[Vietnam]

OUTLOOK 2026

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Executive Summary

Vietnam's economy has delivered impressive results in 2025, continuing the momentum from 2024. According to the International Monetary Fund (IMF), the country's economic rebound carried into 2025 with robust export-driven growth, healthy credit expansion, and government support - helping deliver a strong first half of the year.

The government has launched an ambitious infrastructure push: a portfolio of 250 large-scale projects across 34 provinces - from transport and logistics to housing and energy - aimed at boosting public investment, improving connectivity and underpinning long-term productivity.

Macroeconomic stability remains a bright spot: inflation is largely under control, with consumer price indices kept within reasonable bounds under prudent monetary and fiscal management. Meanwhile, trade and foreign direct investment have remained strong, supporting industrial growth and the manufacturing base - a pillar of the economy.

Domestic consumption meanwhile also contributed to growth, aided by rising incomes and stable employment, helping soften external headwinds and global trade uncertainty.

On the political front, 2025 has been marked by a clear commitment to institutional reform and improved governance. The government has emphasised administrative streamlining and decentralisation as part of a broader effort to enhance efficiency and accountability across its 63 provinces, consolidating operations at provincial rather than district levels.

This reform push has been tightly linked to the economic agenda: by removing bureaucratic bottlenecks and accelerating public investment approvals, the state is laying the groundwork for faster decision-making and better public-sector performance - critical for sustaining growth and development.

Additionally, social and welfare policies have kept pace: efforts such as affordable housing schemes and rural-development upgrades have contributed to more inclusive growth, helping reduce social disparities while supporting consumer demand

1.0 Politics

In 2025, Vietnam has moved into a new phase of governance after a period of political turbulence. The new top leadership - under Tô Lâm as General Secretary - has pressed forward an ambitious restructuring of the state apparatus. The government officially merged and reduced the number of ministries and agencies, consolidating units so that, from March, the executive branch comprises far fewer ministerial bodies. Simultaneously, at the local level the administration reorganised provinces, cutting the number of sub-national units, eliminating district-level administration in many parts, as part of a drive to make governance leaner and more efficient.

Unpopular with some in Vietnam, proponents argue this “streamlining” will promote quicker decision-making and reduce bureaucratic red tape - vital as Vietnam seeks to handle rising foreign investment, ambitious infrastructure projects, and a growing economy.

On the economic and diplomatic front, 2025 has been encouraging. Output remains strong: social investment rose, foreign direct investment reached record levels, and employment increased - boosting average incomes for many workers.

Trade has also expanded, supporting Vietnam’s status as a regional export hub, while at the same time, Hanoi has used its improved institutional efficiency to approve major infrastructure and energy projects, including rail links and plans for nuclear power, part of a long-term push to modernise and meet energy demand.

However, not all is progress. Civil and political liberties remain under severe constraint. In 2025 the authorities rearrested a former political prisoner and known dissident, Huỳnh Ngọc Tuấn, seemingly as part of an intensified crackdown on free expression ahead of the next party congress. Meanwhile, the prosecution and imprisonment of lawyers and activists under vaguely-worded legal provisions such as Article 331 of the Penal Code have continued.

With media and civil-society space tightly controlled, critics across the world argue that reforms lack transparency and public accountability.

Moreover, the sweeping institutional reforms, though touted as modernising, have stirred concern about reduced local accountability. Merging provinces, abolishing district-level administration, and shrinking government layers may boost efficiency, but risk distancing decision-making from local communities.

Looking ahead, Hanoi faces a delicate balancing act. On one hand, it must deliver on the bold economic and infrastructure agenda - sustaining growth, attracting more FDI, and preparing for global economic uncertainties. On the other, it must manage the social and political consequences of a narrower civic space: suppression of dissent may undercut trust; weakening local governance could stir grassroots discontent; and the looming 14th National Congress of the Communist Party of Vietnam in early 2026 will test the resilience of the restructured system.

In short, 2025 has been a year of transformation including economic momentum, institutional overhaul and also continuity in control. The next challenge for Vietnam's government will be to demonstrate that efficiency and stability can go hand in hand with justice, responsiveness, and social legitimacy.

