VIETNAM INVESTORS SERVICE

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Construction Sector – H1 2026 Update

Stronger Demand, but Rising Credit Differentiation

Vietnam's construction sector is entering a stronger demand cycle, supported by accelerated public investment, a fragile recovery in residential real estate and a more favorable regulatory framework. However, rising labor, material, and funding costs will limit margin upside and widen credit differentiation. Larger contractors are better positioned to absorb cost pressure and convert stronger backlogs into revenue and cash flow, supported by stronger execution capacity, project selection, and bargaining power. In contrast, smaller and more leveraged peers face tighter margins, weaker financial flexibility, and rising debt-servicing pressure.

Improved | Stable | Deteriorated

Indicator	Trend	Key Highlights

Policy measures

Reforms support construction demand and project execution

- The 2025 Construction Law is credit positive for construction activity, as streamlined approvals, tighter oversight, construction-permit exemptions, and special mechanisms for public investment projects should reduce administrative delays and support project execution after the law takes effect on 1 July 2026.
- The Government's continued push for infrastructure investment—especially key transport projects—social and rental housing, together with measures to ease site-clearance bottlenecks and stabilize key construction-material supply and input prices, has supported stronger construction activity.

Market condition

Construction activity is stronger, but cost pressure remains

- Construction activity strengthened in H1 2026, with real construction GDP growth accelerating from 8.5% YoY in Q1 to 10.2% YoY in Q2, indicating stronger execution momentum.
- Demand recovery broadened, led by VND 357 trillion of public investment disbursement in H1 2026 (+12% YoY; 35.5% of plan), while residential launches also improved, with condo supply rising 55% YoY in Hanoi and 78% YoY in Ho Chi Minh City.
- Cost pressure remains the key constraint, as higher labor costs and rising construction-material prices—long steel up 8%-10% YoY and cement up 3%-4% YoY—limit margin upside despite stronger demand.

Financing condition

Funding is available, but access remains selective

- Bank credit to the construction sector grew 6.36% year-to-date, below system-wide credit growth of 8.37%. The sector accounted for 7.4% of total bank credit, broadly unchanged from end-2025, indicating continued but selective bank lending to contractors.
- Bond issuance remained limited in H1 2026, with only repeat issuers Coteccons (CTD) and Fecon (FCN, BBB-, stable) raising VND 1,525 billion, mainly for working capital and debt refinancing rather than investment expansion.

Financial strength

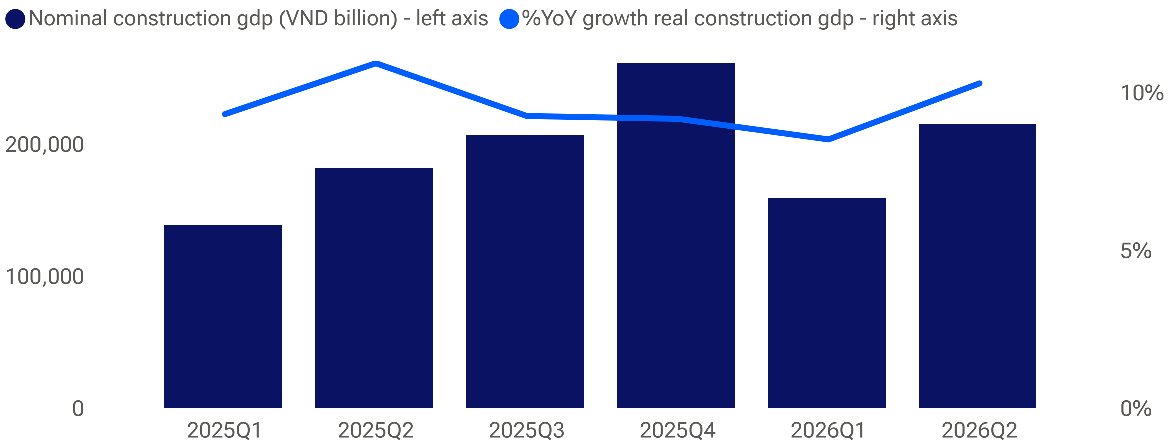
Larger contractors are better positioned than smaller peers

