Macro outlook 2H26

Navigating uncertainty, sustaining growth

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KBSV's key forecasts for Vietnam's economic outlook in 2H26 are as follows:

We expect 2026 GDP growth to reach 8.0-8.5%, driven by expectations of accelerated public investment disbursement, resilient FDI inflows, and robust expansion in the manufacturing sector alongside the continued recovery in import-export activities. However, the economic outlook for 2H26 remains subject to several external risks, including a prolonged US-Iran conflict, a potential burst of the AI bubble, and escalating cross-Strait tensions between China and Taiwan.

We revise our forecast for Vietnam's average inflation in 2026 downward to around 4.5% YoY, in line with the Government's inflation target, reflecting the more favorable geopolitical backdrop and lower global energy prices expected in 2H26.

We expect the USD/VND exchange rate to remain broadly stable in 2H26, with the VND depreciating by around 1.5-2.0% against the USD in 2026, primarily supported by a positive VND-USD interest rate differential, stronger foreign currency inflows after the market upgrade, and continued robust inflows of high-tech FDI.

We believe deposit rates have already peaked and will stay high through 3Q26 before posting a modest decline in early 4Q26, driven by easing exchange rate and inflationary pressures, the SBV's liquidity support and rate-cutting measures, softer cash demand, and the continued disbursement of public investment funds.

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I. Executive Summary

In 2Q26, GDP grew 8.39% YoY, raising 1H26 growth to 8.18% YoY, with the primary growth drivers coming from investment activity and industrial manufacturing. This is a promising result, especially when the global uncertainties remain. However, this figure still falls significantly short of the Government's full-year 2026 target of 10%, indicating substantial pressure in the remaining quarters to meet the plan.

We expect 2026 GDP growth to reach 8.0-8.5%, driven by expectations of accelerated public disbursement by the Government, healthy FDI inflows, and strong growth in the industrial manufacturing sector in line with the recovery of import-export activity. However, in the second half of the year, Vietnam may continue to face a number of global uncertainties, including the US-Iran war potentially lasting longer than expected, AI bubble burst, and China-Taiwan tensions.

Table 1. Vietnam – Key macroeconomic indicators in 2026

			KBSV forecast for 2026		
	Unit	2025	January	April	July
GDP growth	% YoY	8.02	8.5 - 8.7	7.5 - 8.0	8.0 - 8.5
Average CPI	% YoY	3.31	4.00	4.8	4.5
Credit growth	% YTD	19.01	15 - 17	15-17	15-17
Average 12M deposit interest rate	%/year	4.8 - 5.6	6.0 - 6.5	5.5-6.0	6.0-6.5
USD/VND exchange rate	VND	26,298	27,034 - 27,087	26,955 - 27,087	26,692 - 26,799

Source: KB Securities Vietnam

II. GDP growth

1. 1H26 GDP growth

2Q26 GDP growth was positive despite external risks

2Q26 GDP grew 8.39% YoY, raising cumulative 1H26 growth to 8.18% YoY with the primary growth drivers coming from investment activity and industrial manufacturing.

From the demand side, investment continued to play a vital role, underpinned by strong FDI inflows and accelerated public investment disbursement, while domestic consumption improved but has not been stable:

(1) Total retail sales of goods and service revenue in 2Q26 increased 13.9% YoY; excluding price factors, growth reached 8.65% (+2.95 ppts YoY). However, cumulative 1H26 growth was 12.9% YoY; excluding price factors, the increase was 7.3%, lower than the 7.4% recorded in 1H25.

(2) Total disbursed social investment came in at VND1,059 trillion in 2Q26 (+14.1% YoY) and VND1,807 trillion in 1H26 (+12.9% YoY). Of that, (i) 1H26 foreign investment, registered FDI touched USD34.65 billion (+61% YoY), and disbursed FDI reached USD13.03 billion (+11.2% YoY). (ii) Cumulative 1H26 total disbursed public investment capital hit VND360,949 billion (+12.7% YoY), equal to 35.8% of the Prime Minister's assigned plan.

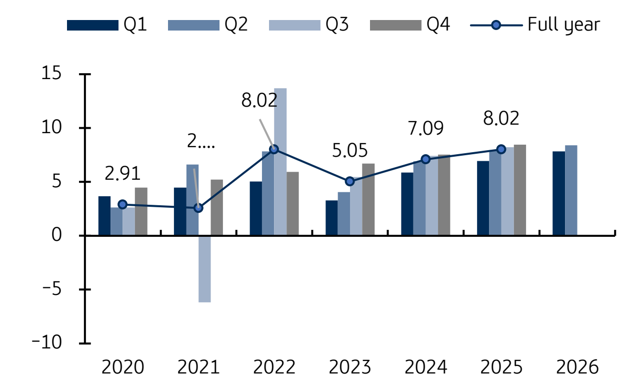
From the supply side, all three economic sectors maintained their growth momentum, with industry-construction and services serving as the two main pillars:

(1) The industry and construction sector led the growth, rising 10.51% YoY in 2Q26/+9.81% YoY in 1H26, contributing 47.20% to overall growth and reflecting the strong recovery in FDI enterprise production activities and domestic infrastructure construction.

(2) The services sector grew 7.87% in 2Q26/+8.09% YoY in 1H26, contributing 47.14% to total value added across the entire economy.

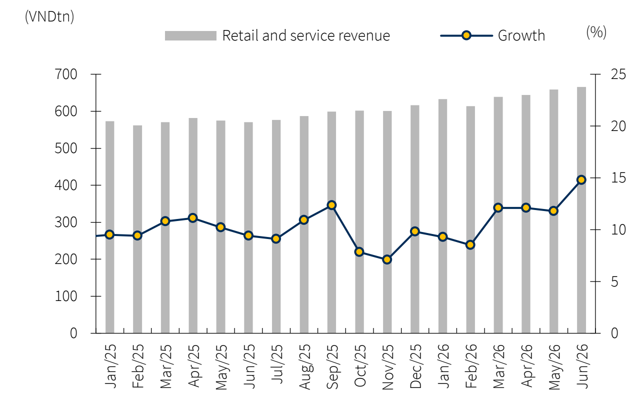
(3) The agriculture, forestry, and fisheries sector grew 4.06%/5.66% YoY in 2Q26/1H26, contributing 5.66% to the increase in total value added of the whole economy.

Fig 2. Vietnam – Quarterly GDP growth (%YoY)



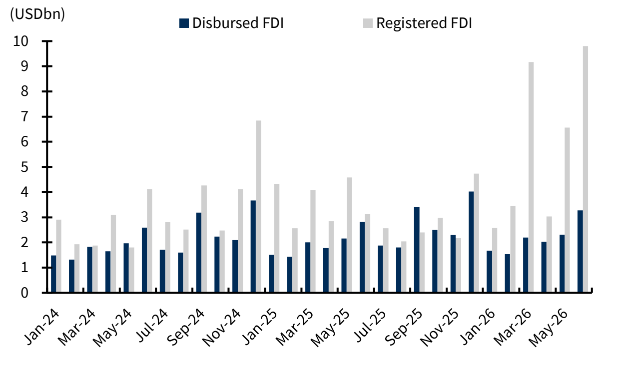
Source: General Statistics Office, KB Securities Vietnam

Fig 3. Vietnam – Retail sales of services (VNDtn, %YoY)



