MACRO UPDATE

August 2026

STRONGER GROWTH, UNEVEN TRANSMISSION

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KEY TAKEAWAYS ON MONTHLY ECONOMIC DATA

SPOTLIGHT

- **August data strengthen our view that Vietnam will maintain strong growth through 3Q26, but the recovery remains uneven across the economy.** Industrial production, realized FDI and public investment all improved, while the Vietnam Manufacturing PMI rose to 53.3. The main support continues to come from manufacturing and investment rather than a clear acceleration in household consumption.
- **Production indicators were the strongest part of the August data.** IIP rose 14.4% YoY in August and 11.9% in 8M26, while manufacturing increased 12.5% YTD. Realized FDI reached US$17.25bn (+12.0% YoY), with manufacturing accounting for 82.6%, and state-budget investment rose 24.1% YoY in August. PMI data also showed stronger output and total new orders, although new export orders declined again and employment weakened, suggesting the improvement is still concentrated in selected areas rather than spreading evenly across manufacturers.
- **Consumer demand remains resilient but has not accelerated materially after adjusting for inflation.** Retail sales increased 13.3% YoY in 8M26, while real growth was 7.6%, almost unchanged from 7.5% a year earlier. Trade conditions improved more clearly in August: the monthly deficit narrowed to only US$0.11bn, the smallest deficit of 2026. The more relevant change remains the product mix, with electronics, machinery and phones growing much faster than apparel and footwear.
- **Inflation moved higher again as the refined-fuel shock returned.** CPI rose 0.47% MoM and 4.89% YoY, with transport contributing 0.41ppt to the monthly increase as diesel and gasoline prices rose 22.15% and 9.53%. Core CPI increased only 0.11% MoM and 4.55% YoY, indicating that the fuel shock has not yet spread widely across non-energy goods and services. This happened while temporary tax relief for gasoline, diesel and related fuels remained in force through end-September, showing that the domestic tax buffer could only partially offset pressure from tight refined-product markets.
- **Financial conditions remain an important constraint on the transmission of policy support.** The SBV kept outstanding OMO at roughly VND180–200tn for most of August, while State Treasury deposits remained around VND700tn, helping banks manage short-term liquidity. Even so, overnight interbank rates stayed relatively high through much of the month before falling below 2% only in the final week, while deposit and lending rates have risen materially from end-2025. The policy direction therefore remains targeted: public investment, liquidity support, prudential adjustments and capital-market reforms are being used to sustain growth without a broad reduction in interest rates.

MACRO INDICATORS

Monthly Data	Aug-2026	MoM	YoY	YTD
PMI	53.3	-	-	-
IIP (YoY)	-	1.50%	14.41%	11.92%
Retail Sales (Tn VND)	679.81	1.62%	14.95%	13.33%
Export Value (Bn USD)	54.79	3.23%	26.01%	22.44%
Import Value (Bn USD)	54.91	-3.11%	37.90%	35.32%
Trade Balance (Bn USD)	-0.11	+3.48	-3.78	-20.46
Disbursed FDI (Bn USD)	2.05	-5.53%	13.89%	12.01%
Registered FDI (Bn USD)	2.57	-24.63%	25.52%	55.44%
Disbursement of public investment (Tn VND)	105.75	8.24%	24.10%	18.51%
CPI	-	0.47%	4.89%	4.45%
Core CPI	-	0.11%	4.55%	4.24%
USDVND Exchange rate*	26,280	-0.87%	-0.96%	-0.37%
USDVND on the free market**	25,910	-1.60%	-2.52%	-3.39%
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.)	4.42%	+0.37%	-0.13%	-1.47%

**Ask rate by Vietcombank on 08/27/2026*
***Average bid-ask rate on 08/27/2026*

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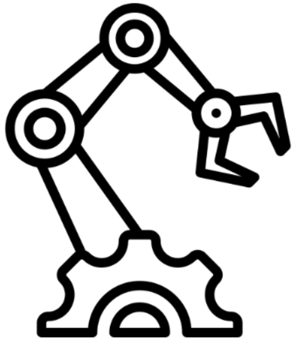
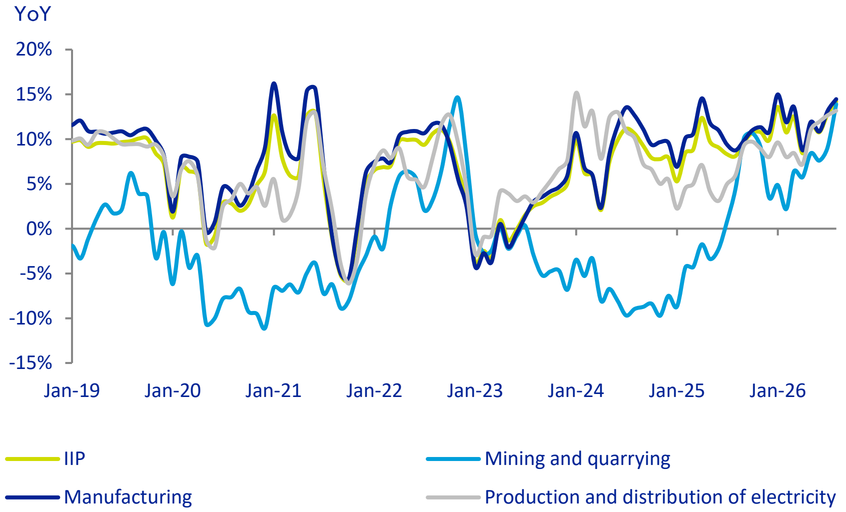
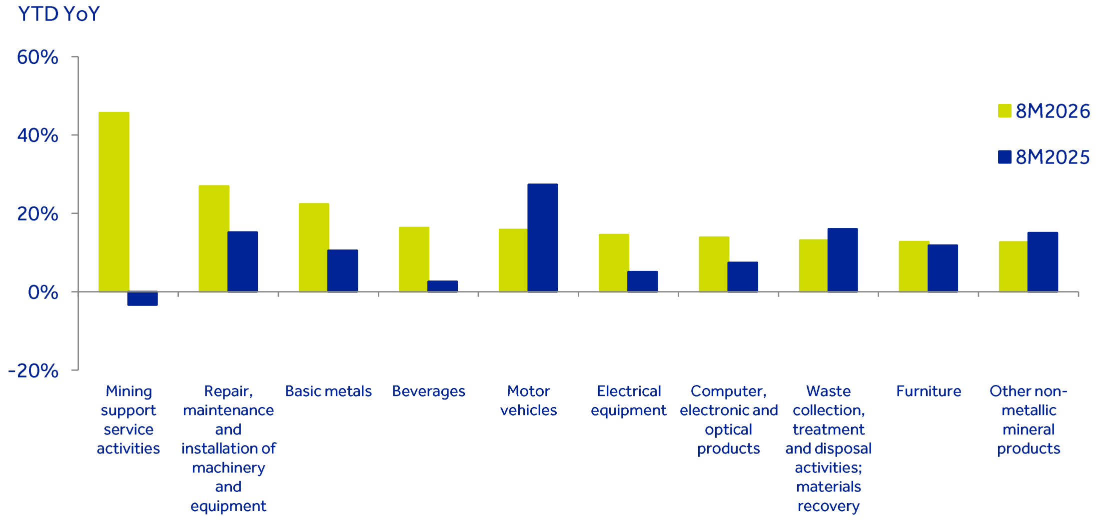
MANUFACTURING ACCELERATES, BUT EXPORT ORDERS AND HIRING REMAIN MIXED



