Macro Outlook 2026

Activating domestic drivers

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For 2026, KBSV wants to give some key forecasts for the Vietnam economy in 2026 as follows:

We expect GDP growth to reach 8.5-8.7%, encouraged by the Government's promoting domestic growth drivers. Accordingly, fiscal policy should play a leading role, focusing on accelerating public investment disbursement and tax reductions. In addition, external drivers, especially exports, should maintain stable growth, although the growth potential is not as high as in previous periods.

We forecast average inflation in Vietnam in 2026 will be kept at 4%, under the Government's limit of 4-4.5%. Inflationary pressure will mainly come from the housing and construction materials sectors, along with the recovery of domestic consumption. Meanwhile, the prices of some key commodities such as food and petroleum are predicted to extend their downtrend, helping to curb headline CPI increase.

The USD/VND exchange rate pressure in 2026 may ease compared to 2025, expecting a 2.8-3% increase. Major factors that may strengthen the VND include: The expectation about the DXY slight downtrend in 2026; the expected improvement in foreign currency supply from FDI inflows and foreign capital flows on the stock market; the positive interest rate differential between USD and VND; and policies managing the gold market, indirectly reducing exchange rate pressure.

The deposit interest rates are projected to further climb in 2026 (+50-100bps YoY), especially in the first half of the year, to improve deposit growth, narrow the gap with credit growth, thereby facilitating the sustainable growth of the banking system. However, the upward pressure on deposit interest rates is expected to alleviate in 2H26 as the cash amount at banks gradually stabilizes, and the State Bank of Vietnam's (SBV) policies still prioritize economic growth by maintaining reasonable interest rates.

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2025 GDP grew 8.02% YoY, fulfilling the government's target. The promising result was attributable to all three sectors: Agriculture, forestry, and fisheries; Industrial and construction; and Services.

We expect GDP growth in 2026 will reach 8.5-8.7%, assuming the government will continue to stimulate homegrown drivers. Accordingly, fiscal policy is expected to play a leading role with focus on boosting public capital disbursement and cutting taxes. In addition, external growth forces, especially exports, should maintain stable growth, although the growth potential is not as high as in previous periods.

Table 1. Vietnam – Key macroeconomic indicators

			KBSV forecasts
	Unit	2025	2026
GDP growth	% YoY	8.02	8.5 - 8.7
Average CPI	% YoY	3.31	4.00
Credit growth	% YTD	19.01	15 - 17
Average 12M deposit interest rate	%/year	4.8 - 5.6	6.0 - 6.5
USD/VND exchange rate	VND	26,298	27,034 - 27,087

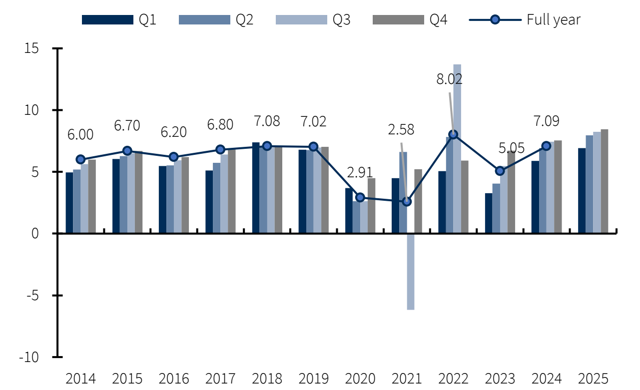
Source: KB Securities Vietnam

II. GDP growth

1. 2025 GDP growth

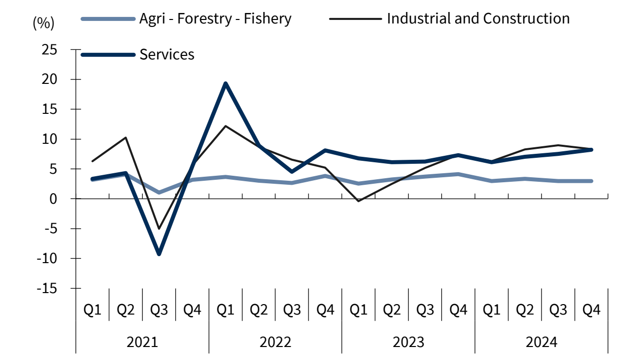
4Q25 GDP is estimated to advance 8.46% YoY, touching the highest growth rate for the 4Q in the 2011-2025 period. For the whole year 2025, GDP grew 8.02% YoY, slightly lower than the growth rate of 2022 in 2011-2025. The promising result was attributable to all three sectors: Agriculture, forestry, and fisheries; Industrial and construction; and Services.

Fig 2. Vietnam – GDP growth by quarter (%YoY)



Source: General Statistics Office, KB Securities Vietnam

Fig 3. Vietnam – GDP growth by sector (%YoY)



Source: General Statistics Office, KB Securities Vietnam

Consumption continues its recovery trend with a slow pace

From the demand side, consumption is recovering slowly, while the investment sector is recording positive results.

Total retail sales of goods and consumer services in 4Q25 are estimated to increase by 8.4% YoY. Notably, this is the lowest YoY growth rate among the four quarters of 2025 (+10% YoY in 1Q/2Q/3Q25). For the whole year 2025, the estimated figure added 9.2% YoY. If excluding inflation, total retail sales in 2025 will grow by a mere of 6%, which is lower than the pre-Covid levels (8-9%).

Investment capital is growing strongly thanks to the impetus from FDI inflows and non-state investment, while the disbursement of public investment is slowing down

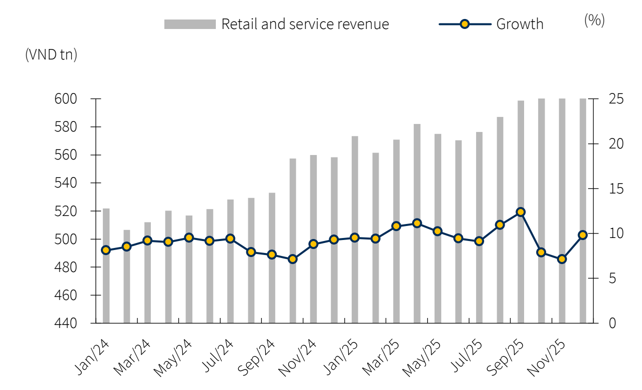
Total social investment disbursed in 2025 is estimated at VND4,150.5 trillion (+12.1% YoY), much higher than the 7.8% increase in 2024 thanks to the support from FDI and the non-state sectors:

FDI disbursement into Vietnam logged impressive growth thanks to projects registered before Trade war 2.0. For the whole year of 2025, total disbursed FDI reached USD27.62 billion (+9.0% YoY) with a stable quarterly increase of 8-9% YoY. Registered FDI capital hit USD38.42 billion (+0.5% YoY), mainly contributed by the increase in 1Q25 (+63% YoY). Registered FDI in the manufacturing sector posted a steep fall after April 2025, when Trade war 2.0 started, dropping 23% YoY in 2Q, 39% YoY in 3Q, and 64% YoY in 4Q25.

Total investment from the non-state sector showed promising growth, reaching VND2,237.1 trillion in 2025 (53.9% of total social investment, +8.4% YoY).

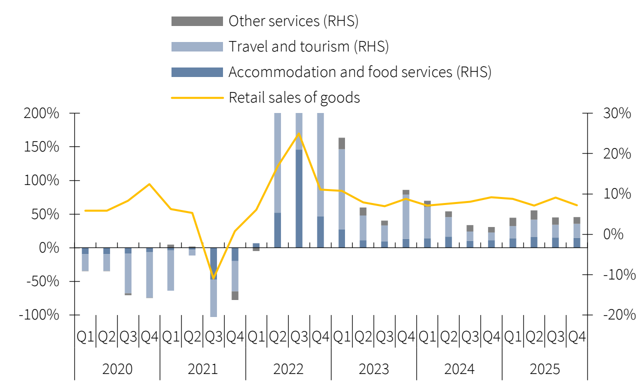
Disbursement of public investment capital recorded a recovery in the latter part of the year. It faced many disruptions last year, which was mainly related to the government's simultaneous implementation of several systemic changes, including downsizing the workforce, merging provincial-level administrative units, and transforming the local government model from three to two-tier management. However, public disbursement recorded positive progress in the final week of the year thanks to the implementation of a series of large projects, notably the Lao Cai – Hanoi – Hai Phong Railway. By the end of the 2025, according to the Ministry of Finance, total disbursed capital was valued at VND755.141 billion, meeting 83% of the plan assigned by the Prime Minister and increasing 14% YoY.

Fig 4. Vietnam – Retail sales of goods & services (VNDtn)



Source: General Statistics Office, KB Securities Vietnam

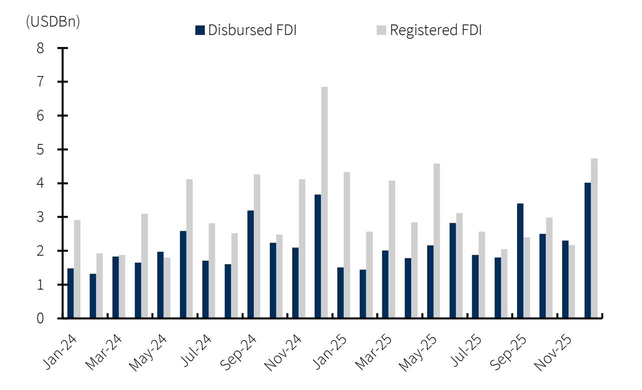
Fig 5. Vietnam – Retail sales of goods & services breakdown



Source: General Statistics Office, KB Securities Vietnam

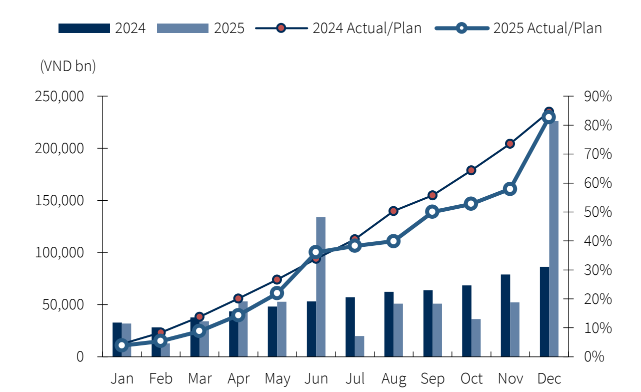
** Note: Travel service revenue growth in 2Q/3Q/4Q 2022 is 324% YoY/3,831% YoY/231% YoY respectively*

Fig 6. Vietnam – Disbursed and registered FDI in 2024-2025 (USDbn)



Source: General Statistics Office, KB Securities Vietnam

Fig 7. Vietnam – Disbursement of public capital (VNDbn, %)



Source: Ministry of Finance, KB Securities Vietnam

From the supply side, the industrial, construction, and service sectors maintained their growth momentum.

