



Macro View

Vietnam Economy To Seek High Growth Under Stronger Leadership of To Lam

- General Secretary, To Lam, has obtained stronger leadership after unanimous vote
- Policy mix between more proactive fiscal policy and some cautious monetary policy
- VND to appreciate; positive impact on Vietnam financial markets

General Secretary, Lo Lam, has obtained stronger leadership

Vietnam Communist Party held the 14th Congress from 19 to 23 Jan. During the session, on 22 Jan, the Party elected 180 Central Committee members and 20 alternative members. Luong Cuong, the 2nd rank in the 13th period and Pham Minh Ching, the 3rd rank in the 13th period, were not elected even as Central Committee members in the 14th period. President and Prime Minister should be replaced at Parliament session, which is expected to be convened late May. The new Central Committee members elected 19 Politburo members at the first Plenary session on 23 Jan. Among Politburo members, To Lam has been elected as General Secretary again unanimously. The result suggests that he has obtained stronger leadership. He is expected to assume President also at the next Parliament session, which is likely to be held late May (Exhibit 1). Tran Cam Tu, who has been promoted to the third position in the 14th period, is expected to continuously assume Standing member of secretariat. He has assumed this position since 25 Oct 2024, even during the 13th period. We can judge that To Lam may beef up leadership of Party, if Tu's position is included in the "new four pillar. Bloomberg reported that Le Minh Hung shall assume Prime Minister. Mr. Hung is famous as macro policy maestro because he obtained good experience as SBV Governor from Apr 2016 to Oct 2020. Government can communicate with SBV more smoothly, if Mr. Hung is appointed as Prime Minister.

(Exhibit 1) Four Pillars in Party

ranking	the 14th		expected title	the 13th	incumbent title
1	To Lam	reelected	General Secretary, President	To Lam	General Secretary
2	Tran Thanh Man	reelected	Chief of National Assembly	<u>Luong Cuong</u>	President
3	Tran Cam Tu	reelected	Standing member of Secretariat	<u>Pham Minh Chinh</u>	Prime Minister
4	Le Minh Hung	reelected	Prime Minister	Tran Thanh Man	Chief of National Assembly

(note) The two members were not elected even as Central Committee members in the 14th period.

(source) SMDAM from Vietnam Communist Party and media news



Fiscal Policy and Monetary Policy Stance shall follow the recent trend

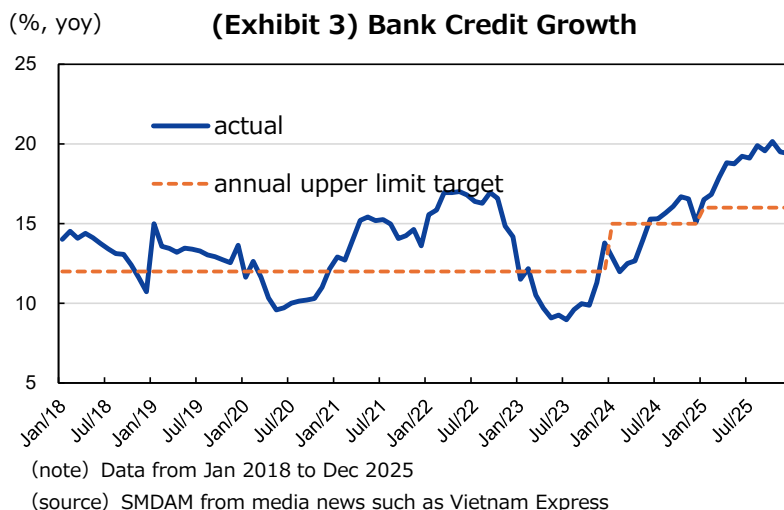
Both Nguyen Van Thang, Finance Minister, and Nguyeng Thi Hong, State Bank of Vietnam (central bank) Governor, have been elected as the 14th Central Committee member. This result suggests that Party members led by To Lam can allow the recent stance of fiscal policy and monetary policy. We judge that fiscal policy stance has turned more proactive represented by 4.2% of fiscal budget deficit for 2026, larger than 3.8% for 2025. (Exhibit 2) . We would like to highlight very high growth of 41.7% of public investment budget against government's estimate for 2025. On the other hand, however, we judge that monetary policy stance has turned more conservative for 2026, because SBV announced to reintroduce bank credit growth target for 2026 on 16 Jan 2026. Prime Minister, Pham Minh Ching, ordered SBV to scrap the credit target for 2026 at the government plenary meeting on 7 Aug 2025. Bank credit growth seemed to attain around 19% at end of 2025, higher than original target of 16% (Exhibit3) . SBV has set the credit target at 15% for 2026, lower than 2025. In addition, SBV simultaneously announced that the Bank would carefully monitor credit growth to property within headline growth target. We judge that the recent conservative stance of SBV should cause banking system to keep healthy. SBV is concerned that much liquidity to property and equity markets could cause some bubble economic phase going forward. To Lam insisted that Party would seek at least 10% real GDP growth for 5 years until 2030 on 19 Jan.

