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# Vietnam Macro Update in February 2026 and Key Information in March

## *Summary of key information:*

- Vietnam's economy continues to grow stably, particularly in exports, FDI activity, and industrial production.
- Many headwinds are emerging, including tightening domestic liquidity, elevated funding costs (interest rates), and adverse spillover effects from geopolitical tensions in the Middle East.
- The equity market is entering a corrective phase and is unlikely to stage an immediate rebound in the near term. Notably, persistent net foreign outflows in March remain a key development.
- As previously warned, the Vietnamese stock market currently offers limited opportunities for sharp upside in the short term. Nevertheless, these correction phases present rare opportunities for investors to increase exposure to selected long-term positions.
- However, the ongoing conflict in the Middle East is expected to drive profound and lasting shifts in the global economic landscape, with implications for Vietnam. In this context of heightened uncertainty, we recommend investors remain cautious, continue to monitor developments closely, and conduct necessary due diligence to be well-positioned to capture attractive opportunities that may arise in the period ahead.

## DETAILED REPORT

### Industrial Production

Industrial output in February increased by 1.0% YoY. This was expected because the Lunar New Year came later than in 2025, leading to fewer working days for manufacturing firms in 2026. For the first two months, industrial output still grew by 10.4%, which is relatively strong compared to the usual 8–9% in previous years. To achieve the 10% growth target this year, we estimate industrial output needs to grow by around 11.5–12.0%, meaning this sector still needs stronger solutions going forward.

However, industrial growth depends heavily on electricity output. With El Niño expected to become stronger in the second half of 2026, Vietnam's power supply may face pressure. Coal power will likely remain the main source in the short term, as it currently accounts for more than 50% of total output, while other sources have capacity limits. On the other hand, increasing coal use may conflict with Vietnam's climate commitments, so suitable short-term solutions are needed.

Manufacturing remains the main driver of industrial growth, with an increase of 11.5% in the first two months of the year. Electricity production and distribution grew by 6.3%, followed by mining at 5.4%, and water supply and waste treatment at 2.1%. Although growth is positive, power and energy remain short-term bottlenecks that may require government action.

Within manufacturing, metal production recorded the highest growth at 27.9%, followed by beverages (20.9%) and motor vehicles (20.3%). Paper products (20.4%) and chemicals (20.1%) also showed strong growth. These sectors are mainly driven by domestic companies, and their performance shows positive progress at the start of the year.

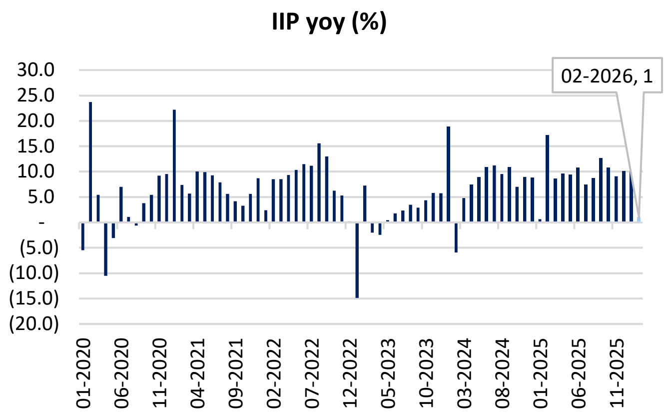
However, metal and chemical production uses a large amount of industrial chemicals, especially sulfuric acid. The conflict in the Middle East may cause supply shortages of these inputs, which could affect growth in the coming months.

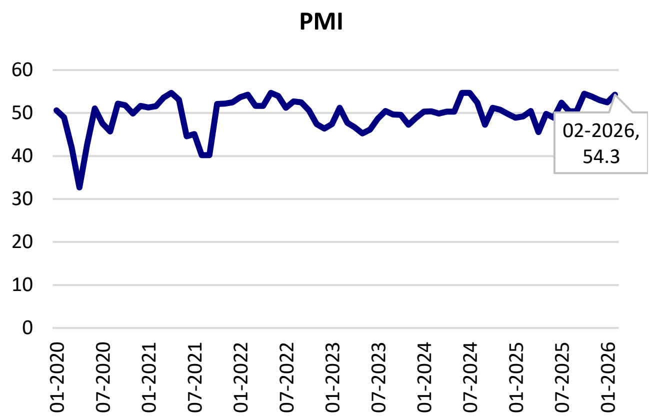
In the motor vehicle segment, strong growth is likely driven by VinFast. However, the company reported a loss of USD 3.8 billion in 2025, the highest in its history and about USD 800 million higher than in 2024. With increasing competition from major players like BYD, Xiaomi, Hyundai, and Toyota, along with higher interest rates and global uncertainties, VinFast may face more challenges in maintaining growth in the rest of 2026.

