

# CLMV Outlook 2026

Leveraging Domestic Resilience Amid Rising Tariff Headwinds

CLMV growth is projected to moderate to 5.6% in 2026 from 6.4% in 2025, reflecting the full-year impact of U.S. tariffs. While domestic demand should help cushion external headwinds, political risks and financial stability concerns remain key challenges across the region.

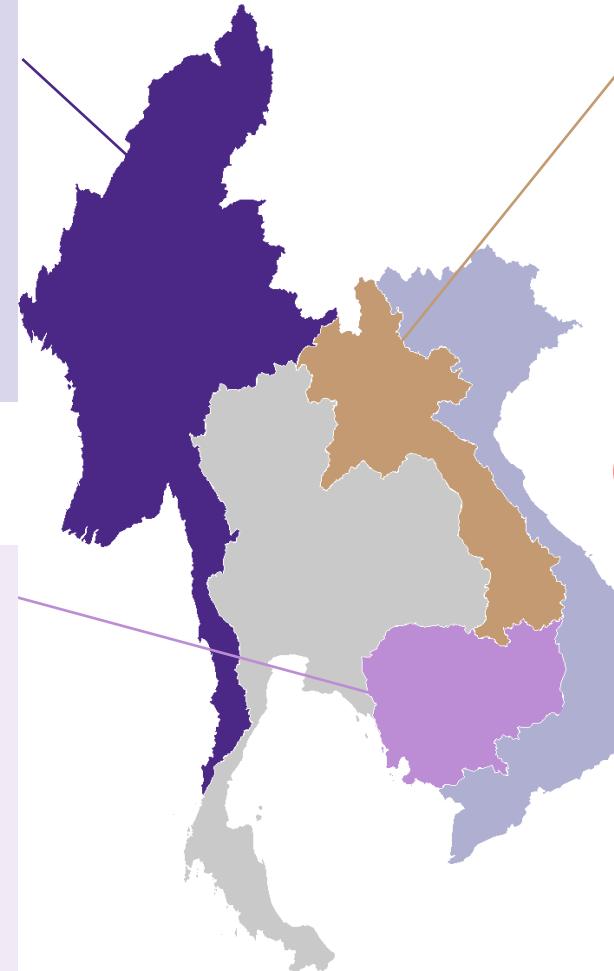


# Executive Summary: CLMV Economy



## Myanmar (Page 29)

- Economic growth:** contracting by 0.5% in FY25/26 after the earthquake in March 2025, before recovering to 1.1% in FY26/27.
- General election in December 2025 unlikely to resolve conflict:** Voting is limited to military-controlled areas.
- Weak domestic demand:** weighed by high inflation, internal conflict, high poverty and NPLs
- Limited external buffers:** trade route disruptions from ongoing conflict and collapsed FDI amid sanctions



## Lao PDR (Page 22)

- Moderate growth in 2026:** supported by limited exposure to the U.S. market and strong electricity exports
- Improving external financial conditions:** a stabilized kip and easing inflation, amid vulnerabilities from foreign-currency borrowing
- Increased lending caution following moderate loan growth and weak bank profitability:** likely constraining credit to the private sector in 2026



## Cambodia (Page 15)

- Economic growth slows to 4.1% in 2026:** mainly weighed down by weaker exports and border tensions.
- Disruptions to trade, tourism, and remittances:** following Thailand's border closure and conflict. Impacts are likely to persist into 2026.
- Building financial risks:** driven by modest NPL provisioning, elevated borrowing costs, and tapering debt restructuring measures
- Near-term economic stability remains intact:** stabilized inflation, public debt sustainability, and reserve adequacy.



## Vietnam (Page 6)

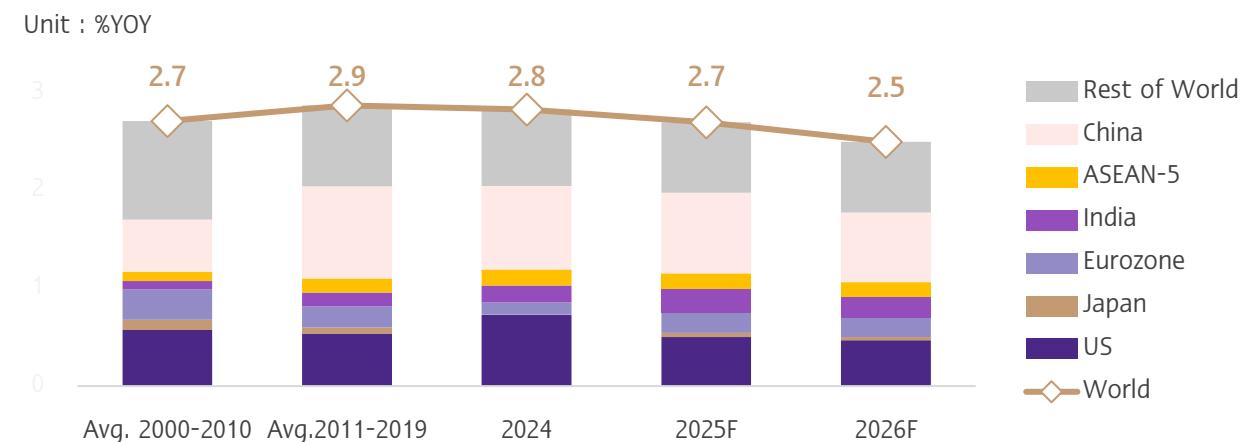
- Moderate growth of 6.6% in 2026:** slowing export momentum amid weakening global demand, though manufacturing remains resilient
- Tourism supports economic growth and job creation in the services sector.**
- Rising FDI attractiveness** amid foreign investment relocations
- Accommodative policy support:** easing fiscal policy given ample space and accommodative monetary policy. Though rising leverage could prompt tighter credit quality controls in the future.

# Global growth proves more resilient to U.S. tariffs in 2025 but is set to slow in 2026 as tariff impacts intensify.

## Global Economic Outlook by SCB EIC

Global GDP (%YOY)	2024	2025F		2026F	
		Sep-25	Dec-25	Sep-25	Dec-25
Global	2.8%	2.5%	2.7%	2.4%	2.5%
US	2.8%	1.8%	1.9%	1.7%	1.8%
Eurozone	0.9%	1.2%	1.4%	1.2%	1.3%
Japan	0.1%	1.2%	1.2%	0.8%	0.9%
China	5.0%	4.7%	4.9%	4.1%	4.3%
India	6.7%	6.4%	7.0%	6.1%	6.2%
ASEAN-5*	5.4%	4.9%	5.2%	4.8%	4.9%

## Contribution to Global GDP growth



### Positive factors

- Rising AI and digital investment, particularly in the U.S., boosts demand for electronics and data center investment.
- Fiscal policies in major economies support economic activity.
- Monetary policy among major central banks remains accommodative amid easing inflation

### Negative factors

- The impact of U.S. tariffs is likely to intensify as front-loaded exports to the U.S. fade.
- Fiscal sustainability concerns and high public debt could push up financing costs.
- Structural challenges weigh on global growth potential amid slowing labor force growth and rising barriers to trade, investment, and labor mobility.

# Trade-dependent CLMV economies are likely to slow in 2026 amid weaker global trade, with rising risks from import flooding and transshipment tariffs.

Region export volume by WTO (Oct 2025)

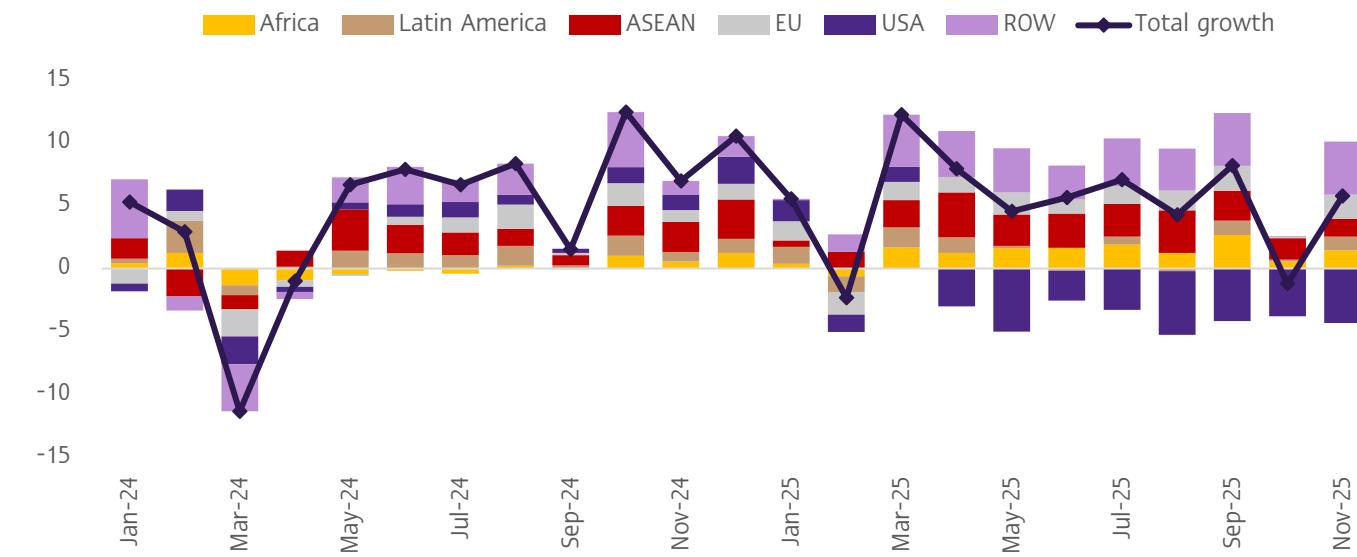
Unit : %YOY

Region	2023	2024	2025F	2026F
World Trade	-0.9	2.8	2.4	0.5
North America	3.6	2.3	-3.1	-1
South America	2.4	6.2	2.4	-1.9
Europe	-2.9	-1.7	0.7	2
CIS	-4.3	2.3	-0.7	3.5
Africa	5.7	1.3	5.3	0
Middle East	8.1	3.7	2	-0.9
Asia	0.2	8	5.3	0

China's exports remain resilient despite weaker U.S. demand, with greater diversion to ASEAN raising import-flooding risks.

Contribution to China's export by market

Unit : %YOY



The Chinese government continues to emphasize industrial production and exports as key growth engines. Going forward, China's exports could expand through 3 main channels:

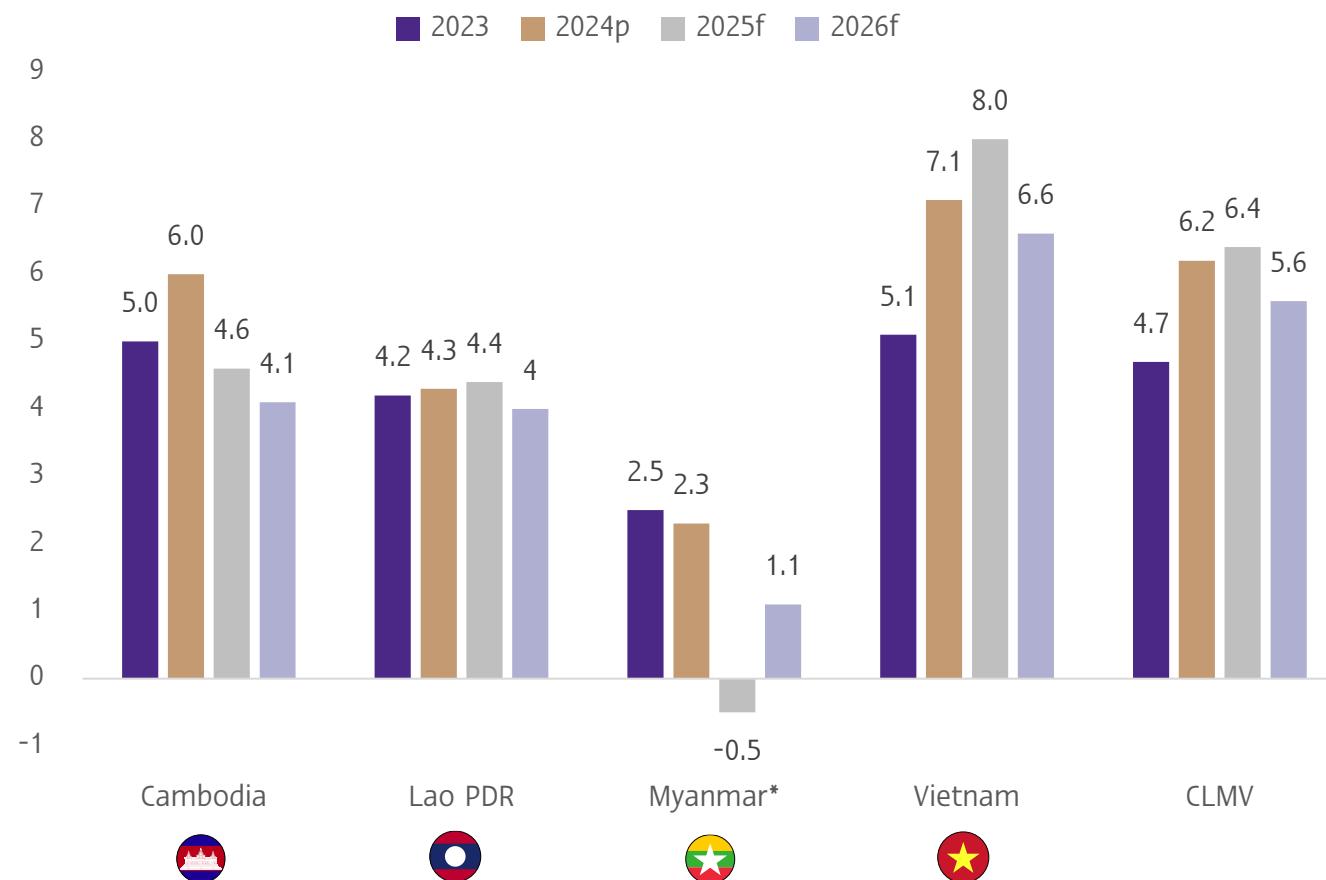
- 1) Capital goods exports, supported by investment under BRI projects and overseas expansion of Chinese firms.
- 2) Rerouting of goods trade subject to U.S. tariffs to third countries, which could raise transshipment tariff risks.
- 3) Exports of low-priced consumer goods, increasing the risk of import flooding in China's trading partners.

**CLMV growth is expected to slow to 5.6% in 2026 amid full-year impacts of U.S. tariffs.**

**Vietnam provides key support from strong tourism, resilient exports, and robust FDI inflows.**

### CLMV's Economic Growth

Unit: %YOY



### Positive factors

- **Tourism continues to support growth in Vietnam and Laos**
- **Vietnam's solid economic performance**, driven by demand for AI-related electronics and continued robust FDI inflows.
- **External stability remains intact** (except Myanmar) despite multiple external challenges.
- **Myanmar's domestic activity recovery** from the earthquake

### Negative factors

- **Full-year impact of U.S. tariffs** could disrupt CLMV export.
- **Weak external demand** may pressure trade and investment
- **Import flooding risks from China's overcapacity** and rising U.S. goods inflows under trade deals
- **Rising NPLs** could constrain credit growth and financial stability.
- **Border disputes in Cambodia and internal conflicts in Myanmar** weigh on tourism, exports, and investment

### Risk factors

- **Additional U.S. tariff announcements**, including transshipment and sectoral tariffs
- **High external debt**, increasing fiscal and refinancing pressures
- **Currency, interest rate, and inflation volatility**, driven by uncertain global financial conditions
- **Political uncertainty in Myanmar** related to election

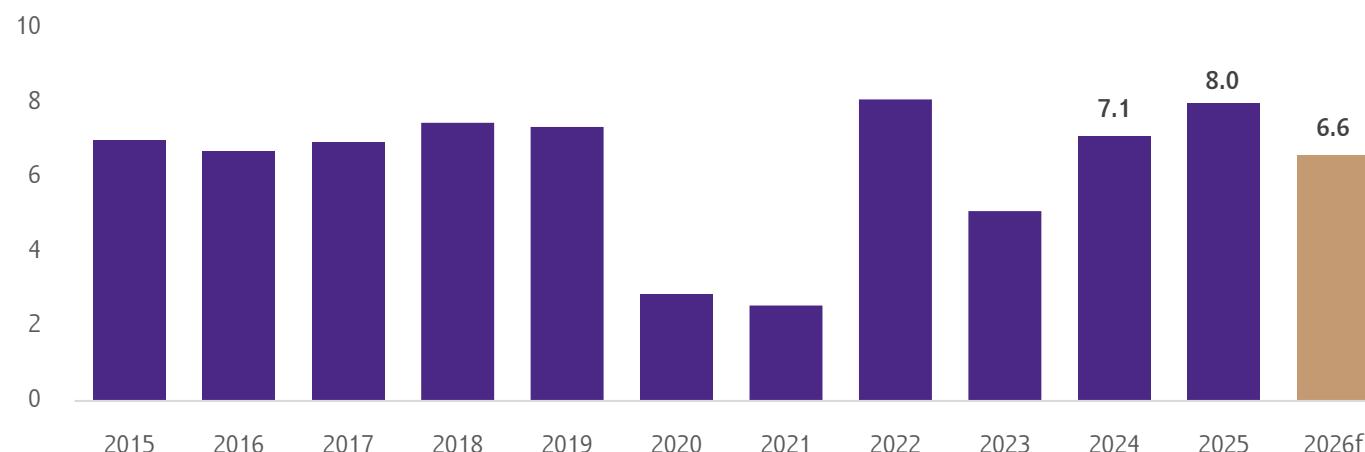


# Vietnam's Economic Outlook

**Vietnam's growth is expected to slow to 6.6% in 2026 amid more pronounced U.S. tariff impacts and downside risks. FDI inflows, government supports, and reforms may cushion the slowdown.**

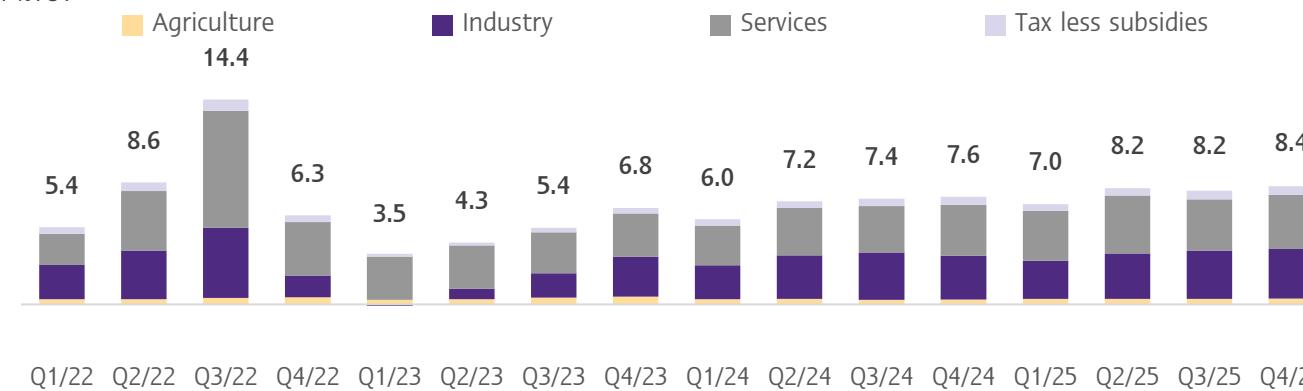
### Vietnam's GDP (yearly)

Unit: %YOY



### Vietnam's quarterly GDP, by production approach

Unit: %YOY



### Positive factors

- The continued electronic/AI upcycle supporting the export sector
- Continued foreign investment relocations
- Strong tourism growth momentum
- Accommodative fiscal and monetary policies
- Recovery in the real estate sector
- Rapid credit growth

### Negative factors

- Export slowdown more apparent (Impact from US Tariffs).
- Rising import influx (especially from China) pressures local manufacturers
- High NPLs weakening small banks' balance sheet

### Risk factors

#### Downside

- Geopolitical tensions in East China / Southeast China Sea
- Additional US Tariff measures : specific tariffs and transshipment tariffs
- Climate-driven extreme weather adversely affect agriculture and tourism sectors.