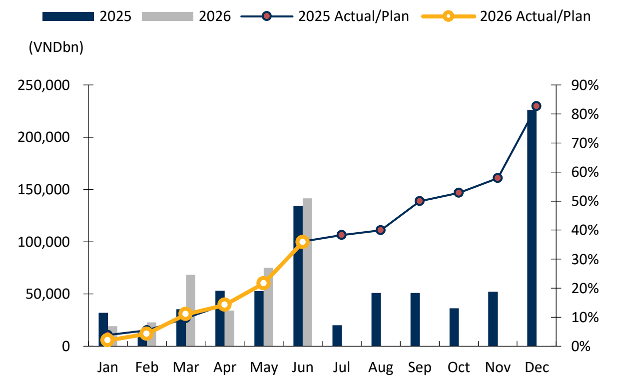
Source: General Statistics Office, KB Securities Vietnam

Fig 4. Vietnam – Disbursed & registered FDI (USDbn)



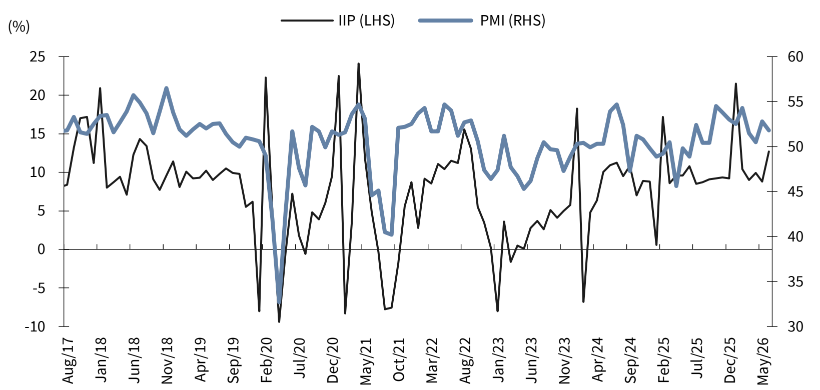
Source: General Statistics Office of Vietnam, KB Securities Vietnam

Fig 5. Vietnam – Monthly public investment disbursement (VNDbn, %)



Source: Ministry of Finance, KB Securities Vietnam

Fig 6. Vietnam – Monthly IIP & PMI



Source: S&P, KB Securities Vietnam

2. 2026F GDP growth

2026 GDP should increase 8.0–8.5%

We expect 2026 GDP growth to reach 8.0–8.5%, driven by expectations of accelerated public disbursement by the Government, healthy FDI inflows, and strong growth in the industrial manufacturing sector in line with the recovery of import-export activity.

However, in the second half of the year, Vietnam may continue to face a number of global uncertainties, including the US-Iran war potentially lasting longer than expected, AI bubble burst, and China-Taiwan tensions. These risks are most likely to create vulnerabilities for the financial sector and adversely affect Vietnam's economic growth in 2H26.

Public investment disbursement should be accelerated in 2H26 as the state apparatus is largely consolidated and energy prices stabilize

Given increasing external instability, stepping up public investment continues to be a core growth driver in 2H26. We maintain our forecast for 2026 public investment disbursement to reach 95% of the Prime Minister's assigned plan, equivalent to VND945,580 billion (+25% YoY). This outlook is supported by the institutional reform and state apparatus consolidation that was largely completed in 2025, alongside a series of national key projects that broke ground between late 2025 – early 2026, such as Gia Binh Airport, Lao Cai – Hanoi – Hai Phong railway, and metro lines in Hanoi and Ho Chi Minh City (Table 7).

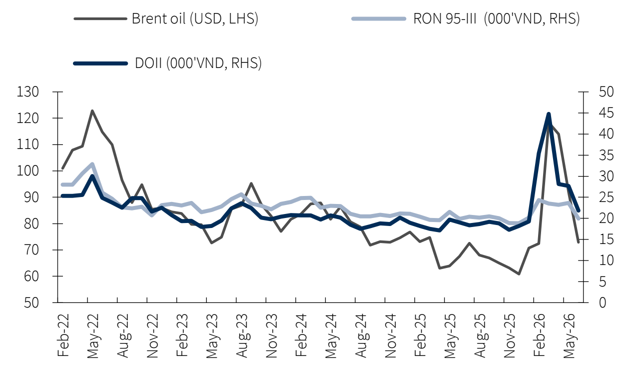
In addition, cost pressures, which were the main risk to disbursement progress in 1H26, are expected to ease in 2H26. We forecast average oil prices in 2H26 to decline to USD70-80/barrel, lowering transportation costs and construction material prices, particularly steel and asphalt prices. These developments will help to boost public disbursement.

Table 7. Vietnam – Key public investment projects

	Project	Total investment (USDbn)	Before 2025	2025	2026	2027	2028	2029	After 2030
Airport									
	Chu Lai International Airport	0.6							
	Gia Binh International Airport	5.4							
	Long Thanh International Airport (Phase 1)	4.7							
Railway									
	North-South High-Speed Railway	67.3							
	Metro Lines 3, 4, and 6	19							
	Lao Cai – Hanoi – Hai Phong Railway	8.4							
	Metro Line 5: Van Cao – Ngoc Khanh – Hoa Lac	2.5							
	Metro Line 2: Ben Thanh – Tham Luong	2							
	Metro Line 2: Nam Thang Long – Tran Hung Dao	1.4							
Road									
	Hanoi Ring Road 5	6.5							
	12 component projects of the North-South Expressway	6.2							
	Ho Chi Minh City Ring Road 4	4.6							
	Hanoi Ring Road 4	3.7							
	Ho Chi Minh City Ring Road 3	3.2							
	Hanoi – Ha-Binh – Son La Expressway	2.5							
	Cao Bang – Bac Kan Expressway	2.5							
	Ca Mau – Dat Mui Expressway	2.2							
	Ha Tien – Rach Gia – Bac Lieu Expressway	2.1							
	Chau Doc – Can Tho – Soc Trang Expressway	1.7							
Seaport									
	Can Gio International Port	5.5							
	Lien Chieu Port, Da Nang	1.8							
	Cai Mep Logistics Center	0.5							
	Nam Do Son Port	1.1							

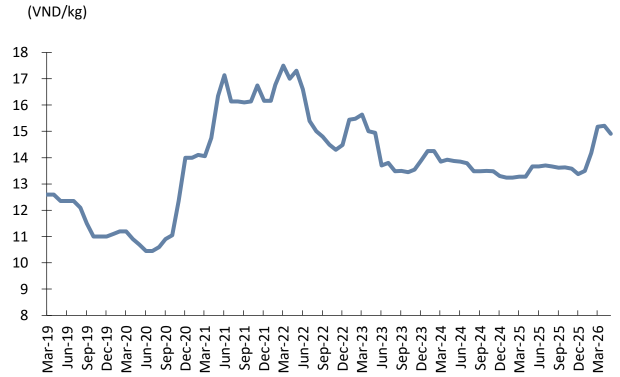
Source: KB Securities Vietnam

Fig 8. Global, Vietnam – Oil & pump prices (USD, VND thousand)



Source: Bloomberg, KB Securities Vietnam

Fig 9. Vietnam – Rebar prices (VND/kg)



