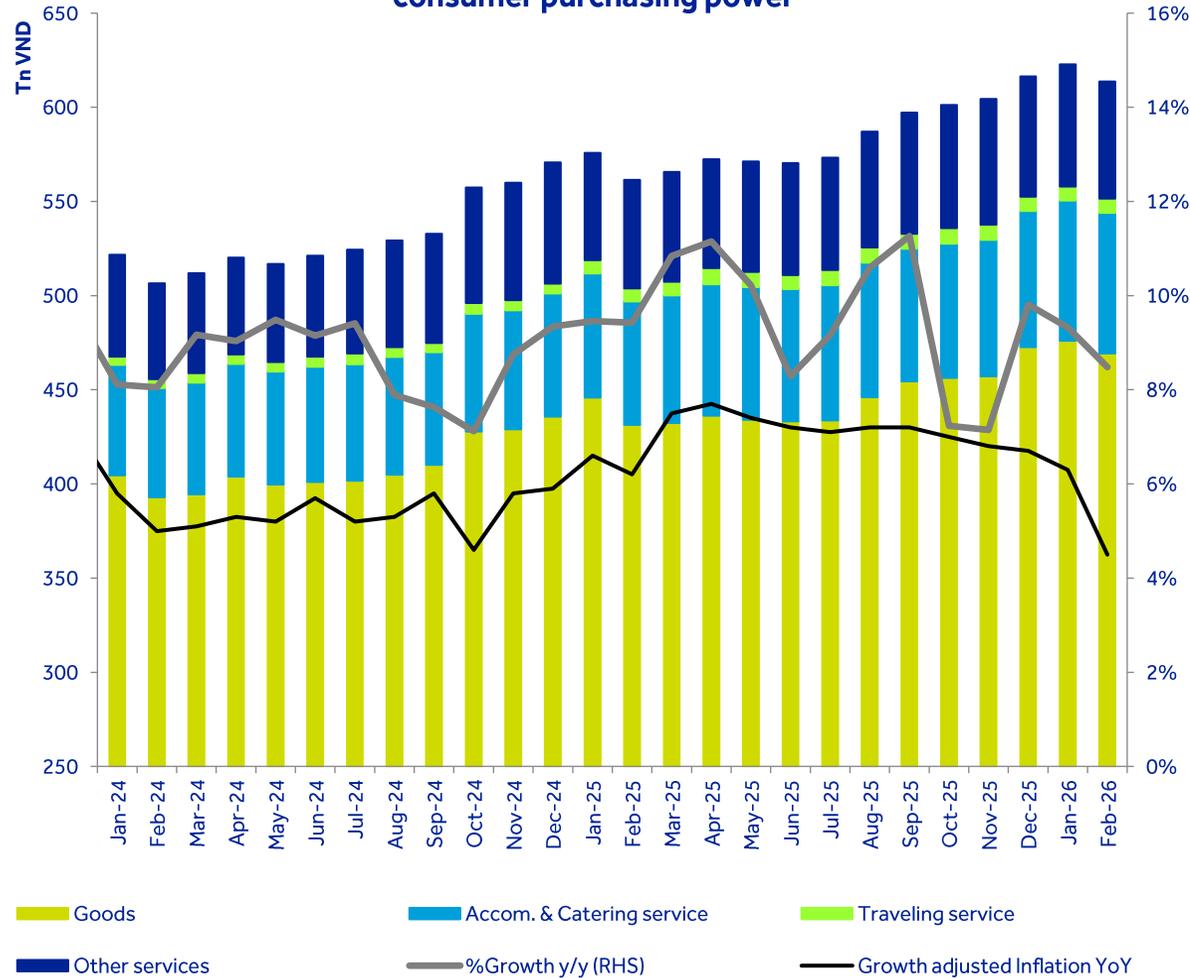
Monthly Data	Feb-2026	MoM	YoY	YTD
CPI	-	1.14%	3.35%	2.94%
Core CPI	-	0.82%	3.74%	3.47%
USDVND Exchange rate*	26,230	-0.38%	1.90%	-0.56%
USDVND on the free market**	26,720	1.25%	3.69%	-0.37%
Refinancing rate	4.50%	+0 ppt	+0 ppt	+0 ppt
OMO Interest rate (Monthly Avg.)	4.50%	+0 ppt	+0 ppt	+0 ppt
ON Interbank Interest rate (Monthly Avg.)	7.06%	+2.7 ppt	2.5 ppt	+1.2 ppt