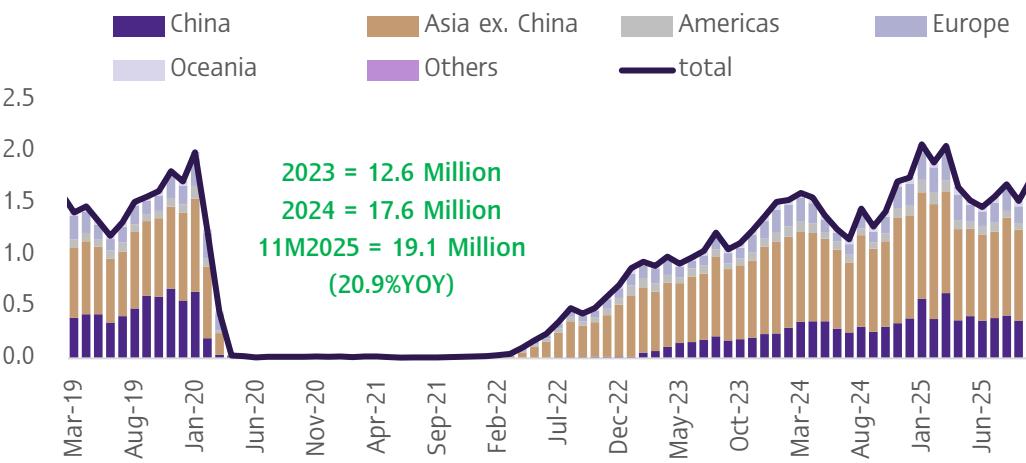
#### Upside

- Rising productivity from accelerated reforms in both the government and energy sectors

# Tourism should continue to be a key driver in 2026 and support job creation in the service sector despite a softening global demand.

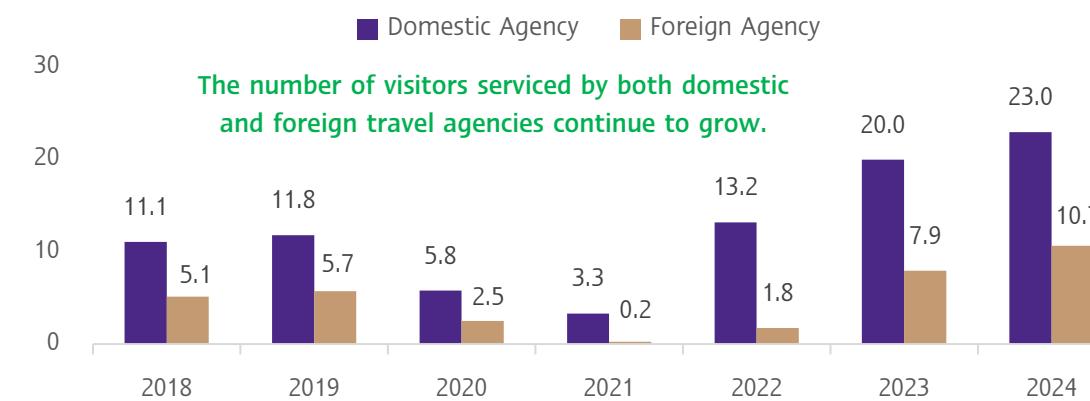
## Monthly foreign visitor arrivals

Unit: million persons



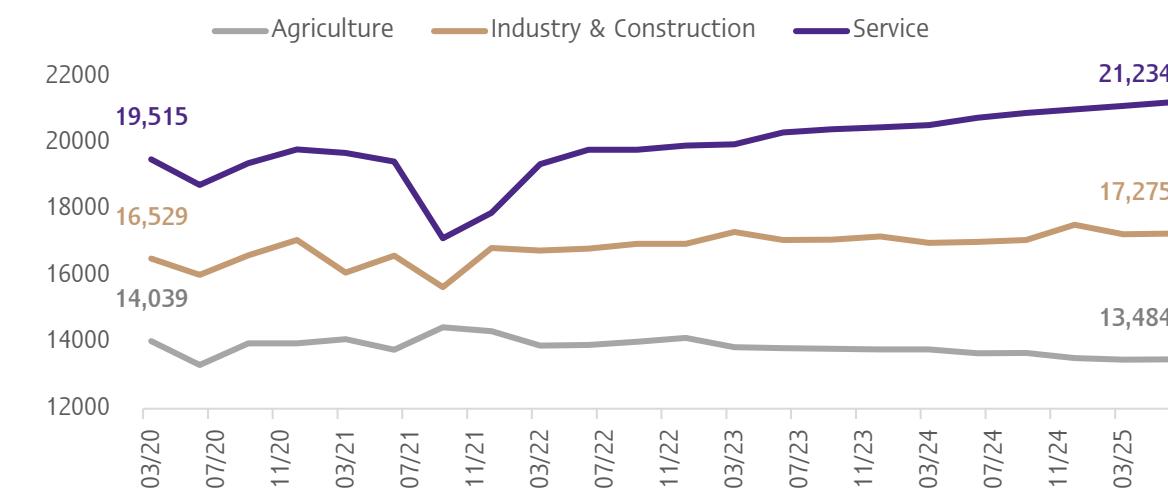
## Number of visitors serviced by travel agency

Unit: million persons



## Employment in each sector

Unit: thousand persons



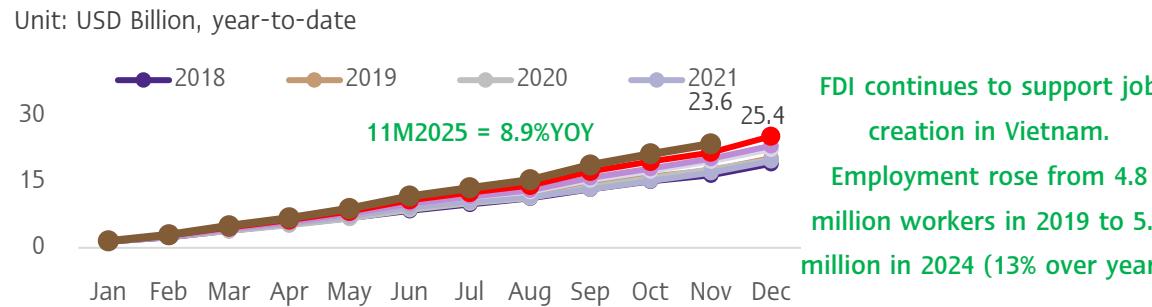
- Vietnam's tourism sector grows significantly in 2025, supported by visa liberalization, tourism stimulus measures, and a weak VND. Demand is led China, South Korea, and Taiwan.
- The solid tourism sector has supported job creation and household income as it lifts revenue for domestic travel agencies and tourism-related service sectors.
- However, tourism, while remaining a key growth driver, is expected to slow slightly in line with softer global economic outlook in 2026.
- Additional government supports, including travel promotions and infrastructure investments could further strengthen tourism sector, for example, Long Thanh International Airport which serves Ho Chi Minh City is expected to open in H1/2026.

# Vietnam's FDI remains robust, but inflows may slow slightly in 2026. Foreign investors become increasingly cautious amid softer global growth and heightened uncertainty.

## Approved FDI for investment promotions by industry (total registered capital)

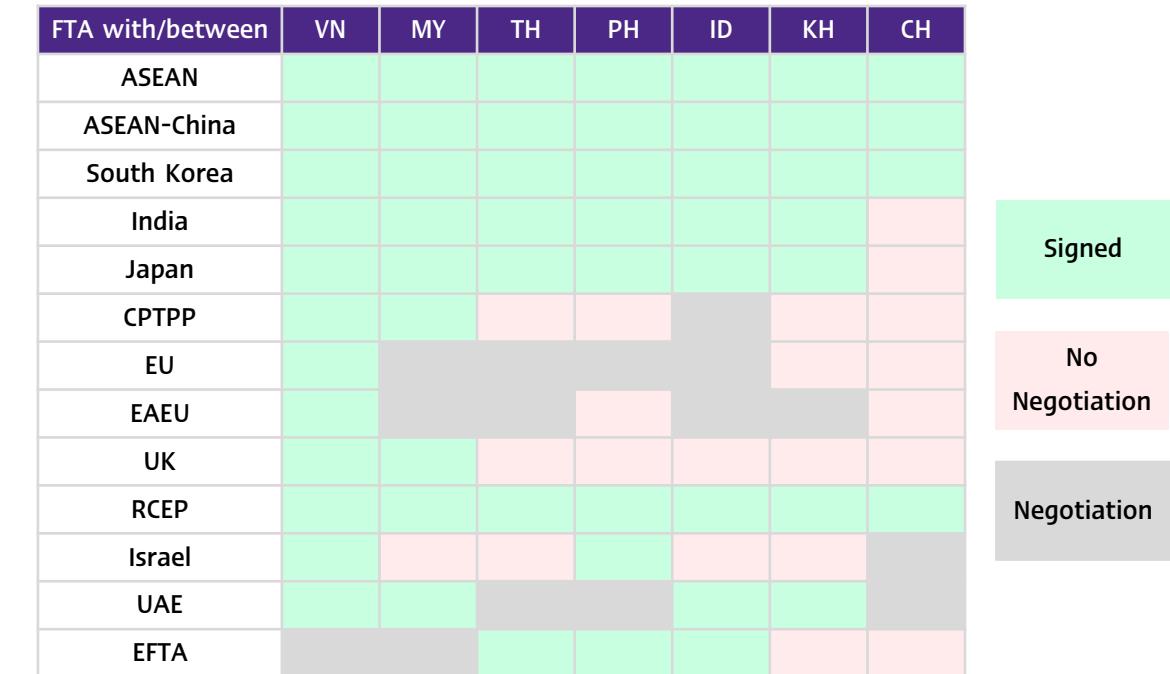


## Disbursed FDI (implementation capital)



- FDI is expected to continue to grow in 2025 as foreign firms further diversify supply chains to Vietnam due to abundant and relatively low-cost labor, various FTAs, supportive government investment promotions, and well-established supply chains (i.e., electronics)
- However, FDI outlook may slow slightly in 2026 amid a softer global economy and heightened uncertainty, prompting investors to be more cautious with wait-and-see approach.

## Vietnam's FTAs compared to its peers



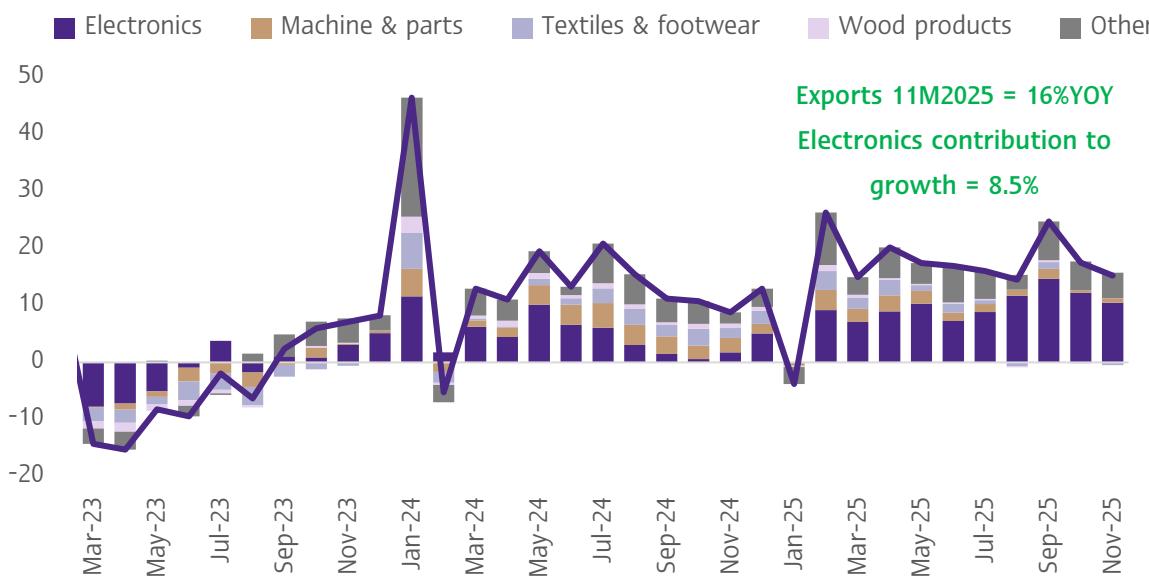
Vietnam leads its peers in terms of free trade agreements, with greater access to key export markets such as the EU, the UK, and members of CPTPP.

- Upside risks : public sector & energy sector reforms, development of special economic zones (e.g., Da Nang), and ongoing large-scale infrastructure investment.
- Downside risks : escalating geopolitical conflicts, damped investor sentiment, and complicated implementation of domestic reforms.

# Vietnam's exports grow strongly in 2025, supported by electronics. However, export is likely to slow in 2026 as U.S. tariff impacts become more evident and downside risks increase.

## Contribution to Vietnam's exports growth

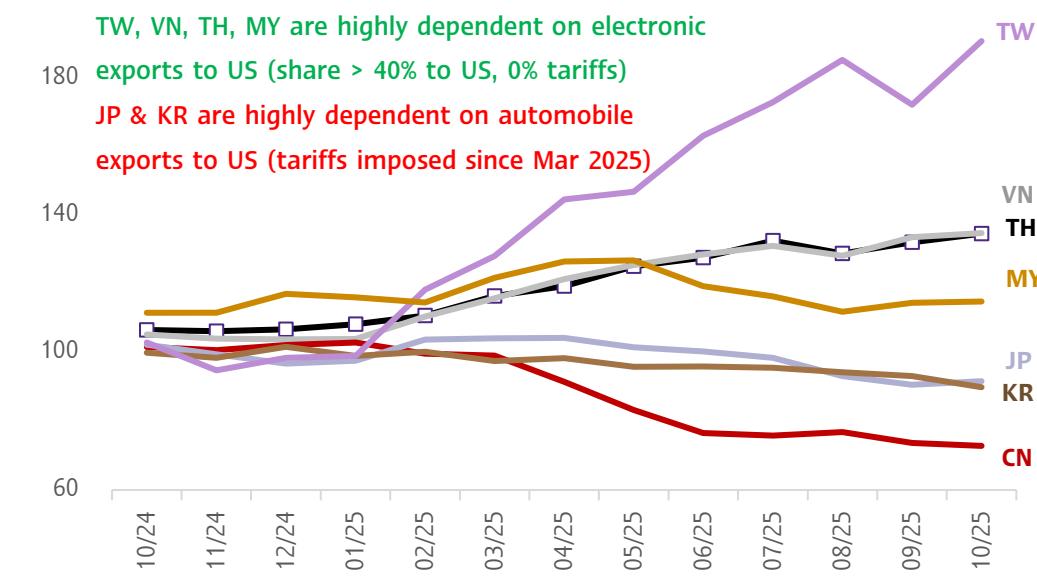
Unit: %YOY



- Exports expand strongly in 2025 amid U.S. tariff, supported by a resilient global economy, delays in US tariff implementation, and a reduction in U.S. reciprocal tariff rate (46% to 20%).
- Electronics mainly contribute to the export growth, driven by global electronic upcycle and front-loading to the U.S., as most electronic products are still exempted from the US tariffs.
- However, exports are likely to slow down in 2026 in line with slowing global growth as U.S. tariff impacts become more pronounced, while other positive factors such as front-loading to the U.S., are dissipating.

## Selected countries' export value to the U.S.

Index 2024 = 100, SA, 3MMA, USD



Downside risks appear to dominate Vietnam's export outlook in 2026

### Downside risk

- Trade policy uncertainty** : Escalation of US-China trade tension, supreme court's rule over IEEPA use by the Trump Administration, Mexico's tariff measures on Asian imports
- Additional US Tariffs** : Sector-specific and transshipments tariffs

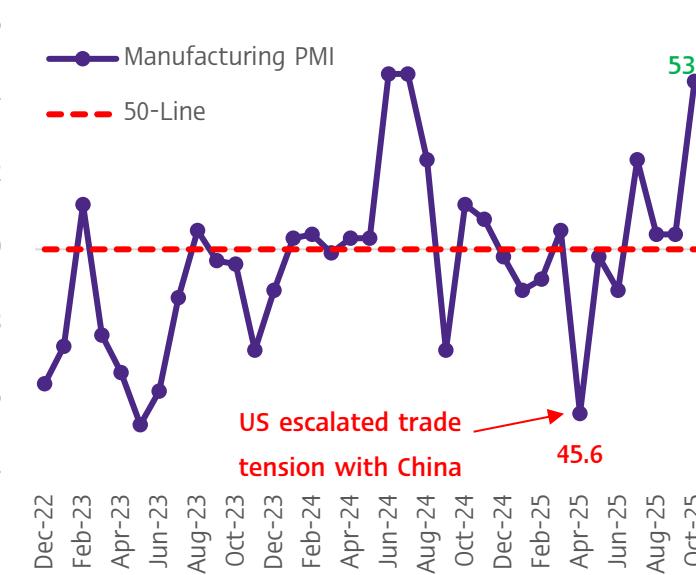
### Upside risk

- Continued electronic upcycle** benefiting large exporting firms

# The manufacturing sector has remained strong but may encounter headwinds from weakening exports and increased import competition going forward.

## Manufacturing Purchasing Manager's Index (PMI)

Unit: index (>50 indicates expansion, <50 indicates contraction)



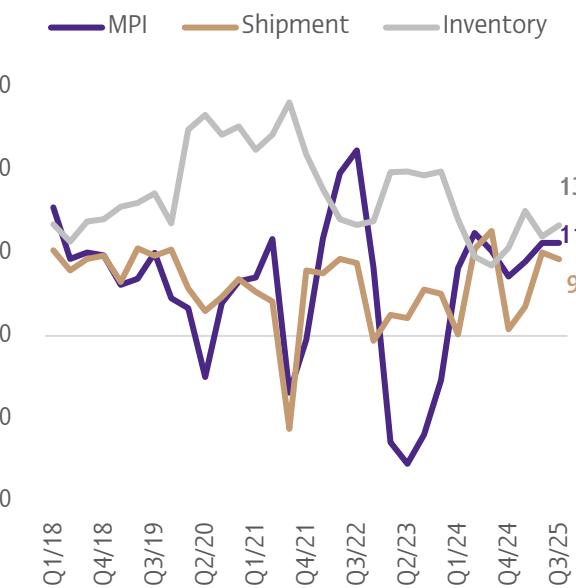
US escalated trade tension with China

### Vietnam's manufacturing sector has been resilience.

The Manufacturing PMI has remained above 50 for 5 months, recovering from April's 45.6 low during peak US-China tensions and signaling robust activity especially in tariff-exempted industries.

## Indicators in Manufacturing sector

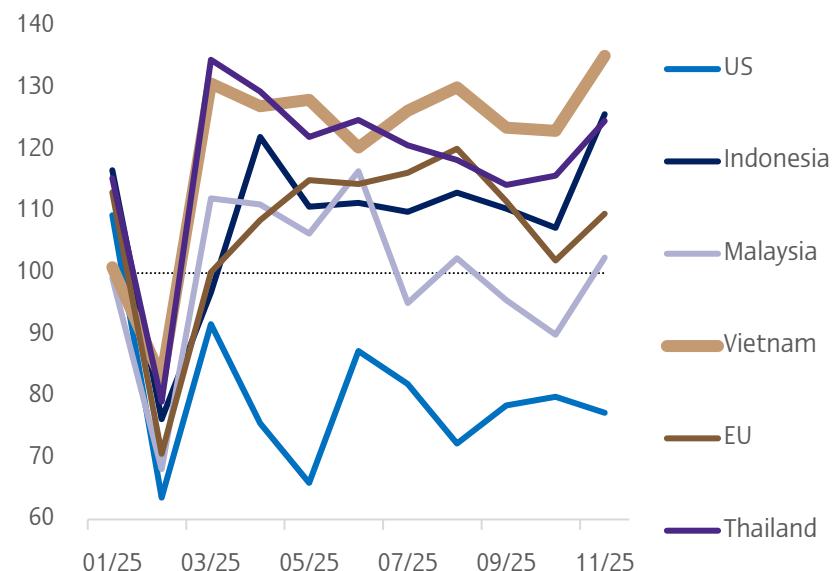
Unit: %YOY



Production momentum remains strong, with manufacturing output up 11.2% YoY in Q3 2025. Lean inventories strategy and accelerating shipments suggest manufacturers are front-loading US exports ahead of potential tariff changes.

## China's export value by destination markets

Unit: Index (AVG 2024 = 100)

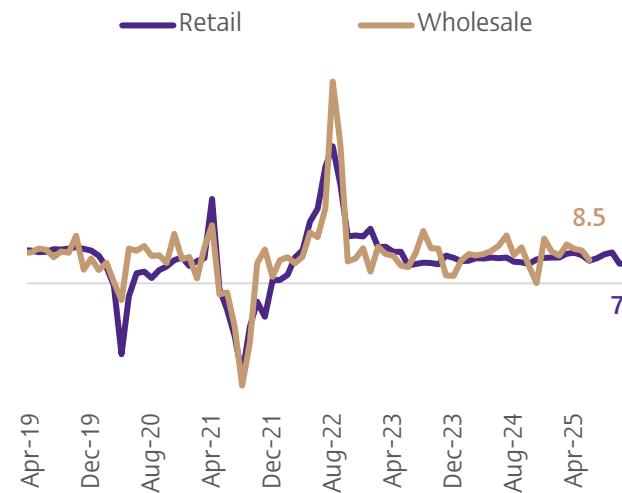


Chinese imports have surged sharply since US Liberation Day (Apr 2, 2025), creating dual risks: intensified competition as Chinese producers seek alternative markets, and transshipment concerns that could trigger US investigations.