Manufacturing activity strengthened again in August, but weaker export orders and softer hiring show that the recovery has not yet spread evenly across manufacturers.

- **IIP rose 14.4% YoY in August and 11.9% in 8M26, while manufacturing increased 12.5% YTD.** Metals (+22.4%), motor vehicles (+15.9%), electrical equipment (+14.6%) and electronics/computers (+13.9%) were among the fastest-growing industries. The number of workers employed by industrial enterprises was 3.8% higher than a year earlier, while employment in manufacturing was up 4.0%.
- **The PMI rose to 53.3 from 52.9.** Output increased at the fastest pace in just over two years, while total new orders rose at the fastest pace since October 2025. However, new export orders declined again and employment in the PMI survey fell. This suggests factories are producing more and receiving stronger overall orders, but the improvement is not yet being matched by stronger external demand and hiring across the sector.
- **Key catalysts to monitor: September PMI new export orders and employment, alongside electronics and machinery exports.**
- A return of export orders to expansion together with stable hiring would show that the recovery is spreading more broadly. If export orders continue to fall while production remains strong, growth is more likely to remain concentrated in a smaller group of industries and domestic orders.





Source: GSO

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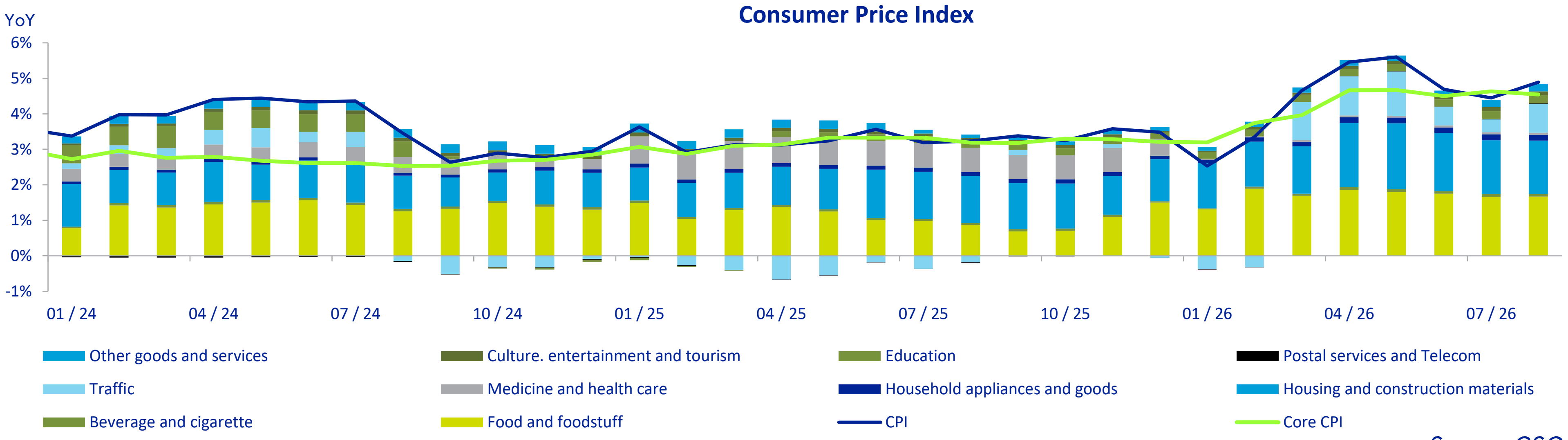
CPI RISES ON FUEL PRICES; SECOND-ROUND INFLATION RISK REMAINS

Headline inflation accelerated because fuel prices rose sharply, while core inflation remained relatively stable.

