

Credit conditions update

Tighter Funding and Cash-Flow Pressures Widen Credit Differentiation

Higher operating costs and tighter funding will weaken credit conditions for Vietnam's banks and corporates over the next 12 months, eroding the stability we expected in 1H2026 (Exhibit 1). Debt-servicing and refinancing pressure will increase most for borrowers with weak cash flow and limited financing alternatives.

Distressed developers remain most vulnerable, while infrastructure-related businesses, larger domestic consumer companies, and large and state-owned banks should remain comparatively resilient. Bank and bond funding will increasingly favor stronger issuers; transparency reforms will not remove weaker borrowers' refinancing constraints.

Higher costs and tighter funding weaken repayment capacity

Domestic retail fuel prices rose 19%–52% year on year amid continued Middle East conflict and unrest. Headline inflation reached 4.9%, and average inflation was 4.5% in the first eight months of 2026. Higher costs reduce cash available for debt service, while inflation limits scope for monetary easing. Potential new US tariffs add downside risk for exposed exporters (Exhibit 2).

Credit growth continues to outpace deposit mobilization (Exhibit 3), intensifying deposit competition. We expect lending rates to remain elevated over the outlook period. Higher interest costs will reduce debt-service headroom, while more selective lending will constrain refinancing and working-capital funding for weaker developers, smaller exporters and other financially constrained borrowers.

Cash-flow resilience and funding strength distinguish issuers

Public investment supports infrastructure-related businesses. Disbursement reached USD16.3 billion in the first seven months of 2026, up 20% year on year (Exhibit 4), supporting contractors, infrastructure operators and selected oil and gas service providers (Exhibit 5). Larger contractors have recorded stronger revenue growth than smaller peers (Exhibit 6). The credit benefit depends on stronger activity translating into cash collection.

Larger domestic consumer companies should remain comparatively resilient, supported by retail consumption, stronger revenue visibility and lower earnings volatility.

Large and state-owned banks should maintain more stable funding, liquidity and asset quality than smaller peers. Strong deposit franchises, diversified lending portfolios and disciplined underwriting provide buffers against higher funding costs and borrower stress.

Banks combining rapid growth with substantial developer exposure face greater asset-quality pressure (Exhibit 7). Loan growth also raises funding needs, while higher borrowing costs weaken customers' repayment capacity. Greater reliance on short-term market funding may increase maturity mismatches and refinancing risk.

Smaller exporters face weaker cash generation and fewer financing alternatives. Textile, footwear, and wood-product manufacturers face uncertain demand, potential US tariffs, and elevated energy and freight costs. Weak pricing power and narrow customer bases increase smaller firms' vulnerability. Airlines also face pressure from elevated energy costs.

Distressed developers face the highest refinancing risk

Weaker property sales and higher interest costs constrain developers' repayment capacity. Nationwide transactions declined 36% year on year in 2Q2026 (Exhibit 8); primary condominium absorption in Hanoi and Ho Chi Minh City was down to 73%, from 95% in 2025. Project delays further restrict sales and handovers.

Risks are greatest for developers with legally delayed projects, weak operating cash flow, secondary-market exposure and dependence on bond refinancing (Exhibit 9). Upcoming bond maturities compound liquidity pressure (Exhibit 10), while defaulted or extended obligations and weak banking relationships constrain replacement funding. Stronger developers with active pipelines, visible handovers and established funding relationships retain better access to bank and bond financing.

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Bond-market reforms - including new public¹ and private placement bond issuance rules² – raise issuance standards, improve disclosure, and strengthen investor safeguards, but do not resolve constraints on refinancing capital. Insurer restrictions on refinancing-bond investments and the Vietnam Social Security Fund's focus on sovereign and state-owned debt limit institutional demand (Exhibits 11 and 12). Limited secondary-market depth and the absence of a transaction-based yield curve further restrict funding alternatives for weaker issuers.

What could change our assessment

A narrower credit–deposit growth gap, lower funding costs and stronger operating cash generation would ease pressure. Improved property sales, resolution of legal delays and more visible handovers would strengthen developers' repayment sources; faster public-investment execution would support contractors where it improves cash collection.

