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COUNTRY RISK PROFILE: VIETNAM

Christine Peltier – September 2026

- Vietnam has continued to enjoy very strong economic growth, despite external shocks;
- Vietnam has not yet fixed its external liquidity problem, which is a source of vulnerability;
- Medium-term prospects are favourable;
- Risk profile: strong economic growth and low public and foreign debt vs. low external liquidity and a weak banking sector.

Vietnam – Key indicators

		2022	2023	2024	2025	2026f	2027f
External solvency	External debt / GDP (%)	35.7	32.8	28.9	26.3	24.3	22.3
	External debt service / G & S exports (%)	6.8	7.5	7.7	7.1	6.3	6.0
External liquidity	Forex reserves (USD bn)	86.5	92.2	83.1	85.6	89.2	115.8
	In months of G & S imports	2.8	3.3	2.5	2.2	1.8	2.0
Financial vulnerability	Short-term external debt / forex reserves (%)	44.1	38.1	44.6	44.4	43.7	35.5
Activity	Real GDP growth (%)	8.5	5.1	7.0	8.0	7.3	6.7
Imbalances	Inflation (CPI, average, %)	3.2	3.3	3.6	3.3	4.4	4.6
	Budget balance / GDP (%)	+0.7	-1.7	-1.5	-2.2	-3.6	-2.4
	General government debt / GDP (%)	34.9	34.3	31.2	30.3	30.8	30.2
	Current account balance / GDP (%)	+0.3	+6.0	+6.6	+6.7	+2.9	+4.5

Sources: Ministry of Finance, General Statistics Office of Vietnam, IMF, BNP Paribas

	2025	Real growth rate (average 2021-2025)
GDP (USD billion)	494	+6.2%
GDP / cap (USD)	4 829	+5.2%
Population (million)	102	+1.0%

FC Sovereign Ratings

S&P	Moody's	Fitch
BB+	Ba2	BB+

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VIETNAM HAS CONTINUED TO ENJOY VERY STRONG ECONOMIC GROWTH, DESPITE EXTERNAL SHOCKS

Vietnam's economic success story has continued, despite last year's US tariff shock and this year's energy shock

- Economic growth accelerated to 8% in 2025 and 8.2% y/y in H1 2026, driven by exports, investment and private consumption. It is projected to slow in the short term, reaching a still strong level of 7.3% in 2026. External accounts strengthened in 2025, but they have deteriorated in recent months. Public and external debt ratios remain moderate.
- Vietnam is highly exposed to the global energy shock, but the consequences have been less severe than expected so far. Economic activity has continued to grow strongly, notably because the export-oriented manufacturing sector has been boosted by global demand for AI goods. Fiscal and current account balances can absorb a deterioration. Inflation has increased while currency depreciation pressures have remained manageable. Yet, as the negative impact of high energy prices is expected to persist, Vietnam could face more severe external liquidity tensions going forward.

Vietnam's export base has strengthened further over the past year, notwithstanding the rising US tariffs, notably because Vietnam has been a key beneficiary of the surging global demand for AI-related goods