- **Headline CPI rose 0.47% MoM and 4.89% YoY in August.** Transport prices increased 4.09% MoM and contributed 0.41ppt to the monthly CPI increase, as diesel rose 22.15% and gasoline 9.53%. Core CPI increased only 0.11% MoM and 4.55% YoY; average 8M core inflation was 4.24%, below headline inflation of 4.45%.
- **August confirms that July's fuel-price relief was temporary.** At the same time, the limited increase in core CPI suggests the shock has not yet spread widely into non-energy goods and services. NQ34/2026/NQ-CP continues preferential tax treatment for gasoline, diesel, fuel feedstocks and aviation fuel through 30 September, yet transport still accounted for almost the entire monthly CPI increase. The tax support therefore softened the shock but could not fully offset the rise in refined-product prices.
- **Key catalysts to monitor:** September core CPI, non-energy service inflation & the Government's decision on fuel-tax support after September 30.
- Core CPI remaining around 0.1–0.2% MoM while transport prices stabilize would suggest second-round effects remain contained. A rise above roughly 0.3% MoM together with broader increases in services and non-energy goods, or the expiry of tax support while product cracks stay elevated, would increase inflation risk.



Source: GSO

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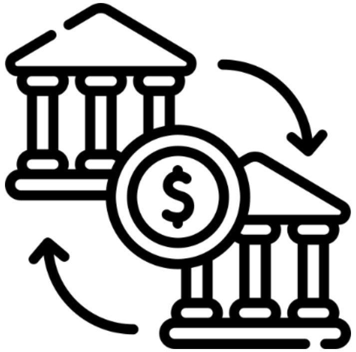
RECALIBRATING REGULATORY TECHNICAL BARRIERS TO RELIEVE LIQUIDITY BOTTLENECKS IN THE BANKING SYSTEM



Banks have better access to short-term liquidity than earlier in the year, largely because SBV OMO and State Treasury deposits remain abundant. The harder problem is securing stable, longer-term funding at a reasonable cost.

- **Short-term liquidity remained heavily supported throughout August.** Outstanding reverse-repo OMO stayed around VND180–200tn for most of the month and rose to about VND237tn at month-end, while State Treasury deposits remained around VND700tn. Overnight interbank rates were still elevated through much of August and fell below 2% only in the final week. This pattern suggests that liquidity pressure eased late in the month, but the improvement came alongside continued support from the SBV and Treasury rather than a clear normalization in banks' own funding position.

- **Funding costs also remain high.** Data show the average system deposit rate rising from 5.7% at end-2025 to 6.7% in July, while the average lending rate increased from 7.85% to 9.4%. At end-August, quoted 12-month retail deposit rates averaged about 5.9%, with the upper end around 7.5%, while banks continued to issue bonds at coupons around 8.5–9.0%. These rates are consistent with continued competition for stable funding even as short-term liquidity conditions improve.

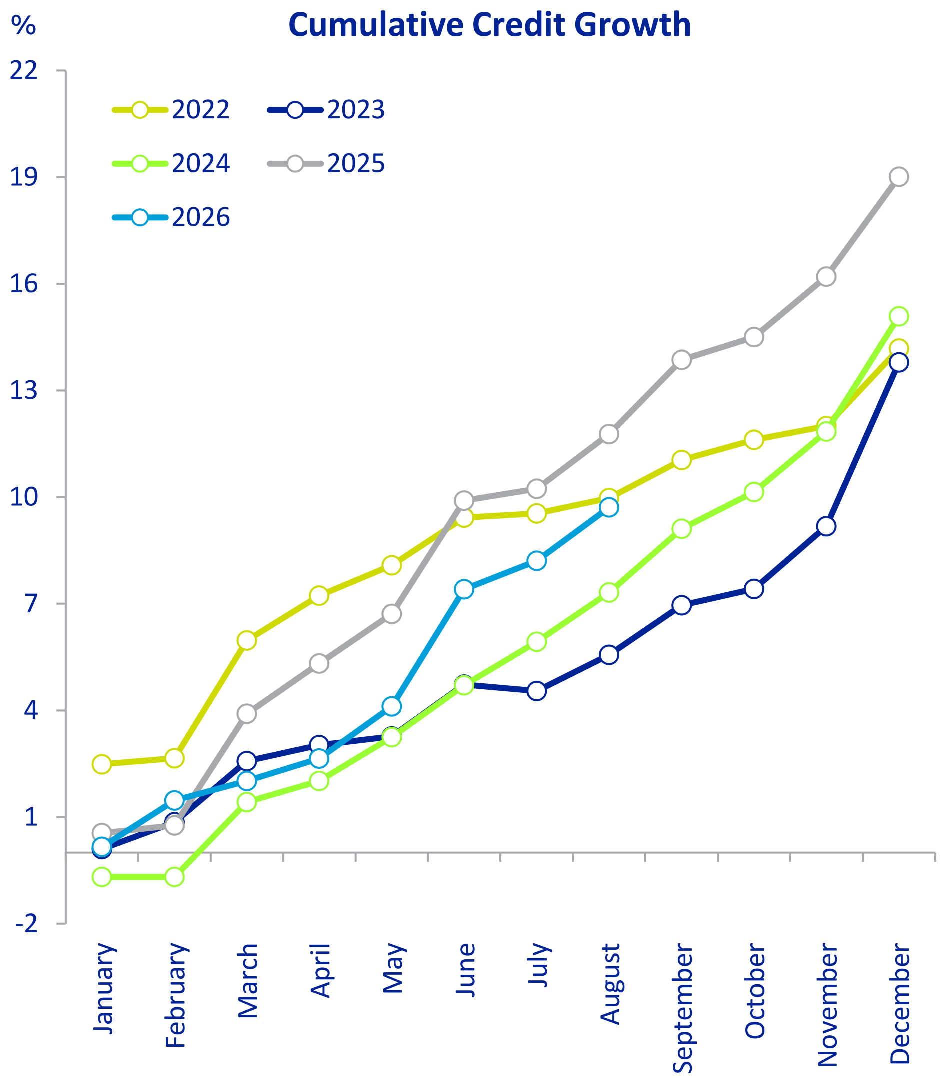
- **The policy response increasingly reflects this distinction.** Circular 25 and Decision 1743 provide more balance-sheet and LDR headroom, while OMO and Treasury deposits address immediate liquidity needs. Decision 1413 and the August banking-law amendments place greater emphasis on medium- and long-term funding channels, including the corporate-bond market. Together, these measures are helping banks keep credit flowing, but they do not yet point to a broad decline in the cost of capital.