**Consumption is buoyant by robust employment and one-off policy support. However, consumption is expected to slow in 2026 amid a softer economy and the fading of temporary measures.**

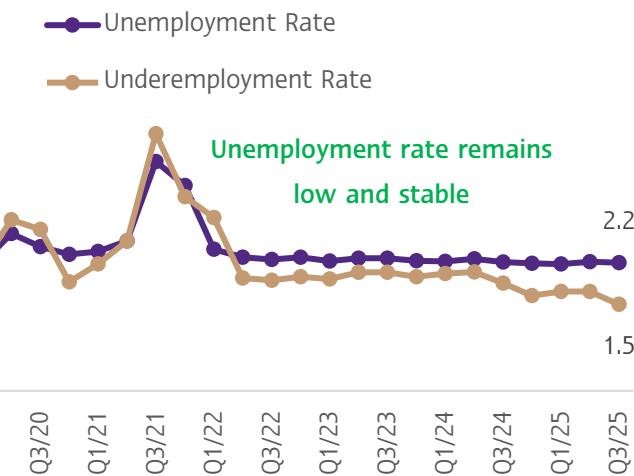
#### Retail and wholesale sales growth

Unit: %YOY



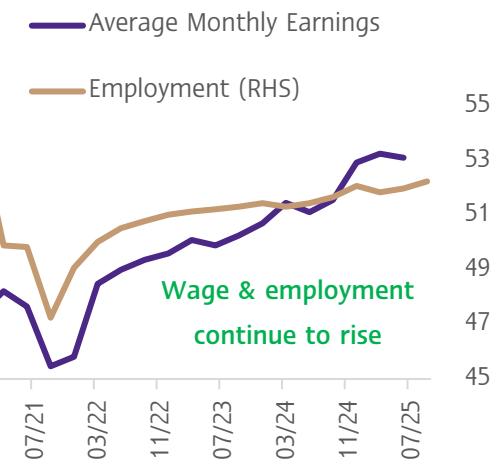
#### Unemployment Rates

Unit: % (LHS), thousand persons (RHS)



#### Employment and Average Monthly Earning

Unit: thousand VND (LHS), million persons (RHS)



Private consumption, the largest contributor to 2025 GDP growth, has been supported by:

- Strong manufacturing output and a stable labor market.
- Strong growth in tourism and exports and the recovering in real estate sector.
- **Temporary government support** : expenditure related to national celebrations, the continued VAT cut to 8% (from 10%), and the full-year impact of the 30% wage increase granted in July 2024—though these supports are largely one-off policy support.

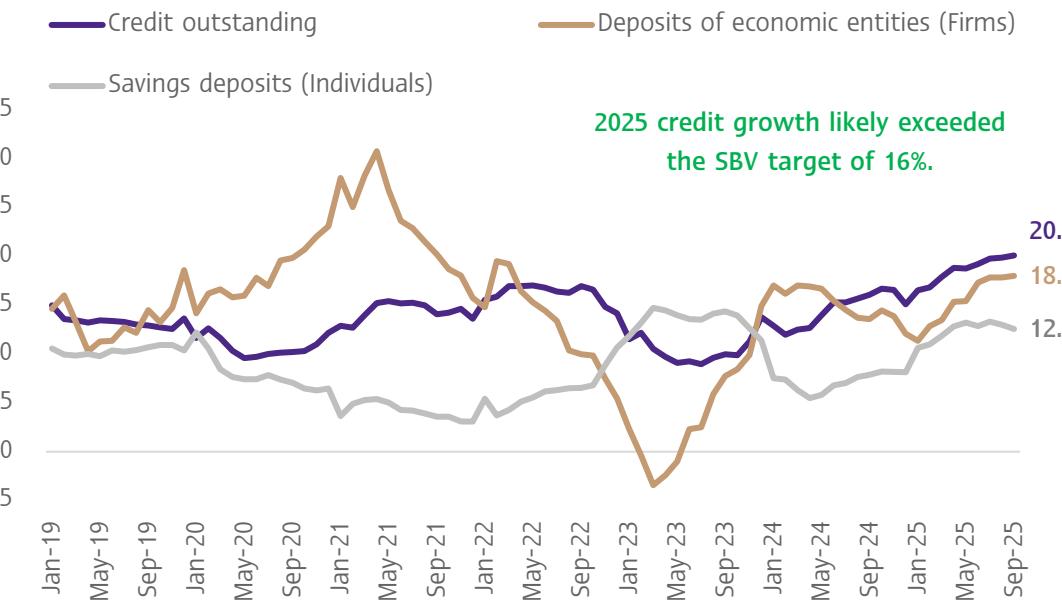
In 2026, consumption is expected to slow as retail activity and manufacturing have already shown signs of cooling and are likely to weaken in line with a softer economic growth amid slowing exports.

- IMF expected unemployment to increase to 2.5% in 2026
- **High downside risk** : exports slow down more-than-expected, resulting in a sharp decline in manufacturing activity.

# Rapid credit growth supports near-term activity, while improved NPL resolution enhances debt management. Though both require careful oversight to avoid medium-term financial stability risks.

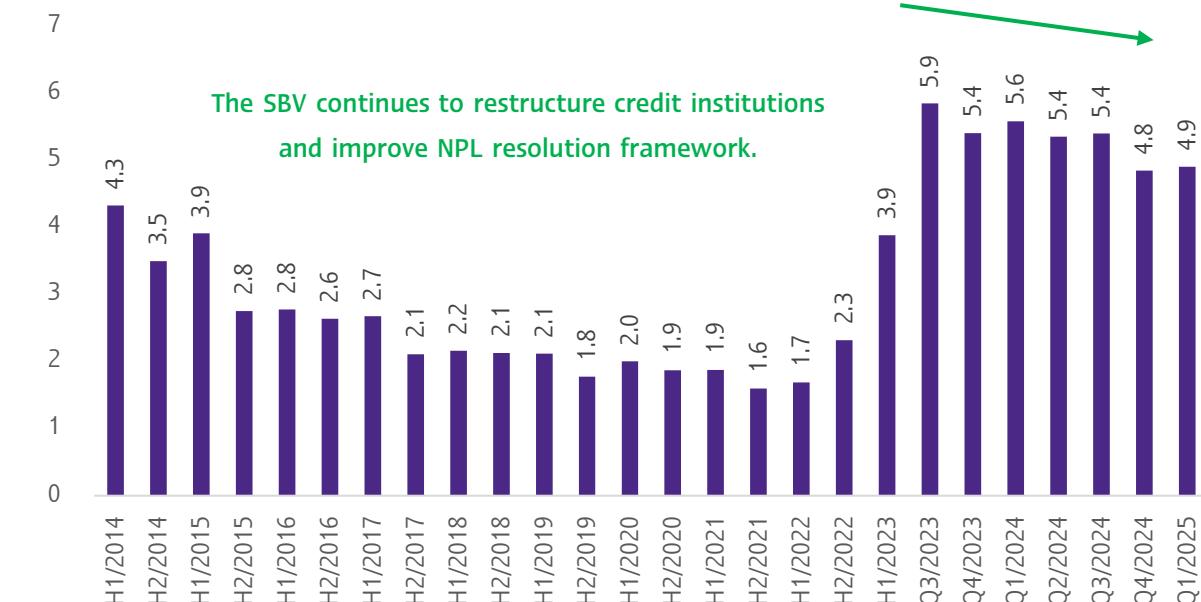
## Credit outstanding and deposits

Unit: %YOY



## Non-Performing loans ratio (NPLs)

Unit: %



### Credit growth will support the short-medium term growth, but moderate in long term.

- Short- to medium-term:** Credit growth should remain high as the SBV is expected to raise credit growth target above the previous 16% to support the government's economic growth objective, along with real estate recovery and lending rate cuts by commercial banks.
- Medium- to longer term:** Credit growth is expected to moderate as the current pace of credit growth may not be sustainable. (currently, private debt stands at 136% GDP)

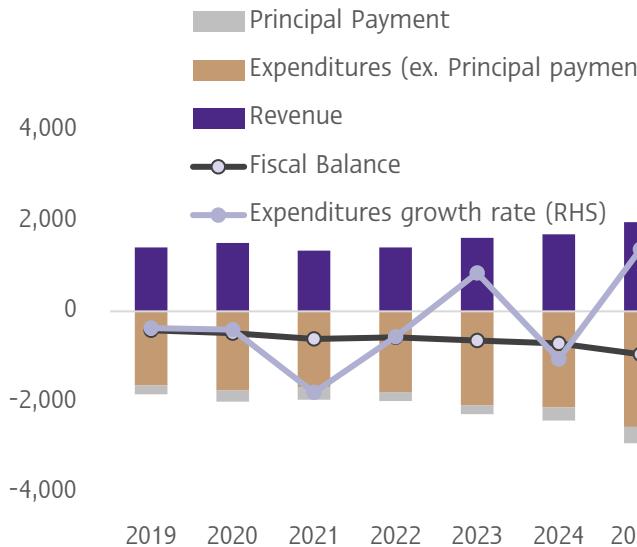
### NPLs improve in 2025 but NPLs risks remain elevated.

- NPLs are expected to decline slightly but remain elevated, supported by strong credit growth and the codification of Resolution 42, which enhances debt recovery and collateral enforcement. Tighter NPL thresholds, Vietnam Asset Management Company transfers, and strengthened supervision should further contain asset quality risks, although pressures may persist among smaller banks.
- NPL risks remain high from sustained rapid credit growth, which could translate into bad loans if a downside shock materializes, as firms, particularly SMEs, face difficulties in repaying debt.

# Accommodative fiscal and monetary policies support economic activity, with fiscal policy playing a key role in cushioning shocks due to ample fiscal space.

## State budget plan

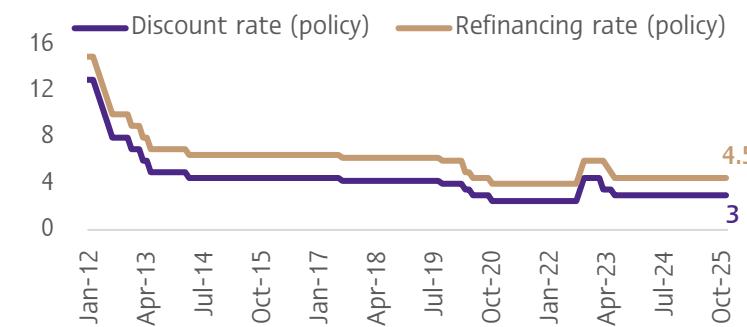
Unit: VND Trillion (LHS), %YOY (RHS)



- Fiscal policy will remain accommodative in 2026** as the budgeted fiscal deficit widens.
- Public debt remains manageable at 34% of GDP in 2024** (down from 36.4% in 2023 and peak of 63.7% in 2016) well below 60% ceiling.
- State Investment remain high : 28.1% YOY 11M2025**

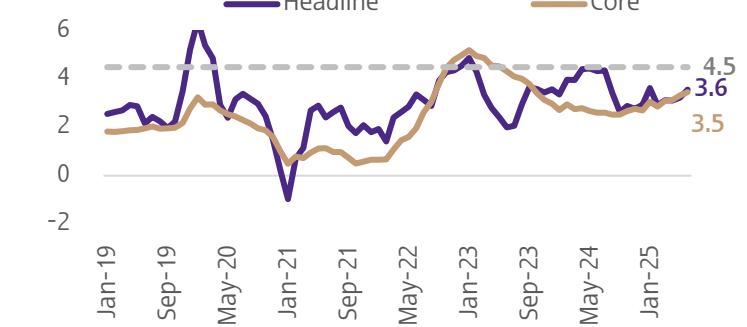
## Policy rate and deposit rate

Unit: %



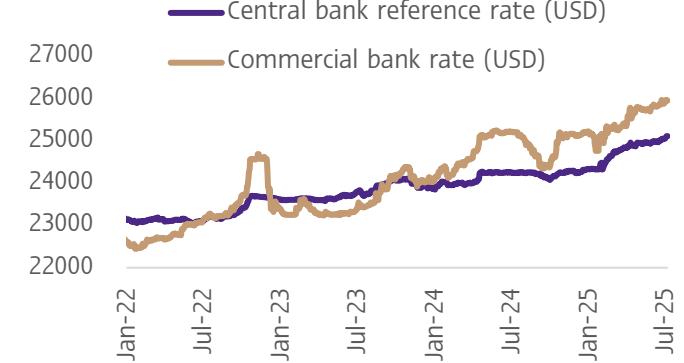
## Inflation

Unit: %YOY



## Exchange rate

Unit: USD/VND



- Inflation should remain broadly contained below SBV target**, but upside risks from weak VND, natural disasters, and geopolitical risks remained.
- Exchange rate is expected to weaken within SBV's +/- 5% band** while maintaining sufficient flexibility to help absorb future shocks.
- Monetary policy remains accommodative**, with low policy rates compared to historical standards; further easing is limited.

Fiscal and monetary policies should remain accommodative amid high uncertainty to support the economy in the event of downside shocks. Fiscal policy is expected to take the lead given ample policy space. Meanwhile, monetary policy faces constraints as further easing could trigger capital outflows, increase depreciation pressure on the VND, raise inflation risks, and potentially increase scrutiny from the U.S. (Vietnam is listed in currency monitoring list). Further monetary policy easing is possible only if global interest rates decline, while inflation remains anchored.

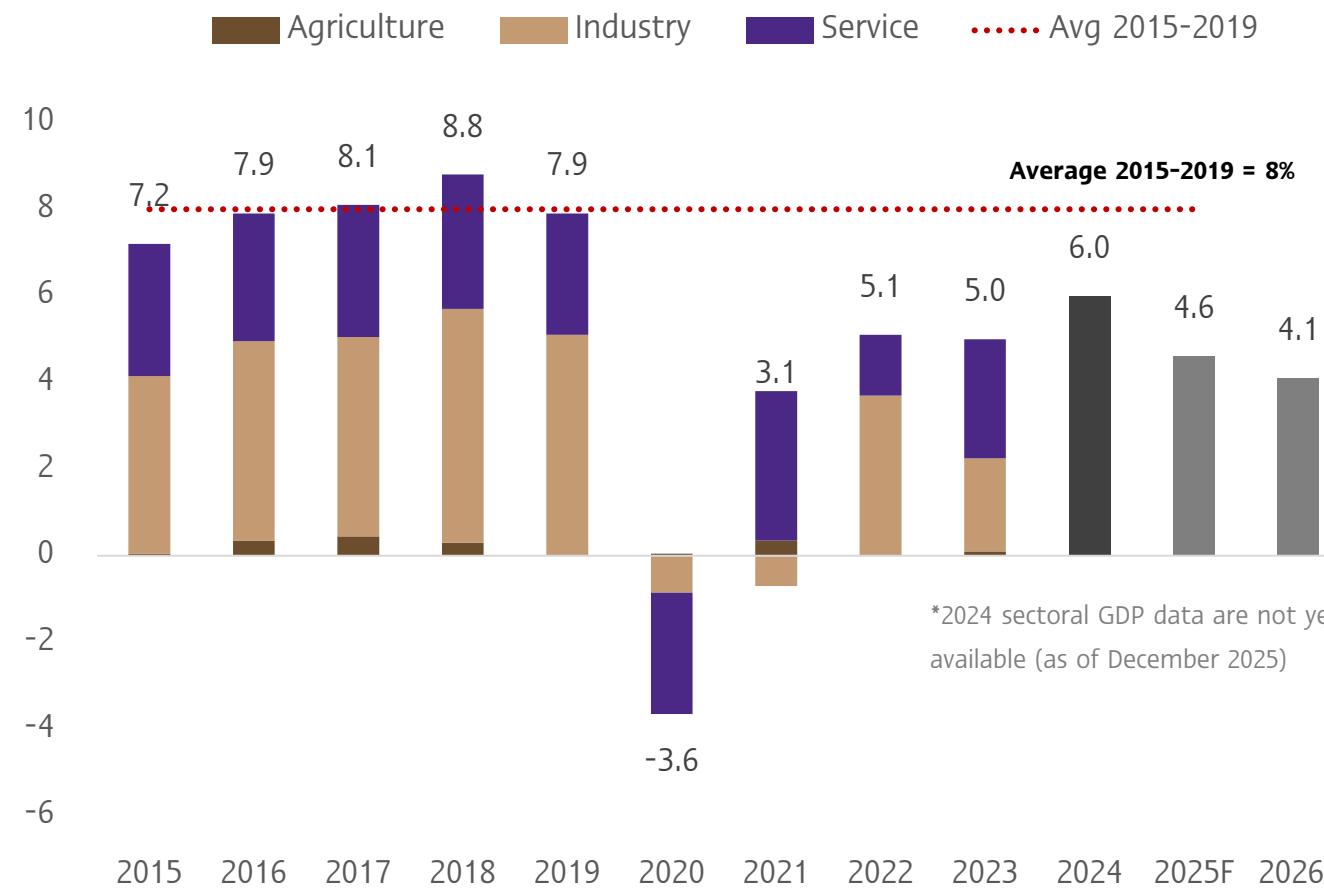


# Cambodia's Economic Outlook

# Cambodia's growth is expected to slow to 4.1% in 2026, amid external headwinds, including weaker exports and border tensions that dampen confidence, tourism, and remittances.

## Cambodia's Economic Growth

Unit: %YOY



Note: \*The base year for GDP calculation was adjusted from 2000 to 2014 to reflect the changing economic structure.

Source: SCB EIC analysis based on data from CEIC, National Institute of Statistics, and National Bank of Cambodia.

### Positive factors

- Exports are likely to continue expanding, despite at a slower pace, particularly in garments, textiles, and footwear.
- Fiscal stability remains sound, supported by low public debt and a narrowing budget deficit.

### Negative Factors

- Border tensions and Thai import bans risk fueling inflation, reducing foreign tourist arrivals, and weakening business sentiment.
- A global economic slowdown and heightened geopolitical uncertainty could dampen trade and FDI.
- Subdued consumption and investment result from softened remittances and weakness in the real estate sector.

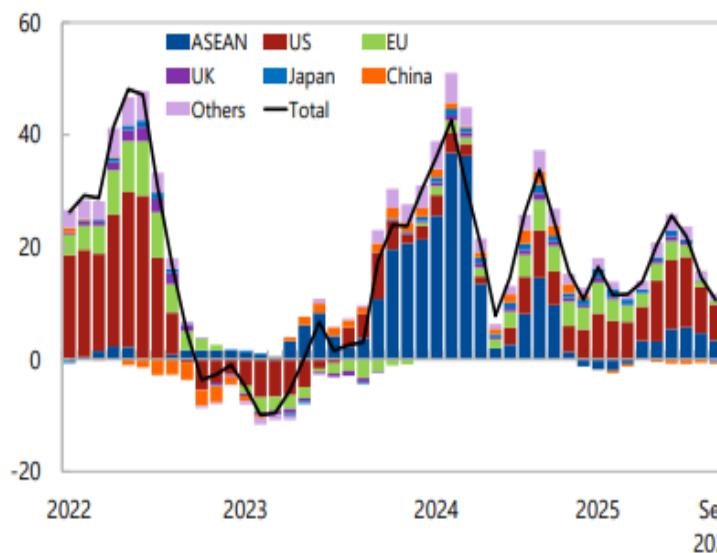
### Risk Factors

- Influx of imported goods could pressure domestic producers, while Chinese imports influx could raise transhipment tariff risks.
- Low NPL provisioning and the withdrawal of debt restructuring measures threaten financial stability.
- Elevated borrowing costs may continue to constrain credit in a dollarized economy.

## Exports may slow in 2026 as front-loading effects fade and the full-year tariff impacts will be in place. Garments remain a key export driver.

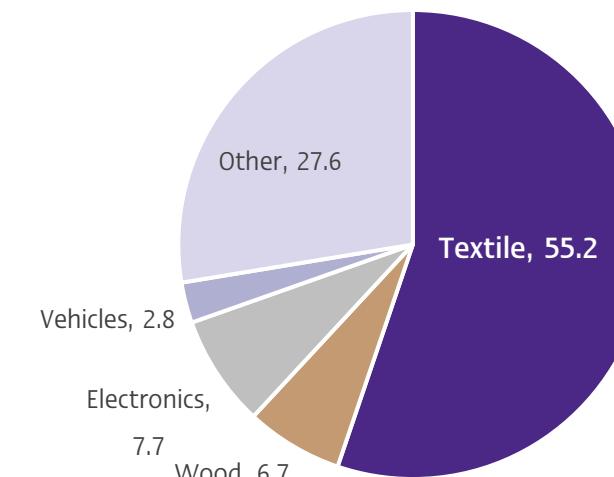
### Contribution to export growth by destination

Unit: %YOY, 3MMA, Data from the IMF and Cambodian Authorities



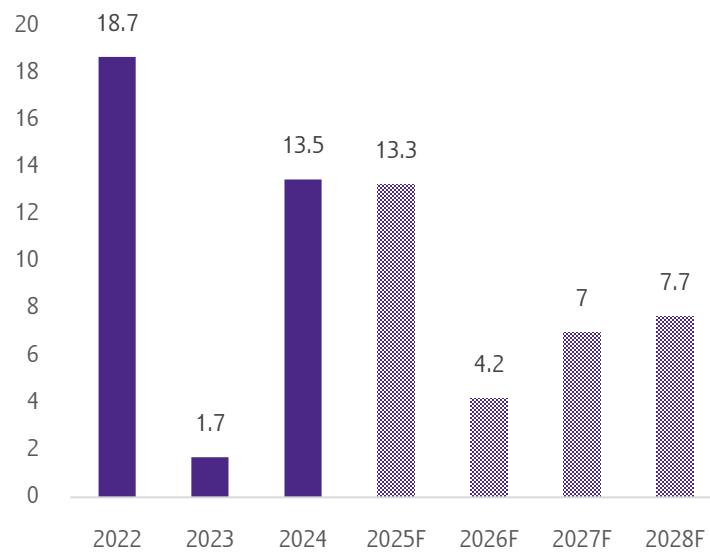
### Share of Cambodia's export to the U.S. in 2025, by product

Unit: % share of total export to the U.S.