- Export growth strengthened in 2025 (+17% in value), driven by electronic goods (+48%) and sales to the United States (+28%). Vietnam was one of the main targets of President Trump's tariff war in early 2025, but the tariff shock was much smaller than initially feared, and exports were boosted by surging AI-related demand. Vietnam increased its global market share (1.9% of world exports in 2025 vs. 1.7% in 2024), supported by gains in the US market (5.7% of US imports vs. 4.2% in 2024) and the semiconductor sector (Vietnam is estimated to account for 2.9% of world exports of semiconductors vs. 1.6% in 2024).
- Solid growth dynamics in industrial output and exports have continued in 2026. Exports rose by 21.9% y/y in the first eight months of the year, led by the strong increase in both volume and price of tech goods. However, Vietnam adds little value to the tech goods that it exports as it specialises mostly in assembling and packaging chips to form electronic components. Therefore, its balance of trade of semiconductor goods is negative, as imports and exports of tech goods are increasing in tandem.
- Vietnam's trade surplus with the United States has surged in the past three years and recently became the largest bilateral surplus, ahead of Mexico and China. It reached USD219 bn in the 12-month period to July 2026, up from USD116 bn in 2022 (vs. Mexico's trade surplus with the US: USD213 bn and China's trade surplus with the US: USD165 bn during the same period).
- Meanwhile, Vietnam's imports of Chinese goods have increased rapidly (+36.9% y/y in the first eight months of 2026), causing its trade deficit with China to surge. Indeed, Vietnam has played a growing role in the rerouting of Chinese goods to the US. It has also benefited largely from the reorganisation of production chains in the region and continued to attract significant FDI, mostly from Asian countries. Net FDI inflows have exceeded 4% of GDP in recent years, which has fostered continued expansion of the manufacturing sector and progress up the value chain.
- In the short term, solid export growth dynamics are likely to continue, assuming that there is no correction in the AI cycle and that manufacturing production is not hindered by energy supply difficulties.
- US trade policy remains a source of uncertainty. The US effective tariff rate on Vietnam's goods, which rose from 3.9% at end-2024 to 19.3% in August 2025, has fallen back in 2026 (as the US Supreme Court cancelled 'reciprocal' tariffs); it is now close to 10%. This is higher than some South Asian neighbours, but not high enough to undermine the competitiveness of Vietnamese goods substantially. However, Vietnam is still exposed to the risk of new US tariffs, given its connector role between China and the United States and its huge trade surplus with the United States.

Vietnam is a net energy importer highly exposed to the consequences of the conflict in the Middle East. So far, the impact of hydrocarbon supply disruptions has been more moderate than expected, but it could worsen in the coming months.

- Vietnam is vulnerable to disruptions in energy trade flows. In 2025, 88% of its total crude oil imports came from Kuwait and 49% of its gas imports were from the Gulf region. However, a few factors have attenuated the shock resulting from the Iran war, as Vietnam has reacted swiftly, finding alternative suppliers, introducing measures to contain demand and using its (low) stocks. The country produces 70% of its needs for refined products and imports the remainder from Asian countries (though the region's production is dependent on imports from the Gulf countries). More positively, oil and gas account for only 35% of Vietnam's energy mix (coal: 54% and renewables: 11%), and the country can partially switch to coal for electricity generation.
- The potential pass-through of rising global energy prices to domestic inflation is high. Yet, the government has some fiscal policy leeway (given its moderate deficit and debt ratios) and has introduced small measures to contain inflation (such as the use of the price stabilisation fund and fuel-tax suspension until the end of June). CPI inflation rose to 4.4% y/y in the first eight months of 2026, up from 3.3% in 2025. It is projected to average 4.4% in 2026 – which is still within the target set by the central bank (SBV) for this year, but also the highest rate since 2013. This will dampen consumers' purchasing power. The SBV is projected to keep policy rates stable in the short term, unless inflation accelerates more than expected or depreciation pressures on the dong intensify too much.

VIETNAM HAS NOT YET FIXED ITS EXTERNAL LIQUIDITY PROBLEM, WHICH IS A SOURCE OF VULNERABILITY

- Vietnam's trade balance has deteriorated steadily in 2026. It turned into a deficit amounting to USD19 bn in the first eight months of 2026 (customs data), compared to a surplus in the previous year (amounting to USD14 bn in the first eight months of 2025). This rapid deterioration has resulted notably from the rising import prices of both energy and electronic inputs.
- On the one hand, the current account surplus is decreasing, but from a comfortable level. It is projected to narrow to 2.9% of GDP in 2026 from 6.7% in 2025, due to the larger energy trade deficit (which accounted for 3.6% of GDP in 2025), the larger trade deficit in semiconductors/tech goods, and lower export receipts from tourism (about 6% of GDP). Furthermore, net FDI inflows will remain strong, staying close to 4% of GDP in 2026. Therefore, Vietnam is unlikely to need to incur new foreign debt.
- On the other hand, Vietnam's forex reserves are low and do not provide a solid cushion against a deterioration in the balance of payments. Forex reserves amounted to USD88.3 bn at the end of June 2026, which is weak: it is enough to service external debt in the short term but covers less than 3 months of imports of goods and services. In particular, if resident capital outflows increase (residents' confidence in the dong may be eroded by rising inflation and the external energy shock), currency pressure could intensify and the central bank could have difficulties to defend the dong. This risk cannot be ignored, even though the VND has barely depreciated this year (the central reference rate has lost a small 2% against the USD since the beginning of 2026).

