MACRO UPDATE

July 2026

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KEY TAKEAWAYS ON MONTHLY ECONOMIC DATA

SPOTLIGHT

- **July macroeconomic data indicates sustained expansion, underpinned by industrial production, foreign direct investment (FDI), and international tourism.** Combined with fiscal space for public investment disbursement and the State Bank of Vietnam's (SBV) recalibration of technical barriers, gross domestic product (GDP) growth is positioned to maintain momentum through 2H26, tracking toward the government's 10% FY2026 target.
- **Manufacturing momentum accelerated in July, catalyzed by a recovery in new orders and moderating input costs.** The Index of Industrial Production (IIP) advanced 14.5% YoY, bringing the 7M26 average to 11.4%. New export orders expanded at the fastest pace since July 2024, pushing raw material procurement to a nearly 4.5-year high. Concurrently, realized FDI reached US$15.20bn over the first seven months. These indicators collectively validate a structural expansion in aggregate manufacturing capacity across the sector.
- **Lower global oil prices provided near-term relief, but underlying pressures remain persistent.** Headline CPI declined 0.12% MoM in July as transport prices fell 2.02%, yet inflation remained elevated at 4.45% YoY and averaged 4.39% in 7M26. Core inflation increased 0.33% MoM and 4.63% YoY, while higher health-insurance contributions following the base-salary adjustment highlighted persistent domestic expenses. Accelerating production, public investment and credit growth should sustain demand in the final months of 2026, limiting the scope for broad-based monetary easing.
- **Domestic consumption remains resilient, although nominal growth continues to overstate real purchasing-power gains.** Retail sales rose 13.1% YoY in 7M26, accelerating from 9.3% a year earlier, but real growth was broadly unchanged at 7.5%. International arrivals reached 13.9 million, up 13.8% YoY, although this pace moderated from 22.5% in 7M25.
- **The widening trade deficit and new US tariff regime create a more challenging backdrop for domestic exporters.** Imports surged 34.8% YoY in 7M26, outpacing export growth of 21.7% and reversing the trade balance from a US$10.35bn surplus in 7M25 to a US$20.52bn deficit. The FDI sector retained a US$7.98bn surplus, whereas domestic enterprises recorded a US$28.5bn deficit amid weak textiles, footwear and wood-product exports.
- **The SBV is prioritizing the removal of technical barriers to improve liquidity transmission mechanisms rather than pursuing broad-based monetary accommodation.** As of July 27, system-wide credit growth reached 8.21% YTD. This outpaced deposit growth, which registered approximately 5.8%, consequently widening the funding gap. To alleviate this constraint, Decision 1743/QD-NHNN increased the proportion of State Treasury term deposits eligible for inclusion in the loan-to-deposit ratio (LDR) denominator from 20% to 50%. Assuming foreign exchange stability and an absence of further US Federal Reserve tightening this year, our base case expects the SBV to maintain flexible liquidity operations. This approach aims to reduce funding costs and support targeted credit expansion through 2H26.

MACRO INDICATORS

Monthly Data	Jul-2026	MoM	YoY	YTD
PMI	52.9	-	-	-
IIP (YoY)	-	1.18%	14.47%	11.42%
Retail Sales (Tn VND)	669.09	0.94%	14.48%	13.09%
Export Value (Bn USD)	53.08	4.52%	24.98%	21.65%
Import Value (Bn USD)	56.67	6.06%	41.42%	34.78%
Trade Balance (Bn USD)	-3.59	-35.64%	-256.69%	-292.07%
Disbursed FDI (Bn USD)	2.17	-33.84%	15.43%	11.76%
Registered FDI (Bn USD)	3.41	-65.35%	32.65%	57.99%
Disbursement of public investment (Tn VND)	98.59	15.74%	28.90%	17.76%
CPI	-	-0.12%	4.45%	4.39%
Core CPI	-	0.33%	4.63%	4.19%
USDVND Exchange rate*	26,490	0.09%	0.42%	0.43%
USDVND on the free market**	26,280	-1.65%	-0.64%	-2.01%
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.)	4.99%	-0.42 ppt	+0.25 ppt	-0.90 ppt