*Ask rate by Vietcombank on 02/27/2025

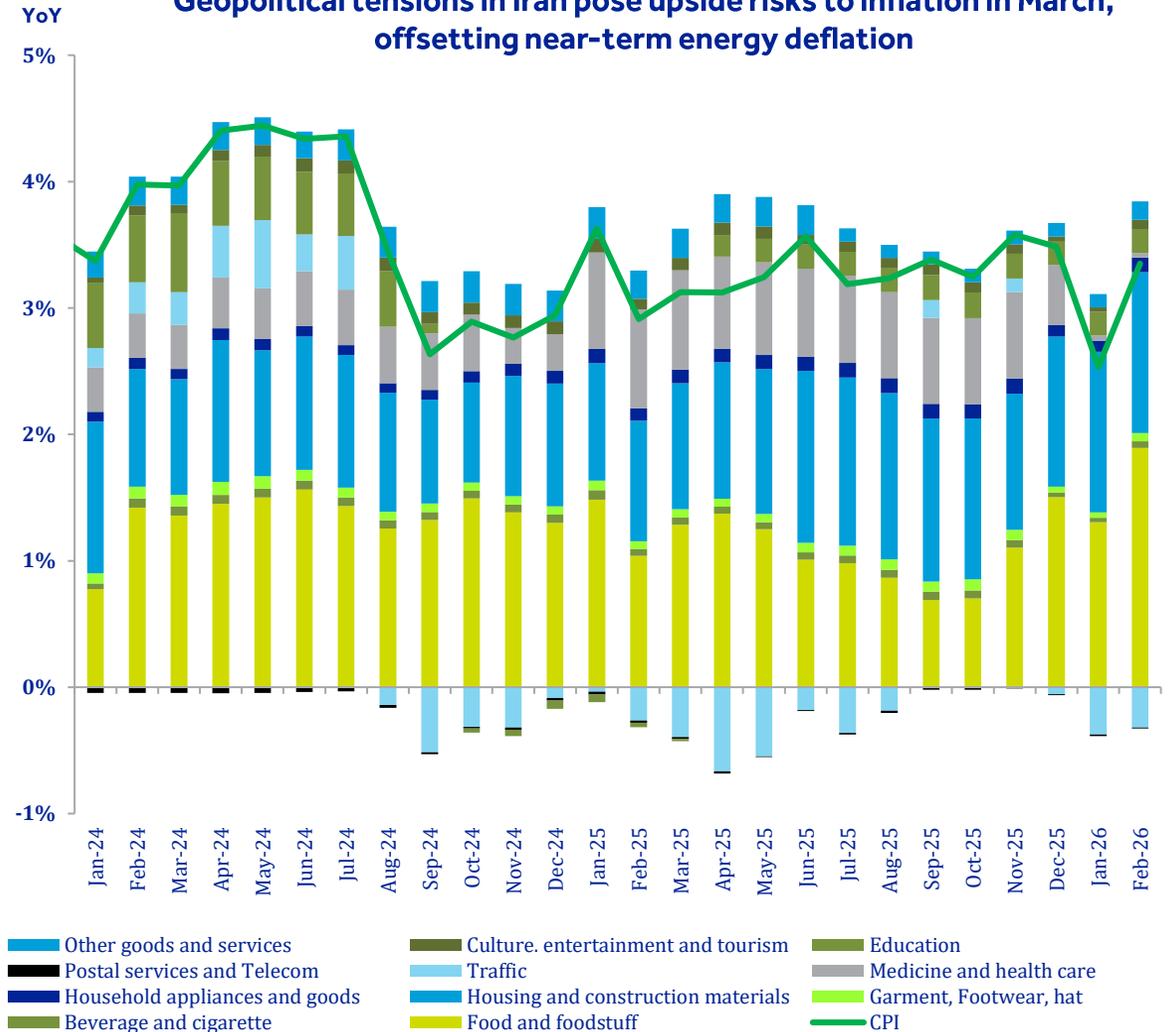
**Average bid-ask rate on 02/27/2025

WEAKENING CONSUMER PURCHASING POWER

Retail sales decelerate as inflationary pressures erode consumer purchasing power