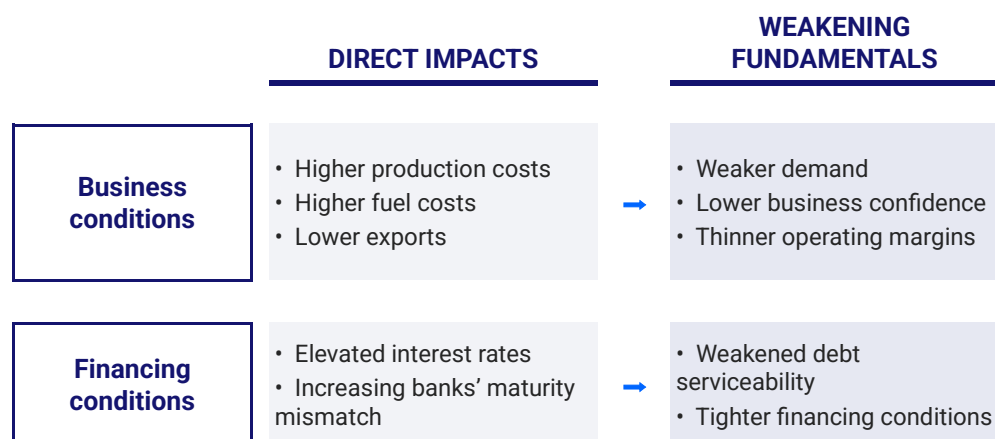
Persistently weak deposit mobilization, higher operating or financing costs, and adverse export conditions would intensify debt-servicing and refinancing risks. Continued project delays and weak repayment outcomes on extended obligations would deepen distressed developers' vulnerability.

¹ Refer to our [Credit Insights: New Public Bond Rules: A Boost for Issuance and Issuer Diversity, but Risk Standards Still Undermine Market Resilience \(15 October 2025\)](#) and [Credit Insights: Vietnam Enforces Corporate Bond Market Reform, Reinforcing Investor Protection and Transparency to Rebuild Market Confidence \(30 October 2025\)](#)

² Refer to our [Credit Insights: Stronger Rules, Weak Risk Pricing: Vietnam's Bond Reform Remains Incomplete \(19 June 2026\)](#)

Higher costs and tighter funding weaken repayment capacity

Exhibit 1: Higher costs and tighter funding will weaken credit conditions in 2H2026



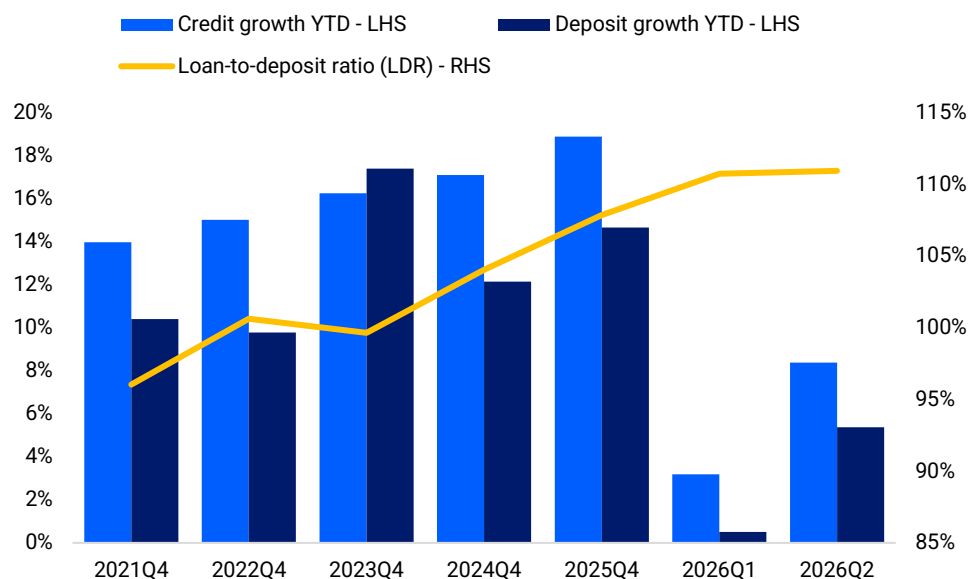
Source: VIS Rating

Exhibit 2: Uncertainty over new US tariffs adds downside risk for Vietnamese exporters

