# Inflation could ease towards the 4.5% target from November

**We forecast CPI at 3.9% YoY in November and a 2026 average of 4.45%, below the 4.5% target, after E10 RON95-III petrol prices fell VND 5,130/litre in early November. Major banks cut posted deposit rates by c.50bp under Letter 9608, while three-month interbank rates rose to 7.56% and one-year CD yields held at 8.28%. A record USD 7.31 bn trade surplus supports USD/VND ahead of a possible December Fed hike.**

## Petrol and tax cuts ease inflation; term funding costs stay high

**The Fed may raise rates by 25bp in December 2026, extending its tightening cycle.** China's manufacturing PMI fell to a contractionary 49.3 in October, its first reading below 50 since July 2025.

**November CPI could ease to 3.9%, the lowest level since the US-Iran conflict.** October inflation held at 5.09% YoY as core CPI declined from 4.45% to 4.04%. A zero petrol excise tax and a 2% electricity tariff reduction should lower inflation.

**October's USD 7.31 bn trade surplus was the largest in 34 months.** Computers, electronics and components contributed USD 3.98 bn of the USD 6.04 bn monthly improvement.

**Public investment accelerated 19.8% YoY in 10M/2026, but full-year disbursement may miss plan.** Land clearance bottlenecks continue to delay major construction projects.

**Lower posted deposit rates have yet to reduce term funding costs.** Three-month interbank rates rose 39bp after Letter 9608 despite ample liquidity, while outstanding OMO lending fell to VND 113.2 tn by end-October.

### Figure 1: Pinetree's 2026 macroeconomic forecasts

Pinetree Research: selected 2026 macroeconomic forecasts

| Indicator | 10M/2026 | 11/2026 | 2026E |
|---|---|---|---|
| **GDP growth, %** | - | - | 9.3 |
| **Average CPI inflation, %** | 4.04 | 3.9 | 4.45 |
| **Credit growth, %** | 12.59 | 13.59-14.09 | 16.1 |
| **Year-end refinancing rate, %** | 4.5 | 4.5 | 4.5 |
| **Year-end 10Y government bond yield, %** | 4.47 | 4.45-4.5 | 4.5 |
| **Year-end bank USD/VND selling rate** | 25,990 | - | 26,300 |
| **Trade balance, USD bn** | -12.07 | +3 (Nov–Dec) | -9.1 |
| **Disbursed state-budget capital, VND tn** | 783.9 | <200 (Nov–Dec) | 1,042 |

Source: Pinetree Research

**Research analyst**

**Anh Duc Nguyen**
anhnd1@pinetree.vn

**Report reviewer**

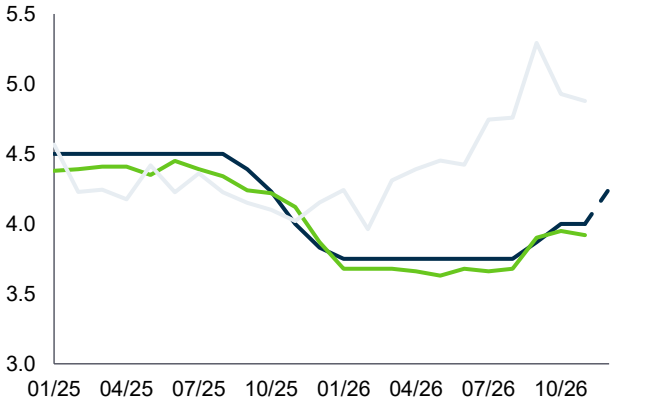
**Tam Chi Vuong, CFA, FRM**
tamvc@pinetree.vn

# Global: Fed may raise rates in December as China adjusts its policy-rate framework

**A further 25bp Fed rate hike in December 2026 would affect Vietnam primarily through the exchange rate.** The Fed held its policy range at 3.75–4.00% in October, with two members voting for another increase. Policymakers highlighted three inflation risks: Middle East-driven energy prices, tariffs and AI infrastructure investment. Futures implied an approximately 84% probability of a December hike. US economic momentum remains firm, with Q3 GDP growth at 3.4% and core PCE inflation at 3.12%. Average SOFR increased from 3.64% in August to 3.75% in September and 3.90% in October, raising USD funding costs modestly. The reported US Treasury yield fell to 4.94% by end-October, easing pressure on USD/VND. US core inflation has risen since July, suggesting that the energy-price shock has spread to stickier components of the consumer basket.

