July 2026

CLMV Outlook

Mid-Year Update 2026

Navigating External Shocks, Confronting Structural Constraints

CLMV growth moderates in 2026 amid external headwinds and rising structural constraints. Vietnam remains the region's key growth engine as macro-financial vulnerabilities weigh on Cambodia, Lao PDR, and Myanmar.

SCB EIC

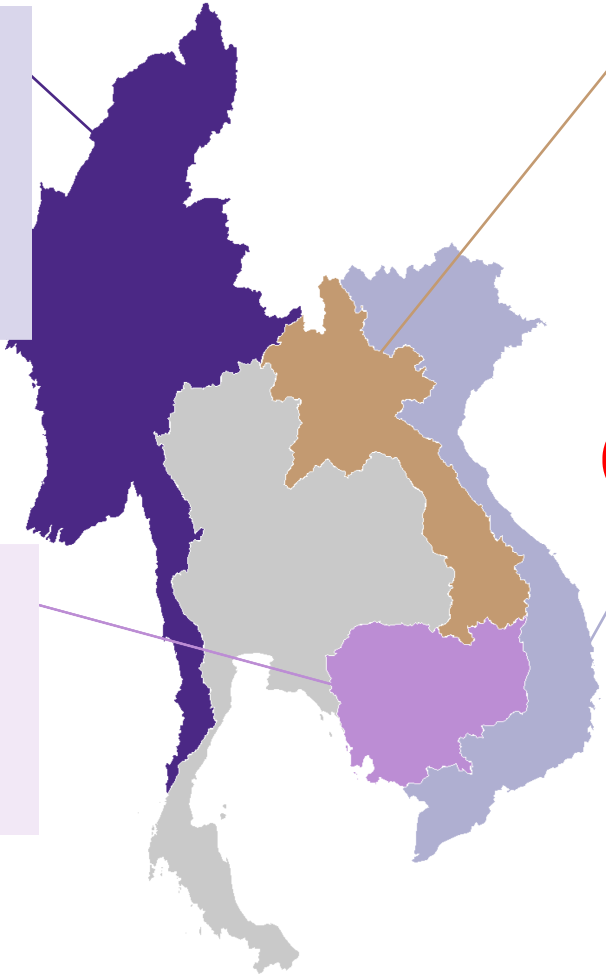
Executive Summary: CLMV Economy

Myanmar (Page 17)

- **Economic growth remains weak at 2.6% in 2026,** constrained by conflict, macro instability, and structural weakness.
- **Domestic activity is gradually recovering** from earthquake but firms continue to operate below capacity.
- **Heavy fuel import dependence heightens vulnerability to energy shocks,** compounding existing high inflation and power shortages.

Lao PDR (Page 11)

- **Growth remains resilient at 4.1% in 2026,** supported by electricity exports, tourism recovery, and FDI.
- **Domestic demand remains subdued** due to high inflation, a weak kip, and elevated debt-servicing costs.
- **High external debt and financial-sector fragilities** continue to constrain medium-term resilience.



Cambodia (Page 5)

- **Economic growth slows to 3.7% in 2026,** driven by weaker exports and soft domestic demand
- **Border tensions with Thailand** continue to weigh on trade, tourism, remittances, and business sentiment.
- **Financial vulnerabilities remain elevated:** from rising NPLs, higher borrowing costs, and the expiry of debt relief measures

Vietnam (Page 23)

- **Vietnam remains the regional outperformer with 7.1% growth in 2026,** slowdown from last year and below the government's target 10% due to external headwinds.
- **External and domestic economic indicators remain resilient** despite four months of disruptions from the Middle East war.
- **External risks remain elevated**, particularly from U.S. additional tariffs, Middle East tensions, and climate shocks
- **10% growth target is unlikely in 2026,** but external challenges could accelerate Vietnam's structural transformation and reform agenda.

Source: SCB EIC analysis.

Global growth is expected to slow and become more concentrated in AI-related industries, while ongoing Middle East tensions weigh on economic activity and keep inflation elevated.

GDP (%YOY) As of June 2026	2025	2026F	2027F
Global	*2.8*	**2.5**	**2.6**
U.S.	*2.2*	2.2	2.1
Euro Area	*1.5*	0.8	1.1
Japan	*1.2*	0.6	1.1
China	*5.0*	4.5	4.4
India	*7.0*	6.4	6.8
ASEAN-5*	*5.5*	4.7	4.9

SCB EIC forecast

SUPPORTING FACTORS

- Hyperscaler AI capex accelerating globally
- Demand for computational capacity keeps rising

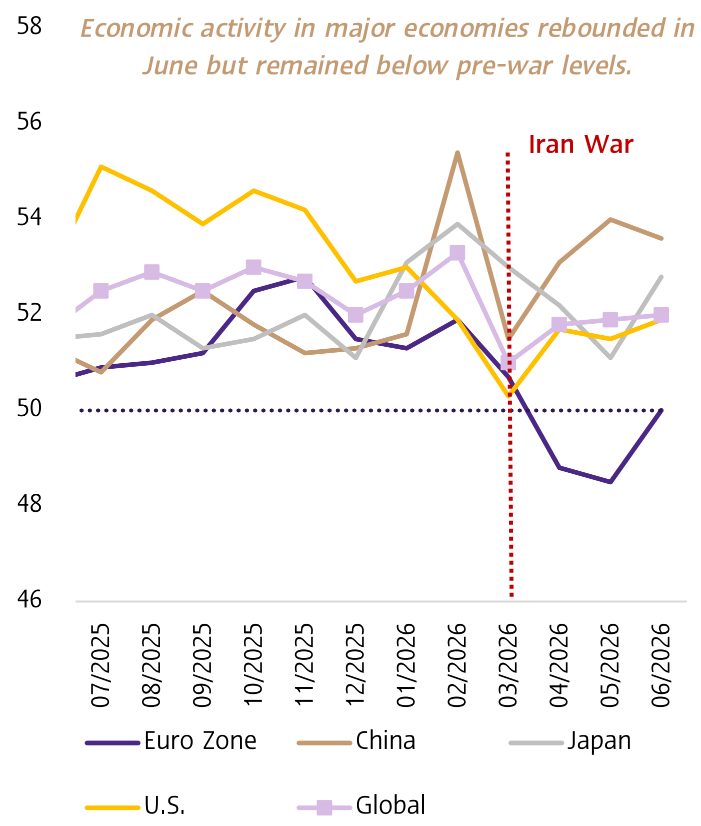
DOWNSIDE RISKS

- Market volatility & bubble risk
- Middle East conflict & rising inflation
- Extreme climate events
- U.S. tariff policy uncertainty

Economic activity weakened following the war.

Composite Purchasing Managers' Index (PMI)

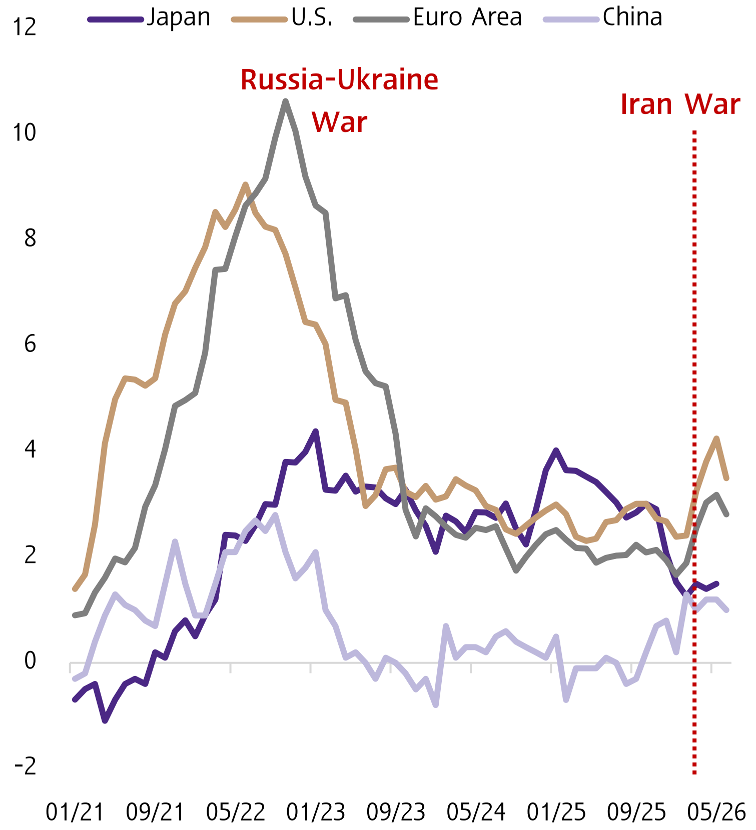
Unit: Index, >50 indicates expansion, (Source: S&P Global)



Global inflation rises but remains below 2022 levels.

Major Economies Headline Inflation

Unit: %, Data as of June 2026, except Japan (May 2026).



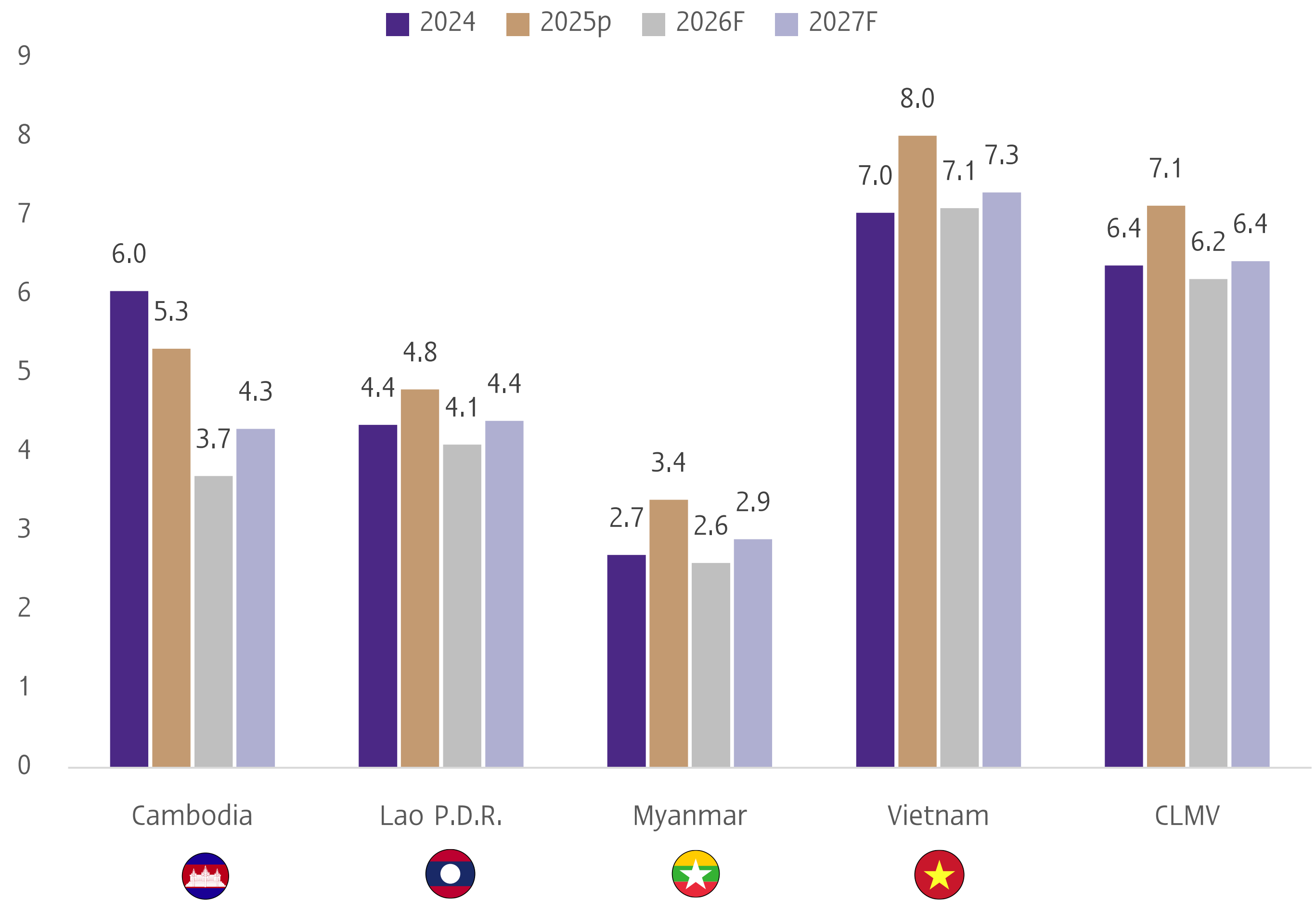
Note: *ASEAN-5 comprises Indonesia, Malaysia, Singapore, the Philippines, and Vietnam.

Source: SCB EIC analysis based on data from the IMF, World Bank, New York Fed, S&P Global and Bloomberg.

