Vietnam Macro Bulletin

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Prepared by

S&I Ratings

Vietnam Economy Q2 2026: Growth Momentum Strengthens, Monetary Policy Becomes More Investment-Oriented

Vietnam delivered another quarter of strong economic performance in Q2 2026, with GDP expanding 8.39% year-on-year and lifting first-half growth to 8.18%, the fastest pace recorded in recent years. Growth was underpinned by a broad-based recovery across manufacturing, exports, public investment, and foreign direct investment (FDI), indicating that the current expansion is increasingly driven by productive capacity rather than credit-fueled consumption or real estate activity. While the growth outlook remains favorable, the re-emergence of a trade deficit, rising inflationary pressures, and the gradual relaxation of banking sector prudential limits warrant closer monitoring.

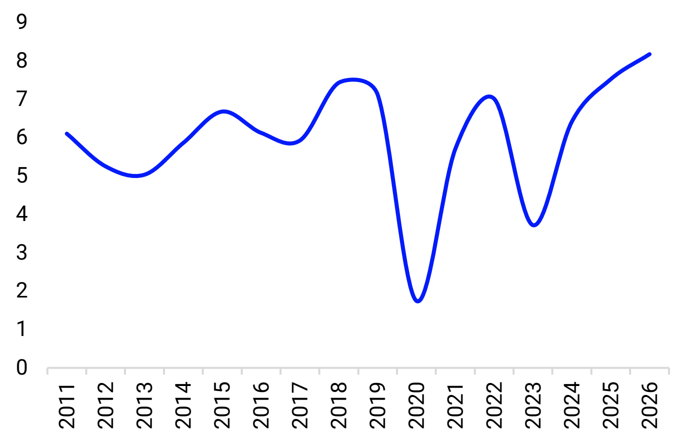
Manufacturing-Led Growth Reinforces Economic Resilience

The industrial and construction sectors remained the primary growth engines in Q2, expanding by 10.51% year-on-year. Manufacturing continued to lead the economy with growth of 10.56%, supported by robust export demand and expanding production capacity. Meanwhile, electricity and gas output rose 12.19%, providing further evidence of strong industrial activity, as power consumption is typically a reliable leading indicator of manufacturing utilization.

Construction activity also accelerated by 10.28%, reflecting stronger infrastructure spending and improving public investment execution. The simultaneous expansion of manufacturing, energy consumption, and construction suggests that the current growth cycle is broadly based and supported by real economic activity rather than isolated sectoral gains.

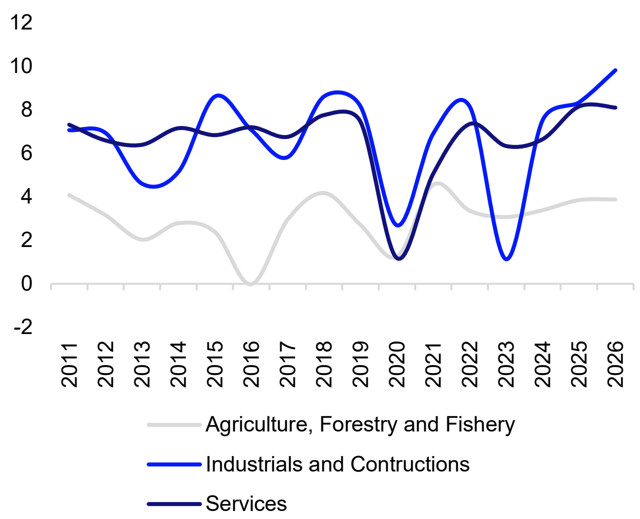
Domestic demand also remained resilient. Retail sales recorded double-digit growth during the quarter, while agriculture, forestry, and fisheries expanded 4.06%, the strongest performance in a decade. The contribution of all three major sectors of the economy has helped diversify growth drivers and reduce dependence on any single engine of expansion.