**Vietnam's PMI** in February, released in early March, rose to 54.3, reversing the decline in the previous three months. This shows an improvement in manufacturing conditions.

According to S&P Global, output increased at the fastest pace in 19 months, supported by higher new orders. Business confidence reached a 41-month high, while input costs increased at the fastest rate since June 2022.

However, these improvements may be affected by the Middle East conflict. As Vietnam is part of the global supply chain, any disruption in shipping or higher transport costs could negatively impact PMI in the coming months.




Source: GSO, S&P Global, GTJA RS team

## Retail sales

Total retail sales in February reached 613.7 trillion, up 8.5% YoY. For the first two months of the year, total retail sales of goods and services amounted to 1,236.6 trillion, increasing by 7.5% YoY. However, excluding inflation, real growth for the two-month period was only 4.5%, down from 6.3% in the previous month and also lower than the 7.2–7.3% average in 2025. This raises concerns about a slowdown in retail growth, likely driven by the goods segment due to both domestic and global factors.

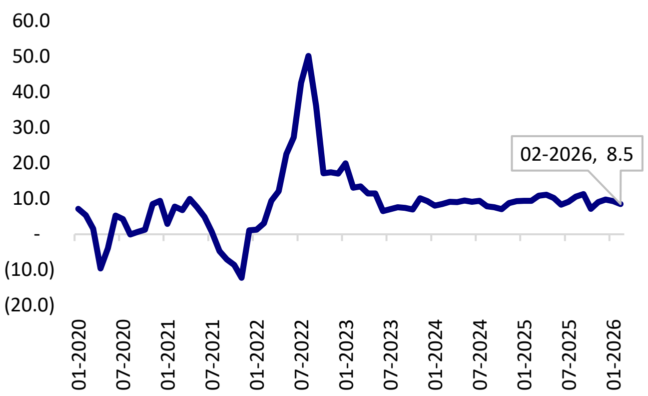
Retail sales of goods continued to account for the largest share at 76.4%, growing 8.8% in February and 7.8% in the first two months. This segment remains the key driver of overall retail sales but has shown signs of slowing recently.

Both accommodation & food services and travel services also showed signs of cooling. Accommodation & food services grew 9.7% in February, maintaining single-digit growth compared to double-digit growth in 2025. Meanwhile, travel services increased by 13.8% in February and 12.2% in the first two months, slightly lower than the nearly 20% growth seen in previous months.

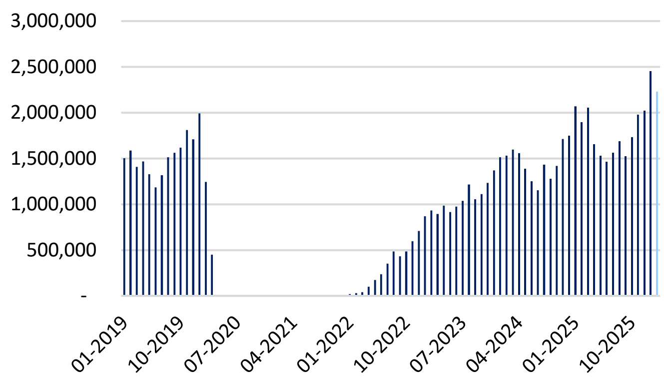
International tourist arrivals to Vietnam reached 2.23 million in February, up 17.7% YoY. In total, Vietnam welcomed 4.68 million foreign visitors in the first two months of the year, an increase of 18.1% YoY.