**Figure 2: Fed holds in October as futures price a December 2026 rate hike**

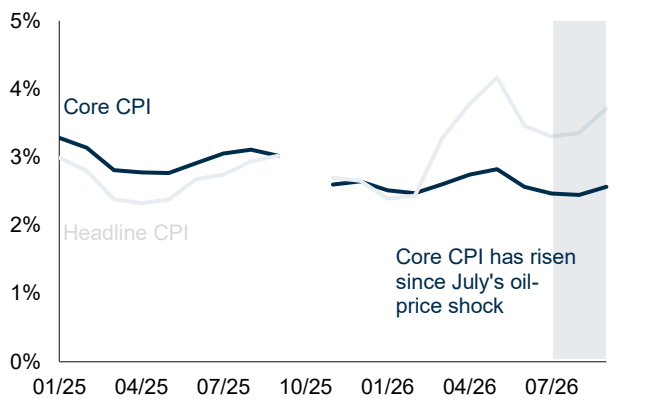
Fed upper policy-rate bound, SOFR and US 10Y Treasury yield, %; December 2026 forecast




Sources: FRED, Pinetree Research

**Figure 3: US core inflation has risen since July following the oil-price shock**

US headline and core CPI inflation, % YoY

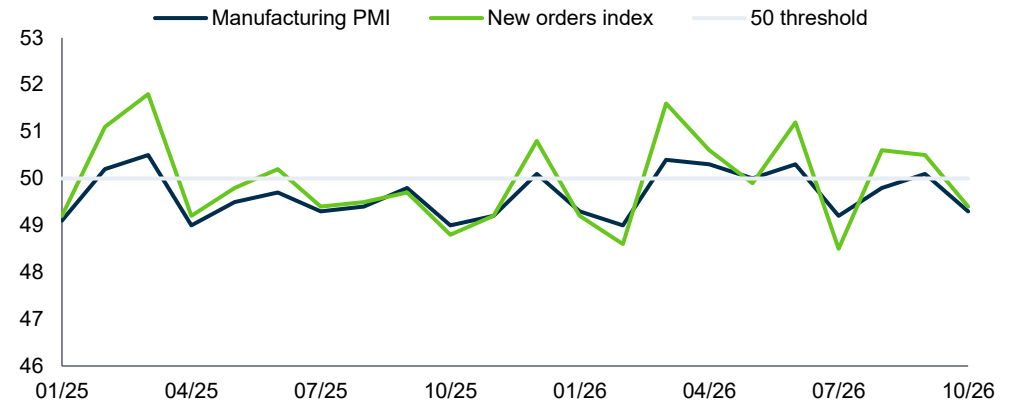



Sources: Bloomberg, Pinetree Research

**China's manufacturing activity contracted as the PBOC eased overnight funding conditions.** Official manufacturing PMI fell from 50.1 in September to 49.3 in October; new orders declined from 50.5 to 49.4 and new export orders reached 48.7. From 2 November, the PBOC began offering daily fixed-rate overnight reverse repos at 1.25%, replacing the seven-day repo benchmark of 1.40% and implying an effective 5-15bp easing. The move lowers domestic funding costs and aligns with China's efforts to stimulate demand and consumption. Lower-priced Chinese goods may reduce Vietnam's import inflation, including food-price pressures that coincided with a 2.33% fall in pork prices in October, while increasing competition for Vietnamese exporters in third-country markets.

**Figure 4: Weak new orders drove China's October manufacturing contraction**

China manufacturing PMI and new orders index, pts




Sources: Bloomberg, Pinetree Research

## Inflation: almost 20% lower petrol prices could bring November CPI to 3.9%

**Headline CPI inflation held broadly steady at 5.09% YoY in October, while core inflation eased from 4.45% in September to 4.04%.** Transport prices were the main source of pressure as petrol prices edged up to around VND 28,250/litre. Lower rice and pork prices reduced the headline CPI by 0.09pp through the food and catering category. A 2% residential electricity tariff reduction took effect late in the month and therefore had only a limited October impact.