### Projected Cambodia's export growth by the IMF

Unit: %YOY, forecasted as of Nov 2025



- Exports remain a key growth driver in 2025, supported by front-loading shipments to the U.S. in early 2025. However, the impact of U.S. tariffs has begun to materialize since mid-2025, despite tariff rates being lowered to 19%. Textile, garment, and footwear products continue to dominate exports to the U.S., accounting for over half of total exports to the U.S., while exports to Japan have helped support export performance this year.
- The robust textile sector has absorbed returning workers from Thailand, temporarily supporting consumption and limiting broader negative impacts from Thailand-Cambodia conflict in the near term.
- Export growth faces downside risks in 2026, as the full-year impact of U.S. tariffs is expected to weigh more heavily on external demand. The IMF projects export growth to slow sharply to 4.2%YOY in 2026, from 13.3%YOY in 2025, before recovering gradually from 2027.

# Although the U.S. trade agreement reduces reciprocal tariff rates, Cambodia remains exposed to import flooding and transshipment-related tariff risks.

The U.S.-Cambodia trade agreement brings clearer terms with both significant opportunities and risks for the Cambodian economy.



- Maintain reciprocal tariff at 19% (Since July 2025)
- Provide duty-free (tariff exemption) rates for agriculture, pharmaceuticals, textiles and aircraft-related goods.
- Support investment financing in Cambodia

- Purchases of U.S. products such as Boeing aircrafts
- Zero tariff on all U.S. goods with no discriminatory barriers
- Facilitate U.S. investments related to critical minerals and energy resources in Cambodia
- Improve labor and environmental standards



Agricultural producers and automobile importers (of non-American cars) could face stronger competition from U.S. imports.



Higher risk

Potential upside

## Agriculture

Domestic farmers face competition from U.S. imports and strict food safety standards.

## Automotive importers

(of non-American cars) could face intensified competition from cheaper U.S. imports.

## Pharmaceutical

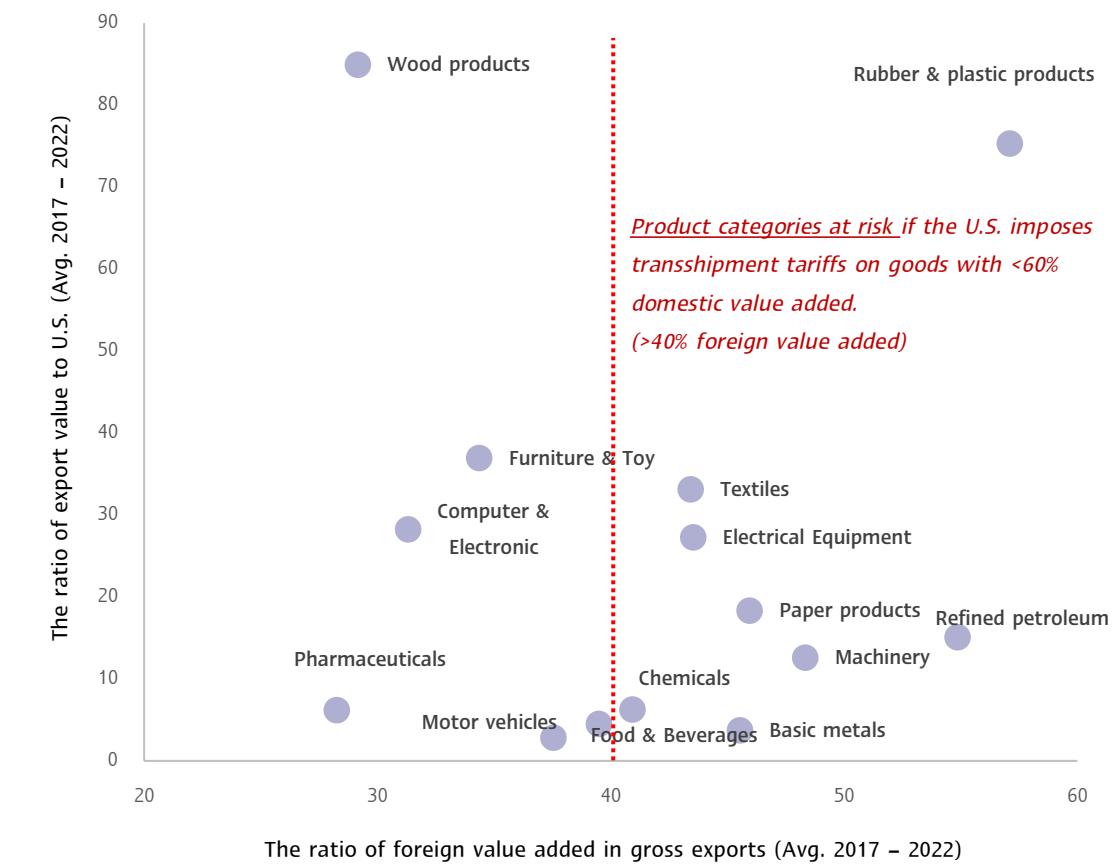
Access to cheaper, high-quality U.S. medicines could reduce household healthcare expenses.

## Tech & Industrial equipment

Boosts productivity, supports industrial upgrading, and attracts FDI.

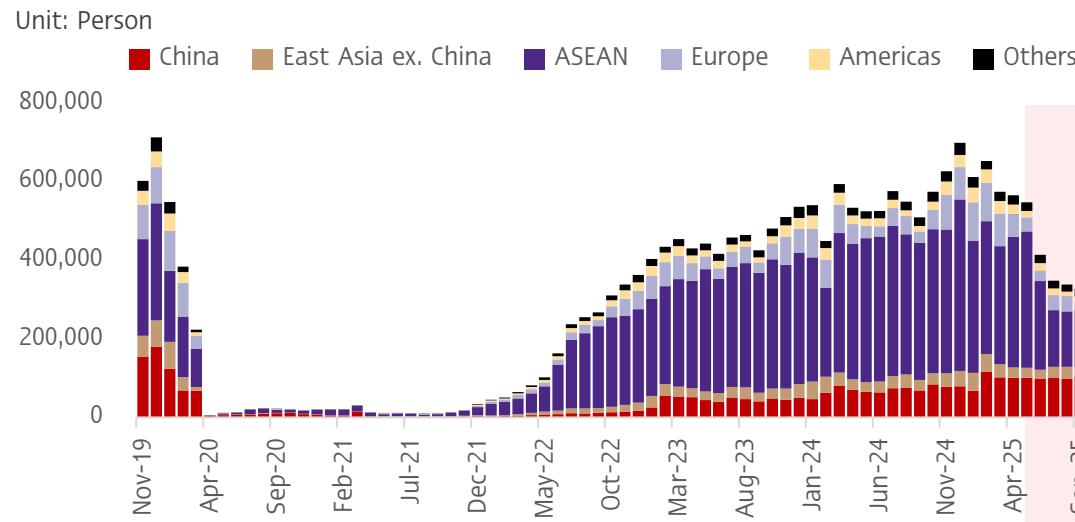
Some export categories could face transshipment-related tariffs of up to 40%, posing significant downside risks to Cambodia's exports to the U.S.

Assessment of transshipment tariff risks on Cambodia's export products to the U.S. market

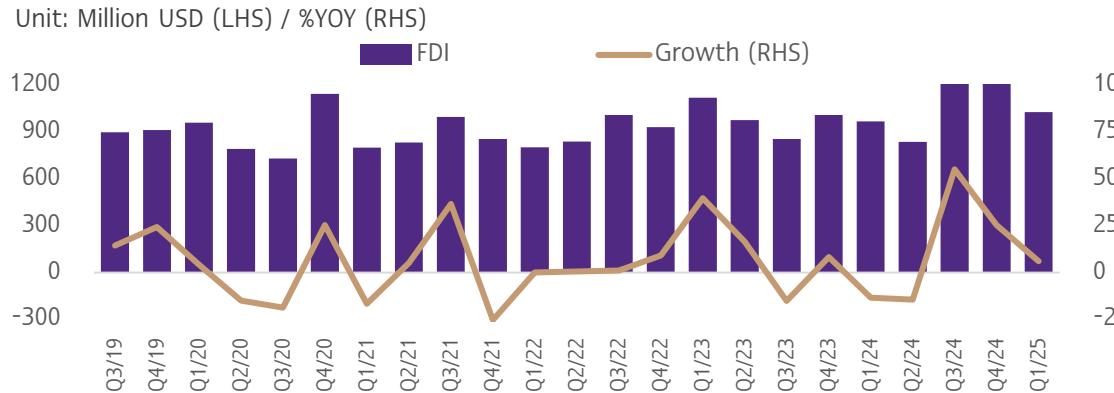


# Downside risks from prolonged border tensions and external uncertainties could weigh on domestic consumption and delay foreign direct investment inflows in 2026.

## Foreign tourist arrivals



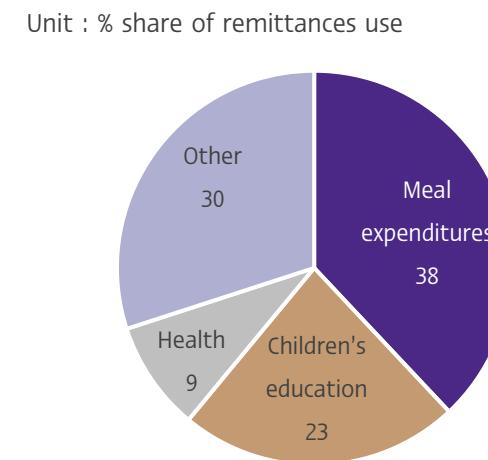
## Net foreign direct investment into Cambodia



## Quarterly remittances



## Use of remittances from Thailand\*



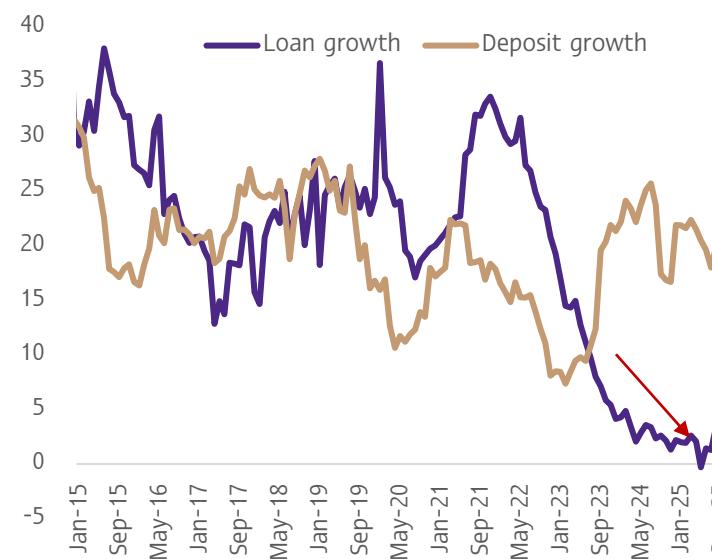
## Effects from border tensions

- Tourism:** Foreign tourist arrivals have contracted sharply since June 2025. Thai arrivals—Cambodia's largest source market—fell 84% YoY during Jun–Sep 2025, while Chinese arrivals remained subdued due to security concerns.
- Remittance:** A sharp decrease in remittance from repatriations of Cambodian workers in Thailand significantly affects household incomes and consumption, as total remittance inflows accounted for 6.1% of GDP in 2024.
- FDI:** Investment activity began to slow since Q1/25, while business sentiment could deteriorate further. In the absence of new mega-project announcements from major investors such as China, prolonged tensions could reduce FDI inflows going forward.

# Cambodia's financial conditions remain tight due to declining loan growth, elevated borrowing costs, and deteriorating credit quality.

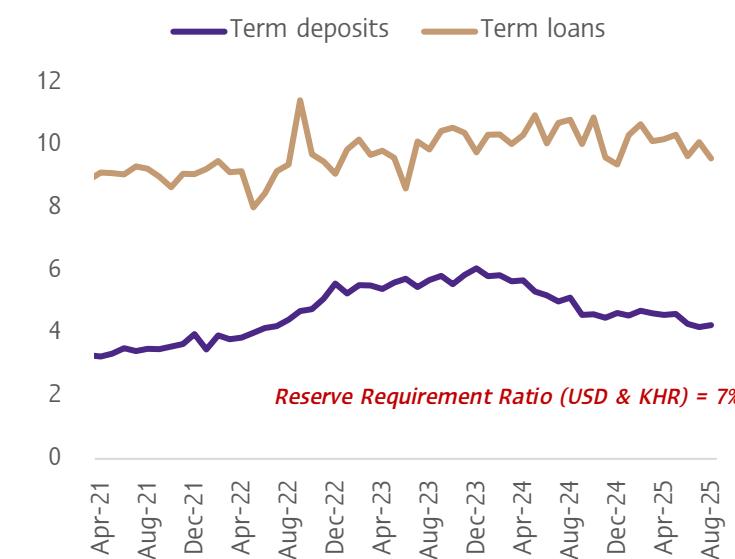
## Loan and Deposit growth

Unit: %YOY



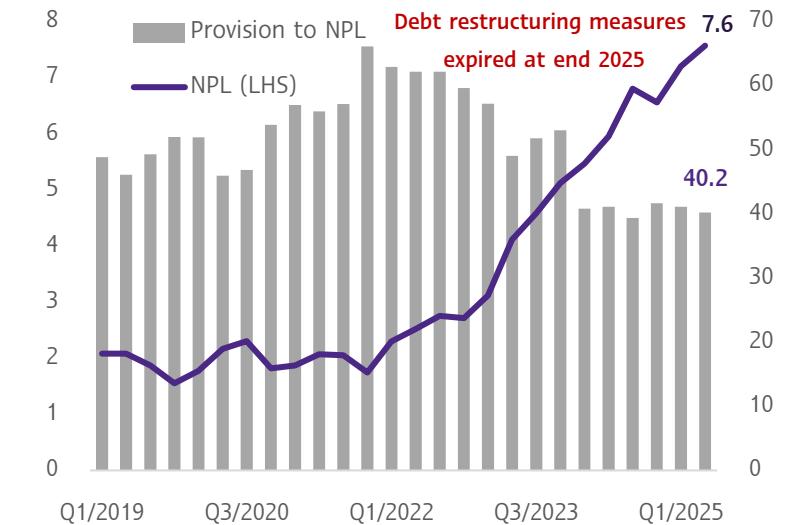
## Deposit and lending rates (in USD)

Unit: %



## NPL ratio of financial institutions and provisions to NPL

Unit: % of outstanding loan, % (RHS)



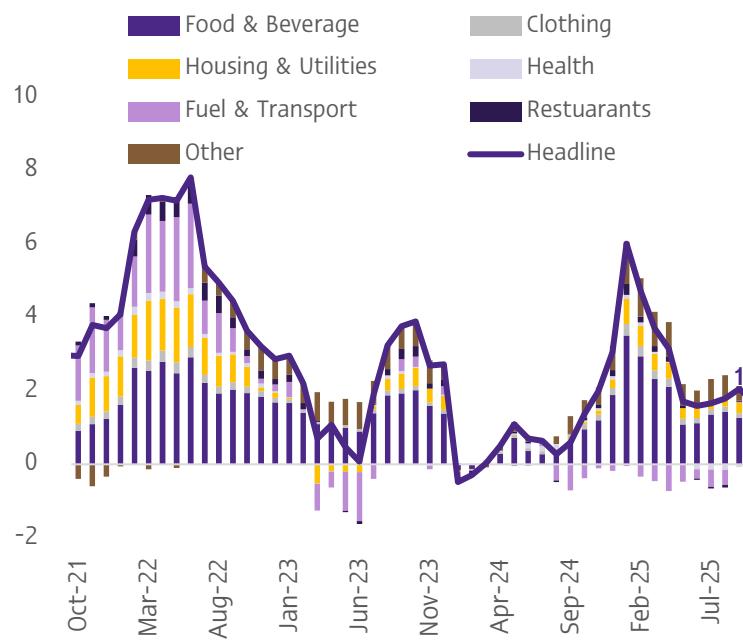
- Credit growth remains weak despite ample liquidity, with loan growth at 3.8% YoY (Oct-2025) far below deposits growth at 19.7% YoY, indicating cautious lending and weak demand.
- Borrowing costs are likely to remain elevated in 2026, reflecting weak interest-rate transmission in the dollarized system, which limits monetary policy effectiveness despite stable policy settings (Required reserve ratio at 7%).
- Without improvements in credit risk perceptions and business confidence, tight lending conditions could constrain investment and private demand.

- High NPLs continue to limit lending appetite, with the NPL ratio at 7.6% (end-2Q2025) and low provision coverage (40%).
- NPL ratio could increase further in 2026 after the expiration of government's debt restructuring measures.

# Cambodia's near-term stability is supported by controlled inflation, low public debt, and adequate reserves, but fiscal policy has limited capacity to buffer impacts from external shocks.

## Contribution to inflation by category

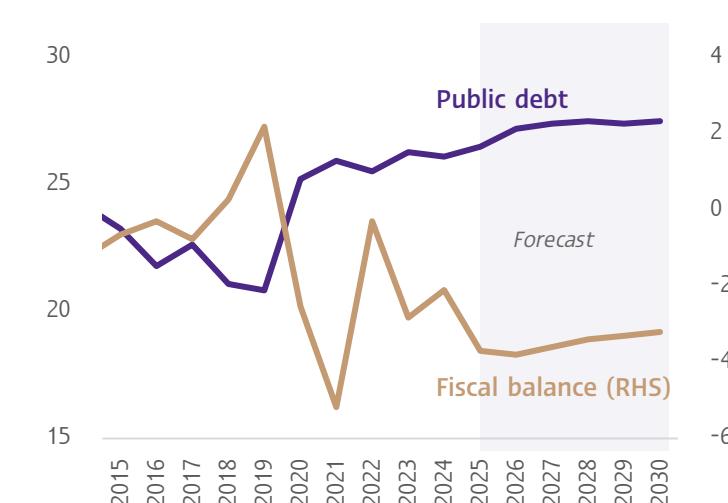
Unit: %YOY



**Inflation stabilizes in 2025 despite disruption of Thai imports** (accounting for 13.5% of all Cambodia's imports), as alternative supplies partly offset disruptions. However, upside risks remain for 2026 if border tensions and import restrictions intensify.

## Public debt and fiscal balance to GDP (by IMF)

Unit : % to GDP



- Public debt remains low at 27% of GDP.
- However, fiscal policy has limited capacity to buffer impacts from external shocks.

Weak government revenues (14.4% of GDP) and persistent deficits constrain broad-based stimulus, limiting support to targeted measures for vulnerable groups.

## Cambodia's foreign reserve adequacy

Unit : Million USD (LHS)



- Foreign reserve coverage remains adequate at 7 months of imports despite some recent drawdown, providing a buffer against near-term shocks.
- Reserves could come under pressure in 2026 if export and tourism revenues weaken further.