MEDIUM-TERM PROSPECTS ARE FAVOURABLE

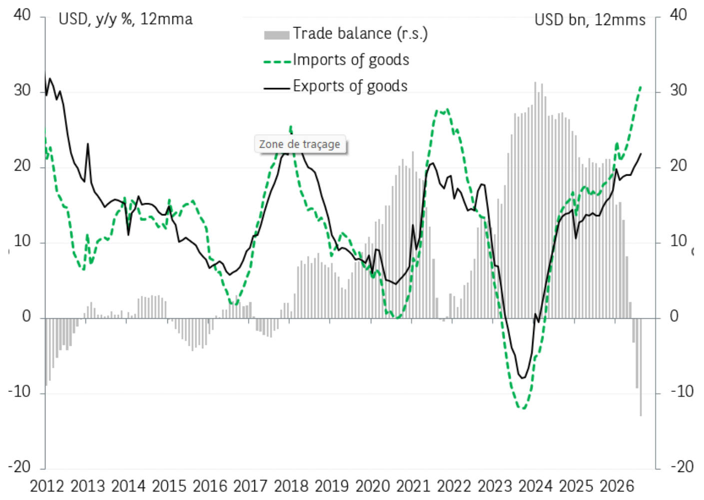
- In the medium term, economic growth is expected to remain strong. It is projected at 5.9% per year on average in 2027–2031, compared to 6.2% in the past decade. This is one of the highest growth rates expected in the ASEAN region.
- This projection is based on a rather optimistic scenario, as it assumes that:

  i) FDI continues to flow in, and the manufacturing export sector expands further. This means Vietnam's external accounts continue to strengthen in the medium term, thanks to continued current account surpluses, lower resident capital outflows, declining external debt and slowly increasing forex reserves;

  ii) Demographic trends remain favourable, even though they are projected to weaken gradually in the medium-long term;

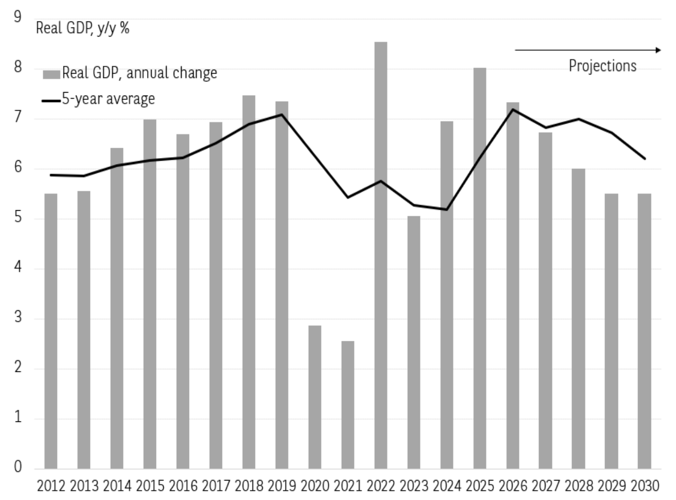
  iii) Structural reforms make steady progress, helping to improve financial-sector supervision, ease infrastructure constraints in the energy and water sectors, boost aggregate productivity (i.e. reducing the gap between high-productivity FDI firms and low-productivity local sectors) and adapt to climate change.