12.5%	Section 301 tariff in force Applies to every Vietnamese-origin line entering the US not on the exemption list
?	Intellectual Property Investigation Priority Foreign Country designation may lead to higher compliance costs and new tariffs
?	Transshipment-related tariff Third-country content still tested; goods ruled transshipped will be reclassified and subject to severe duties

Source: US Trade Representative's Office, VIS Rating

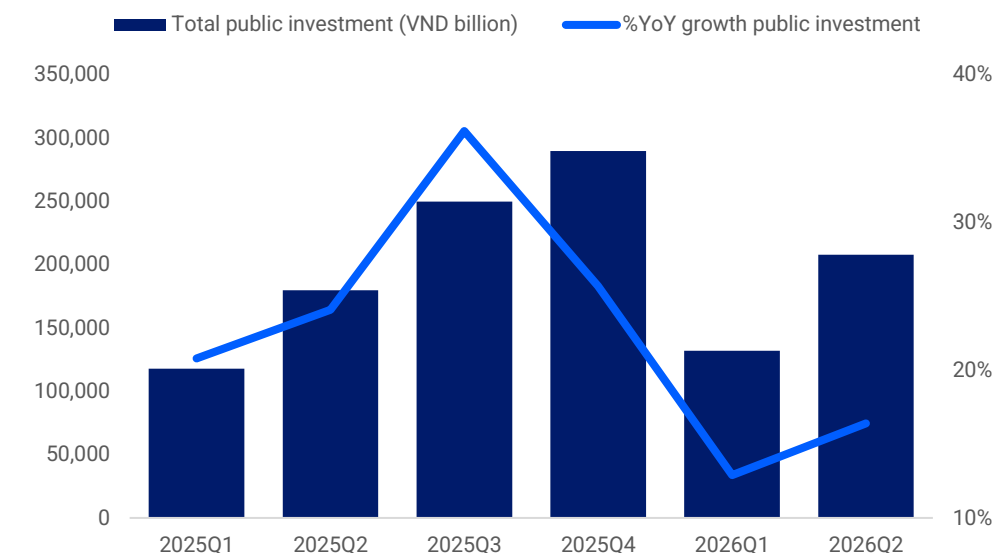
Exhibit 3: Credit growth continues to outpace deposit mobilization



Note: Sector numbers include 27 listed banks

Source: Bank data, VIS Rating

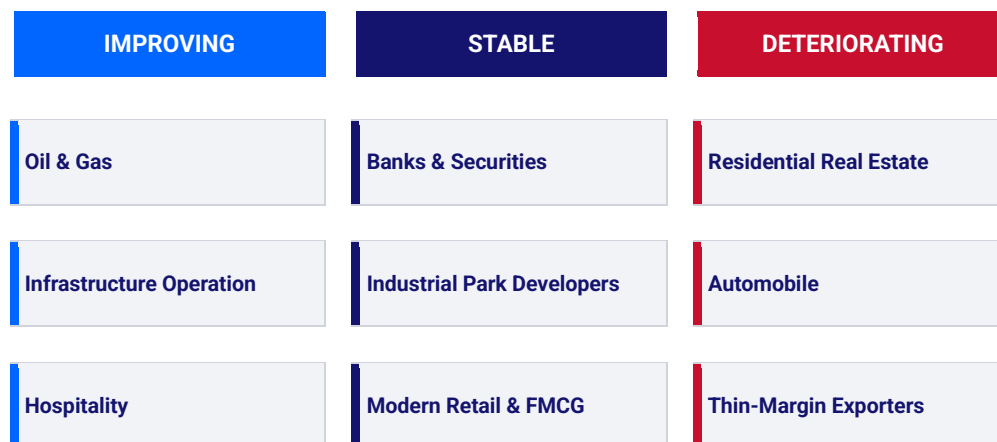
Exhibit 4: Public investment disbursement rose 20% YoY in 7M2026



