

MACRO UPDATE

May 2026

MANUFACTURING REBOUNDS AMID MARGIN COMPRESSION AND TARIFF RISKS

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The logo for ACBS, consisting of the letters 'ACBS' in a bold, blue, sans-serif font. The letter 'C' is stylized with a yellow dot in its center.

KEY TAKEAWAYS ON MONTHLY ECONOMIC DATA

SPOTLIGHT

- **Vietnamese macroeconomic data for May 2026 reveals sustained growth momentum, though divergences are increasingly apparent beneath the robust headline figures.** Industrial production, foreign direct investment (FDI) inflows, inbound tourism, and accelerated public investment continue to serve as the economy's primary pillars. However, domestic tailwinds face growing resistance from inflationary pressures, which are gradually eroding household purchasing power and elevating corporate operating costs.
- **Domestic resiliency tempered by inflation and input cost pressures.** Key cumulative indicators for the first five months of 2026 (5M26) underscore this economic resilience. During this period, the Index of Industrial Production (IIP) expanded 9.1% year-on-year (YoY), while retail sales and consumer services grew 11.2% YoY. Furthermore, international visitor arrivals reached 10.57 million, and realized FDI hit a five-year peak, signaling robust long-term commitment from foreign investors.
- **Mounting inflationary pressures constrain monetary policy.** In contrast, elevated inflationary pressures are increasingly constraining monetary policy flexibility. Average headline CPI rose 4.31% YoY in 5M26, with core inflation trailing closely at 4.04% YoY. This persistent pressure remains elevated, despite a temporary reprieve from energy price shocks in late May, which was aided by fuel-related environmental tax exemptions and a downward adjustment in domestic retail petrol prices.
- **External vulnerabilities and liquidity bottlenecks reshape the context for growth.** Simultaneously, external headwinds and domestic liquidity constraints are reshaping the country's macroeconomic profile. Rapid import growth has outpaced exports, driving the cumulative trade deficit to US\$13.81bn in 5M26. This trade imbalance is further complicated by US trade investigations, which keep Vietnam's bilateral trade surplus under intense scrutiny. Domestically, tight liquidity and elevated funding costs within the banking system are dampening the transmission efficiency of the State Bank of Vietnam's directives aimed at lowering lending rates.
- **Public investment poised as the ultimate catalyst for 2H26.** Against this backdrop, public investment retains significant headroom to act as a countercyclical stimulus, although execution bottlenecks continue to hinder progress. According to the Ministry of Finance, cumulative public capital disbursement reached VND182.5tn as of May 21, representing only 18.6% of the Prime Minister's annual allocation. Disbursement remains highly uneven, with 28 ministries and 17 provinces underperforming the national average. Nonetheless, with over VND1,000tn in total public capital slated for disbursement this fiscal year, we expect accelerated project execution in 2H26 to serve as the primary catalyst for Vietnam to achieve its full-year GDP growth targets.

MACRO INDICATORS

Monthly Data	May-2026	MoM	YoY	YTD
PMI	52.8	-	-	-
IIP (YoY)	-	+3.27%	+8.79%	+9.08%
Retail Sales (Tn VND)	647.0	+0.51%	+11.83%	+11.20%
Export Value (Bn USD)	46.93	+2.10%	+17.97%	+19.50%
Import Value (Bn USD)	52.14	+4.30%	+33.80%	+30.80%
Trade Balance (Bn USD)	-5.21	-59.89%	-1046%	-370%
Disbursed FDI (Bn USD)	2.35	+18.09%	+8.80%	+9.60%
Registered FDI (Bn USD)	6.57	+116.1%	+43.94%	+38.90%
Disbursement of public investment (Tn VND)	64.97	+14.30%	+15.50%	+14.56%
CPI	-	0.29%	5.60%	4.31%
Core CPI	-	0.34%	4.67%	4.04%
USDVND Exchange rate*	26,395	0.10%	0.74%	+0.07%
USDVND on the free market**	26,450	-1.27%	1.46%	-1.38%
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.)	5.80%	+0.5 ppt	+1.9 ppt	-0.1 ppt