The service sector achieved impressive growth

In 4Q25, the service sector recorded a growth rate of 8.82%, contributing 49.07% to the total added value of the entire economy. For the whole year 2025, the sector grew 8.62%, contributing 51.08%. The growth was underpinned by domestic trade and tourism activities and a significant increase in foreign tourists. In 2025, the number of international visitors to Vietnam reached 21.2 million, the highest in history, equivalent to a 20% YoY growth.

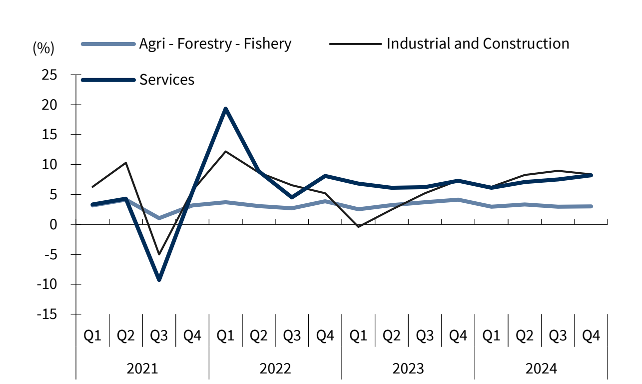
The industrial and construction sector maintained its strong growth momentum

The industrial and construction sector continued to show strong performance in the last quarter of 2025, with the total value of the industry increasing by 9.73%, adding 45.08% to the overall economic growth. The whole year growth was 8.95%, contributing 43.62%. Of that, the manufacturing industry maintained its leading role with a 9.97% YoY increase; and the construction industry climbed 9.62% YoY.

The agriculture, forestry, and fisheries sector maintained growth

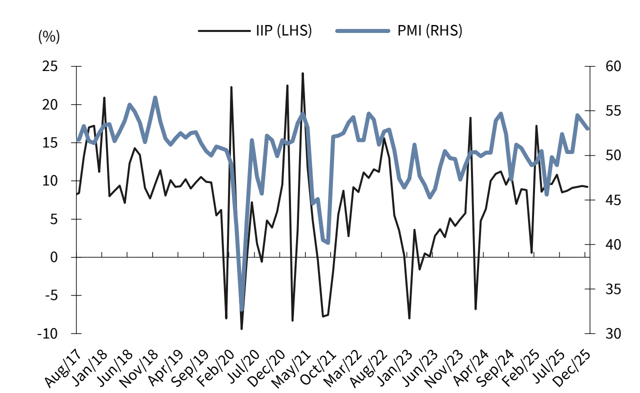
The agriculture, forestry, and fisheries sector grew 3.70% in 4Q25, contributing 5.13% to the overall growth of the economy's added value. For the whole year of 2025, the sector recorded a 3.78% increase, contributing 5.03% to the economy's added value.

Fig 8. Vietnam – GDP growth across sectors (%)



Source: General Statistics Office of Vietnam, KB Securities Vietnam

Fig 9. Vietnam – IIP & PMI (%)



Source: General Statistics Office of Vietnam, KB Securities Vietnam

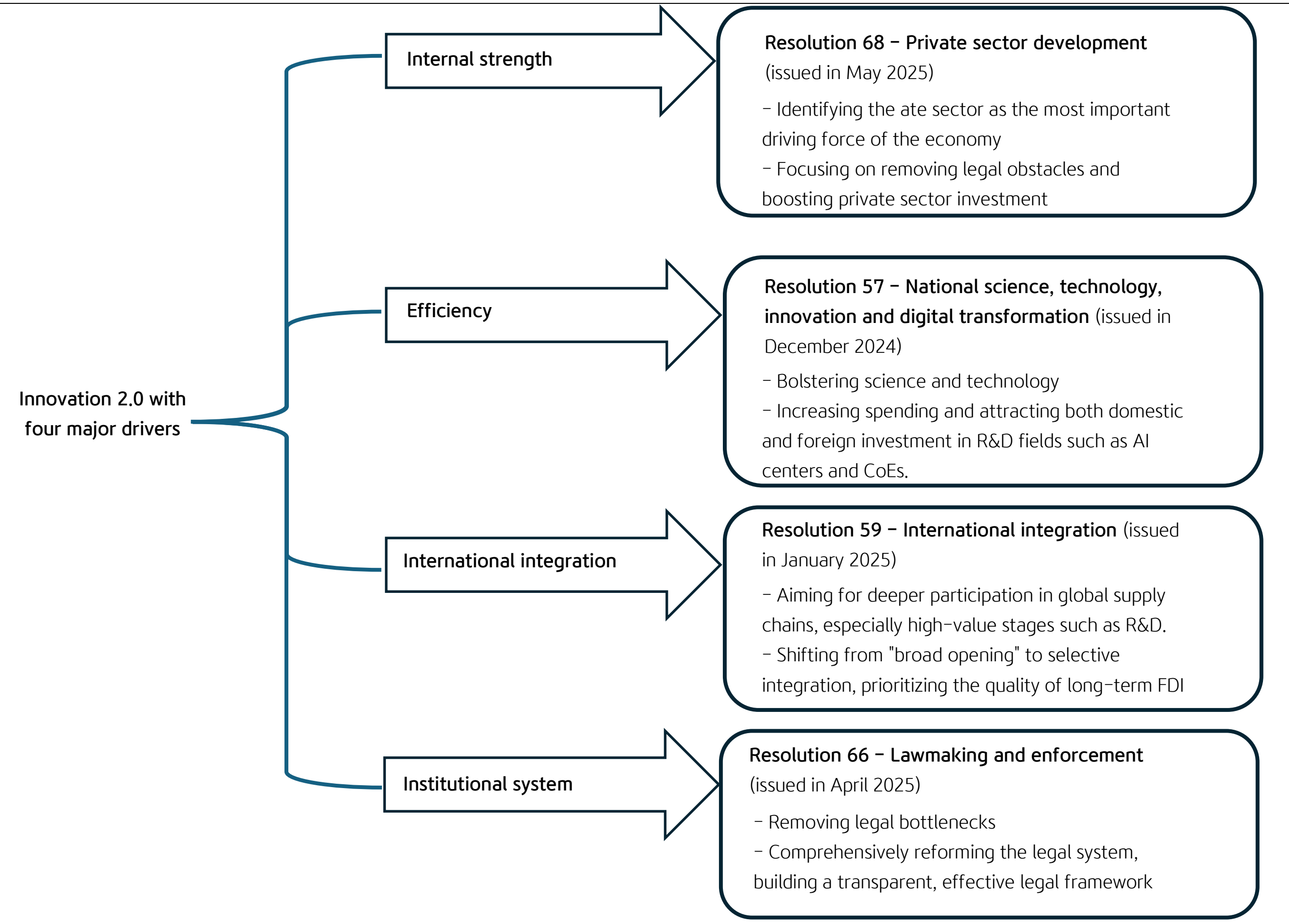
Vietnam Government's groundbreaking policies:

"Doi Moi 2.0" (Innovation 2.0) period – Innovating the growth model and enhancing the role of science and technology

2025 is considered a pivotal year in the "Era of Growth," with a series of policies introduced by the Vietnamese Government under Innovation 2.0 that bring about groundbreaking changes, aiming for domestic sector growth. Among these, Resolution 68-NQ/TW (issued May 4, 2025) is the most important as the government for the first time clearly identifies the private sector as the leading driver of economic growth, alongside Decrees 57, 59, and 66 which help improve labor productivity in the domestic economy.

We believe this shift is necessary, occurring in the context of traditional drivers such as FDI and exports facing geopolitical instability and the increasing trend of trade protectionism from major partners, especially the US, forcing Vietnam to reposition its growth strategy towards a greater focus on promoting homegrown strengths.

Fig 10. Vietnam – Summery of four key resolutions in the "Era of Growth"



Source: KB Securities Vietnam

Table 11. Vietnam – Reforming the State apparatus

	Results in 2025	Objectives	Short-term impacts in 2025	Medium- and long-term impacts
1) Streamlining public sector personnel	Cut 100,000 positions by 2025 and 700,000 by 2030	Reduce recurrent expenditures; improve administrative efficiency	Organizational disruption; temporary staff shortages in some areas; delays in document processing	Sustainable reduction in government spending; room for productivity-based salary reform; reduction of institutional costs for businesses
2) Restructuring the central government (Ministries/agencies)	Cut five ministries and 950 departments	Reduce functional overlaps and approval procedures	Disruptions to project review agencies	Shorten procedures; accelerate project approval; improve the quality of policy implementation
3) Reorganizing local governments	Reduced provincial-level units by 50%, and commune-level units by 70%	Increase the scale of governance; optimize resources	Increased workload at all levels; time needed to consolidate data/processes	Improve the efficiency of regional planning; raise inter-regional competitiveness; reduce investment fragmentation between levels
4) Shifting the administrative model from three-tier to two-tier	Dissolved all ~696 district/county-level units	Eliminate intermediate layers; reduce bottlenecks in implementation	Difficulties in authority transfer; approval process restructuring needed	Simpler project procedures, improved implementation progress of large projects (land, site clearance, licensing); increased enforcement effectiveness
5) Merging provinces/cities	Merged 63 provinces/cities into 34	Create administrative units of sufficient size; increase the efficiency of budget allocation	Adjustment of planning and investment plans; legal review of projects according to new boundaries	Form economic "super-regions" Synchronize development between regions
6) Streamlining the National Assembly	Brought National Assembly Committees from 10 to eight	Reduce legislative bodies and functional overlaps	Personnel arrangement process – verification process	Ramp up the cycle of building the legal apparatus; increase policy consistency; reduce institutional lags
7) Streamlining the Party system	Dissolved at least 45 Party agencies	Reduce parallel organizations; increase operational discipline	Restructuring of coordination mechanisms; standardization of functions	Clarify leadership and management roles; limit overlaps; raise governance efficiency

Source: KB Securities Vietnam

2. 2026F GDP growth

We expect 2026 GDP growth to reach 8.0%

We expect GDP growth to reach 8.5-8.7%, encouraged by the Government's promoting domestic growth drivers. Accordingly, fiscal policy should play a leading role, focusing on accelerating public investment disbursement and tax reductions. In addition, external drivers, especially exports, should maintain stable growth, although the growth potential is not as high as in previous periods.

Regarding risks, we note that the biggest uncertainty for Vietnam's economic outlook stems from the possibility of the US imposing a 40% tariff rate on transshipped commodities. However, in our baseline scenario, we believe this is primarily a tool serving Trump's trade policy negotiation goals, so we have not included this risk in our growth projection model for 2026. Furthermore, geopolitical risks tend to escalate with the Russia-Ukraine conflict, prolonged Middle East tensions, and emerging political disputes between the US and Iran. The increasingly complex situation in Asia could also increase volatility and risk to the global economy.

