Macro Note

Vietnam: Growth nears double digits as 3Q26 surprises

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- **Vietnam's 3Q26 growth hit 9.95% y/y, the fastest since 3Q22.** The National Statistics Office (NSO) also revised 1Q26 up to 8.15% (from 7.94%) and 2Q26 to 8.81% (from 8.39%), lifting 9M26 growth to 9.01%. Industry and construction (+12.5% in 3Q26) and services (+9.54%) led, with gross capital formation up 17.88% in 9M26.

- **External demand and price pressures persist, but the trade balance turned positive**. Sep exports jumped 39.1% y/y and the trade balance returned to a USD1.27bn surplus after nine straight monthly deficits, though the 9M26 deficit of USD19.42bn is a record. Headline CPI re-accelerated to 5.08% y/y in Sep, and the 9M26 average of 4.52% has reached the 4.5% ceiling.

- **Raising 2026 growth forecast to 9.2% (from 8.5%) and CPI to 4.7% (from 4.1%), SBV on hold.** The official 10% target would need 4Q26 growth of roughly 12.5-13% and likely remains out of reach. With inflation above the ceiling and growth nearing double digits, pressures for tighter policy have increased. We continue to expect the central bank to hold the refinancing rate at 4.50% through 2027 in the base case but the risk is now skewed towards a hike.

Growth accelerates for a third straight quarter

Data released by the NSO (3 Oct) showed GDP growth of 9.95% y/y in 3Q26, up from a revised 8.81% in 2Q26 and above the 8.65% Bloomberg consensus and our forecast for 9%. It is the fastest quarterly pace since 3Q22. Upward revisions to 1Q26 (8.15%) and 2Q26 (8.81%) mean growth pace has accelerated in every quarter this year, taking 9M26 growth to 9.01% against 7.8% in 9M25.

By sector, industry and construction expanded 12.5% y/y in 3Q26, services by 9.54% and agriculture by 4.21%. For 9M26, industry and construction grew 11.21% and accounted for 49.62% of the increase in gross value added; services grew 8.69% (45.03%); agriculture 4.02% (5.35%).

On the expenditure side, 9M26 final consumption rose 8.51% and gross capital formation by 17.88%, the latter reflecting the public investment drive. Exports of goods and services increased 21.29% and imports 27.19%. Growth is also spreading regionally: 12 of 34 provinces and cities recorded 9M26 GDP growth of at least 10%.

Vietnam remains the fastest-growing economy in ASEAN by a wide margin.

Manufacturing and investment remain the engines

Industrial production rose 16.7% y/y in Sep, with manufacturing up 17.1% and electricity output up 15.5%. For 9M26, industrial production was up 12.3%, and retail sales of goods and services rose 13.4% (Sep: +14.1%). Electronics remain the anchor:

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exports of computers, electronics and components reached about USD111bn by mid-Sep, underscoring Vietnam's exposure to the global AI build-out.

Forward-looking indicators, however, are softer. The S&P Global manufacturing PMI eased to 51.9 in Sep from 53.3 in Aug, a three-month low, and new export orders fell for a second month at the fastest pace since Apr. Business confidence, though, rose to its highest since Feb, and output price inflation eased for a fifth month.

The investment pipeline is exceptionally strong, reflecting continued supply chain diversification and relocation into Vietnam. Registered FDI surged 76.4% y/y to USD50.36bn in 9M26, and disbursed FDI rose 12.1% to USD21.07bn, the highest nine-month level in five years. State-budget investment disbursement reached 50.5% of the annual plan by end-Aug, up 18.5% y/y, and rose 20.4% y/y in Sep, leaving roughly half of the record VND1.08 quadrillion plan to be deployed in 4Q26.

Trade balance turns positive, but the 9M deficit is a record

Sep exports rose 39.1% y/y to USD59.48bn, beating the 26.6% consensus, while imports increased 45.8% to USD58.21bn. The resulting USD1.27bn surplus is the first after nine straight monthly deficits and broadly in line with our Jul call for the balance to return to surplus towards end-2026.

