
Socialist Republic of Vietnam's rating reaffirmed at 'CareEdge BB+ /Stable'

Issuer rating (Long-Term Foreign Currency)

CareEdge BB+/Stable (Unsolicited)

CareEdge Global has reaffirmed the Long-Term Foreign Currency issuer rating of **Socialist Republic of Vietnam** at '**CareEdge BB+ /Stable**' (Unsolicited).

Rationale

Vietnam's credit profile is underpinned by strong macroeconomic fundamentals, supported by robust growth and competitive export base. Fiscal flexibility is bolstered by low public debt and moderate debt servicing costs, while a sustained current account surplus ensures external resilience. However, these strengths are constrained by institutional weaknesses, a developing monetary framework, and financial sector vulnerabilities.

Vietnam's macroeconomic strength is driven by its competitive exports (due to low labour cost and strong manufacturing base), a large domestic market, and strong medium-term growth prospects. As one of the world's fastest growing economies, its growth is projected to remain high (5.5% on average over 2026-30). Ongoing infrastructure investments are likely to expand productive capacity and support long-term growth. Nevertheless, high external dependencies, on United States (US) and China, remain a key downside risk and will be monitored.

Vietnam's external position is robust, supported by its expanding role in global supply chains and continued efforts to deepen trade integration through diversified partnerships. Strong net foreign direct investment (FDI) inflows (~4.5% of GDP in Q3 2025) reinforce its position as a key global production hub. The country is expected to maintain a current account surplus at ~2.2% of GDP over 2025-29, alongside a net external debtor position (NIIP at -3.1% of GDP in 2025) and relatively low external debt (~32.8% of GDP in 2025). However, these strengths are partially offset by a low foreign exchange reserve buffer, covering about two months of imports in 2025, which is a constraint relative to peers. Despite recent US Supreme Court rulings constraining the scope of tariff actions, ongoing developments around US trade measures toward Vietnam remain a key monitorable; in particular, tariffs of up to 40% on transshipped goods continue to pose downside risks to export performance and supply chain stability.

Vietnam's fiscal profile is comfortable, supported by low public debt (estimated at ~32% of GDP in 2025) and favourable debt affordability, aided by access to concessional financing. As the country scales up infrastructure spending, fiscal deficit (projected at -4.2% of GDP in 2026 by Ministry of Finance) is expected to widen moderately, alongside a gradual increase in the share of external borrowings. While current debt levels provide adequate cushion, the evolving fiscal trajectory needs to be monitored.

The monetary policy framework is less developed relative to peers due to a less formalised inflation-targeting regime (inflation at 3.3% in 2025) and weaker policy transmission along with continued interventions for exchange rate management. Heightened tensions in the Middle East could amplify upside risks to inflation, given the economy's reliance on the region for key imports and relatively strong pass-through of imported inflation and will remain monitorable.

In Vietnam's underdeveloped financial markets, risks stem from rising corporate leverage, particularly in the real estate sector. Banking sector metrics are weaker than that of peers due to moderate capital adequacy (12.4% as of Q1 2025) and asset quality concerns linked to property sector stress. While credit growth has been robust, weaker regulatory oversight could amplify systemic risks. Recent reform efforts, including a gradual move towards Basel III compliance, are expected to strengthen the system, albeit amid implementation risks.

Institutional effectiveness remains weak, characterised by limited transparency, accountability concerns, and bureaucratic rigidities. Reform momentum has been constrained by policy and implementation paralysis, partly stemming from stringent anti-corruption and AML frameworks, which have slowed decision-making and led to a slowdown in both public and private investment. Additionally, limited bureaucratic capacity and persistent corruption concerns continue to impede effective execution of reforms. While recent reform efforts aimed at improving administrative efficiency and advancing privatisation are positive, their implementation has been gradual and remains a key monitorable.

The ongoing Iran conflict has heightened external vulnerabilities for Vietnam, given its significant dependence on imported crude oil and fertilizers, particularly from the Middle East, exposing it to disruptions in the Strait of Hormuz. This could further increase imported inflation pressures and weigh on trade balances, particularly through higher input costs and external price volatility. A prolonged escalation could further deplete the current account surplus and necessitate higher fiscal support, thereby weighing on macroeconomic stability and growth prospects.

Outlook: Stable

Vietnam's stable outlook reflects our expectations of sustained high growth (~5.5% over 2026-30) and healthy current account surplus, supported by competitive labour costs and a well-established position in global supply chains. Furthermore, comfortable fiscal metrics and competitive exports are expected to provide a cushion against global trade uncertainties.

Upside Scenario

The outlook can be revised upwards in the event of targeted policy and regulatory measures to strengthen the banking sector and, consequently, the asset quality. Furthermore, continued progress in anti-corruption initiatives, along with enhanced policy transparency and predictability, could potentially lead to its removal from the Financial Action Task Force (FATF)

grey list, thereby enhancing investor confidence. Diversification of trade partners beyond the US and China could improve credit profile.