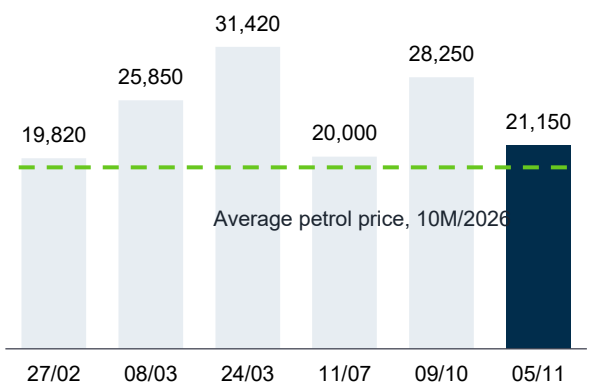
**We forecast headline CPI inflation at 3.9% YoY in November and 3.8% in December, bringing the 2026 average to around 4.45%.** Government price measures and lower global oil prices have sharply reduced domestic fuel costs, easing broader goods-price pressure.

Resolution 45/2026/NQ-CP cut the special consumption tax on petrol to zero from 1 November 2026 through 31 March 2027 (versus 8% previously on E5). E5 RON95-III petrol fell VND 5,130/litre across three price adjustments between 1 and 5 November, reaching around VND 21,150/litre, only c.7% above its pre-conflict level. Our 2012-2026 sensitivity analysis suggests a 1% change in E5 prices translates into approximately 0.039pp of CPI, implying a 0.68pp monthly disinflation contribution from petrol alone in November. Average 2026 inflation would exceed 4.5% only if E5 prices rebounded by approximately VND 2,300/litre in November and remained there through year-end. The National Statistics Office estimates that lower electricity prices could subtract 0.08pp from monthly CPI, equivalent to 0.01pp from average 2026 CPI over the final two months.

Global petrol prices have followed crude oil lower. Average imported RON92 petrol prices fell USD 14.79/bbl, or 11.61%, between price-setting rounds. The Democrats' midterm election victory has increased expectations of renewed US-Iran peace talks in November, improving sentiment among oil traders. Further oil-price declines would give the government greater room to maintain domestic fuel-price relief in the coming months.

**Figure 5: E10 RON95-III petrol falls to VND 21,150/litre, c.7% above its pre-conflict price**

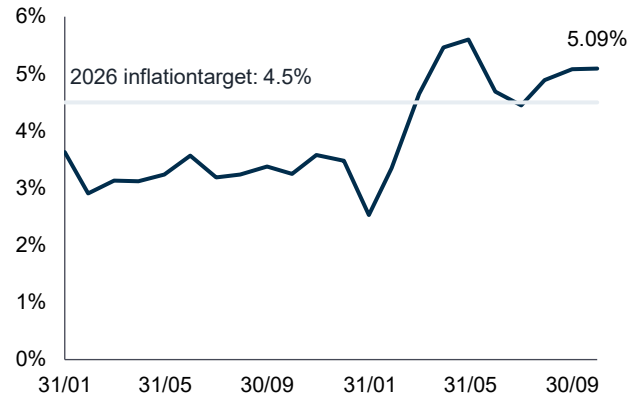
E10 RON95-III petrol prices across selected adjustments, VND/litre




Sources: FRED, Pinetree Research

**Figure 6: October CPI stabilises ahead of a potential decline in November–December 2026**

Vietnam headline CPI inflation, % YoY




Sources: FiinX, Pinetree Research

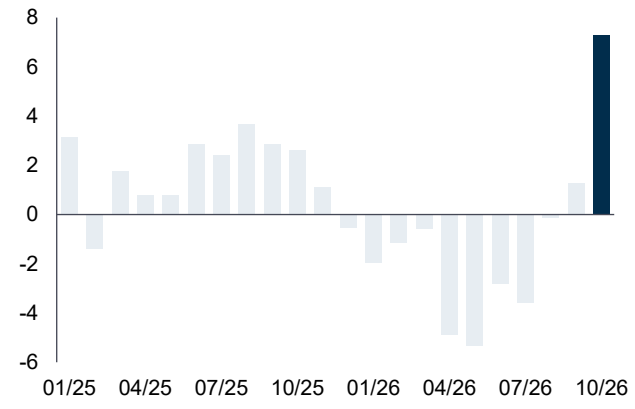
## Electronics-led trade surplus supports a stable exchange rate