For 9M26, exports grew 24.5% to USD434.30bn and imports rose 36.7% to USD453.72bn, leaving a record USD19.42bn deficit against a USD16.87bn surplus a year earlier. Energy remains the main drag: refined fuel import volumes rose 11.5% but their value surged 79.3%; crude oil volumes fell 13.5% while values rose 14.4%. Production inputs made up 94.1% of imports, consistent with capacity expansion rather than a consumption-led import boom.

The US remained the largest export market at USD140.0bn, with the bilateral surplus up 23.8% to USD122.62bn. That keeps Vietnam exposed to the Section 301 tariff regime (12.5% tier) and the 40% transshipment penalty. With 4Q seasonally strong for exports and energy prices off their peak, we expect further monthly surpluses, but the full-year balance is likely to stay in deficit and the current account surplus will be a fraction of 2025's.

Inflation: back above 5%, average at the ceiling

Headline CPI rose 0.62% m/m in Sep, lifting the inflation rate to 5.08% y/y from 4.89% in Aug, the highest since May. Transport led (+3.97% m/m) due to higher domestic fuel prices, with new-academic-year tuition fees adding to education costs. Core inflation was steadier at 4.45% y/y (+0.11% m/m).

The brief relief in Jun-Jul (4.69% and 4.45%) has reversed. 3Q26 CPI averaged 4.8% y/y, and the 9M26 average of 4.52% now sits at the 4.5% ceiling, with core averaging 4.26%. In 9M26, fuel prices rose 10.89%, resulting in housing and construction materials rising 6.68% y/y (1.26ppt contribution), food 4.72% (1.59ppt), and education 3.36% (0.21ppt).

The picture is mixed for 4Q26. Pass-through from energy remains visible, demand is strong and credit growth is still running near 16% y/y (late Aug). in contrast, PMI output price inflation has eased for five months, and the base from 4Q25 (Nov 2025: 3.58%) is higher than earlier in the year. We expect headline CPI to hover around 5% in 4Q26, pushing the full-year average to roughly 4.7% (compared to our previous projection of 4.1%), above the official target of 4.5%.

Outlook: raising growth to 9.2%, with SBV remaining on hold

Given the 3Q26 upside surprise and upward revisions to 1H26, we raise our 2026 GDP growth forecast to 9.2% (from 8.5%). This implies 4Q26 growth of about 9.7%, supported by year-end public investment disbursement, a seasonally strong export quarter, and record FDI inflows. It also allows for a slower pace than 3Q26 given the high 4Q25 base (8.46%) and softening export orders. For 2027, we raise our forecast to 8.8% (from 8.4%), as the FDI pipeline translates into capacity and Resolution 19-NQ/TW (issued on 28 Jul 2026) keeps the policy push on growth, industrial upgrading, and higher-value manufacturing.

The official 10% target would require roughly 12.5-13% growth in 4Q26 and likely remains beyond reach, though 2026 growth is set to beat 2025's 8.0% by a clear margin. Key risks include energy price spikes given the unresolved US-Iran conflict, a harsher US tariff outcome (US Midterm elections 2026: Split Congress the most likely outcome, 29 Sep 2026), power supply and other infrastructure constraints, and delays in public investment execution.

For the SBV, the trade-off has sharpened. Inflation is above the 4.5% ceiling, credit is outpacing deposits, and growth pace is near double digits. Pressures for policy tightening have increased significantly, especially with the US Fed poised to raise the Fed funds rate further (US Sep 2026 FOMC: A 25-bps hike as Fed focused on inflation, 17 Sep 2026). Yet tighter monetary policy may do little to curb largely supply-driven inflation pressures while potentially working against the government's growth objectives. We expect the SBV to hold the refinancing rate at 4.50% through 2027, relying on open market operations and credit-quota guidance, but see the risk now skewed towards a hike.