2.0 Macro Economy

• 2.1 GDP

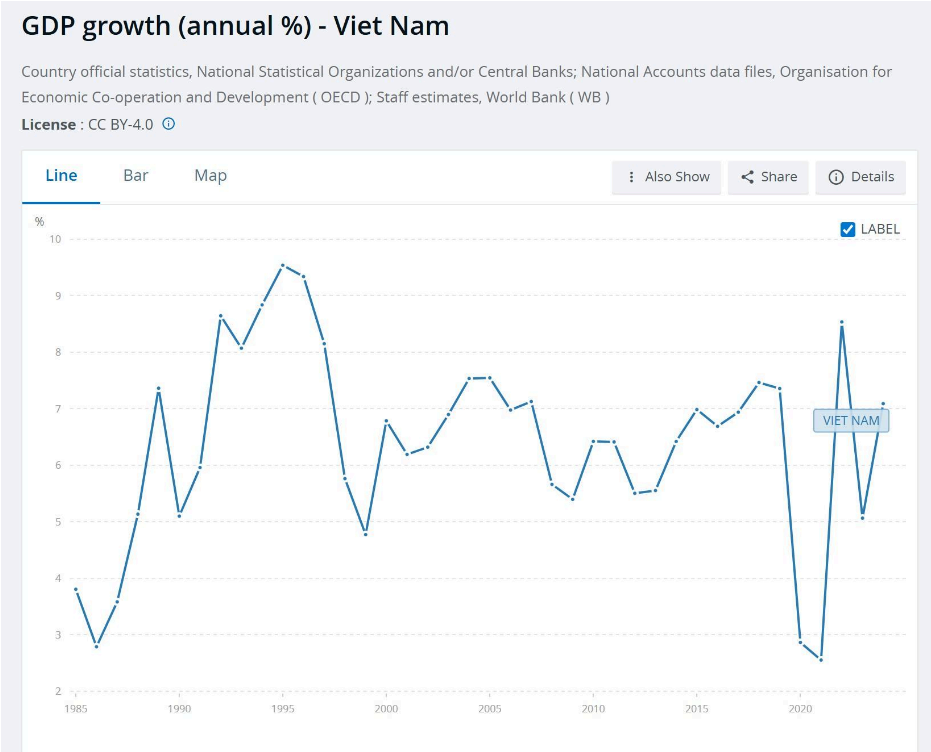
In 2025, Vietnam's economy is broadly expected to register solid, if moderate, growth - though lower than the ambitious target set by the government. The World Bank forecasts GDP expansion of 6.8%this year, up slightly from previous estimates.

Similarly, the Asian Development Bank (ADB) has revised its 2025 growth projection upward to 6.7%, citing robust industrial output and strong foreign direct investment (FDI) inflows with industrial production and manufacturing exports performing particularly well in the first eight months of the year.

This growth is fuelled by several factors. On the domestic side, government spending, construction and investment-driven demand have helped sustain momentum.

On the external front, Vietnam's manufacturing sector and export performance remain strong, helping mitigate the impact of global headwinds. Nevertheless, risks remain: export-oriented growth could be dented by global trade uncertainty, and structural vulnerabilities - including potential financial sector pressures and reliance on external demand - could constrain long-term sustainability.

Looking ahead to 2026, growth is expected to moderate somewhat, with ADB projecting about 6.0% real GDP growth assuming steady investment and a stable global trade environment.



• 2.3 Inflation and Monetary Policy

Vietnam's inflation and monetary policy in 2025 were shaped by a careful balancing act: supporting an unexpectedly strong growth rebound while keeping price pressures contained. After a robust end to 2024 and very strong expansion through the first nine months of 2025, headline inflation broadly remained within the authorities' tolerance band. Industrial activity and exports powered growth, credit expanded briskly and the State Bank of Vietnam (SBV) used a mix of conventional and targeted liquidity measures rather than aggressive benchmark-rate moves to manage the cycle.