Source: National Statistics Office, VIS Rating

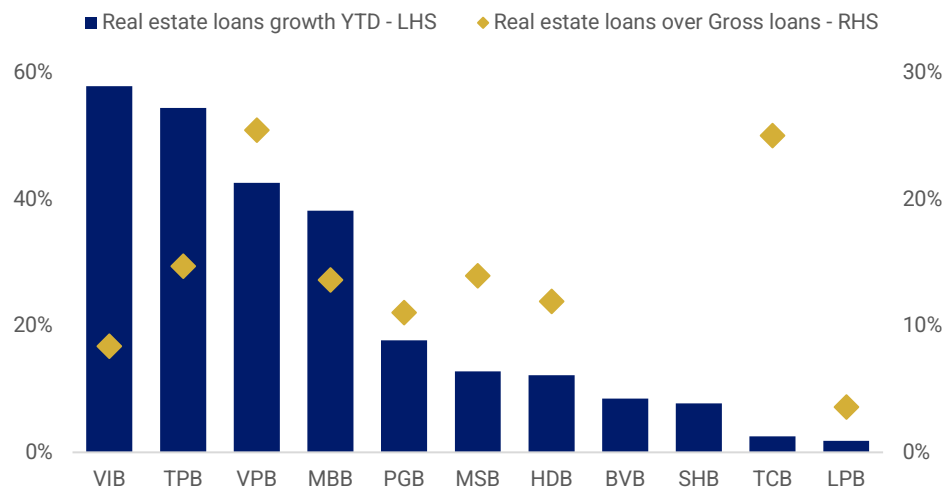
Cash-flow resilience and funding strength distinguish issuers

Exhibit 5: Infrastructure-related businesses, larger domestic consumer companies, and large and state-owned banks should remain resilient



Source: Company data, VIS Rating

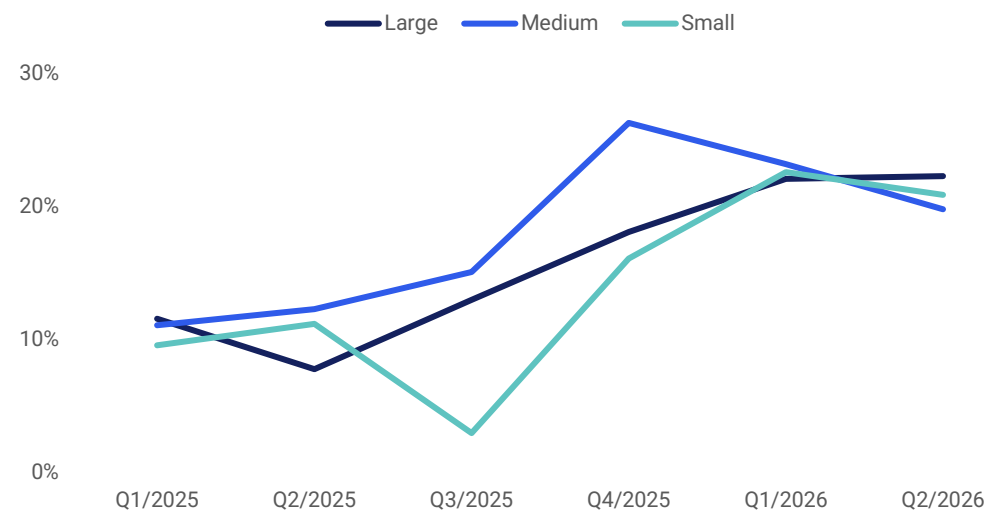
Exhibit 7: Banks combining rapid growth with substantial developer exposure face greater asset-quality pressure