A notable point is that tourist arrivals from Asia grew only 7.9% in February and 10.2% over the two-month period. This is traditionally Vietnam’s main source market, with Chinese tourists playing a key role in 2025. However, over the first two months, arrivals from China declined by 3.5% YoY. In contrast, arrivals from South Korea rebounded after declining last year. While China was the largest source of tourists to Vietnam in 2025, South Korea has regained the top position in 2026. Europe has been a bright spot this year, led by Russia, with tourist arrivals increasing by 67.4% and 212.5%, respectively, in the first two months compared to the same period in 2025.

**Total retail sales growth (% yoy)**




**Foreign visitors**




Source: GSO, GTJA RS team

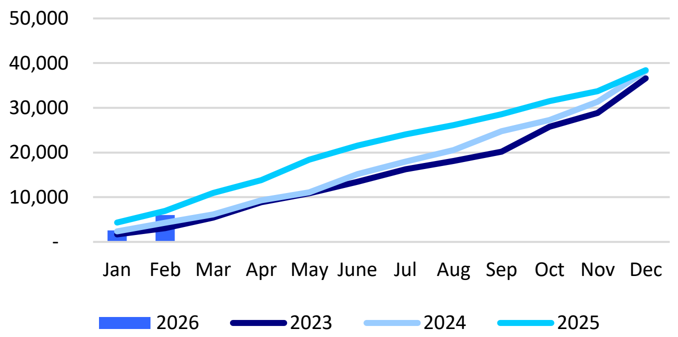
## Foreign Direct Investment (FDI)

Total registered FDI in the first two months of the year reached 3.03 billion USD, down 12.7% YoY. This marks an improvement from the sharp 40% decline recorded in January but still signals potential concerns regarding Vietnam's ability to sustain foreign capital inflows. A positive highlight is that FDI into newly registered projects rebounded, reaching 3.5 billion USD, up 59.7% YoY. In contrast, FDI into existing projects declined significantly to 1.9 billion USD in the first two months, down 54.6% YoY.

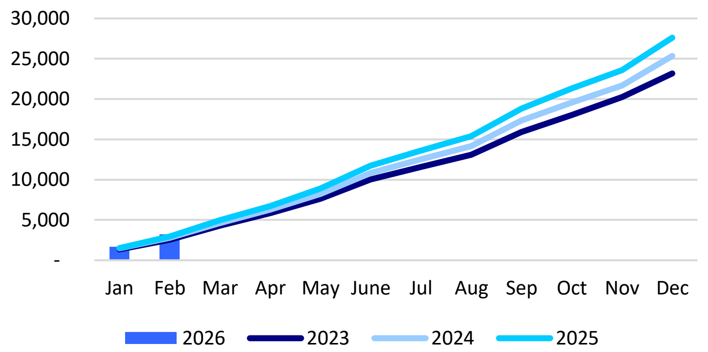
As Vietnam continues to push forward with major infrastructure projects and the development of two international financial centers in Da Nang and Ho Chi Minh City, FDI trends will need to be closely monitored to assess the country's ability to realize its growth potential.

Disbursed FDI in the first two months reached 3.21 billion USD, up 8.81% YoY. While this remains at a relatively solid growth rate, it is lower than the strong 11.26% increase recorded in January.

