

Credit conditions

Stable Credit Outlook in 2026, as Strong Domestic Demand and Liquidity Offset Rate and Tariff Risks

Credit conditions in 2026 will remain broadly stable, underpinned by continued policy support and resilient domestic demand. While higher interest rates are lifting borrowing costs, corporates are increasing leverage to fund capital expenditure, but these pressures are tempered by a steady operating environment and limited refinancing risk. As a result, credit profiles across most corporate and financial institutions should remain stable, with default rates broadly unchanged from 2025.

Vietnam enters 2026 with strong macroeconomic momentum, following GDP growth above 8% in 2025 and a clear policy ambition to sustain double-digit expansion. Domestic activity is being propelled by an aggressive infrastructure build-out, with state-budget public investment set to rise by up to 53% in 2026 from VND 732 trillion in 2025. A robust pipeline of expressways, urban rail, power, and port projects—led by state-owned enterprises and supported by growing private sector participation—should lift employment and cash flows across construction, building materials, logistics, and transportation, with positive spillovers to real estate.

Consumption is expected to recover moderately, with retail sales growth accelerating to around 10% in 2026 from an 8% average in 2022–25, supported by a rebound in international tourism and prospective stimulus measures such as tax relief and expanded social support. Risks are rising, however. Credit growth continues to outpace deposit mobilization, keeping interest rates elevated and increasing corporate funding costs.

Externally, higher U.S. tariff levels and intensifying regional competition are likely to weigh on export-oriented sectors, slowing export growth from 2025 levels amid weaker demand in key markets. Changes to the geopolitical landscape and increasingly unpredictable climate events, resulting in severe losses for businesses and households, are also key risks to our stable view.

The corporate credit outlook will remain broadly stable, as strong profitability growth is largely offset by rising leverage and interest expenses. We forecast average EBITDA growth of 22% for rated issuers in 2026, broadly in line with a projected 21% increase in total debt. Construction and building materials will benefit most from the infrastructure and real estate acceleration, with revenue growth of 15–20% and the strongest credit profile improvement from relatively weak starting points. In residential real estate sector, leverage is expected to stabilize and refinancing risks remain manageable, supported by EBITDA growth of 20–25%, improved access to the corporate bond market, and stronger operating cash flows from sales.

A rebound in tourism and government support measures should lift profitability in retail and consumer goods. In contrast, export-oriented sectors face higher earnings volatility from tariff risks and intensifying competition from Chinese producers, particularly in non-U.S. markets.

Within the financial sector, asset quality and profitability are expected to diverge. Slower system credit growth—targeted at 15% in 2026 from 19% in 2025—along with tighter lending to high-risk real estate, should ease liquidity pressures and curb near-term overheating risks, contributing to a 10bp decline in the banking sector's problem loan ratio to around 2.1%. Large banks and securities firms are expected to remain resilient, supported by a stable domestic environment and ongoing policy support.

In contrast, risks remain elevated for smaller banks with exposure to speculative retail mortgages and for cash-loan-focused consumer finance companies, where higher interest rates, rising household leverage, and tariff-related income pressures strain borrowers' debt-servicing capacity. Their profitability will remain constrained by elevated credit and funding costs following deposit rate hikes in 4Q2025. As credit growth and leverage continue to build, banks will become increasingly vulnerable to renewed asset-quality deterioration beyond 2026.

Credit stress in the bond market is expected to remain contained. Annual default rates are forecast to stay around 1.3% in 2026, unchanged from 2025 and well below the 2023 peak of 12.2%, supported by a resilient operating environment and limited refinancing needs. Bond maturities remain manageable at VND 209 trillion, or 14% of outstanding corporate bonds, following widespread maturity extensions in 2025.

Cumulative recovery rates on defaulted bonds are expected to improve further, led by stronger performance and effective restructuring among residential real estate issuers. As bank lending becomes more selective, corporate bonds will play a larger role in corporate funding. Improving investor confidence and market liquidity should support a 15–20% increase in new bond issuance in 2026, with private placements to institutional investors continuing to dominate.

Banks and real estate issuers will remain central to the market, but issuance is expected to broaden to utilities, logistics, and infrastructure developers as the government's aggressive infrastructure drive fuels demand for long term capital.