*Ask rate by Vietcombank on 05/29/2026

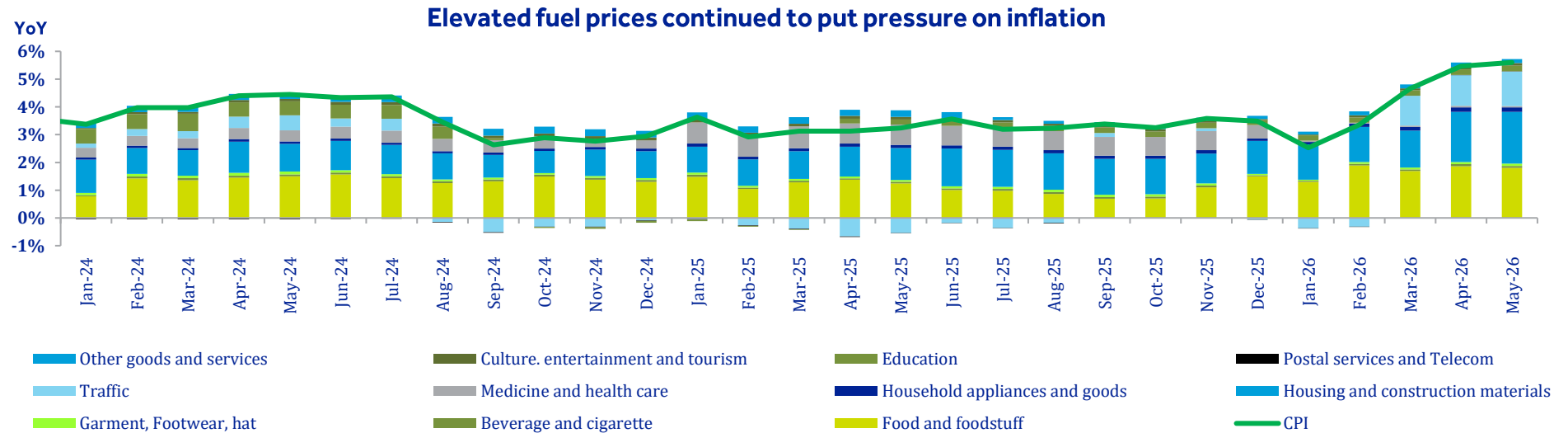
**Average bid-ask rate on 05/29/2026

INFLATION ACCELERATES DESPITE MARGINAL COOLING IN FUEL PRICES



The cumulative pass-through of elevated global fuel prices and rising import costs continues to squeeze domestic consumer purchasing power, keeping headline inflation on an upward trajectory.

- **In May 2026, headline Consumer Price Index (CPI) rose by 0.29% MoM and 5.60% YoY.** For the first five months of the year (5M26), average headline inflation reached 4.31% YoY, accelerating from 3.83% in 5M25 and 3.99% in 4M26. Underlying price pressures remained equally acute; core CPI increased by 0.34% MoM and 4.67% YoY, pushing the 5M26 core average to 4.04% YoY (up from 3.10% in 5M25).
- The primary driver of inflation in May was the housing, utilities, fuels, and construction materials segment, which climbed 0.96% MoM and contributed +0.22 percentage points (ppt) to headline CPI. This was driven by a 2.38% increase in electricity tariffs, a 1.41% rise in water rates, and a 0.71% uptick in rental costs. Meanwhile, the transport category rose 0.83% MoM (contributing +0.08 ppt), propelled by a 2.12% increase in retail gasoline prices, which easily offset a sharp 16.42% contraction in diesel prices. Providing a modest offset to these pressures, the food and catering services group ticked down 0.14% MoM (subtracting 0.05 ppt from CPI) as food commodity prices declined 0.25%.
- **Key catalysts to monitor:** Although domestic retail fuel prices experienced a temporary reprieve in May, they remain elevated relative to the same period last year. This high baseline, coupled with the delayed pass-through of import costs and sticky services inflation, continues to compress domestic consumption. Given unresolved geopolitical tensions in Iran, global crude prices are projected to remain elevated through June. Consequently, we expect fuel tax relief measures—currently slated to expire on June 30—to be extended through 3Q26. This extension would secure the necessary fiscal leeway to rein in inflation, ultimately paving the way for monetary easing in 4Q26.