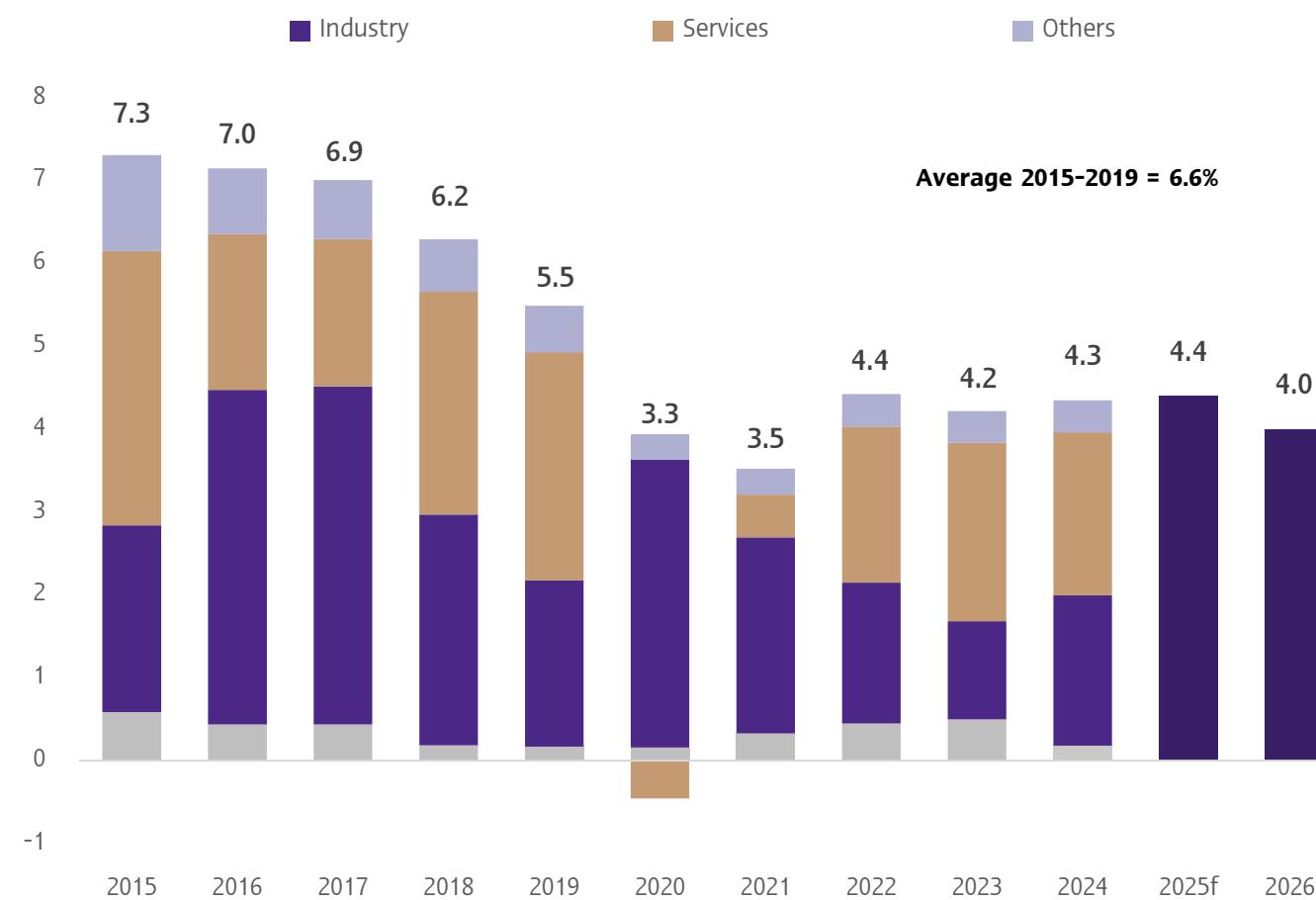


# Lao PDR's Economic Outlook

**Lao PDR's economy is projected to grow by 4.4% in 2025 and 4.0% in 2026, led by exports and tourism amid stabilizing kip and inflation. High external debt, however, remains a concern.**

### Lao PDR's Economic Growth\*

Unit: %YOY



### Positive Factors

- Continued rising electricity exports driven by new capacity and stable regional demand
- Improving tourism prospects, led by ASEAN and Chinese visitors, with additional inflows as travelers divert from Cambodia
- Kip stabilization and declining inflation have eased financial pressures on consumers and improved overall stability

### Negative Factors

- Weaker global demand pressures trade, especially electrical machinery, and curbs FDI
- High external public debt and debt service obligations limiting fiscal space and new borrowings
- Slower loan growth and weaker bank profitability may constrain credit to the private sector in 2026

### Risk Factors

- Risks of inflation resurgence and renewed kip depreciation
- Fragile financial sector exposed to FX swings and rising SOE-related debt, posing systemic risks and limiting shock resilience
- Extreme weather events due to climate change such as drought threatens electricity shortage and agricultural production

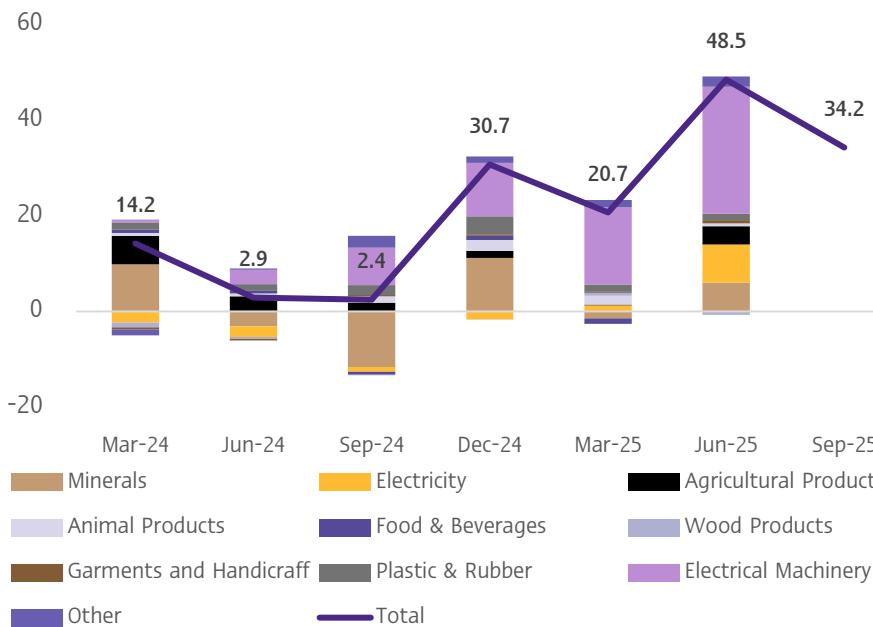
Note: \*There is a significant difference between GDP data reported by official statistics and the IMF. The chart and forecast are based on official statistics.

Source: SCB EIC analysis based on data from the Bank of Lao PDR and IMF.

## Growth is likely to moderate in 2026 as external demand weakens, with limited exposure to the U.S. market and resilient tourism helping to insulate the economy from global uncertainty.

### Contribution to Lao PDR's Exports

Unit: %YOY

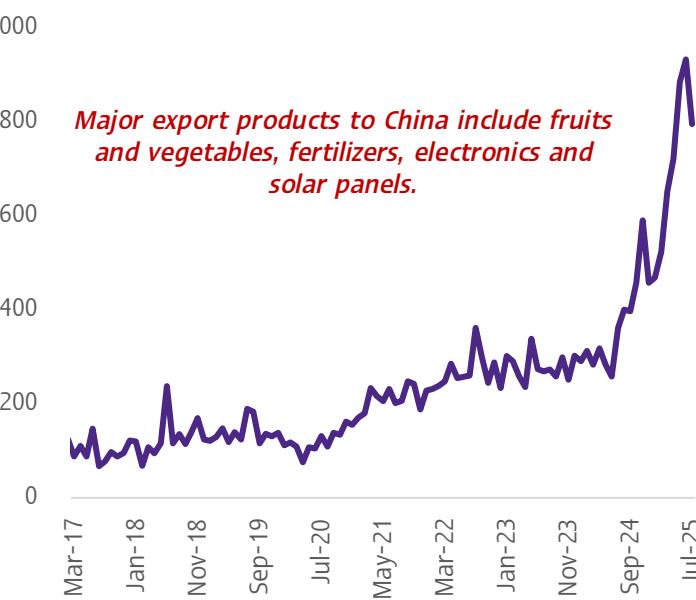


Exports remain a major growth driver in 2025 driven by strong electrical machinery exports (electronic components and solar cells) and electricity exports partly from new wind power production and higher demand from ASEAN neighbors.

Exports are unlikely to be directly affected by the 40% U.S. reciprocal tariff, as the U.S. accounts for only 1.4% of Lao PDR's total exports.

### Lao PDR's export to China

Unit: USD million, Seasonally adjusted

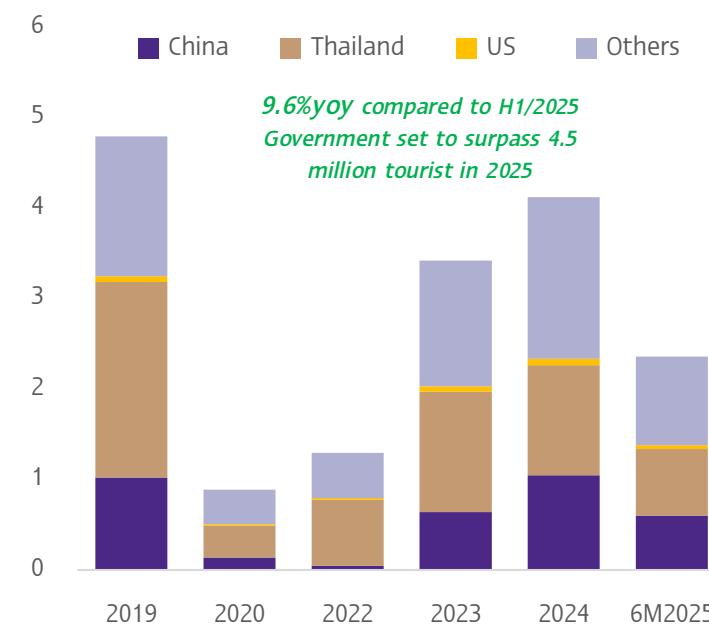


Exports to China (30% of total exports) continue to rise, supported by the China-Lao PDR Railway.

A global demand slowdown in 2026, partly driven by higher U.S. tariffs, could weigh on the economy through weaker demand for Laotian goods and softer tourism.

### Foreign tourist arrivals

Unit: million persons

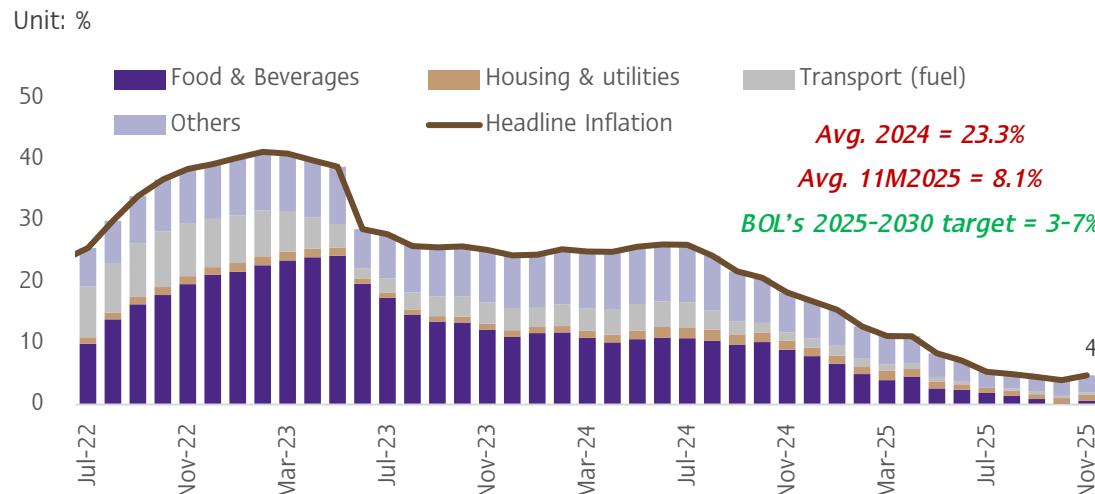


Tourism reinforces growth, led by visitors from Thailand and China. At the current pace, Lao PDR will meet its 2025 target of 4.5 million visitors, with rising domestic tourism boosting revenues.

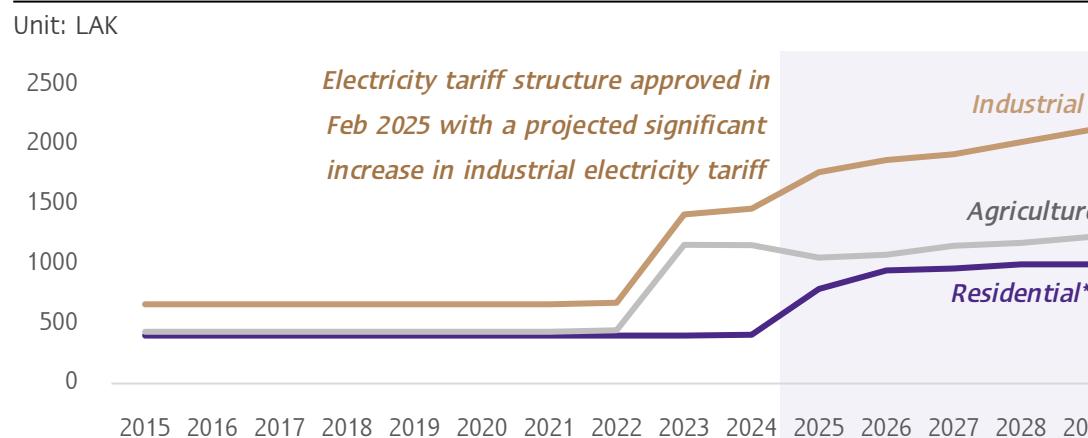
Tourism should remain a key driver as the government targets USD 200 billion in tourism revenue by 2030.

# Inflation and the kip show increasing signs of stabilization, supported by a unified FX market, though rising electricity prices pose upside risks.

## Inflation by category



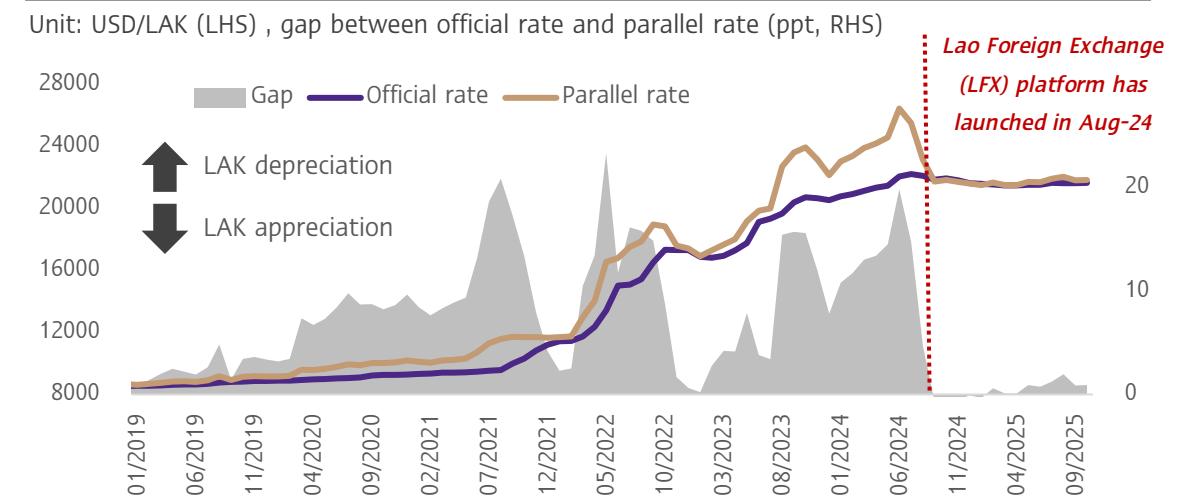
## Residential and Industrial electricity tariffs



\*Note : Residential electricity tariffs refer to the 26–150 kWh bracket, which accounts for the largest share of household consumption..

Source: SCB EIC analysis based on data from CEIC, AMRO and EDL.

## Lao Kip (LAK) Exchange Rate (Official rate)\*

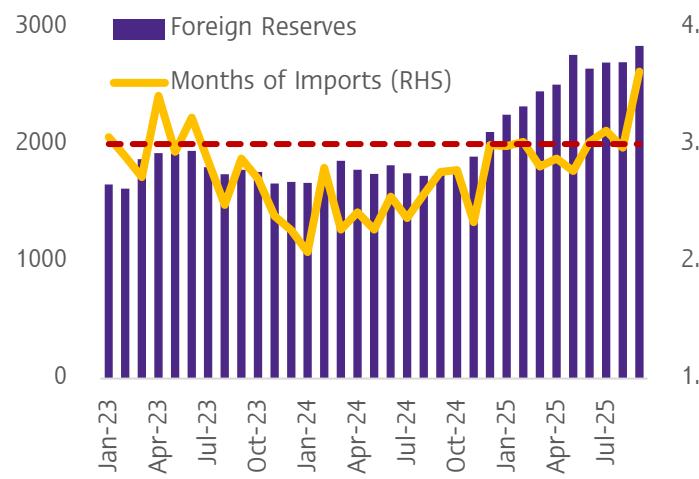


- The kip stabilized following the launch of the Lao Foreign Exchange (LFX) platform. This improved stability helped ease imported inflation pressures.
- Inflation continues to decline, reaching an average of 8.1% in 11M2025 from lower food and beverage, while housing, water and electricity costs remain elevated. The Bank of the Lao PDR aims to keep inflation in the range of 3-7% during 2026-2030.
- Planned electricity tariff increases pose upside risks to inflation by raising input costs that producers will likely pass through to consumers. Global commodity and food price volatility further compounds inflation risks.

# Rising reserves improve external stability and support a credit rating upgrade, though high government debt service obligations remain a concern.

## Lao PDR's foreign reserve adequacy

Unit: USD Million (LHS) / Month of Imports (RHS)

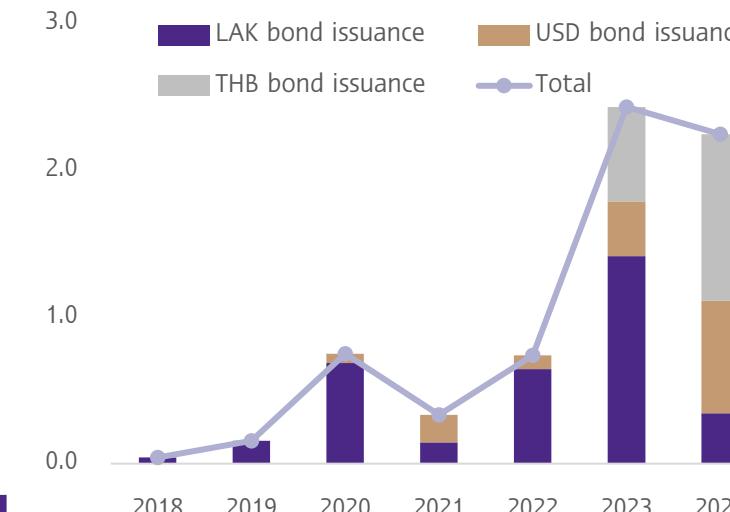


Agency	Rating	Outlook
Moody's	Caa2 (Dec-25: <b>upgraded</b> )	Stable
S&P Global	CCC+ (Oct-25)	Positive
Fitch	CCC+ (Oct-25)	N/A

Foreign reserves have remained above the three-month adequacy level since June 2025, supporting an upgraded credit rating, though buffers are still thin given sizable external debt payments.

## Bonds issued and listed via Lao Securities Exchange

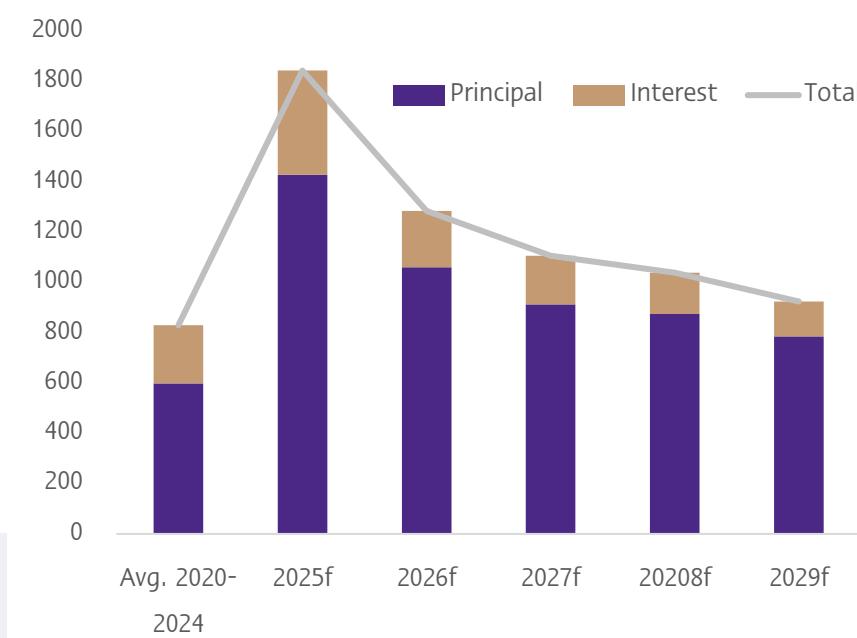
Unit: % of GDP



- Bond issuance has surged since 2022** due to refinancing and liquidity needs.
- Access to international markets has improved**, but high borrowing costs linked to the low sovereign rating continue to limit investor demand.
- Foreign currency borrowing (THB, USD) creates vulnerability**: Kip depreciation raises debt burdens and rollover risks, underscoring the need for stronger debt management.