On FX, the VND has been resilient, up about 1% YTD to 25,987/USD (2 Oct), though this owes more to SBV management. With the Fed hiking to 4.00% at the Sep FOMC and two additional rate increases are expected by 1Q27, the SBV's 50bp buffer will diminish, leaving the VND more exposed to portfolio flows. A return to trade surplus, record FDI, and growth above 9% should keep depreciation orderly. Our current forecasts for USD/VND are 26,300 in 4Q26, 26,600 in 1Q27, 26,800 in 2Q27 and 3Q27. For more details, please refer to: Monthly FX and Rates Strategy - Stronger USD & higher rates as Fed embarks on new hiking cycle, 25 Sep 2026.

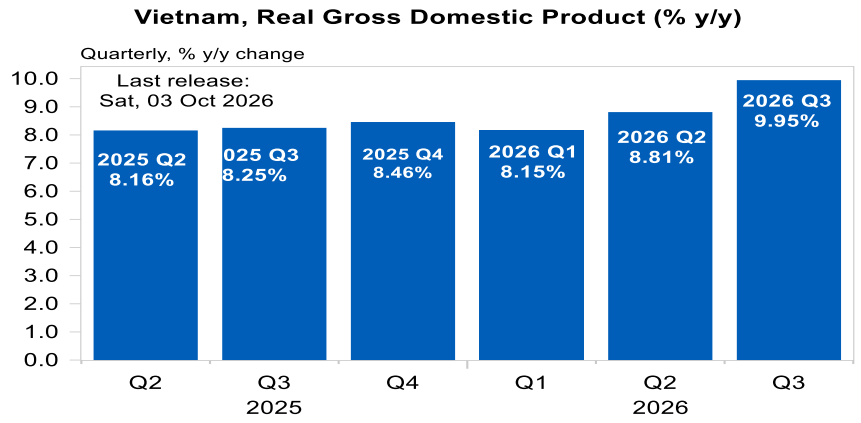