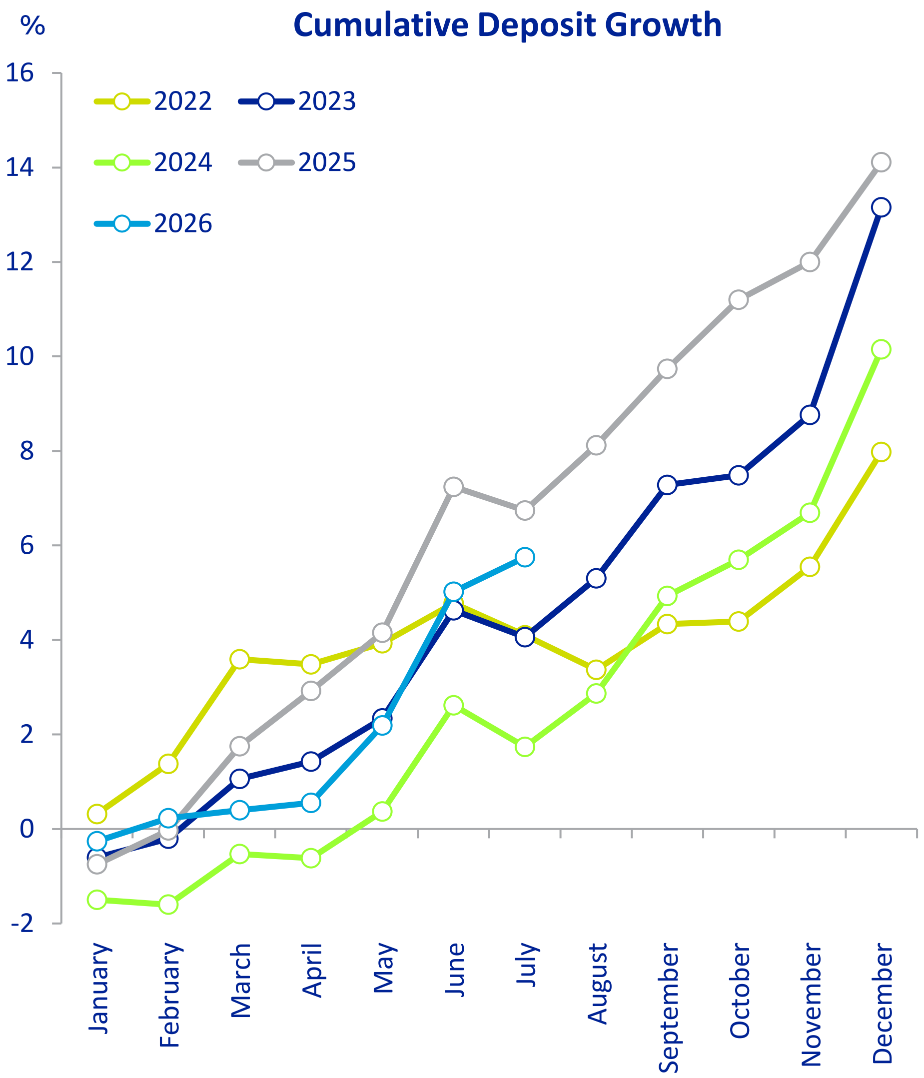
- **Key catalysts to monitor:** 12-month deposit rates, bank-bond and offshore funding costs, new lending rates, OMO outstanding and State Treasury deposits.

- If overnight rates remain low while deposit, bond and lending rates stay high, the gap between short-term liquidity and longer-term funding will remain. A sustained decline in term funding and lending rates together with lower reliance on policy liquidity would signal a more durable improvement.

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

Banks have better access to short-term liquidity than earlier in the year, largely because SBV OMO and State Treasury deposits remain abundant. The harder problem is securing stable, longer-term funding at a reasonable cost.





Source: SBV, MOF, ACBS

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AUGUST TRADE DEFICIT NARROWS SHARPLY; TECHNOLOGY EXPORTS REMAIN THE MAIN DRIVER

Trade conditions improved materially in August, while export growth continued to be led by electronics, machinery and phones rather than labor-intensive products.