## External public debt repayment projections (as of 2024)

Unit: USD million

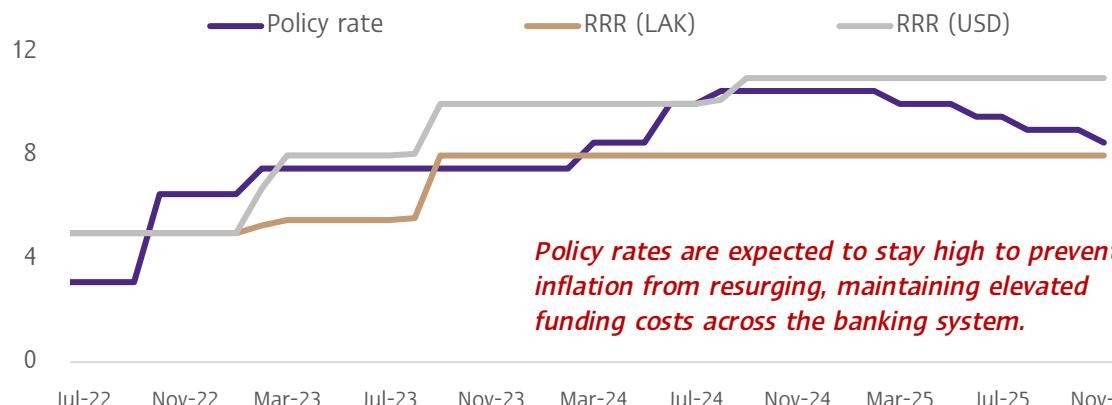


- Government will still face high debt service obligations going forward** as external public debt service will average USD 1.1 billion annually through 2029 (6.7% of GDP).
- China accounts for 48% of these obligations**, concentrating repayment risk and increasing vulnerability to currency movements and refinancing pressures.

## Moderating loan growth and weakening bank profitability signal increased lending caution, which will likely constrain credit to the private sector in 2026.

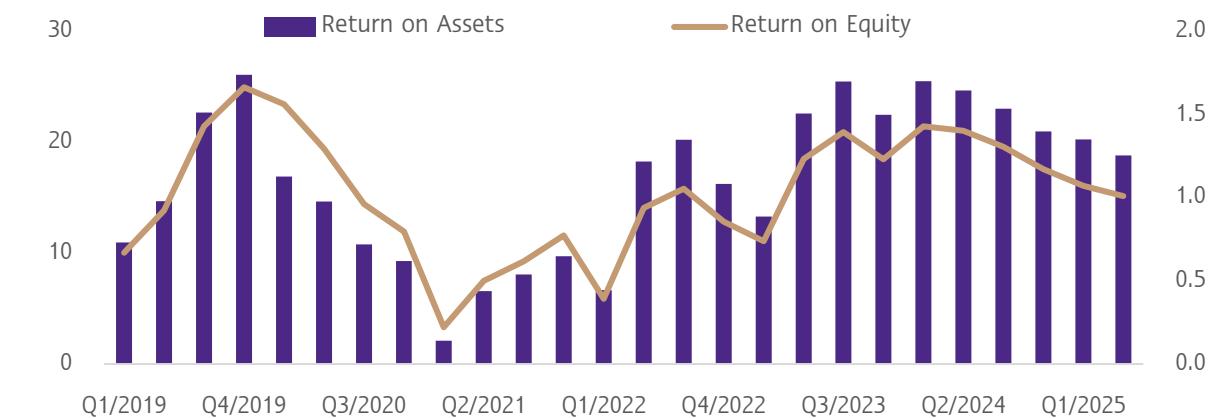
### Policy rate & Reserve requirement ratio (RRR)

Unit: %



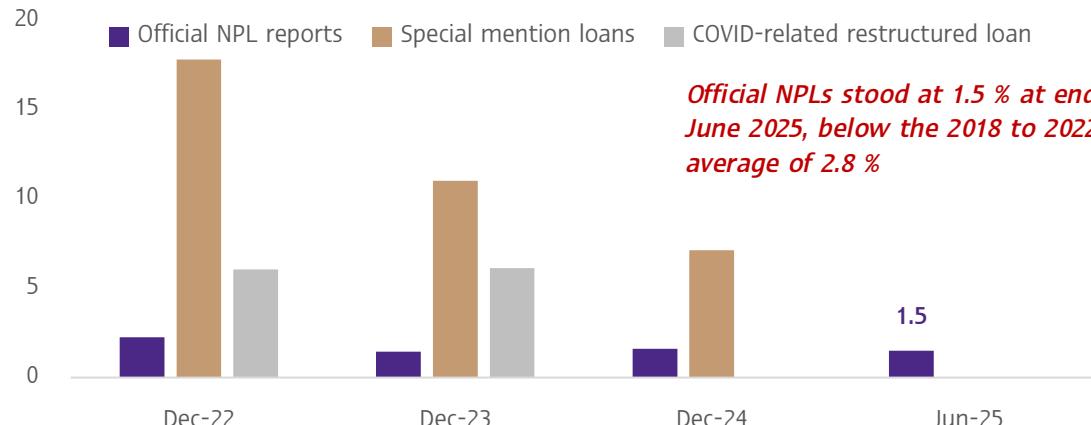
### Commercial banks' narrower interest margins continued to dampen profits.

Unit: %



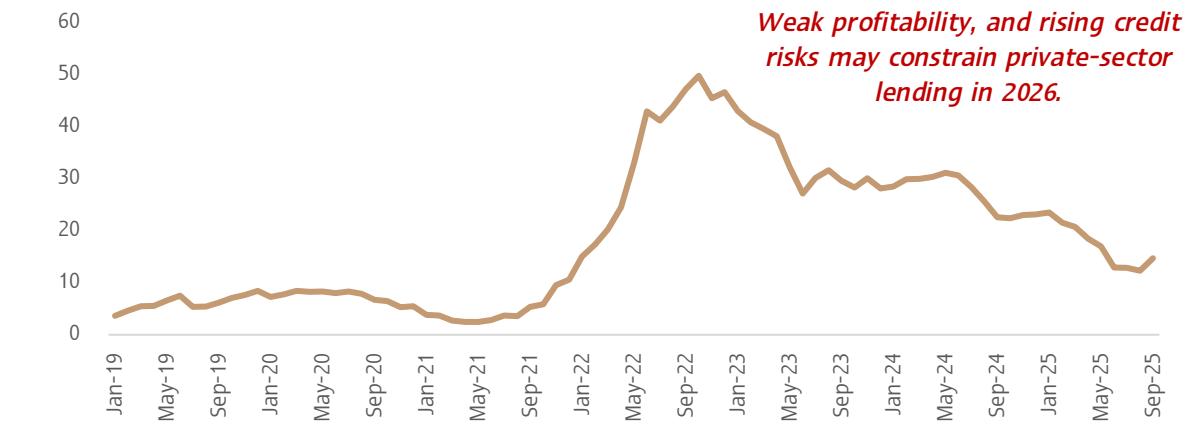
### Proportion of loan at risks

Unit: % total bank loans



### Private sector credit growth

Unit: % YOY



# While the 2026 National Assembly renewal could bring renewed focus on economic reforms and fiscal consolidation, substantive policy changes remain uncertain.

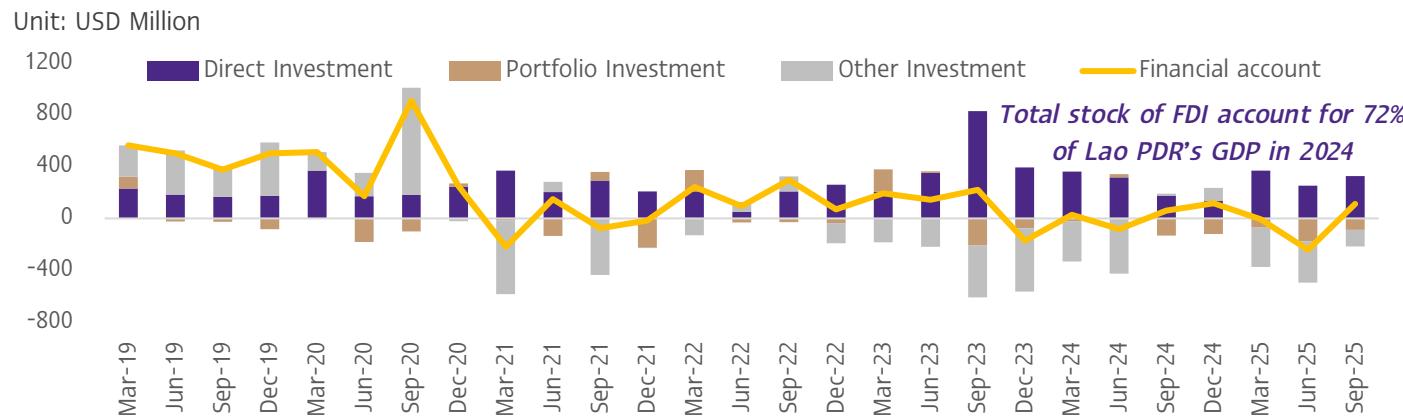
The Lao PDR will hold a general election in early 2026 to select 175 members for the 10th National Assembly and to set the five-year development plan for 2026–2030.

## Anticipated 2026-2030 development plan to be announced in early 2026

			
<b>Growth target</b> 5-6% per year	<b>Tax revenue collection</b> 20% to GDP by 2030 (from 15% in 2024)	<b>Priority sectors</b> Industrial manufacturing, energy, tourism and logistics	<b>Lean government</b> Merging key ministries

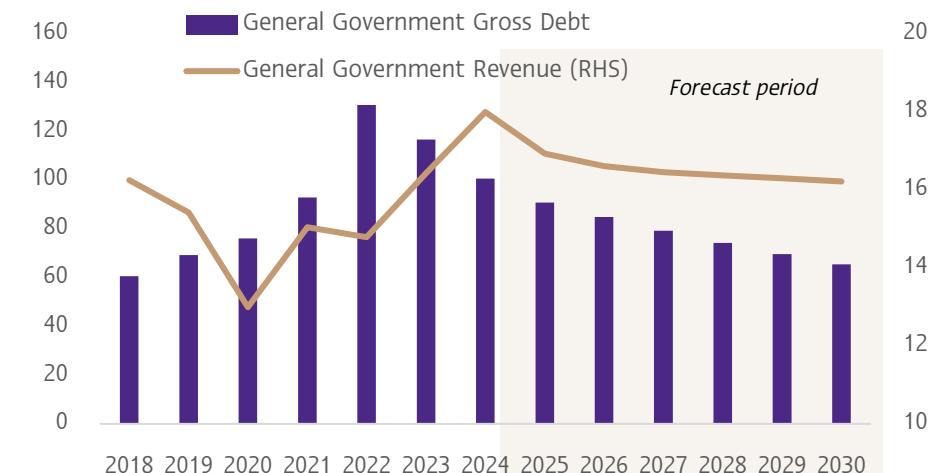
The one-party system suggests broad policy continuity, the new Assembly is expected to include more technocratic members, reflecting the leadership's gradual shift toward stronger governance capacity and modernization.

## Financial account



## Projections of General government gross debt and revenue by IMF

Unit: % to GDP



## Potential risks under the 5-year plan ambitions

- Ambitious plans to raise tax revenue and lower public debt face significant headwinds from a structurally low revenue base, a sizable external debt-service burden, and elevated borrowing costs.
- Persistent dependence on foreign investment, particularly from China, compounds fiscal vulnerabilities.

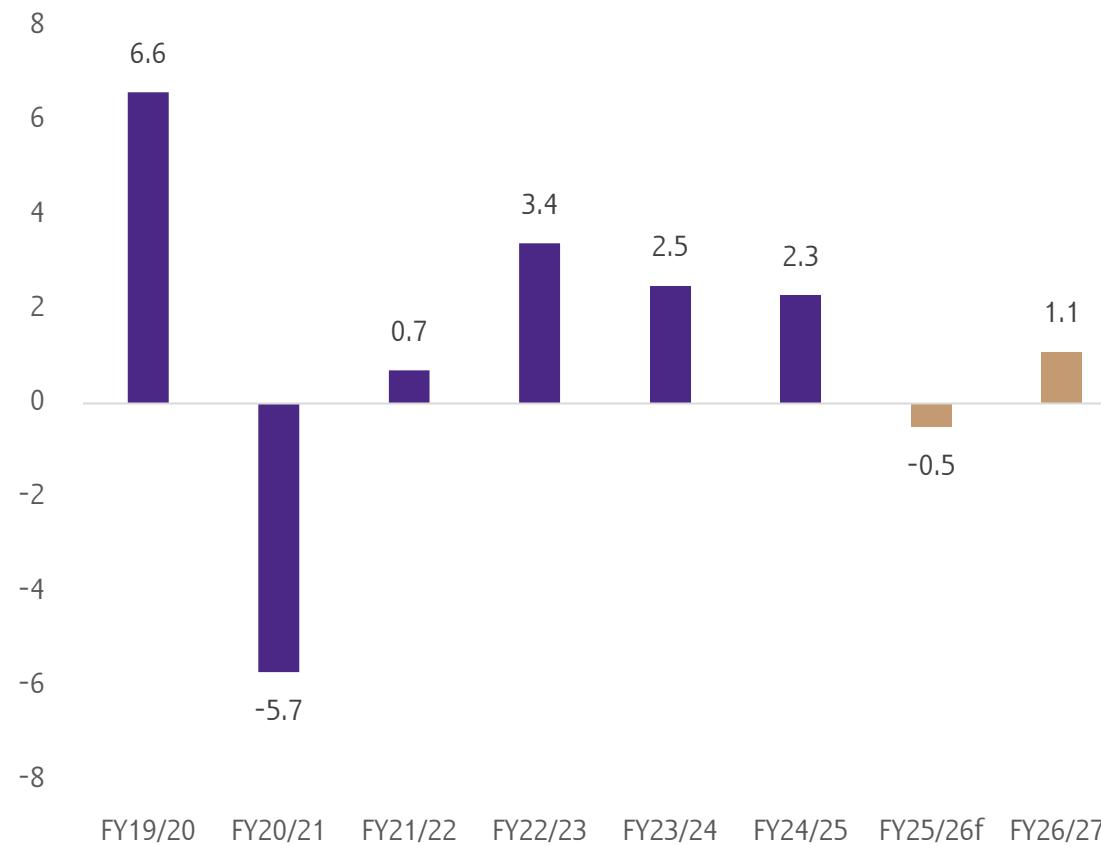


# Myanmar's Economic Outlook

# Myanmar's economy is expected to contract 0.5% in FY25/26, then post tepid growth of 1.1% in FY26/27, constrained by ongoing conflicts and political uncertainties.

Myanmar's economic growth forecasts\* (by SCB EIC)

Unit: %YOY



## Positive factors

- Post-earthquake domestic activity continues to recover but remains fragile.
- The U.S. has lifted some sanctions on business allies of Myanmar's Generals such as KT Services & Logistics, but other sanctions remain.

## Negative Factors

- Prolonged internal conflicts with ethnic minority groups that is unlikely to be resolved despite the upcoming general election.
- Slow reconstruction of earthquake-damaged infrastructures hindering international trade, tourism, and investment recovery.
- Persistently high inflation after earthquake driven shortage of production inputs such as electricity and materials
- Limited capabilities of central government in implementing economic policies

## Risk factors

- The upcoming general election could worsen existing internal conflicts
- Reduced international aid risks derailing economic recovery
- Climate-related extreme weather events such as cyclone and flooding
- Risks to economic stability including external, financial, and fiscal sectors

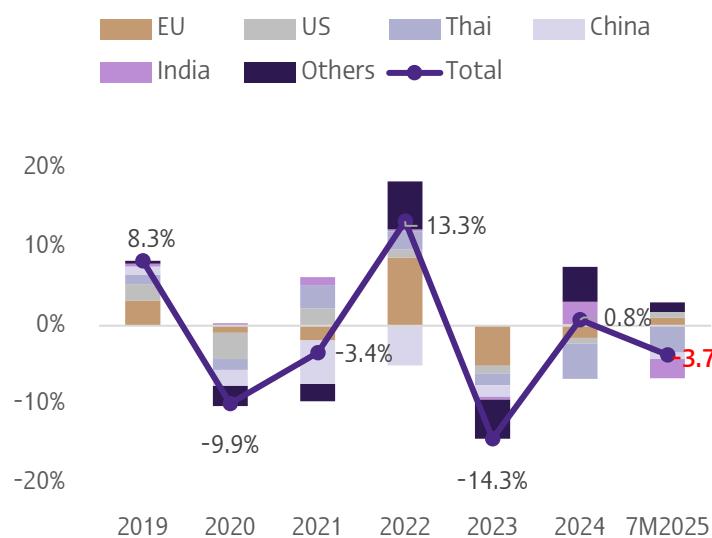
Note: \*GDP reported by Myanmar and the IMF/World Bank differs significantly. For this research, official GDP reported by Myanmar will be used.

Source: SCB EIC analysis based on data from the Central Bank of Myanmar, IMF, and World Bank.

# Myanmar's external sector is expected to remain weak as prolonged internal conflicts hinder international trade, tourism, and investment.

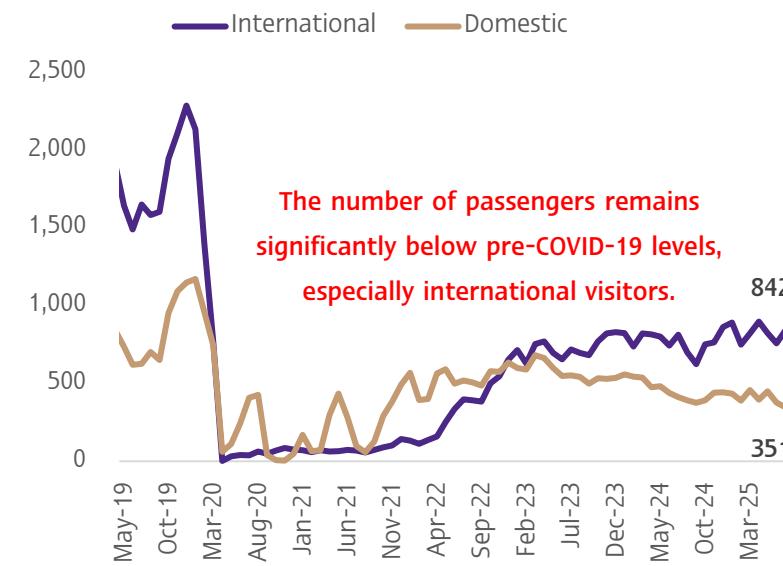
## Contribution to Myanmar's Export Growth

Unit: %YOY



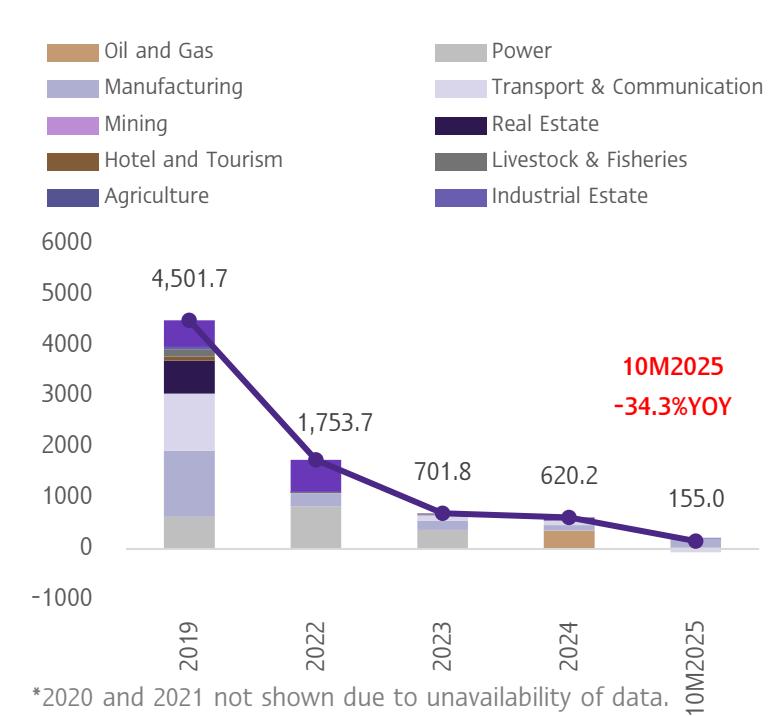
## Number of inbound passengers at Yangon airport

Unit: Hundred persons



## New Approved Foreign Direct Investment (FDI) By Sector\*

Unit: USD Million



\*2020 and 2021 not shown due to unavailability of data.

Total Export 2024	CH	TH	EU	ID	U.S.	Others
%share (2024)	22.5%	18.9%	16.5%	8.3%	3.1%	30.8%

Exports are expected to stagnate due to export-route disruptions caused by conflicts and the recent earthquake, and continued trade sanctions by major economies.

Top 7- Visitor	CH	TH	S. KR	JP	ID	VN	U.S.
%share (2024)	35.4%	14.9%	8.2%	6.9%	5.4%	3.3%	3.3%

Tourism would recover gradually as infrastructure reconstruction progresses, but gains will remain limited due to slow reconstruction and foreign tourists' safety concerns.