The SBV raised credit growth targets for banks and pushed price-supportive measures while allowing incremental easing of lending rates for key sectors to sustain investment and household demand. These steps were calibrated to sustain high growth without stoking second-round inflationary pressures.

Price dynamics in 2025 were a mix of moderating core inflation and episodic supply-side shocks. Energy and food prices showed bursts of volatility, but wage and broad domestic demand pressures were more muted than in many peer nations.

As a consequence, inflation forecasts for 2025 clustered in the mid-single digits: ADB and several multilateral agencies projected inflation to remain near or slightly below the central government's ceiling, even as GDP growth forecasts ranged from solid to very strong depending on assumptions about exports and investment. That relative price stability gave the SBV room to rely on targeted measures such as reserve requirements, liquidity provision, selective rate reductions for priority loans, rather than broad, blunt policy-rate cuts.

The SBV also managed the exchange rate more flexibly in 2025, permitting modest VND depreciation at times to absorb external shocks and support exporters while intervening to prevent excessive volatility. Foreign-exchange reserves and capital flows remained adequate, helping the central bank preserve policy optionality.

The IMF's 2025 Article IV noted that while there was room for greater fiscal support if growth slowed markedly, space for further monetary easing was limited and improving financial-sector resilience and exchange-rate flexibility were priorities. Policymakers therefore emphasised coordination between fiscal and monetary instruments to sustain growth without compromising macro-financial stability.

Risks and the 2026 outlook: assuming global trade headwinds do not intensify and commodity prices remain moderate, inflation in 2026 is expected to stay within the mid-single digits, allowing the SBV to maintain an accommodative but measured stance.

If growth remains as strong as some private banks now forecast, the SBV may shift gradually from support to normalisation - using macroprudential tools and modestly tighter reserve conditions rather than abrupt policy-rate hikes – primarily to pre-empt overheating and preserve financial stability. Continued exchange-rate flexibility and deeper coordination with fiscal policy will be crucial.

Near-term risks, however, include renewed external shocks such as higher US tariffs, slower global demand, or a sudden spike in oil prices - any of which could force a reassessment of policy. Conversely, strong FDI, faster disbursement of infrastructure spending and robust export performance could sustain output and narrow the need for monetary tightening. In practice, the SBV is likely to favour a "two-pillar" approach in 2026: preserve easy financing conditions where needed for growth while tightening supervisory and liquidity tools where financial-stability risks emerge. Clear communication and data-dependence will guide any shift in stance.

3.0 External Environment

Vietnam's external environment in 2025 was shaped by a turbulent combination of geopolitical conflict, shifting trade policies and volatile global financial conditions - all of which influenced economic performance and placed intermittent pressure on the currency – the dong. As a highly export-driven economy integrated into global manufacturing supply chains, Vietnam remained particularly exposed to developments outside its control.

A significant source of uncertainty came from the United States' decision to raise tariffs on a range of Asian manufactured goods. Although Vietnam was not the primary target in this move, the secondary effects were substantial.

Its electronics, furniture and textile sectors - already integrated into US-bound supply chains - faced rising input costs and the risk of spillover restrictions. Multinational manufacturers, especially in electronics assembly, reassessed their procurement strategies, creating short-term caution in new investment commitments.

At the same time, Vietnam stood to benefit from supply-chain diversification as firms looked to shift production from more heavily tariffed economies. Yet these gains materialised unevenly, and export growth softened in several key markets during the middle of the year.

Geopolitical tensions further complicated the external outlook and contributed to elevated global energy prices, increasing Vietnam's import bill for fuel and fertilisers.

Higher shipping and insurance costs, particularly along disrupted routes tightened margins for exporters and raised costs for imported intermediate goods central to Vietnam's manufacturing model. The country's dependence on external energy sources made domestic inflation more sensitive to global shocks, prompting authorities to manage fuel prices carefully to contain inflationary pressures.

Financial-market conditions added another layer of difficulty. With uncertainty surrounding the pace of US monetary easing, global investors periodically shifted towards dollar assets, weakening emerging-market currencies, including the dong. While Vietnam's capital controls and managed-float regime limited excessive volatility, the currency still experienced bouts of depreciation from time to time, prompting the State Bank of Vietnam to intervene selectively and maintain sufficient liquidity in the foreign-exchange market.