1H GDP Growth in 2011 – 2026 (% YoY)



Source: NSO

1H GDP Growth by sector, 2011 – 2026 (% YoY)

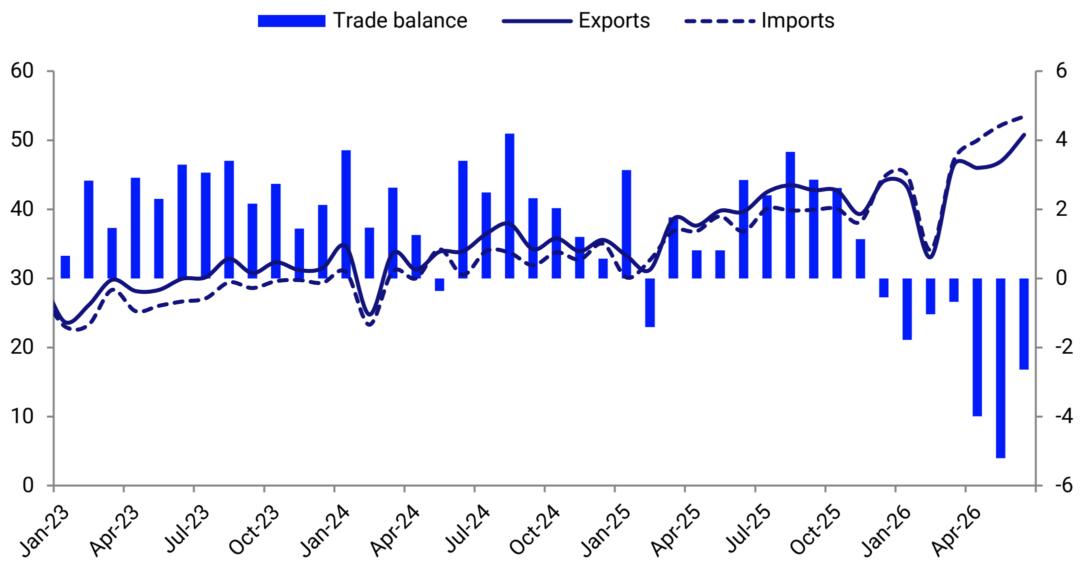


Source: NSO

Export Performance Remains Robust, Though External Balances Have Deteriorated

Export activity strengthened considerably during the quarter, with June exports surpassing USD 50 billion for the first time and growing 28.1% year-on-year. Technology-related exports remained the key driver, supported by persistent global demand for semiconductors, electronics, AI-related infrastructure, and data-center equipment. Exports of electronics and computers rose 60.8%, while machinery and telecommunications products also posted strong growth.

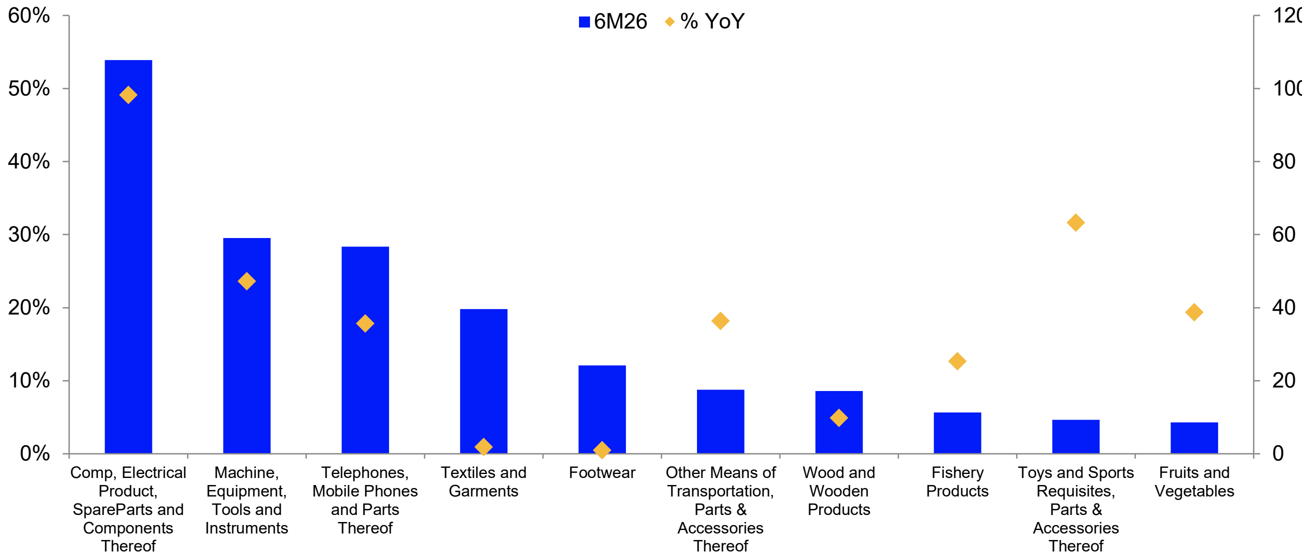
Monthly Exports, Imports and Trade balance (USD bn)