(Exhibit 2) National Budget for 2026

	2025		2026	(growth, %)	
	budget	estimate	budget		
	A	B	C	C/A	C/B
revenue	1,967	2,389	2,529	28.6	5.9
expenditure	2,438	2,851	3,135	28.6	10.0
public investment	787	791	1,120	42.3	41.7
fiscal balance	-472	-462	-606		
% of GDP	-3.8	-3.6	-4.2		

(note) Government's estimate figures for 2025 were based on inflation by Ministry of Fianance on 18 Nov 2025 and may change going forward.

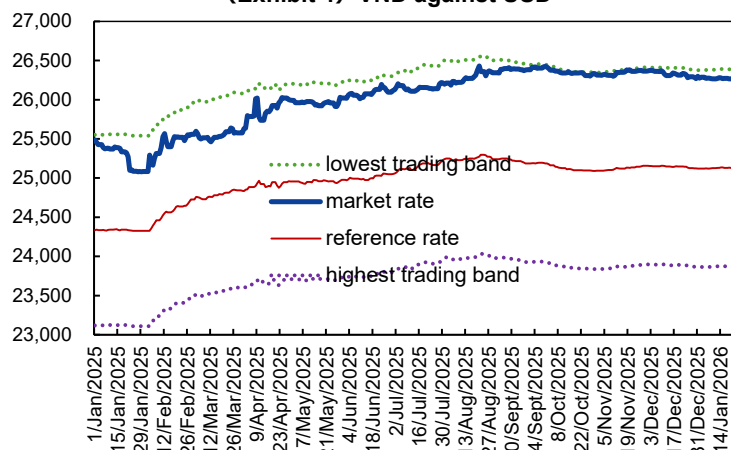
(source) SMDAM from Vietnam Ministry of Finance and media news



VND to appreciate; positive impact on Vietnam financial markets

SBV manages VND rate against USD within 5% from its reference rate. SBV should intervene in FX markets to buy VND (to sell USD) when the market rate attains the lowest trading band (the highest trading band). The market rate has gradually detached from the lowest trading band with gradual appreciation since late Nov 2025 (Exhibit 4). The fact suggests that concern over VND devaluation risk should ease because SBV is not required to intervene in FX markets to buy VND. In fact, at end of Sep 2025, the international reserves fell to 2.0 months of goods and service imports, lower than critical benchmark of 3 months. In addition, the recent clear USD depreciation trend could cause VND to appreciate against USD under concern over joint intervention in FX markets to sell USD by Japan and USD monetary authority since 19 Jan. As for Balance of Payment issue, we would like to highlight that VND should face appreciation (depreciation) pressure in risk-on (risk-off) phase due to easing (accelerating) capital outflow pace via errors and omissions. In fact, capital outflow pace via errors and omissions of GDP accelerate to 7.9% for 3Q25 from 2.0% for 2Q25, although current account surplus of GDP widened to 9.7% for 3Q25 from 7.2% for 2Q25 (Exhibit 5). We judge that Trump would like to keep risk-on phase until mid-term election in Nov 2026 to avoid any kind of policy which should cause negative factors for US financial markets. This kind of so-called “TACO” trade should cause VND to appreciate. In addition, Fitch announced to revise up its foreign long-term sovereign rating to BBB- (investable grade) from BB+ on 22 Jan. This kind of rating improvement also should cause VND to appreciate. Gradual VND appreciation should cause Vietnam financial markets due to less concern over inflation via lower import prices.

(Exhibit 4) VND against USD

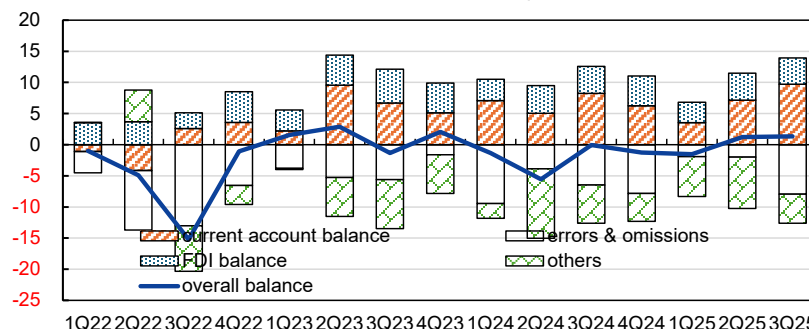


(note) data from 1 Jan 2025 to 28 Jan 2026

(source) SMDAM from Bloomberg

(% of GDP)

(Exhibit 5) Balance of Payment



(note1) data from 1Q22 to 3Q25

(note2) Vietnam BOP is based on 5th version of IMF. In capital and financial balance, positive (negative) figures mean capital inflow (outflow)

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