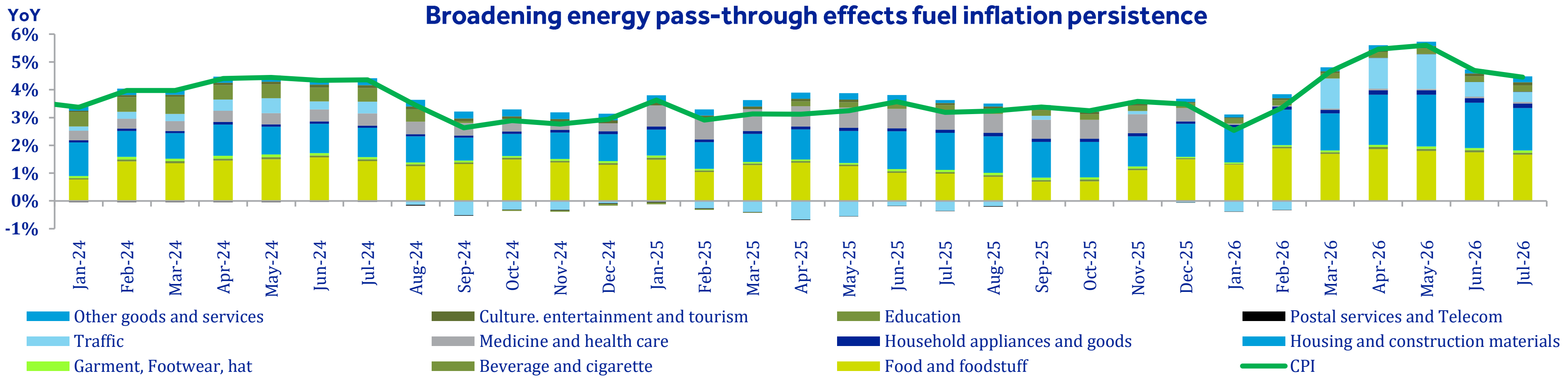
**Ask rate by Vietcombank on 07/31/2026*
***Average bid-ask rate on 07/31/2026*

SOFTENING OIL PRICES OFFER TEMPORARY INFLATION RELIEF, BUT UNDERLYING PRESSURES PERSIST

Headline CPI registered a minor contraction in July, anchored by falling global oil prices.

However, fiscal disbursements, credit growth, and seasonal demand are set to reignite upward momentum on inflation in the coming quarters.

- **Headline CPI fell by 0.12% MoM, primarily driven by a 2.02% decline in the transport basket, which subtracted 0.20 percentage points (ppt) from overall monthly inflation.** Within transport, domestic retail gasoline and diesel prices dropped 4.35% MoM and 9.18% MoM, respectively. Disinflationary support was further bolstered by minor contractions in Food & Catering Services (-0.07% MoM) and Housing & Construction Materials (-0.07% MoM)—the latter largely underpinned by an 11.41% drop in LPG prices. These downward pressures successfully absorbed a 1.96% MoM surge in the Miscellaneous Goods & Services basket, which was elevated by an ~8.0% increase in health insurance contribution costs following July's base wage adjustment.
- Despite the monthly retreat, headline inflation remains sticky on a year-on-year basis at 4.45% YoY, pushing average 7M26 inflation up to 4.39% (compared to 3.26% in 7M25). The Housing (+1.53 ppt contribution) and Food (+1.71 ppt contribution) sub-indexes continue to serve as the chief catalysts behind the 7M average acceleration. This persistence highlights the ongoing second-round pass-through of prolonged high energy costs into broader domestic cost structures.
- **Key catalysts to monitor:** While ongoing conflict in the Middle East maintains a floor under global crude prices, material supply chain disruptions across the Asian region have yet to fully materialize. As industrial production and public investment disbursements ramp up toward year-end—complemented by high credit expansion and strong import demand—non-energy goods and core service prices are projected to maintain an upward trajectory.