**Vietnam's October trade surplus reached USD 7.31 bn, the strongest monthly reading since 2009, narrowing the 10M/2026 trade deficit to USD 12.07 bn.** The previous monthly record stood at USD 5.0 bn in August 2020. Exports rose 8.7% MoM to USD 64.67 bn, while imports declined 1.4% to USD 57.36 bn. We forecast a 2026 trade deficit of USD 9.1 bn, implying a combined USD 3.0 bn surplus in November and December. This compares with an average USD 4.3 bn monthly surplus in September–October, as the pause in non-electronics imports during October looks temporary and imports could recover towards year-end. Maintaining October's surplus for each of the final two months would instead imply a full-year surplus of c.USD 2.5 bn.

**Domestic manufacturing continued to expand, although FDI exporters drove the trade surplus.** Industrial production rose 14.98% YoY in October, including 18.61% growth in electronics, while manufacturing PMI increased from 51.9 to 52.3 despite weaker new export orders (Figure 8). Exports by FDI enterprises grew 61.2% YoY versus 13.5% for domestic enterprises.

**Figure 7: Vietnam records a USD 7.3 bn October trade surplus, the largest since August 2020**

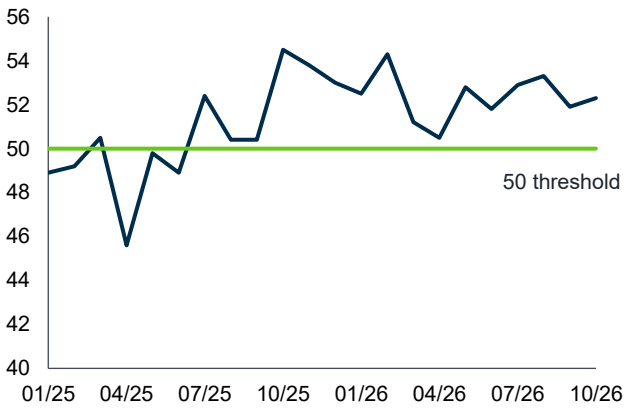
Vietnam's monthly trade balance, USD bn




Sources: FiinX, Pinetree Research

**Figure 8: Vietnam's manufacturing PMI rises to 52.3 in October 2026**

Vietnam manufacturing PMI, index



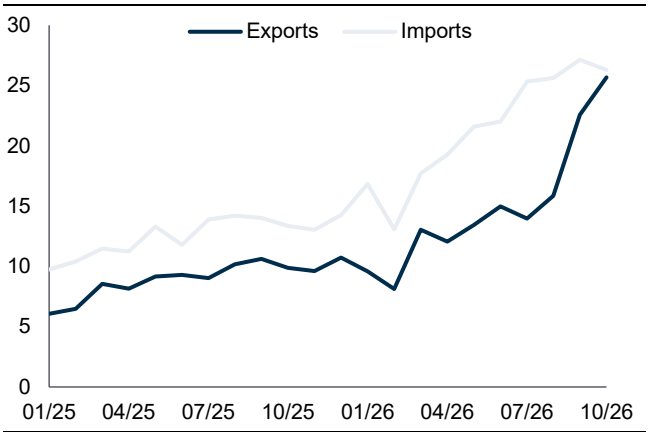

Sources: S&P, Pinetree Research

**Computers, electronics and components contributed USD 3.98 bn to the USD 6.04 bn improvement in the trade balance.** Exports in this segment increased USD 3.12 bn to USD 25.68 bn, or 2.6x the year-earlier level, while imports fell USD 0.86

bn, narrowing the segment deficit from USD 4.58 bn to USD 0.60 bn. The segment now imports USD 1.02 for each dollar of exports, down from USD 1.35 a year earlier. Other sectors contributed USD 2.06 bn, chiefly through a rise in non-electronics exports from USD 36.9 bn to USD 39.0 bn as related imports remained flat. We link the strength in electronics to the AI capital expenditure cycle: US corporate investment in information-processing equipment rose 37.4% YoY in Q3, while South Korea's October semiconductor exports reached USD 56.7 bn, or 3.6x the year-earlier level (Figure 10).