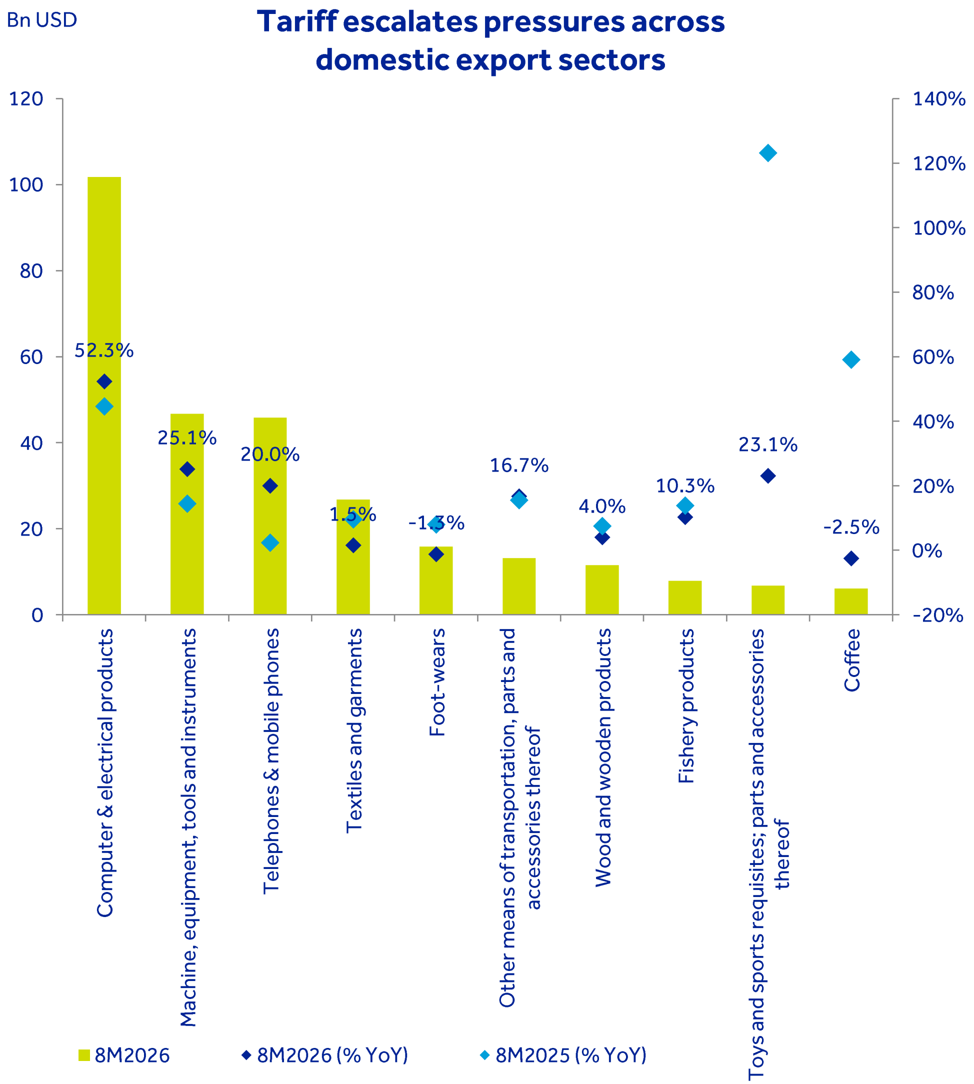
- **Exports increased to US$54.79bn in August while imports eased to US$54.91bn, narrowing the monthly trade deficit to only US$0.11bn.** This was the smallest deficit of 2026 after Vietnam had recorded a deficit in every month of the year. The cumulative 8M26 deficit remained US$20.46bn, but the August result shows a meaningful improvement from the US$3.59bn deficit in July.
- **The split between FDI and domestic firms should be read in context rather than treated as a new warning signal.** FDI enterprises recorded a US$2.20bn surplus in August while domestic firms ran a US$2.32bn deficit, continuing a pattern that has existed for years in an economy where domestic firms import both consumer goods and production inputs. The more important change is the composition of export growth: electronics/computers rose 51.1% YTD, machinery 26.4% and phones 19.4%, while apparel and footwear increased only 1.6% and 0.7%.
- **Production inputs accounted for 94.1% of imports, with electronics/ computer imports up 68.3%.** This combination is consistent with a strong technology-manufacturing cycle that remains highly import-intensive. It does not, by itself, establish transshipment or excess capacity. NQ10's localization and domestic-supplier targets therefore matter mainly as a longer-term test of whether more value is retained inside Vietnam, while Decree 292 and upcoming customs reforms are more relevant to compliance with increasingly strict U.S. trade enforcement.

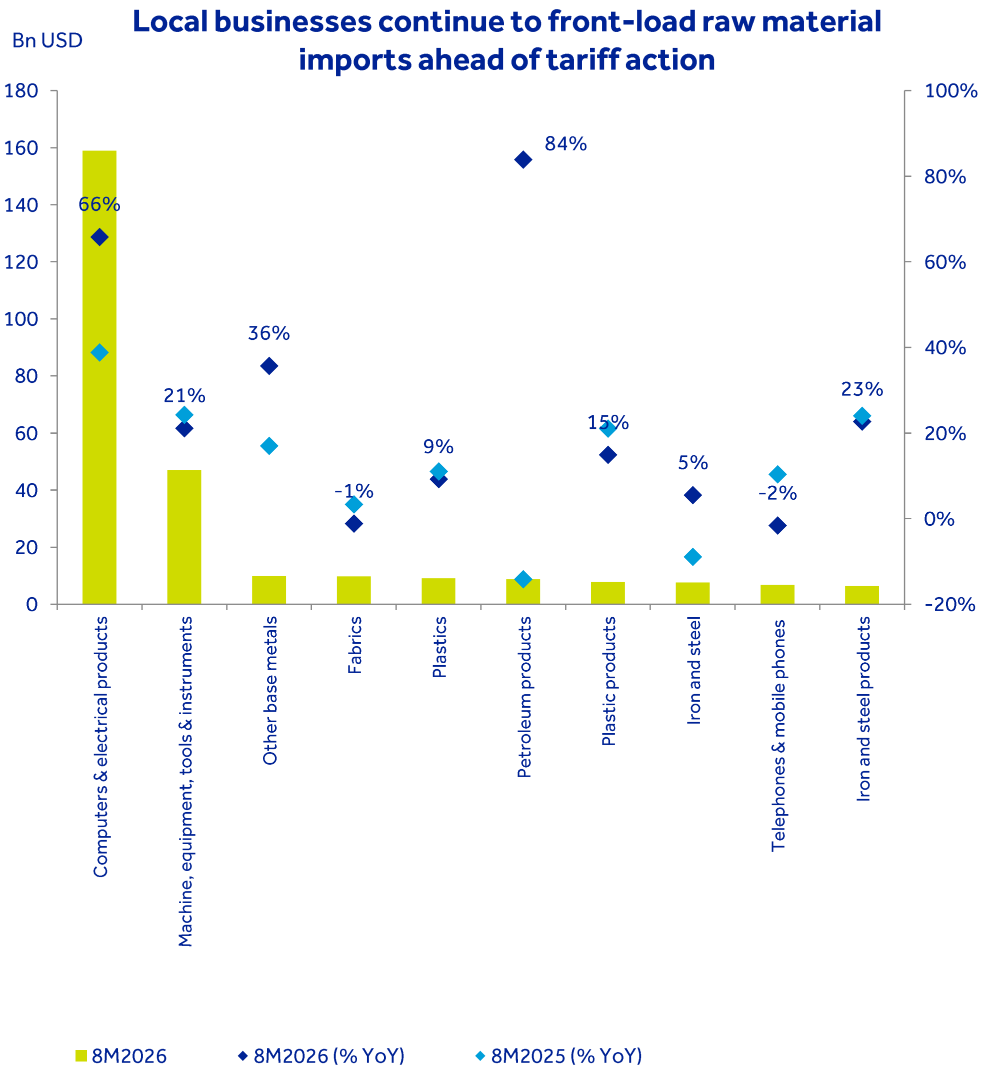
- **Key catalysts to monitor:** September–October export orders and shipments, and the pending USTR excess-capacity determination.
- The key risk from the US tariff is whether any new remedy reaches electronics and machinery or remains concentrated in labor-intensive products. The former would matter more for Vietnam's current export momentum; the latter would mainly affect selected sectors.