Downside Scenario

Downside risks may stem from a significant weakening of the current account surplus and a decline in growth prospects, likely driven by external uncertainties surrounding global trade. Further, escalating property sector fragilities 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 is supported by its strong domestic consumer base, healthy capital formation rate (~29.2% of GDP in 2025), and balanced representation of manufacturing and services. Competitive exports have enabled the country to maintain its status as one of the fastest-growing economies globally in recent years. The economy has been a major beneficiary of the US-China trade drift in terms of trade, with exports rerouted to the region, supported by its low-cost and skilled labour force. This has enabled Vietnam to achieve a diversified export mix, with high-value-added goods, such as electronics and semiconductors, on one hand and low-value-added products, such as textiles and footwear, on the other.

Vietnam's trade diplomacy, through calibrated ties with its partners, has worked well during the period of trade protectionism, contributing to 7.1% growth in the pre-pandemic period (2015-2019). However, susceptibility to global trade uncertainties, coupled with domestic challenges, moderated growth to 5.1% in 2023 from 8.5% in 2022. In 2025, the country regained economic momentum with a growth of 8% and is expected to sustain this pace in the medium term (~5.5% over 2026-30), driven by strong exports and robust FDI.

Notwithstanding its economic potential, weak external demand and potential slowdown among its trading partners pose a downside risk to Vietnam's growth outlook, given its large trade dependence on the US 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 low gross general government (GG) debt, at 36.2% of GDP over 2020-2024. The country has reduced its exposure to foreign currency debt from ~60% in 2010 to 28% in 2023. Moreover, the high share of concessional financing from external official creditors enhances debt affordability, with the debt servicing cost low with interest to revenue at ~5.7% over 2020-2024.

The fiscal deficit is projected to widen to -4.2% of GDP in 2026 by the MoF, driven by increased spending to address infrastructure and logistical gaps. Concurrently, tax collections have materially improved, supported by strong corporate income tax performance and value-added tax (VAT) reforms, alongside broader efforts to modernise tax administration and expand the tax base. On the reform side, the authorities have introduced comprehensive changes to corporate, personal and indirect tax frameworks, aimed at improving compliance, enhancing efficiency, and supporting private sector activity. Going forward, the country is expected to expand its fiscal deficit to address logistical gaps.

CareEdge Global expects the fiscal burden to be manageable with debt levels at ~31.4% of GDP over 2025-2029, given the expectation of higher revenue mobilisation from direct taxes and improved revenue collection efficiency.

However, limited transparency in government accounting and opaque performance of state-owned enterprises (25% of GDP in 2023) remain a major constraint in the fiscal assessment.

External Position & Linkages

Vietnam's external position benefits from a favourable current account balance and a strong surge in FDI flows.

Following a brief period of moderation, the current account recorded a surplus of ~6.7% of GDP in 2025, driven by frontloading in the first half of 2025. A healthy current account balance is expected in the medium term, driven by a recovery in exports (~96% of GDP in 2025). The country's central location in ASEAN makes it a regional logistics hub, as its ports facilitate maritime trade and commerce. Its attractiveness has also been enhanced by increased participation in various trade agreements and pro-business policies, leading to strong FDI inflows (~4.3% of GDP during 2020-2024).

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 ~2 months in 2025. Furthermore, the country has taken several steps, including the adoption of global minimum corporate tax rate of 15% in 2024, along with diversification of trade partners and expanding presence in the European Union and other regions, which should improve the country's attractiveness as an FDI destination.

While the US Supreme Court ruling has limited the use of emergency powers to impose tariffs, evolving US trade measures toward Vietnam remain a key monitorable; in particular, proposed tariffs of up to 40% on transshipped goods continue to pose downside risks to export performance and could elevate external risks. Although Vietnam has been the most attractive destination for offshoring manufacturing activities, its position as an alternative to China needs to be monitored closely.

Monetary & financial stability

Vietnam's central bank has been following a supportive monetary policy while managing to keep inflation below the 4.5-5% 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, its placement on the "monitoring list" for currency manipulation raises concerns about foreign exchange interventions and transparency.

Financial sector vulnerabilities persist, driven by elevated leverage, high concentration risks, and a relatively weaker regulatory framework, creating potential systemic pressures. Private sector credit remains high at around 127% of GDP (2023), with corporates accounting for nearly half of the total. Within this, debt is concentrated, with nearly one-third held by firms engaged in real estate development and construction, increasing exposure to cyclical sector risks.

Banking sector health remains constrained by weak capital adequacy, especially among state-owned commercial banks, alongside ongoing concerns around asset quality. Although the non-performing loan (NPL) ratio has stabilized and declined from its peak of 5.4% in 2023 to 4.9% as of Q1 2025, it remains elevated. The continued slowdown in the property sector, albeit past its peak, remains a source of pressure on bank balance sheets and credit dynamics.