**FDI registered (accumulated USDmn)**




**FDI realized (accumulated USDmn)**




Source: Ministry of Planning and Investment, GTJA RS team

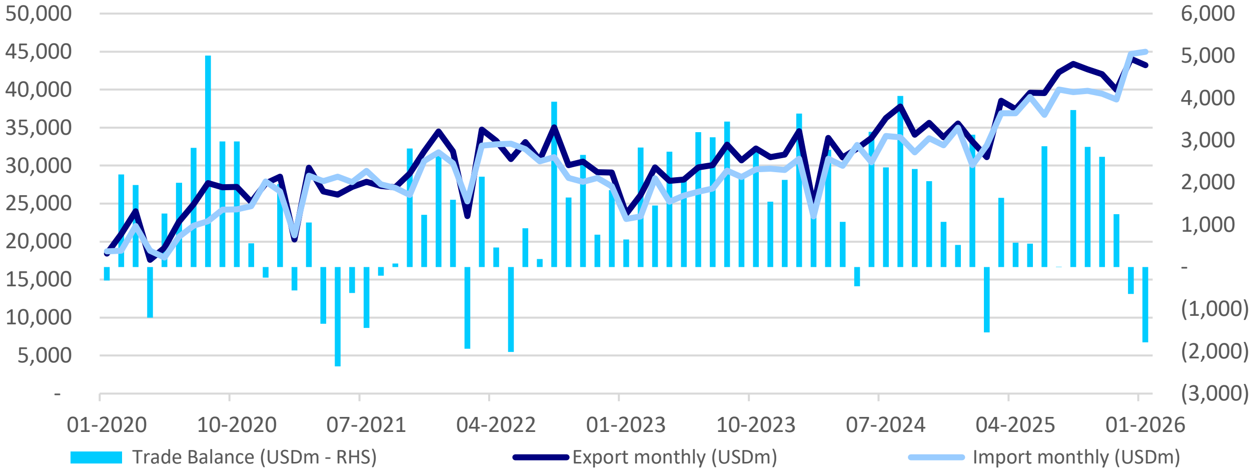
## Imports and Exports

Vietnam's trade activity in February slowed sharply compared to the same period in 2025, mainly due to the impact of the Lunar New Year holiday. In February, exports reached 33,090 million USD, up 6.4% YoY, while imports totaled 34,102 million USD, increasing 4.4% YoY. As a result, Vietnam recorded a trade deficit of 1,012 million USD for the month.

For the first two months, exports reached 76,393 million USD, up 18.8% YoY, while imports rose to 79,340 million USD, up 26.5% YoY. With imports consistently growing faster than exports, Vietnam recorded a cumulative trade deficit of 2,947 million USD in 2026.

The FDI sector continued to show strong performance, posting a trade surplus of 3,335 million USD, implying that the domestic sector recorded a deficit of over 6 billion USD. While strong trade growth is a positive signal in the short term, it also highlights structural weaknesses, as the surplus is mainly driven by foreign-invested enterprises and may not be sustainable in the long term if Vietnam loses its cost and price competitiveness.

Amid ongoing tensions in the Middle East and rising global trade and logistics costs, external pressures are likely to increase in the coming months.




Source: Vietnam Customs, GSO, GTJA RS team

## Inflation

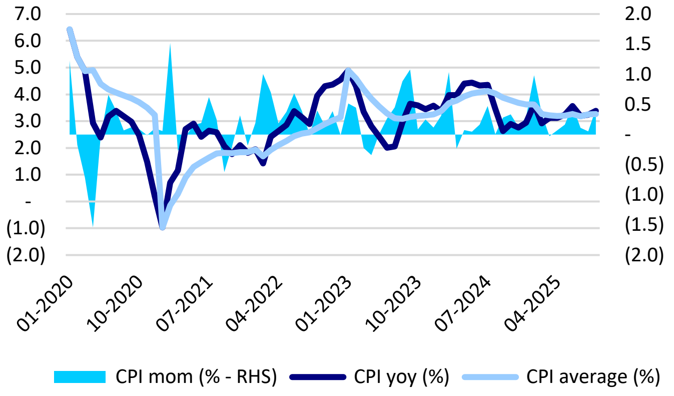
Inflation in February showed a slight increase. Monthly CPI came in at 3.35%, up around 0.8% compared to the previous month. Average CPI, the more closely watched measure and Vietnam's official inflation indicator, reached 2.94%, still well below the 4.5% target, although pressures are starting to build again.

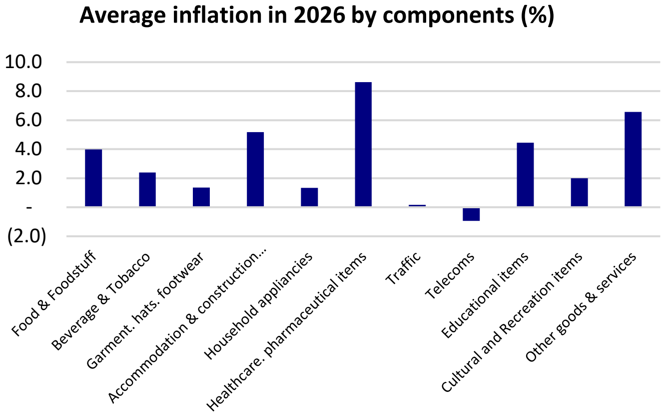
In February alone, food and housing recorded the highest price increases, rising by 5.28% and 5.6%, respectively. Other categories saw moderate increases of around 1–3%. Notably, transport declined by 3.19%, while post and telecommunications fell by 0.24%. Healthcare and pharmaceuticals remained relatively stable, increasing by only 0.74% during the month.