- Revenue momentum remained strong (+12.3% YoY in H1 2026) but uneven, led by large- and mid-sized contractors, while smaller contractors continued to report revenue declines.
- Margin pressure is building gradually as higher input costs begin to flow through project execution. While 16 of the top 30 listed contractors reported lower gross margins in H1 2026, several large contractors have shown greater resilience so far, supported by stronger project selection, execution capacity, bargaining power, and bulk-procurement advantages.
- Debt pressure is building among mid-to-large contractors with sizeable backlogs. Although sector debt rose only 6% YoY, higher borrowing costs drove a 25% YoY increase in interest expense, weakening interest coverage (EBIT/interest) to nearly 1.9x at end-Q2 2026 from 2.7x at end-2025.
- Debt-servicing capacity is increasingly differentiated. Cash flow recovery remains concentrated among large contractors, whose last twelve months' operating cash flow (CFO) increased around 50% QoQ as of end-Q2 2026. Meanwhile, persistent weak CFO among many mid-sized and smaller contractors continues to constrain liquidity and widen credit differentiation across the sector.

Source: VIS Rating

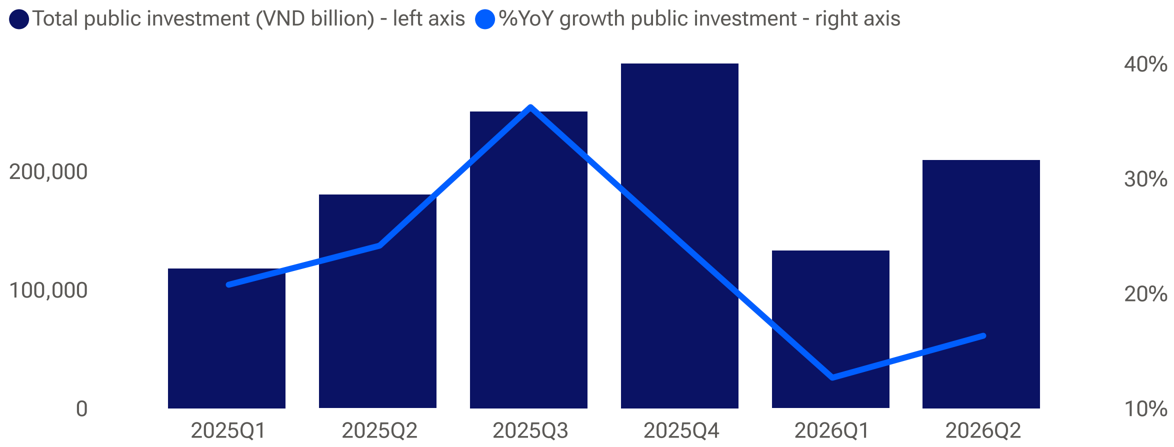
Construction activity is stronger, but cost pressure remains

Exhibit 1: Construction activity accelerated in Q2 2026, with the sector's real GDP growth rising to 10.2% from 8.5% in the previous quarter



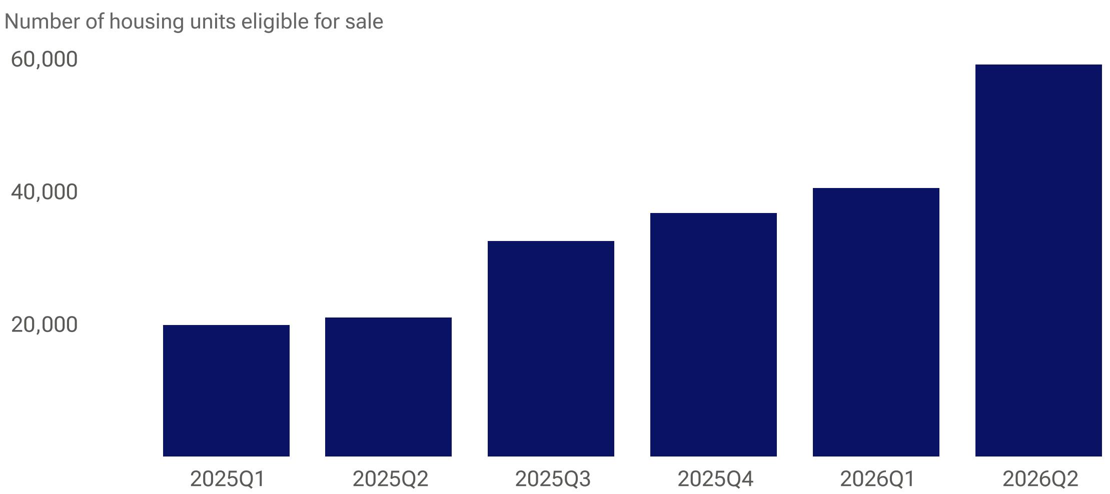
Source: National Statistics Office of Vietnam (NSO), VIS Rating