CLMV growth is projected to moderate to 6.2% in 2026 amid the Middle East tensions, weaker global demand, and domestic structural constraints, before recovering modestly to 6.4% in 2027.

CLMV's Economic Growth Forecast (by SCB EIC)

Unit: %YOY



Positive factors

- **Vietnam remains the key growth anchor,** supported by electronics exports, FDI, and government reforms.
- **Tourism continues to support services growth,** particularly in Vietnam and Lao PDR.
- **External buffers remain broadly adequate,** cushioning near-term shocks.
- **Myanmar shows partial recovery from last year's earthquake.**

Negative factors

- **Higher energy prices fueling inflation and FX pressures** from Middle East tensions
- **Weak global demand** dampening on exports and FDI inflows
- **Chinese overcapacity** intensifying import competition with local manufacturers.
- **Rising NPLs** constraining credit condition and increasing financial stability risks.

Risk factors

- **Escalation of U.S. tariffs (Section 301)** could disrupt exports, especially in Cambodia and Vietnam.
- **El Niño** may weaken agricultural outputs, peaking in 4Q26–1Q27.
- **Deteriorating asset quality** may amplify financial stability risks.

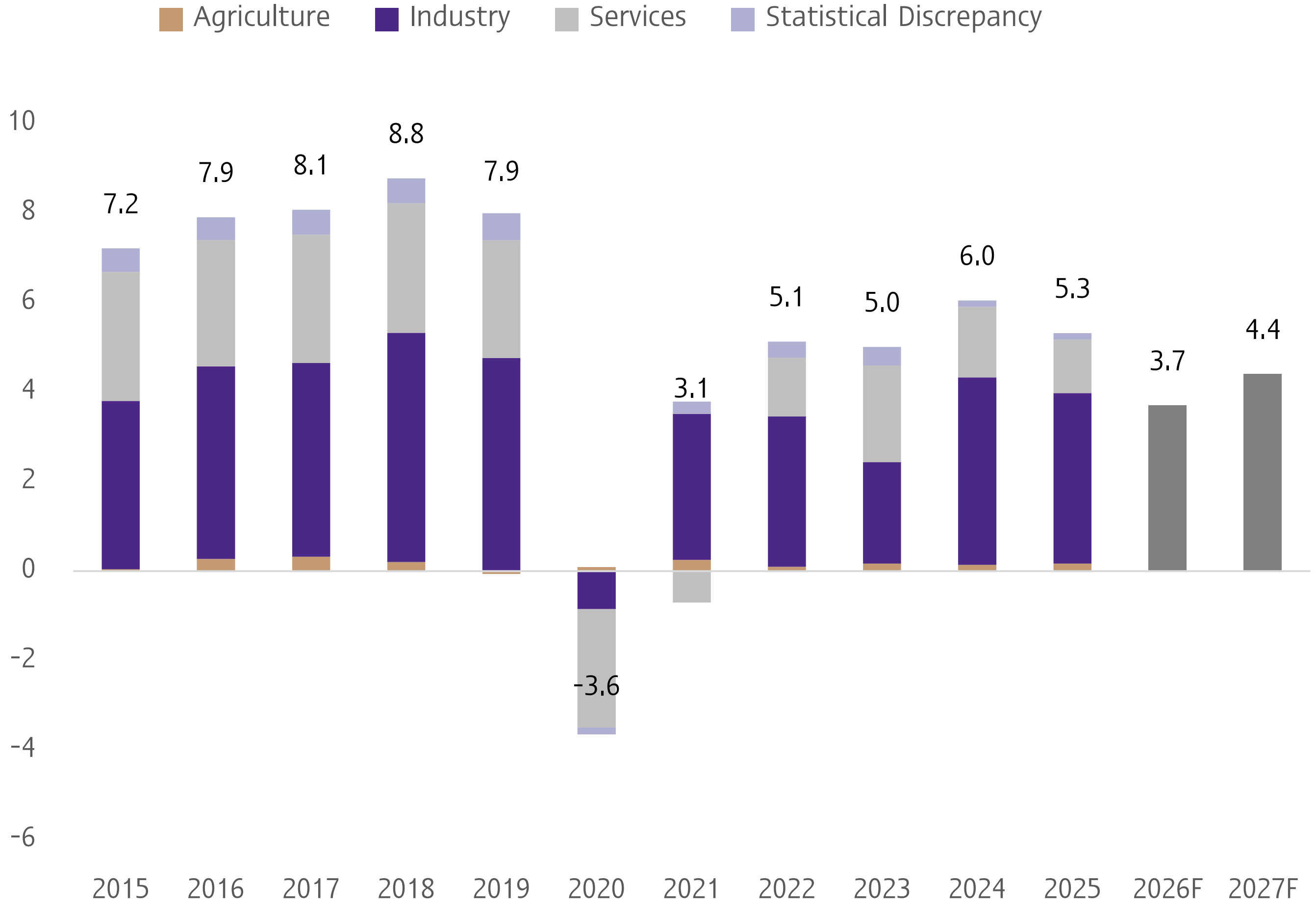
Source: SCB EIC analysis based on data from CLMV statistics bureaus and IMF.

Cambodia's
Economic Outlook

Cambodia's growth is expected to slow sharply to 3.7% in 2026 as border disruptions and the Middle East shock transmit through inflation and financial stress, weakening domestic demand.

Cambodia's Economic Forecast (by SCB EIC)

Unit: %YOY



Positive factors

- **Exports remain relatively resilient,** led by garments, textiles, and footwear
- **Moderate but steady FDI inflows,** particularly from China
- **Low public debt provides a policy buffer,** allowing room for targeted fiscal support despite widening deficits

Negative Factors

- **Border tensions with Thailand** weigh on tourism, remittances, and investment sentiment, directly weakening domestic demand
- **Persistent inflation** from higher energy and import costs erodes purchasing power.
- **Rising NPLs following the expiry of debt forbearance** signal growing financial vulnerabilities.
- **Subdued private consumption** reflects both income shocks (remittances and inflation) and tightening financial condition

Risk Factors

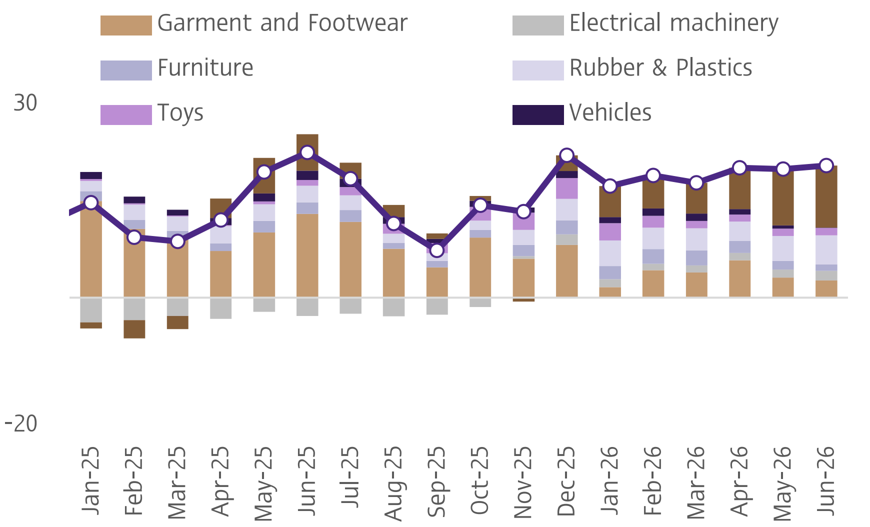
- **Additional U.S. Section 301 tariffs** pose significant downside risks to key export sectors.
- **Declining foreign reserves and persistent fiscal deficits** limit ability to respond to prolonged external shocks.

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

Cambodia's export resilience in early 2026 may be temporary, as growing reliance on China's supply chains increases exposure to U.S. Section 301 tariffs and transshipment concerns.

Contribution to export growth by products

Unit: %YOY, 3MMA



- **Exports remained resilient in 6M26 (+17.6% YOY)**, supported by strong U.S. and ASEAN demand, temporarily offsetting external headwinds.
- **Major exports remain concentrated in lower value-added products** (e.g. GFT), which are less exposed to the U.S. reshoring but reinforce Cambodia's dependence on external demand and imported inputs.
- **This export strength shows rising structural vulnerabilities** in Cambodia's trade model

Downside risk :
Rising U.S. tariffs under Section 301

10% forced labor tariff

Forced labor-related tariffs on Chinese cotton inputs would be <12.5% rate faced by several peers, preserving Cambodia's competitiveness.

Excess capacity tariff

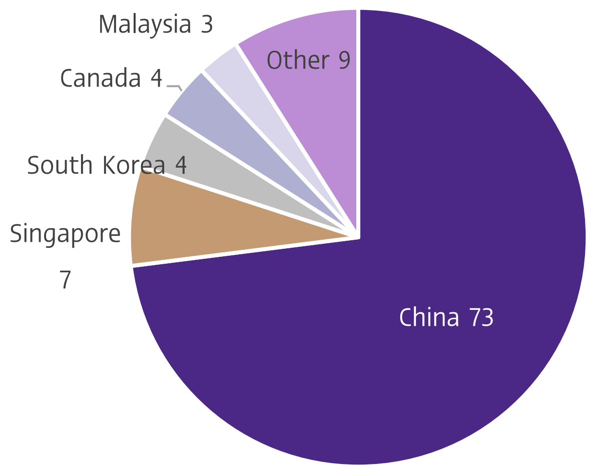
The USTR's focus on excess capacity and government support in the GFT sector raises the risk of additional tariffs, threatening Cambodia's export outlook.

Potential impacts: Growing exposure to trade fragmentation

- **Disruption to GFT exports** (1,500+ factories) Cambodia's key export & employment base
- **Labor layoffs in export sector** could weaken household income & consumption
- **Rising tariff uncertainty may divert future FDI** and shift supply chain toward alternative ASEAN countries

Foreign Direct Investment (FDI) inflows by investor

Unit: % share to total FDI inflows in 2025



China accounted >70% of Cambodia's FDI inflows in 2025, mainly targeting manufacturing and export-oriented industries.

- This underscores Cambodia's deep integration into China-centric supply chains, increasing reliance on imported inputs and raising exposure to U.S. scrutiny over transshipment risks.

High FDI concentration also limits diversification and increases vulnerability to geopolitical shifts

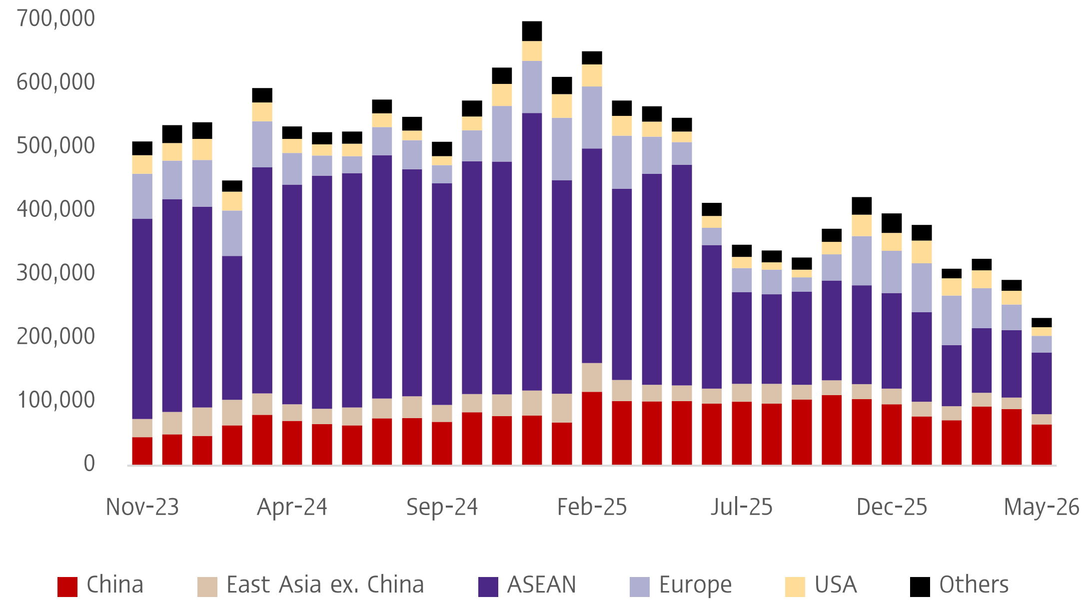
Source: SCB EIC analysis based on data from the General Department of Customs, General Administration of Customs of China, Nikkei Asia, National Bank of Cambodia and CEIC.

SCB EIC

Border tensions are weakening domestic demand through a sharp drop in tourism and remittance, with recovery dependent on normalization of cross-border flows.