Our forecast

%	As of 5 Oct	4Q26	1Q27	2Q27	3Q27
VND Refi Rate	4.50	4.50	4.50	4.50	4.50

Source: Global Economics & Markets Research

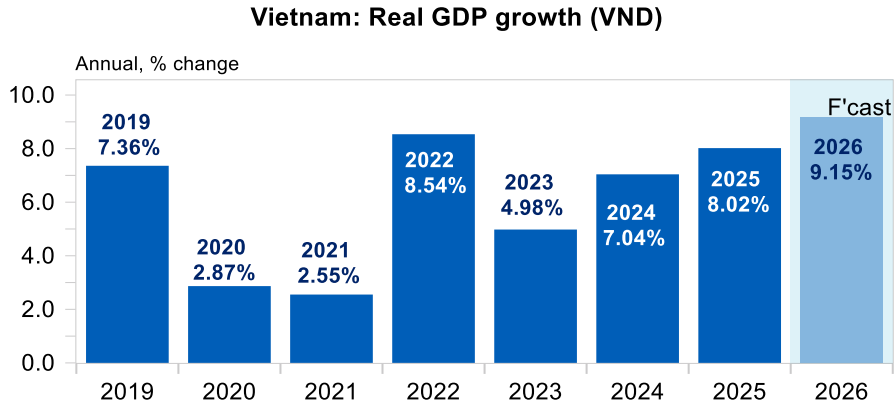
Vietnam: Quarterly real GDP growth

Source: Macrobond, UOB Global Economics & Markets Research



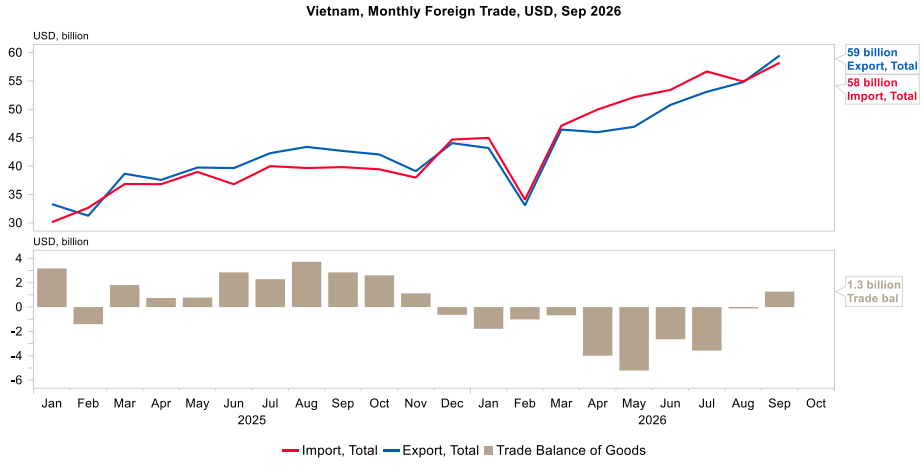
Vietnam: Annual real GDP growth projection

Source: Macrobond, UOB Global Economics & Markets Research



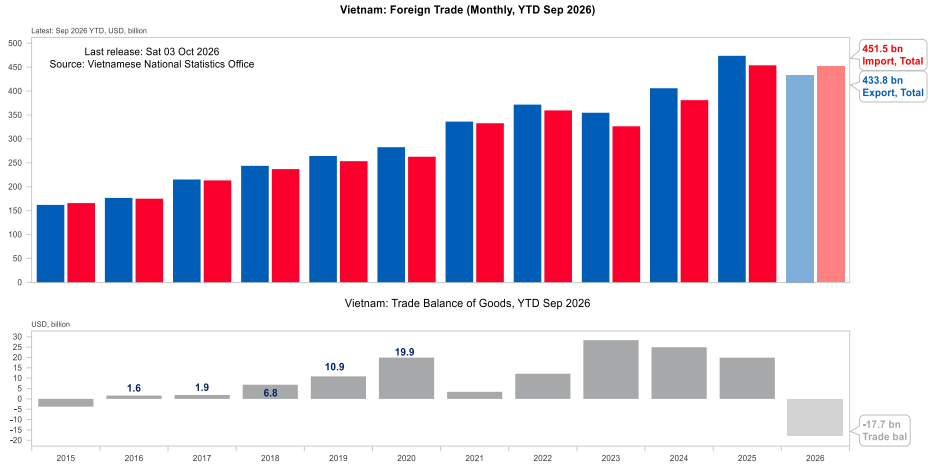
Vietnam: Exports and Imports, in USD (Monthly)

Source: Macrobond, UOB Global Economics & Markets Research



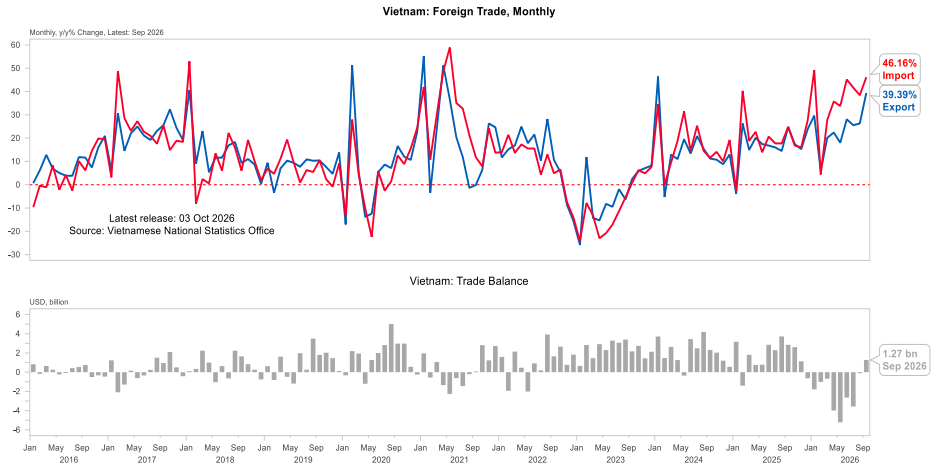
Vietnam: Exports and Imports, in USD (YTD)