Source: GSO

AUGUST TRADE DEFICIT NARROWS SHARPLY; TECHNOLOGY EXPORTS REMAIN THE MAIN DRIVER

Trade deficit reached US$20.46bn over 8M26, driven by an expanding bilateral surplus with the US alongside widening trade shortfalls across primary Asian trading partners.





Source: GSO

PUBLIC INVESTMENT AND REALIZED FDI CONTINUE TO SUPPORT GROWTH

Public investment and realized FDI both strengthened in August, giving the economy a clearer investment-led growth impulse in 2H26.

- **State-budget investment reached VND105.75tn in August, up 24.1% YoY, taking 8M26 realization to VND546.75tn, or 50.5% of the annual plan and 18.5% above 8M25.** Vietnam's public-investment plan effectively runs over a 13-month execution window from January through the following January. On this basis, the remaining budget would require average disbursement of roughly VND107tn per month over September 2026–January 2027, broadly in line with August's run-rate. NQ37/2026/QH16, effective from 1 September for three years, also introduces a special framework for qualifying legal violations in state/private economic and innovation activities. If implementation is clear, it may reduce officials' reluctance to process legacy projects and help sustain faster public-investment execution.

- **Realized FDI reached US$17.25bn in 8M26 (+12.0% YoY), the highest eight-month level in five years, with manufacturing accounting for 82.6%.** Total registered foreign investment rose 55.4% to US$40.63bn. The distinction is important: registered capital shows the project pipeline, while realized FDI is the money actually put into projects and therefore carries more weight for current economic activity.

- **Key catalysts to monitor:** Monthly state-budget investment of roughly VND100–110tn through the remaining execution window, realized FDI, and identifiable projects that move forward under NQ37.

- A sustained disbursement run-rate around this level would keep the full-plan target within reach; measurable progress on previously stalled projects would strengthen the case that legal reforms are improving execution.