Source: Vietnam Customs

A notable improvement was observed in the domestic corporate sector, where export growth reached 15% in June. Strong performance from agricultural products, seafood, chemicals, plastics, and paper suggests that the recovery is becoming increasingly broad-based and less concentrated within the FDI sector. This development is particularly important because it implies a greater share of value-added is retained within the domestic economy.

Top exports merchandises in 1H2026 (USD bn) and YoY growth



Source: Vietnam Customs

However, imports expanded even faster, rising 45% year-on-year in June as businesses increased purchases of machinery, equipment, and intermediate goods. As a result, Vietnam recorded a trade deficit of USD 16.6 billion during the first half of the year, reversing the surplus trend observed in recent years.

While the composition of imports points to future production and export expansion rather than demand-driven consumption, the reappearance of a trade deficit nevertheless represents a key macroeconomic risk. A prolonged imbalance could place pressure on foreign exchange liquidity and complicate exchange-rate management, particularly if external demand weakens later in the year.

Public Investment and FDI Continue to Support Medium-Term Growth

Public investment has emerged as a major contributor to economic momentum in 2026. June disbursement reached approximately VND137 trillion, the highest monthly figure this year, bringing cumulative first-half disbursement to VND356.9 trillion, equivalent to 35.5% of the annual plan.

The improvement reflects progress in addressing longstanding bottlenecks related to land clearance, administrative procedures, and project implementation. Given Vietnam's traditional pattern of accelerated disbursement in the second half of the year, public investment is expected to remain an important growth catalyst, supporting construction activity, employment creation, and demand for industrial materials.

FDI also strengthened markedly. Disbursed capital reached USD13 billion in the first six months, while newly registered and additional commitments surged to USD28.4 billion, up nearly 56% year-on-year. The substantial increase in registered capital provides a positive leading indicator for future investment inflows and reinforces Vietnam's position as a preferred destination within global supply-chain diversification strategies.

Together, public investment and FDI provide two relatively stable growth pillars that could help offset potential volatility from external trade conditions during the remainder of the year.

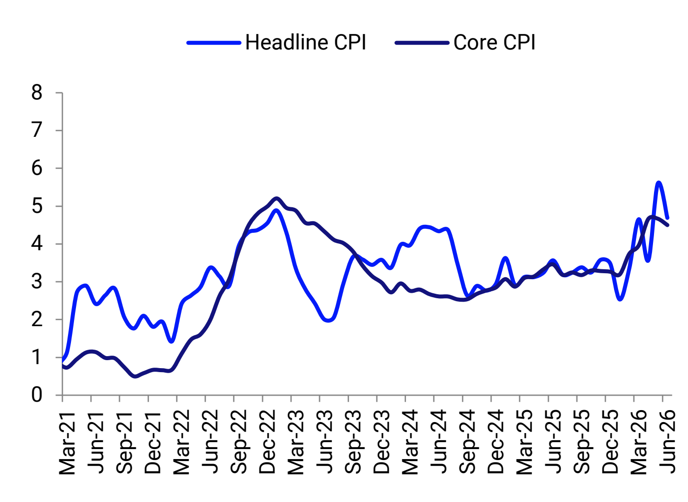
Inflation Pressures Ease but Remain Elevated

Headline inflation moderated in June as lower global oil prices translated into declining domestic fuel costs. However, average inflation for the first six months still accelerated to 4.38%, the highest level in three years.