Geopolitical tensions in Iran pose upside risks to inflation in March, offsetting near-term energy deflation

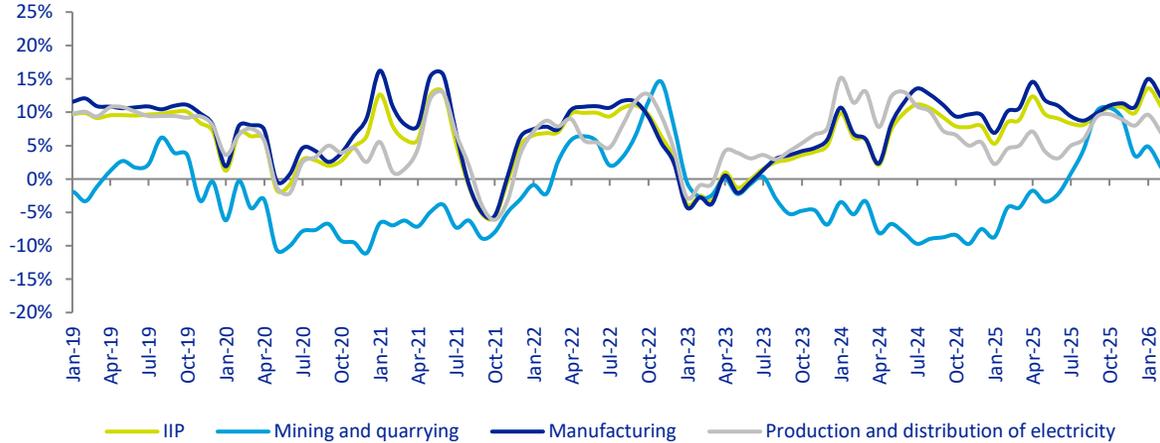


Source: GSO

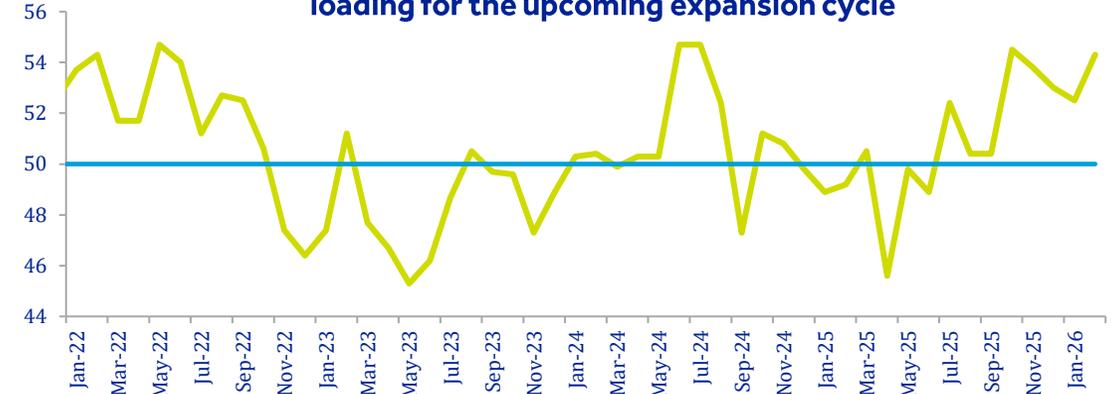
Source: GSO

MANUFACTURING ACTIVITIES SUSTAINED IMPROVEMENT

February IIP moderates on lunar new year seasonal distortions