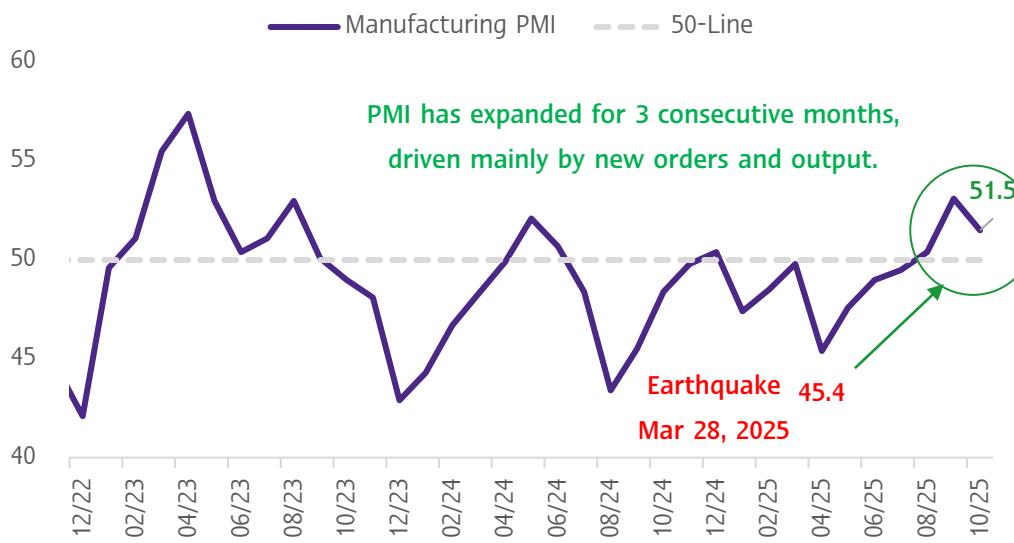
Foreign Direct Investment is expected to remain weak due to poor investor's confidence amid violent domestic conflicts.

# Domestic activity has recovered gradually post-earthquake, but businesses face multiple challenges from weak demand to power shortages.

Domestic economic activity has improved post-earthquake.

## Myanmar Manufacturing Purchasing Manager Index (PMI)

Unit: Index, seasonally adjusted (>50 = expansion, <50 = contraction)



In 2026, SCB EIC expects Myanmar's domestic activity recovery to continue gradually while remain fragile:

- Almost half of firms (49%) expect to struggle to recover over the next 6 months, reflecting continued constraints on economic activity and business revenue.
- Most firms face complex and persistent challenges—such as natural disasters, structural power outages, ongoing conflicts, and weak sales due to high prices.

Businesses are struggling to return to pre-earthquake levels of activity.

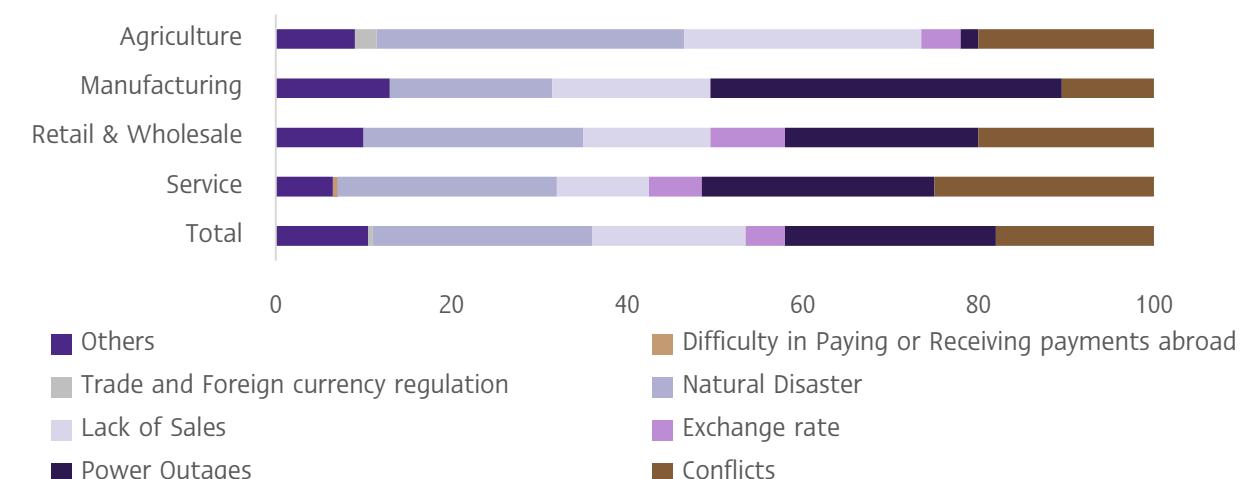
## Firms expect to recover to pre-earthquake level within the next 6 months

Unit: %share of firm reporting (Survey by the World Bank)



## Challenges to firms' operations (Survey by The World Bank in April 2025)

Unit: %share of firm reporting

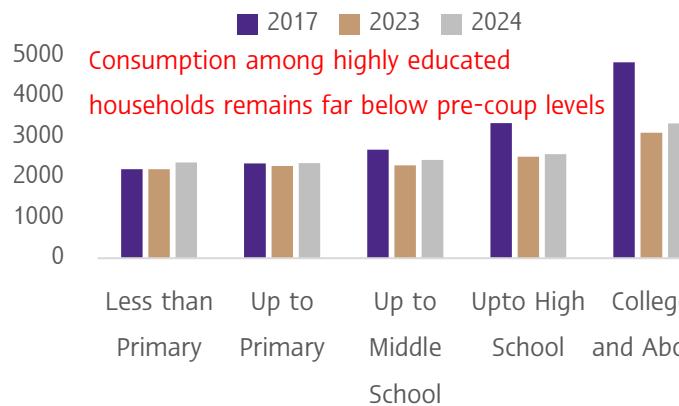


# Broad-based consumption weakness persists, weighed down by soft labor demand, ongoing conflicts, high poverty, and elevated inflation.

Household consumption remain below pre-coup levels as poverty rates stay elevated.

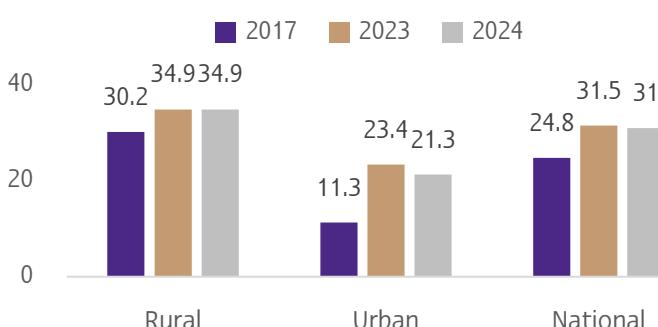
## Mean daily consumption expenditure\*

Unit: Kyat (By the World Bank)



## Poverty rate in Myanmar

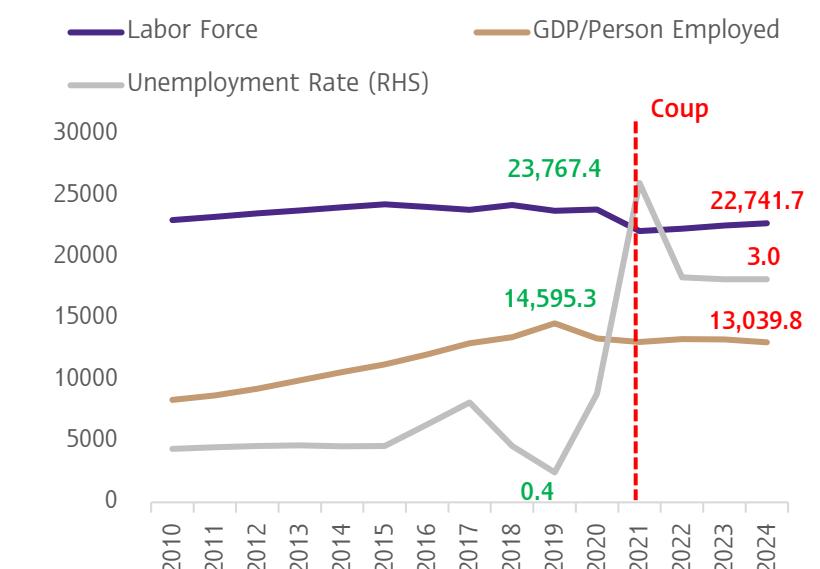
Unit: % (By the World Bank)



Unemployment rate stays elevated post-coup while labor productivity remains stagnant.

## Labor Indicators Remains weak compared to Pre-Coup Levels

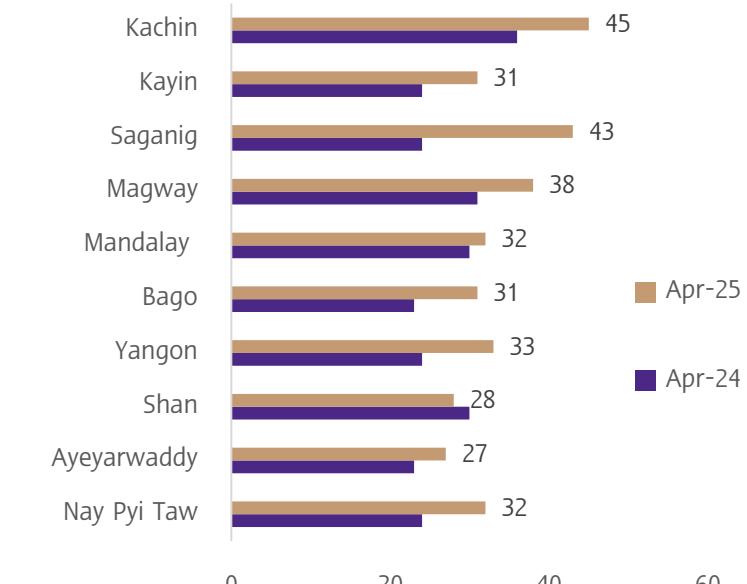
Unit: Person (Thousands), Intl \$ and % (RHS)



The March earthquake pushed up inflation rate in 2025.

## Myanmar Inflation

Unit: %YOY



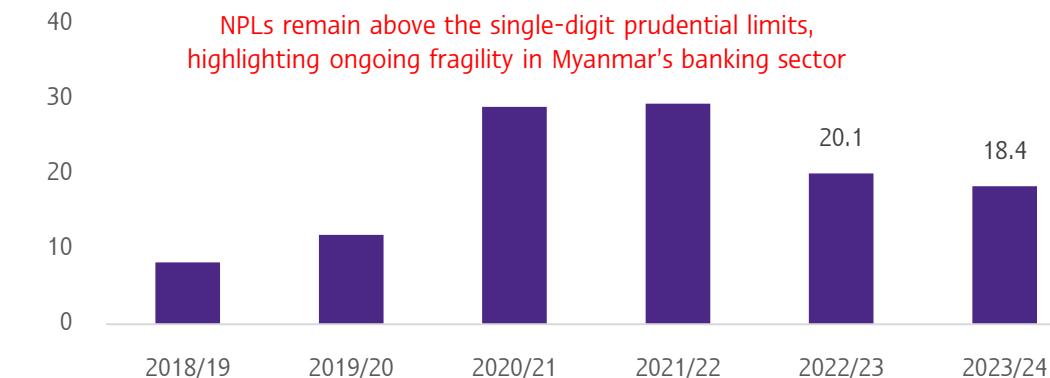
Consumption is expected to remain weak with a sluggish recovery due to multiple structural challenges:

- Weak labor market:** Labor force and labor productivity remain below pre-coup levels; unemployment rate stays elevated.
- High cost-of-living:** from import restrictions, ongoing conflict, earthquake impacts, and power constraints.
- Higher poverty & education setbacks:** Poverty remains above pre-coup levels, with worsening education deepening the poverty trap.

# Myanmar's financial and external sectors remain fragile, while the fiscal position has deteriorated with higher deficit from flood and earthquake recovery spending.

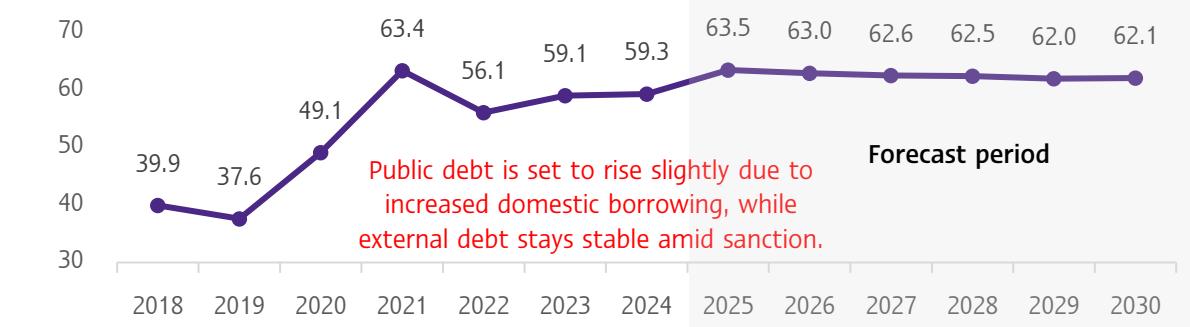
## Myanmar Non-Performing Loans (NPL) Ratio

Unit: %



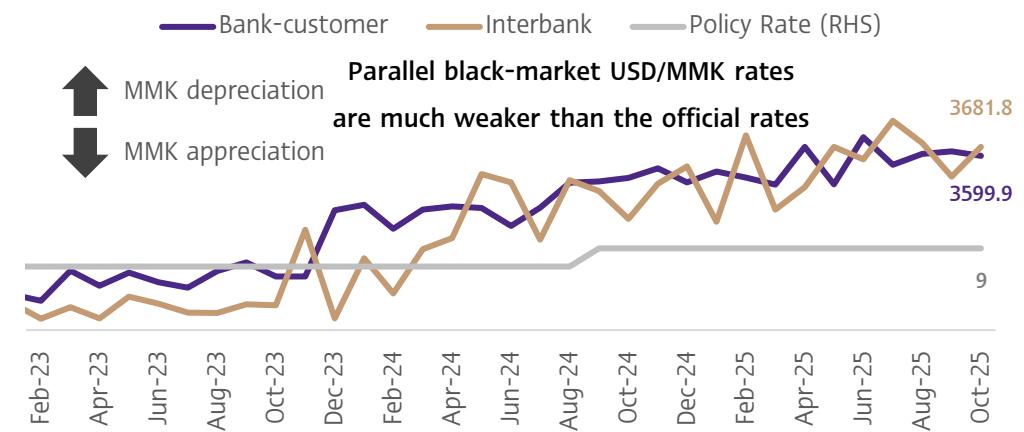
## Myanmar Public Debt to GDP Forecasted (by IMF)

Unit: % of GDP



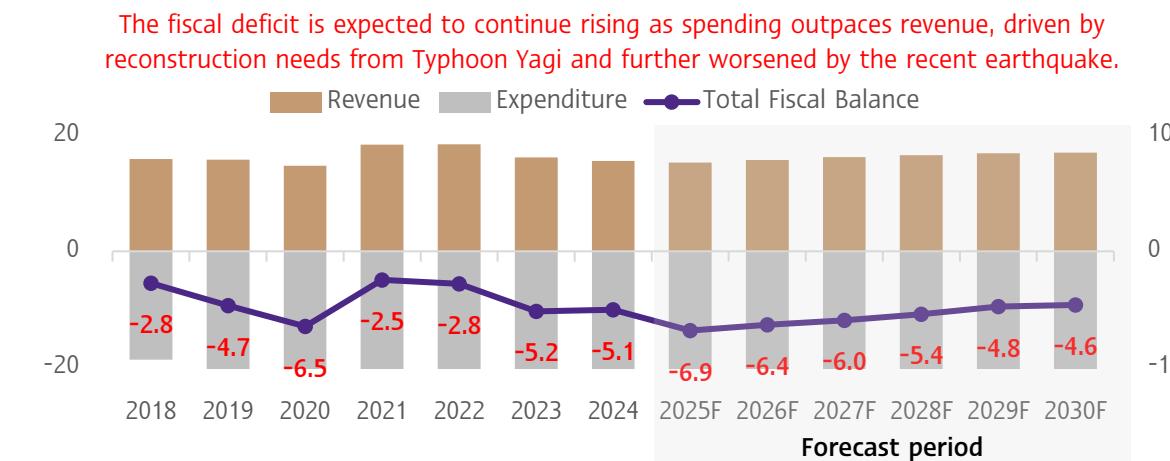
## Exchange rate and Policy Rate

Unit: USD/MMK



## Myanmar Fiscal Balance Forecasted (by IMF)

Unit: MMK Billion (LHS) / % of GDP (RHS)

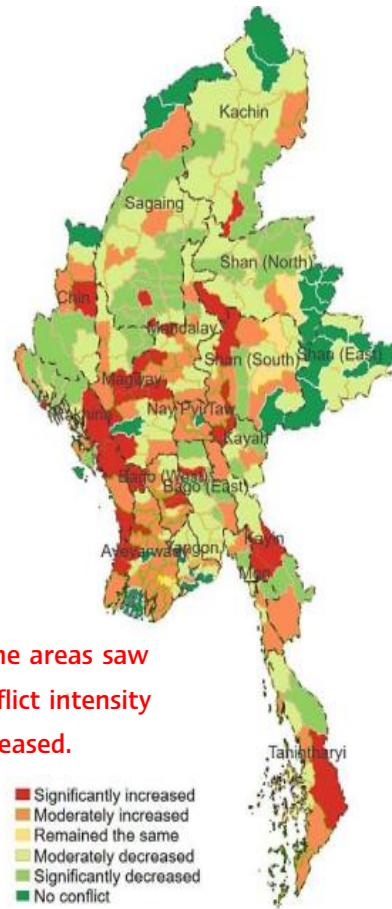


# Persistent internal conflict continues to constrain Myanmar's economic and development prospects, while the upcoming general election faces several factors undermining its legitimacy.

Internal conflicts persist at elevated levels more than 4 years after the 2021 military coup.

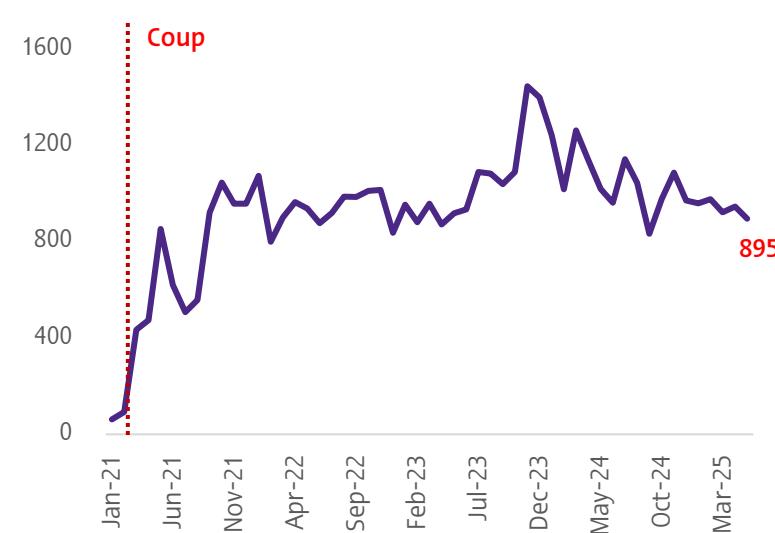
## Change in conflict intensity

Oct24-Mar25 vs Oct23-Mar24



## Number of political violence events

Unit: Number of events



Myanmar's internal conflict has continued to weigh on its economy since the 2021 coup.

- Myanmar's conflict is fragmented, involving many ethnic groups with different objectives. Thus, the political situation remains highly uncertain with no clear end.
- Political unrest remain high, with averaging 1,000 incidents per month.

The election is unlikely to resolve the conflict.

 Myanmar's military government will hold a national election on 28 Dec 2025 – 25 Jan 2026.

in 3 phases

- Phase 1 (Dec 28, 2025) in 102 townships
- Phase 2 (Jan 11, 2026) + Phase 3 (Jan 25, 2026) for 100 townships in total

In total, **only 202 out of Myanmar's 330 townships will participate.**

International observers question the legitimacy of the election, viewing it as likely to consolidate military control.

## Characteristics undermining electoral legitimacy

**No Genuine Opposition** from the dissolution of major democratic parties and arrests of key leaders

**Electoral rules engineered to favor the incumbent** restrictive registration laws severely limit competition, election system designed for USDP (the current ruling regime) victory

**Voting restricted to military-controlled areas only** (not universal suffrage) excluding 128 of 330 conflict-affected townships.

**Repression and martial-law environment** suspending civil rights and political activity

**Campaigning & media restrictions** severe limits on campaigning, internet blackouts, and banned independent media

# Given concerns about the election's legitimacy, meaningful policy and economic shifts remain unlikely. While modest upside scenarios exist, the balance of risks tilts to the downside.