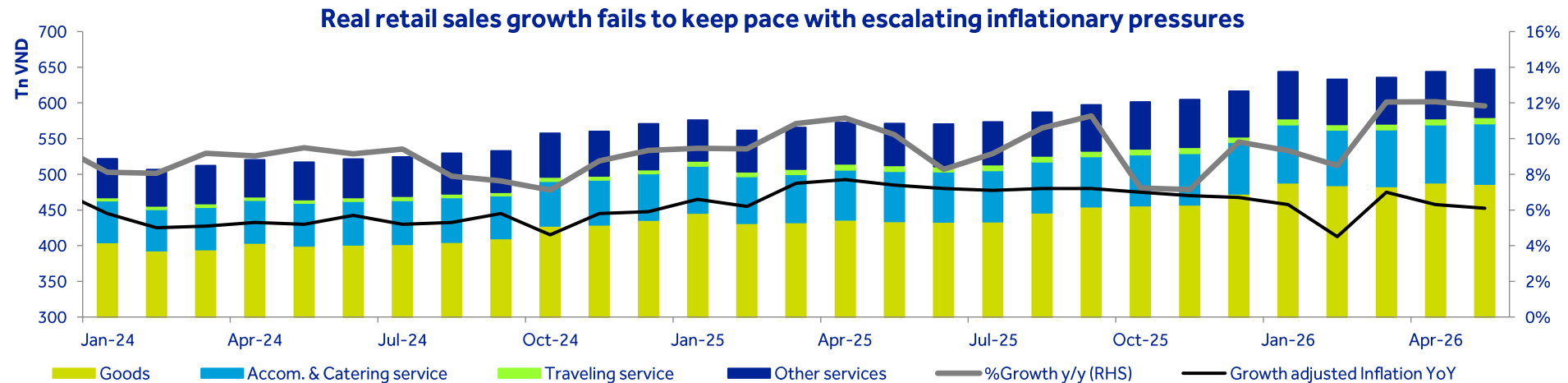
Source: GSO

RETAIL SALES DECELERATE AS PERSISTENT INFLATION ERODES CONSUMER PURCHASING POWER



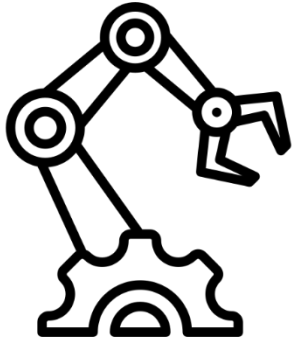
Persistent inflationary pressures continue to weigh on domestic consumer purchasing power, forcing a transition toward more defensive household spending patterns despite resilient nominal figures.

- **In May 2026, Vietnam's total retail sales of goods and consumer services reached an estimated VND647.1tn, representing an 11.8% YoY expansion.** This brought the cumulative 5M26 figure to VND3,185tn, up 11.2% YoY (compared to 9.7% in 5M25).
- However, adjusting for inflation reveals a more cautious consumer landscape. In real terms, retail sales growth slowed to 6.1% YoY in 5M26, down from the 7.2% real growth recorded in 5M25. This divergence underscores the extent to which rising prices are inflating nominal turnover while actual consumption volumes decelerate.
- **Tourism continues to soften the blow.** A robust influx of international visitors remains a counterweight, partially offsetting the softening in domestic demand. Inbound arrivals reached 1.78mn in May (+16.5% YoY), driving the cumulative 5M26 total to 10.57mn (+14.9% YoY). This sustained tourism rebound continues to inject foreign currency and consumer demand directly into the services and hospitality sectors.
- **Key catalysts to monitor:** Beneath the surface, consumer sentiment is increasingly dominated by defensive, belt-tightening behaviors. While the preliminary Labor Force Survey indicated that 96.5% of households reported nominal income gains in May (a marginal increase of 0.5 ppt MoM), approximately 35% of surveyed households stated that their financial well-being is actively being compromised by the rising cost of goods and services. This dynamic indicates that supply-side inflation risks triggering a wage-price spiral, as households require higher nominal wages to offset escalating living expenses. Consequently, real purchasing power and consumer sentiment face dual headwinds: escalating day-to-day costs of living and an elevated interest rate environment that dampens discretionary, credit-backed consumption.