**Figure 9: Surging electronics exports account for most of October's trade surplus**

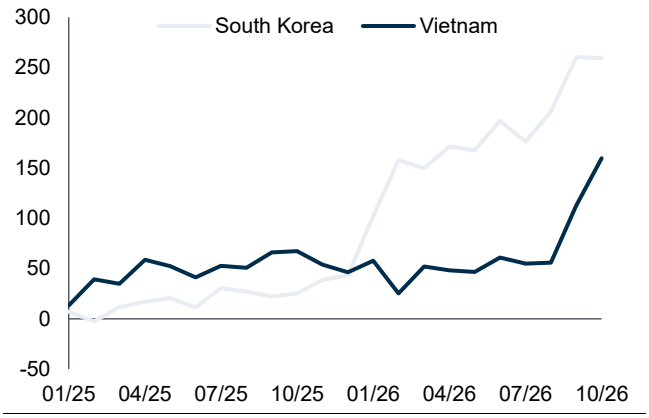
Electronics exports and imports, USD bn




Sources: FiinX, Pinetree Research

**Figure 10: Korean semiconductor and Vietnamese electronics exports rise in tandem**

Export growth: Korean semiconductors versus Vietnam's computers, electronics and components, % YoY

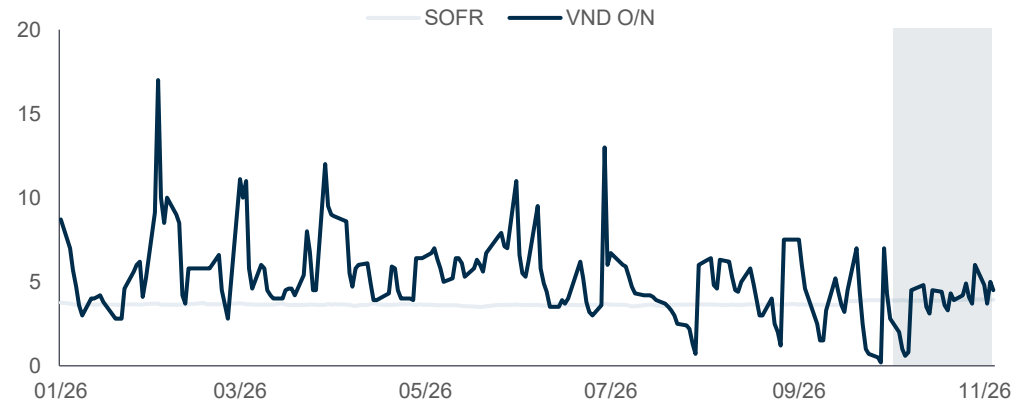



Source: Korea Customs Service, National Statistics Office, Pinetree Research

**The record trade surplus helped stabilise USD/VND in October.** The National Statistics Office reported a 0.26% MoM fall in the domestic USD price index, down 1.26% YoY, while the 10M/2026 average rose 0.78%. Vietcombank's USD selling rate fell 0.65% from VND 26,160 on 30 September to VND 25,990 on 30 October, despite a 0.58% rise in the DXY. The overnight VND–SOFR rate spread remained negative at 3.52% versus 3.90% in October, but narrowed from -1.5pp in September (Figure 11), reducing carry-related exchange-rate pressure. A potential Fed hike in December remains the main risk. Historically, the SBV has raised rates when the dong depreciates by 2% within three months; a further two months of trade surpluses would make this outcome less likely. We forecast a year-end 2026 bank USD selling rate of around VND 26,300.

