CareEdge Global assigns 'Stable' outlook to the rating of Socialist Republic of Vietnam

Reaffirms Long-Term Foreign Currency Rating of 'CareEdge BB+' (Unsolicited)

Issuer rating	CareEdge BB+/Stable (Unsolicited)

CareEdge Global has assigned a 'Stable' outlook to the rating of the Socialist Republic of Vietnam (Vietnam) while reaffirming the Long-Term Foreign Currency rating of 'CareEdge BB+(unsolicited)'.

Vietnam's credit profile is underpinned by its sustained high economic growth driven by competitive exports. The country's low government debt levels and lower debt servicing costs bode well for its fiscal position. A consistent current account surplus supports the country's strong external position. Additionally, Vietnam's expanding role in the global supply chain, coupled with its proactive efforts to strengthen comprehensive partnerships, has enabled the country to expand its market access and diversify its trade. Its low labour costs and established position as a global manufacturing supplier enhance its attractiveness as a key destination for foreign direct investment (FDI).

However, challenges persist in the financial sector, particularly due to a high non-performing loan (NPL) ratio. The lingering stress in the property sector, which has contributed to the liquidity challenges, remains a key monitorable for its consequences on the overall economy and the banking sector in particular. Additionally, poor institutional accountability and bureaucratic rigidity are constraints on the credit profile.

Outlook: Stable

Vietnam's stable outlook reflects our expectation that the economy is expected to maintain its high growth rate (~6.2% over the next five years) and sustain its healthy current account surplus, supported by competitive labor costs and a well-established position in global supply chains. Furthermore, export competitiveness, due to its strategic positioning as a key alternative to China for low-end manufacturing, is expected to provide a cushion against global trade uncertainties, thus supporting its credit profile.

Upside Scenario

The ratings could be improved with targeted policy and regulatory measures to strengthen the banking sector, resulting in a significant decline in non-performing assets (NPAs). Furthermore, success in efforts to combat corruption, along with ensuring policy transparency and predictability, could potentially lead to its removal from the Financial Action Task Force (FATF) grey list, thereby enhancing investor confidence. Additionally, addressing key challenges such as infrastructure bottlenecks, logistics inefficiencies, and skills gaps can enhance long-term economic growth prospects.

Downside Scenario

Downside risks may stem from a significant weakening of the current account surplus and a decline in growth prospects, possibly driven by external uncertainties surrounding global trade. Further, if fragilities in the property sector escalate, it could strain the financial sector. Another downside risk can arise from policy uncertainty, which could lead to bureaucratic delays—factors that may increase investor uncertainty and undermine Vietnam's investment attractiveness.

Key Rating Drivers

Economic Structure & Resilience

Vietnam's economic outlook remains supported by its strong domestic consumer base, healthy capital formation rate (~30.4% of GDP in 2023) and balanced representation of manufacturing and services. Its competitive export position has enabled it to maintain its status as one of the fastest-growing economies globally in recent years. The economy has been a major beneficiary of the U.S.-China trade drift in terms of trade, with exports rerouted to the region, supported by its low-cost and skilled labor force. This has enabled Vietnam to achieve a diversified export mix, with high-value-added goods, such as electronics and semiconductors, on one end and low-value-added products, like textiles and footwear, on the other.

Vietnam's trade diplomacy, through calibrated and balanced ties with its partners, has worked well during the period of trade protectionism. This has contributed to an economic growth rate of 7.1% in the pre-pandemic period (2015–2019). However, its susceptibility to global trade uncertainties, coupled with domestic challenges, led to a moderation in growth to 5% in 2023 from an 8.1% expansion in 2022. Nonetheless, the country regained economic momentum in 2024. It is expected to sustain this pace in medium term, driven by strong export performance and its position as a prime destination for foreign direct inflows among Southeast Asian counterparts.

Notwithstanding its economic potential, weaknesses in external demand pose a downside risk to Vietnam's growth outlook, given the country's large trade dependence on the United States and China. Furthermore, infrastructure-related constraints and exposure to physical climate risks, such as floods and droughts, can create uncertainties for its high economic potential.

Fiscal Strength

Vietnam's fiscal strength is anchored by its low level of gross general government (GG) debt, which stood at 38.1% of GDP from 2019 to 2023. The country has reduced its exposure to foreign currency debt from approximately 60% in 2010 to 28% in 2023. Moreover, the high share of concessional financing from external official creditors enhances debt affordability, with the external debt servicing cost remaining low at ~6.5% during 2019-2023.

However, the limited transparency of the government's account and opacity regarding the performance of state-owned enterprises remain a major constraint in the fiscal assessment.

Going forward, the country is expected to expand its fiscal deficit to address logistical gaps. However, CareEdge Global expects the fiscal burden to be manageable, given the expectation of higher revenue mobilisation from direct taxes and improved revenue collection efficiency.

External Position & Linkages

The external position of Vietnam benefits from a favorable current account balance and a strong surge in FDI flows.

Following a brief period of moderation, the current account recorded a marginal surplus in 2023, driven by a rebound in tourism. A healthy current account balance is expected in the medium term, driven by a recovery in merchandise exports. The country's central location in ASEAN makes it a regional logistics hub, as its ports facilitate maritime trade and commerce. The country's attractiveness has also been enhanced by increased participation in various trade agreements and pro-business policies, leading to strong FDI inflows (approximately 4.5% of GDP during 2019-2023).