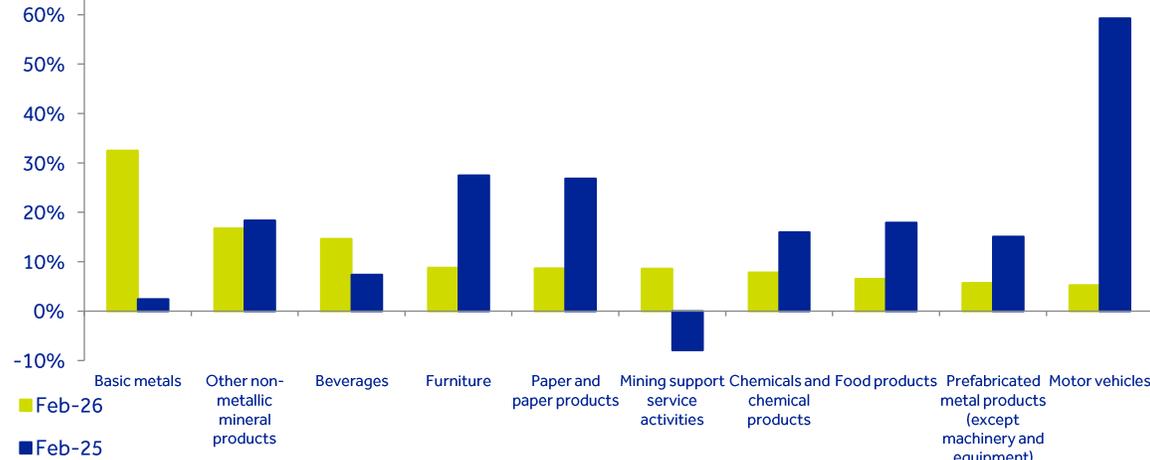


Business confidence hits 40-month high, signaling proactive front-loading for the upcoming expansion cycle



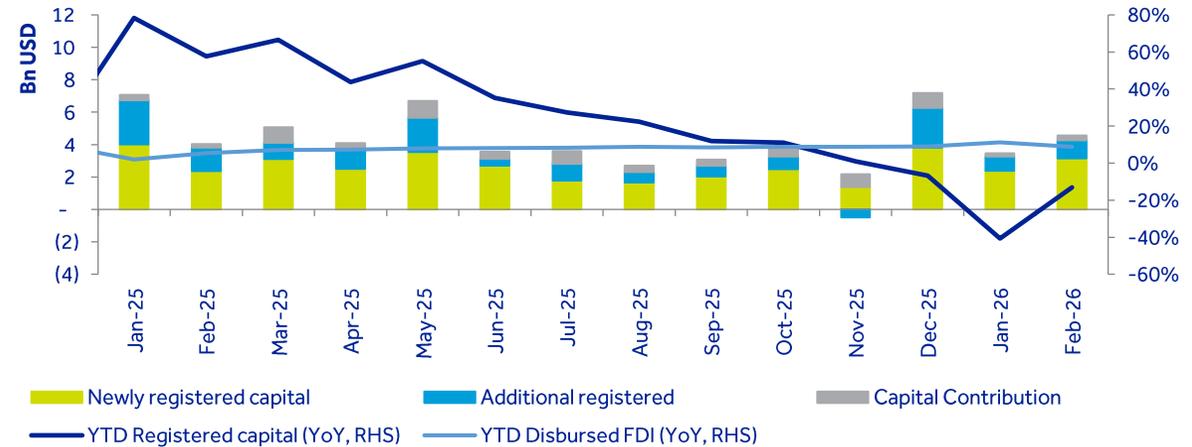
Source: S&P Global

Broad-based manufacturing expansion mitigates high-base normalization in the electronics sector