Vietnam's external trade: exports are rising fast, but imports are rising faster



Source: IMF, BNP Paribas

Vietnam's economy will continue to grow strongly in the medium term



Source: National Statistics Office, BNP Paribas

COUNTRY RISK PROFILE: STRONG ECONOMIC GROWTH AND LOW PUBLIC AND FOREIGN DEBT VS. LOW EXTERNAL LIQUIDITY AND A WEAK BANKING SECTOR

- Strong factors support Vietnam's overall country risk and economic prospects:
  i) a strong manufacturing export base that is moving up the value chain;
  ii) solid comparative advantages that continue to attract large FDI inflows;
  iii) current account surpluses and moderate foreign debt;
  iv) a moderate government debt burden;
  v) gradually improving policy making;
  vi) strong medium-term economic growth prospects, assuming that the authorities will continue to implement structural reforms and strengthen productivity in the entire economy.

- On the negative side, major negative factors continue to fuel some macro-financial risks:
  i) the excessive domestic debt level of the economy (excluding the government) and fragilities in the banking sector – this is a bad combination that fuels high credit risks and financial instability risks;
  ii) low forex reserves, which have not much strengthened in recent years, despite current account surpluses and notably due to resident capital flight. Forex reserves do not provide good protection against shocks, while Vietnam is vulnerable to external shocks;
  iii) very high exposure to physical climate risk. Coastal and river-delta regions, where population and economic activity are concentrated, are highly exposed to sea-level rises and flooding.

- Non transfer risk and currency risk: Vietnam has enjoyed very favourable external account dynamics in recent years until 2025, thanks to large FDI inflows, recurrent current-account surpluses and declining foreign debt (which is moderate, at less than 30% of both GDP and exports). This trend has been interrupted in 2026 as current account surpluses are decreasing. Meanwhile, there is a persistent risk of increasing resident capital outflows fuelling some VND depreciation pressure (whereas the potential for foreign capital outflows is limited). As the forex reserve cushion is weak, it would not enable the central bank to defend the dong for a long time if there is severe currency and external liquidity pressure. However, so far this year, the VND/USD spot rate and the reference rate (Vietnam has a crawling band FX regime) have depreciated only slightly, supported by strong exports and FDI inflows.

- Sovereign risk: the government debt burden is moderate and will remain so in the short term, even if the fiscal deficit is projected to deteriorate. The fiscal deficit could exceed 3% of GDP in 2026 due to support measures in response to the energy shock (estimated at less than 1% of GDP in H1 2026), but this will not endanger public-debt dynamics. Government debt should fall again in 2027 thanks to lower deficits and fast GDP growth. Debt was only 30% of GDP in 2025 (vs. 41% in 2019) and interest payments consumed less than 5% of fiscal revenue (vs. 7.2% in 2019). The government covers its funding needs mostly in the local bond market, which is deepening gradually and not highly exposed to foreign investors. Government debt in foreign currency declined to about 25% of total debt in 2025 (vs. 38% in 2019); this is still substantial, but almost all this FC debt is made up of concessional loans from official creditors. On the negative front, high credit risks in the state corporate and bank sectors are very large contingent risks for the sovereign. Moreover, public investment needs related to climate change and infrastructure development will increase in the medium term.

- Systemic credit risk: Domestic credit to the private sector is too large and still rising (141% of GDP in 2025 vs. 108% in 2019) while the banking sector remains poorly capitalised. Credit risks and resource misallocation have long been exacerbated by opacity and supervision flaws, as well as the use of high credit growth targets to support economic growth (+15% in 2026). In 2022–2023, banks faced severe funding stress and asset-quality deterioration resulting from the property and bond market crisis. The situation has recovered gradually since then. In the short term, credit risks may increase amid higher energy costs and if there is a correction in the tech cycle. Some banks, especially small private ones, also remain exposed to VND funding risk (whereas banks do not rely much on foreign-currency financing). Positively, reforms, including stricter capital-adequacy requirements, continue to be introduced gradually in order to improve banks' creditworthiness (the SBV plans to test the removal of credit quotas for the soundest banks from 2026).

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