Note: Real estate lending data cover developers only

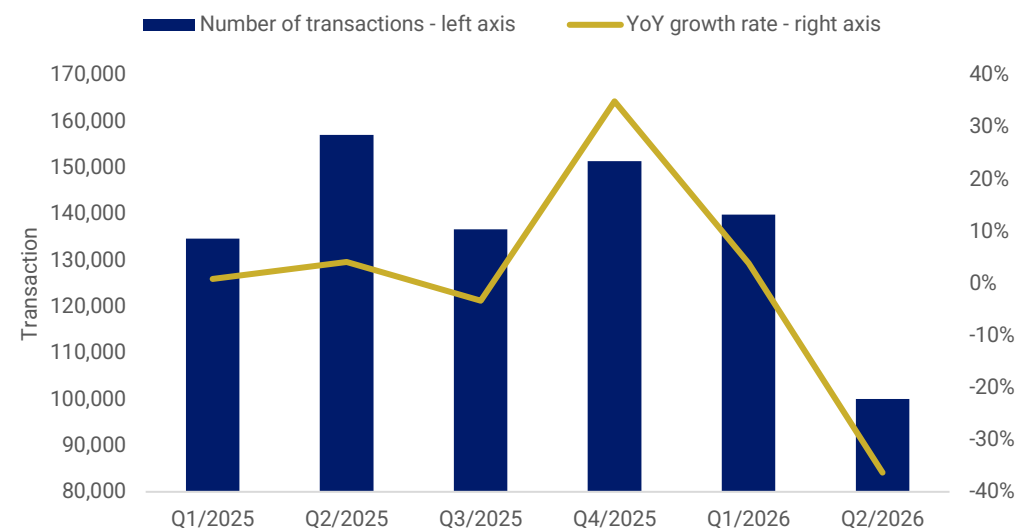
Source: Bank data, VIS Rating

Exhibit 6: Larger contractors recorded stronger revenue growth than smaller peers



Source: Company data, VIS Rating

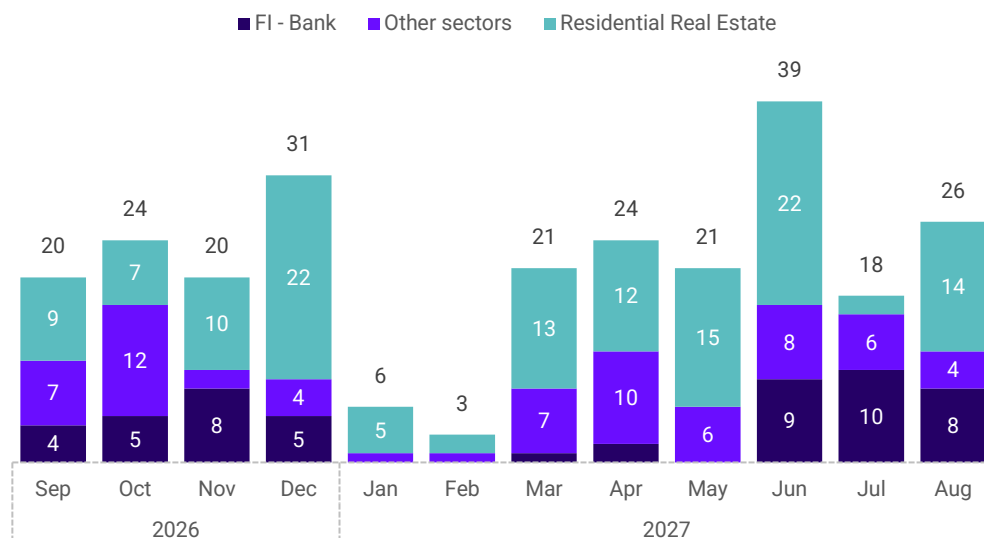
Exhibit 8: Nationwide real estate transactions declined 36% year on year in 2Q2026