CONTACTS

Duong Duc Hieu, CFA
Director - Senior Analyst
hieu.duong@visrating.com

Phan Duy Hung, CFA
Director - Senior Analyst
hung.phan@visrating.com

Nguyen Dinh Duy, CFA
Director - Senior Analyst
duy.nguyen@visrating.com

Nguyen Ha My, CFA
Sector Lead Analyst
my.nguyen@visrating.com

Nguyen Duc Huy, CFA
Sector Lead Analyst
huy.nguyen@visrating.com

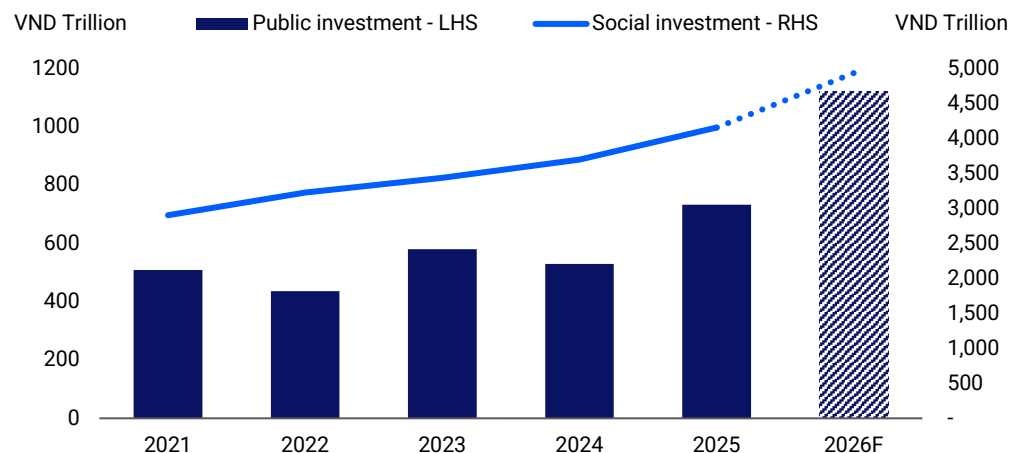
Nguyen Thi Kieu Hanh
Sector Lead Analyst
hanh.nguyen@visrating.com

Le Viet Cuong
Analyst
cuong.le@visrating.com

Simon Chen, CFA
Head of Ratings & Research
simon.chen@visrating.com

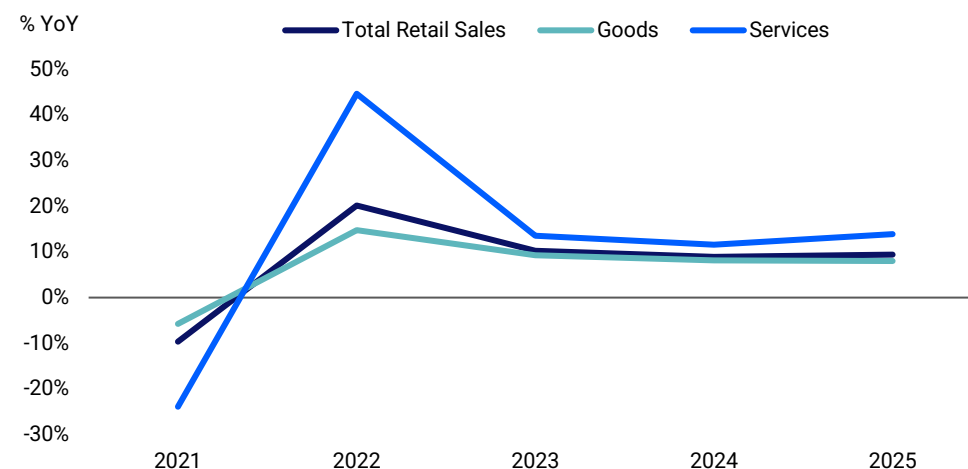
Strong domestic demand and liquidity offset rate and tariff risks

Exhibit 1: Social investment, led by infrastructure spending, remains a key driver of GDP growth



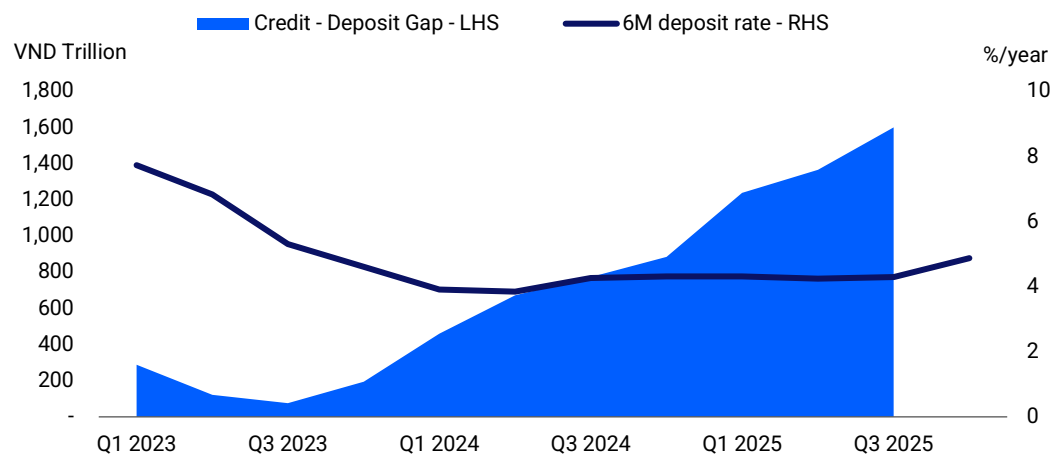
Source: National Statistics Office of Vietnam (NSO), VIS Rating