Although inflation remains within the government's policy target range, the available room for broad monetary accommodation has narrowed. Stronger domestic demand, accelerating credit growth, and rising wage pressures may generate second-round inflation effects over the coming quarters. As a result, inflation dynamics are likely to remain an important consideration for policymakers despite the recent decline in monthly CPI readings.

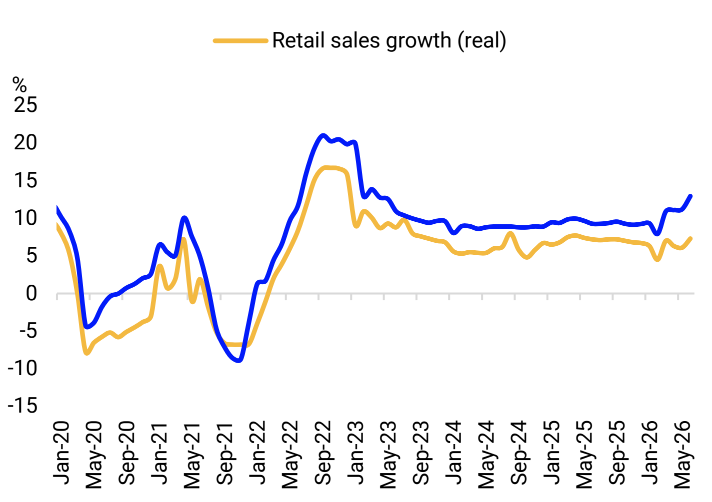
At the same time, consumer spending continues to recover steadily. Retail sales and consumer service revenue reached a record VND665.6 trillion in June, while real retail growth for the first half of the year reached 7.3%. The improvement in inflation-adjusted consumption suggests that household demand is strengthening on a genuine basis rather than being driven solely by price effects.

Headline CPI and Core CPI (% YoY)



Source: NSO

Retail sales growth (% YoY)



Source: NSO

Targeted Monetary Easing Signals a Strategic Shift in Credit Policy

One of the most significant developments during the quarter was the SBV's increasingly proactive effort to expand credit capacity through targeted regulatory adjustments rather than conventional monetary easing.

Following improved liquidity conditions in the banking system, interbank interest rates declined substantially while exchange-rate stability was maintained. More importantly, the SBV introduced a series of measures aimed at easing structural constraints on bank lending.

Circular 08 allows banks to include 20% of State Treasury term deposits in LDR calculations, effectively expanding lending capacity without materially altering liquidity risk. Shortly thereafter, Circular 25 increased the ceiling for short-term funding used for medium- and long-term lending from 30% to 40%, providing banks with greater flexibility to finance infrastructure and investment projects.

The most notable policy shift, however, was the exclusion of selected strategic national projects from banks' credit-growth quotas. Loans supporting major infrastructure projects, social housing, industrial parks, and export-processing zones will no longer consume banks' credit room, creating powerful incentives for lenders to channel capital toward government-prioritized sectors.

Taken together, these measures address three major constraints within the banking system: liquidity availability, medium-term funding capacity, and credit-growth limitations. The policy direction suggests that the SBV is increasingly focused on supporting investment-led growth while maintaining the overall framework of prudential supervision.

Outlook: Strong Growth Supported by Targeted Credit Expansion

Looking ahead, Vietnam appears well positioned to sustain relatively strong growth through the remainder of 2026. Manufacturing expansion, foreign investment inflows, and accelerating public investment should continue to provide meaningful support even if external trade conditions become less favorable.

The recent regulatory adjustments also indicate a strategic evolution in monetary policy. Rather than adopting broad-based stimulus measures, policymakers are selectively directing credit toward infrastructure, industrial development, and nationally significant projects. This approach has the potential to enhance long-term productivity and growth capacity.

Nevertheless, the strategy is not without risks. The simultaneous relaxation of several prudential indicators and targeted exemptions from credit-growth limits could accelerate leverage accumulation within the economy. In addition, increased credit concentration among large infrastructure and real estate projects may create asset-quality risks if project execution or cash-flow generation falls short of expectations.

As a result, sustaining strong growth while preserving financial stability will depend increasingly on the effectiveness of credit allocation, risk management practices, and regulatory oversight over the coming years.

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