On an average basis, housing and construction materials recorded the highest increase at 5.6% over the first two months, followed by food at 4.46%. Transport continued to decline, down 3.48% over the same period, while post and telecommunications edged down by 0.26%.

Amid ongoing tensions in the Middle East, prices are expected to rise further in the coming months, particularly in transport, food, and construction materials. Overall, inflationary pressure in Vietnam is likely to intensify, posing risks to macroeconomic stability. That said, the government is expected to implement measures to stabilize prices and mitigate negative impacts on the economy and society.

At present, **we maintain our 2026 inflation forecast in the range of 4.0–4.5%** and will update it based on further developments in commodity markets, services, and policy actions by authorities.




Source: GSO, GTJA RS team

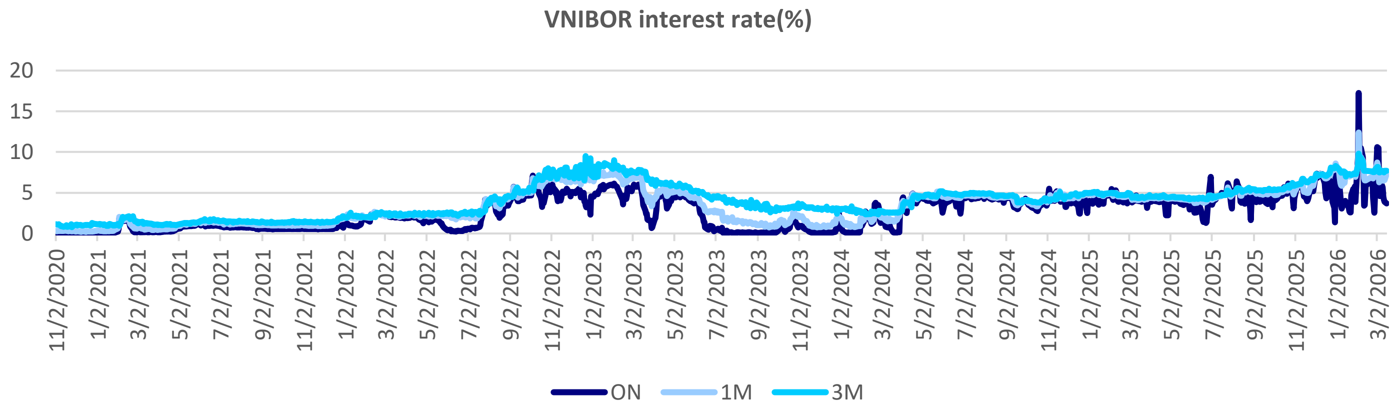
## Interest Rates and Exchange Rate

February was characterized by significant fluctuations in liquidity, as cash demand increased while overall liquidity tightened due to slower business activity. The previous period's imbalance - where deposit growth exceeded credit growth - has narrowed, further intensifying liquidity constraints in early 2026 compared to previous years.

Overall, interest rates - including interbank rates, deposit rates, and lending rates - have all increased during this period, reflecting both seasonal factors and underlying structural pressures. Informal indications suggest that the gap between deposit mobilization and credit growth has yet to improve. On the other hand, the State Bank of Vietnam and the State Treasury coordinated policy measures, allowing the Treasury's deposit cap at commercial banks to increase to 60% from 50% through the end of February to support system liquidity.

In terms of levels, deposit rates in February and early March were around 7.0–7.5% for 12-month tenors, while interbank rates for 1-month and 3-month tenors ranged from 7.5–8.0%, showing an upward trend recently.

Given current factors, including strong credit demand to support the 10% growth target, rising global prices due to Middle East tensions, and capital outflows from relatively riskier markets, Vietnam's interest rate environment is likely to follow the global trend of "higher for longer."