Exhibit 2: Total retail sales have been driven by strong momentum in services, supported by a rebound in tourism and F&B services



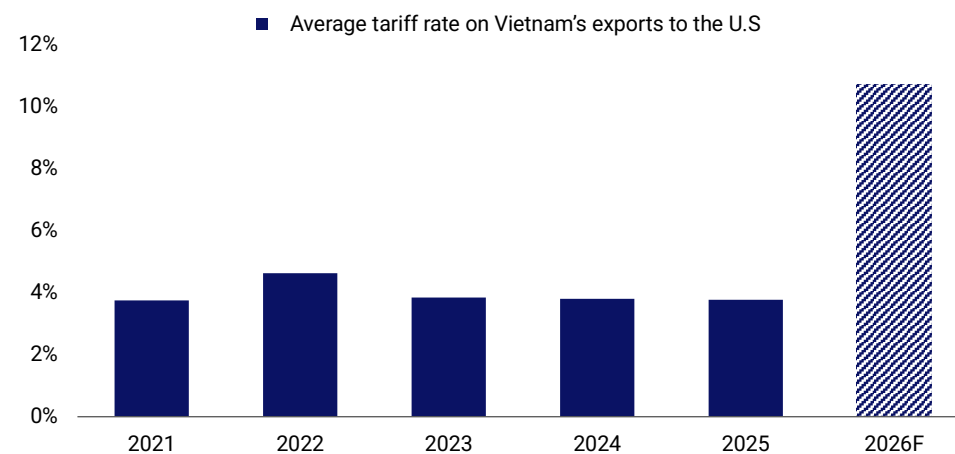
Source: NSO, VIS Rating

Exhibit 3: The widening gap between credit and deposit growth put pressure on interest rate



Note: 6M deposit rate is the simple average of 6-month deposit rates at MBB, VPB, TCB, STB, SHB, and ACB.
Source: State Bank of Vietnam (SBV), Widata, VIS Rating

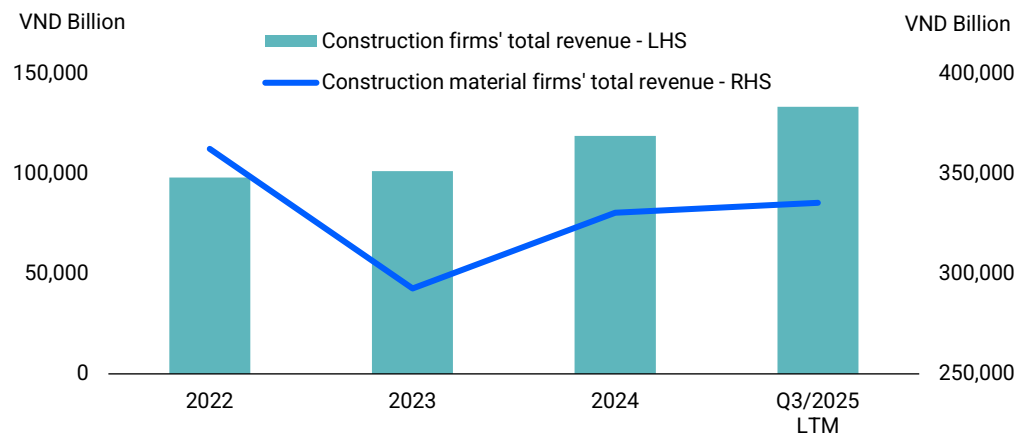
Exhibit 4: Average tariffs on Vietnamese goods exported to the US are likely to increase sharply in 2026 following the implementation of US reciprocal tariffs



Source: World Bank, Flexport, VIS Rating estimates based on 2025 export value and current tariff policy assumptions

Domestic demand strengthens; credit outlook of corporate sectors will remain broadly stable as profitability growth is offset by higher debt and interest cost

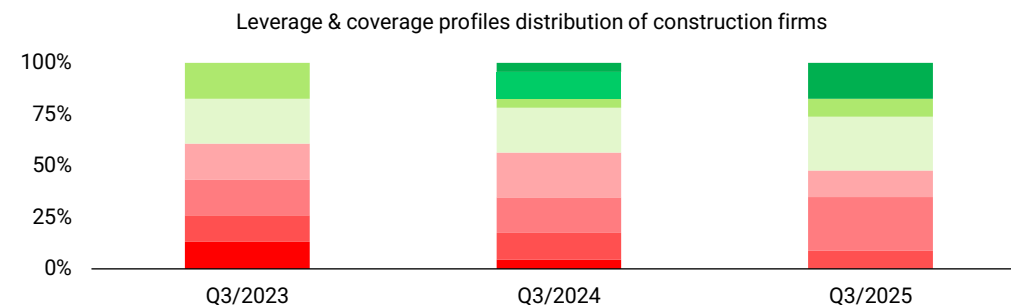
Exhibit 5: Construction and building materials sectors will benefit from accelerated infrastructure and real estate development, driving revenue and cash flow recovery