Exhibit 2: Infrastructure-focused public investment continues to supports construction activity



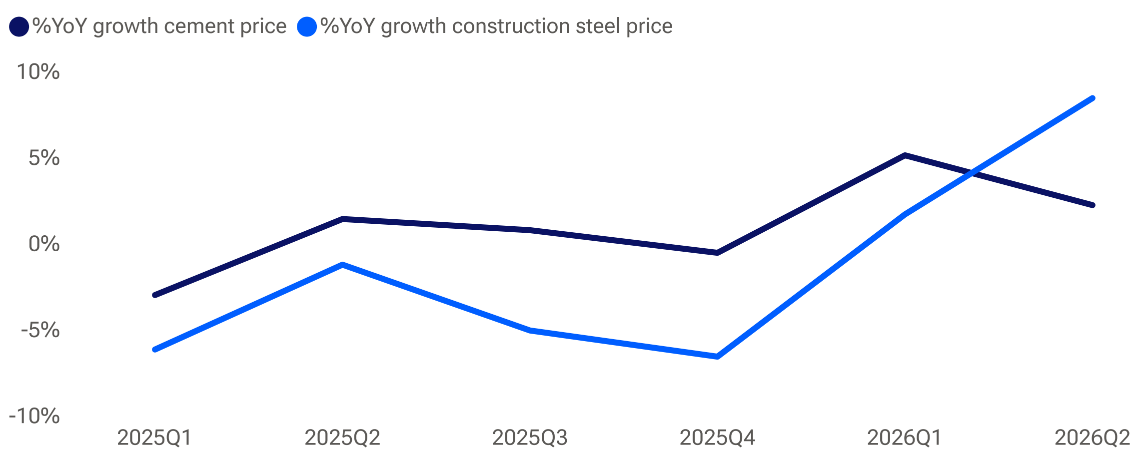
Source: NSO, VIS Rating

Exhibit 3: Ready commercial inventory continues to build across 2025-2026



Source: Ministry of Construction, VIS Rating

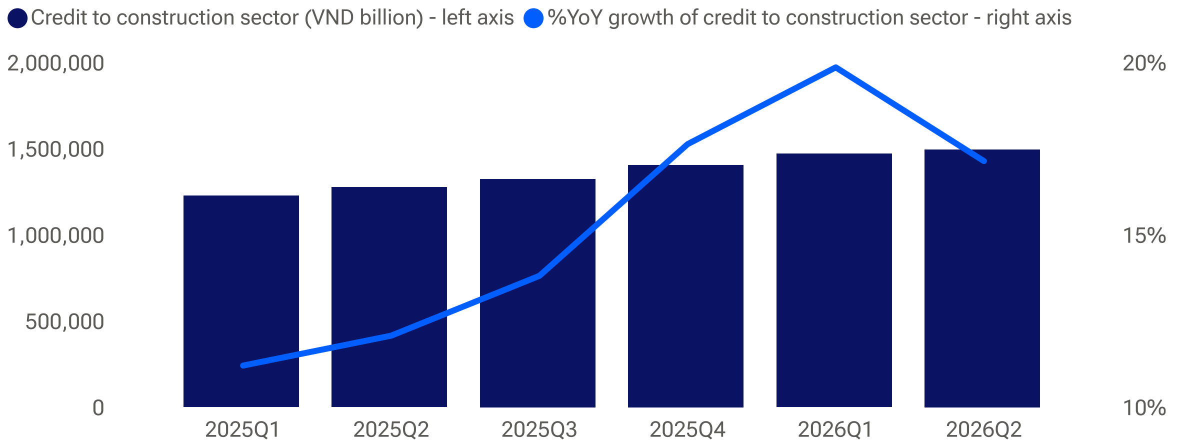
Exhibit 4: Higher input costs limit margin expansion despite strong demand