Innovation 2.0 – Optimizing domestic resources

Trade war 2.0 has highlighted the vulnerabilities of Vietnam's traditional growth model, in which the economy relies heavily on FDI and exports. This context underscores the urgency of reorienting the growth strategy towards in-depth development. Accordingly, the government has launched the "Innovation 2.0" strategy, focusing on the domestic economic sector to minimize dependence on external factors, improve domestic labor productivity, and realize the goal of becoming a high-middle-income country by 2045.

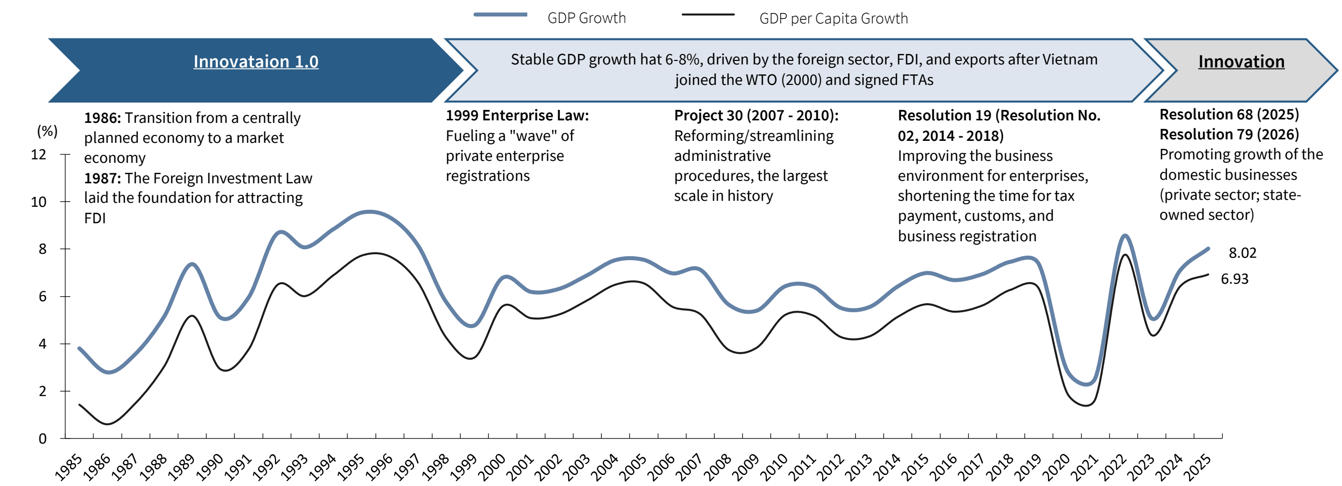
Resolution 68 and Resolution 79 are considered key initial steps towards Innovation 2.0, establishing two pillars in the new growth model of the Government:

(1) **Resolution 68 – Bolstering the private economic sector**: The private economic sector, contributing about 45-50% of GDP, is identified as the most important growth pillar, playing a central role in improving labor productivity and technological innovation;

(2) **Resolution 79 – Developing State economic sector:** The state economic sector contributes about 25-27% of GDP, plays a leading role, focuses on driving key sectors, regulates and effectively allocates strategic resources.

We assess that "Innovation 2.0" will bring pivotal changes to improve the productivity of the domestic sectors. At the same time, this strategy will gradually overcome the limitations of the old growth model, with the focus on more effectively exploiting the linkage and spillover effects from the FDI sector to promote technology and knowledge transfer to the domestic sectors, thereby enhancing the position of domestic enterprises in the local economy and the global supply chain.

Fig 12. Vietnam – Economic growth in key periods



Source: KB Securities Vietnam

Table 13. Vietnam – Summary of Resolution 68 NQ/TW and Resolution 79 NQ/TW

	Guiding principles	Objectives		Major changes	
Resolution 68	The private sector is the most important driver of economic growth	2030	At least 20 large enterprises participate in the global value chain	Remove legal barriers	Reform/streamline administrative procedures
			The average growth rate of the private sector reaches 10-12% per year	Support/improve access to credit for private enterprises	Prioritize the allocation of commercial credit to private enterprises, especially to SMEs, startups, and newly established businesses
			The private sector contributes 55-58% of GDP, 35-40% of total state budget revenue, and 84-85% of the total workforce	Reform tax and fee policies towards fairness and support for businesses	Provide tax exemptions for SMEs for the first three years of establishment, and eliminate the lump-sum tax system for household businesses
			Labor productivity increases by an average of 8.5-9.5% per year	Allocate land for private enterprises, and simultaneously implement mechanisms to reduce land rent for some businesses	Ensure equal access to development resources, including land; allocate separate land for SMEs and startups, facilitating industrial and innovation among private enterprises
			Technological level, capacity, innovation, and digital transformation are among the top 3 in ASEAN and top 5 in Asia	Give incentives/priority to private enterprises to invest in development (R&D) and innovation	Allocate up to 20% of after-tax profits to the R&D fund for businesses; deduct 200% of R&D expenses from taxable income
		2045	At least three million businesses operate in the economy by 2045, contributing over 60% of GDP		
	Guiding principles	**Objectives**			**Major changes**
Resolution 79	The state-owned sector plays a leading role in the market economy	2030	Regarding land and resources:	Efficient and rational use	Institutional/policy/governance reforms
			Regarding infrastructure assets:	Develop strategic infrastructure systems; key projects	Encourage models; utilize the national infrastructure system
			Regarding the state budget, national reserves, and off-budget state financial funds:	Ratio of budget mobilization from 2026 – 2030 reaches 18% of GDP (*); the proportion of development investment reaches 35 – 40% of total budget expenditure (**); the proportion of recurrent expenditure reaches 50 – 55% of total budget expenditure	Focused public investment; concentrating on strategic infrastructure Limit state capital in enterprises (with less than 50% state ownership): transfer ownership to enterprises/entities with business and investment functions involving state capital Implement restructuring, capital supplementation, or divestment
			Regarding state-owned enterprises:	50 SOEs in the TOP 500 Southeast Asia; one – three SOEs in the TOP 500 global SOEs play the driving role to other businesses	Build large-scale SOEs that lead strategic industries: approve charter capital increase; allow the retention of all revenue from privatization and divestment; increase the retained earnings ratio; and re-evaluate assets with remaining usable value SOEs pioneering investment in R&D and mastering strategic technologies Controlled privatization without losing the State's controlling power in key sectors
			Regarding state-owned credit institutions:	Three state-owned commercial banks are among the top 100 banks in Asia in terms of total assets; four state-owned commercial banks are leaders in technology, scale and market share	Standardize modern governance and risk management Increase charter capital to improve capital adequacy ratios and operational efficiency
			Regarding public service units:	Strongly promote the provision of public services	Reform towards streamlining, autonomy, transparency, and a closer alignment with market mechanisms
		2045	National reserves reach 2% of GDP; 60 SOEs are among the top 500 largest enterprises in Southeast Asia; and five SOEs were among the top 500 largest enterprises in the world		

Source: KB Securities Vietnam

The disbursement of public investment should be accelerated in 2026 as the institutional reform is basically complete

The Vietnam Government has shown a strong determination to prioritize and promote public investment. To be more specific, the Vietnamese National Assembly has approved the Resolution on the State Budget Estimate for 2026. Accordingly, the total estimated state budget expenditure will reach over VND3,159 trillion, of which more than VND1,120 trillion (~USD42 billion) is allocated to development investment, equivalent to 35% of the total State Budget Expenditure Plan (average of about 30% for the 2020–2025 period), increasing 42% YoY (the increase in the previous estimate averaged about 15%). For public investment expenditure alone in 2026, the Prime Minister has assigned a public investment plan from the State budget of VND995,348 billion (+21% compared to the initial plan for 2025).

Therefore, in 2026, we forecast that the disbursement of public investment will achieve strong growth, reaching 95% of the plan assigned by the Prime Minister, equivalent to VND945,580 billion (+25% YoY). The projection is based on the basically completed institutional and state apparatus reform compared to 2025 and a series of key national projects entering the implementation phase (Table 14).

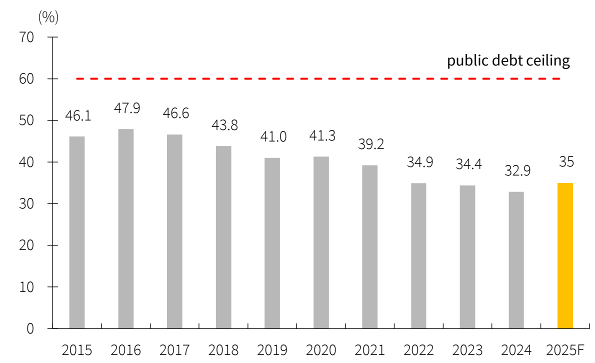
In addition, in the medium term from 2026 to 2030, the government plans to allocate VND8.51 million billion for development investment, 1.5 times higher than the average for the period 2021–2025, demonstrating its determination to boost public investment. We believe this plan is practical as the Vietnam Government is gradually pivoting the growth pillars towards domestic drivers, while fiscal flexibility remains quite large, and the public debt/GDP ratio is projected to be around 35% of GDP by the end of 2025, much lower than the 50% ceiling set by the National Assembly (Figure 16).

Table 14. Vietnam – Key public projects

	Project	Total investment (USDbn)	Before 2025	2025	2026	2027	2028	2029
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						

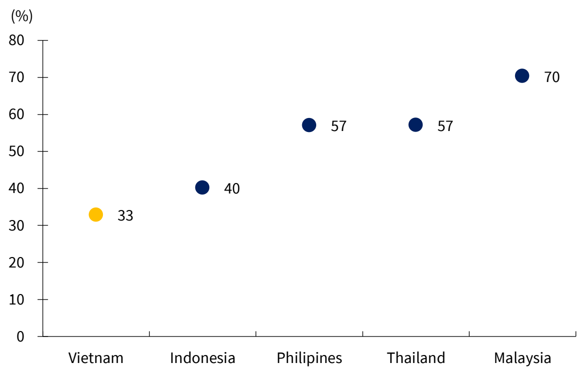
Source: KB Securities Vietnam

Fig 15. Vietnam – Public debt/GDP ratio in 2020-2025 (%)



Source: Bloomberg, KB Securities Vietnam

Fig 16. Southeast Asia – Public debt/GDP ratio of Vietnam vs regional peers (%)



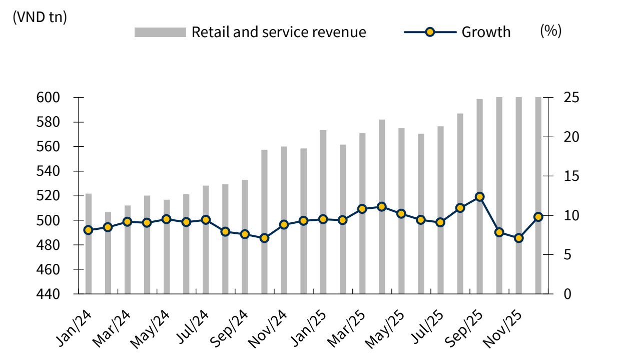
Source: Bloomberg, KB Securities Vietnam

Looking ahead to 2026, we expect the recovery in domestic consumption to gain clearer traction, supported by policy measures with direct and tangible effects on households' disposable income. Notably, tax relief under the amended Personal Income Tax (PIT) Law and an increase in the minimum wage for contract-based workers should provide a meaningful boost to spending power. Against this backdrop, KBSV forecasts total retail sales growth of 11-12% YoY in 2026 (+2-3ppts YoY).