Source: GSO

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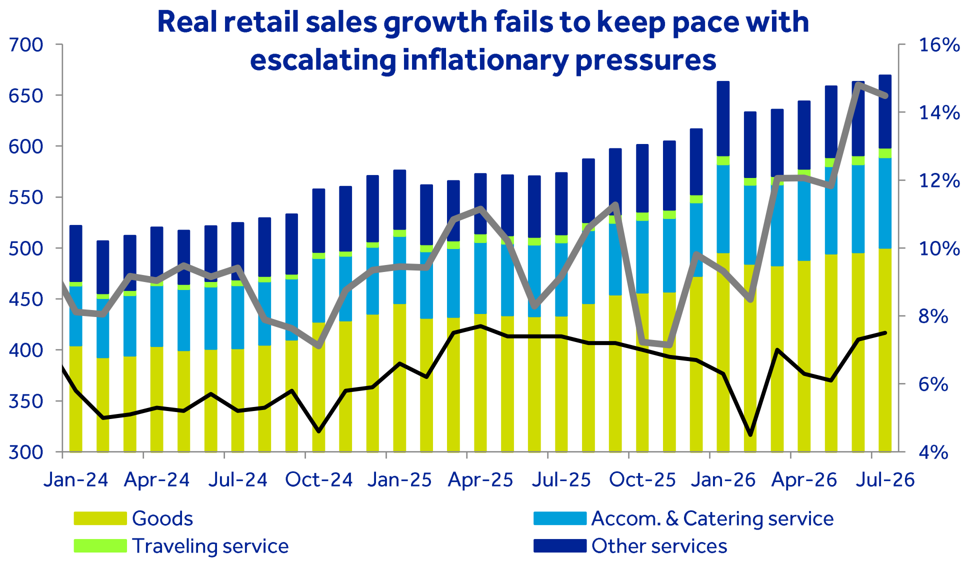
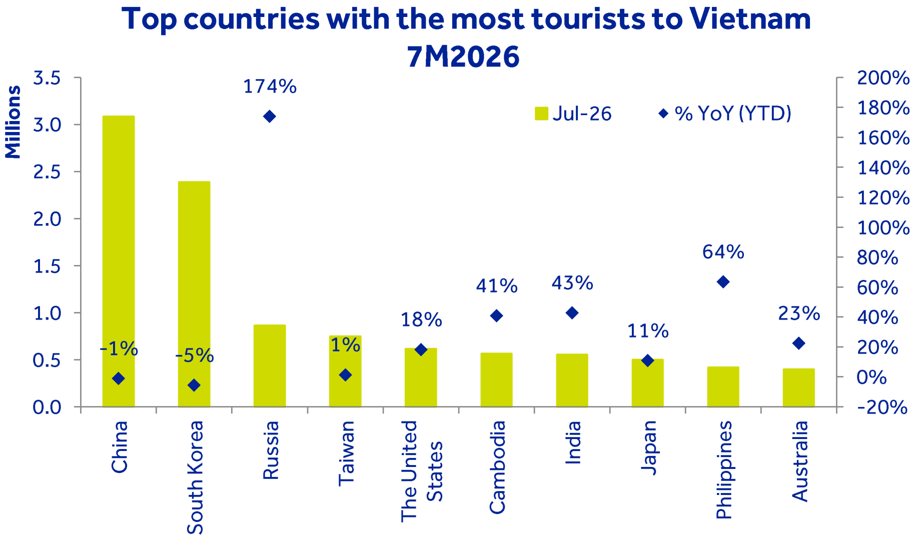
CONSUMER PURCHASING POWER EXPECTED TO PICK UP TOWARD YEAR-END

Domestic consumption remains steady, yet a widening gap between nominal and real retail growth indicates that inflation continues to drive the headline figures.

- **Gross retail sales reached VND669.1tn in July, expanding 0.9% MoM and 14.5% YoY.** On a cumulative basis, 7M26 retail sales rose to VND4,555.8tn, representing a nominal increase of 13.1% YoY (compared to 9.3% in 7M25). However, stripped of price effects, real retail sales grew by a more subdued 7.5% YoY—virtually unchanged from the 7.4% YoY rate recorded in 7M25. This persistent divergence underscores that price increases, rather than volume expansion, remain the primary driver of headline growth.
- International tourist arrivals plateaued slightly in July to 1.67mn (-0.7% MoM, +6.6% YoY). This minor sequential dip was largely driven by a 4.7% MoM drop in arrivals from Asia (which accounts for 77% of total inbound visitors). Conversely, long-haul markets exhibited notable strength, led by Oceania (+34.0% MoM), Europe (+11.2% MoM), and the Americas (+4.2% MoM). YTD foreign arrivals totaled 13.9mn in 7M26, reflecting a 13.8% YoY growth trajectory (moderating from 22.5% YoY in 7M25).
- **Key catalysts to monitor:** Tourism continues to act as a crucial baseline support for service demand. However, the trajectory of the consumption recovery through 4Q26 will fundamentally depend on whether July's stabilization in manufacturing employment converts into sustainable wage growth and household demand.