Source: Bloomberg, KB Securities Vietnam

FDI flows into Vietnam recover strongly thanks to high-tech investment wave

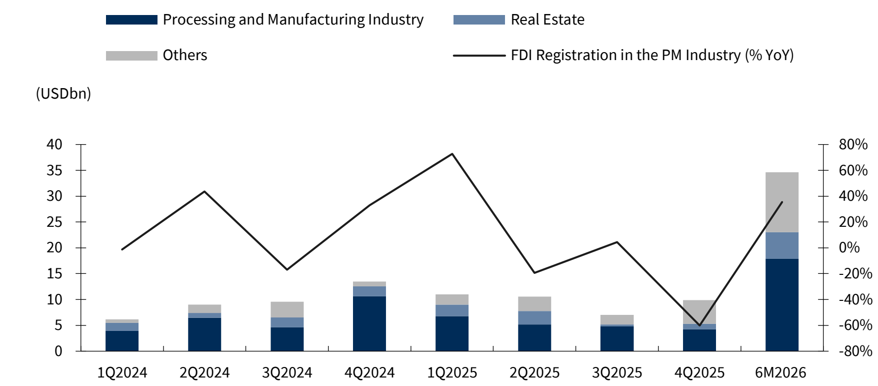
We maintain our expectation that FDI flows into Vietnam will continue to recover strongly in 2H26, led by the high-tech investment wave. Registered and disbursed FDI for 2026 are forecast to reach USD46.1 billion (+20% YoY) and USD30.9 billion (+12% YoY) respectively, supported by:

(1) **The relocation and increased investment trend among high-tech corporations**: Strong growth momentum comes from: (i) the competitive tension in the technology sector between the US and China, compelling corporations to accelerate the shift of production/orders out of China; and (ii) the high-tech industry supercycle (AI), driving expansion investment trends among major technology corporations in Vietnam, with notable projects by Samsung, LG, Luxshare, and Goertek.

(2) **Expectations that global macro risks will ease, freeing up investment capital:** In a scenario where geopolitical risks ease and Brent crude prices stabilize back to the USD70-80/barrel range in 2H26, investors' defensive sentiment should be reassured, thereby stimulating FDI enterprises' demand for investment expansion.

(3) **Easing tariff risks:** We estimate that more than 45% of Vietnam's export turnover to the US in 2025 is in tariff-exempt categories. Among these, the majority of key technology products continue to be excluded under all three mechanisms, IEEPA, Section 122, and Section 301. This indicates that the US is prioritizing the stability of the high-tech supply chain relocating from China. As a result, we expect Vietnam's export outlook and FDI inflows into the high-tech sector to be less affected by future US tax policies.

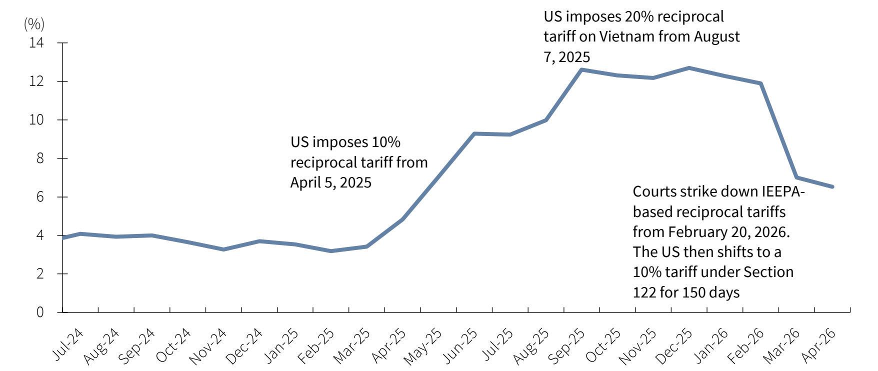
Fig 10. Vietnam – FDI by industry (USDbn)



Source: General Statistics Office of Vietnam, KB Securities Vietnam

After the Supreme Court struck down the reciprocal tariffs imposed under IEEPA (2025), the US administration shifted to applying Section 122 tariffs at 10% as a temporary measure — expiring at the end of July. To replace this with a more durable legal foundation, the US Trade Representative (USTR) activated Section 301, proposing new tariffs of 10% or 12.5% on 60 trading partners. Among these, Vietnam falls in the 12.5% group. *See also [USTR's Section 301]*

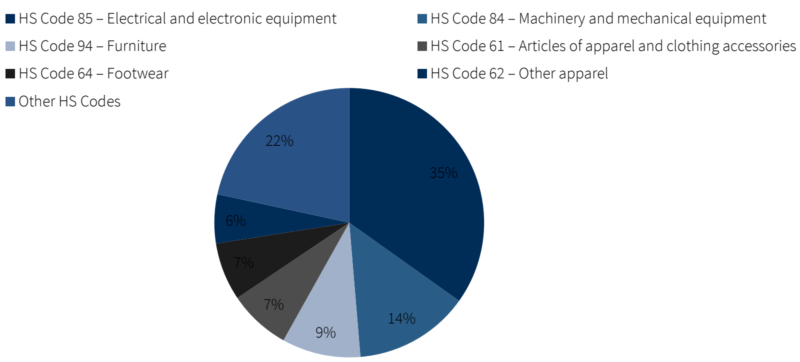
Fig 11. Vietnam – Average tariff rate on commodities entering the US



Source: Bloomberg, KB Securities Vietnam

It is estimated that more than 45% of Vietnam's export turnover to the US in 2025 is in tariff-exempt categories. Among these, HS code groups with high weightings such as 8517, 8541, 8471, and 8473 have been excluded from the Section 301 tariff list. *See also [List of goods exempt from Section 301 tariffs]*

Fig 12. Vietnam – Exports to the US in 2025 (%)



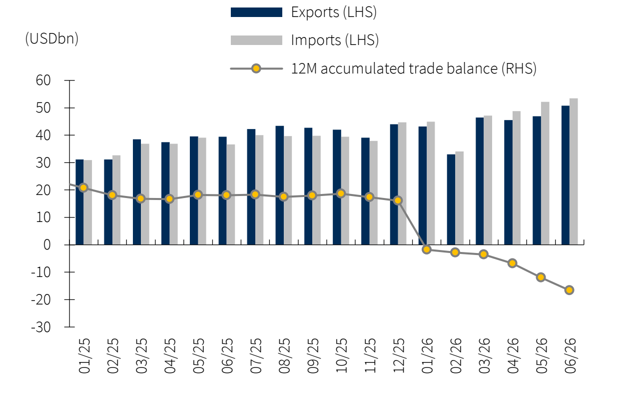
Source: ITC, KB Securities Vietnam

Export growth outlook for 2H26 is positive

The trade balance for 1H26 recorded a trade deficit of USD16.65 billion, approaching the record of USD18.02 billion set in 2008. However, we observe that this trade deficit mainly reflects the stockpiling cycle of input materials for manufacturing activity. To be more specific, 1H26 recorded import turnover of USD283.17 billion (+33.4% YoY) and export turnover of USD266.52 billion (+21% YoY). The import structure was concentrated in electronics equipment, machinery, high-tech raw materials, and petroleum energy products due to (1) increased production demand from the technology FDI sector; (2) global chip prices doubling compared to 1H25; and (3) elevated energy prices.

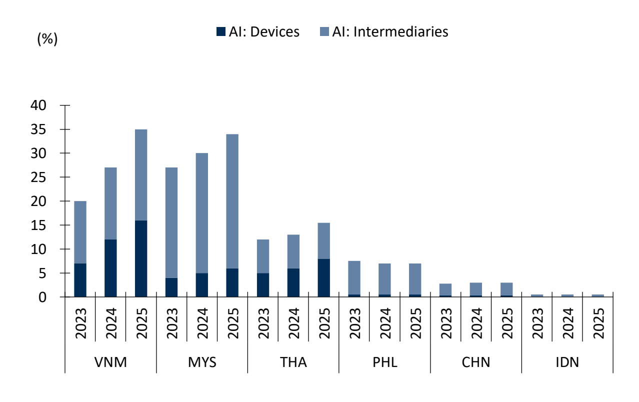
KBSV maintains a positive view on Vietnam's export outlook, forecasting total export turnover for 2026 of approximately USD588 billion (+25% YoY), supported by: (1) the high-tech supercycle and the strongly expanding investment wave by major technology corporations into Vietnam driving export activity; (2) raw materials accumulated in 1H26 gradually converting into output, creating clear export growth momentum in 2H26, offsetting the deficit and returning the trade balance to a positive level of USD11.55 billion (-28% YoY); and (3) easing tariff pressure, particularly for key export products (electronics equipment, high-tech goods), thereby reducing risks to the export outlook.