Key consumption-supportive policies include:

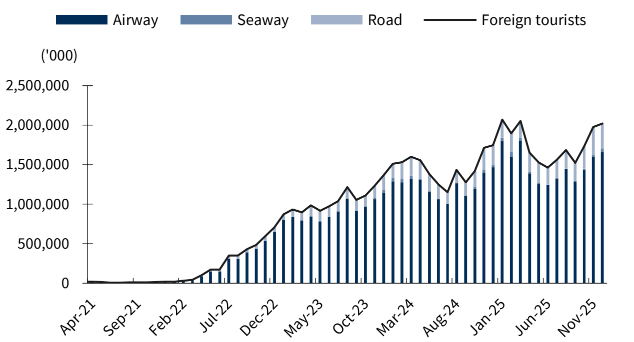
1) **Amended Personal Income Tax Law** (effective 1 January 2026), featuring measures to meaningfully reduce the tax burden. Key changes include a sharp increase in the taxable revenue threshold for household businesses to VND500 million per year—effectively exempting around 90% of such entities—streamlining the PIT structure from seven to five brackets with wider income bands, and higher deductions for taxpayers and dependents, raised by VND4.5 million and VND2.2 million, respectively.
2) **Extension of the 2% VAT reduction through the end of 2026.** In 2025, the National Assembly approved a resolution to prolong the 2% value-added tax (VAT) cut on eligible goods and services.
3) **Minimum wage increase.** Decree No. 293/2025/ND-CP (effective 1 January 2026) stipulates higher minimum wages for contract-based workers. Accordingly, the monthly minimum wage ranges from VND3.7 million to VND5.31 million, while the hourly minimum wage ranges from VND17,800 to VND25,500, equivalent to an increase of VND250,000-350,000 per month.
4) **Expansion of visa exemptions.** A 45-day visa exemption has been granted to citizens of 12 European countries (effective from August 2025 to August 2028), supporting tourism demand.

Fig 17. Vietnam – Total retail sales of consumer goods and services (VNDtn, %YoY)



Source: General Statistics Office of Vietnam, KB Securities Vietnam

Fig 18. Vietnam – International arrivals (thousand passengers)



Source: General Statistics Office of Vietnam, KB Securities Vietnam

Uncertainty surrounding Trade War 2.0 has eased noticeably

Overall, uncertainty surrounding Trade War 2.0 has eased noticeably. The reciprocal tariff rate applied by the US to Vietnam, at around 20%, is broadly in line with that imposed on peer competitors and remains below the level announced for China. Meanwhile, the risk of a 40% tariff on transshipped goods persists.

Under our base-case scenario, however, we do not incorporate this risk into our 2026 outlook for Vietnam for the following reasons:

1) **A full-scale implementation of such a tariff would take a heavy toll on the US economy.** By end-2025, the average US import tariff had risen to 15-20%, covering roughly 70% of imports—the highest level since the 1930s and well above that seen during Trade War 1.0. A 2018 Federal Reserve study estimates that a 5% increase in average import tariffs would reduce US GDP by 0.7% and raise inflation by 0.4%.
2) Negotiations over US local value-added requirements with its trading partners have yet to produce tangible outcomes. The US has previously engaged India and Thailand on local content thresholds—reportedly around 60%—but these discussions have not resulted in any agreements.

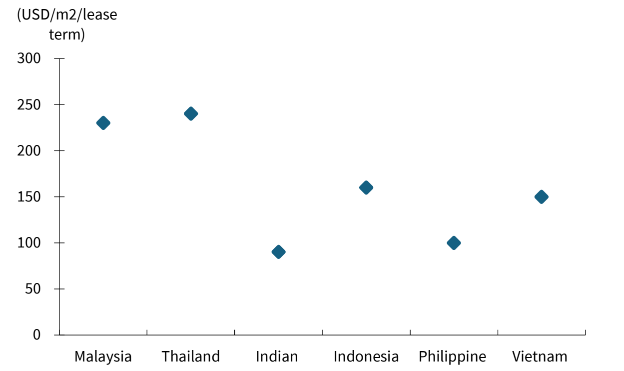
We also view the proposed 40% tariff on transshipped goods primarily as a negotiating lever for Donald Trump to advance the objectives of Trade War 2.0, including boosting trade-related tax revenues to partially offset the US fiscal deficit and increasing pressure on trading partners to purchase more US goods. Under our base-case scenario, we therefore expect Vietnam's exports to remain largely resilient in the near term. Nevertheless, uncertainty surrounding the potential application of this tariff could weigh on FDI inflows, as some firms may adopt a more cautious approach to capacity expansion or supply chain reconfiguration.

Table 19. US – Reciprocal tariff rates applied on trading partners

Tariff coverage	US reciprocal tariff	Other taxes in effect	Notes
All nations	10% - Baseline	40% - Transshipment goods tax	- US Customs and Border Protection (CBP) is responsible for determining which goods/countries are subject to the 40% tariff. At present, the US has issued detailed guidance on how this determination is applied only to Canada.
Other nations			
China	24%	10% - Fentanyl	- The reciprocal tariff has been deferred until 11 October 2026, reducing the average US tariff on imports from China from 42% to 32%. - The US has threatened tariffs ranging from 10% to 200% on other goods. - The 40% tariff on transshipped goods has been announced, with no detailed regulations yet.
India	25%	25% - Russian oil	- The 40% tariff on transshipped goods has been announced, with no detailed regulations yet.
Vietnam	20%	25% - Venezuelan oil	- The 40% tariff on transshipped goods has been announced, with no detailed regulations yet.
Thailand	19%		- The 40% tariff on transshipped goods has been announced, with no detailed regulations yet.
Bangladesh	20%		- The 40% tariff on transshipped goods has been announced, with no detailed regulations yet.
Philippines	19%		- The 40% tariff on transshipped goods has been announced, with no detailed regulations yet.
Indonesia	19%		- The 40% tariff on transshipped goods has been announced, with no detailed regulations yet.
Malaysia	19%	25% - Venezuelan oil	- The 40% tariff on transshipped goods has been announced, with no detailed regulations yet.

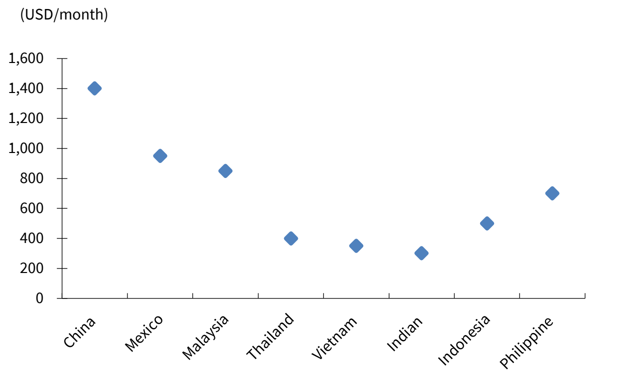
Source: KB Securities Vietnam

Fig 20. Asia – IP land rental rates in certain countries (USD/m²/lease term)



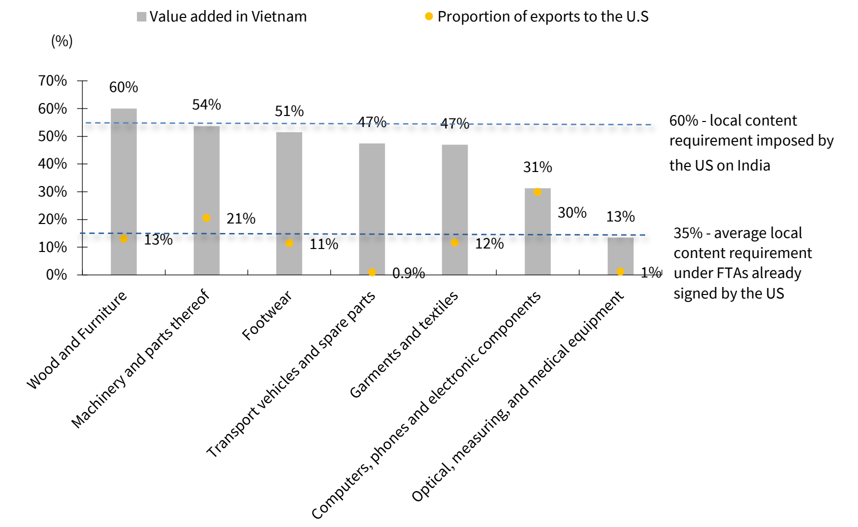
Source: CEIC, KB Securities Vietnam

Fig 21. Asia – Per capita income in certain countries (USD/month)



Source: CEIC, KB Securities Vietnam

Fig 22. Vietnam – Domestic value added in total exports in 2024 (%)



Source: International Trade Centre, General Statistics Office of Vietnam, KB Securities Vietnam

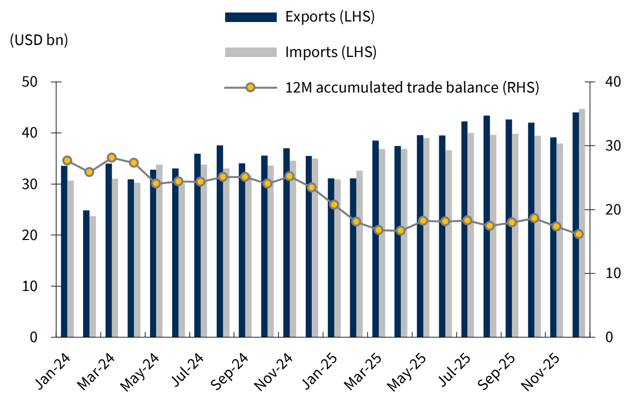
Vietnam's exports are projected to increase by 10% YoY in 2026

Export growth in 2025 was driven predominantly by the FDI sector, while domestic enterprises came under significant pressure. Vietnam's total exports rose by 18.19% YoY, led by a 26.42% YoY increase from the FDI sector, which accounted for around 77% of total export turnover. In contrast, exports from domestic firms contracted sharply, contributing only about 23% of total exports. Although this structural imbalance is longstanding, it became more pronounced in 2025, underscoring the greater vulnerability of domestic enterprises in an increasingly restrictive global trade environment. This reflects (1) their smaller scale, weaker bargaining power, and heavy dependence on imported inputs, leaving them more exposed to pricing pressure, rules-of-origin scrutiny, and trade remedies—particularly in sectors such as steel, wood products, and textiles; and (2) softer agricultural exports amid weaker import demand from key markets, especially China and the Philippines, with rubber and rice most affected.