Source: GSO

PUBLIC INVESTMENT AND REALIZED FDI CONTINUE TO SUPPORT GROWTH

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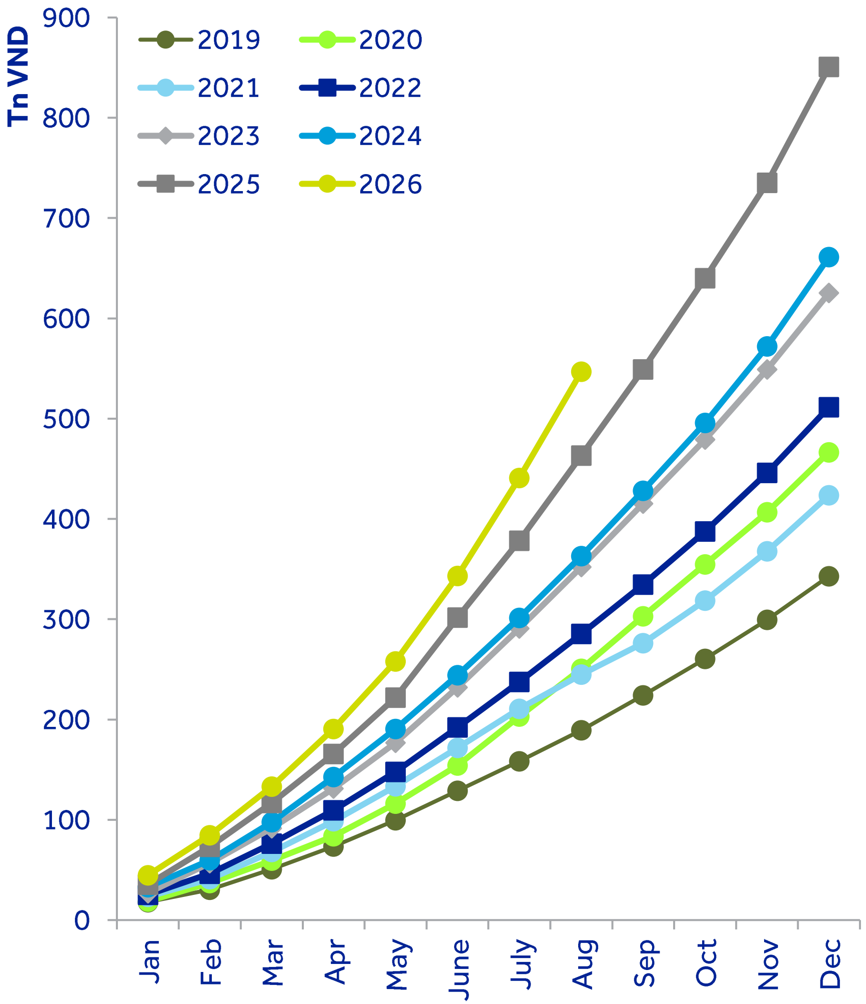
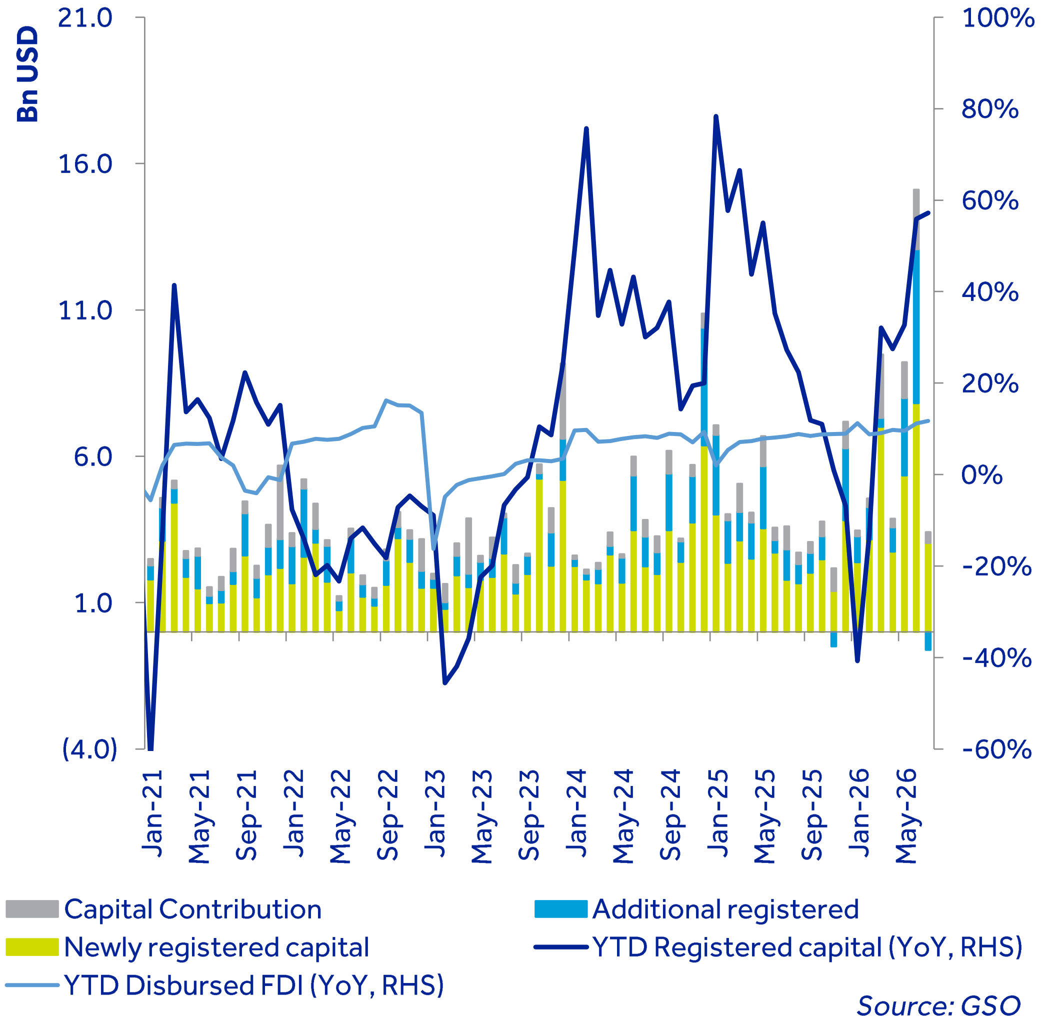
Disbursement of investment from the State Budget



NQ10 is expected to attract higher quality of FDI inflows in the future



Source: GSO

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RETAIL SALES REMAIN SOLID,
BUT REAL CONSUMPTION GROWTH IS LITTLE CHANGED

Consumer spending remains resilient, but after adjusting for inflation, growth is almost unchanged from last year.