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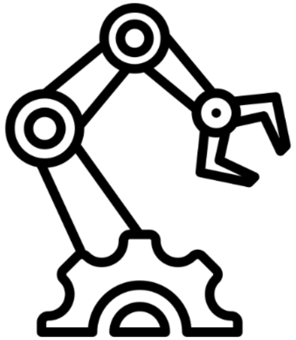
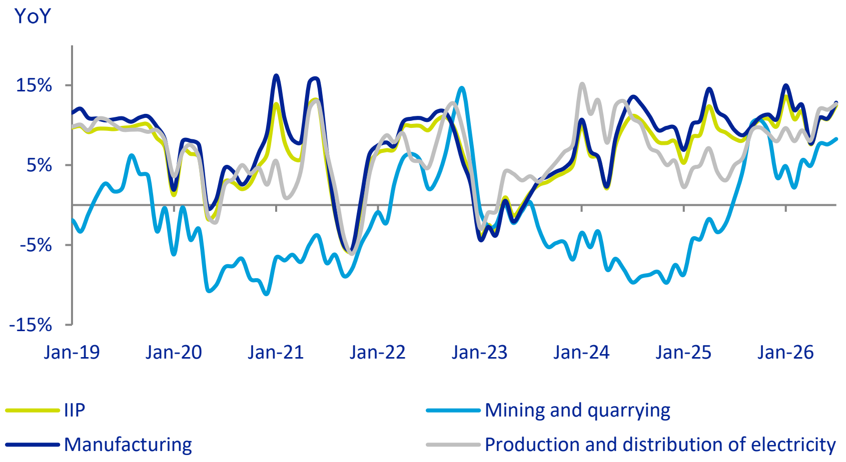
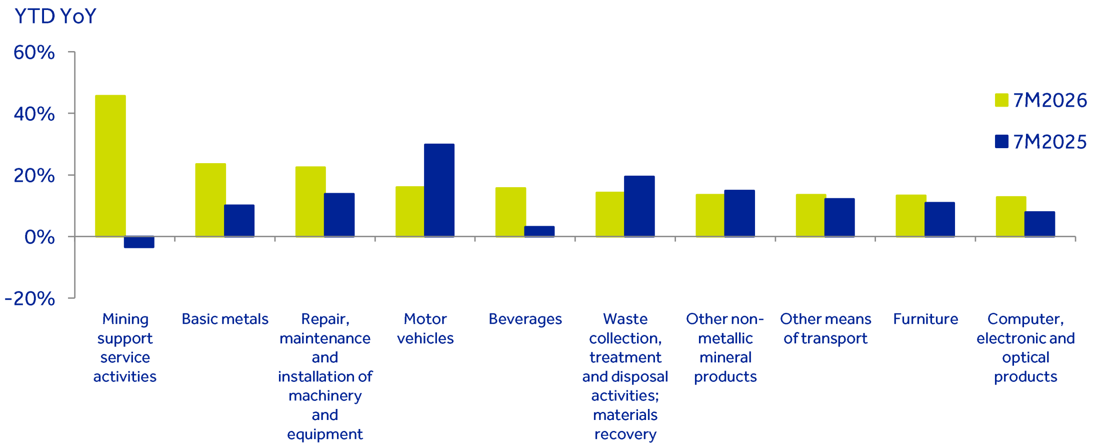
NEW ORDERS AND EXPORT GROWTH ACCELERATE AMID MODERATING INPUT COSTS



A broad-based recovery in manufacturing activities is accelerating, underpinned by expanding new orders and accelerated raw material procurement.