Source: Ministry of Construction, VIS Rating

Distressed developers face the highest refinancing risk

Exhibit 9: Weaker developers remain dependent on bond refinancing



Note: Data reflects bonds maturing over the next 12 months

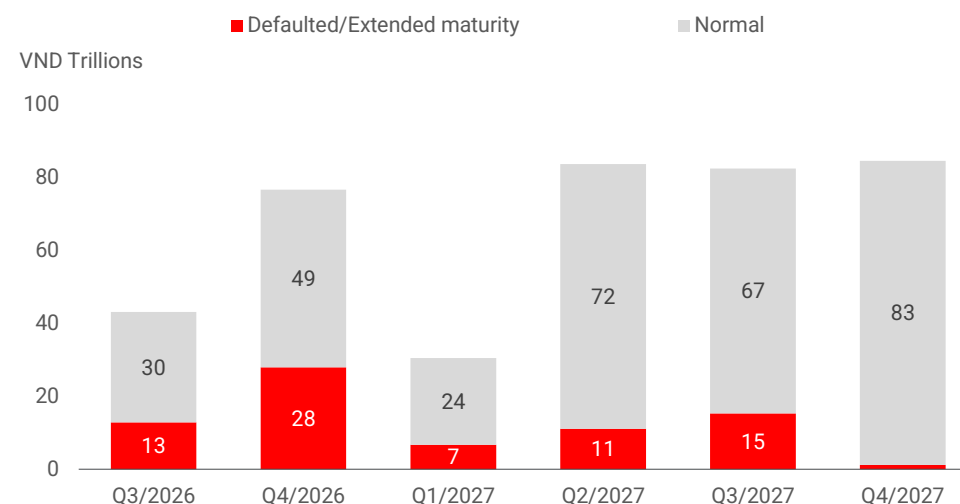
Source: HNX, VIS Rating

Exhibit 11: Investment constraints limit institutional investors' participation in Vietnam

	Legal constraint	Fund size	Risk tolerance
Vietnam Social Security Fund	Not allowed to invest		Very low
Insurers	Restrict refinancing bonds		Low
Voluntary pension funds	% Allocation limits	Very small	Low
Open-ended funds	% Allocation limits	Small	

Source: Vietnam Social Security, Ministry of Finance, VIS Rating

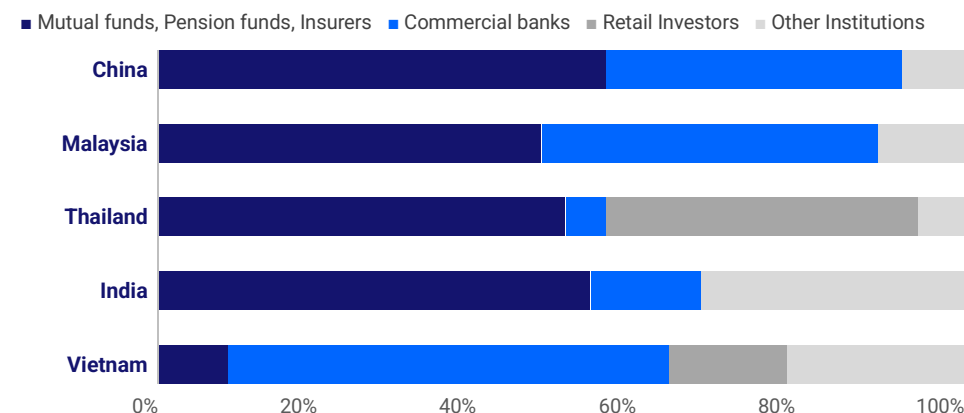
Exhibit 10: Upcoming bond maturities compound liquidity pressure for defaulted and maturity-extended issuers



Note: Non-bank corporate bond maturities, 3Q2026–4Q2027; core outlook: 4Q2026–3Q2027. Defaulted and extended bonds have different repayment prospects. Maturities are not default forecasts.

Source: HNX, SSC, VIS Rating

Exhibit 12: Vietnam's institutional investor base remains narrow relative to regional peers



Note: Data are as of 2Q2026 for Thailand; 2024 for Vietnam; 2022 for India; 2020 for China; and 2018 for Malaysia. Other institutions include securities firms, corporates and foreign investors.

Source: Ministry of Finance, HNX, Asia Bonds Online, VIS Rating

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