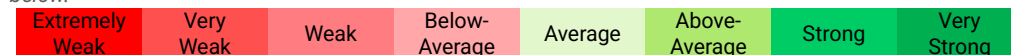
Note: Top 51 listed construction and construction materials firms in terms of revenue; LTM stands for last twelve months

Source: Company data, VIS Rating

Exhibit 6: As a result, leverage and coverage profiles of construction companies will improve significantly from relatively weak starting points compared to other corporate sectors



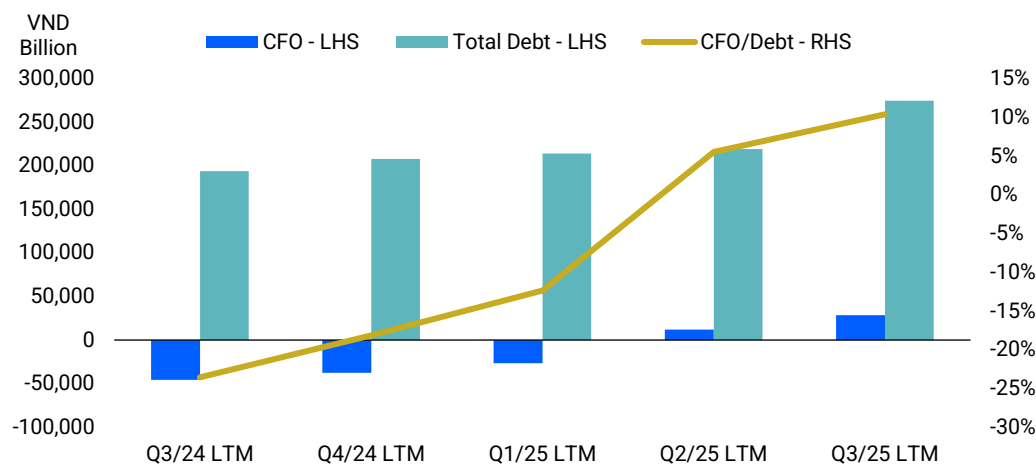
Leverage and coverage profiles are denoted based on our eight-category assessment scale, as illustrated below.



Note: Top 23 listed construction firms in terms of revenue

Source: Company data, VIS Rating

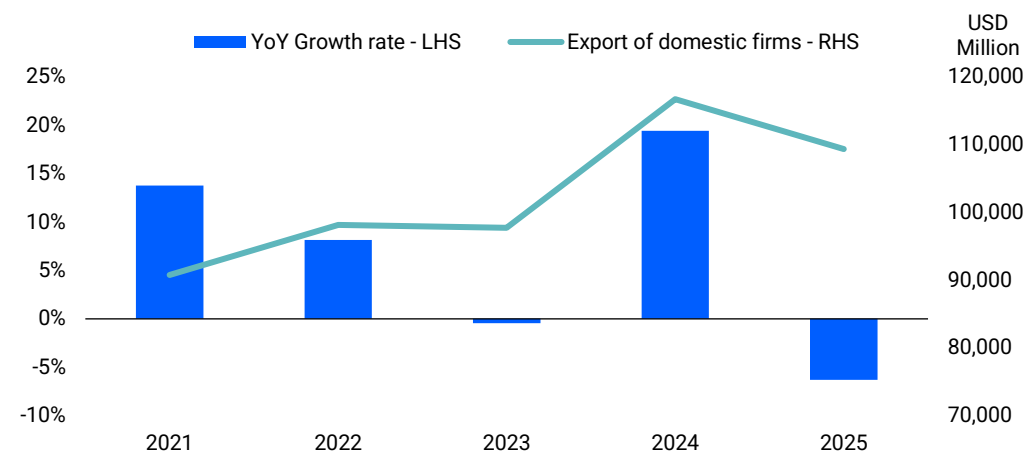
Exhibit 7: Sales proceeds from large handover pipelines in the next 12-18 months will drive stronger cash flow and improve coverage of real estate developers



Note: Top 30 listed residential developers in terms of revenue; LTM stands for last twelve months