Foreign tourist arrivals

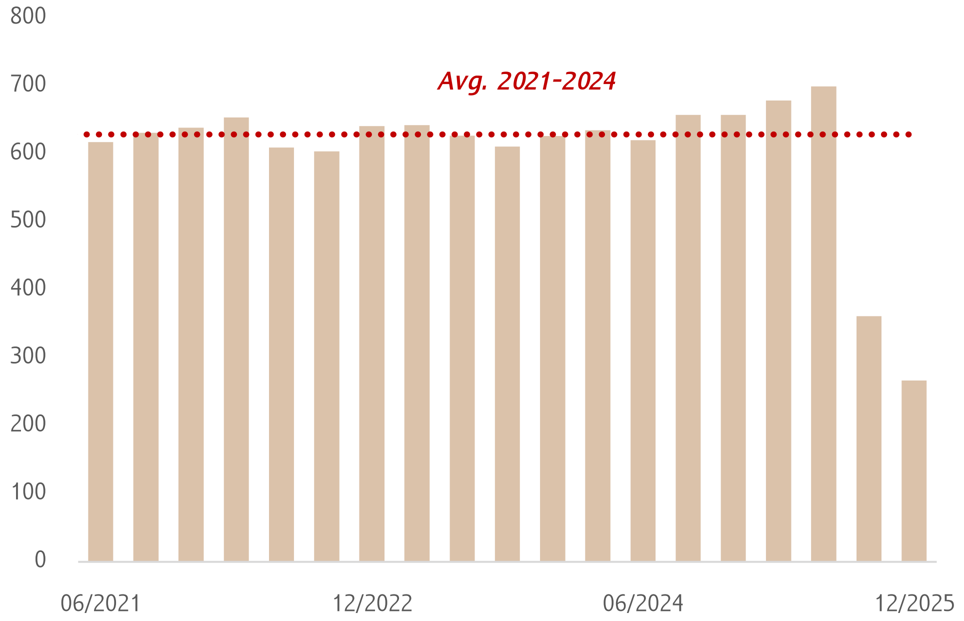
Unit: Person



- **Tourist arrivals from Thailand**—Cambodia's largest source market—**have collapsed since the tensions escalated, significantly reducing tourism-related income**
- **Thai arrivals averaged just 6.5k per month in 5M26** (vs ~171k pre-tension), highlighting the magnitude of the negative shock to tourism
- **Resilient arrivals from China and ASEAN** (ex. Thailand) provide only a partial offset to Thai dominant share.

Quarterly remittances

Unit: Million USD



- **Nearly 1 million Cambodian workers have returned from Thailand,** creating a negative income shock & increasing pressure on the domestic labor market.
- **Although ~ 60% have found jobs domestically, most are in low-paid or temporary positions,** limiting income recovery and consumption.
- **No clear timeline for border reopening, remittance inflows are likely to remain weak,** further weighing on household income and consumption.

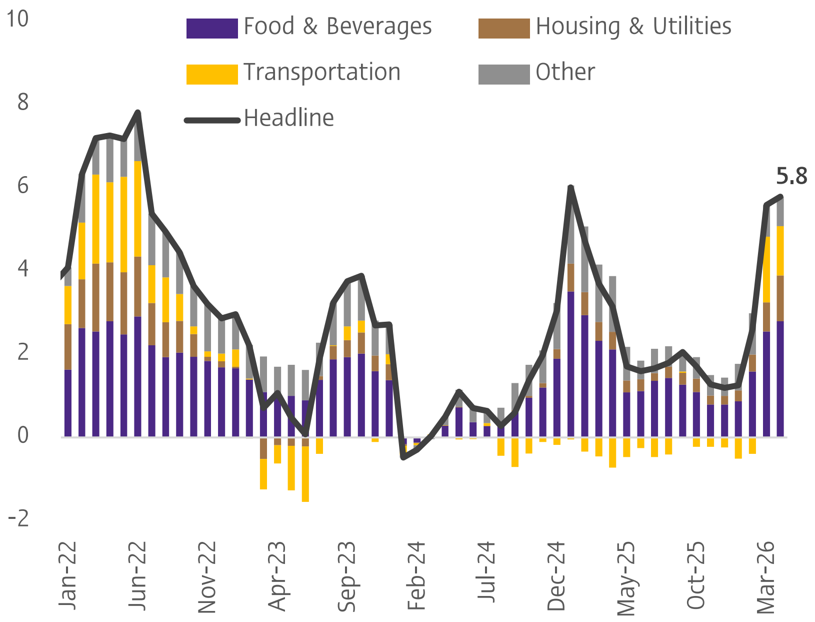
Source: SCB EIC analysis based on data from the Ministry of Tourism, National Bank of Cambodia, IMF, The United Nations and CEIC.

SCB EIC

Elevated inflation and rising NPLs are reinforcing a macro-financial tightening cycle, **weighing on domestic demand and financial stability.**

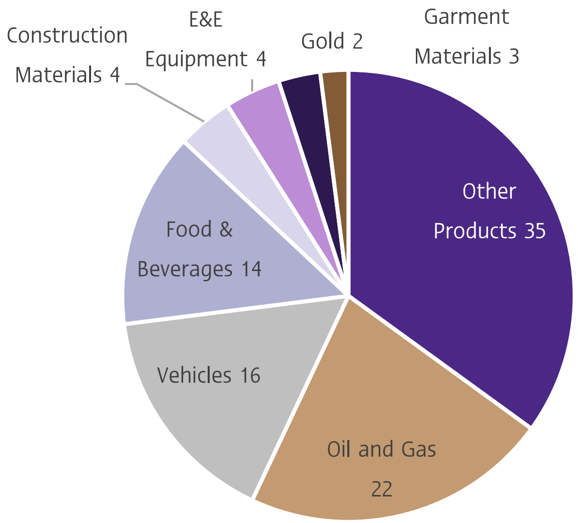
Contribution to inflation by category

Unit: %YOY



Cambodia's goods imports from Thailand

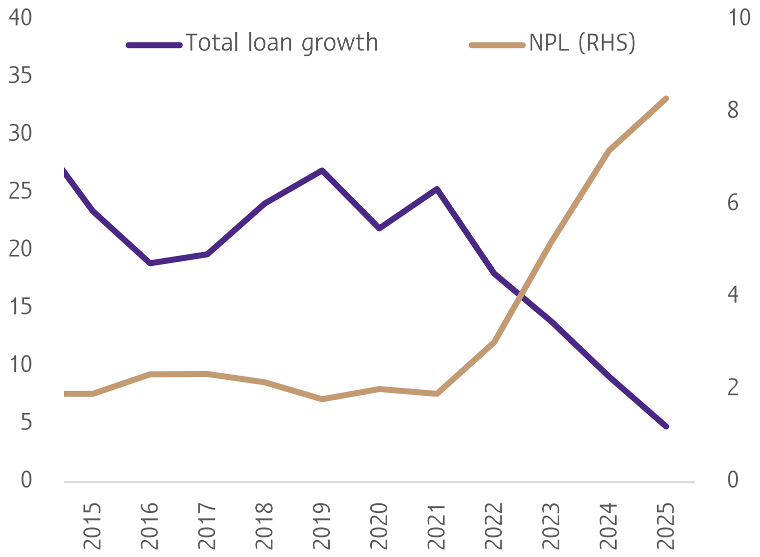
Unit: % share (Data prior to border tensions, as of 2024)



Heavy reliance on imports from Thailand (esp. fuel & essential goods) amplifies inflation impact from border disruptions

Total Loan Growth and Non-Performing Loan ratio

Unit: %YOY, % (RHS)



- **Inflation surged >5% following the Middle East conflict**, driven by higher fuel, logistics, and food costs, and remains elevated despite easing **global oil prices and government fuel subsidies.**
- **Border disruptions continue to raise import costs** (e.g. fuel, food, beverages**, and other essential goods), forcing a shift to higher-cost alternative suppliers** (such as Vietnam and Singapore) **and keeping inflation elevated throughout 2026.**
- **Persistently high inflation is eroding household purchasing power, weakening private consumption**.

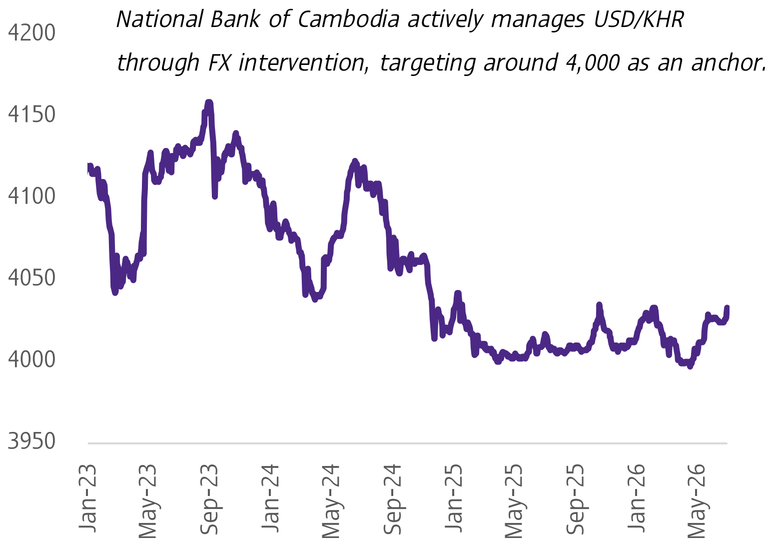
- **Loan growth is expected to remain weak in 2026,** reflecting global challenges and subdued real estate sector weigh on business activity and credit demand.
- **NPL ratio are expected to rise further (after reaching 8.3% in 2025.)** The expiry of debt forbearance for border-affected borrowers in May and high living costs could weaken repayment capacity and deteriorate asset quality.

Source: SCB EIC analysis based on data from National Bank of Cambodia, AMRO, Trade Map, and CEIC.

Policy buffers remain adequate to cushion short-term shocks, but are increasingly constrained if headwinds persist due to weak monetary transmission and persistent fiscal deficits.

Exchange Rate

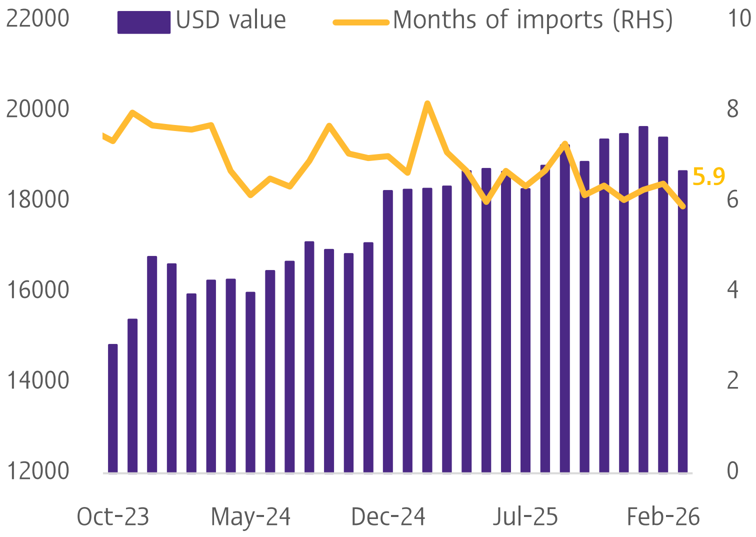
Unit: USD/KHR



- **USD/KHR has remained broadly stable following the Middle East shocks,** with much less depreciation than in previous episodes.
- **Exchange rate stability remains the primary policy anchor, as high dollarization** (88%) limits monetary policy effectiveness.

Cambodia's foreign reserve adequacy

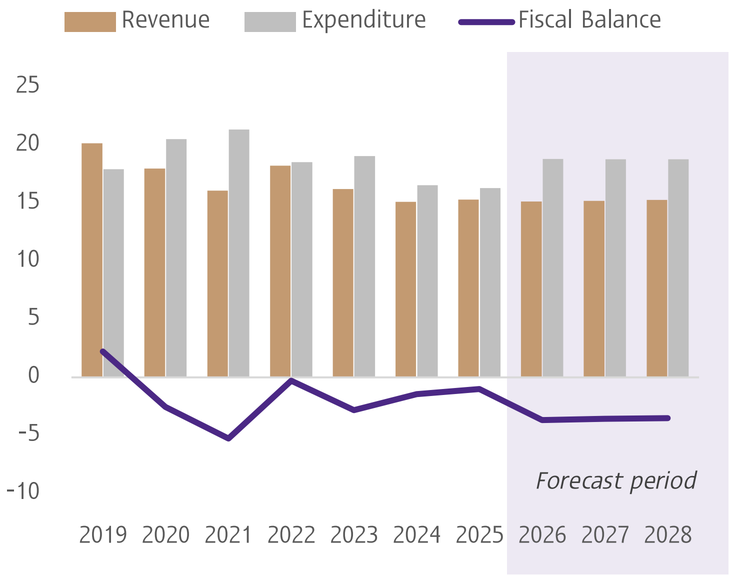
Unit: USD Mn, Months of Imports (RHS)



- **Foreign reserves remain adequate but are under increasing pressure** from FX intervention needs and a higher energy import bill.
- **A slowdown in FDI inflows and high import intensity of investment** could accelerate reserve depletion and weaken external stability.