- **The Index of Industrial Production (IIP) advanced 1.2% MoM and 14.5% YoY in July, elevating the 7M26 average growth to 11.4% YoY (versus 8.6% in 7M25).** The manufacturing sub-sector drove this expansion, registering a 15% YoY increase in July and 12% YoY for 7M26 to contribute 9.3 percentage points to overall industrial growth.
- Sectoral performance for 7M26 reflects outsized gains in basic metals (+23.5% YoY), machinery repair and installation (+22.4% YoY), motor vehicles (+16.0% YoY), beverages (+15.7% YoY), and non-metallic mineral products (+13.5% YoY). Concurrently, the industrial employment index as of July 1 expanded 3.1% YoY, with the manufacturing segment advancing 3.3% YoY.
- **The S&P Global Manufacturing PMI printed at 52.9 in July, indicating the most pronounced improvement in business conditions since February.** Output reached a five-month high, while new export orders expanded at the fastest pace since July 2024. This sustained demand prompted raw material procurement to grow at its strongest rate in nearly 4.5 years. Employment metrics expanded for the first time in five months. Business confidence also registered a five-month high, though it remains below levels recorded prior to the escalation of the Middle East conflict.
- **Key catalysts to monitor:** The acceleration in new export orders aligns with input cost and output price inflation moderating to their lowest levels since September 2025, improving near-term margin prospects. However, the step-up in production volumes has depleted raw material inventories. Furthermore, the recent employment increase remains insufficient to clear accumulating order backlogs. Consequently, inventory restocking, raw material imports, and working capital demand will likely remain elevated before the order recovery fully materializes in headline export turnover.



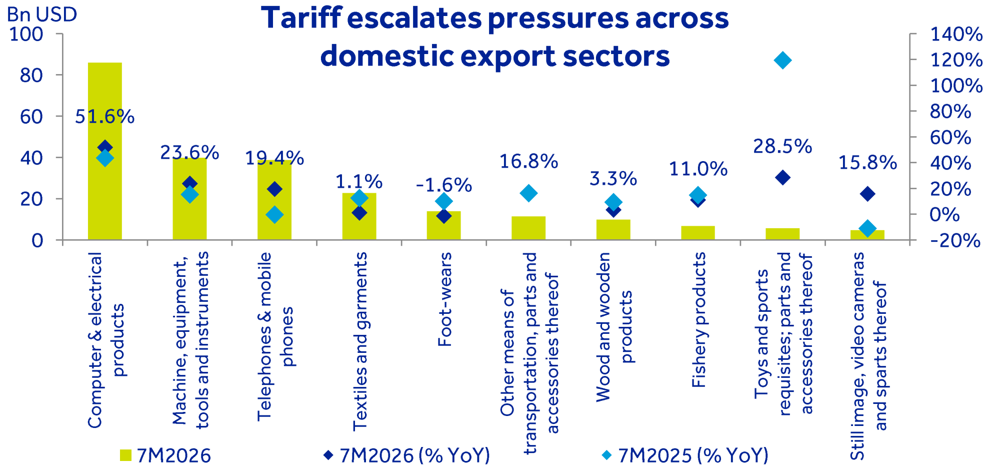


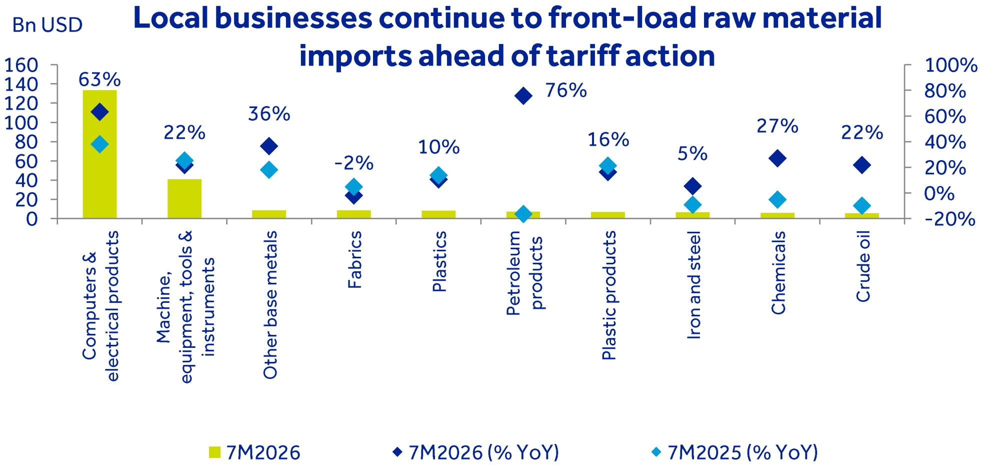
Source: GSO

DOMESTIC EXPORTERS FACE SUSTAINED TARIFF HEADWINDS

Trade deficit reached US$20.52bn over 7M26, driven by an expanding bilateral surplus with the US alongside widening trade shortfalls across primary Asian trading partners.