Myanmar's Election Outcome Scenarios			
<u>Upside Scenario</u>	<u>Baseline Scenario</u>	<u>Downside Scenario</u>	<u>Conflicts Escalate</u>
<p> <b>Fair and Inclusive Election</b></p> <ul style="list-style-type: none"> <li>• Election recognized as fair &amp; inclusive</li> <li>• Improved political legitimacy</li> <li>• Dialogue with minority groups expands</li> <li>• Partial/all sanctions lifts</li> </ul>	<p> <b>Status Quo Remained</b></p> <ul style="list-style-type: none"> <li>• Lack of international recognition</li> <li>• Military remains in power</li> <li>• Internal conflicts remain</li> <li>• Sanctions remain in place</li> </ul>	<p> <b>Conflicts Escalate</b></p> <ul style="list-style-type: none"> <li>• USDP victory claims spark violence</li> <li>• Regime fragmentation/loss of authority</li> <li>• Conflicts with minority groups escalate</li> <li>• Possible increased sanctions</li> </ul>	
Implications			
<p> <b>Economic Stabilization &amp; Recovery</b></p> <p>Improved foreign investors' confidence supports gradual macroeconomic stabilization via trade, tourism, and FDI.</p>	<p> <b>Persistently Weak Economy</b></p> <p>External and domestic demand remain weak due to sanctions, violent conflicts, and high inflation.</p>	<p> <b>Economic Crisis</b></p> <p>Escalating conflicts create good and service shortages, price spikes, and currency collapse.</p>	<p> <b>Escalating Humanitarian Crisis</b></p> <p>Limited foreign aids and rising displacements deepen poverty, worsen food insecurity via a total lack of essential public services.</p>
<p> <b>Renewed Development &amp; Social Recovery</b></p> <p>Expanded foreign donor engagements restore public services and welfare programs.</p>	<p> <b>Limited International Support</b></p> <p>International sanctions and limited foreign aids slow post-earthquake reconstruction and recovery of public services.</p>	<p> <b>Illicit Economies Persist</b></p> <p>Scam centers, illegal mining, and illicit trade remain widespread worsening livelihoods, environmental outcomes.</p>	<p> <b>Illicit Economy Expands Aggressively</b></p> <p>Minority ethnic groups expand scam centers, illegal mining, and other illegal activities aggressively, intensifying environmental damage, crime spillovers.</p>



# CLMV and Thai Economy

# Thailand's trade with CLMV has slowed in 2025 due to border tensions, with limited recovery expected in 2026 given weaker economic conditions and global trade uncertainties.

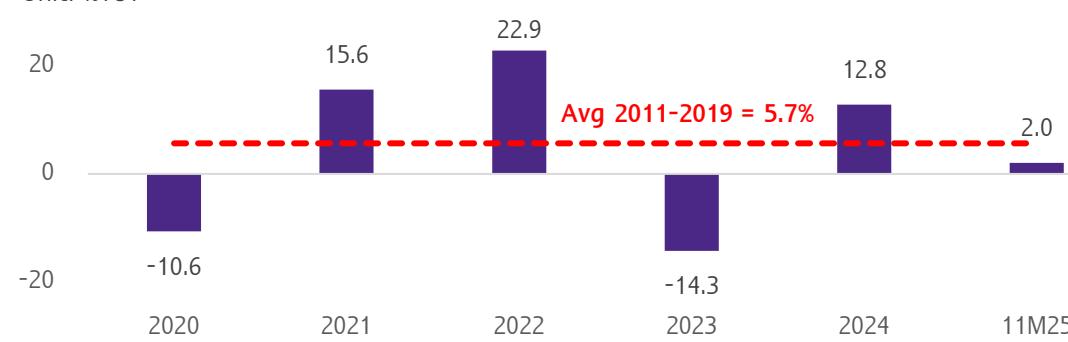
## Thai exports to CLMV, by product

Unit: %YOY (Share in 2024)

Items	2024	2025Q1	2025Q2	2025Q3	Sep-25	Oct-25	Nov-25	YTD
Total (100%)	12.8%	4.9%	18.0%	-2.4%	-9.5%	-15.6%	-18.0%	2.0%
Total (ex. gold) (89.3%)	2.4%	11.4%	7.8%	-4.6%	-0.3%	-7.9%	-15.7%	1.6%
1. Agriculture (3.2%)	40.6%	40.2%	40.6%	39.2%	51.2%	36.4%	7.5%	35.8%
2. Agro (15.2%)	6.0%	8.0%	9.1%	-10.9%	-18.1%	-19.5%	-27.8%	-2.6%
3. Manufacturing (66.3%)	20.0%	5.1%	27.7%	8.0%	-5.1%	-9.8%	-11.4%	8.5%
Electrical appliances (7.1%)	15.2%	25.6%	1.8%	11.7%	12.5%	8.3%	-12.7%	10.2%
Auto & parts (7.2%)	0.1%	55.8%	19.9%	-4.5%	5.2%	11.5%	-6.2%	15.5%
Chemical & Plastics (10%)	2.0%	10.1%	10.8%	-12.0%	-10.8%	-9.9%	-10.2%	0.1%
4. Mining and fuel (15.3%)	-8.7%	-5.4%	-17.1%	-50.1%	-39.8%	-49.5%	-43.1%	-28.2%
Refined fuel (13.8%)	-11.5%	-6.5%	-17.0%	-54.1%	-44.0%	-51.2%	-47.0%	-30.6%

## Thai exports to CLMV

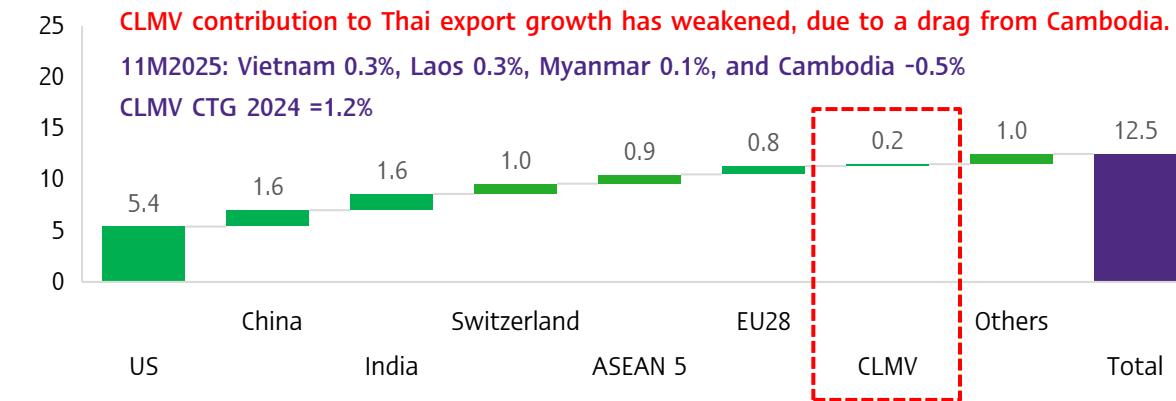
Unit: %YOY



Source: SCB EIC analysis based on data from the Ministry of Commerce.

## Thai Export Contribution to Growth Jan-Nov 2025

Unit: %



## Thai imports from CLMV, by product

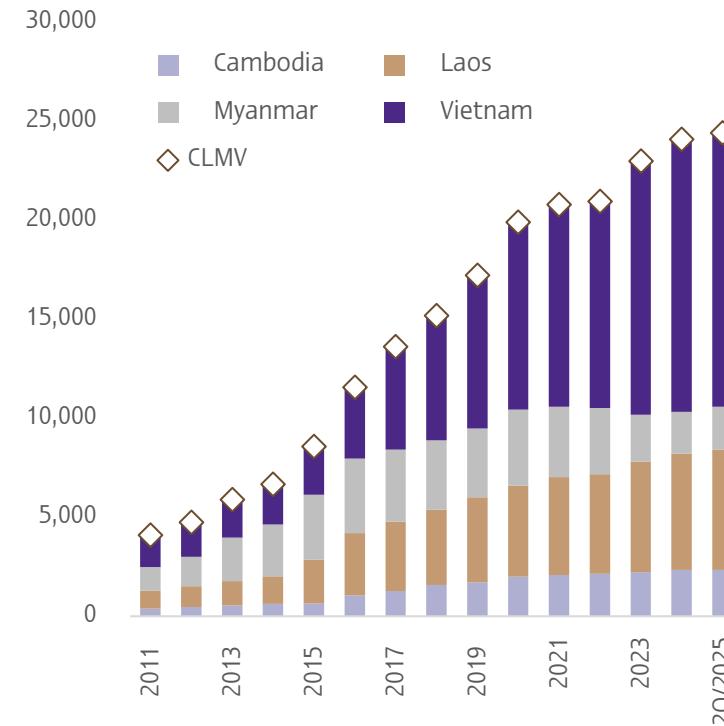
Unit: %YOY (Share in 2024)

Items	2024	2025Q1	2025Q2	2025Q3	Oct-25	Nov-25	YTD
Total	8.7%	16.2%	13.2%	7.6%	13.4%	14.8%	12.6%
Total (ex. gold) (99.1%)	12.6%	12.5%	14.6%	8.3%	13.4%	15.2%	12.2%
Fuel products (27.2%)	-1.7%	-16.7%	-1.6%	5.7%	-1.6%	3.1%	-3.2%
Capital goods (13.8%)	17.6%	33.4%	39.5%	25.5%	25.3%	69.9%	35.5%
Raw and intermediate materials (33.0%)	18.8%	49.3%	16.4%	2.4%	22.5%	6.9%	20.2%
Consumer goods (23.1%)	10.4%	8.9%	10.3%	1.0%	2.9%	-4.0%	5.7%
Vehicles and logistics equipment (2.6%)	-26.6%	9.3%	7.9%	27.0%	52.6%	18.3%	18.7%
Arms and ammunition (0.4%)	-4.5%	-58.2%	83.6%	260.8%	352.8%	266.1%	74.1%

# Thailand's outward investment to CLMV moderated in 1H2025 after accelerating in Q4/2024, reflecting trade policy uncertainty and weaker economic conditions.

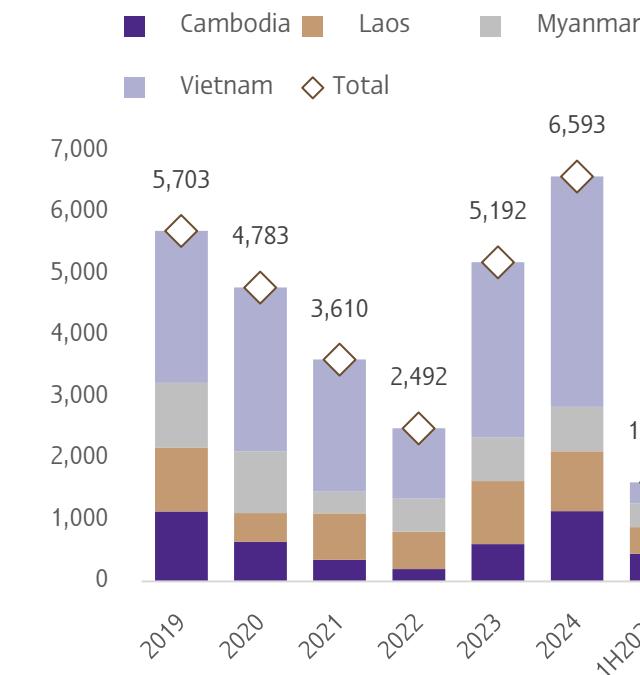
## Thailand's direct investment position abroad

Unit: Million USD, data as of end-June 2025



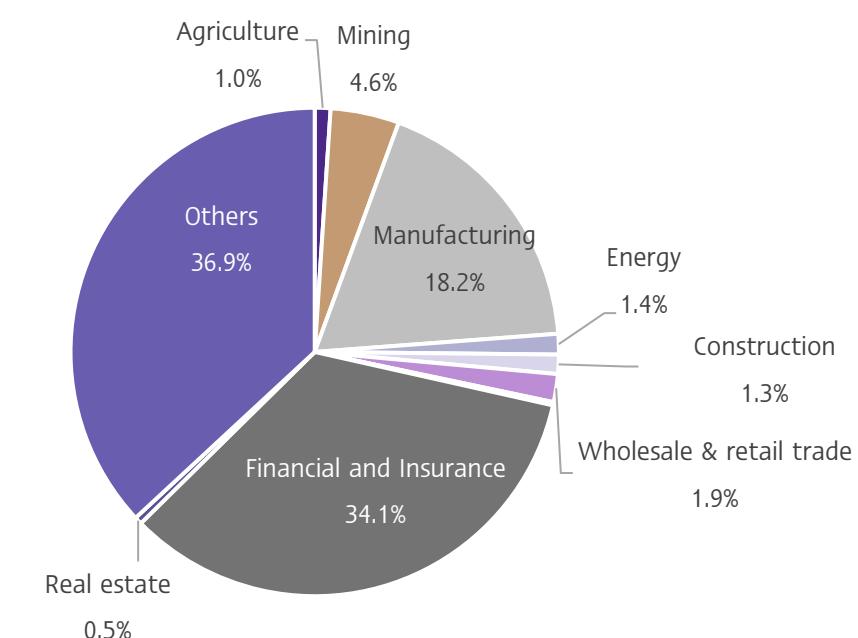
## Thailand's outward direct investment flow

Unit: USD million, outflows



## Thailand's outward direct investment flow into CLMV, by sector

Unit: % share of total ODI flow, 4-Quarter rolling sum : 3Q/2024-2Q/2025



- Most investment flows declined from a year earlier, with Vietnam down 25%YoY. The decline follows an elevated Q4 2024 base (driven by a large acquisition) and moderating manufacturing investment as relocation momentum eased amid trade policy uncertainty.
- Investment flows to Cambodia are expected to decline in 2H2025 amid softer investment sentiment.
- Thailand's outward investment in Myanmar remains concentrated in the mining sector, reflecting persistent political uncertainty and sanction-related risks.

Note : \*Negative values, reflecting disinvestment or capital withdrawals, are excluded from the calculation of sectoral shares.

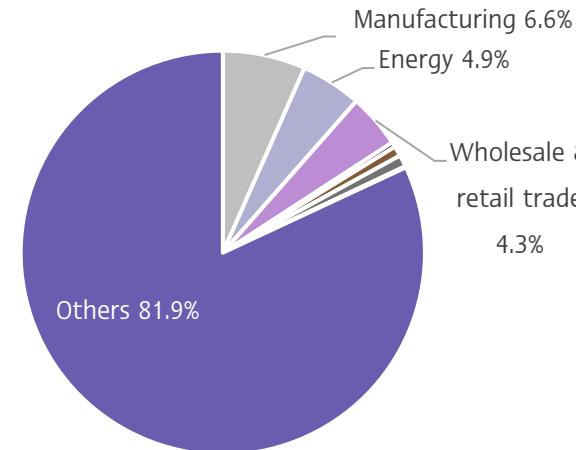
Source: SCB EIC analysis based on data from Bank of Thailand.

# Thailand's outward direct investment to CLMV is led by finance and manufacturing. Mining dominates in Myanmar, while inflows to Vietnam were elevated, reflecting a large M&A deal.

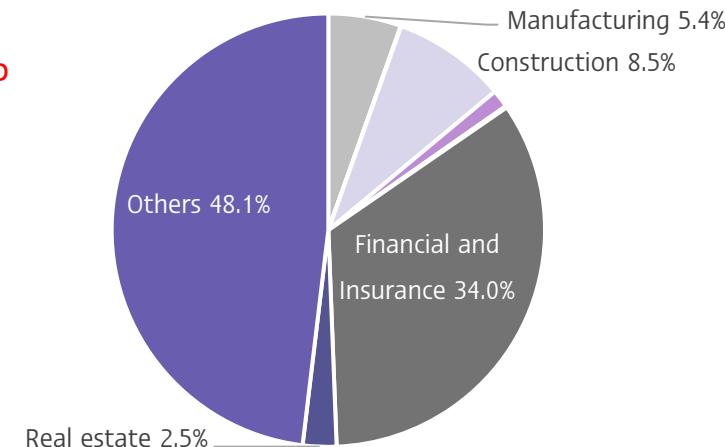
## Thailand's outward direct investment (ODI) flow\*, by sector

Unit: % share of total ODI flow, 4-Quarter rolling sum : 3Q/2024-2Q/2025

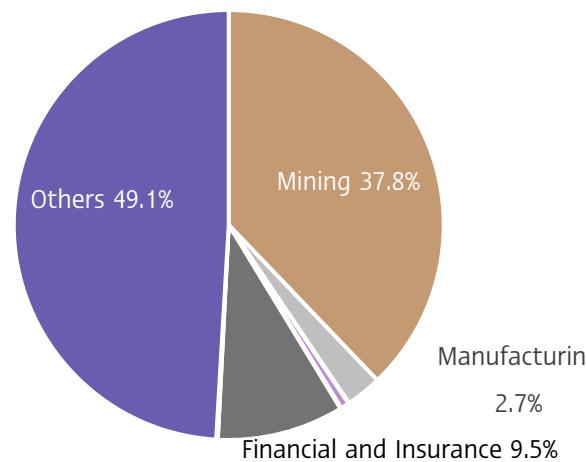
**Cambodia**  
950 Million USD



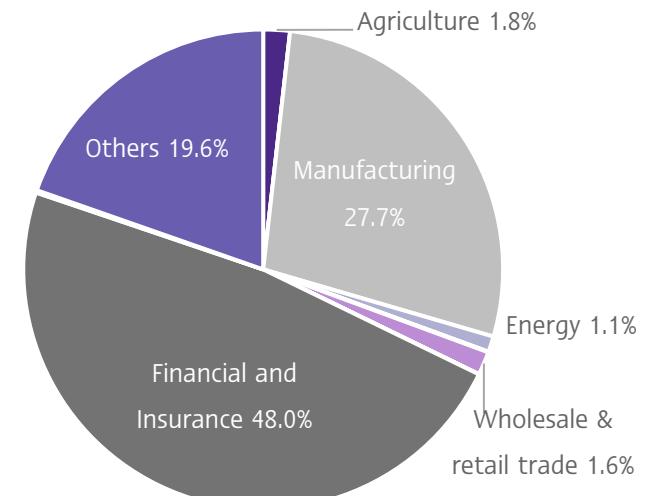
**Lao PDR**  
911 Million USD



**Myanmar**  
747 Million USD



**Vietnam**  
3,605 Million USD



- Agriculture
- Mining
- Manufacturing
- Energy
- Construction
- Wholesale & retail trade
- Transportation
- Accommodation
- Financial and Insurance
- Real estate
- Others

Note : \*Negative values, reflecting disinvestment or capital withdrawals, are excluded from the calculation of sectoral shares.

Source: SCB EIC analysis based on data from Bank of Thailand.

# CLMV economic growth continues in 2026, albeit at a slower pace, with selective opportunities in sectors shaped by resources, geography, and competitiveness.

 Cambodia	 Lao PDR	 Myanmar	 Vietnam
 <b>Garment, Textile and Footwear</b> <ul style="list-style-type: none"> <li>Competitiveness and the manufacturing base remain key strengths.</li> <li>Growth could be constrained by future losses of trade privileges.</li> </ul>	 <b>Power</b> <ul style="list-style-type: none"> <li>Renewable energy is supported by growing regional demand and high generation potential.</li> <li>Risks persist from currency volatility, Electricite du Laos's (EDL) debt burden, and ESG concerns.</li> </ul>	 <b>Mining</b> <ul style="list-style-type: none"> <li>Strong global demand for rare earths amid the green energy transition.</li> <li>Attraction of diversified investment as other countries seek alternative sources to reduce dependence on China.</li> <li>Political and environmental risks remain substantial.</li> </ul>	 <b>Tourism</b> <ul style="list-style-type: none"> <li>Competitiveness, supported by visa easing, infrastructure upgrades, strong global demand—especially from Asia—and a weak VND.</li> </ul>
 <b>Agriculture</b> <ul style="list-style-type: none"> <li>FTAs with China, the EU, and ASEAN support trade integration.</li> <li>Climate change poses risks that may affect agricultural yields.</li> </ul>	 <b>Logistics</b> <ul style="list-style-type: none"> <li>The push to become a land-linked economy creates investment opportunities in land infrastructure.</li> <li>The China-Lao PDR railway has supported trade connectivity and tourism.</li> </ul>		 <b>Electronics</b> <ul style="list-style-type: none"> <li>Attractiveness, supported by a well-established supply chain, government prioritization of the digital economy, and rising global demand for electronics.</li> </ul>
 <b>Food &amp; beverage</b> <ul style="list-style-type: none"> <li>Growth is supported by ongoing urbanization and a growing population.</li> <li>Intense regional competition remains a key challenge.</li> </ul>	 <b>Tourism</b> <ul style="list-style-type: none"> <li>Efforts to attract ecotourism continue amid regional competition.</li> <li>Government-led inclusive tourism promotion and additional policies support tourism development.</li> </ul>	 <b>Agriculture</b> <ul style="list-style-type: none"> <li>Cost-competitive production and value-added processing for export &amp; regional markets.</li> <li>Abundant land, a large labor force shifting into the farming sector, and low labor costs.</li> </ul>	 <b>Power</b> <ul style="list-style-type: none"> <li>Government's net-zero transition drives large-scale investment in power generation and grid infrastructure.</li> <li>Energy demand is rising, driven by manufacturing expansion and Power Development Plan 8.</li> </ul>

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