Recent banking sector reforms, including amendments to the Law on Credit Institutions (2024/2025), aim to strengthen capital adequacy and improve asset quality, with a gradual shift toward Basel III-aligned standards. In addition, authorities have signalled a transition away from administrative controls toward more market-based mechanisms, including plans to remove credit growth caps from 2026.

While these measures are expected to support financial sector resilience over time, their success will depend on effective implementation. Legacy asset quality risks and continued exposure to cyclical sectors such as real estate are likely to remain key monitorables.

Institutions & Quality of Governance

Vietnam's one-party political system centralises the decision-making process, leaving limited opportunities for political participation by citizens. Rigid bureaucracy and weak transparency hamper regulatory effectiveness.

Recent reforms indicate a strengthening of Vietnam's institutional and policy framework, underpinned by enhanced governance, transparency, and regulatory alignment with international standards, evidenced by improved SOE oversight and disclosure, strengthened AML compliance, and sectoral and administrative reforms that support more efficient resource allocation, financial discipline, and a more predictable operating environment.

However, structural constraints remain, including uneven implementation of reforms, continued state influence, which could dilute policy effectiveness. Governance improvements, while progressing, are still evolving, particularly in the SOE sector where operational independence and accountability remain mixed. Additionally, the transition toward market-based pricing and reduced subsidies could introduce short-term pressures on corporates and households. As such, the consistency and momentum of reform implementation will remain a key monitorable.

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 US as a "non-market economy" can increase trade risks and signal weaker institutional transparency. Additionally, the country's presence on the FATF grey list raises concerns over regulatory transparency and governance effectiveness, potentially impacting investor confidence and financial stability.

Vietnam– Select indicators									
	Unit	2020	2021	2022	2023	2024	2025	2026 F	2027 F
Economic Indicators									
Nominal GDP	USD Billion	346	370	411	433	459	495	511	545
GDP per capita (constant-PPP)	USD	11,912	12,101	13,008	13,552	14,371	15,170	15,898	16,703
Real GDP growth	%	2.9	2.6	8.5	5.1	7.1	8.0	5.6	5.8
GFCF/GDP	%	30.3	31.0	30.8	30.4	29.0	29.2	-	-
Gross national savings/GDP	%	34.6	34.9	36.5	36.8	37.2	-	-	-
Exports (G&S)/GDP	%	84.4	93.9	93.4	86.5	90.2	-	-	-
Working age (15-64) population (% share in total)	%	68.0	67.9	67.8	67.8	67.7	67.6	67.7	67.9
Old age (65+) population (% share in total)	%	7.6	7.9	8.2	8.6	9.0	9.5	9.9	10.3
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	-2.9	-1.4	0.7	-1.7	-1.5	-3.3	-2.3	-2.2
Revenue/GDP	%	18.4	18.7	18.9	17.1	17.6	18.4	17.7	17.8
Expenditure/GDP	%	21.3	20.1	18.2	18.8	19.1	21.7	20.1	19.9
GG gross debt/GDP	%	41.3	39.2	34.9	34.3	31.3	32.0	31.8	31.5
GG external debt (by creditor)/GG Gross Debt	%	36.2	32.8	30.0	28.0	-	-	-	-
Interest/Revenue	%	7.2	6.4	5.2	5.1	4.8	-	-	-
External Indicators									
Current account balance/GDP	%	4.3	-2.2	0.3	6.4	6.6	6.7	2.4	1.8
FDI, net inflows/GDP	%	4.6	4.2	4.4	4.3	4.2	-	-	-
Outstanding FII liabilities/GDP	%	-0.1	-0.1	0.3	-0.2	-0.4	-0.2	-	-
NIIP/GDP	%	-4.1	-3.2	-3.3	-2.1	-1.6	-3.1	-	-
Foreign exchange reserves	USD Billion	95.5	110.0	87.1	92.9	83.9	86.9	-	-
Import cover	Months	4.0	3.7	2.6	3.3	2.5	2.2	-	-
External debt/GDP	%	37.6	37.9	35.5	32.7	32.7	32.8	-	-
Monetary and Financial Indicators									
CPI Inflation	%	3.2	1.8	3.2	3.3	3.6	3.3	3.2	3.3
Exchange rate (average)	LC per USD	23,208	23,160	23,271	23,787	24,165	24,961	-	-
Non-performing loans/total gross loans	%	1.9	1.6	2.3	5.4	4.8	-	-	-
Private debt, loans and debt securities/GDP	%	115.5	124.4	126.4	127.0	-	-	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, Haver Analytics, 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. The latest available data for 2025

Solicitation status

The rating is unsolicited

Rating history

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge BB+/Stable	April 01, 2026
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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