Source: WiData, VIS Rating

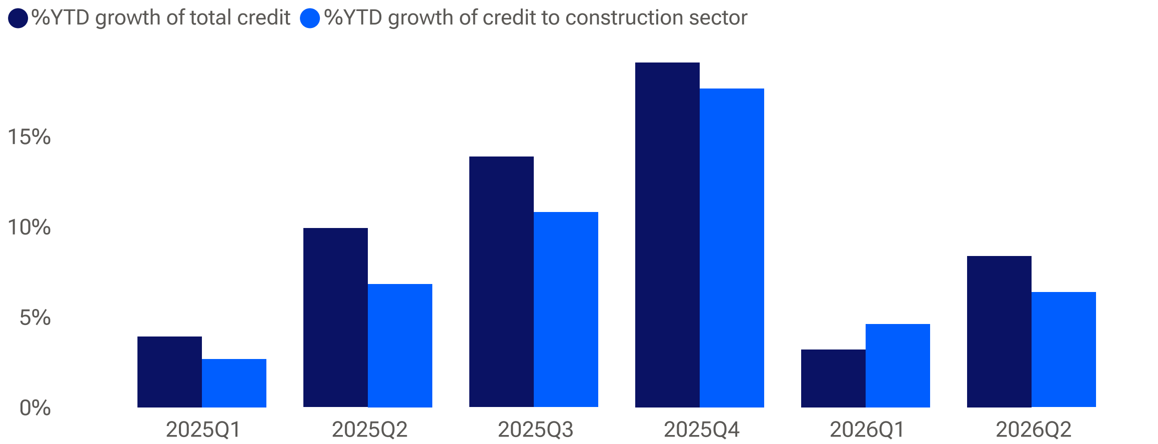
Funding is available, but access remains selective

Exhibit 5: Construction credit growth slows in Q2 after strong expansion in Q1 2026



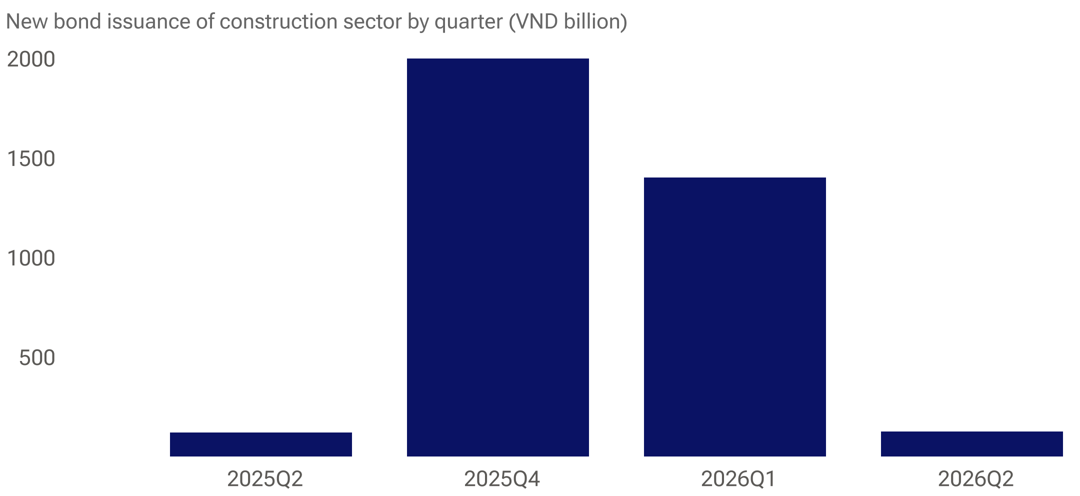
Source: State Bank of Vietnam (SBV), VIS Rating