Under our base-case scenario, which assumes the US does not impose a 40% tariff on transshipped goods, KBSV projects Vietnam's total exports to sustain steady growth, reaching USD522 billion, or +10% YoY. Growth is expected to be underpinned by a continued recovery in key export markets, albeit at a slower pace than in 2025 as one-off tailwinds, such as front-loaded shipments, dissipate. Exports to the US—Vietnam's largest market—are likely to expand more moderately as domestic consumption softens amid a higher tariff environment. While the US technology sector should remain on a positive trajectory in 2026, it is unlikely to repeat the outsized growth recorded in 2025, thereby constraining upside for Vietnam's core export segments, including semiconductors and electrical and electronic products.

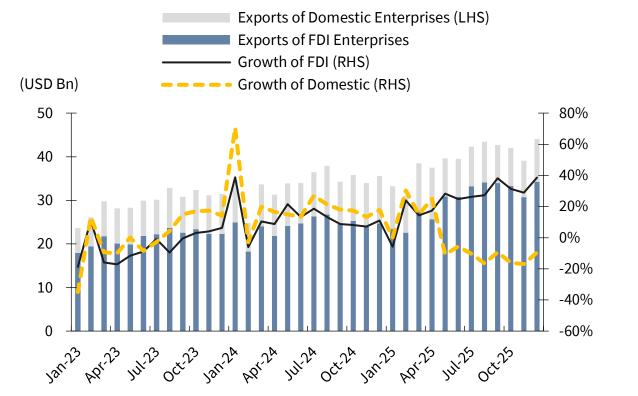
Overall, export growth in 2026 is expected to remain FDI-led, while exports from domestic enterprises are unlikely to stage a meaningful recovery, given the lack of improvement in the structural headwinds observed in 2025.

Fig 23. Vietnam – Import & export value (USDbn)



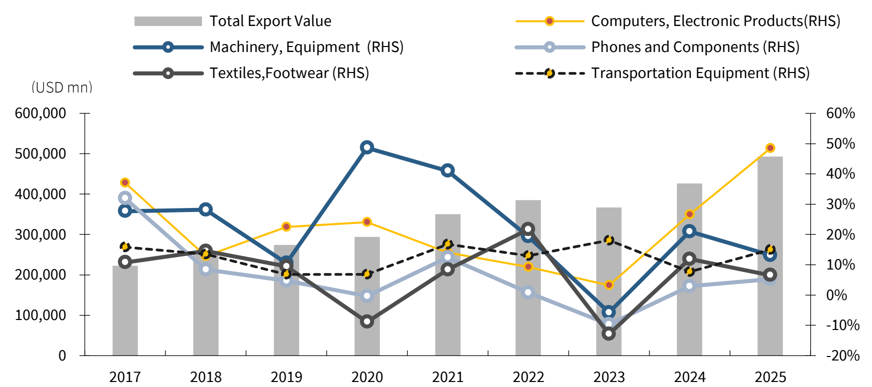
Source: General Statistics Office of Vietnam, KB Securities Vietnam

Fig 24. Vietnam – Export value and growth by FDI and domestic enterprises (USDbn, %YoY)



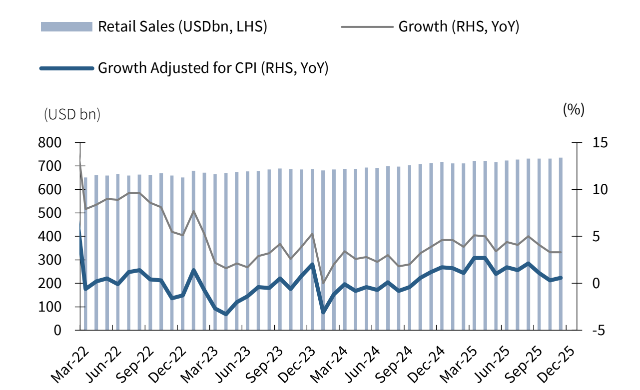
Source: General Statistics Office of Vietnam, KB Securities Vietnam

Fig 25. Vietnam – Export value and growth of certain products (USDmn, %)



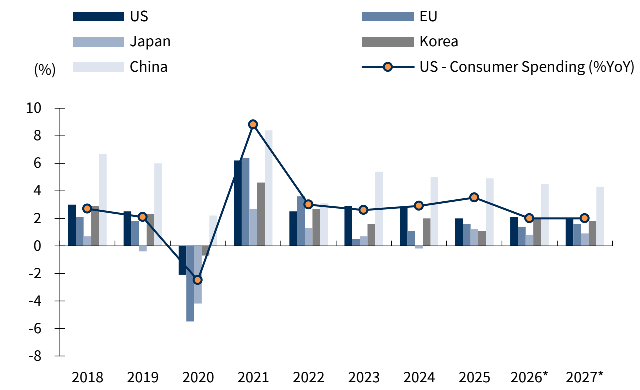
Source: General Statistics Office of Vietnam, KB Securities Vietnam

Fig 26. US – Retail sales and growth (USDbn, %)



Source: Bloomberg, KB Securities Vietnam

Fig 27. Global – Consensus GDP growth forecasts for major economies (%)



Source: Bloomberg, KB Securities Vietnam

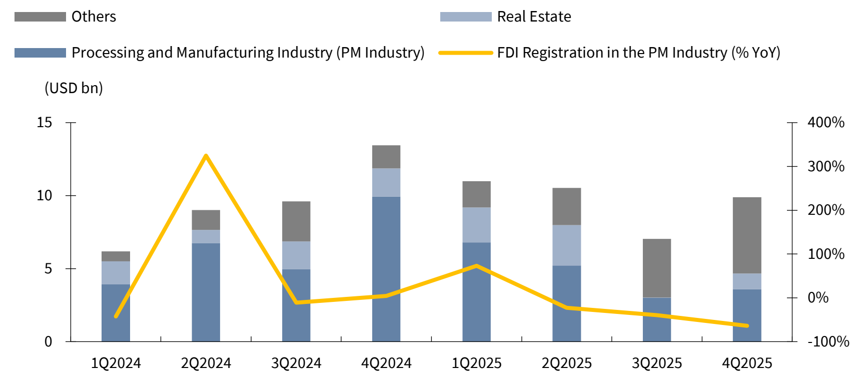
FDI inflows into Vietnam should maintain a positive long-term trajectory

In 2026, disbursed FDI inflows are likely to decline as the pipeline of investment projects narrows following Trade War 2.0, as evidenced by the sharp decline in registered FDI (Figure 28). Nevertheless, we believe registered FDI likely bottomed in 2025 and could begin to recover from 2H26, supported by a low comparison base and greater clarity around tariff policies. Consequently, investment momentum is expected to be led by segments of FDI enterprises that are less exposed to the risk of a 40% tariff on transshipped goods.

We expect FDI inflows into Vietnam to maintain a positive long-term trajectory, as Trade War 2.0 does not materially undermine the country's structural competitive advantages. Key strengths include broadly comparable US tariff treatment relative to regional peers, cost-efficient labor with a deep workforce pool, political stability, and the ongoing acceleration of supply chain diversification amid US-China decoupling. Together, these factors position Vietnam to attract higher-quality FDI, deepen localization, and move up the global value chain.

Regarding the potential impact of the proposed 40% tariff on transshipped goods, in the absence of detailed US implementing regulations, we believe FDI projects with low local value added may face longer-term pressure. That said, some foreign-invested enterprises are likely to increase domestic content in Vietnam to mitigate tariff risks, which should support sustained long-term growth in FDI inflows.

Fig 28. Vietnam – Registered FDI by sector (USDbn, %YoY)



Source: General Statistics Office of Vietnam, KB Securities Vietnam

III. Inflation

1. 2025 inflation

In 2025, inflation remained well below the government's target ceiling

For full-year 2025, headline CPI rose by 3.31% YoY, driven by the following key factors:

1) Housing, electricity, water, fuel and construction materials increased by 6.08%, contributing 1.8 ppts to headline CPI. This was mainly attributable to a 7.33% rise in rental housing prices and a 6.45% increase in home maintenance materials. In addition, residential electricity prices rose by 7.20%, reflecting stronger demand as well as EVN's adjustments to the average retail electricity tariff on 11 October 2024 and 10 May 2025.
2) Food and catering services recorded a 3.27% increase, adding 1.17 ppts to headline CPI, with food prices alone rising by 3.61%.
3) Pharmaceuticals and healthcare services surged by 13.07%, contributing 0.61 ppts to CPI, driven by adjustments to healthcare service fees under Circular No. 21/2024/TT-BYT issued by the Ministry of Health on 17 October 2024.

2. 2026F inflation

Headline inflation is projected at 4% for 2026

We forecast Vietnam's headline inflation in 2026 at around 4%, broadly in line with the government's target range of 4-4.5%. Inflationary pressures are expected to be driven mainly by the housing and construction materials group, alongside a recovery in domestic consumption. In contrast, prices of key input commodities such as staple foods and fuel are likely to remain stable or ease, helping to mitigate upward pressure on headline CPI. Moreover, prices of government-administered goods and services—including education, healthcare, electricity, and water—are expected to be adjusted cautiously in line with policy roadmaps, consistent with the authorities' emphasis on macroeconomic stability and keeping inflation below the 4.5% ceiling.

The housing and construction materials group is expected to exert upward pressure on inflation in 2026

In 2026, upward price pressures from the housing and construction materials group are expected to intensify, driven by two main factors. First, rental prices are likely to rise further amid sustained demand and constrained supply, particularly in the low- and mid-range segments, in major cities. Second, construction material prices are expected to increase alongside stronger public investment. Against this backdrop, construction steel prices are projected to rebound from the low base in 2025, supported by a clearer recovery in domestic demand and the impact of China's ongoing capacity reduction measures, which are likely to lift imported steel prices.