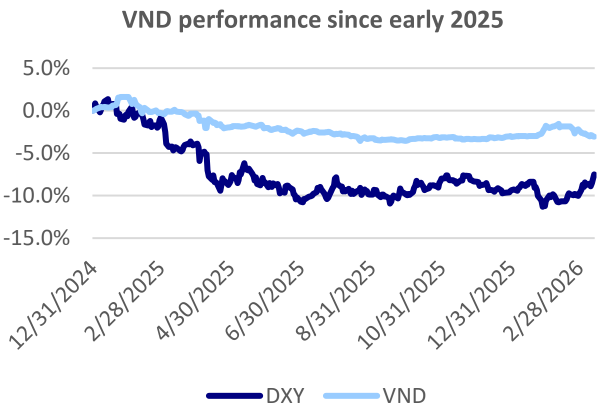

Source: Bloomberg Terminal, GTJA RS team

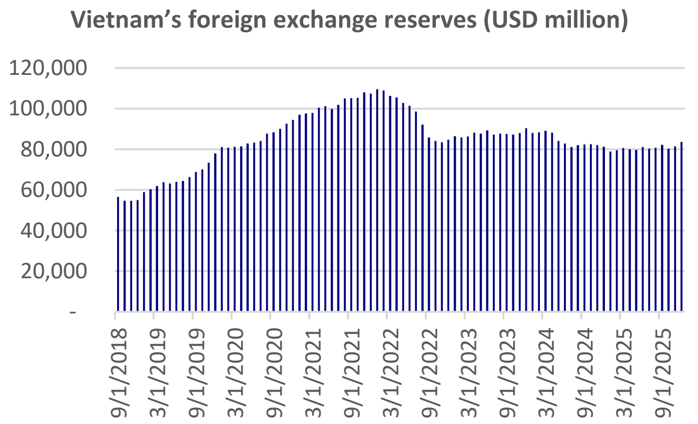
In February, the VND continued to depreciate against the USD, reflecting strong pressure on the exchange rate as the USD appreciated against other currencies. At times, the exchange rate approached the upper trading band, prompting the State Bank of Vietnam to intervene. As of mid-March, the VND remained broadly unchanged compared to the beginning of the year, while the USD had strengthened by approximately 1.8%. Overall, escalating tensions in the Middle East have supported the USD, as capital flows shift toward safe-haven assets.

Data suggests that the State Bank of Vietnam has not been able to accumulate foreign currency reserves from the market in the early part of the year, raising concerns about its ability to rebuild reserves, which are currently near the lower bound by IMF standards.

Another complicating factor is the sharp increase in oil prices. Vietnam typically spends around USD 10–15 billion annually on crude oil and refined fuel imports. With crude oil prices nearly doubling YoY—and some forecasts suggesting a potential rise to USD 150–200 per barrel (more than triple)—the country's demand for foreign currency to finance imports will increase significantly. This will place additional pressure on both foreign exchange reserves and the exchange rate.

At present, we maintain our forecast that the VND could depreciate by around 2–3%, with risks skewed toward the upper end. However, depending on upcoming developments, this estimate may be revised upward, potentially toward 5%.



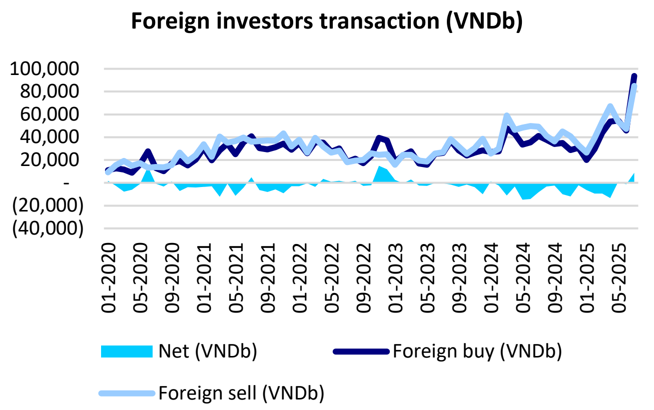




Source: Bloomberg Terminal, IMF, GTJA RS team

Foreign investors recorded a net sell of 7,846 billion VND on the Ho Chi Minh Stock Exchange in February. This trend intensified, with estimated net selling reaching nearly 18 trillion VND in March. The continued outflows are likely driven by profit-taking as the Vietnamese equity market moved to higher levels.