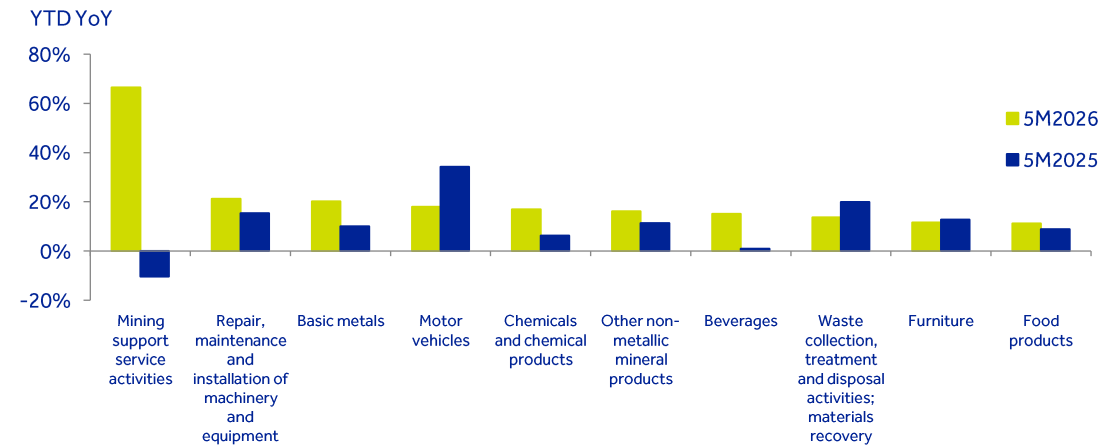
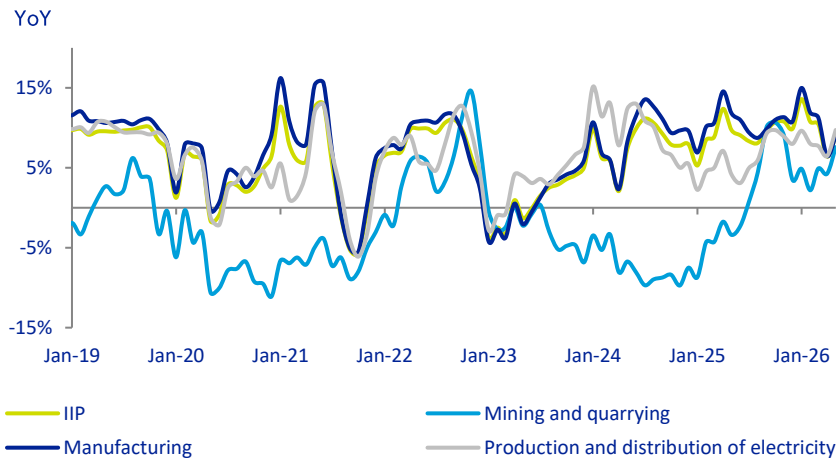
Source: GSO

MANUFACTURERS PASS RECORD INPUT COST INFLATION TO OUTPUT PRICES



Manufacturing firms are aggressively ramping up safety stock accumulation as escalating geopolitical uncertainties threaten global supply chain continuity.

- **Industrial output continues to exhibit stark sectoral divergence.** On a cumulative YTD basis, high-performing sectors include motorcycles (+36.0%), automobiles (+26.7%), processed seafood (+21.6%), and rolled steel (+21.5%). Conversely, notable contractions were recorded in NPK fertilizer (-6.8%), monosodium glutamate (-6.0%), leather footwear (-5.7%), clean coal (-4.7%), and mobile phones (-0.6%).
- Official statistics point to a steady improvement in industrial employment, which ticked up 1.1% MoM and 3.4% YoY (with the manufacturing sub-sector expanding 1.2% MoM and 3.5% YoY). However, this sits in contrast to private survey data. S&P Global's latest survey indicates that firms continue to scale back headcounts, reflecting persistent spare capacity and cautious operational strategies as they look to optimize cost structures.
- **Key catalysts to monitor:**
 - The S&P Global Manufacturing PMI rebounded to 52.8 in May 2026, up from 50.5 in April. While the index was supported by a robust recovery in new orders, export bookings, output, and purchasing activity, S&P Global cautioned that the uptick in demand was partially artificial. Indeed, a significant portion of new business was driven by clients building precautionary safety stocks to insulate themselves against potential maritime and logistics disruptions arising from heightened Middle East geopolitical tensions.
 - Meanwhile, input cost inflation quickened for the fourth consecutive month, registering its fastest acceleration since April 2011 as fuel, oil, and freight costs surged. Consequently, manufacturers have passed these costs down the supply chain, pushing output price inflation to one of its highest levels in 15 years. Operating under a severe margin squeeze, firms trimmed headcounts for the third consecutive month amid persistent spare capacity, leaving overall business confidence muted.