Fig 13. Vietnam – Import-export turnover (USDbn)



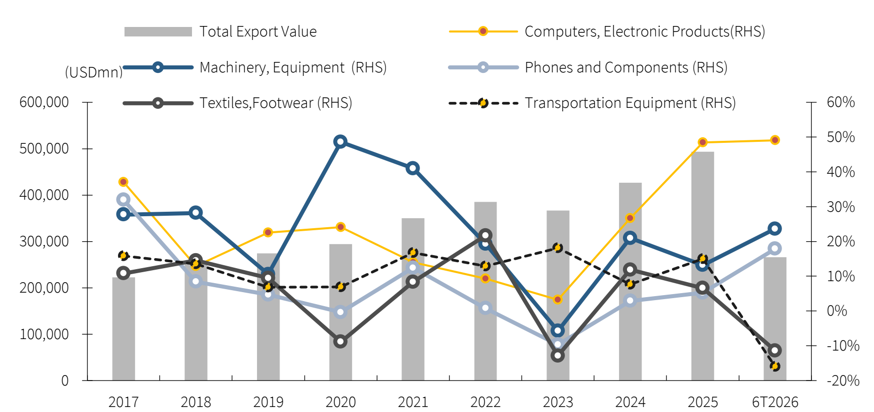
Source: General Statistics Office of Vietnam, KB Securities Vietnam

Fig 14. Global – Export proportion of AI-related goods (% GDP)



Source: Worldbank, KB Securities Vietnam

Fig 15. Vietnam – Export turnover (USDmn)



Source: General Statistics Office of Vietnam, KB Securities Vietnam

III. Inflation

1. 1H26 inflation

Inflation in the first six months of 2026 approached the Government's limit

In June 2026, CPI rose 4.69% YoY but declined 0.39% MoM primarily due to falling fuel prices in line with global energy prices (Brent and WTI crude prices dropped 21-22% MoM), causing the transportation price index to plummet 4.85% MoM, making headline CPI decrease 0.48ppts MoM.

For 1H26, headline CPI rose 4.38% YoY and core CPI rose 4.12% YoY, led by:

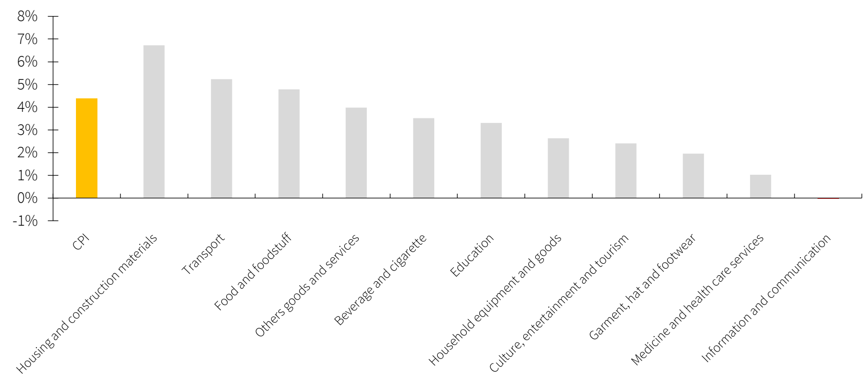
(1) **The food and catering services price index** rose 4.79% YoY, pushing headline CPI up by 1.72ppts primarily due to limited food supply during public holidays and Tet and elevated livestock costs.

(2) **The housing, electricity, water, fuel, and construction materials price index** grew 6.72% YoY, raising headline CPI by 1.53ppts. Of that, the home maintenance materials price index surged 14.12% YoY due to rising construction material prices and higher demand for housing construction and renovation; housing rents rose 6.32% YoY; and residential electricity prices gained 5.54% YoY.

(3) **The transportation price index** advanced 5.23% YoY, bringing headline CPI up by 0.52ppts with fuel prices rising 8.9% YoY.

The education price index rose 3.3% YoY, pushing headline CPI up by 0.2ppts as a number of private schools, vocational training institutions, and private educational facilities adjusted tuition fees for the 2025-2026 school year.

Fig 26. Vietnam – Price index of major commodity groups in 1H26 (% YoY)



Source: General Statistics Office of Vietnam, KB Securities Vietnam

2. 2026F inflation

2026F average inflation is expected to be within the government's target ceiling

We lower our forecast for Vietnam's average inflation in 2026 to around 4.5% YoY (Table 22), in line with the Government's inflation target, reflecting the more favorable geopolitical backdrop and easing global energy prices in 2H26. Accordingly, inflationary pressure from the transportation component is expected to ease as domestic fuel prices remain broadly stable around current levels, while food inflation should remain contained, supported by ample supply. For the housing and construction materials component, construction material prices are expected to stabilize or edge lower as logistics costs gradually ease and the Government intensifies efforts to stabilize the construction materials market. Meanwhile, prices of government-administered goods and services, including education, healthcare, electricity, and water, are expected to be adjusted cautiously in line with changes in input costs and in support of the country's economic growth objectives.

Anticipated moderation in fuel prices should ease transportation inflation

As outlined in our 2Q26 stock market outlook, we forecast average Brent crude oil prices at USD80-85/barrel in 2026, implying an average of USD70-75/barrel in 2H26. Domestically, fuel prices had fallen sharply by mid-July, in line with the retreat in global oil prices. Retail prices of RON95-III gasoline and DO 0.05S-II diesel dropped by 21.7% and 51.5%, respectively, from the levels recorded when the US-Iran conflict first erupted. Looking ahead, we expect domestic fuel prices to remain broadly stable around current levels through 2H26, supported by: (1) a more stable global oil price environment and (2) the Government's price stabilization measures, including the extension of fuel tax incentives under Resolution No. 34/2026/NQ-CP and the use of the Fuel Price Stabilization Fund when necessary. Accordingly, we forecast average retail prices of ~VND21,200/liter for RON95-III gasoline (+6% YoY) and ~VND25,800/liter for DO 0.05S-II diesel (+38% YoY) in 2026.