Source: Macrobond, UOB Global Economics & Markets Research



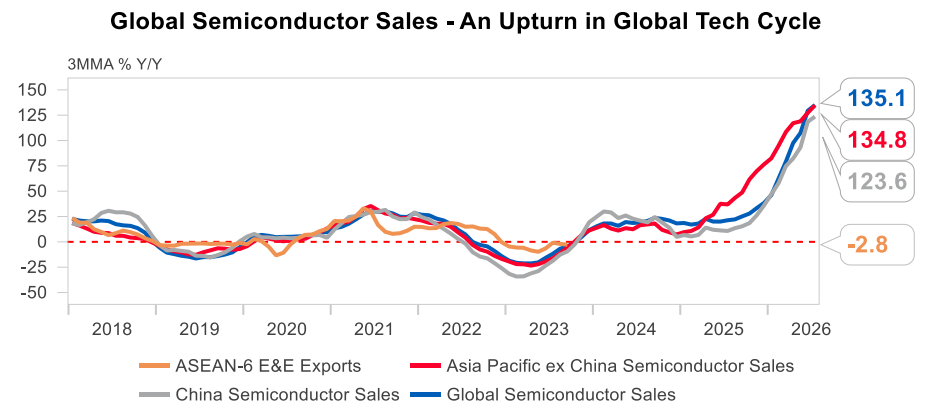
Vietnam: Exports and Imports, % y/y change