Despite these headwinds, Vietnam benefited from firm regional trade demand, ongoing investment interest in high-tech manufacturing and resilient inflows from Korean, Japanese and Singaporean investors.

However, the fragile global environment underscored the importance of diversifying export markets, enhancing domestic energy security and strengthening logistics resilience to safeguard growth and support currency stability in the years ahead.

4.0 Budget & Debt

• 4.1 Federal budget

The 2026 budget of Vietnam presents an assertive fiscal template - one that seeks to reconcile ambitious development goals with a tolerable degree of deficit financing. Under the resolution adopted by the National Assembly of Vietnam on November 13, 2025, total state revenue for 2026 is pegged at roughly VND2.53 quadrillion ($96bn), with VND1.22 quadrillion coming from the central budget and about VND1.3 quadrillion from local budgets.

Expenditures are expected to reach nearly VND3.16 quadrillion, of which central-budget spending amounts to VND1.809 quadrillion. The resulting fiscal gap of approximately VND605.8 trillion, equivalent to 4.2% of GDP, underscores Vietnam's willingness to tolerate a significantly expanded deficit to sustain public investment and service commitments.

A notable emphasis in the 2026 budget lies with science, technology and innovation: the government has earmarked VND95 trillion (about $3.6bn) for technology development, digital transformation and related innovation programmes.

This underlines Hanoi's ambition to pivot away from traditional growth drivers toward a more knowledge- and tech-driven economy, in line with broader structural-transformation goals.

The budget also ensures that local governments will implement a base salary of VND2.34mn per month. To that end, the Assembly allowed use of some VND23.83 trillion from wage-reform reserves accumulated as of end-2025, thereby cushioning wage pressure while committing to wage policy reform.

That said, the 4.2% deficit signals a clear bet by Hanoi: that the extra borrowing and spending will yield higher growth, increased productivity and policy dividends.

• 4.2 Debt & Gross International Reserves

As Vietnam moves into 2026 the country's external-debt and reserve profile suggests a deliberate attempt to balance ambition and prudence, offering both breathing room for investment and a buffer against external shocks.

According to the latest available data from the International Monetary Fund (IMF), Vietnam's gross international reserves stood at about $109.4bn in 2025 - a robust cushion even as the authorities contemplate stepped-up public investment. Meanwhile, public and publicly guaranteed debt is forecast to remain modest: around 36–37% of GDP by end-2026, with government debt at 34–35%, and foreign debt expected at 32–33%.

This debt burden remains comfortably below the statutory ceilings set by the legislature and well under the 60%-of-GDP threshold for overall public debt. The government's borrowing plan, nearly VND969.8 trillion or $38.5bn in 2026, reflects a shift toward more active mobilisation, combining domestic bonds, concessional foreign loans and official-development assistance.

The ample reserves provide a degree of external liquidity flexibility, helping to safeguard the exchange-rate regime and support import-coverage, at a time when global trade remains uncertain and capital flows volatile. At the same time, the moderate debt levels suggest Vietnam retains substantial fiscal space as a premise echoed by international observers as underpinning the country's capacity for further public investment.

That said, the strategy is not without challenges. The planned increase in borrowing will require rigorous debt management and efficient public investment execution to avoid future risks. Should global headwinds intensify or growth disappoint, the reliance on borrowing and the need to draw on reserves could test Vietnam's external and fiscal stability.

5.0 Real Economy

• 5.1 Agriculture

Agriculture remains foundational to Vietnam's economy, not only as a traditional sector but increasingly as a sophisticated export-oriented industry supported by rising private investment and government modernisation efforts. In 2025 agriculture and food processing collectively account for a substantial share of Vietnam's fiscal output, driven by strong performances in seafood, rice, coffee and fruit exports.

Seafood remains a key earner, particularly shrimp and pangasius products from the Mekong Delta which are exported all over the world. Firms such as Minh Phú Seafood and Vĩnh Hoàn have benefited from technological upgrades in aquaculture and expanded access to premium markets. The rice sector has also strengthened its position, with higher-quality fragrant and long-grain varieties enabling Vietnam to maintain strong export momentum despite global price volatility.