- **In July, export turnover reached US$53.08bn (+25.0% YoY) while imports expanded 41.4% YoY to US$56.67bn, generating US$3.59bn in trade deficit.** On a cumulative basis, 7M26 exports rose 21.7% YoY to US$319.53bn, outpaced by a 34.8% YoY surge in imports to US$340.05bn. This shifted the 7M26 trade balance to a US$20.52bn deficit (7M25: +US$10.35bn). Accelerated inventory accumulation of crude oil and refined petroleum products drove a substantial share of this shortfall, with fuel import outlays advancing 44.0% YoY to US$15.6bn. Concurrently, momentum across key domestic export categories slowed relative to 2024–2025 levels, as reflected in textiles (+1.1% YoY), wood products (+3.3% YoY), and footwear (-1.57% YoY).
- FDI enterprises maintained a US$7.98bn trade surplus (exports: US$255.88bn; imports: US$247.91bn). Conversely, domestic firms posted a US$28.5bn deficit (exports: US$63.64bn; imports: US$92.15bn). By destination, the bilateral trade surplus with the US expanded 22.6% YoY to US$91.4bn over 7M26. Meanwhile, trade deficits with major Asian trading partners broadened to US$93.0bn for China, US$32.4bn for South Korea, and US$12.2bn for ASEAN.
- **Key catalysts to monitor:** On July 24, 2026, the USTR enacted a 12.5% import duty on Vietnamese goods under Section 301 of the Trade Act of 1974, replacing the 10% rate under Section 122. This policy framework directly impacts key domestic export categories through the following channels: Seafood (Subject to cumulative Section 301 tariffs applied alongside existing anti-dumping and countervailing duty (AD/CVD) orders); Textiles and Footwear (subjecting shipments to stacked Section 301 duties on top of baseline Most-Favored-Nation rates); Wood and Furniture: Exposed to elevated border costs across key US distribution channels.





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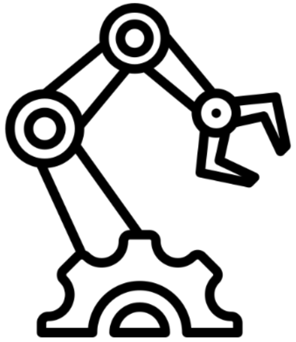
FDI INFLOWS IN JULY HIGHLIGHT SUSTAINED MOMENTUM

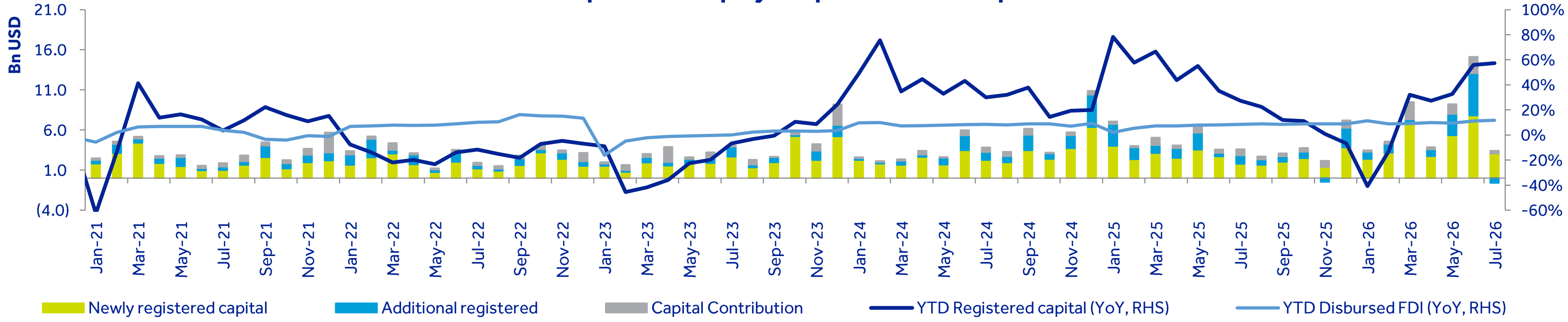


Record disbursement alongside strong commitments in 7M26 provides structural support for medium-term manufacturing expansion.

However, near-term impulse will remain import-intensive during the initial factory construction and capital equipment installation phases.