Source: GSO

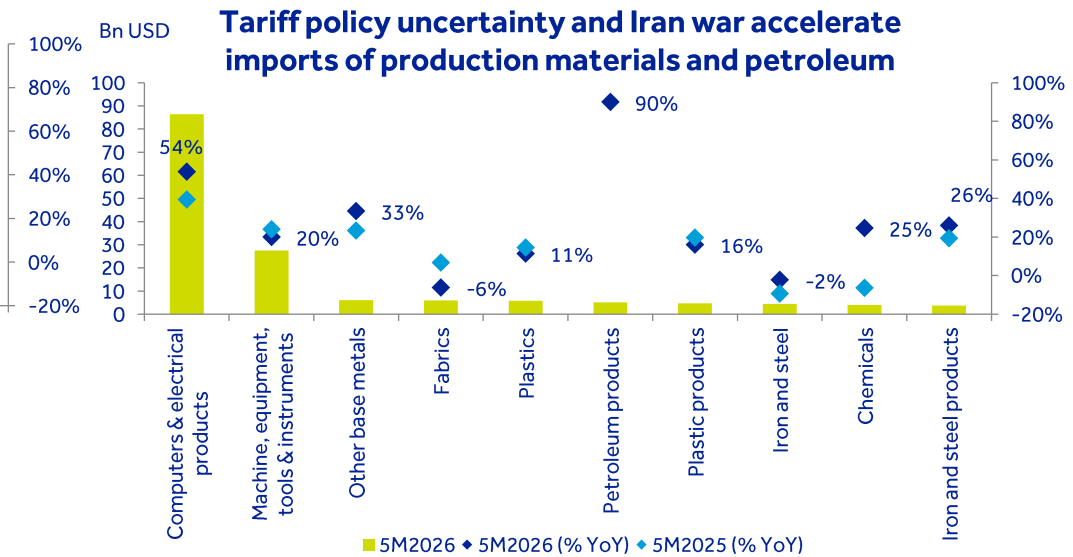
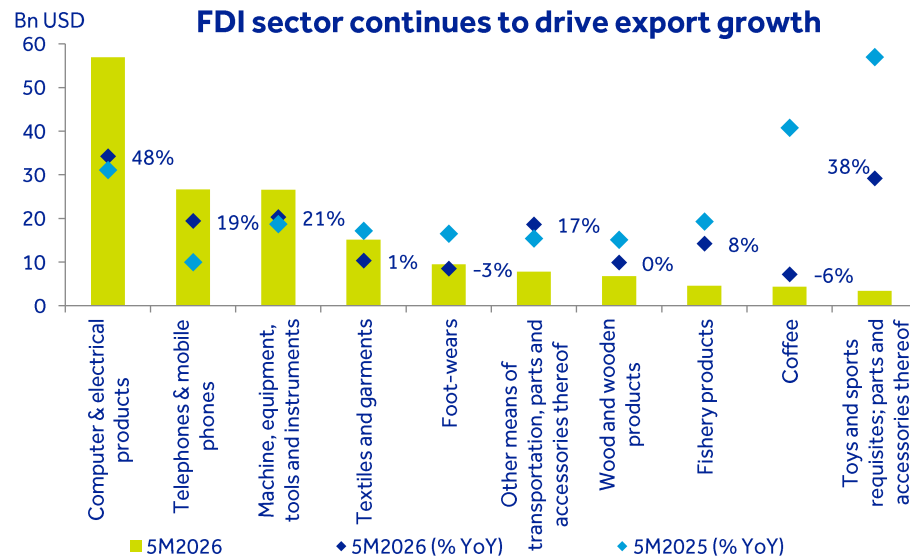
Source: GSO

DOMESTIC FIRMS RAMP UP IMPORTS TO FUEL NEW PRODUCTION CYCLE



Trade policy developments warrant close monitoring as the Office of the United States Trade Representative (USTR) proceeds with its Section 301 investigations into Vietnam's structural excess capacity and intellectual property rights violations.