Source: Macrobond, UOB Global Economics & Markets Research



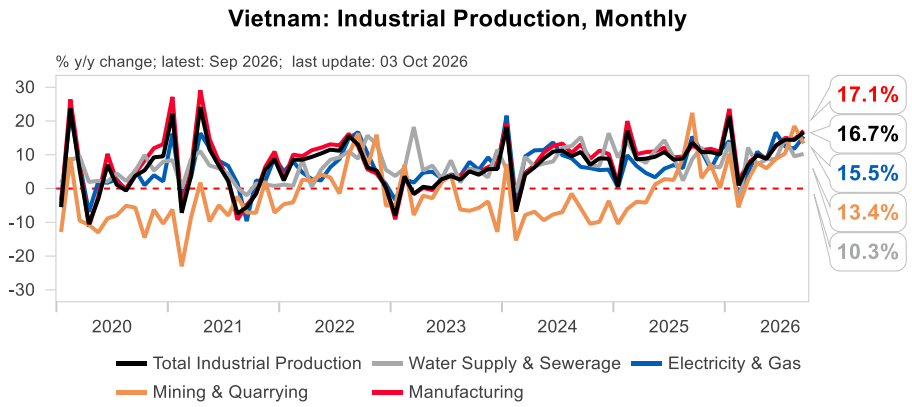
Semiconductor sales and ASEAN exports

Source: Macrobond, UOB Global Economics & Markets Research



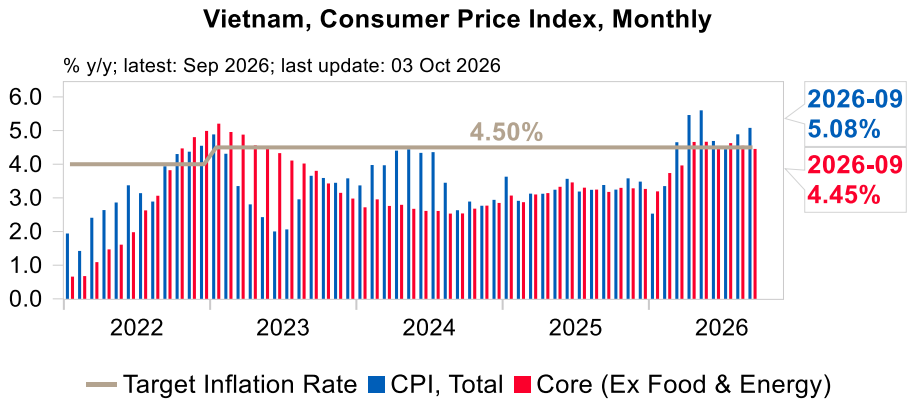
Vietnam: Manufacturing activities

Source: Macrobond, UOB Global Economics & Markets Research



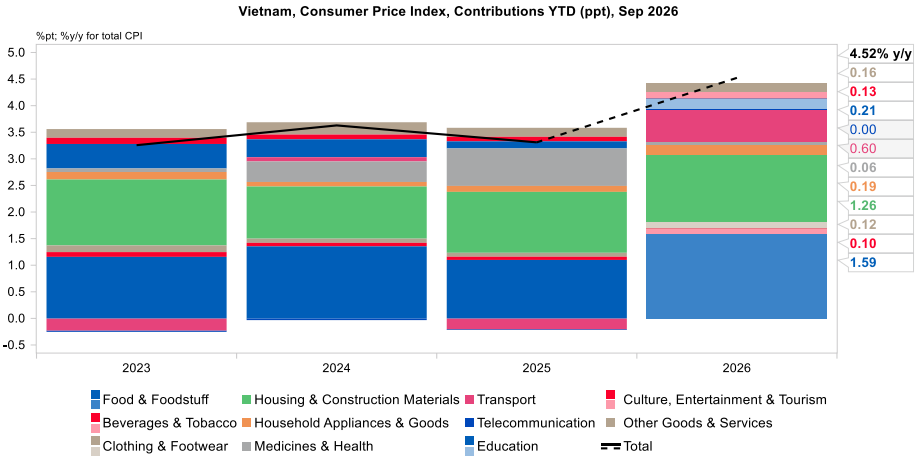
Vietnam: Consumer Price Index (CPI)

Source: Macrobond, UOB Global Economics & Markets Research



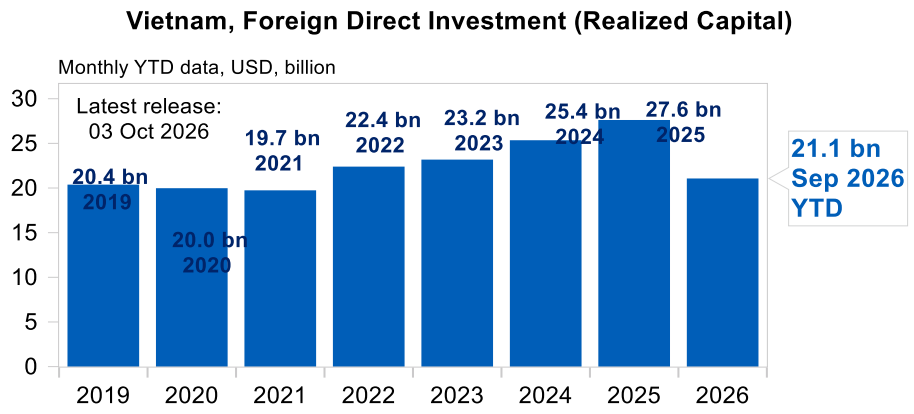
Vietnam: Consumer Price Index (CPI) contributions, YTD