Source: Company data, VIS Rating

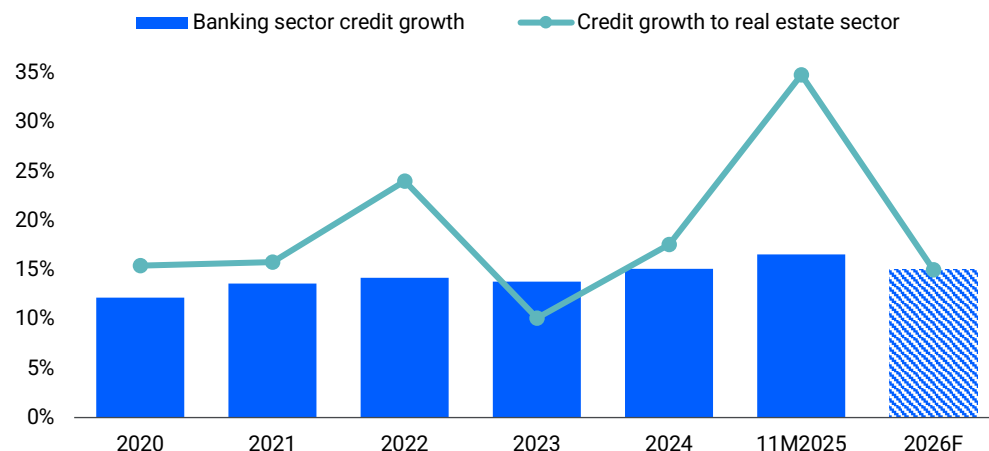
Exhibit 8: However, export-oriented firms will face volatilities from tariff risks and increasing Chinese competition in non-US markets



Source: Vietnam Customs, VIS Rating

Within the financial sector, asset quality and profitability are expected to diverge

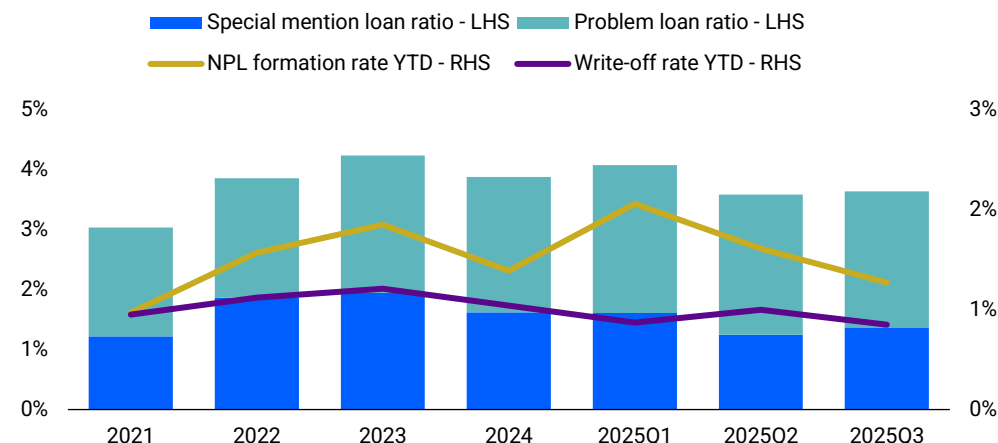
Exhibit 9: Slower system-wide credit growth and tighter lending to high-risk real estate will ease liquidity pressures and curb overheating risks



Note: 2026F data represents SBV's initial guidance in January 2026; Credit growth to real estate sector includes loan to real estate developers and mortgages.

Source: SBV, VIS Rating

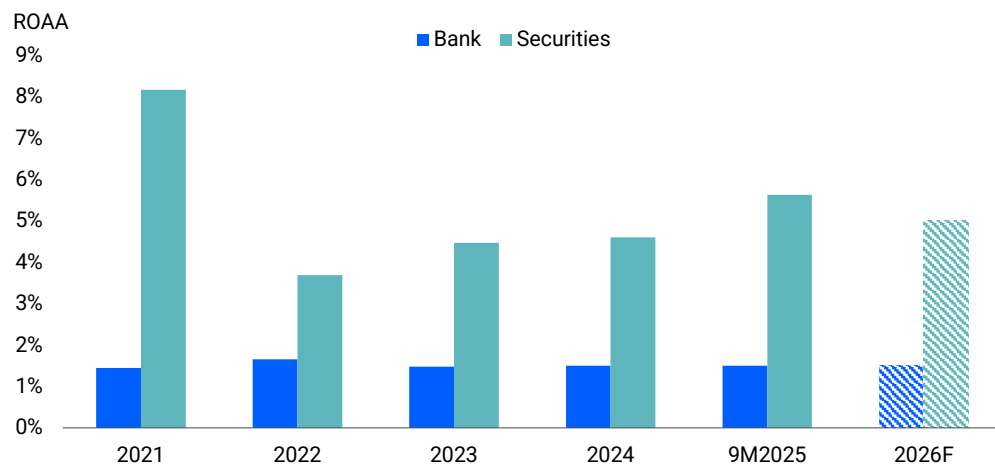
Exhibit 10: Banks' problem loan ratio will decline by 10bp to 2.1%, led by State-owned banks and several large private banks