Exhibit 6: Construction credit growth trails system-wide lending, reflecting selective bank risk appetite



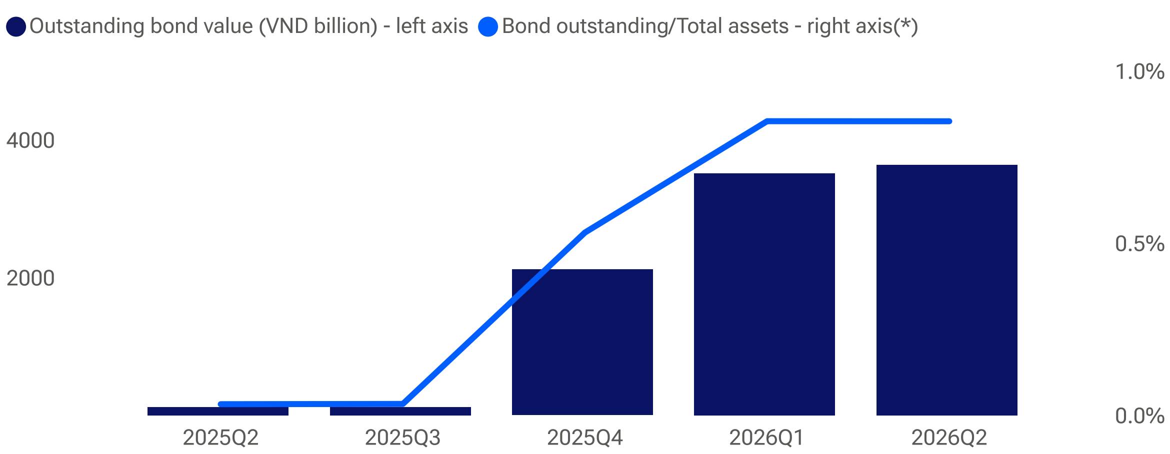
Source: SBV, VIS Rating

Exhibit 7: A few large constructors tapped into the corporate bond market in H1 2026



Source: Hanoi Stock Exchange (HNX), State Securities Commission of Vietnam (SSC), VIS Rating

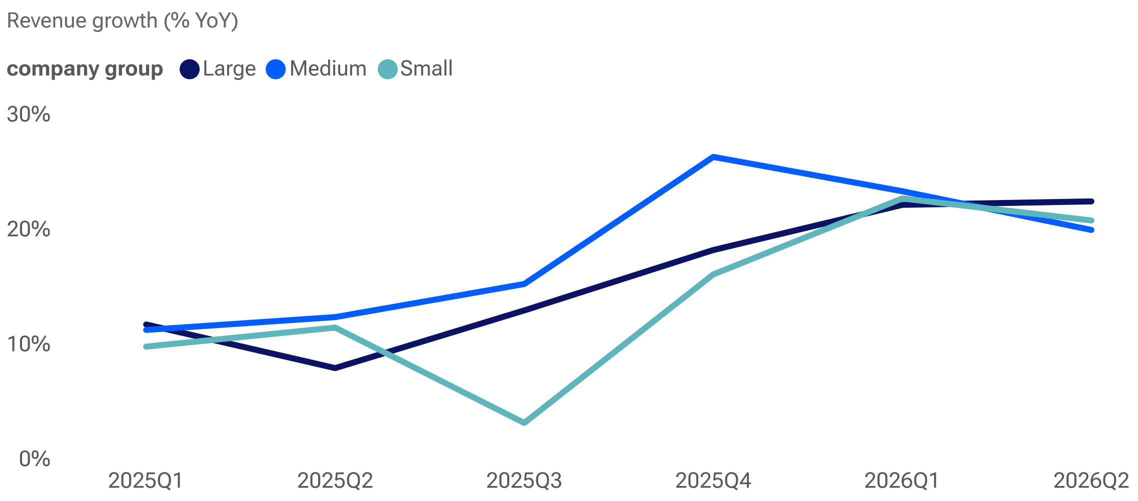
Exhibit 8: The sector bond outstanding increased but represented a very small funding base