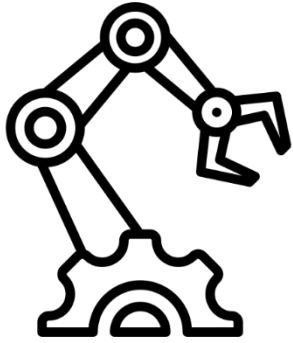
- **In May, exports reached US\$46.93bn, representing an increase of 18.0% YoY and 2.1% MoM.** This performance brought YTD exports for 5M2026 to US\$215.66bn (+19.5% YoY). Concurrently, May imports rose to US\$52.14bn (+33.8% YoY; +4.3% MoM), bringing 5M YTD imports to US\$229.46bn (+30.8% YoY). As a result, the trade balance registered a deficit of US\$5.21bn for May, widening the cumulative 5MYTD trade deficit to US\$13.81bn (5M2025: +US\$5.1bn).
- **Foreign direct investment (FDI) enterprises continue to dictate overall trade dynamics.** FDI exports accounted for 80% of total export volume (+24.7% YoY), while FDI imports grew by 34.3% YoY. Conversely, the domestic sector experienced flat export growth (+2.5% YoY) but a notable expansion in imports (+22.7% YoY). Against this backdrop, bilateral trade imbalances widened further in geopolitically sensitive corridors. The trade surplus with the US increased to US\$60.4bn (+21.1% YoY), while the trade deficit with China expanded to US\$62.5bn (+36.4% YoY).
- **Key catalysts to monitor:** The USTR's Section 301 investigations regarding structural excess capacity and intellectual property violations. These ongoing probes pose downside risks to the substantial trade surplus generated by Vietnam's manufacturing sector in its exports to the US market over the near term.



Source: GSO

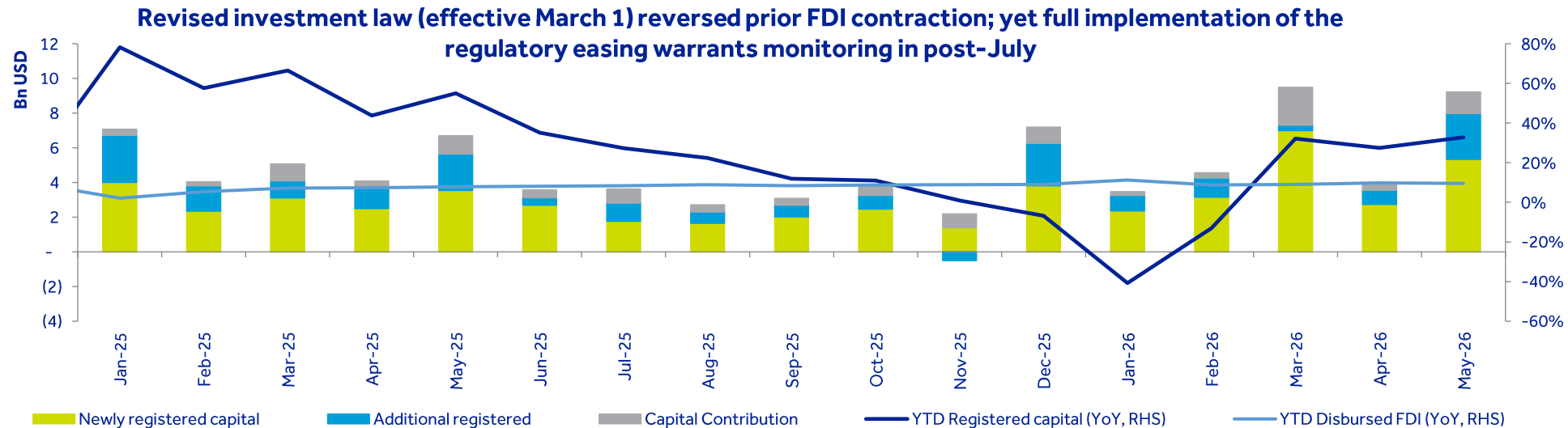
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FDI INFLOWS GAIN MOMENTUM AMID INSTITUTIONAL REFORMS



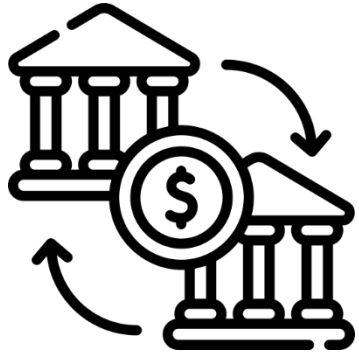
The amended Investment Law (effective March 1) reversed the near-term contraction in foreign direct investment (FDI), though the durability of this recovery warrants monitoring post-July.