**Figure 11: The USD–VND overnight interest-rate differential narrows in October**

VND overnight interbank rate and US SOFR, %




Sources: Bloomberg, Pinetree Research

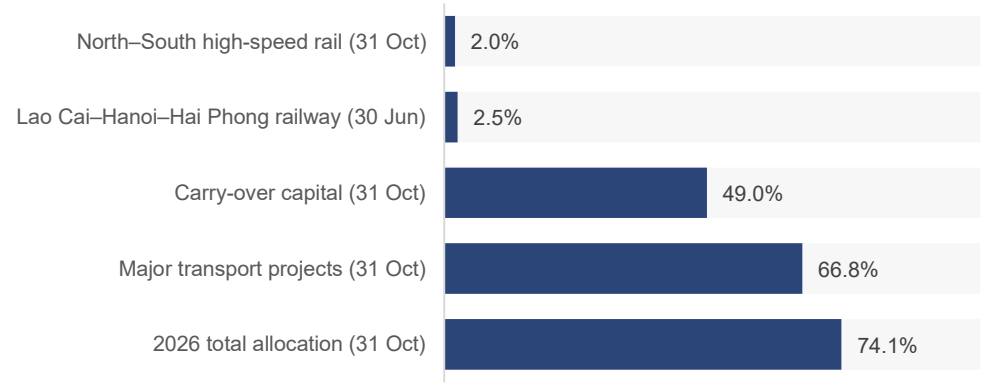
## Public investment accelerates, although 100% execution remains unlikely

**The Ministry of Finance reported VND 708.6 tn in public investment disbursement by 31 October, equivalent to 74.1% of the Prime Minister's VND 955.9 tn allocation.** The execution ratio stood at 62.9% at end-September, implying approximately VND 107 tn of disbursement in October. The remaining VND 247.3 tn, or 25.9% of the plan, would require monthly disbursement of VND 124 tn in November–December. Carry-over allocations from previous years reached just VND 67.5 tn, or 49% of plan. Separately, the National Statistics Office reported VND 783.9 tn in disbursed state-budget investment in 10M/2026, up 19.8% YoY and equivalent to 69.0% of plan versus 64.3% a year ago.

We expect 2026 public investment disbursement to fall short of the full allocation, while still providing a growth impulse in Q4. Our 2026 forecast for executed state-budget investment is VND 1,042 tn, up 22% YoY. Major transport projects have executed 66.8% of their allocations: by end-October, authorities had earmarked VND 181.9 tn (19% of the national plan) and disbursed VND 121.5 tn. Six projects target completion or substantial completion in 2026, with another ten scheduled for later years. Two large rail projects have made the least progress. As of 30 June, the North–South high-speed railway had disbursed VND 1.07 tn, or 2% of its VND 56.9 tn allocation, while the Lao Cai–Hanoi–Hai Phong railway had disbursed nearly VND 1.2 tn, or 2.5%. These projects represent 75.6% of the Ministry of Construction's 2026 capital allocation, while authorities have postponed the high-speed railway's land clearance timetable from Q3/2026 to Q4/2028.

**Figure 12: 10M/2026 public investment reaches 74.1% of plan, two rail projects remain at 2-2.5%**

2026 public investment disbursement as a share of allocated capital, %




Source: Ministry of Finance, Pinetree Research

## Posted deposit rates decline under Official Letter 9608, while term funding costs stay high

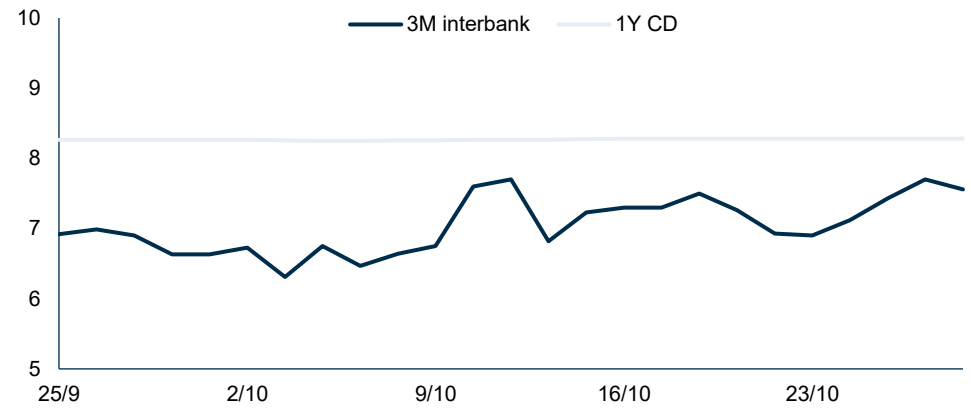
**The SBV directed commercial banks to lower deposit and lending rates under Official Letter 9608/NHNN-CSTT of 18 October, prompting cuts in posted rates.** The directive requires at least a 50bp cut in posted deposit rates for tenors of six months or more, and a 150-200bp reduction in lending rates for production, business and priority sectors. Official Letter 9736/NHNN-CSTT of 21 October subsequently required at least a 50bp reduction in average rates on newly originated deposits. By end-October, 29 banks had cut posted deposit rates, typically by 50bp for tenors of at least six months. On 28 October, BIDV, MB, Techcombank and VPBank each cut six- and 12-month deposit rates by 50bp, reducing their average 12-month rate from 6.31% to 5.81%.