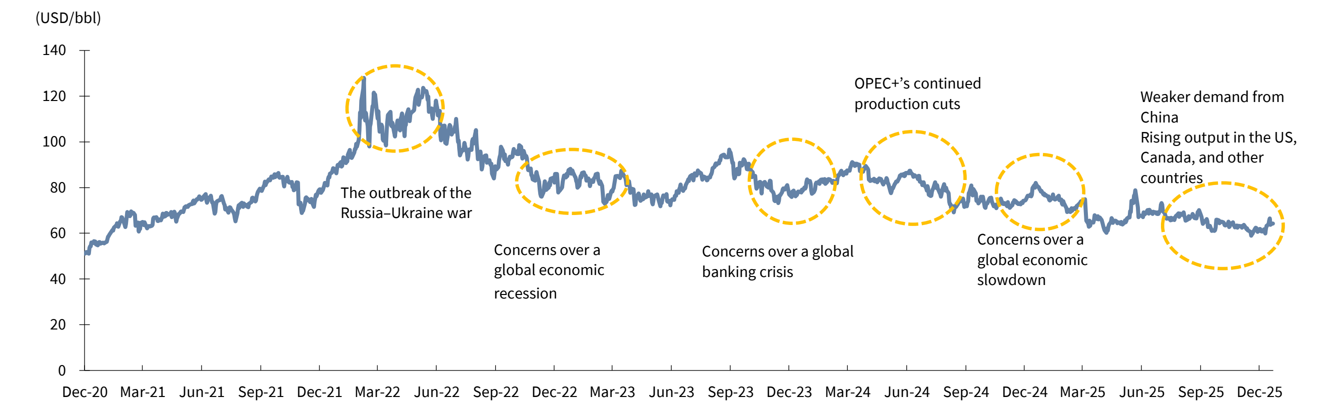
Rice prices are forecast to drop 2–5% YoY in 2026

In 2025, Vietnam's rice export prices came under significant downward pressure, averaging around USD510/ton (-18% YoY), the lowest level since 2023. This decline was driven mainly by (1) the Philippines—Vietnam's largest rice export market—temporarily suspending rice imports through end-2025; (2) Indonesia—Vietnam's second-largest market—facing domestic oversupply and consequently scaling back imports in 2026; and (3) intensifying competition as export volumes from major suppliers such as India and Thailand recovered. Looking ahead to 2026, Vietnam's average rice export price is forecast to edge down by around 2-5% YoY to USD480-490/ton, reflecting weaker demand from Indonesia and continued competitive pressure as India and Thailand further expand production and lower export prices. That said, the pace of decline is expected to moderate as the Philippine market resumes rice imports.

Oil prices will likely continue their downward trend

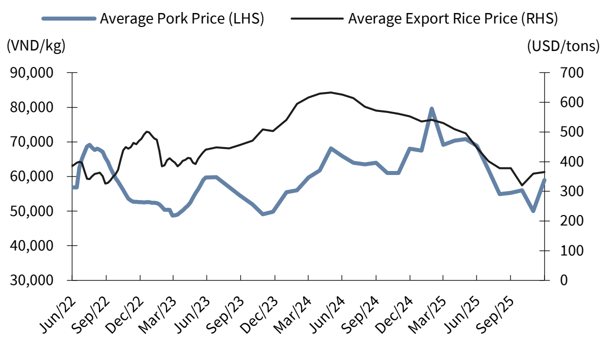
Oil prices are expected to remain highly volatile under President Donald Trump's administration, particularly amid heightened geopolitical tensions between the US and Iran, which could trigger short-term price swings. However, on a full-year 2026 basis, we lean toward a downside scenario for oil prices, driven primarily by an increasingly evident oversupply. Global oil supply is projected to rise markedly from non-OPEC producers, notably the US, Brazil, Canada, and Argentina. According to estimates from the International Energy Agency (IEA), global oil supply in 2026 could exceed demand by approximately 3.8-4.0 million barrels per day. Against this backdrop, we forecast average Brent crude oil prices in 2026 to range around USD60-65 per barrel, implying a decline of roughly 3-5% YoY.

Fig 29. Global – Brent crude oil price movements in 2020–2024 (USD/barrel)



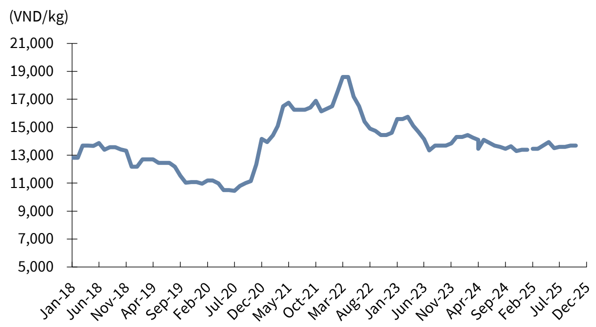
Source: Bloomberg, KB Securities Vietnam

Fig 30. Vietnam – Domestic liveweight hog prices, 5% broken rice export prices and (VND/kg, USD/ton)



Source: Bloomberg, KB Securities Vietnam

Fig 31. Vietnam – Domestic steel bar prices (VND/kg)



Source: Bloomberg, KB Securities Vietnam

Table 32. Vietnam – 2025F headline CPI

	Groups	Weight (%)	+/- (% YoY)	Contribution to overall CPI (%)
1	Food and catering services			
	Cereals	3.67	-2.0	(0.1)
	Foodstuffs	21.28	5.0	1.1
	Eating out	8.61	6.0	0.5
2	Beverages and tobacco	2.73	6.0	0.2
3	Clothing, hats, and footwear	5.7	3.0	0.2
4	Housing, electricity, water, fuel and construction materials	18.82	7.0	1.3
5	Household appliances and equipment	6.74	3.0	0.2
6	Pharmaceuticals and healthcare services	5.39	3.0	0.2
7	Transport	9.67	-1.0	(0.1)
8	Post and telecommunications	3.14	1.0	0.0
9	Education	6.17	5.0	0.3
10	Culture, entertainment, and tourism	4.55	1.7	0.1
11	Other goods and services	3.53	5.0	0.2
Total				**4.0**

Source: KB Securities Vietnam

IV. USD/VND exchange rate

1. 2025 USD/VND exchange rate

The interbank exchange rate rose 3.5% YTD as of end-2025, with pressures easing towards year-end

The exchange rate was highly volatile for most of 2025 before easing toward year-end. By end-2025, the central exchange rate reached VND25,121/USD (+3.2% YTD), while the interbank exchange rate stood at VND26,298/USD (+3.5% YTD).

Exchange rate pressures were concentrated in 9M25, with the interbank rate peaking in mid-3Q25 at VND26,429/USD, implying a 3.7% YTD depreciation of the VND. This development reflected stronger profit repatriation by FDI firms following Trade War 2.0, foreign equity outflows, the SBV's accommodative monetary stance that reduced VND attractiveness, and softer domestic exports that constrained onshore USD supply. Additional pressures stemmed from USD demand by the State Treasury and gold smuggling driven by price differentials.

In response to VND depreciation, the SBV implemented timely measures to stabilize the foreign exchange market, including partial sales of foreign reserves via cancelable forward contracts (USD4-5 billion in August and October 2025), upward adjustments to the central exchange rate, and active liquidity management through OMO.

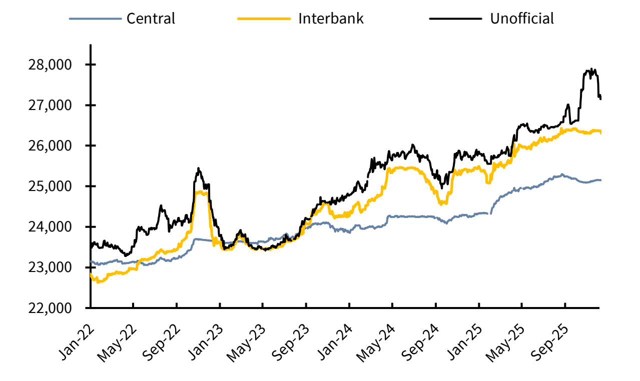
Toward year-end, USD/VND pressures eased alongside these policy actions, supported by favorable external conditions, notably two 25bps rate cuts by the US Federal Reserve in October and December 2025 and a strong pickup in remittance inflows.

The unofficial exchange rate was heavily influenced by the gold market

In 2025, the unofficial exchange rate was strongly influenced by developments in the gold market, particularly toward year-end. At its peak, the rate reached around VND27,900/USD, representing an 8% YTD increase. The surge was driven primarily by a sharp rise in domestic gold prices to nearly VND160 million per tael—almost double the 2024 level and about 13-15% above global prices. The widening price gap significantly increased demand for smuggled gold, intensifying pressure on the unofficial foreign exchange market. In addition, households increasingly shifted capital into short-term defensive assets such as USD and USDT, reinforcing a broader safe-haven effect.

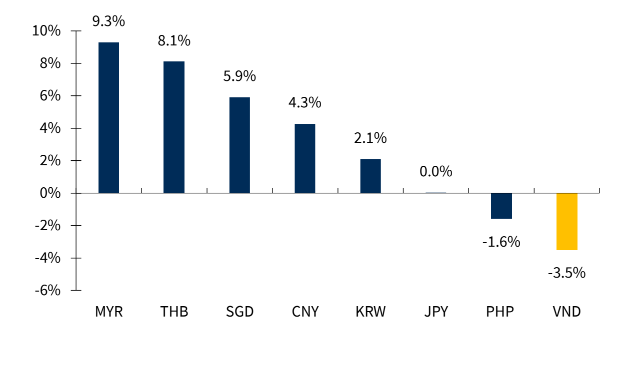
Against this backdrop, the SBV introduced measures to strengthen gold market regulation. Most notably, Decree No. 232/2025/ND-CP (effective 10 October 2025) removed the State's monopoly on gold bar production, broadened the framework for gold production and imports, and required gold transactions above VND20 million to be conducted via bank accounts to enhance transparency and flow monitoring. In addition, the Prime Minister tasked the SBV with studying the establishment of a national gold exchange, tentatively for pilot implementation in 2026, aimed at improving transparency, standardizing trading, mobilizing domestic gold holdings, and narrowing the gap between domestic and global gold prices.