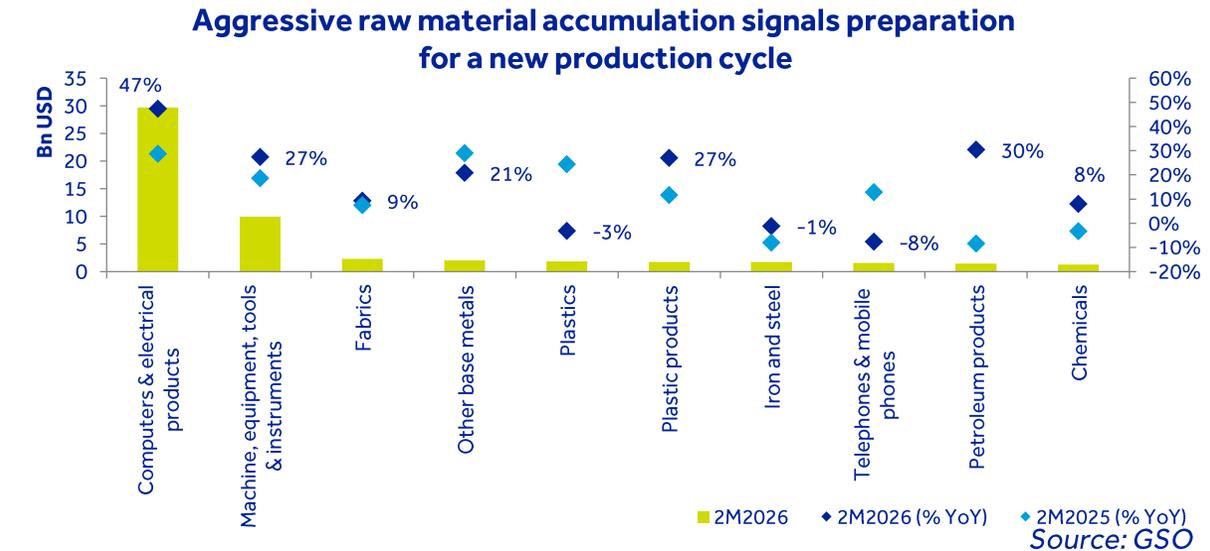
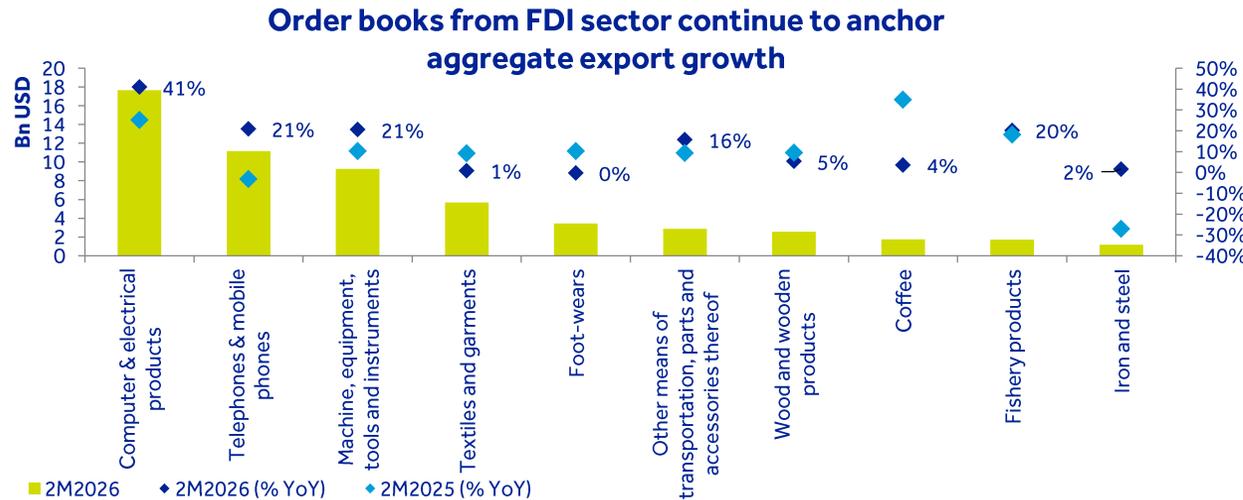