Cooling energy prices should help ease housing and construction materials inflation

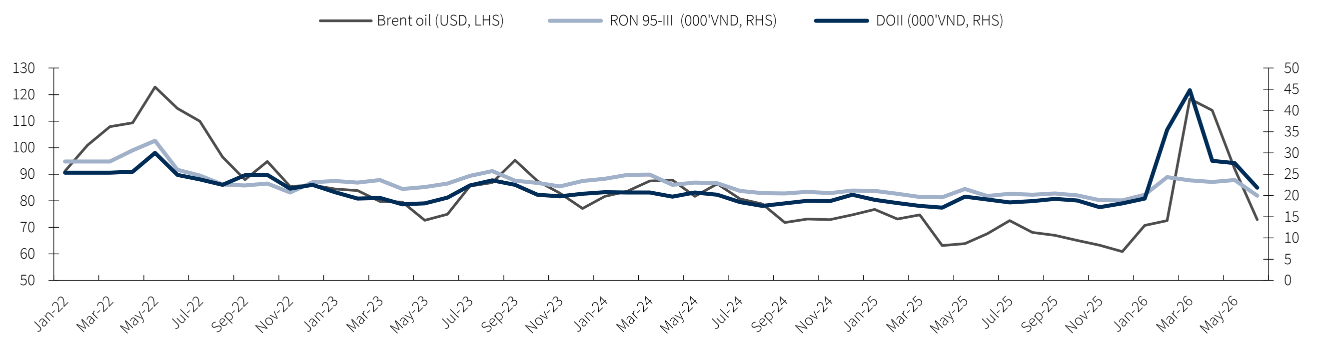
In 2Q26, prices of key construction materials extended their upward trend, driven by higher transportation and raw material costs, stronger infrastructure investment demand, and continued supply constraints. However, price momentum eased in June, as the housing maintenance and repair materials component rose by only 0.1% MoM. We expect construction material prices to stabilize or edge lower in 2H26 as logistics costs gradually ease and geopolitical tensions subside, while the Government continues to implement measures to ease supply bottlenecks and strengthen oversight of the construction materials market.

Food and foodstuff prices are expected to remain broadly stable or rise only modestly

For the cereals component, domestic rice prices reversed course and moved higher in 2Q26 as inventories gradually declined toward the end of the Winter-Spring harvest, while transportation costs increased following the US-Iran conflict. Vietnam's export rice prices also showed signs of recovery, supported by stronger import demand from China, the Philippines, and Iraq. We expect this trend to persist through 2H26, as El Nino is forecast to intensify toward late 2026 and early 2027, raising the risk of weaker rice yields and encouraging stockpiling by major importing countries. Nevertheless, any further upside is likely to be limited, as the global rice market is expected to remain relatively well supplied in the 2026/27 marketing year. The USDA projects global rice production at 734 million tonnes, slightly below the previous record high.

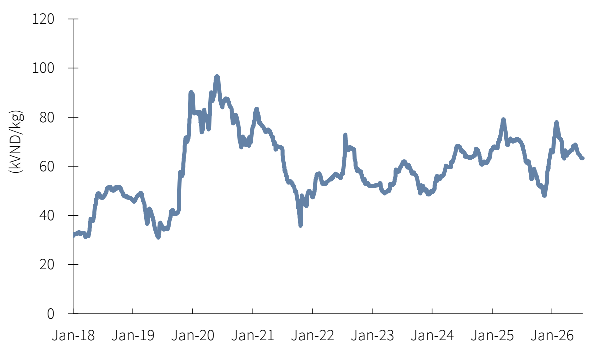
For the food component, average nationwide live hog prices fell sharply in 2Q26 from the previous quarter, reflecting softer post-Tet demand and ample supply as herd rebuilding continued. Looking ahead, we expect live hog prices to remain broadly stable around current levels in 2H26, supported by further improvements in supply as farmers continue to expand their herds amid healthy profit margins. Live hog prices are currently hovering around VND60,000-65,000/kg, while average production costs are estimated at VND44,000-48,000/kg for large-scale producers and VND48,000-52,000/kg for smallholder farmers. Meanwhile, domestic pork consumption has entered a more mature phase of growth and is unlikely to generate sufficient incremental demand to absorb the additional supply. That said, disease outbreaks and fluctuations in feed costs remain key risks to supply and could trigger localized price volatility in the near term.

Fig 17. Vietnam's oil & gas prices vs. Brent crude oil prices (VND thousand, USD)



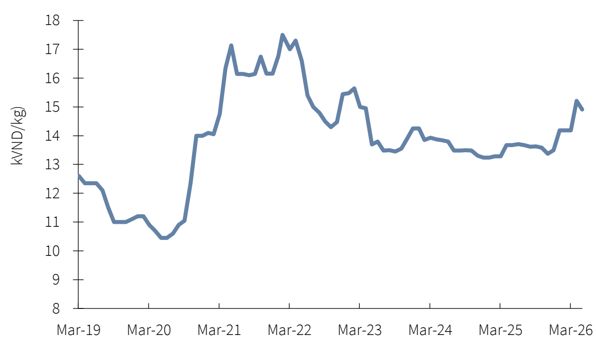
Source: Bloomberg, KB Securities Vietnam

Fig 18. Vietnam – Live hog prices (kVND/kg)



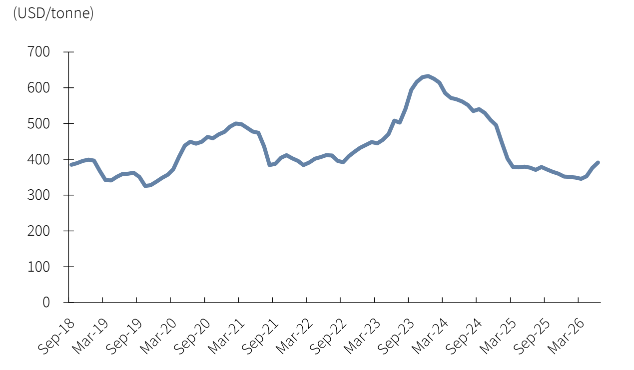
Source: Vietnam Livestock Association, KB Securities Vietnam

Fig 19. Vietnam – Steel rebar prices (kVND/kg)



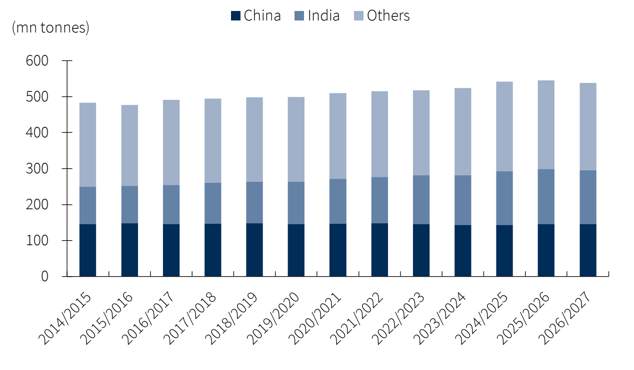
Source: FiinPro, KB Securities Vietnam

Fig 20. Vietnam – 5% broken rice export prices (USD/tonne)



Source: Bloomberg, KB Securities Vietnam

Fig 21. Global – Rice production (mn tonnes)



Source: USDA, KB Securities Vietnam

Table 22. Vietnam – 2026F headline CPI

	CPI component	Weight (%)	+/- (% YoY)	Contribution to overall CPI (%)
1	Food & catering services			
	Food	3.67	1.5	0.1
	Foodstuff	21.28	4.7	1.0
	Catering services	8.61	5	0.4
2	Beverages and tobaco	2.73	3	0.1
3	Clothing, hats, and footwear	5.7	2	0.1
4	Housing, electricity, water, fuel and construction materials	18.82	7.5	1.4
5	Household appliances and equipment	6.74	2	0.1
6	Pharmaceutical and healthcare services	5.39	1	0.1
7	Transportation	9.67	8.5	0.8
8	Post and telecommunications	3.14	-0.3	(0.0)
9	Education	6.17	3.2	0.2
10	Culture, entertainment, and tourism	4.55	1.8	0.1
11	Other goods and services	3.53	3.7	0.1
Total				**4.5**