Coffee, dominated by robusta production from the Central Highlands, continues to be a major contributor as global supply shortages lifted prices in 2025.

Food processing is increasingly important to value addition. Foreign and domestic companies have been expanding beverage, dairy and packaged food production to meet rising domestic consumption and export demand across ASEAN. Investment into cold-chain logistics, packaging and traceability systems has improved operational efficiency, although smaller producers still face difficulties meeting international sanitary standards.

Challenges persist in fragmented land ownership which limits economies of scale, although the government has been promoting consolidation and digital agriculture initiatives.

Nonetheless, the sector's competitive advantages -favourable climate, diversified production, and strong global demand - support its steady transformation. Agriculture and food processing are expected to remain significant contributors to export diversification and rural income growth, underpinning Vietnam's broader push towards higher-value agro-industrial development.

• 5.2 Retail

Vietnam's retail economy in 2025 recorded steady expansion, supported by rising urban incomes, moderating inflation and continued investment from foreign and domestic retailers. Consumer sentiment improved across major cities, with Ho Chi Minh City, the nation's financial hub, and Hanoi, the capital, reporting stronger footfall in malls and high-street locations.

Vincom Retail, the country's largest mall operator, recorded higher leasing demand, particularly from fashion and lifestyle brands seeking to capture the growing middle-class market. Aeon Mall, leveraging its strong position among younger families, expanded its overall dining and entertainment offerings, reporting double-digit growth in weekend traffic.

Convenience-store chains remained a major growth driver too. WinMart accelerated its rollout in provincial cities, targeting dense residential areas and offering curated product lines tailored to local income levels.

South Korea's popular GS25 also expanded its footprint, focusing on ready-to-eat meals and late-night services that continue to attract students and young office workers. These expansions reflected the shifting preference for modern retail formats over traditional wet markets in urban areas.

E-commerce growth moderated from its pandemic-era surge but remained robust. Shopee, popular Asia wide, and Lazada strengthened logistics capabilities, investing in last-mile transport to reduce delivery times outside the major urban corridors. Tiki, repositioning itself as a higher-quality domestic platform, deepened its partnership with local FMCG suppliers, boosting sales in health, beauty and also homecare products.

Despite the positive momentum, challenges persisted. Currency volatility increased costs for import-heavy retailers, while uneven rural demand and weaker agricultural incomes held back consumption in the Mekong Delta and Central Highlands. Nonetheless, the sector will enter 2026 with improved stability and a growing modern-retail footprint.

• 5.3 Tourism and Hospitality

Tourism and services remain among Vietnam's most dynamic sectors, with a strong rebound in 2024-25 positioning the industry as a major contributor to fiscal output. The return of international travellers-particularly from South Korea, China, the US and Europe-has restored activity in major destinations such as Hanoi, Ho Chi Minh, Đà Nẵng and Hội An. Government visa reforms, including expanded e-visa access and extended stay periods, have strengthened competitiveness against regional peers such as Thailand and Malaysia.

Hospitality operators have reported robust demand across hotels, resorts and domestic airlines. Vietjet Air and Vietnam Airlines have increased regional routes to meet travel recovery, while major hotel groups including Marriott, Accor and Vinpearl have expanded or refurbished properties to meet rising occupancy.