Fiscal indicators

Unit: % to GDP



- **Fiscal deficits are expected to widen in 2026,** driven by energy subsidies and higher defense spending amid prolonged border tensions.
- **While low public debt** (25.5% of GDP in 2025) **provides room for targeted fiscal support, sustained deficits could gradually erode fiscal space.**

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

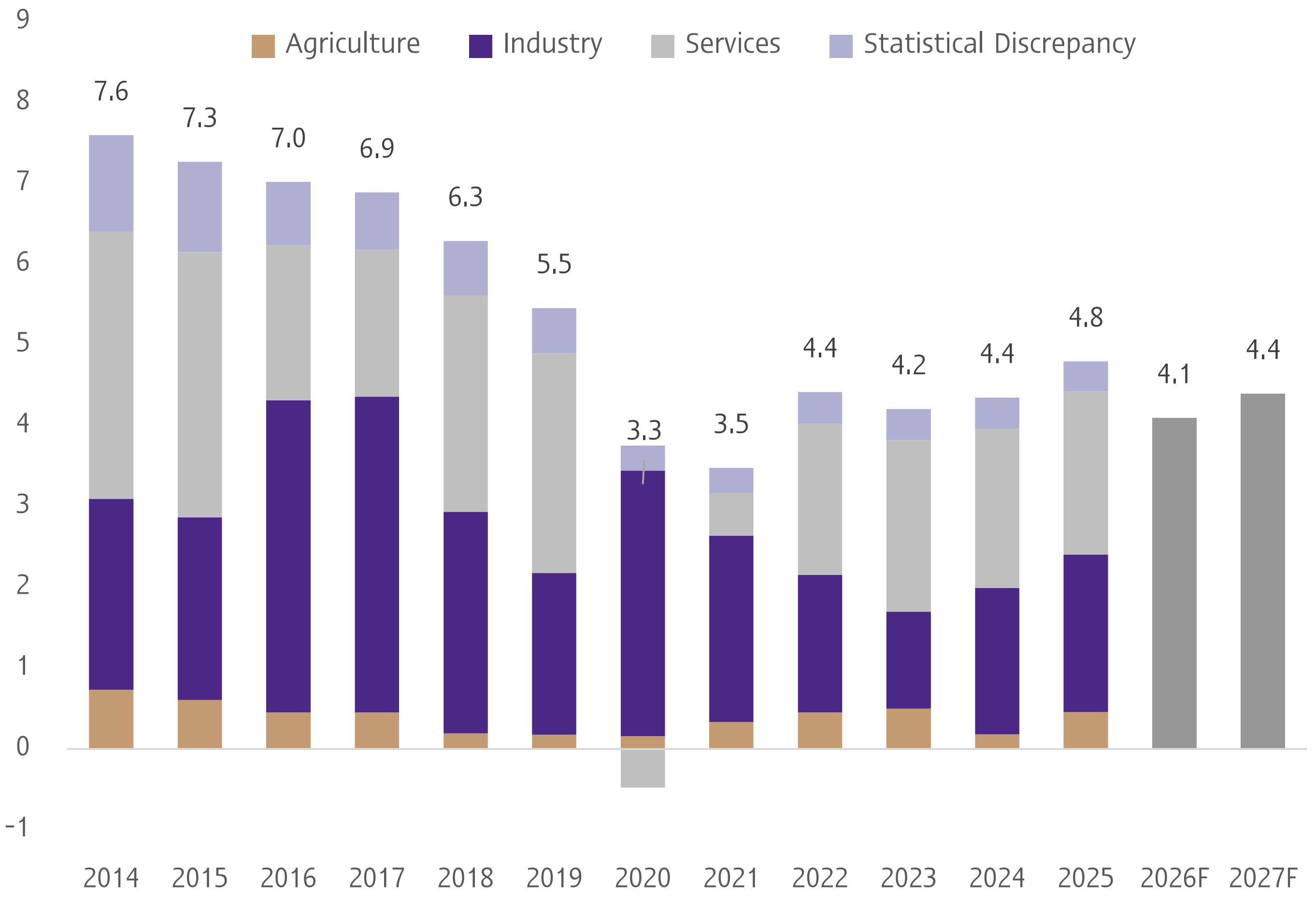
Lao PDR's
Economic Outlook

SCB EIC

Lao PDR's growth is projected to remain moderate at 4.1% in 2026 as external demand supports electricity exports and tourism, but inflation and FX pressures weigh on domestic conditions

Lao PDR's Economic Forecast (by SCB EIC)*

Unit: %YOY



Positive Factors

- **Electricity generation and exports,** supported by expanding capacity and China–Lao power interconnection from 2026 onward.
- **Rising Chinese tourist arrivals,** supported by improved connectivity through the China–Laos Railway.
- **FDI inflows remain stable,** mainly in power and mining sectors.
- **These external sectors provide buffers,** but benefits remain concentrated.

Negative Factors

- **Elevated inflation and renewed kip depreciation amid Middle East tensions**, eroding household purchasing power.
- **High external debt and debt-servicing obligations**, constraining fiscal flexibility and limit policy support.

Risk Factors

- **Rising U.S. trade protectionism**
- **Potential Super El Niño conditions in late 2026-early 2027,** weighing on agricultural production and hydropower generation.
- **Fragile financial sector and rising SOE-related debt** pose systemic risks, particularly if macro conditions deteriorate further

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.

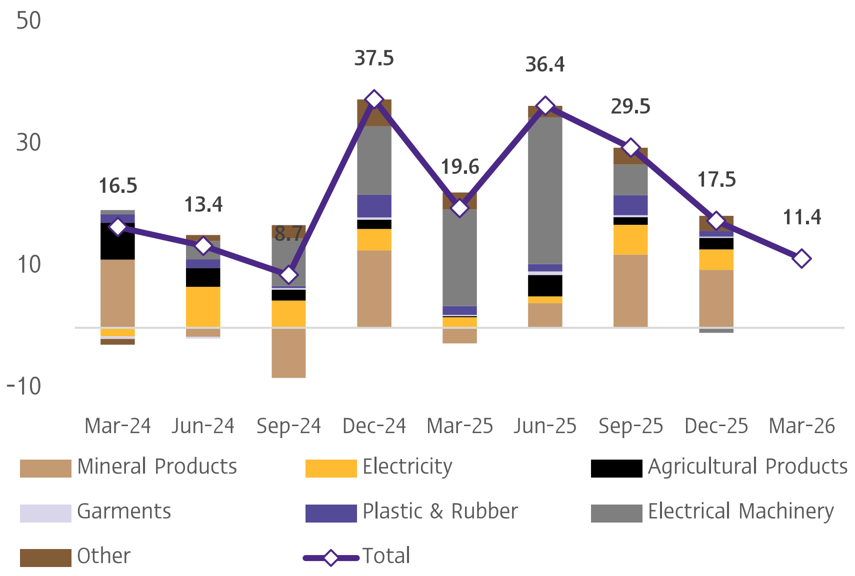
Source: SCB EIC analysis based on data from the Bank of the Lao PDR, Lao Statistics Bureau, and IMF.

SCB EIC

Economic growth remains supported by strong electricity exports, FDI inflows, and tourism amid rising geopolitical tensions but increasing reliance on external demand and financing.

Contribution to Lao PDR's Exports

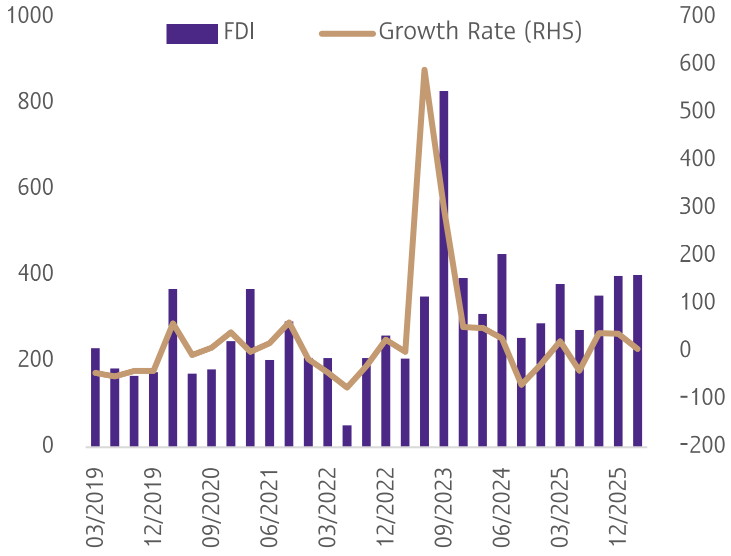
Unit: %YOY



- **Export growth is expected to moderate in 2026** as U.S. solar tariffs weigh on exports, while El Niño is expected to hit agricultural output in Q4.
- **Growth remains heavily reliant on mineral and electricity exports,** supported by potash production, the China–Lao 500kV power interconnection, and rising regional demand.
- **Trade surplus is expected to narrow in 2026** due to higher energy import costs, increasing vulnerability to external shocks.

Foreign direct investment inflows to Lao PDR

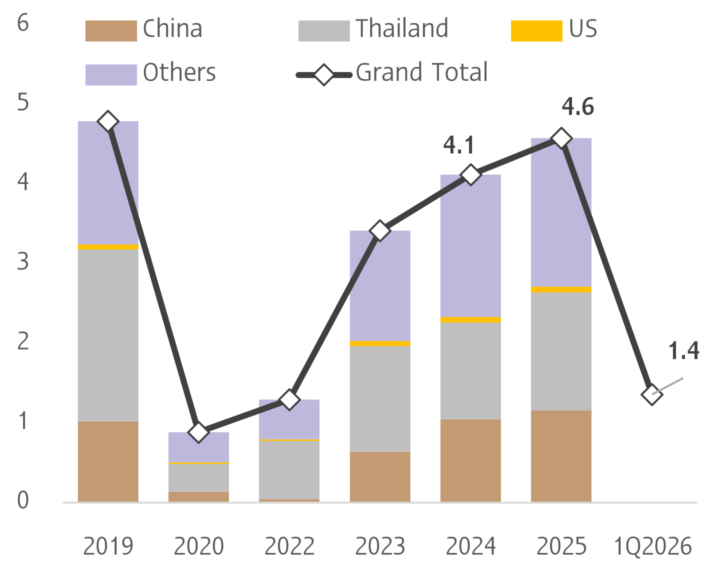
Unit: USD Mn



- **FDI inflows remained strong in 1Q26. Power sector continued to attract the largest share of investment,** followed by mining, financial services, manufacturing, and agriculture.
- **China accounted for around two-thirds of total inflows,** followed by Vietnam and Thailand.

Foreign tourist arrivals

Unit: million persons



- **Tourism remains a key growth driver** (surpassing 4.5 million visitors in 2025), supported by strong arrivals from Thailand and China.
- **The government targets an ambitious 6 million tourist arrivals in 2026,** supported by Chinese visitors through the China–Laos Railway. **However, weaker purchasing power and travel demand amid Middle East tensions may delay a full recovery to pre-COVID levels.**

Source: SCB EIC analysis based on data from Bank of the Lao PDR, CEIC, The Laotian Times, and Ministry of Culture and Tourism.

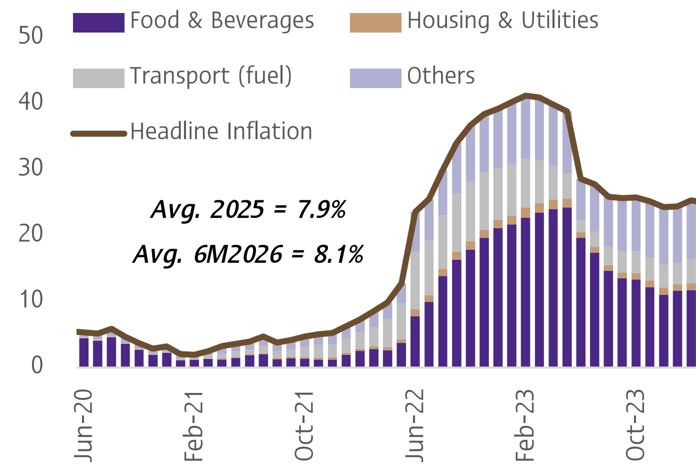
SCB EIC

Inflation and currency depreciation pressures elevated since the Middle East war, constraining monetary policy easing and limiting exchange rate stabilization.