In addition, elevated domestic interest rates have made it more difficult for local investors to sustain market momentum. Nevertheless, as of mid-March, the stock market can still be considered to have had a relatively positive start to 2026.

As of mid-March, the VN-Index declined by around 5.1% year-to-date, compared to a gain of 5.4% at the end of February. With pressure from profit-taking, rising funding costs, and tighter liquidity conditions, the VN-Index is expected to continue testing lower levels in the coming months. A potential upside catalyst could come from Vietnam's inclusion in the FTSE Emerging Markets Index, expected around September - October this year, which may support stronger market performance going forward.

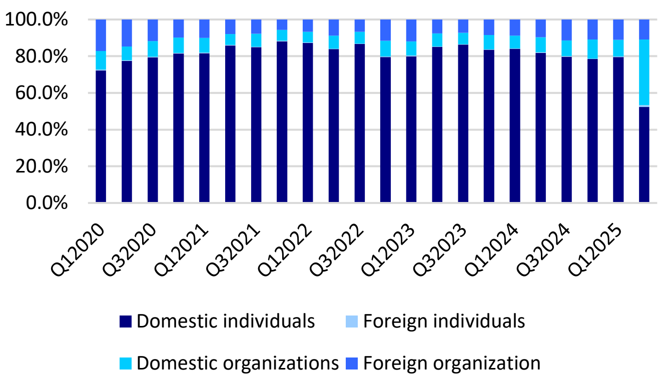


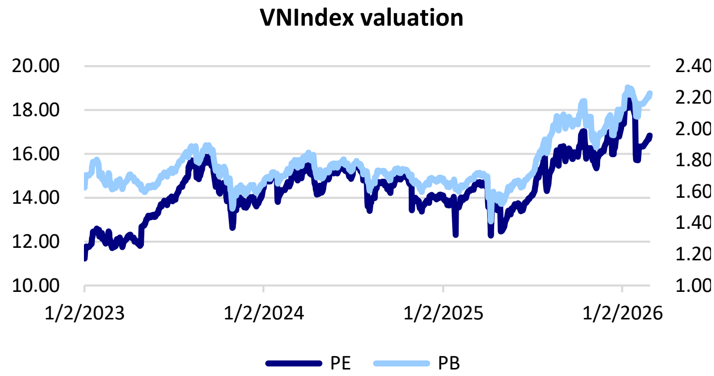


Source: Bloomberg, Ho Chi Minh Stock Exchange, GTJA RS team

As we have consistently warned, the Vietnamese stock market currently lacks strong catalysts for short-term upside. Nevertheless, these correction phases provide rare opportunities for investors to increase exposure to selected long-term positions.

However, the ongoing conflict in the Middle East is expected to bring about profound and lasting changes to the global economy, including Vietnam. In this context of heightened uncertainty, we recommend investors remain cautious, continue to monitor developments, and conduct necessary assessments before deploying capital, in order to be well-positioned to capture attractive opportunities that are likely to emerge in the coming period.




Source: Bloomberg Terminal, FiinPro, GTJA RS team

## COMPANY RATING DEFINITION

Benchmark: VN – Index. Time Horizon: 6 to 18 months

| Rating | Definition |
|---|---|
| **Buy** | Relative Performance is greater than 15%<br>Or the Fundamental outlook of the company or sector is favorable |
| **Accumulate** | Relative Performance is 5% to 15%<br>Or the Fundamental outlook of the company or sector is favorable |
| **Neutral** | Relative Performance is -5% to 5%<br>Or the Fundamental outlook of the company or sector is neutral |
| **Reduce** | Relative Performance is -15% to -5%<br>Or the Fundamental outlook of the company or sector is unfavorable |
| **Sell** | Relative Performance is lower than - 15%<br>Or the Fundamental outlook of the company or sector is unfavorable |

## SECTOR RATING DEFINITION

Benchmark: VN – Index Time Horizon: 6 to 18 months

| Rating | Definition |
|---|---|
| **Outperform** | Relative Performance is greater than 5%<br>Or the Fundamental outlook of the sector is favorable |
| **Neutral** | Relative Performance is -5% to 5%<br>Or the Fundamental outlook of the sector is neutral |
| **Underperform** | Relative Performance is lower than -5%<br>OrThe Fundamental outlook of the sector is unfavorable |

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