Source: Bloomberg, KB Securities Vietnam

IV. USD/VND exchange rate

1. 1H26 USD/VND exchange rate – Stable amid uncertainty

Exchange rate remained broadly stable despite external headwinds

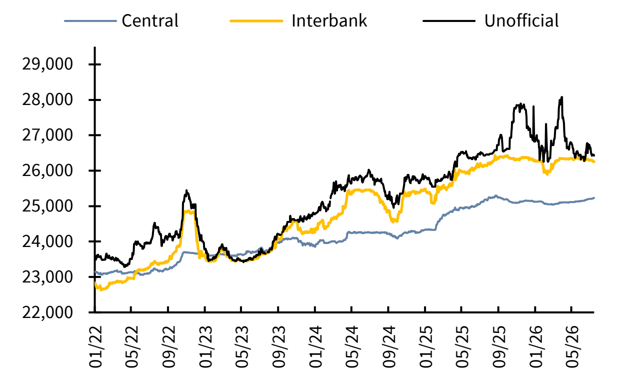
The interbank USD/VND exchange rate remained broadly stable and edged lower in 2Q26, standing at 26,256 as of 16 July 2026, down 0.07% YTD. This resilience is particularly notable given that the DXY Index rebounded by around 3% from end-2025 to a 12-month high, while Vietnam's trade balance came under considerable pressure, recording a USD16.65 billion trade deficit in 1H26. We believe the exchange rate has been underpinned by three key factors. First, FDI disbursement remained robust, reaching USD13.03 billion in 1H26 (+11.2% YoY), the highest level ever recorded for the corresponding period. Second, the positive VND-USD interest rate differential increased the opportunity cost of holding US dollars, thereby discouraging USD hoarding and speculative demand for foreign currency. Third, offshore fundraising by Vietnamese corporates accelerated, with non-financial companies raising approximately USD1.3 billion in 1H26, up from USD0.8 billion in the same period of 2025. Notable transactions included Vingroup (VIC)'s USD350 million international bond issuance, Masan Group (MSN)'s USD750 million syndicated loan, and GELEX Group (GEX)'s USD200 million loan facility.

In the unofficial market, the USD/VND exchange rate peaked in late March 2026 following the outbreak of the US-Iran conflict, as concerns over rising oil prices, higher inflation, and potential trade disruptions fueled safe-haven demand for US dollars and gold. However, these speculative gains were quickly reversed in April, supported by (1) a moderation in the DXY Index and (2) tighter enforcement against illegal foreign exchange and gold trading, alongside intensified efforts to combat gold smuggling. As of 15 July 2026, the unofficial USD/VND exchange rate stood at 26,420, up a modest 1.5% from end-2025.

NEER and REER exhibited similar trends

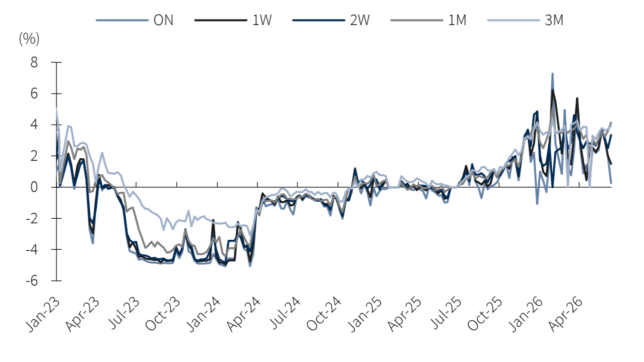
In 2Q26, the Nominal Effective Exchange Rate (NEER), which measures the value of the Vietnamese dong against a basket of eight reference currencies under the SBV's central exchange rate mechanism, rose by a further 1.62% from end-2025, pointing to a modest nominal appreciation of the VND against a basket of its major trading partners' currencies. Meanwhile, the Real Effective Exchange Rate (REER), which adjusts the NEER for inflation differentials, increased more sharply, rising 3.23% YTD. This indicates a stronger real appreciation of the VND, reflecting relatively higher domestic inflation compared with that of its trading partners. As a result, the price competitiveness of Vietnamese exports has been eroded to some extent.

Fig 23. Vietnam – USD/VND exchange rates



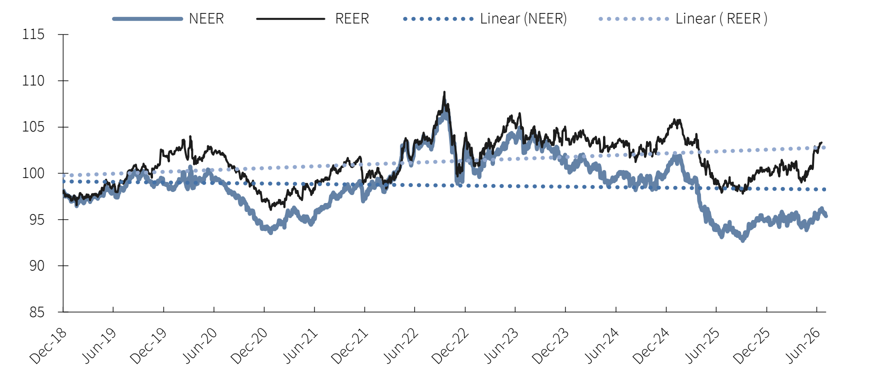
Source: General Statistics Office of Vietnam, KB Securities Vietnam

Fig 24. Vietnam – VND-USD interest rate differentials (%)



Source: Worldbank, KB Securities Vietnam

Fig 25. Vietnam – NEER, REER



Source: S&P, KB Securities Vietnam

2. 2026F USD/VND exchange rate

Interbank USD/VND exchange rate is expected to remain broadly stable in 2H26

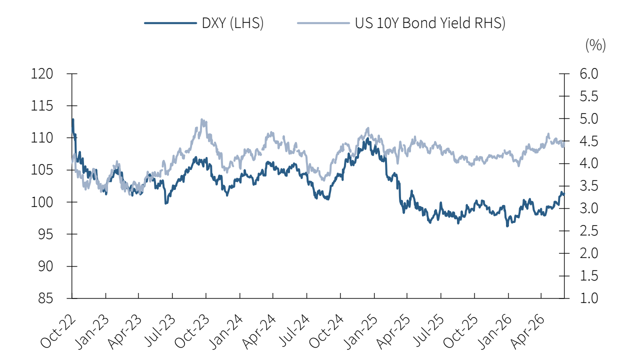
We revise down our 2026 forecast for the interbank USD/VND exchange rate and now expect the VND to depreciate by around 1.5-2.0% from end-2025, with the exchange rate remaining broadly stable throughout 2H26. Accordingly, we forecast the average interbank exchange rate at VND26,692-26,799 in 2026, supported by the following factors:

1) Limited upside for the DXY. We expect the DXY to trade within the 98-103 range, implying an increase of around 5% from end-2025 (see our 2H26 stock market outlook for details).
2) An improvement in the USD supply in 2H26, driven by: (i) continued robust FDI disbursement, which we forecast to reach USD30.9 billion in 2026 (+12% YoY); (ii) stronger export growth as the substantial volume of raw material imports in 1H26 is gradually converted into export shipments, helping reverse the trade deficit and restore the trade balance to a surplus of around USD11.55 billion. Although this would represent a 28% YoY decline, it should still provide meaningful support for the exchange rate in 2H26; and (iii) Vietnam's official market upgrade, which is expected to attract additional foreign portfolio inflows into the equity market.
3) A sufficiently positive VND-USD interest rate differential, which should continue to discourage USD hoarding.