Inflation

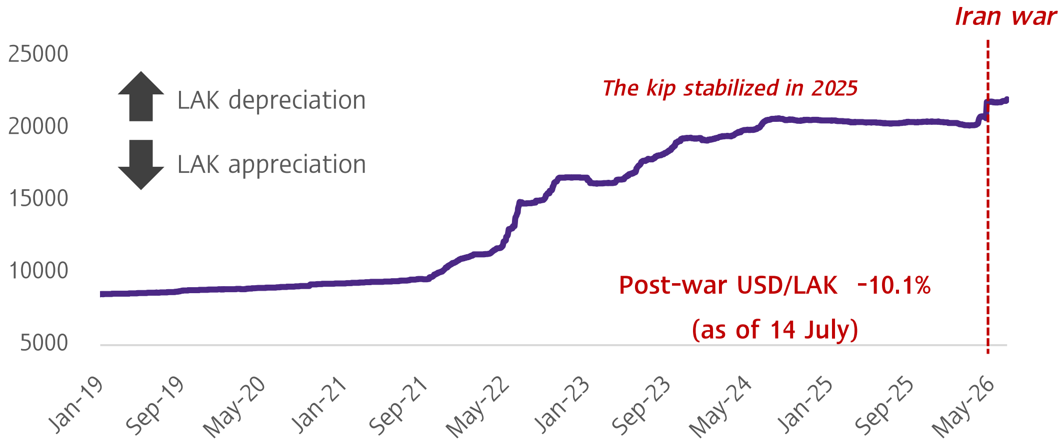
Unit: %

Inflation is expected to remain elevated in 2026, exceeding 2025 levels, driven by higher energy prices and pass-through effects from rising industrial electricity tariffs.



Exchage rate

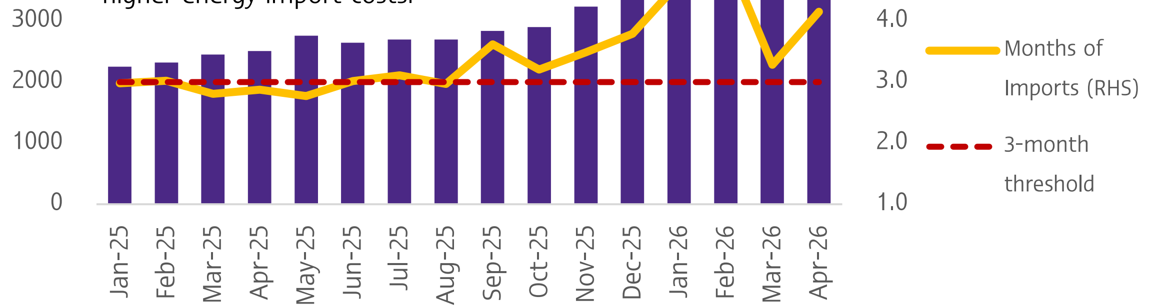
Unit: USD/LAK



Foreign Reserve Adequacy

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

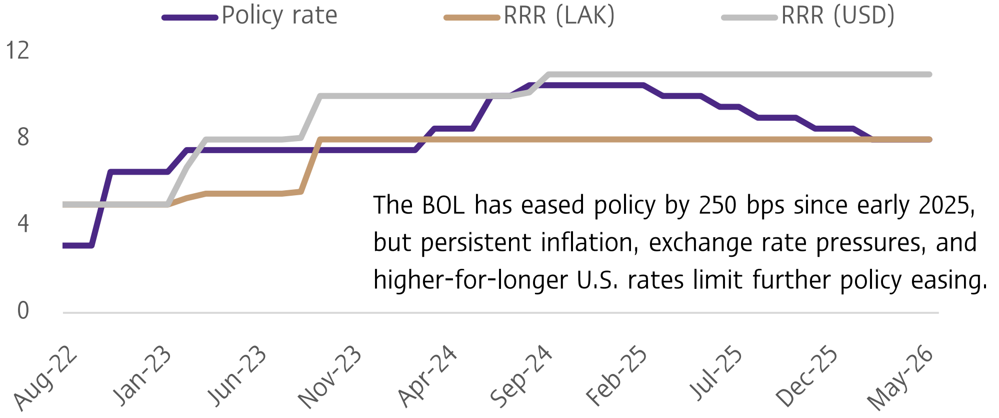
Foreign reserves remain adequate ~ 4.3 months of imports (4M2026), although external buffers remain thin amid sizable debt repayments and higher energy import costs.



Policy rate & Reserve requirement ratio (RRR)

Unit: %

The BOL has eased policy by 250 bps since early 2025, but persistent inflation, exchange rate pressures, and higher-for-longer U.S. rates limit further policy easing.

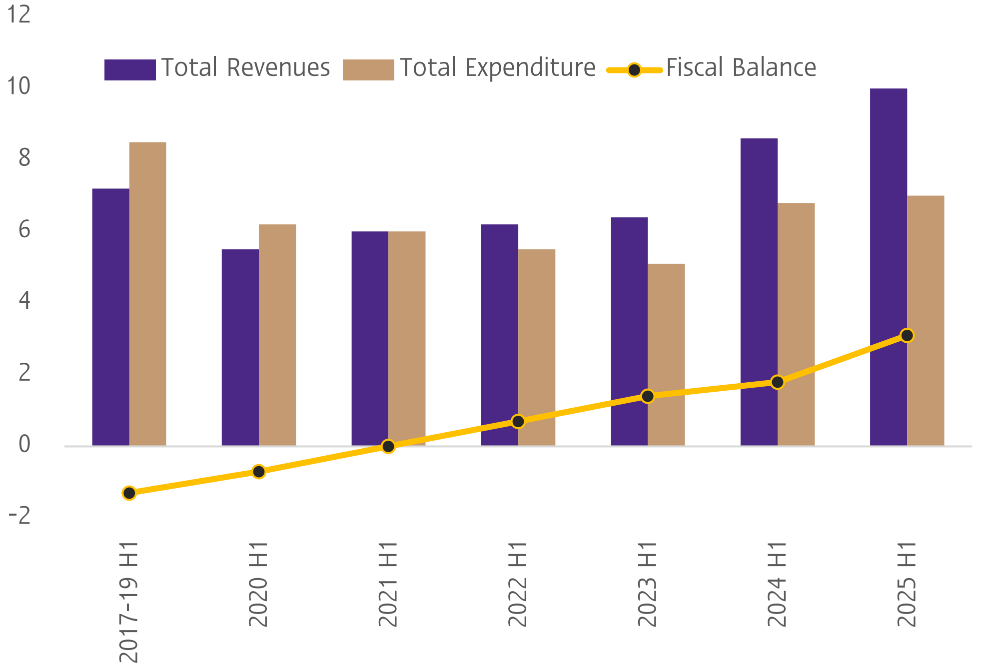


Source: SCB EIC analysis based on data from CEIC and Bank of the Lao PDR.

Fiscal performance has improved, but sizable external debt-servicing burdens continue to constrain policy flexibility.

Fiscal performance

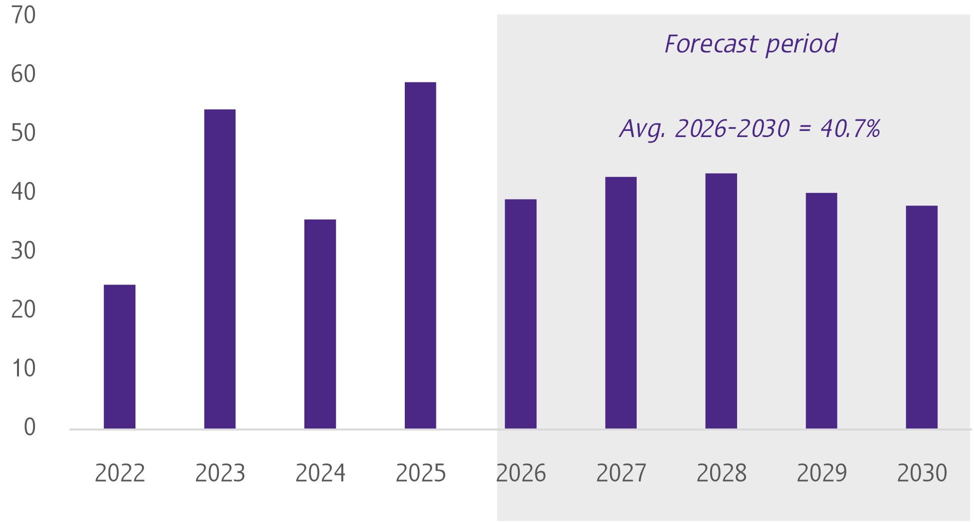
Unit: % to Nominal GDP, calculated by World Bank

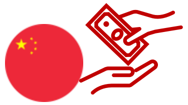


- **Fiscal revenue strengthened in 2025, supported by stronger VAT and excise tax collections,** contributing to a fiscal surplus of over 2% of GDP in 1H2025. Continued tax reforms—including broadening the tax base, reducing tax avoidance, and strengthening tax administration—should help support fiscal revenue over the coming years.
- **However, large debt-servicing obligations continue to absorb fiscal gains,** limiting the ability to increase public investment or provide economic support.

Public and Publicly Guaranteed (PPG) debt service-to-revenue ratio

Unit: %, forecast by IMF





China accounts for around 48% of external debt services, highlighting concentration risk in external financing.

Electricity du Laos (EDL) remains the largest SOE debtor (94.6% of SOE debt), representing a significant contingent liabilities and potential fiscal risk.

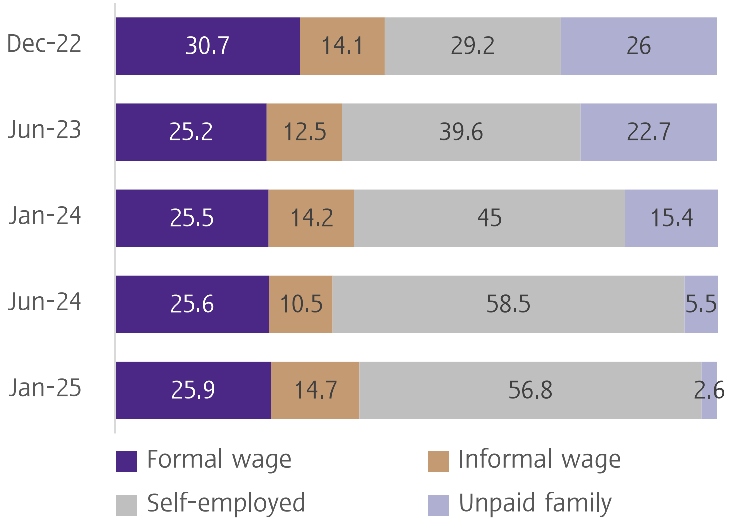
External public debt service will remain elevated around USD 1.1 billion annually (6.7% of GDP) through 2029, with **PPG debt service averaging 40.7%** of government revenue during 2026–2030.

Source: SCB EIC analysis based on data from World Bank, IMF, Bank of the Lao PDR, AMRO, and Ministry of Finance.

Domestic demand remains weak, weighed down by labor outflows and a fragile banking sector that limits private credit recovery.

Employment Status Survey

Unit: % of respondents, of World Bank Household Survey Respondents (Jan-Feb 2025)



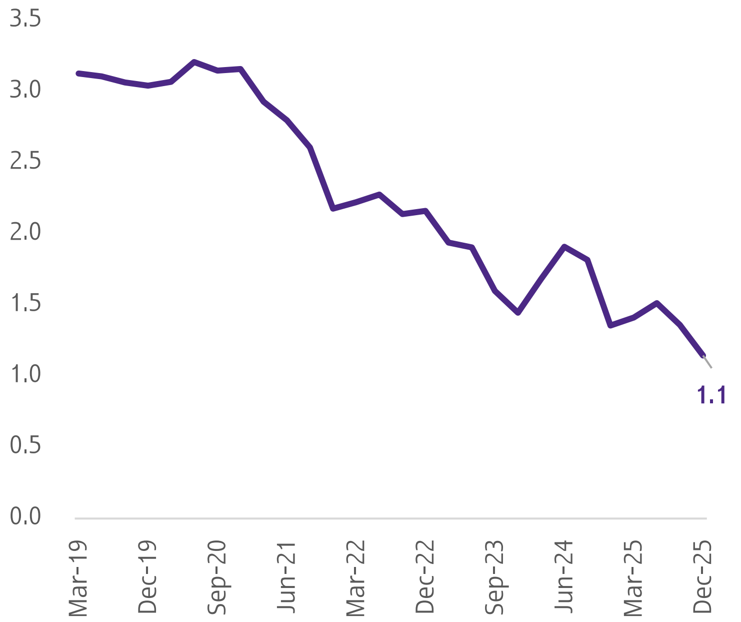
The labor market remains fragile, with workers shifting from formal jobs to self-employment, weighing on household income and domestic demand.

Outward migration to Thailand and South Korea continues to worsen labor shortages.

El Niño risks threaten agriculture sector, nearly half of total employment (World Bank Survey 2025).