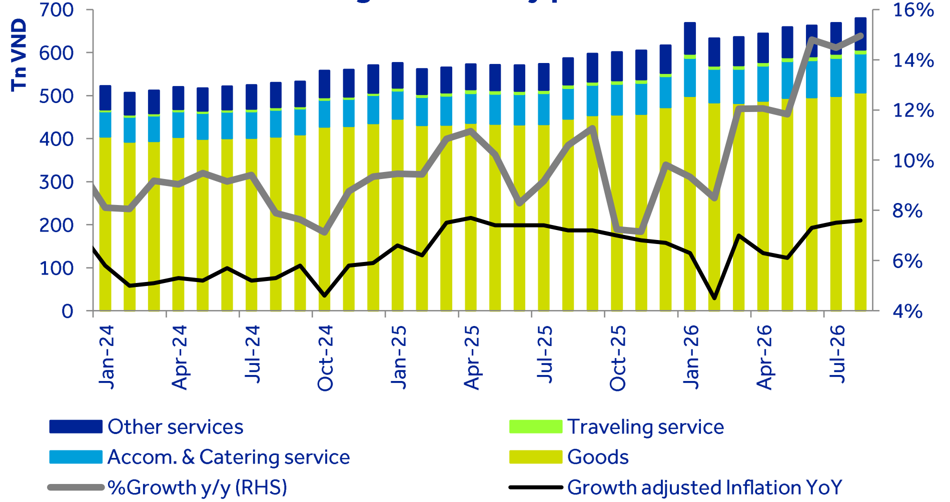
- **Retail sales reached VND679.8tn in August (+14.9% YoY) and VND5,235.5tn in 8M26 (+13.3%).** After adjusting for prices, 8M growth was 7.6%, almost unchanged from 7.5% in 8M25. Accommodation and catering rose 16.4% YTD and travel services 17.1%. International arrivals reached 15.9mn in 8M26 (+14.4%), with August arrivals up 18.4% YoY.

- NQ43/2026/QH16, effective from 24 August for tax years 2026–27, reduces by 30% the business PIT/CIT payable by qualifying resident business individuals and Vietnamese enterprises/organizations with annual revenue not exceeding VND10bn. The measure should improve business cash flow and support overall demand at the margin, but its direct effect on aggregate household consumption is likely to be limited.

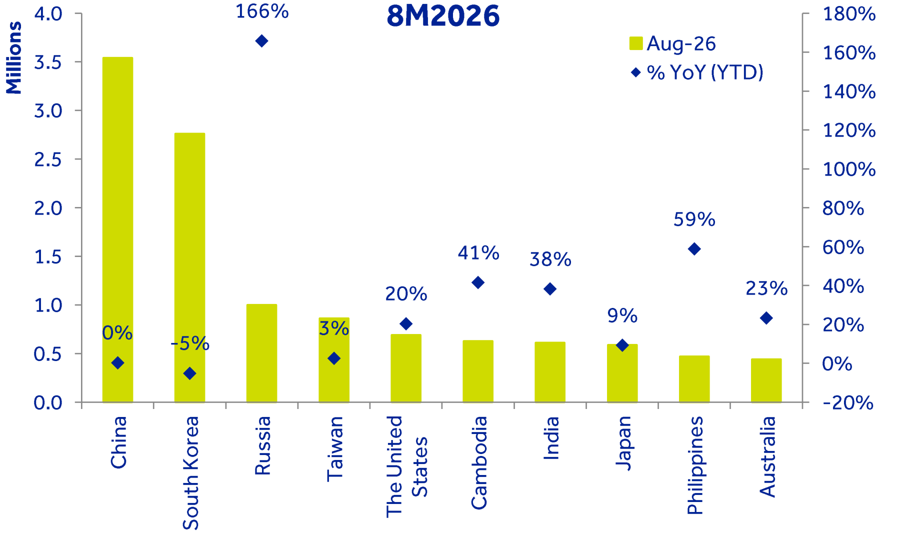
- **Key catalysts to monitor:** Real retail growth and manufacturing employment.

- Real retail growth sustaining above roughly 8% together with more stable employment would provide clearer evidence that domestic demand is strengthening. If tax relief improves business cash flow without a similar improvement in real retail sales, the effect is more likely to remain on business balance sheets than household consumption.

Real retail sales growth fails to keep pace with escalating inflationary pressures



Top countries with the most tourists to Vietnam 8M2026



Source: GSO

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VIETNAM-KEY MACRO INDICATORS

Monthly data	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26
Industrial Production (YoY)	8.90%	12.74%	10.80%	9.13%	10.10%	21.54%	0.60%	7.20%	9.88%	8.79%	12.71%	15.36%	14.41%
Purchasing Managers Index	50.40	50.40	54.50	53.80	53.00	52.50	54.30	51.20	50.50	52.80	51.80	52.90	53.30
Retail Sales (YoY)	10.59%	11.27%	7.23%	7.15%	9.81%	9.32%	8.48%	12.05%	12.06%	11.83%	14.80%	14.48%	14.95%
Consumer Price Index (YoY)	3.24%	3.38%	3.25%	3.58%	3.48%	2.53%	3.35%	4.65%	5.46%	5.60%	4.69%	4.45%	4.89%
Core Consumer Price Index (YoY)	3.19%	3.18%	3.30%	3.28%	3.21%	3.19%	3.74%	3.96%	4.66%	4.67%	4.50%	4.63%	4.55%
Export Value (% YoY)	-11.48%	-0.21%	-10.23%	-8.36%	4.10%	30.13%	6.26%	20.58%	21.56%	17.98%	28.09%	24.98%	26.01%
Import Value (% YoY)	33.92%	38.85%	34.13%	31.29%	43.36%	49.61%	4.42%	27.76%	32.36%	33.79%	45.19%	41.42%	37.90%
Trade Balance (BnUSD)	3.72	2.85	2.60	1.09	-0.66	-1.78	-1.05	-0.68	-3.28	-5.21	-2.64	-3.59	-0.11
Disbursed FDI (BnUSD)	1.80	3.40	2.50	2.30	4.02	1.68	1.53	2.20	1.99	2.35	3.28	2.17	2.05
Registered FDI exl Cap. Cont.(BnUSD)	1.66	2.02	2.48	1.40	3.82	2.38	3.16	7.00	2.74	5.34	7.81	3.04	2.45
Disbursed investment from State budget (Tn VND, YTD)	463.21	549.13	640.16	735.15	850.69	44.64	84.48	133.23	187.13	258.12	343.30	441.00	546.75

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