**Term interbank funding costs rose rather than declined following Official Letter 9608.** Three-month interbank rates averaged 7.30% over 19-29 October, up 39bp from 6.91% over 1-16 October, and reached 7.56% on 29 October. One-year CD yields remained within 8.25-8.28%. Outstanding OMO lending declined from VND 133.3 tn on 2 October to VND 113.2 tn on 3 November, while overnight interbank rates fell to 3.74% on 29 October. We see term funding costs as the central constraint: banks losing deposits to lower posted rates may need to replace them with wholesale funding that costs 130-460bp more.

**We expect bank net interest margins to contract from Q4/2026.** The 150-200bp lending-rate cuts for priority borrowers are three to four times the 50bp deposit-rate reduction, while wholesale funding costs remain elevated. Banks with high exposure to priority-sector lending and interbank funding face the greatest pressure. We forecast three-month interbank rates at 6.5-8.0% and one-year CD yields at 7.9-8.5% by year-end, with the refinancing rate unchanged at 4.5%.

**Figure 13: Three-month interbank rates reach 7.56% after Letter 9608; one-year CD yields hold at 8.28%**

Three-month interbank rates and one-year CD yields, 25 September–29 October 2026, %




Sources: SBV, VBMA, Pinetree Research

## Event calendar

### Figure 14: November–December 2026 economic calendar and Pinetree forecasts

Economic event calendar and Pinetree Research assessment

| Date | Release or event | Reference period | Market implications |
|---|---|---|---|
| **Every Thursday** | Petrol price adjustment | - | Should ease inflation over the coming months |
| **11 November (effective after 30 November close)** | MSCI announces November index review | - | Month-end rebalancing could cause near-term trading fluctuations in Vietnamese constituents of the MSCI Frontier Markets Index |
| **Mid-November** | SBV releases credit and deposit data | 10/2026 | Slower deposit growth would point to tight system liquidity and limited room for further rate cuts |
| **19 November and 17 December** | VN30 futures expiry | - | Expiry-related flows could increase volatility in VN30 stocks over the following sessions |
| **1 December** | Circular 50 takes effect; the 85% cap remains binding | - | The cap limits banking system credit growth headroom and weighs on bank earnings expectations |
| **Early December** | National Statistics Office releases CPI, industrial production and export data | 11/2026 | The data will inform expectations for GDP growth and scope for monetary easing |
| **8–9 December** | FOMC meeting, Summary of Economic Projections and dot plot | - | A hawkish Fed signal could lift US yields and the dollar, prolong foreign equity outflows and pressure USD/VND |
| **31 December** | VAT reduction expires (Resolution 204/2025/QH15) | - | January 2027 CPI inflation could increase by c.0.4pp to c.4.4% YoY |
| **December** | 2027 credit growth quotas | - | Credit quotas will shape interest-rate conditions throughout 2027 |

Source: Pinetree Research

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|---|---|
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| SELL | Expected 12-month total return below -10% |
| UNDER REVIEW | A new event has made the forecasts no longer appropriate, so the previous rating and target price are withdrawn. This status is updated within 30 days or changed to NOT RATED. |
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## Contact

**Tam Chi Vuong, CFA, FRM**

Head of Research

tamvc@pinetree.vn

**Quang Phan Thanh Tieu**

Senior Equity Analyst

quangtpt@pinetree.vn

**Anh Duc Nguyen**

Senior Market Analyst

anhnd1@pinetree.vn

**Duc Doan Nguyen**

Videographer

ducnd@pinetree.vn

**Anh Tuan Dao**

Videographer

anhdt@pinetree.vn