Official Non-performing loan (NPL) ratio

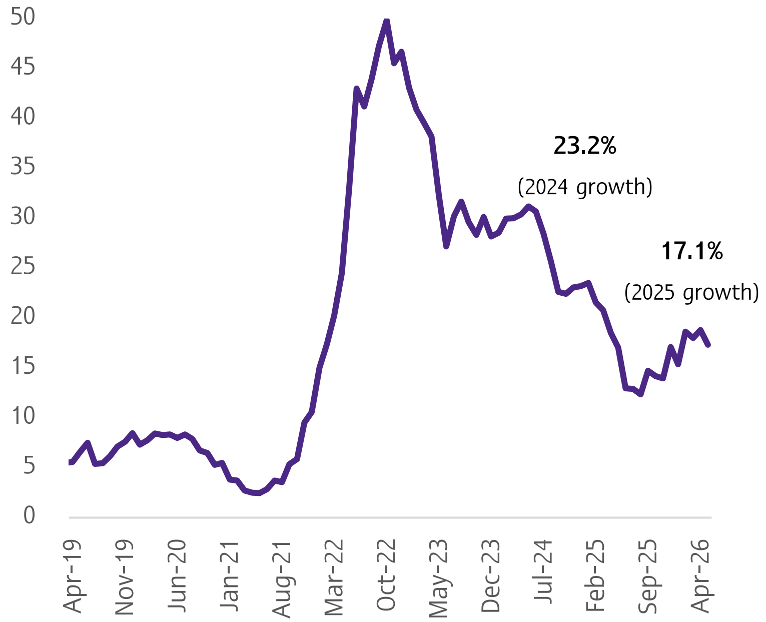
Unit: %, data as of 2025



The reported NPL ratio has steadily declined from 3.2% in 2019 to 1.1% by late 2025, suggesting improving asset quality. However, it may understate underlying credit risk due to loose loan classification and delayed recognition.

Private sector credit growth

Unit: %YOY



- **Private-sector credit growth is expected to improve only gradually in 2026,** supported by the BOL's easing cycle and strong activity in FDI-related sectors.
- **However, weak demand, cautious lending standards, and underlying asset quality concerns** are likely to limit the pace of credit recovery.

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

Myanmar's
Economic Outlook

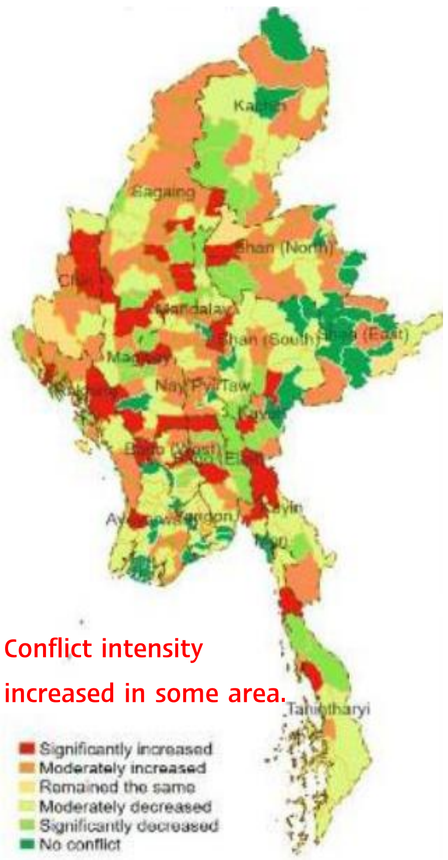
Myanmar's economy remains weak at 2.6%YOY amid ongoing domestic conflict and external pressures, **reflecting structural economic fragility.**

Myanmar's economic forecasts* (by SCB EIC)

Unit: %YOY (Based on Myanmar official GDP report)

Change in conflict intensity

Oct25-Mar26 vs Oct24-Mar25



Conflict intensity increased in some area.

Positive factors

- **Post-earthquake recovery,** but partial and uneven.
- **U.S. easing of selected sanctions on business allies** of Myanmar's generals such as KT Services & Logistics, but broader sanctions remain in place.
- **Recent election reduces political uncertainty,** but limited international credibility constrains its impact on investor confidence.

Negative Factors

- **Prolonged internal conflicts** with ethnic minority groups that are unlikely to be resolved despite the upcoming general election.
- **Reconstruction of earthquake-damaged infrastructures is not fully recovering** hindering international trade, tourism, and investment recovery.
- **Higher energy prices from Middle East war exacerbate persistently high inflation.**
- **Limited capabilities of central government** in implementing economic policies.

Risk factors

- **Climate-related shocks** (e.g. El-Nino) add to existing economic vulnerabilities esp. agricultural sector.
- **Macro instability:** high inflation, FX pressure, and weak fiscal capacity.
- **Prolonged domestic conflict** remains the primary constraint, disrupting production, trade routes, and investment sentiment.

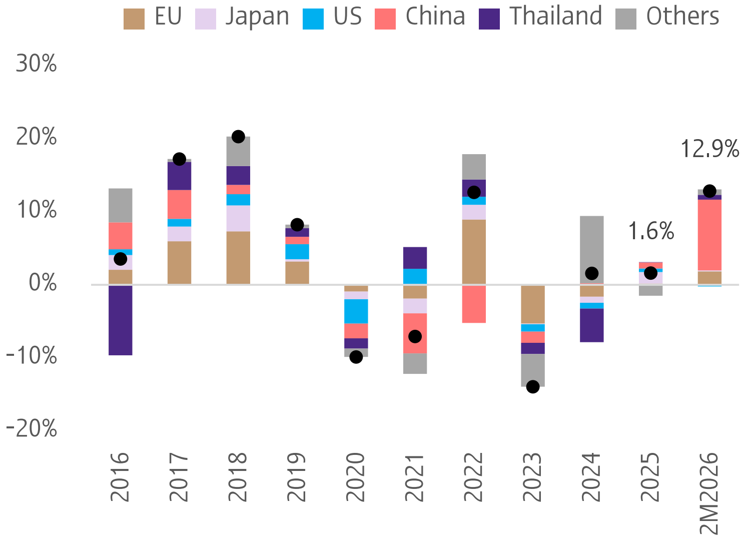
Note: *GDP reported by Myanmar and the IMF/World Bank differs significantly. For this research, official GDP reported by Myanmar will be used.

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

External sector recovery remains slow, constrained by persistent domestic conflicts, weak investor confidence, and structural disruptions

Export Growth

Unit: %YOY



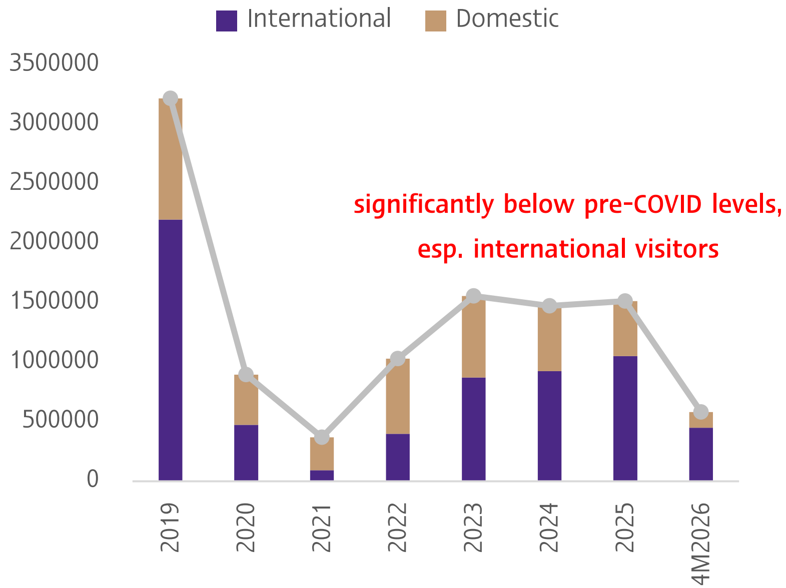
Total Export	CH	TH	EU	JP	U.S.	Others
% Share (2025)	23.6%	19.2%	16.9%	8.7%	3.6%	28.0%

Exports will recover gradually, supported by demand from China, but remain constrained by border conflicts with Thailand and logistics disruptions.

Export growth is likely to remain uneven and below pre-coup levels. Mining exports expanded sharply 72%YoY in 2025, driven by strong demand from neighboring countries. (World Bank estimated)

Number of inbound passengers at Yangon airport

Unit: Hundred persons

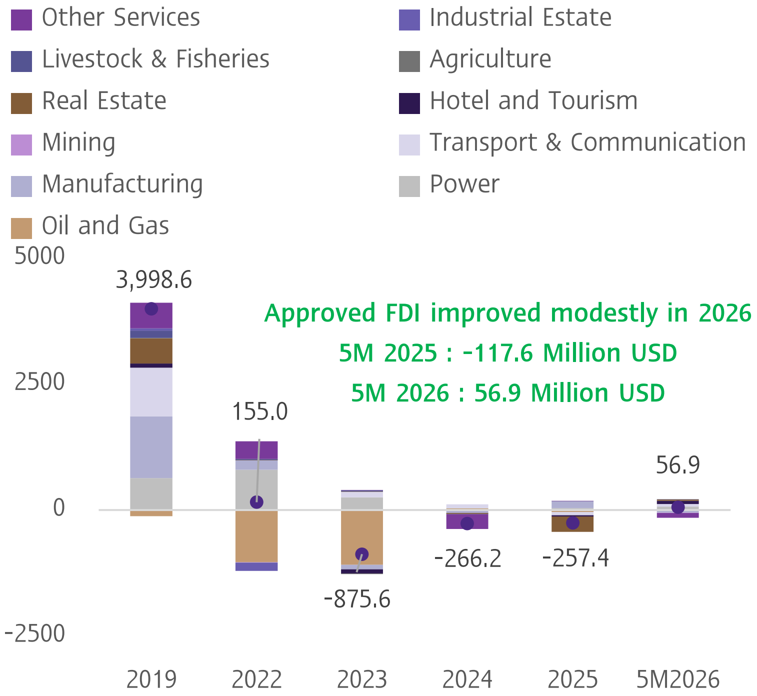


Top 7- Visitor	CH	TH	S. KR	JP	ID	VN	U.S.
%share (2024)*	35.4%	14.9%	8.2%	6.9%	5.4%	3.3%	3.3%

Tourism is also expected to recover gradually and remains significantly below pre-COVID and pre-coup levels due to safety concerns on domestic conflicts and power shortages from high energy prices.

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

Unit: USD Million



FDI inflows showed a modest recovery in 2026, but remain below historical levels. Inflows are likely to remain subdued amid ongoing conflicts, political uncertainty, and limited international recognition of the Jan 2026 election.

Note: * No 2025 data available for by visitors by country **2020 and 2021 not shown due to unavailability of data.

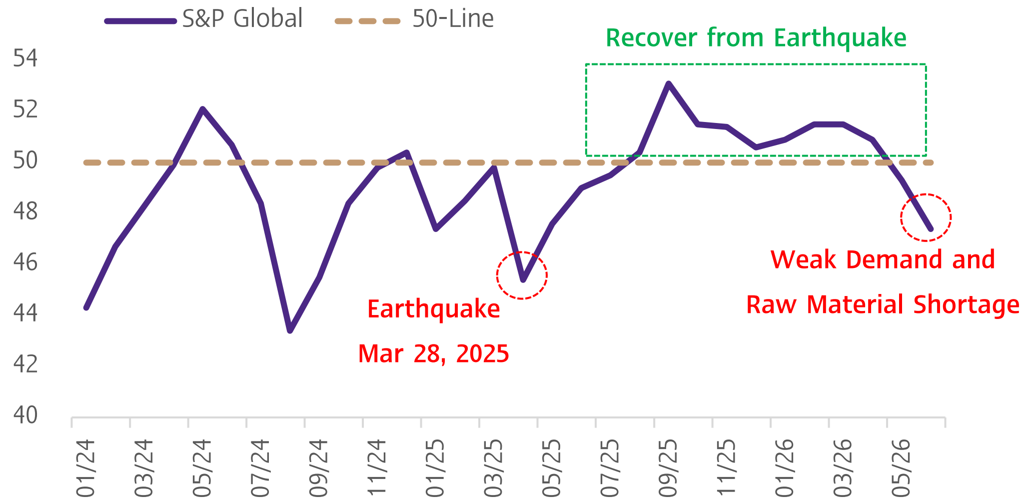
Source: SCB EIC analysis based on data from CEIC, International Monetary Fund, Ministry of Transport and Communications and Directorate of Investment and Company Administration.

SCB EIC

Domestic activity has recovered gradually post-earthquake but remains fragile as many firms continue to operate below normal capacity and face multiple challenges.