Note: Sector numbers include 27 listed banks

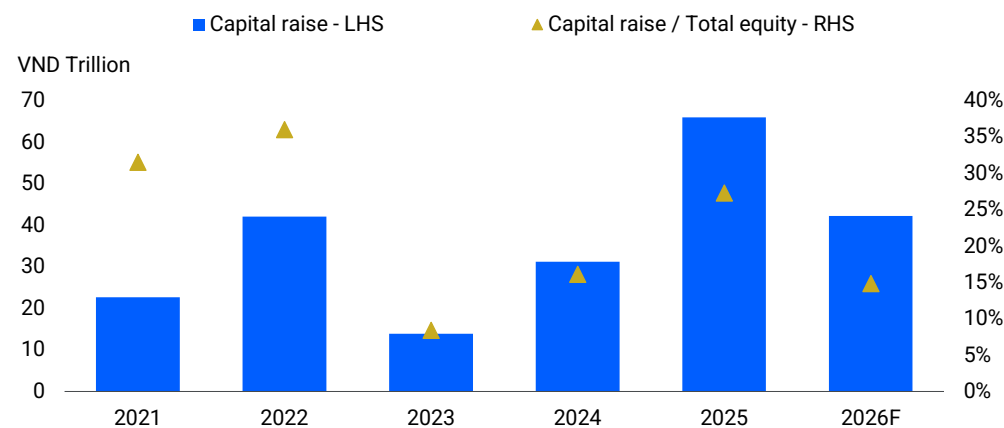
Source: Bank data, VIS Rating

Exhibit 11: ROAA will remain broadly flat at 1.5% for banks and stabilize at 5-5.1% for the securities sector



Source: Company data, VIS Rating

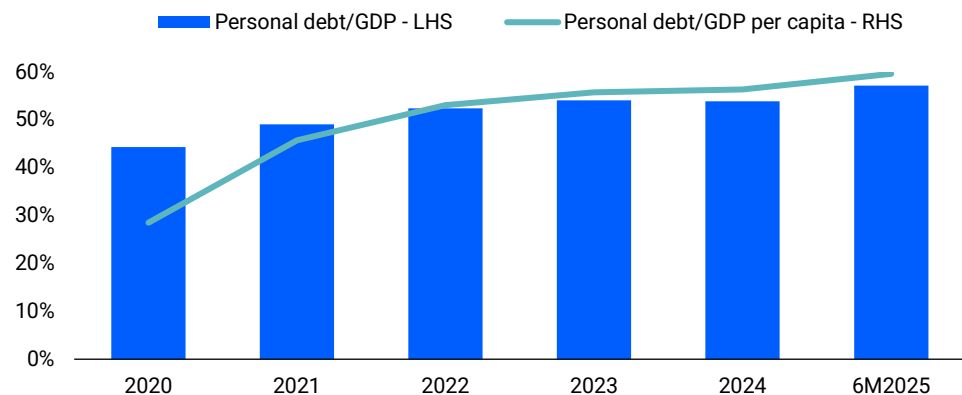
Exhibit 12: New capital injection from large -including bank-affiliated firms -will lower securities sector leverage and support core business expansion



Source: Company data, VIS Rating

Risks remain elevated for smaller banks with exposure to speculative retail mortgages and for cash-loan-focused consumer finance companies

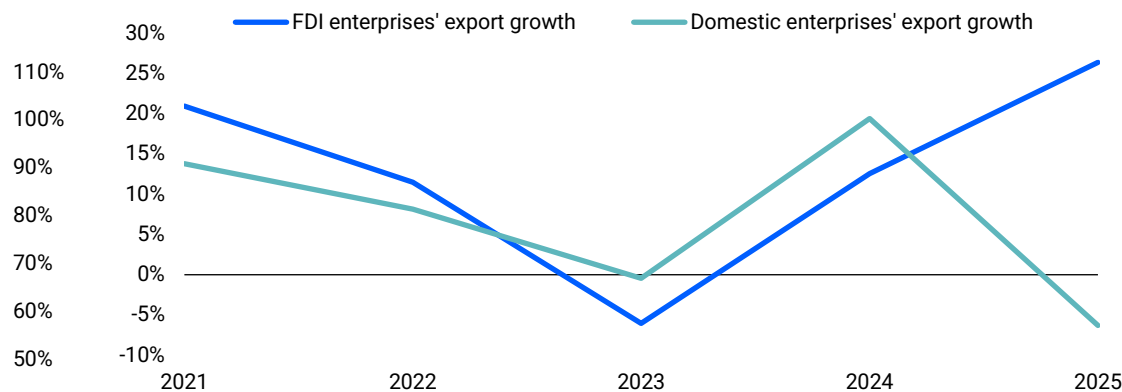
Exhibit 13: Higher interest rates, rising household leverage...