Fig 33. Vietnam – USD/VND exchange rates



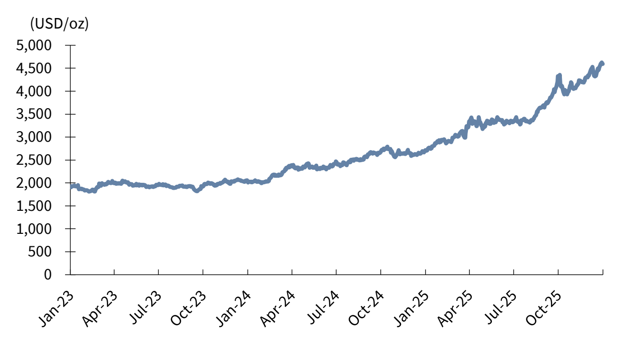
Source: Bloomberg, FiinGroup, KB Securities Vietnam

Fig 34. Global – Movements of major currencies against the USD



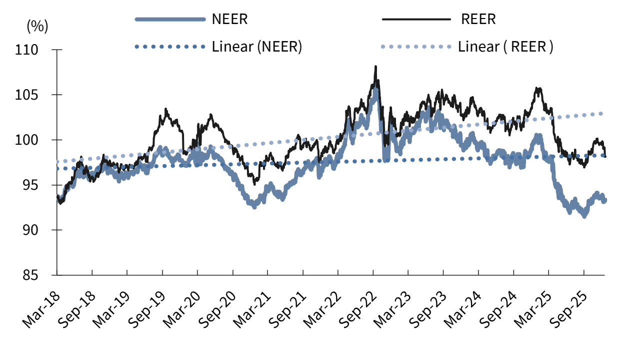
Source: Bloomberg, KB Securities Vietnam

Fig 35. Global – Gold price movements (USD/ounce)



Source: Bloomberg, KB Securities Vietnam

Fig 36. Vietnam – NEER, REER



Source: Bloomberg, KB Securities Vietnam

2. 2026F USD/VND exchange rate

The DXY is expected to slightly decline in 2026

In 1H26, we expect the DXY index to remain on a downward trend, driven by expectations of two additional Fed rate cuts, while other major central banks approach the end of their easing cycles.

By contrast, the DXY may rebound in 2H26, supported by expectations that the rate-cutting cycle will conclude during the period, lending support to the USD, and by a clearer recovery in US economic growth, led primarily by stronger investment activity as fiscal stimulus under the One Big Beautiful Bill Act (OBBBA) begins to gain traction.

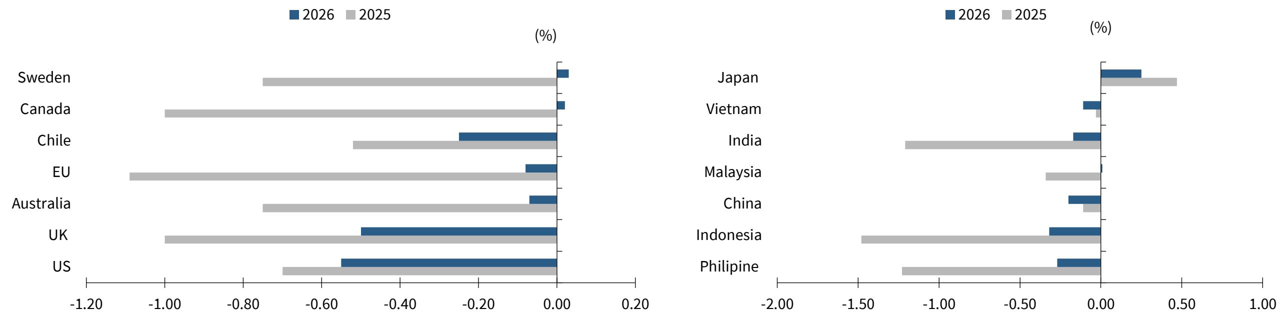
USD/VND is projected to increase 2.8-3% in 2026

In 2026, we expect USD/VND pressures to ease relative to 2025. KBSV forecasts the exchange rate to rise by 2.8-3.0% in 2026, compared with a 3.5% increase in 2025. Support for the VND is expected to come from several factors:

1) The DXY Index is expected to continue a mild downward trend in 1H26 (as discussed above).
2) USD supply is likely to improve in 2026, supported by the local market reclassification attracting foreign equity inflows, clearer Trade War 2.0 dynamics, and Vietnam's sustained long-term competitiveness in the global supply chain. In parallel, policies to bolster FDI inflows should help reduce incentives for profit repatriation by FDI enterprises.
3) The USD-VND interest rate differential is expected to remain positive, as USD rates—after multiple cuts—have fallen below VND rates, a dynamic likely to persist through 2026, thereby discouraging carry trade activity.
4) Gold market management policies, particularly Decree No. 232/2025/ND-CP, with its most significant change being the removal of the State's monopoly on gold bar production, should help narrow the gap between domestic and global gold prices and indirectly alleviate exchange rate pressures.

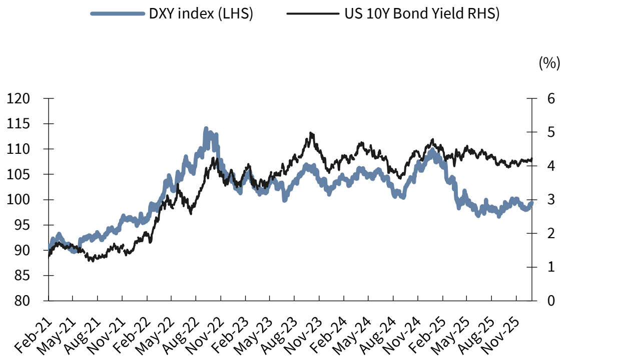
Despite these tailwinds, risks to USD/VND remain, especially in 2H26, including potential short-term rebounds in the DXY and rising USD demand alongside stronger imports, while domestic export recovery is expected to remain gradual. Nevertheless, we expect the SBV to intervene as needed to contain excessive volatility and maintain FX market stability, through tools such as USD forward sales, foreign currency liquidity management, and coordinated policy measures.

Fig 37. Global – Consensus forecast on interest rate cuts by major central banks



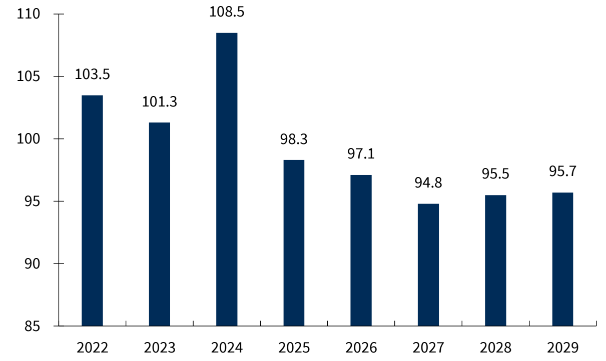
Source: Bloomberg, KB Securities Vietnam

Fig 38. US – 10Y bond yield, DXY



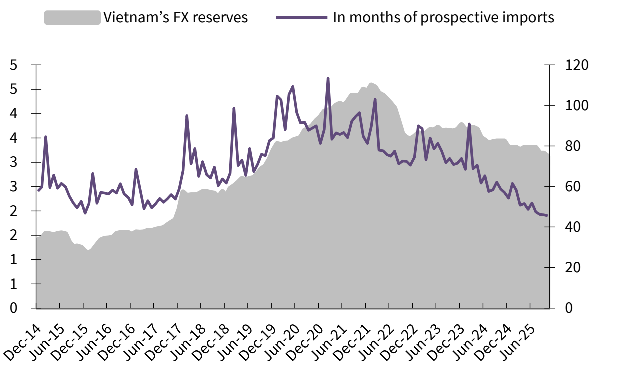
Source: Bloomberg, KB Securities Vietnam

Fig 39. Global – DXY consensus forecast



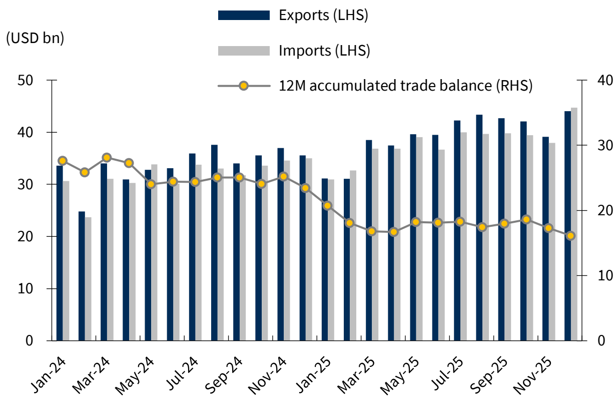
Source: Bloomberg, KB Securities Vietnam

Fig 40. Vietnam – Foreign exchange reserves (USDbn)



Source: World Bank, KB Securities Vietnam

Fig 41. Vietnam – Import – export turnover in 2025 (USDbn)



Source: General Statistics Office of Vietnam, KB Securities Vietnam

V. Interest rates

1. 2025 interest rates

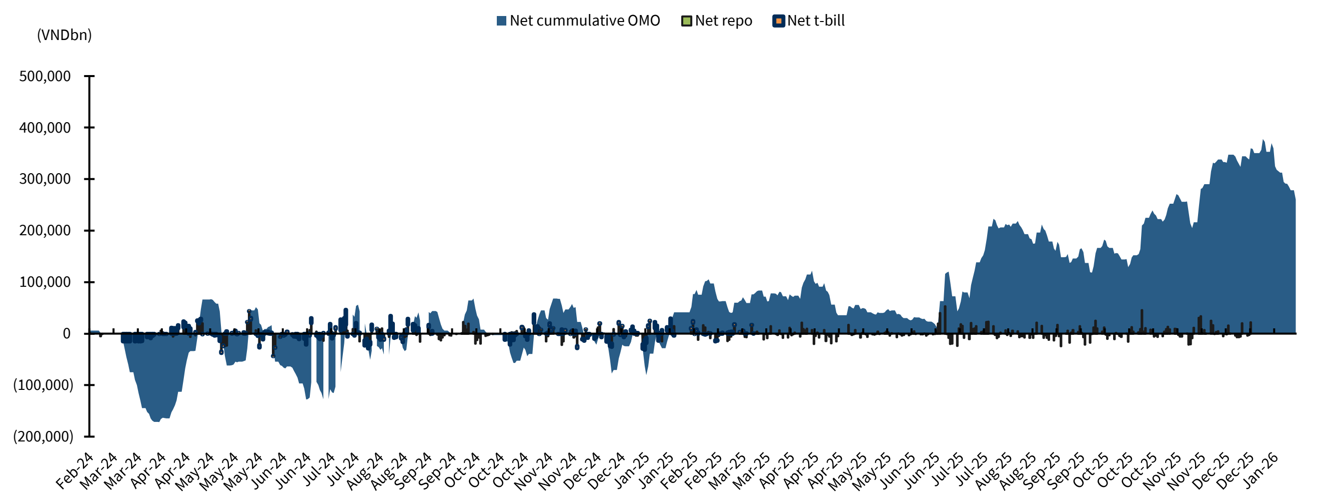
Banking system liquidity came under substantial pressure in 4Q25 but gradually eased in early 2026

Banking system liquidity remained broadly stable during the first ten months of 2025, supported by the SBV's flexible liquidity management through open market operations and treasury bill issuance.