- **Total registered FDI for the first five months of the year reached US\$24.81bn, up 34.9% YoY.** Newly registered capital drove this expansion, contributing US\$14.84bn across 1,576 projects. While project volume grew a modest 1.7% YoY, the nominal value increased 2.1x YoY. Capital contributions and equity acquisitions recorded US\$4.19bn (+46.7% YoY). Conversely, adjusted capital for existing projects contracted to US\$5.78bn across 415 adjustments (-32.1% YoY).
- Disbursed FDI reached US\$9.75bn (+9.6% YoY), marking the highest 5M realization volume over the past five years.
- Manufacturing sustained its position as the primary recipient of foreign capital. The sector attracted US\$9.64bn in newly registered capital (~65.0% of the total) and US\$14.52bn in combined new and adjusted capital (~70.4%). On a realization basis, manufacturing accounted for 82.7% of total disbursed FDI (US\$8.06bn).
- **Key catalysts to monitor:** The FDI composition exhibited MoM improvement as the contraction in adjusted capital narrowed. However, greenfield projects currently provide the primary impetus for headline growth. Existing investors maintain a cautious posture, largely deferring capacity expansion and brownfield investments via retained earnings.



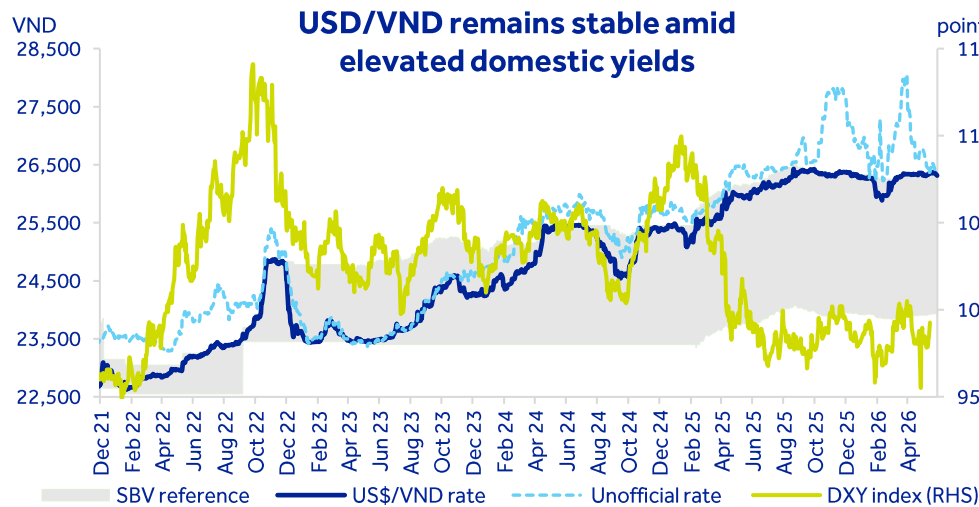
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INTEREST RATES TO REMAIN ELEVATED AMID WIDENING DEPOSIT-CREDIT GAP

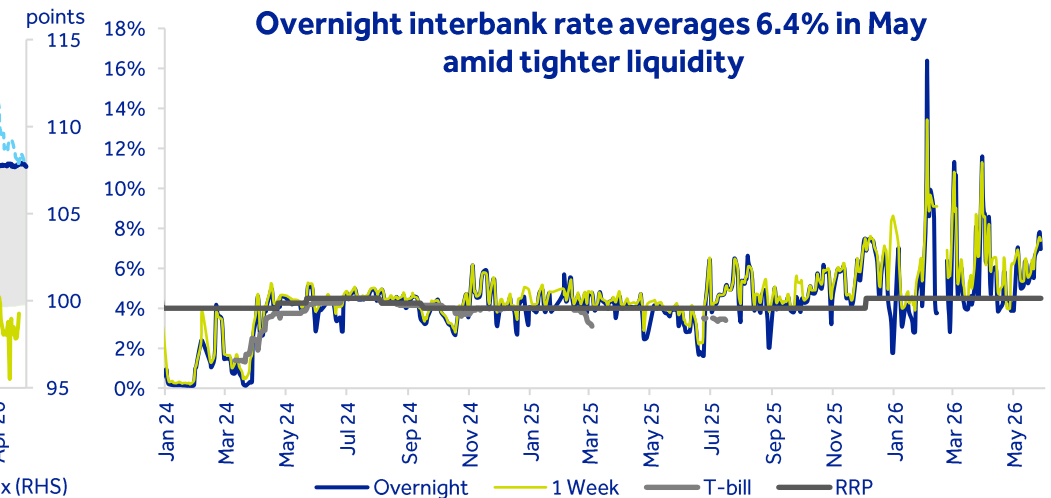


Elevated interest rates and sustained FDI inflows offset foreign exchange pressures stemming from recent trade deficits.