Note: Personal debt reflects retail loans reported by 27 listed banks

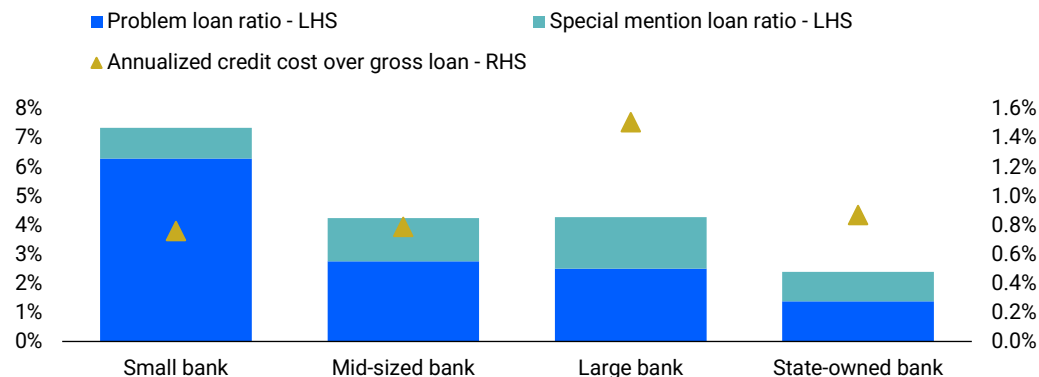
Source: Bank data, NSO, VIS Rating

Exhibit 14: ...and tariff-related income pressures strain borrower debt-servicing capacity



Source: Vietnam Customs, VIS Rating

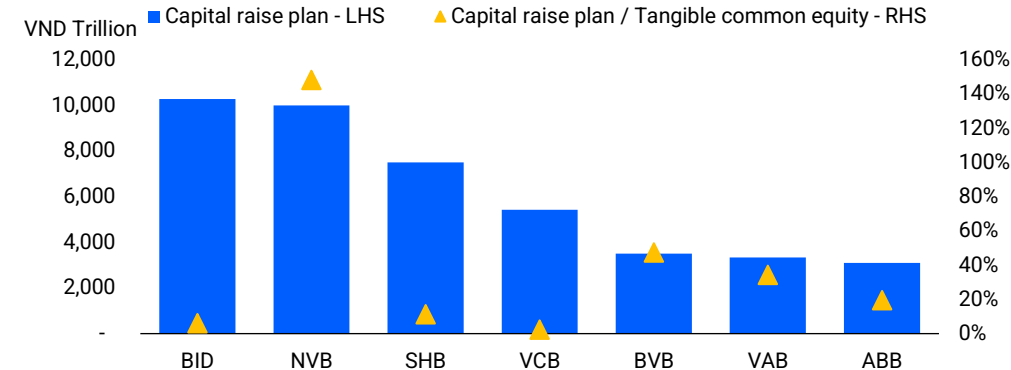
Exhibit 15: Profit growth for smaller banks will remain constrained given elevated credit costs to address asset quality issues



Note: Data as of 9M2025

Source: Bank data, VIS Rating

Exhibit 16: Significant capital raising by small banks will strengthen their loss-absorption capacity, outpacing State-owned banks¹



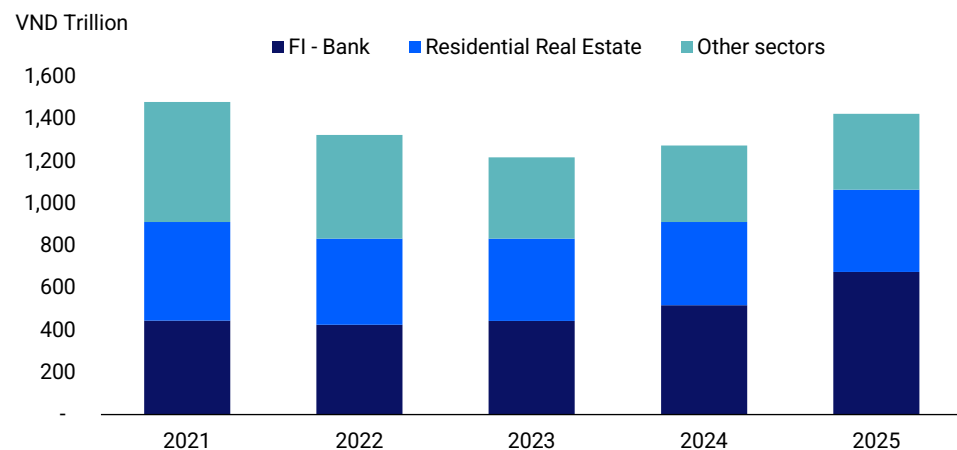
Note: VCB, NVB, BVB's capital raise are estimated based on stocks' par value

Source: Bank data, VIS Rating

¹ BID: Joint Stock Commercial Bank for Investment and Development of Vietnam; NVB: National Citizen Commercial Joint Stock Bank; SHB: Saigon - Hanoi Commercial Joint Stock Bank; VCB: Joint Stock Commercial Bank for Foreign Trade of Vietnam; BVB: Viet Capital Commercial Joint Stock Bank; VAB: Vietnam Asia Commercial Joint Stock Bank; ABB: An Binh Commercial Joint Stock Bank;