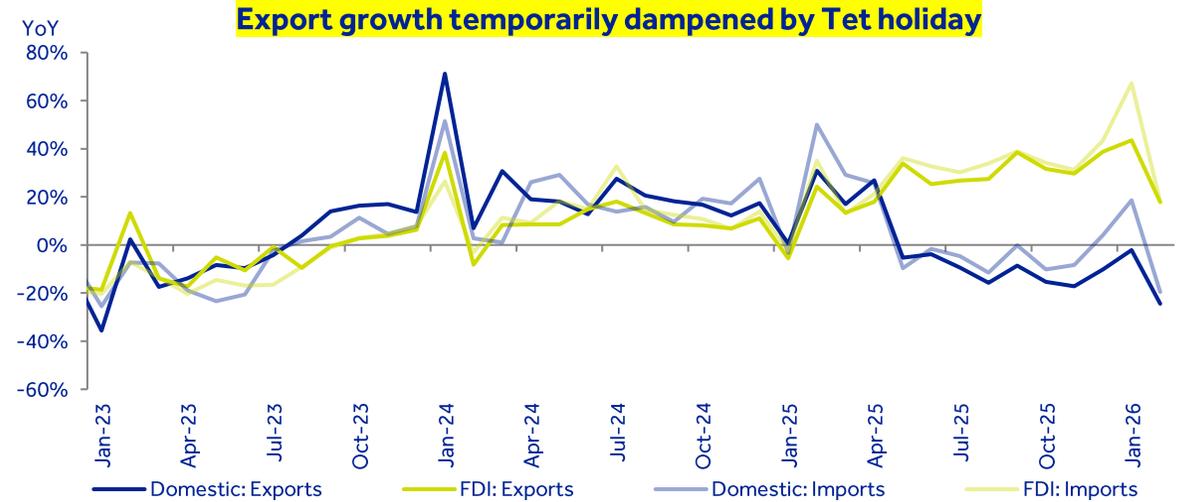
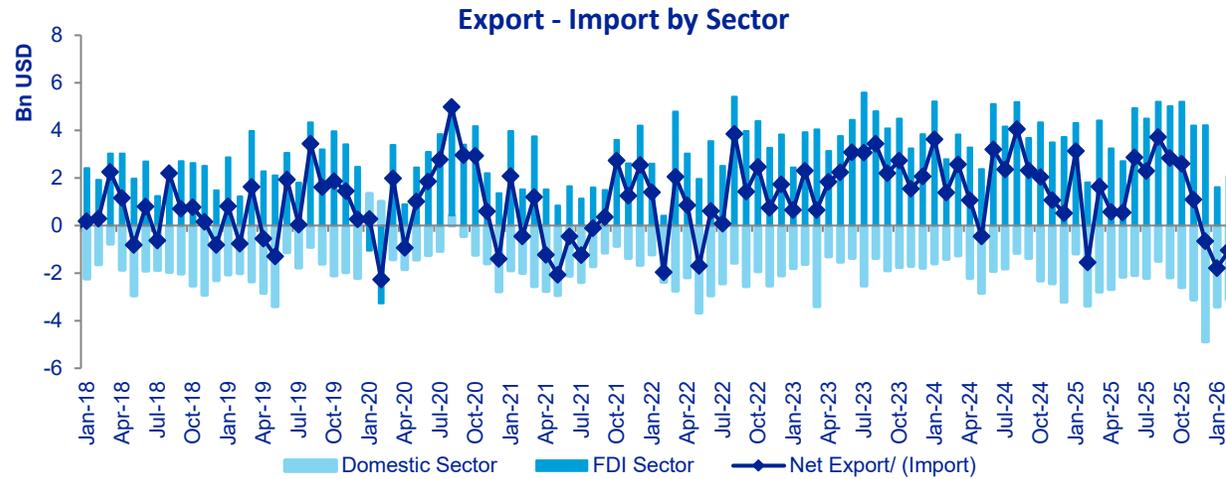
Source: GSO