Manufacturing Purchasing Manager Index (PMI)

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

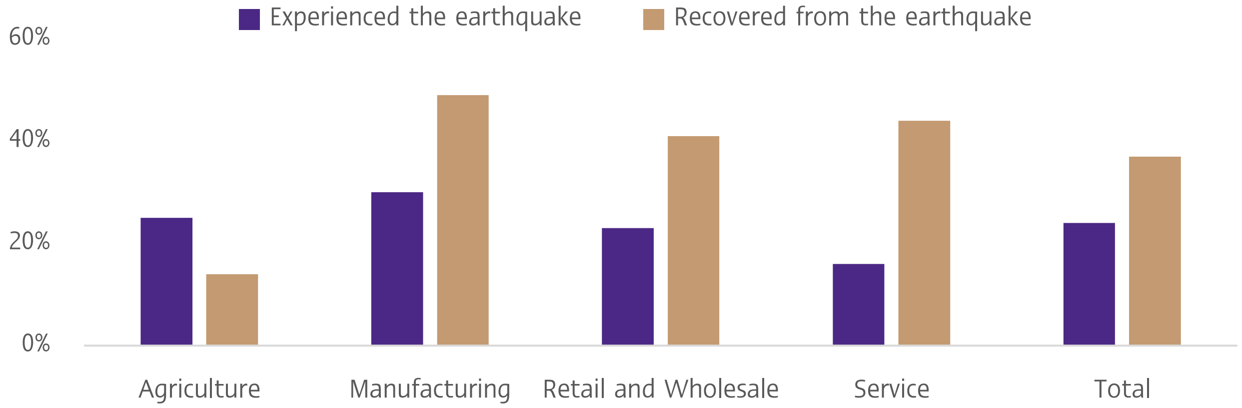


In 2026, SCB EIC expects the recovery of Myanmar's domestic activity remain uneven with a significant share of firms still operating below pre-earthquake capacity.

- Earthquake-affected firms are operating around 74% of capacity (unaffected firms at 80%).
- **Firms face multiple challenges,** including structural power outages, input shortages, rising cost, and weak demand.
- **Higher energy prices resulting from the Middle East War exacerbate existing high production costs.**

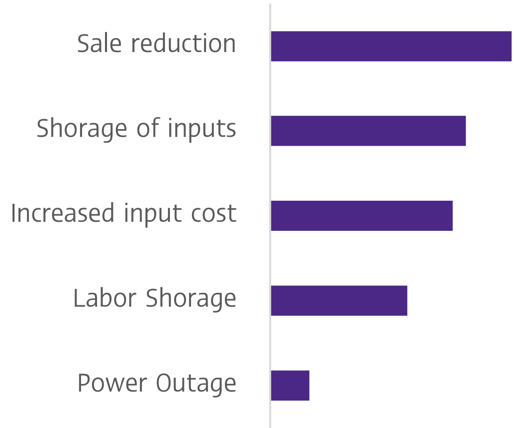
Earthquake Recovery Indicator (Survey by The World Bank as of March 2026)

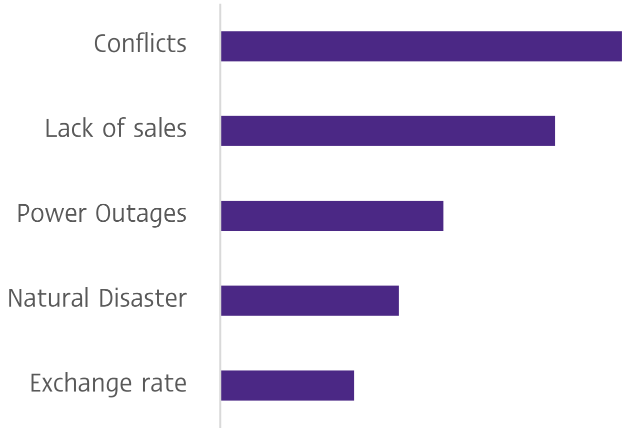
Unit: %share of firm reporting as of Mar 2026 (Survey by the World Bank)



Reasons for Firms not operating at full capacity (Left) and biggest challenges (Right)

Unit: %share of firm reporting (Left), ranking based on most cited responses March 2026 (Right)





Source: SCB EIC analysis based on data from S&P Global, and World Bank.

SCB EIC

The Middle East war is expected to significantly amplify Myanmar's macro instability, as heavy fuel imports dependence over 90% drives inflation and economic disruption.

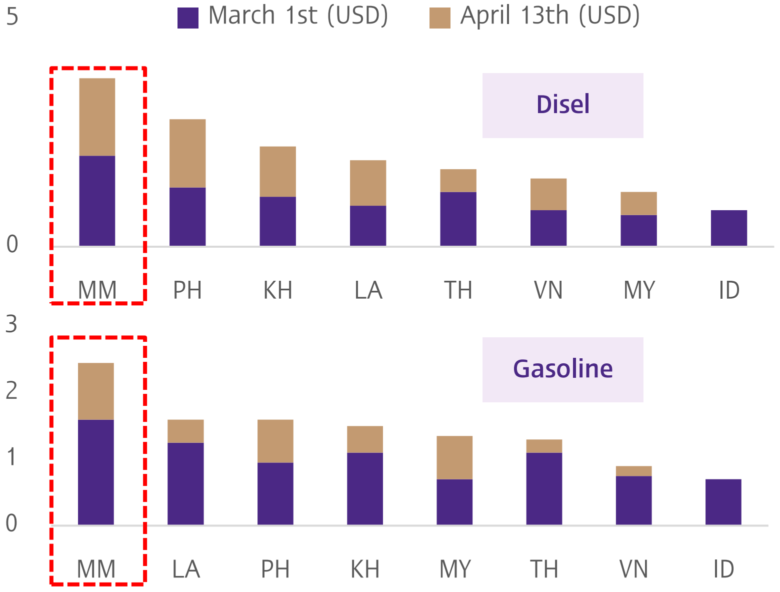
Myanmar's Inflation Apr 2026

Unit: %YOY

Inflation dropped from 19.8% in Oct 25 to 18.2% in Feb 2026 but surged to 25% in Apr 26 from the Middle East War

Regional Disel and Gasoline Price Changes

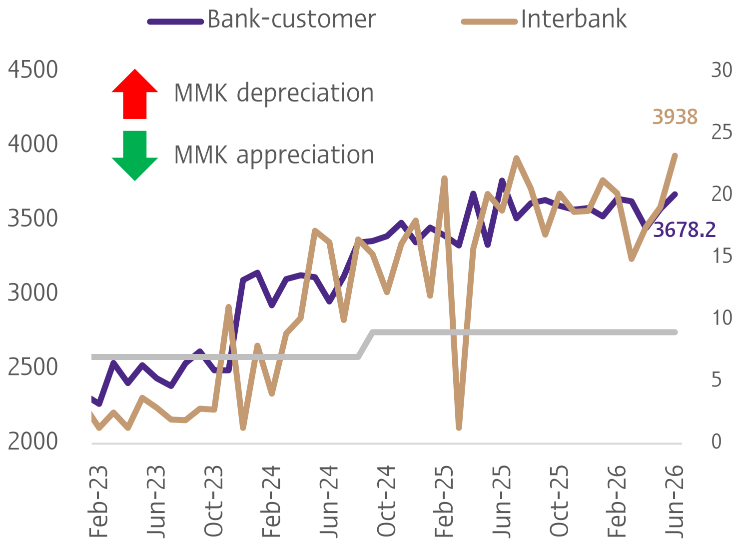
Unit: USD (Source : World Bank)



Structural power shortages existed before the Middle East conflict, due to civil conflict damaged infrastructure and falling energy production caused by the withdrawal of foreign investors.

Exchange rate and Policy Rate

Unit: USD/MMK



% Change	End of Mar-26	End of Jun-26
USD/MMK	-3.2%	-9.4%

Higher energy prices and fuel shortages from the Middle East conflict pose significant downside risks to Myanmar's economy. With over 90% of fuel imported and no domestic refining capacity, the shock transmits through multiple channels:

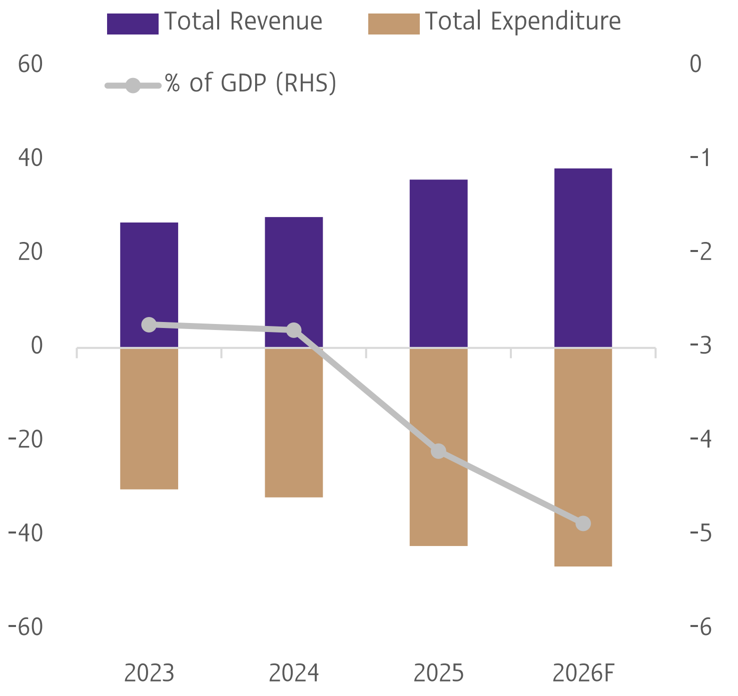
- **Inflation pressure intensify** as supply disruptions and structural constraints (import restrictions, power shortages, and conflict) further erodes household purchasing power.
- **External imbalance worsens** with a wider trade deficit and higher FX demand putting downward pressure on the Kyat and reinforce the inflationary cycle.
- **Disruption in business activities** as higher input costs and fuel shortages compress margins and reduce production capacity.
- **Policy tightening risks increase** as high inflation and Kyat depreciation may force the CBM to raise rates, further weighing on consumption and investment.

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

Myanmar's banking sector remains fragile, as rising government borrowing from domestic banks and elevated NPLs are increasing financial sector vulnerabilities.

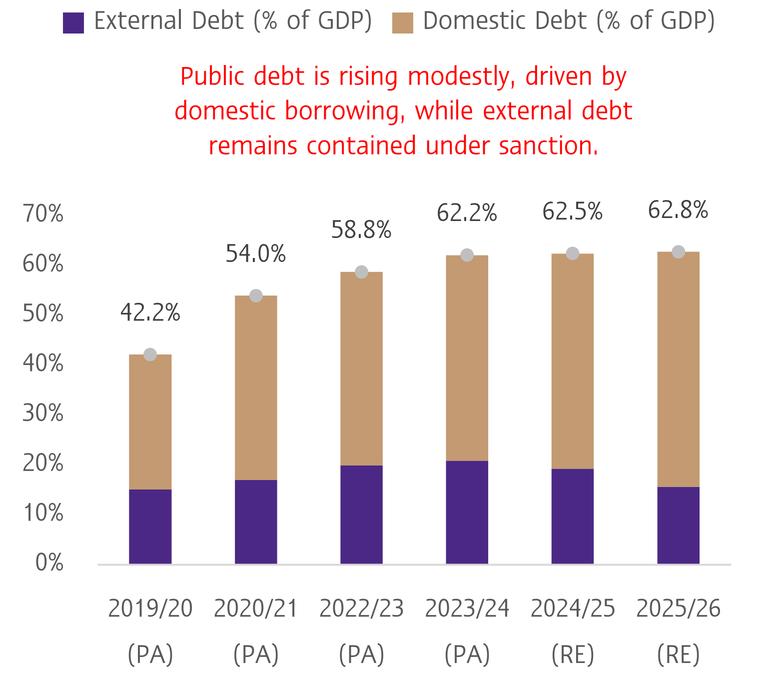
Government Budget Plan (Central Bank of Myanmar)

Unit: Trillion MMK (Left), % of GDP (Right)



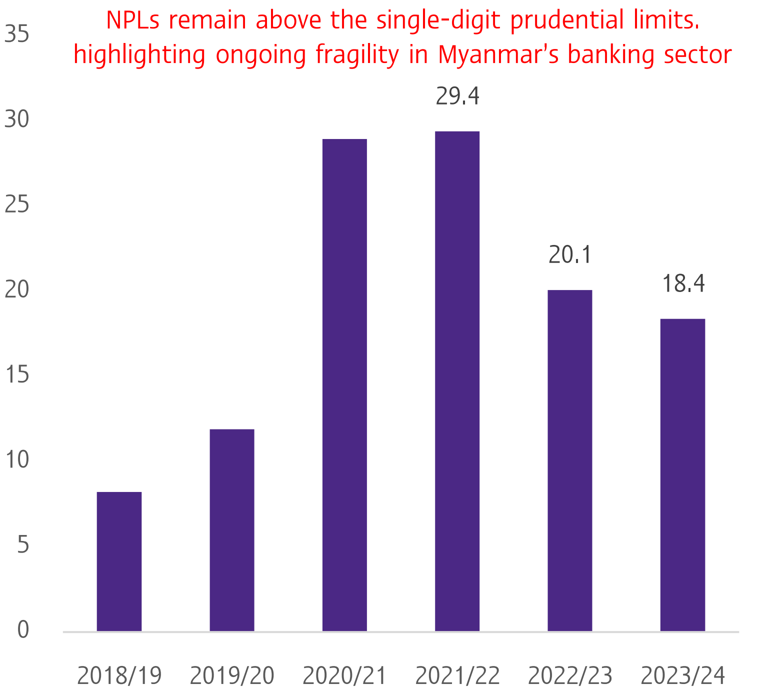
Myanmar Public Debt to GDP Forecasted (World Bank)

Unit: % of GDP



Myanmar Non-Performing Loans (NPL) Ratio

Unit: %



- **Fiscal Deficit is expected to widen further in 2026**, driven by earthquake reconstruction, election spending, higher public-sector wages and debt-servicing cost, with additional downside risk from potential measures to mitigate war impacts.
- **Policy space remains limited,** as to high public debt constrained government's ability to introduce further economic measures.
- **Increasing reliance on domestic bank financing of fiscal deficits strengthens sovereign-bank linkages,** raising financial sector vulnerabilities and potentially crowding out private sector lending.