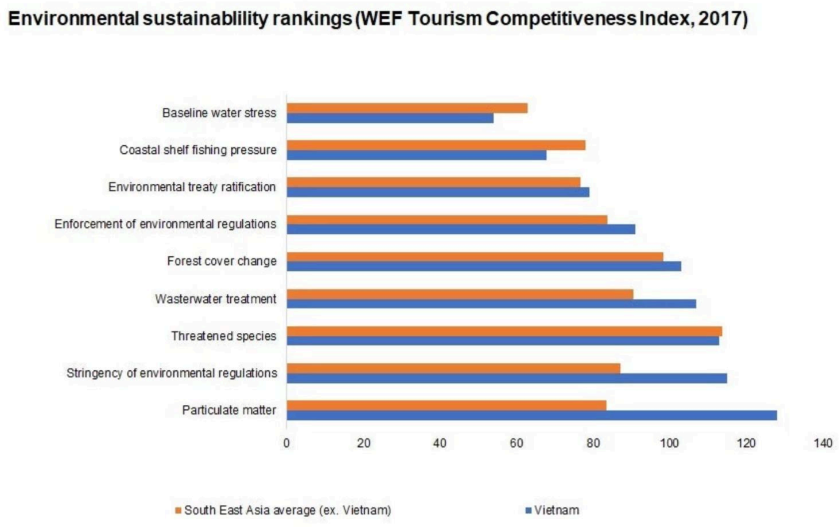
Conference and business tourism has also recovered, with Hanoi and Ho Chi Minh hosting a broader range of regional commercial events including energy seminars.

Beyond tourism, business services, particularly ICT, outsourcing and digital solutions, have become increasingly influential in Vietnam's service-sector output. Ho Chi Minh City and Đà Nẵng continue to attract investment from global technology firms for software development, IT services and business-process outsourcing. Domestic companies such as FPT Software have expanded their international client base, supported by rising demand for digital transformation across global industries.

Yet the sector faces a number of challenges. Over-reliance on Chinese tourist flows creates vulnerability, while infrastructure congestion, particularly airports and transport networks, limits service quality.

The hospitality sector must also adapt to tighter sustainability requirements from international travel partners. Meanwhile, the digital services industry faces a shortage of high-skilled tech labour and rising competition from India and the Philippines.

For now, the service sector remains central to Vietnam's long-term economic strategy though. Tourism supports widespread employment and foreign-exchange generation, while business services underpin the shift towards a more diversified and knowledge-driven economy. Both segments are poised to grow further as geopolitical diversification and regional integration continue to shape investment and travel flows.



• 5.4 Manufacturing

Electronics has this year consolidated its position as Vietnam's leading industrial engine, accounting for the largest share of manufacturing output and export earnings. The sector is anchored by major foreign-invested firms, particularly Samsung Electronics, which continues to operate Vietnam's biggest foreign manufacturing hub. Its facilities in Bắc Ninh and Thái Nguyên collectively produce nearly half of Samsung's global smartphone output, making the company central to Vietnam's established role in the global electronics supply chain.

The government's industrial policy which favours export-oriented investment, tax incentives, and the creation of specialised high-tech parks, has enabled a steady deepening of electronics production. Notable developments in 2025 include Apple suppliers expanding component and assembly operations in the emerging central Vietnamese city of Đà Nẵng and Ho Chi Minh City, following earlier shifts from China. Meanwhile, Foxconn and Luxshare have broadened capacity in Bắc Giang and Nghệ An, supporting growth in semiconductors, optical components, and power electronics.

Despite its strengths, the sector faces persistent constraints. Domestic enterprises remain weakly integrated into the global value chain, with limited participation in high-value design or core input production. Supply chain risks also persist, particularly exposure to US - China trade tensions and global chip-cycle volatility. Power supply reliability, especially during peak summer months, continues to pose operational challenges for large-scale assemblies, however.

That said, Vietnam's long-term trajectory in high-tech manufacturing remains upward. The combination of competitive labour costs, improving infrastructure, and active state facilitation continues to attract relocation from China and diversification from South Korea, Taiwan and the United States.

As multinational firms enlarge their footprint in 2025, industry clusters gain critical mass, supporting broader ambitions in semiconductor packaging and testing. Electronics is expected to remain Vietnam's foremost industrial contributor, central to export growth and fiscal revenue in the years ahead.

• 5.5 Banking Sector

Vietnam's banking sector in 2025 experienced a year of cautious stabilisation following earlier turbulence linked to real-estate stress, corporate bond restructuring and tighter global financial conditions. The SBV maintained a supportive but measured stance, balancing efforts to stimulate credit growth with the need to safeguard currency stability amid intermittent pressure on the dong.