A prolonged US-Iran conflict could lead to a weaker VND than in our base-case scenario

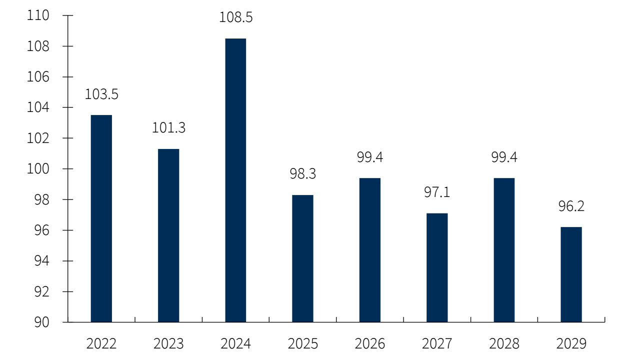
We highlight the uncertainty surrounding the US-Iran conflict as a key downside risk to our base-case scenario. Should tensions persist and the Strait of Hormuz remain largely blocked throughout 2H26, average Brent crude oil prices could rise to as high as USD100/barrel in 2026. The resulting inflationary pressure from higher energy costs would likely prompt the Fed to tighten monetary policy earlier than currently anticipated by the market, pushing the DXY above our base-case forecast and creating significant challenges for the SBV's exchange rate management. Under this scenario, we forecast the interbank USD/VND exchange rate at VND27,086-27,193, representing a 3.0-3.5% increase from end-2025.

Fig 26. US – DXY, 10Y bond yield (point, %)



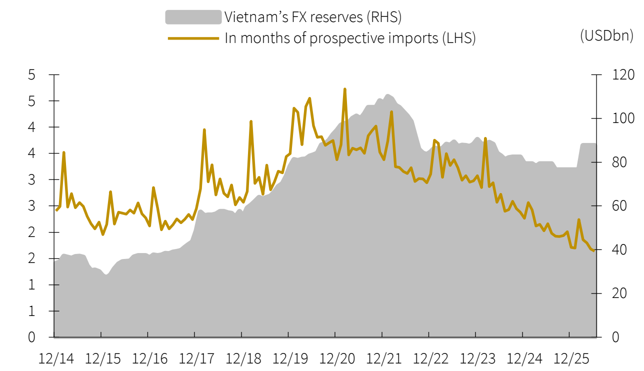
Source: Bloomberg, KB Securities Vietnam

Fig 27. US – DXY forecasts



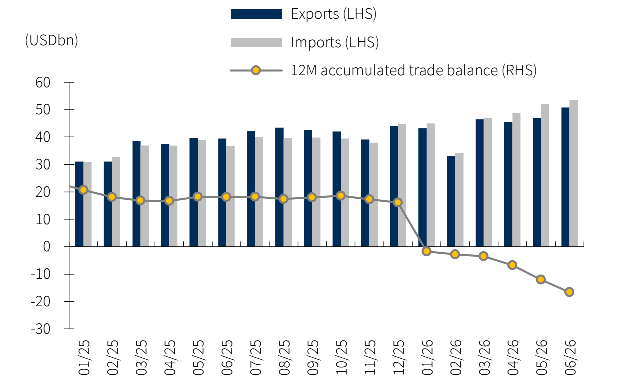
Source: Bloomberg, KB Securities Vietnam

Fig 28. Vietnam – Foreign exchange reserves (USDbn)



Source: World Bank, KB Securities Vietnam

Fig 29. Vietnam – Exports-imports, 12M trade (USDbn)



Source: GSO, KB Securities Vietnam

V. Interest rates

1. 1H26 interest rates – Continued to rise, albeit at a slower pace

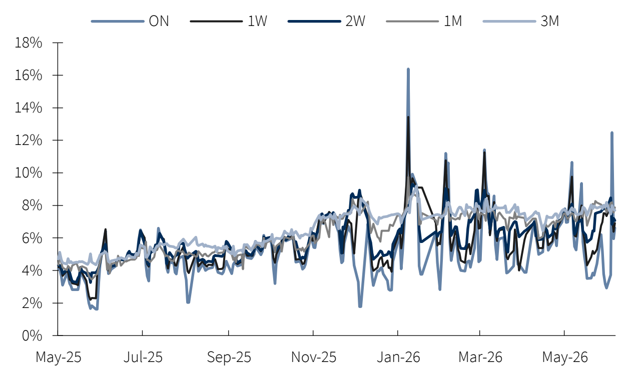
Deposit and lending rates remained elevated in 2Q26 amid liquidity pressures

The ratio of currency in circulation to M2 peaked in February, driven by stronger cash demand during the Lunar New Year holiday and changes to tax policies for household businesses. Following the holiday, the ratio declined sharply for two consecutive months as seasonal cash demand normalized, although it remained above the pre-tax-policy baseline. While the current data are still insufficient to conclude that cash demand will decline sustainably over the coming quarters, we believe the upward trend has begun to plateau as the impact of the tax policy changes is gradually absorbed, thereby easing liquidity pressures on the banking system.

In 2Q26, the gap between credit and deposit growth continued to widen year-on-year, averaging around 2.7 percentage points during the quarter. As of 26 June 2026, the economy-wide loan-to-deposit ratio (LDR) had risen markedly, up 7.1 percentage points YoY and 2.9 percentage points from end-2025.

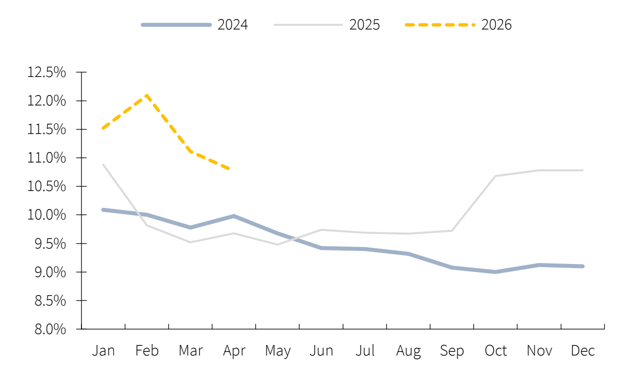
Against this backdrop, commercial banks continued to raise deposit rates in 2Q26, albeit at a more moderate pace than in the previous quarter. According to the SBV's May data, average deposit rates on both new and outstanding deposits with maturities of six months or longer increased by 10-30bps MoM, bringing cumulative increases to 70-150bps relative to end-2025. Lending rates moved broadly in tandem, edging up by 10-20bps MoM, with cumulative increases reaching 110-130bps from end-2025.

Fig 30. Vietnam – Interbank interest rates (%)



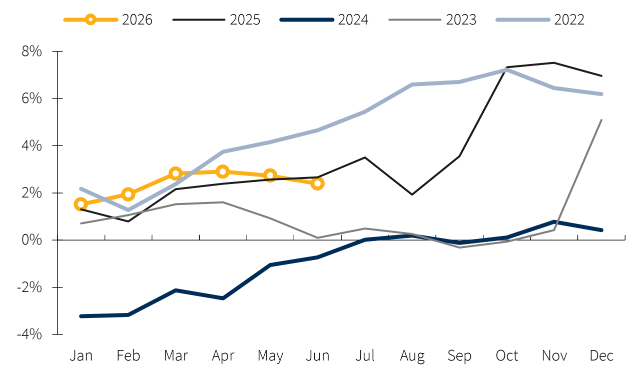
Source: State Bank of Vietnam, KB Securities Vietnam

Fig 31. Vietnam – Currency in circulation as a share of M2 (%)