Note: (*) Based on listed construction companies only, as all construction-sector issuers with outstanding bonds are listed
Source: HNX, SSC, VIS Rating

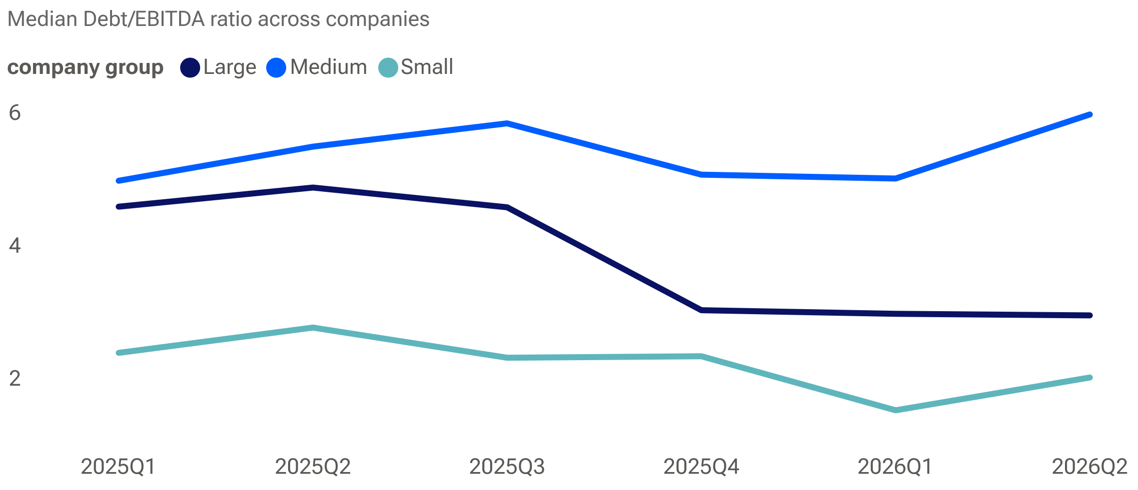
Larger contractors are better positioned than smaller peers

Exhibit 9: Revenue momentum concentrated among large- and medium- size contractors