Credit expansion improved modestly, driven largely by manufacturing, export-oriented firms and infrastructure-related projects. Lending to electronics and high-tech producers increased, reflecting continued foreign investment from South Korean, Japanese and Singaporean manufacturers in the main. However, banks remained cautious toward the property sector, particularly residential developers involved in ongoing bond restructuring processes. Mortgage lending stabilised but remained far below the levels seen during the 2020–2021 expansion phase.

Asset quality showed tentative improvement.

Non-performing loans gradually eased as restructuring mechanisms gained traction and corporate-bond markets progressed with phased repayment plans. Vietcombank and BIDV strengthened provisioning buffers, while several mid-sized lenders focused on risk-weight optimisation to meet evolving regulatory requirements. Nonetheless, segments linked to the booming tourism sector, retail trade and small manufacturing remained vulnerable to sudden shifts in external demand.

Digital banking also remained a central area of competition. VPBank, Techcombank and MB Bank expanded their digital platforms with enhanced mobile interfaces, automated credit scoring and AI-based fraud detection. The proliferation of e-wallets such as MoMo and ZaloPay intensified pressure on banks to modernise payment systems and streamline customer onboarding. Regulatory authorities responded by strengthening cybersecurity standards and tightening supervision of digital-only banks later in the year.

External conditions shaped the operating environment throughout the year. The SBV intervened selectively to smooth volatility in the dong as investors reacted to uncertainty over Washington's monetary path. Higher global energy and logistics costs - linked to conflicts overseas - fed intermittently into inflation expectations, complicating policy management.

By the end of 2025, Vietnam's banking system had demonstrated resilience, supported by stable liquidity and prudent supervision. Yet the sector entered 2026 with continued caution, aware that credit growth and profitability would remain closely tied to the recovery of external demand and the successful resolution of real-estate and bond-market stresses.

• 5.6 Other Corporate & Sectors

The textiles and footwear industry remains one of Vietnam's most enduring manufacturing pillars, widely recognised for its significant contribution to employment, export revenue and regional development. In 2025 the sector continues to command a sizeable share of the country's industrial output, supported by extensive production clusters in Ho Chi Minh City, Bình Dương, Đồng Nai and the Red River Delta.

Vietnam's competitive strength rests on reliable labour supply, cost-effective operations, and longstanding relationships with global brands such as Nike, Adidas, H&M and Uniqlo.

Textiles and garments have benefited from diversified market access, notably through the EU-Vietnam Free Trade Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). These frameworks have supported continued inflows of orders, despite softer global demand early in 2025. Footwear exports have likewise remained resilient, with major suppliers including Pou Chen and Changshin Vietnam maintaining production expansion to meet medium-term demand.

However, traditional competitive advantages remain under pressure. Rising labour costs, energy prices and stricter sustainability expectations from Western buyers require firms to invest in greener production and digital compliance systems.

This is particularly acute for medium-sized factories across Vietnam that lack the capital depth of multinational suppliers. Moreover, ongoing supply chain realignments stemming from continuing US-China trade friction create uncertainty over input sourcing, especially for fabrics and accessories still heavily imported from China.

The government has encouraged greater upstream investment in fibre, dyeing and fabric production to reduce import dependence. Notable developments include increased capacity in polyester production in the north and expansion of eco-friendly dyeing mills in the central provinces. Digitalisation through automated cutting, smart warehouses and more stringent tracking systems is gradually improving productivity.

Despite its structural challenges, the sector remains integral to Vietnam's export base and industrial diversification. Its substantial workforce, strategic trade access and capacity for mid-range, large-volume manufacturing ensure its continued relevance as global apparel supply chains adjust to new geopolitical and sustainability constraints.

6.0 Energy & Power

• 6.1 Oil and Gas Production and Transport

As Petrovietnam and its affiliates wind up the final months of 2025, Vietnam's 2026 oil and gas outlook appears to be defined by cautious optimism underpinned by a fresh wave of upstream projects and a consistent push to bolster mid- and downstream infrastructure.

A key enabler is the recent regulatory reform under Resolution 66.6/2025, which grants Petrovietnam greater autonomy to approve field-development plans in a move intended to accelerate project execution and reduce bureaucratic delays.