Source: Macrobond, UOB Global Economics & Markets Research



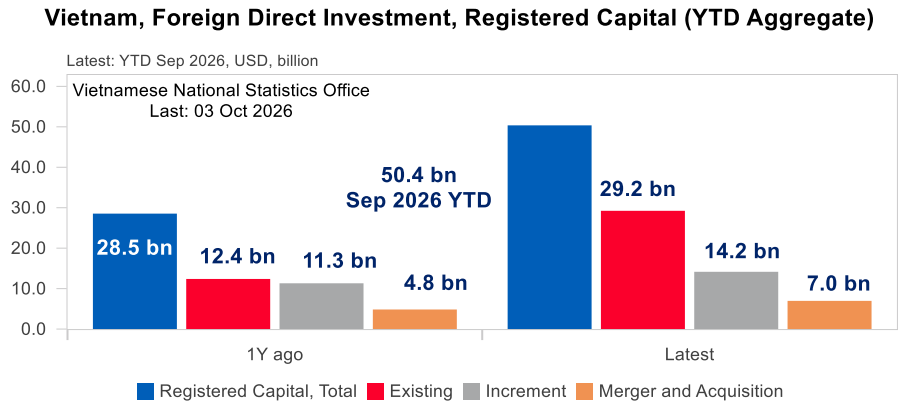
Vietnam: Realized Foreign Direct Investment (FDI) flows

Source: Macrobond, UOB Global Economics & Markets Research



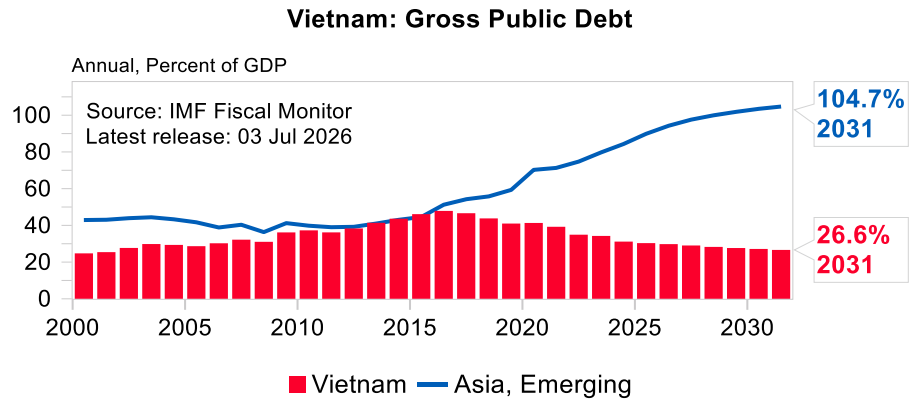
Vietnam: Registered Foreign Direct Investment (FDI) flows

Source: Macrobond, UOB Global Economics & Markets Research



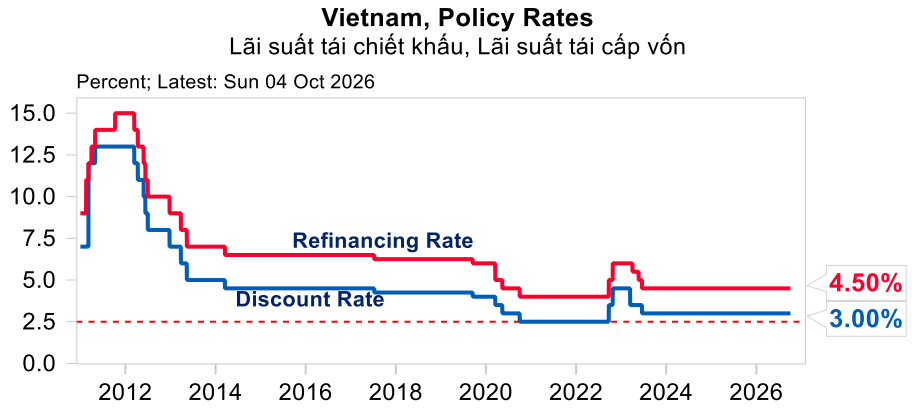
Vietnam: Gross public debt (IMF forecasts)

Source: Macrobond, UOB Global Economics & Markets Research



Vietnam: Central Bank interest rates

Source: Macrobond, UOB Global Economics & Markets Research



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