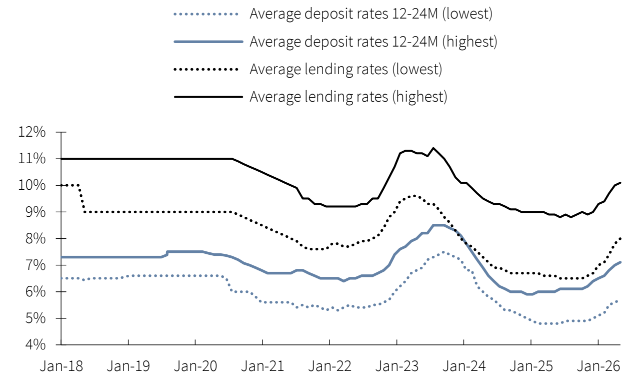
Source: State Bank of Vietnam, KB Securities Vietnam

Fig 32. Vietnam – Credit-deposit growth gap (%)



Source: State Bank of Vietnam, KB Securities Vietnam

Fig 33. Vietnam – Deposit and lending rates (%)



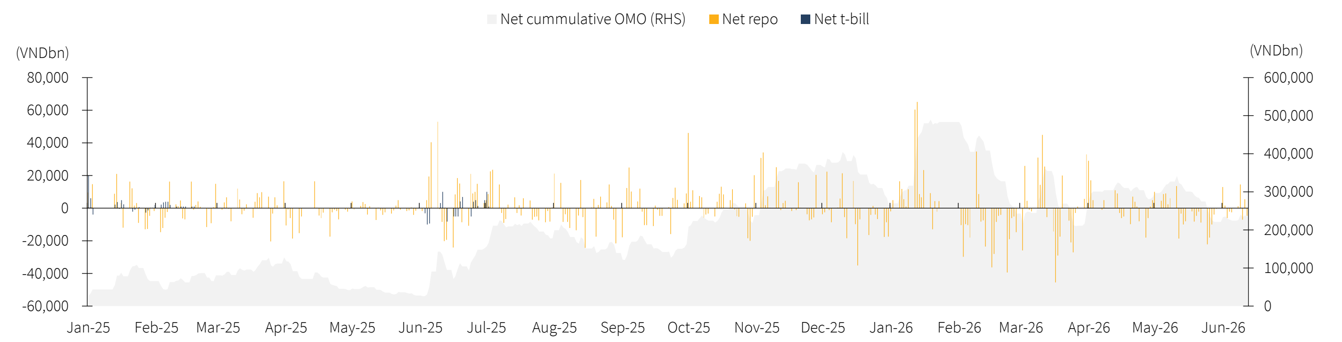
Source: State Bank of Vietnam, KB Securities Vietnam

Interbank rates stabilized in 2Q26 but remained elevated amid tight liquidity

Following the sharp volatility in 1Q26, interbank market conditions stabilized in 2Q26 as the SBV continued to manage system liquidity through flexible open market operations (OMO), proactively injecting and withdrawing funds in line with market conditions. As a result, volatility in interbank rates was largely contained. Overnight to one-week interbank rates mostly traded within the 5-7% range during the quarter, except for two brief spikes in early and late June, when the overnight rate rose to 10.5-12.5% as commercial banks stepped up liquidity demand to manage their regulatory ratios. The spikes proved short-lived, however, as the SBV promptly conducted two FX swap operations, each with a maximum size of USD1 billion, injecting VND liquidity into the system and bringing interbank rates back to more stable levels.

Despite this, interbank rates remained elevated relative to pre-2026 levels, suggesting that system liquidity has yet to become abundant. This mainly reflected (1) a persistent fiscal surplus, with the cumulative state budget surplus reaching VND419 trillion in 1H26, and (2) higher currency in circulation outside the banking system, with the ratio of currency in circulation to M2 remaining elevated at around 11%. Looking ahead, we expect interbank market conditions to remain broadly stable. However, rates are unlikely to return to the low levels seen in 2023-2024 unless deposit growth strengthens sufficiently to improve system funding conditions.

Fig 34. Vietnam – Open market operations (OMO)



Source: State Bank of Vietnam, KB Securities Vietnam

2. 2026F interest rates

Deposit rates have likely peaked and are expected to ease from early 4Q26

We believe liquidity pressures in the banking system have likely peaked and should gradually ease in the coming months, as both the credit-deposit growth gap and the economy-wide LDR have shown early signs of improvement since the start of 3Q26.
Accordingly, we believe deposit rates have peaked and will likely remain elevated through 3Q26 before edging lower in early 4Q26, supported by the following factors:

1) Easing geopolitical risks. A more favorable outlook for the US-Iran conflict should help alleviate pressure on oil prices and domestic inflation. Under our base-case scenario, we forecast Brent crude to average USD70-75/barrel in 2H26. Combined with the continued stability of the USD/VND exchange rate, this should provide the SBV with greater room to support system liquidity.
2) Supportive policy measures. Measures introduced by the SBV and the Government to lower interest rates and ease funding pressures on commercial banks (Table 35) are expected to gain traction from 3Q26 onward. We also expect additional policy support in 2H26 to help achieve the Government's GDP growth target.
3) Accelerating public investment. Public investment disbursement is expected to accelerate over the remainder of the year in support of the Government's 10% GDP growth target. Continued efforts to remove implementation bottlenecks, together with the introduction of a performance-based evaluation framework for ministries, government agencies, and local authorities, should strengthen execution accountability and speed up disbursement. We estimate the state budget will post a VND239 trillion deficit in 2H26, partly offsetting the VND419 trillion surplus recorded in 1H26.

Lending rates are expected to follow deposit rates with a lag

We expect lending rates to broadly track deposit rates in 2H26, albeit with a lag, as banks will need time to absorb the higher funding costs incurred in recent quarters. Any easing, however, is likely to be selective, with cuts concentrated in priority sectors such as exports, manufacturing, infrastructure, and other key growth drivers. By contrast, lending rates for higher-risk sectors are expected to remain broadly unchanged.

Table 35. Vietnam – Policies of the SBV

Policy	Key contents	Effective date
Lowering interest rate levels	– Official Letter No. 117/TB-NHNN dated 10 April 2026 requires commercial banks to reduce deposit interest rates by 0.5-1%/year for tenors from six months to end the race to raise interest rates. – Official Letter No. 3972/NHNN-CSTT dated 14 May 2026 requires the SBV's regional offices to inspect and review commercial bank branches in their localities for compliance with the SBV Governor's directive on reducing interest rate levels.	April 10, 2026
Circular 08/2026/TT-NHNN	– Amends to the LDR calculation method allow an additional 20% of State Treasury term deposits held at commercial banks to be added to the denominator, replacing the previous treatment as an exclusion under Circular 26/2022/TT-NHNN, to reduce commercial banks' mobilization pressure and give additional lending room for state-owned banks.	May 15, 2025
Circular 25/2026/TT-NHNN	– Maintains the system-wide LDR calculation mechanism of Circular 08/2026/TT-NHNN. – Raises the short-term capital ratio for medium and long-term lending from 30% to 40% to reduce commercial banks' mobilization pressure *(See further details in Higher SMLR cap proposed report).*	July 1, 2026
Resolution 168/NQ-CP	– Considers raising the ratio of State Treasury term deposits held at commercial banks into the mobilized capital base of commercial banks to supplement banking system liquidity. – The Ministry of Finance and the SBV to proactively decide on specific ceiling levels for the use of temporarily idle state budget funds for term deposits at commercial banks (which may exceed 50% of temporarily idle state budget funds).	

Source: Bloomberg, KB Securities Vietnam

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Investment ratings & definitions

Investment Ratings for Stocks
(Based on the expectation of price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors
(Based on the assessment of sector prospects over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market