However, liquidity pressures intensified in late November and early December, driving overnight interbank rates sharply higher to the 7-7.5% range. This tightening was driven by robust credit growth amid weak deposit mobilization in the customer market, seasonally elevated year-end liquidity demand, and a sharp rise in the state budget surplus, which reached VND249 trillion in 2025 (+19% YoY) and effectively drained liquidity from circulation. Pressures were further compounded as the SBV's room to inject liquidity via OMO narrowed, with outstanding OMO balances rising to a record VND377 trillion by end-December. In response, the SBV introduced USD-VND swap operations from 5 December 2025 to support VND liquidity and raised the OMO rate from 4.0% to 4.5%, marking the first increase since May 2024.

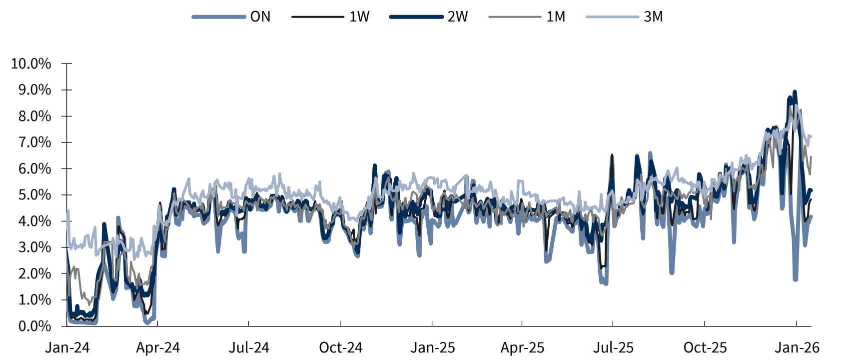
Liquidity conditions began to stabilize in early 2026, supported by stronger public investment disbursement—over VND100 trillion in the final week of 2025—and proactive deposit rate hikes by banks in 4Q25 to strengthen funding. As of 15 January 2026, overnight interbank rates had declined to around 4%, from above 7% at end-2025.

Fig 42. Vietnam – Open market operations



Source: State Bank of Vietnam, KB Securities Vietnam

Fig 43. Vietnam – Interbank interest rates (%)



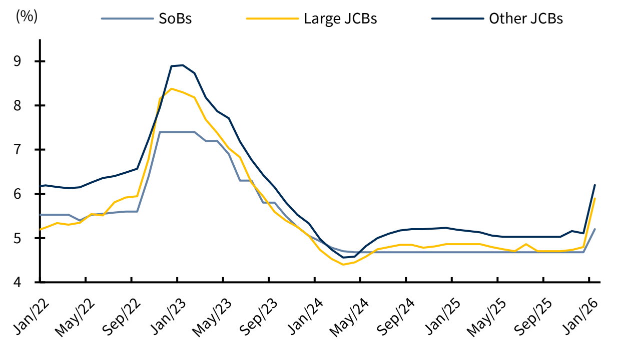
Source: Bloomberg, KB Securities Vietnam

Retail deposit rates now anchor at a higher base

Against the backdrop of tightening liquidity, deposit rates trended higher during October–December 2025. By 30 December 2025, state-owned banks had raised deposit rates by around 50bps. Among large private banks, VPB implemented two to three rate hikes of 30-50bps each, while many smaller banks had been increasing rates since August to strengthen liquidity positions.

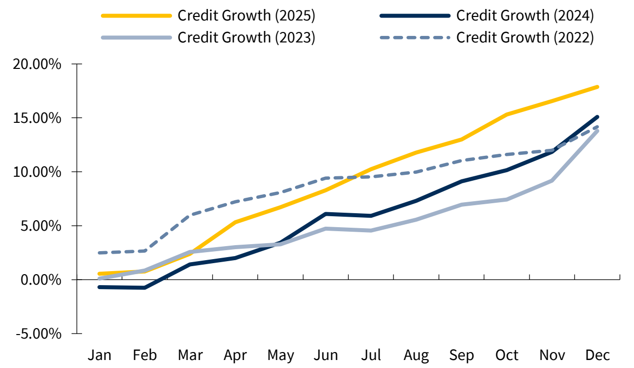
Reflecting higher funding costs, lending rates also edged up in a localized manner. As of end-December 2025, lending rates at state-owned banks rose by approximately 10-20bps, while private banks saw larger increases of around 50bps.

Fig 44. Vietnam – 12M deposit interest rates (%)



Source: Bloomberg, KB Securities Vietnam

Fig 45. Vietnam – Monthly credit growth in 2022-2025 (%)



Source: State Bank of Vietnam, KB Securities Vietnam

2. 2026F interest rates

Deposit rates are expected to rise 50–100bps in 2026

We expect deposit rates to continue rising in 2026, particularly in the first half, with rates likely to anchor around 50–100bps above end-2025 levels. The adjustment should help strengthen deposit growth, narrow the gap with credit expansion, and support a healthier, more balanced, and stable banking system.

Banking system liquidity pressures remain present in early 2026

We expect liquidity pressures to persist in early 2026, driven by several factors:

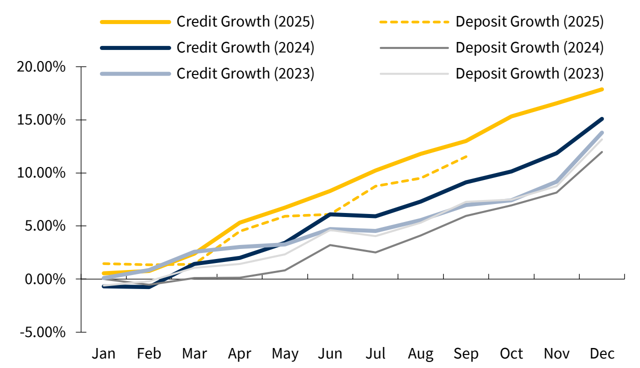
1) Credit growth outpaced deposit growth by around 4% in 2025 and is expected to remain higher in 1H26, despite some moderation in early-year credit demand and stronger deposit mobilization.
2) Loan-to-deposit ratios (LDRs) at many banks have risen close to the SBV's 85% regulatory ceiling, necessitating stronger deposit mobilization to mitigate liquidity risks. This is further compounded by maturity mismatches, as roughly 80% of deposits are short-term while around 50% of loans are medium- to long-term, raising the risk of breaching regulations on the use of short-term funding for longer-tenor lending.
3) Cash demand among households and corporates typically rises ahead of the Lunar New Year, leading to seasonal liquidity outflows. In addition, the settlement of USD4-5 billion in foreign exchange forward sales conducted in late 3Q and early 4Q25 could add pressure during February-April 2026.
4) Interbank interest rates are expected to remain at mid to moderately high levels to maintain a positive USD-VND rate differential and support exchange rate stability.

In 2H2026, we expect liquidity pressures to ease gradually, supported by several concurrent factors. Higher deposit rates in 1H26 should translate into a clearer improvement in deposit growth, strengthening system funding. At the same time, accelerated public investment disbursement is likely to channel liquidity back into the banking sector. In addition, credit growth pressures are expected to moderate relative to 2025, as the SBV targets credit growth of around 15% for 2026 while maintaining tight controls on lending to speculative sectors, particularly real estate. As a result, upward pressure on deposit rates is expected to subside in the second half of 2026.

Deposit rate trends are expected to be differentiated across banks

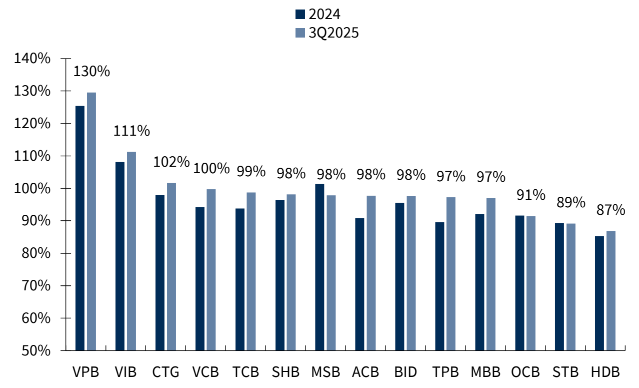
We expect deposit rates at state-owned banks to rise by approximately 50-100bps from current levels. Across the remaining commercial banks, adjustments are likely to be more uneven and materially larger, ranging from 70-150bps. Smaller banks, particularly those with limited CASA advantages, are expected to face the greatest pressure to raise deposit rates to secure funding.

Fig 46. Vietnam – Monthly deposit growth in 2023-2025 (%)



Source: State Bank of Vietnam, KB Securities Vietnam

Fig 47. Vietnam – LDR of certain banks (%)



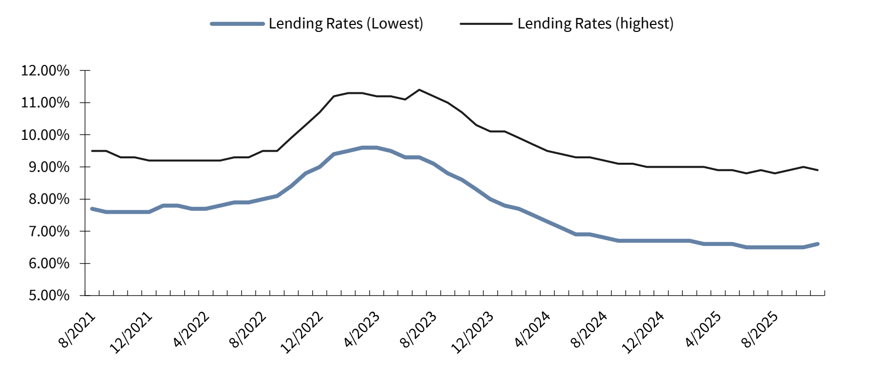
Source: Company reports, KB Securities Vietnam

Lending rates should continue to trend higher, broadly in line with deposit rates

Lending rates are expected to continue rising in 1H26, broadly tracking the upward adjustment in deposit rates. This trend is underpinned by several factors: (1) banks are likely to raise lending rates to defend NIMs, which have compressed over recent quarters and are now near historical lows; (2) tighter credit limits compared with 2025—particularly for real estate—should ease competitive pressure on loan pricing, resulting in more visible increases in borrowing costs, especially in the property sector; and (3) credit demand from corporates and households is expected to strengthen alongside economic growth.

Overall, we project lending rates to increase by approximately 50-100bps from early-2026 levels, bringing average rates to around 7.5-9.5%.

Fig 48. Vietnam – VND-denominated interest rates (%)



Source: FiinPro, 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