Amended investment law anticipated to bolster registered FDI inflows in subsequent quarters



Source: GSO

EXPORTS EXPECTED TO ACCELERATE

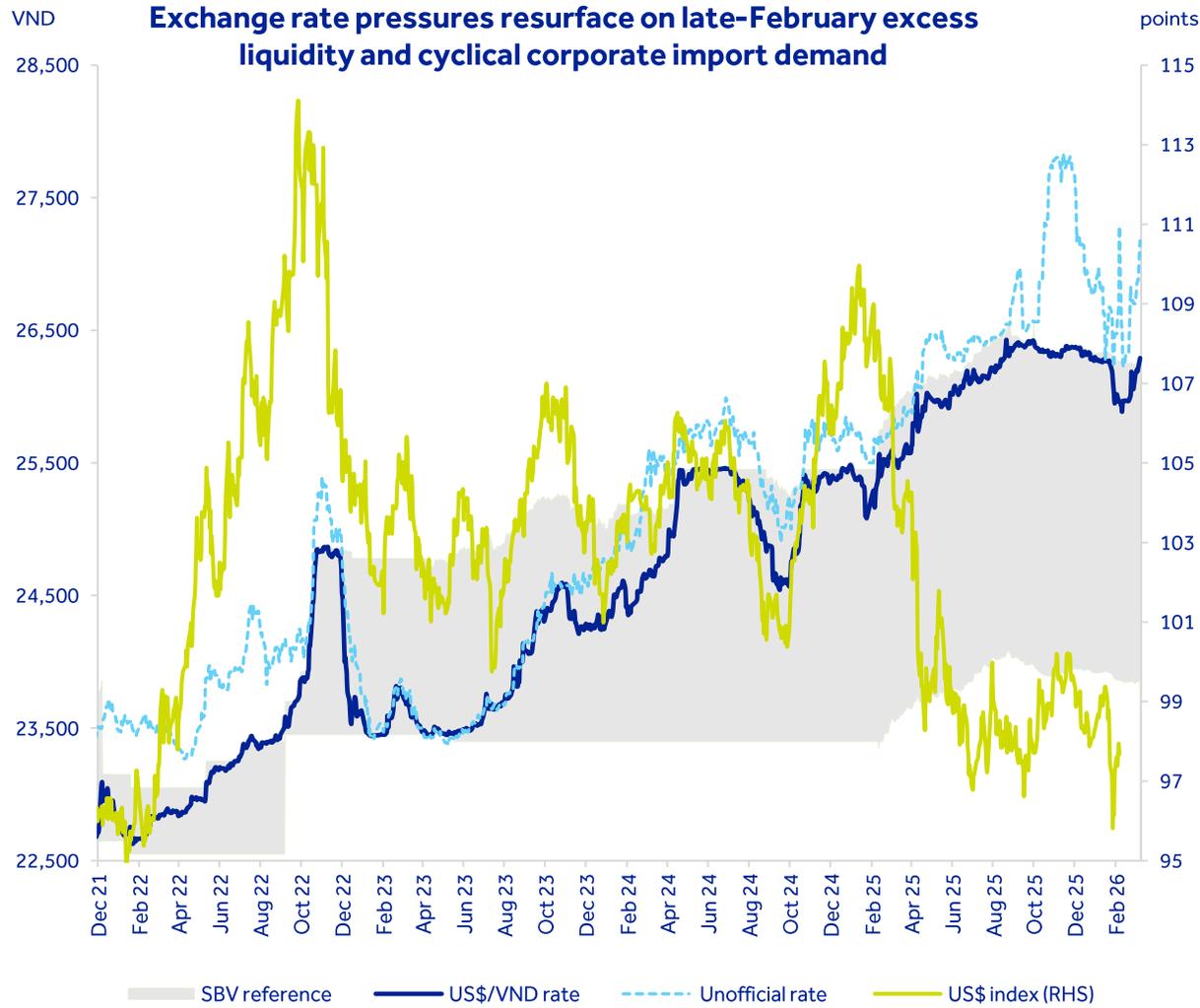


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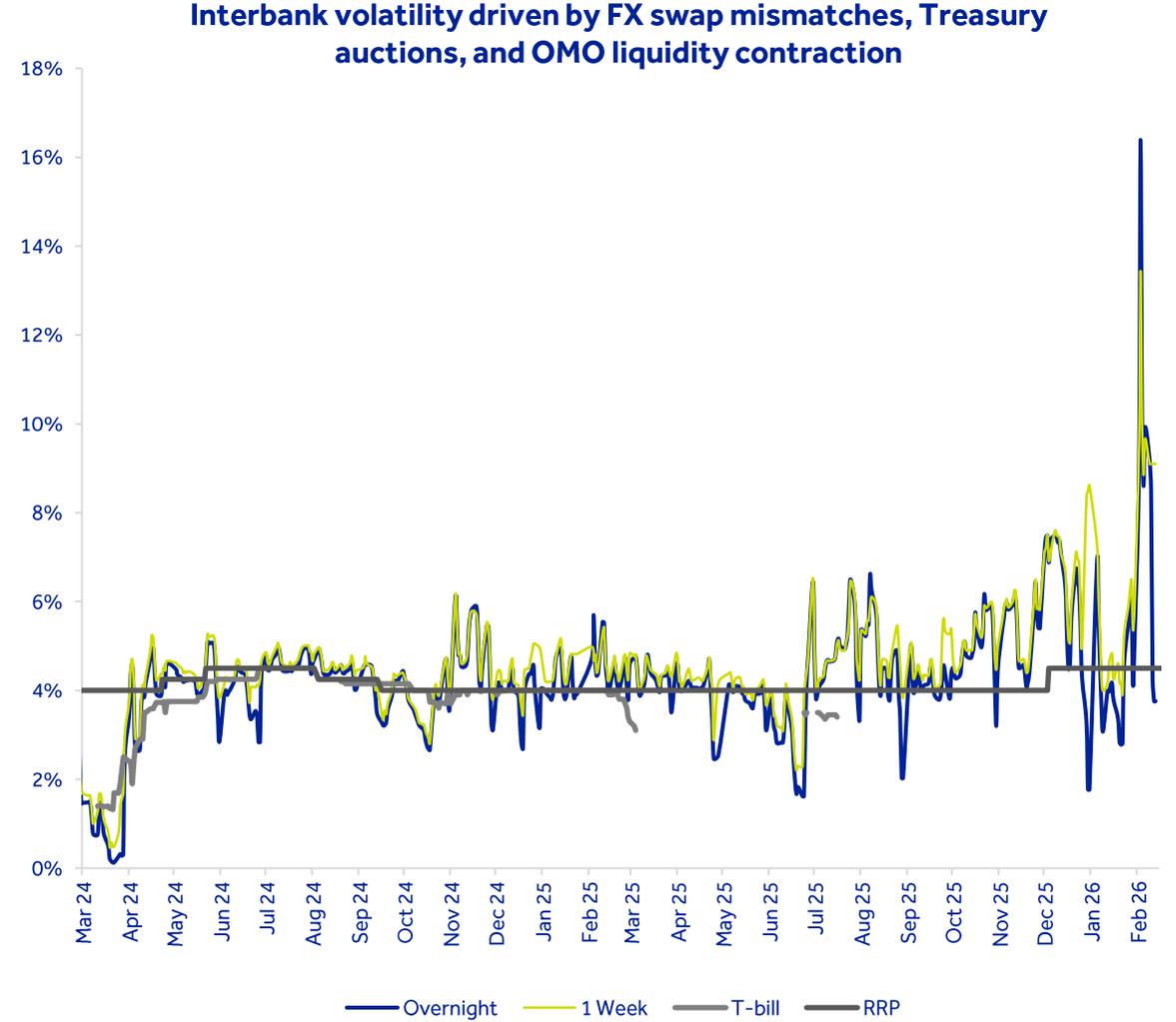
Source: GSO

INTEREST RATES PLATEAU AMIDST MOUNTING FX PRESSURES

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Source: SBV, FiiPro, ACBS



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VIETNAM-KEY MACRO INDICATORS

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Monthly data	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Industrial Production (YoY)	17.56%	9.92%	9.64%	9.56%	7.98%	7.43%	8.90%	12.74%	10.80%	9.13%	10.10%	21.54%	0.96%
Purchasing Managers Index	49.20	50.50	45.60	49.80	48.90	52.40	50.40	50.40	54.50	53.80	53.00	52.50	54.30
Retail Sales (YoY)	9.43%	10.84%	11.15%	10.22%	8.28%	9.16%	10.59%	11.27%	7.23%	7.15%	9.81%	9.32%	8.48%