Key risks to Vietnam's external profile stem from the volatility of capital flows and its import-dependent economy, resulting in a low import cover of ~3 months. Furthermore, Vietnam's adoption of the global minimum corporate tax rate of 15% in 2024 will be a key monitorable, with its implications on the country's attractiveness as an FDI destination.

Monetary & Financial Stability

Vietnam's central bank has been following a supportive monetary policy while managing to keep inflation below the 4-4.5% target. However, the monetary policy framework lacks transparency, with interest rates playing a limited role as a policy tool. Furthermore, weak financial market development hinders the transmission of monetary policy.

Vietnam officially follows a managed-floating exchange rate. However, the country's placement on the "monitoring list" for currency manipulation raises concerns about foreign exchange interventions and its transparency.

Financial sector vulnerabilities persist due to over-leverage, weak capital adequacy—particularly among state-owned commercial banks—and rising concerns about asset quality. The slowdown in the property sector, although it has subsided from its peak, continues to be a source of pressure. While the non-performing loan (NPL) ratio has stabilized, it remains elevated at 4.8% as of March 2024, compared to 2.3% in 2022.

Institutions & Quality of Governance

The decision-making process in Vietnam is centralized due to the country's one-party political system, and citizens have limited opportunities for political participation. Rigid bureaucracies and weak transparency hamper regulatory effectiveness. The government has accelerated anti-corruption efforts in recent years. However, the absence of an effective regime of checks and balances could undermine the success of these efforts in the long run. Furthermore, its classification by the U.S. as a "non-market economy" can increase trade risks and signal weaker institutional transparency. Additionally, the country’s presence on the Financial Action Task Force (FATF) grey list raises concerns over regulatory transparency and governance effectiveness, potentially impacting investor confidence and financial stability.

Vietnam– Select Indicators									
	Unit	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024 F**	**2025 F**
Economic Indicators									
Nominal GDP	USD Billion	304	332	346	370	408	434	468	506
GDP Per Capita (Constant-PPP)	USD	11118	11712	11912	12101	12959	13499	14250	14995
Real GDP Growth	%	7.5	7.4	2.9	2.6	8.1	5.0	7.1	6.1
GFCF/GDP	%	30.3	30.4	30.3	31.0	30.8	30.4	-	-
Gross Domestic Savings/GDP	%	33.2	33.6	34.6	34.9	36.3	36.6	-	-
Exports (G&S)/GDP	%	84.4	85.2	84.4	93.9	93.8	87.2	-	-
Working-Age (15-64) Population (% Share in Total)	%	65	64.6	64.3	64	63.6	63.3	62.8	62.3
Old-Age (65+) Population (% Share in Total)	%	21.5	21.7	22	22.2	22.4	22.7	23.2	23.6
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	-1.0	-0.4	-2.9	-1.4	0.7	-2.5	-2.6	-2.2
Revenue/GDP	%	19.5	19.4	18.4	18.7	19.0	17.1	17.6	18.4
Expenditure/GDP	%	20.5	19.8	21.3	20.1	18.3	19.5	20.2	20.7
GG Gross Debt/GDP	%	43.8	41.0	41.3	39.2	34.7	34.4	33.8	33.2
GG External Debt (by Creditor)/GG Gross Debt	%	38.6	38.1	36.2	32.8	30.0	28.0	-	-
Interest/Revenue	%	7.8	7.2	7.2	6.4	5.2	5.1	4.8	-
External Indicators									
Current Account Balance/GDP	%	1.9	3.8	4.3	-2.2	0.3	5.8	3.0	2.7
FDI, Net Inflows/GDP	%	5.1	4.9	4.6	4.2	4.4	4.3	-	-
Outstanding FII Liabilities/GDP	%	1.0	0.9	-0.4	0.1	0.4	-0.3	-	-
NIIP/GDP	%	-2.4	3.9	8.1	-15.0	-32.2	8.5	-	-
Foreign Exchange Reserves	USD Billions	55.1	78.0	94.4	107.4	84.7	90.4	-	-
Import Cover	Months	2.7	3.3	4.0	3.7	2.6	3.3	-	-
External Debt/GDP	%	36.5	37.3	37.6	37.9	35.5	32.7	-	-
Monetary and Financial Indicators									
CPI Inflation	%	3.5	2.8	3.2	1.8	3.2	3.3	4.1	3.5
Exchange Rate (Average)	LC per USD	22825.0	23155.0	23131.0	23145.0	23612.0	23866.0	24335.0	-
Non-Performing Loans/Total Gross Loans	%	2.1	1.8	1.9	1.6	2.3	4.6	-	-
Private debt, loans and debt securities/GDP	%	105.3	108.0	115.5	124.3	125.0	-	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - Forecast; PPP – Purchasing Power Parity; GFCF – Gross Fixed Capital Formation; Exports (G&S) – Exports of Goods and Services; GG – General Government; FDI – Foreign Direct Investment; FII – Foreign Institutional Investment; NIIP – Net International Investment Position; Data refers to fiscal/calendar year and actual/estimate as reported by the source; Where general government data is unavailable, central government data is used; Latest available data for 2023

Solicitation Status
The rating is unsolicited

Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long Term Foreign Currency (Unsolicited)	CareEdge BB+/Stable	April 01, 2025
Issuer Rating	Long Term Foreign Currency (Unsolicited)	CareEdge BB+	October 03, 2024

Criteria Applied
CareEdge Sovereign Rating Methodology

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