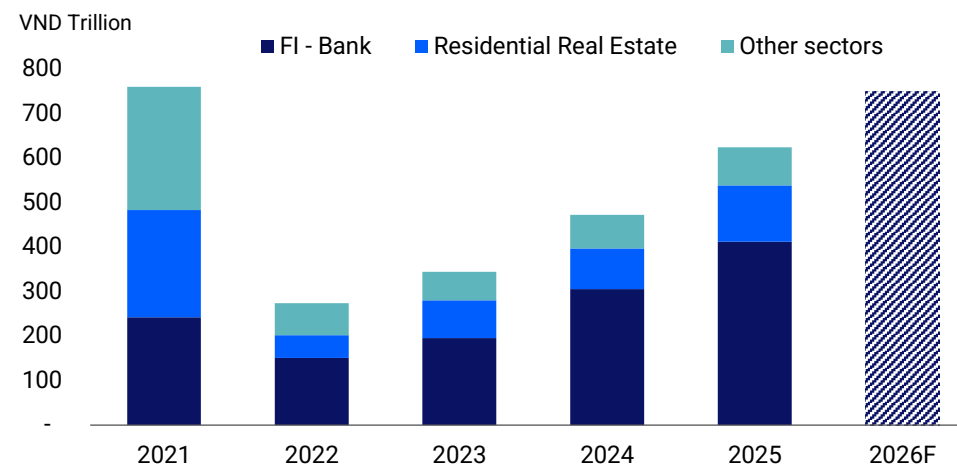
Corporate Bond 2025 - A More Resilient Market Foundation Poised for Continued Growth in 2026

Exhibit 17: Corporate bond outstanding sustained the growth momentum that resumed in 2024, reflecting improved market confidence



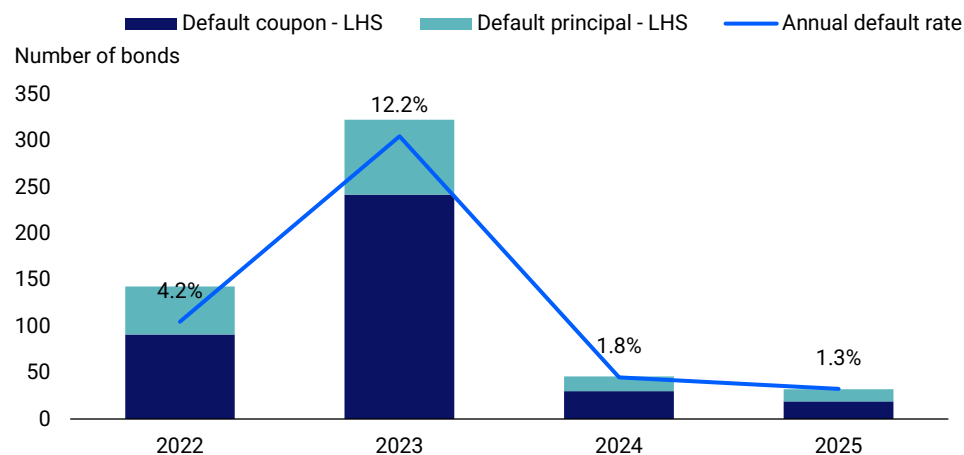
Source: HNX, SSC, VIS Rating

Exhibit 18: We expect new corporate bond issuance to grow by around 15%–20% in 2026, after surging by 32% YoY in 2025



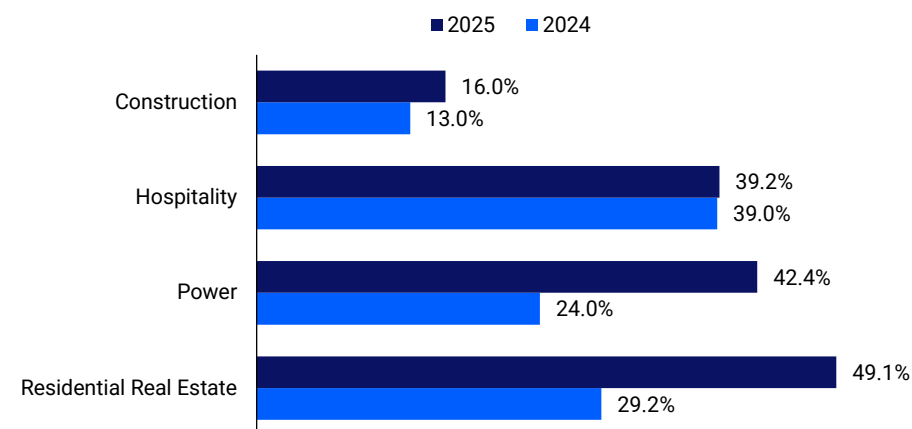
Source: HNX, SSC, VIS Rating

Exhibit 19: Annual default rate has declined sharply from 2023's peak



Source: HNX, SSC, VIS Rating

Exhibit 20: Recovery rates strengthened materially



Source: HNX, VIS Rating

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