- **Total registered FDI reached US$38.06bn in 7M26, representing a 58.0% YoY expansion.** Newly registered capital drove the bulk of this growth, more than doubling to US$21.05bn across 2,429 licensed projects. Capital expansions for 666 existing projects rose 4.4% YoY to US$10.43bn, while foreign M&A activity (capital contributions and share purchases) expanded 61.6% YoY to US$6.58bn.
- Manufacturing and processing remained the primary recipient of foreign capital, attracting US$11.58bn in newly registered investment (55.0% of new commitments) and US$17.94bn across combined new and expanded projects (57.0% of total new and expanded capital). By source country, Singapore led new project commitments with US$7.5bn, followed by South Korea (US$5.6bn) and Hong Kong (US$2.9bn). Together, these three origin points accounted for 76.1% of total newly registered FDI.
- Realized FDI advanced 11.8% YoY to US$15.20bn over 7M26, establishing a 5Y high for seven-month disbursement totals. Manufacturing sector absorbed the predominant share of capital at US$12.55bn, representing 82.6% of total disbursements.
- **Key catalysts to monitor:** Although greenfield commitments doubled and manufacturing disbursements reached a five-year peak, capital adjustments for existing operations expanded by a modest 4.4% YoY, and US$4.23bn of the US$6.58bn in total M&A transactions did not expand the charter capital of recipient entities, reflecting financial ownership transfers rather than direct capacity additions. This structural nuance carries operational relevance as US regulatory authorities intensify scrutiny around country-of-origin rules and forced labor compliance, effectively placing a premium on traceable, physical capacity linked to domestic supplier networks over equity acquisitions. Meanwhile, the near-term footprint of these newly committed greenfield projects will remain heavily skewed toward capital goods and raw material imports during the initial facility construction and equipment installation phase before yielding incremental export output.

FDI inflow composition displays improvement compared to 1Q26

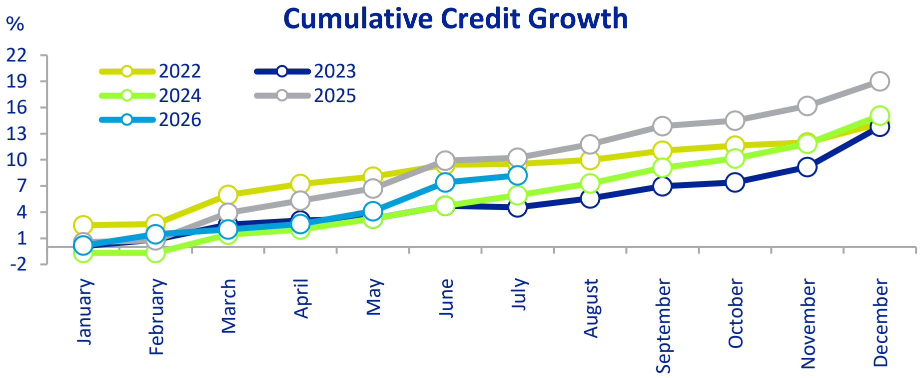


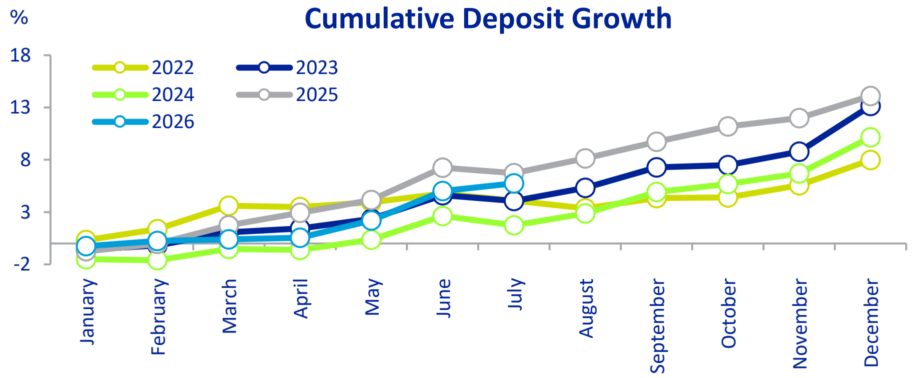
Source: GSO

RECALIBRATING REGULATORY TECHNICAL BARRIERS TO RELIEVE LIQUIDITY BOTTLENECKS IN THE BANKING SYSTEM

The State Bank of Vietnam (SBV) deployed targeted policy easing to address liquidity constraints as the gap between credit and deposit growth continued to widen.