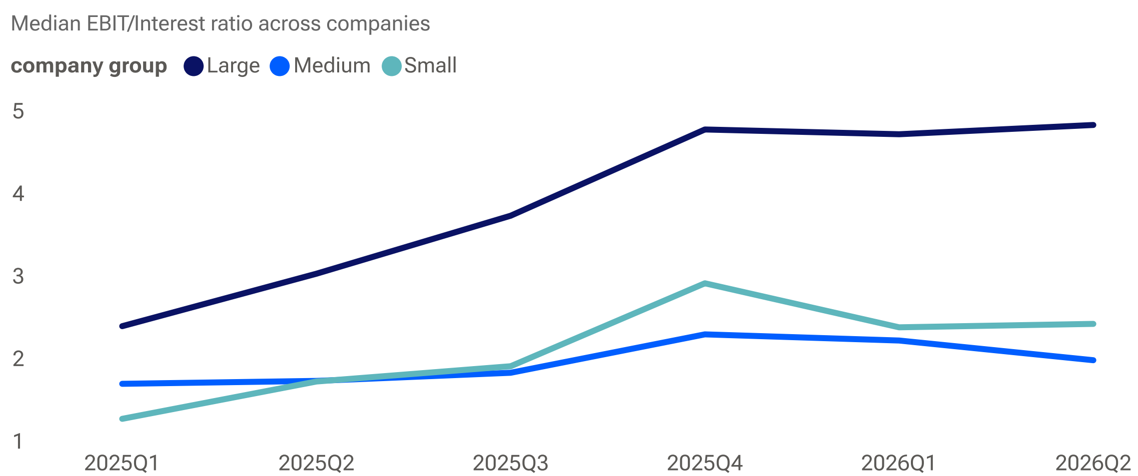
Source: Company data, VIS Rating

Exhibit 10: Sizable backlogs supported higher leverage among larger contractors



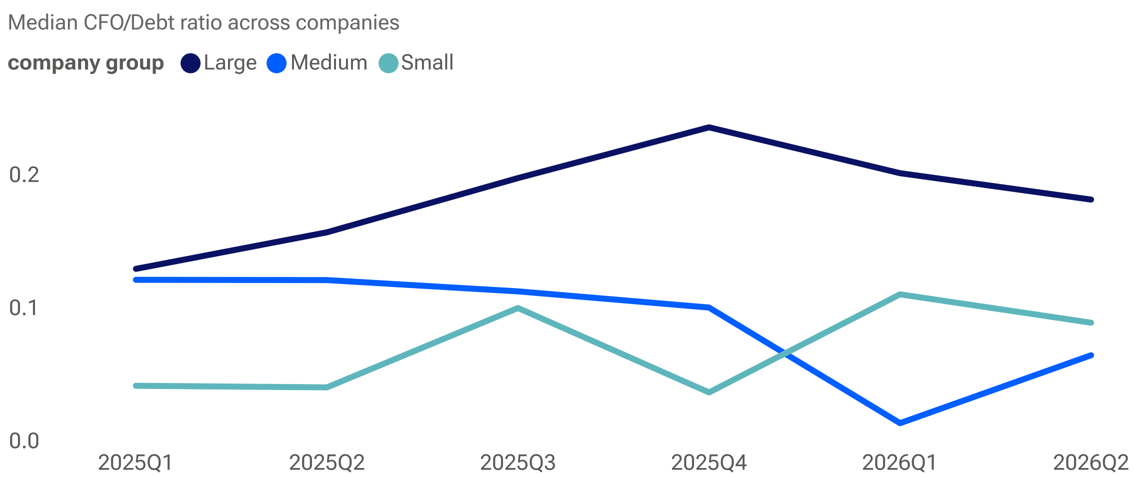
Source: Company data, VIS Rating

Exhibit 11: Coverage remains resilient for large contractors but softens for smaller peers



Source: Company data, VIS Rating

Exhibit 12: Large constructors maintained stronger cash flow coverage than smaller peers



Source: Company data, VIS Rating

Note: Company size is based on average revenue over the last three years: Large (>VND 5 tn), Medium (VND 1-5 tn) and Small (< VND 1tn). Financial data are trailing 12 months unless stated otherwise

APPENDIX

The top 30 listed construction companies by revenue mentioned in our analysis are as follows:

	Ticker	Full name
1	AME	Alphanam E&C JSC
2	C47	Construction Joint Stock Company 47
3	CDC	Chuong Duong Corporation
4	CTD	Coteccons Construction Joint Stock Company
5	CTI	Cuongthuan Idico Development Investment Corporation
6	CTR	Viettel Construction Joint Stock Corporation
7	DPG	Dat Phuong Group Joint Stock Company
8	FCN	FECON Corporation
9	HBC	Hoa Binh Construction Group Joint Stock Company
10	HTN	Hung Thinh Incons Joint Stock Company
11	L10	Lilama 10 Joint Stock Company
12	L18	Investment and Construction JSC No.18
13	LCG	Lizen Joint Stock Company
14	LHC	Lam Dong Investment Hydraulic Construction JSC
15	LIG	LICOGI 13 Joint Stock Company
16	LM8	Lilama 18 Joint Stock Company
17	PC1	PC1 Group Joint Stock Company
18	PHC	Phuc Hung Holdings Construction Joint Stock Company
19	S99	SCI Joint Stock Company
20	SC5	Construction Joint Stock Company No.5
21	SCG	SCG Construction Group Joint Stock Company
22	SCI	SCI E&C Joint Stock Company
23	SD5	Song Da No. 5 JSC
24	SJE	Song Da No. 11 JSC
25	TA9	Thanh An 96 Installation and Construction Joint Stock Company
26	TTL	Thang Long Joint Stock Corporation
27	VC2	VINA2 Investment and Construction Joint Stock Company
28	VC6	Visicons Construction And Investment Joint Stock Company
29	VCC	Vinaconex 25 JSC
30	VCG	Vietnam Construction and Import - Export Joint Stock Corporation

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