On the production front, Petrovietnam's 2025 first-half results already show promise: crude oil and natural gas extraction rose, and investment disbursement climbed by over 30% year-on-year, in the process painting a picture of an upstream sector regaining momentum.

The transition comes against a backdrop of structural headwinds. Domestic gas supply, especially from older basins, and total output for 2025, fell short of meeting demand for power generation. Consequently, LNG remains an indispensable supply and 2026 is likely to see further reliance on imported LNG to support gas-fired power plants and industry, especially in the south.

On the transport and distribution side, the energy group PV GAS is pushing forward: plans are underway for expanded regasification capacity, smart-plant upgrades and potential for green hydrogen production by early 2026.

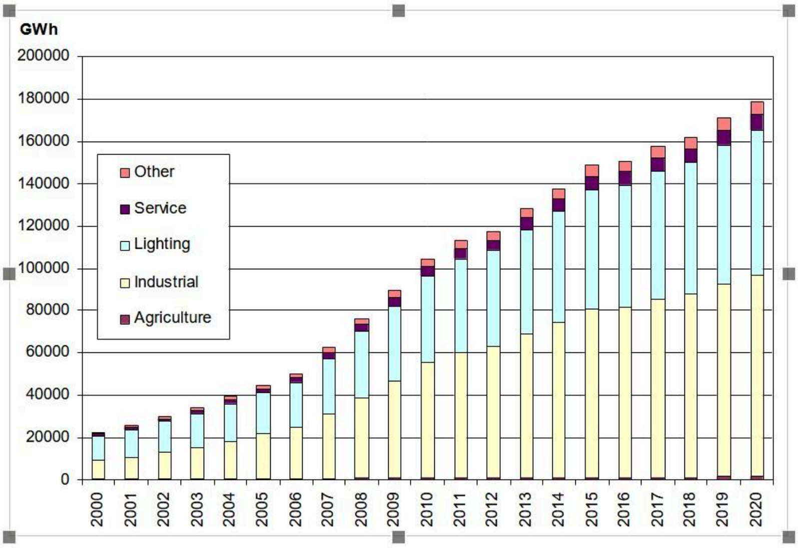
Taken together, the 2026 outlook for Vietnam's oil and gas sector is shaped by a dual narrative: a modest revival in upstream output driven by new projects and deregulation, and a growing role for LNG-driven gas supply bolstered by infrastructure investment.

• 6.2 Electricity Production & Renewables

As Power Development Plan VIII (PDP 8) of Vietnam takes effect in 2026 with renewed vigour, the country's electricity-production and renewables sector faces a pivotal transition, switching tracks from reliance on fossil baseloads to a more diversified, cleaner energy mix.

At the heart of the outlook is a sharply revised ambition for renewables by 2030, and these sources are expected to supply 28–36% of total power generation, with an eye to rising even higher by mid century. Solar and onshore wind are central to that plan.

Figure 3. Electricity Demand Projections, 2000–2020



The early signs are encouraging. In 2025, renewables already supplied a growing share of the electricity mix: utility solar and wind plus small hydro accounted for a rising portion of generation amid sluggish growth in gas-turbine output. New grid-connection approvals, including large solar farms and emerging wind projects, reflect mounting investor interest, though the government has urged authorities to “remove obstacles” to expedite project roll-outs.

Nevertheless, substantial challenges lie ahead. The country’s energy demand is projected to surge sharply, driven by industrial expansion and rising middle-class consumption; under PDP 8, total installed capacity may need to more than double to 183–236 GW by 2030. Coal and large-scale hydropower remain major pillars of supply through 2026 and beyond, underscoring that the transition will be gradual rather than abrupt.

Risks stem from regulatory and financial uncertainty. Some investors have voiced concern over potential retroactive changes to guaranteed tariffs for solar and wind power - a policy shift that could imperil billions of dollars in committed capital and undermine confidence in the renewables sector.

In short, 2026 appears set to be a pivotal year for Vietnam. With a comprehensive, government-backed plan in place, renewables stand poised to advance significantly.