- **As of July 27, system-wide credit growth reached 8.21% YTD (compared to 10.2% in 7M25), outpacing deposit expansion of approximately 5.8% YTD (versus 6.7% in 7M25).** This trajectory has broadened the aggregate funding gap to roughly VND1,400tn.To bridge this shortfall, State Treasury (STV) deposits have served as a primary liquidity anchor. Balance sheets across state-owned commercial banks absorbed approximately VND715tn in ST deposits by late July, complemented by VND170tn in liquidity provided via Open Market Operations (OMO).
- Supported by exchange rate stability through 7M26 and moderating headline inflation, the central bank issued Decision 1743/QD-NHNN. Effective August 1, 2026 through July 31, 2028, the ruling elevates the proportion of ST term deposits eligible for inclusion in the Loan-to-Deposit Ratio (LDR) denominator from 20% to 50%. With existing STV deposits exceeding VND700tn and potential capacity reaching up to VND1,400tn under Resolution 168/NQ-CP, Decision 1743 is projected to release VND180tn–VND600tn in short-term (<3-month) liquidity. This rule change expands primary-market lending capacity and works in tandem with Circular 25/2026/TT-NHNN, which raised the threshold for short-term capital used for medium- and long-term loans back to 40% from 30%.
- **Key catalysts to monitor:** In our base case, the US Federal Reserve is expected to maintain its current policy rate stance for the remainder of the year. The Fed continues to manage short-end yields (<3-year maturities) via its Reserve Management Purchases (RMP) program alongside long-term asset sales (Reverse Operational Twist), addressing US inflationary pressures that remain predominantly supply-driven by elevated tariffs and energy costs. Under these external conditions, the SBV will likely focus on further relaxations of regulatory technical barriers rather than broad monetary easing. This policy orientation aims to lower funding costs, improve credit transmission mechanisms, and facilitate capital deployment for public investment projects in 2H26.





Source: SBV, MOF, ACBS

VIETNAM-KEY MACRO INDICATORS

Monthly data	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
Industrial Production (YoY)	7.43%	8.90%	12.74%	10.80%	9.13%	10.10%	21.54%	0.60%	7.20%	9.88%	8.79%	12.71%	14.47%
Purchasing Managers Index	52.40	50.40	50.40	54.50	53.80	53.00	52.50	54.30	51.20	50.50	52.80	51.80	52.90
Retail Sales (YoY)	9.16%	10.59%	11.27%	7.23%	7.15%	9.81%	9.32%	8.48%	12.05%	12.06%	11.83%	14.80%	14.48%
Consumer Price Index (YoY)	3.19%	3.24%	3.38%	3.25%	3.58%	3.48%	2.53%	3.35%	4.65%	5.46%	5.60%	4.69%	4.45%
Core Consumer Price Index (YoY)	3.33%	3.19%	3.18%	3.30%	3.28%	3.21%	3.19%	3.74%	3.96%	4.66%	4.67%	4.50%	4.63%
Export Value (% YoY)	-4.65%	-11.48%	-0.21%	-10.23%	-8.36%	4.10%	30.13%	6.26%	20.58%	21.56%	17.98%	28.09%	24.98%
Import Value (% YoY)	30.25%	33.92%	38.85%	34.13%	31.29%	43.36%	49.61%	4.42%	27.76%	32.36%	33.79%	45.19%	41.42%
Trade Balance (BnUSD)	2.29	3.72	2.85	2.60	1.09	-0.66	-1.78	-1.05	-0.68	-3.28	-5.21	-2.64	-3.59
Disbursed FDI (BnUSD)	1.88	1.80	3.40	2.50	2.30	4.02	1.68	1.53	2.20	1.99	2.35	3.28	2.17
Registered FDI exl Cap. Cont.(BnUSD)	1.78	1.66	2.02	2.48	1.40	3.82	2.38	3.16	7.00	2.74	5.34	7.81	3.04
Disbursed investment from State budget (Tn VND, YTD)	378.29	463.21	549.13	640.16	735.15	850.69	44.64	84.48	133.23	187.13	261.69	346.87	445.46

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