- **Interbank interest rates rose across the curve in May, driven by the State Bank of Vietnam's (SBV) deliberate liquidity management.** The central bank maintained outstanding reverse repurchase (RRP) agreements on the Open Market Operations (OMO) channel at approximately VND300tn. Currently, interbank liquidity remains highly reliant on Treasury deposit auctions and maturities, with outstanding Treasury deposit balances holding steady at around VND650tn throughout May.
- Despite a monthly trade deficit of US\$5.2bn in May, the USD/VND exchange rate remained remarkably stable, holding virtually flat relative to end-2025. This stability was underpinned by two key factors: robust FDI inflows and an elevated rate differential over the US dollar, with the VND-USD overnight interbank interest rate spread averaging approximately 270 bps (2.7%). This wide spread successfully counterbalanced the near-term foreign currency shortfall.
- **Key catalysts to monitor:** A widening funding mismatch will likely keep domestic interest rates elevated through the remainder of 2026. As of May, credit growth reached 5.7% YTD, significantly outstripping deposit growth of 2.98% YTD. This structural funding gap, coupled with accelerating headline inflation driven by fuel price pass-through, limits the scope for near-term interest rate reductions.
 - Under an optimistic scenario, the SBV may consider selectively easing liquidity ratios and introducing preferential lending terms for high-priority sectors (e.g., public investment, social housing). However, to safeguard foreign exchange stability and anchor inflation expectations, the central bank is expected to maintain a relatively high nominal interest rate corridor for the rest of the year.



Source: SBV, FiinPro, ACBS



Source: SBV, FiinPro, ACBS

VIETNAM-KEY MACRO INDICATORS

Monthly data	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
Industrial Production (YoY)	9.56%	7.98%	7.43%	8.90%	12.74%	10.80%	9.13%	10.10%	21.54%	0.60%	7.20%	9.88%	8.79%
Purchasing Managers Index	49.80	48.90	52.40	50.40	50.40	54.50	53.80	53.00	52.50	54.30	51.20	50.50	52.80
Retail Sales (YoY)	10.22%	8.28%	9.16%	10.59%	11.27%	7.23%	7.15%	9.81%	9.32%	8.48%	12.05%	12.06%	11.83%
Consumer Price Index (YoY)	3.24%	3.57%	3.19%	3.24%	3.38%	3.25%	3.58%	3.48%	2.53%	3.35%	4.65%	5.46%	5.60%
Core Consumer Price Index (YoY)	3.33%	3.33%	3.33%	3.19%	3.18%	3.30%	3.28%	3.21%	3.19%	3.74%	3.96%	4.66%	4.67%
Export Value (% YoY)	-9.69%	-1.62%	-4.65%	-11.48%	-0.21%	-10.23%	-8.36%	4.10%	30.13%	6.26%	20.58%	21.56%	17.98%
Import Value (% YoY)	36.17%	32.75%	30.25%	33.92%	38.85%	34.13%	31.29%	43.36%	49.61%	4.42%	27.76%	32.36%	33.79%
Trade Balance (BnUSD)	0.55	2.86	2.29	3.72	2.85	2.60	1.09	-0.66	-1.78	-1.05	-0.68	-3.28	-5.21
Disbursed FDI (BnUSD)	2.16	2.82	1.88	1.80	3.40	2.50	2.30	4.02	1.68	1.53	2.20	1.99	2.35
Registered FDI exl Cap. Cont.(BnUSD)	3.54	2.71	1.78	1.66	2.02	2.48	1.40	3.82	2.38	3.16	7.00	2.74	5.34
Disbursed investment from State budget (Tn VND, YTD)	221.82	301.81	378.29	463.21	549.13	640.16	735.15	850.69	44.64	84.48	133.23	187.13	254.13

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