Consumer Price Index (YoY)	2.91%	3.13%	3.12%	3.24%	3.57%	3.19%	3.24%	3.38%	3.25%	3.58%	3.48%	2.53%	3.35%
Core Consumer Price Index (YoY)	2.87%	3.10%	3.14%	3.33%	3.33%	3.33%	3.19%	3.18%	3.30%	3.28%	3.21%	3.19%	3.74%
Export Value (% YoY)	50.02%	29.11%	25.71%	-9.69%	-1.62%	-4.65%	-11.48%	-0.21%	-10.23%	-8.36%	4.10%	30.13%	6.26%
Import Value (% YoY)	35.07%	13.05%	21.23%	36.17%	32.75%	30.25%	33.92%	38.85%	34.13%	31.29%	43.36%	49.61%	4.42%
Trade Balance (BnUSD)	-1.55	1.63	0.58	0.55	2.86	2.29	3.72	2.85	2.60	1.09	-0.66	-1.78	-1.05
Disbursed FDI (BnUSD)	1.44	2.01	1.78	2.16	2.82	1.88	1.80	3.40	2.50	2.30	4.02	1.68	1.53
Registered FDI exl Capital Contribution (BnUSD)	2.36	3.12	2.50	3.54	2.71	1.78	1.66	2.02	2.48	1.40	3.82	2.38	3.16
Disbursed investment from State budget (Tn VND, YTD)	73.18	116.88	165.57	221.82	301.81	378.29	463.21	549.13	640.16	735.15	850.69	44.64	83.53

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