SCB EIC expects NPLs to remain elevated in 2025–2026:
- 2025 : Earthquake impacts
- 2026 : Middle East War impacts (High energy price)

This reflects persistent financial stress and highlighting ongoing fragility in Myanmar's banking sector

Source: SCB EIC analysis based on data from CEIC, The World Bank, Ministry of Planning and Finance, Central Bank of Myanmar, and Internation Monetary Fund (IMF).

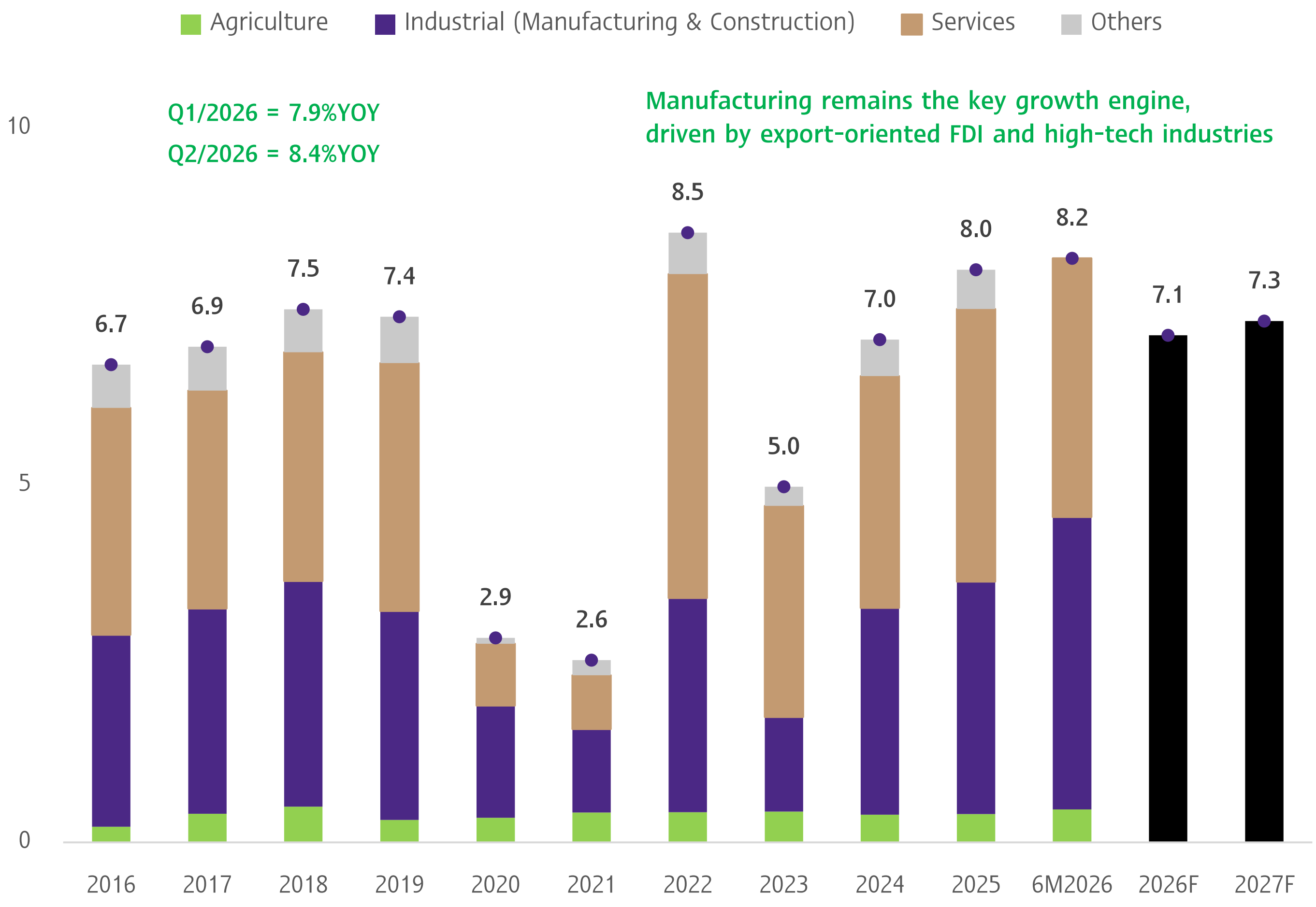
Vietnam's
Economic Outlook

SCB EIC

Vietnam's growth is projected to moderate to 7.1% in 2026 amid global headwinds, below the government's target of 10% but remain resilient and among the strongest in the region.

Vietnam's GDP Forecast (by SCB EIC)

Unit: %YOY



Positive factors

- **Strong electronics exports** driven by AI-related investment & global demand
- **Continued relocation of foreign manufacturing** (China+1 strategy)
- **Political stability and ongoing administrative reforms,** strengthening investor confidence and investment climate
- **Rising investment in clean energy & infrastructure**
- **Expanding STEM workforce and move toward higher-value manufacturing**

Negative factors

- **Higher energy prices are pushing up inflation,** weighing on consumption and costs
- **Global demand uncertainty** is softening external momentum
- **Low-cost Chinese imports intensifying competition for domestic firms**

Risk factors

- **U.S. trade policy uncertainty** e.g. Section 301 tariffs
- **Prolonged energy shock** could raise inflation and FX pressure
- **Geopolitical tensions (East China / Southeast China Sea)** may affect trade & investment
- **Climate shocks** could disrupt agriculture and tourism

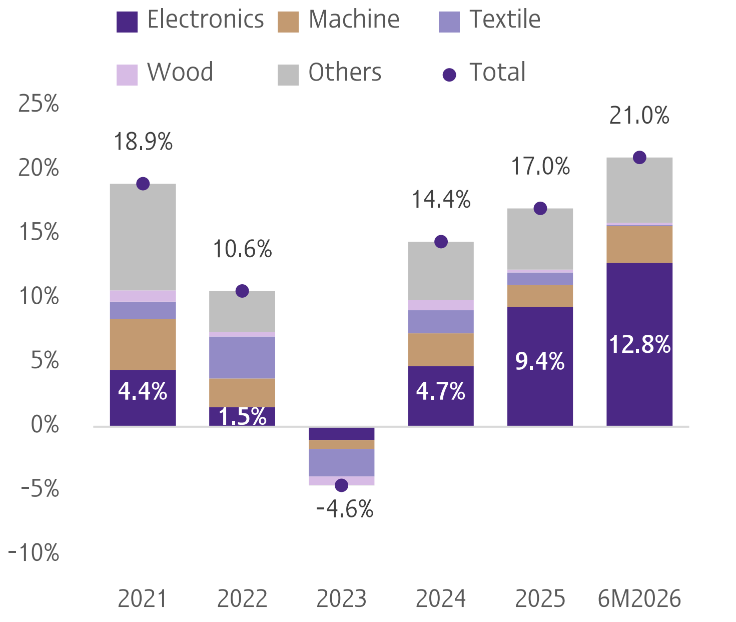
Source: SCB EIC analysis based on data from CEIC, and General Statistics Office.

SCB EIC

External demand and foreign direct investment continue to anchor growth despite disruptions from the Middle East conflict. But prolonged global shocks could erode export and investment momentum.

Vietnam's exports growth (Contribution to growth)

Unit: %YOY

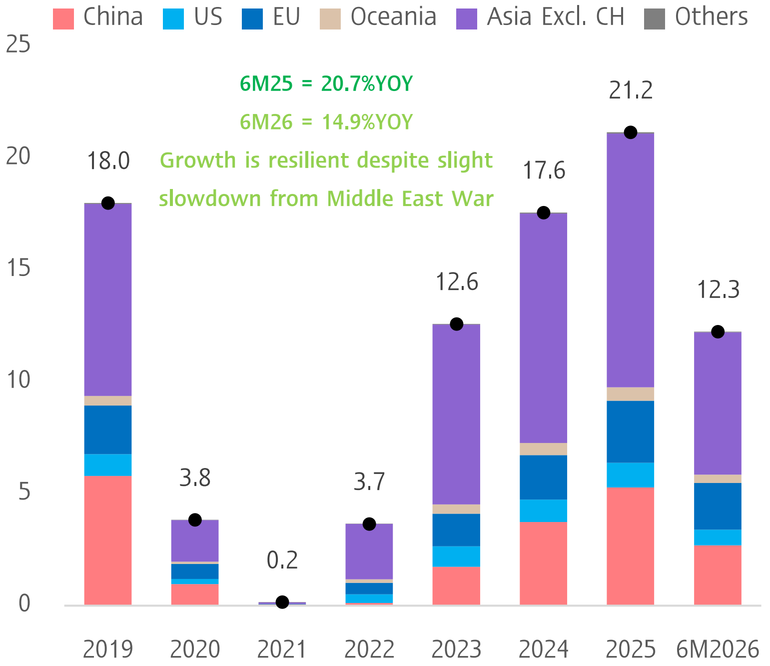


Exports remain strong, driven by electronics & AI-related demand

- Benefit from **U.S. tariffs exemptions & supply chain relocation**
- **Electronics upcycle and data center expansion**
- Increasing integration into **global semiconductor supply chain**
- **Front-loaded electronic products** as global amid concerns over supply chains and rising costs.

Foreign visitor arrivals

Unit: million persons

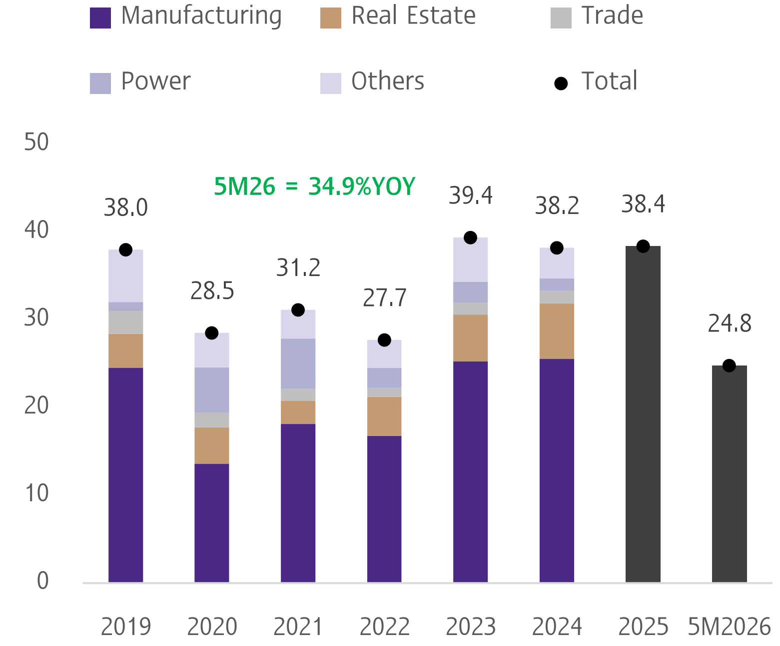


Tourism growth also remains strong supported by infrastructure upgrades & policy support

- **Large-scale investment in connectivity** (e.g. Long Thanh airport, seaport)
- **Visa liberalization** including exemptions and more flexible e-visa
- **Tourism stimulus** and marketing campaigns
- **Weaker VND** support tourism competitiveness

Approved FDI for investment promotions

Unit: USD Billion



FDI remains robust growth, supported by supply chain relocation and structural advantages

- **China+1 diversification**
- **Competitive low-cost labor & strong FTA network**
- **Government investment promotions**
- **Established manufacturing supply chains** (i.e. electronics)

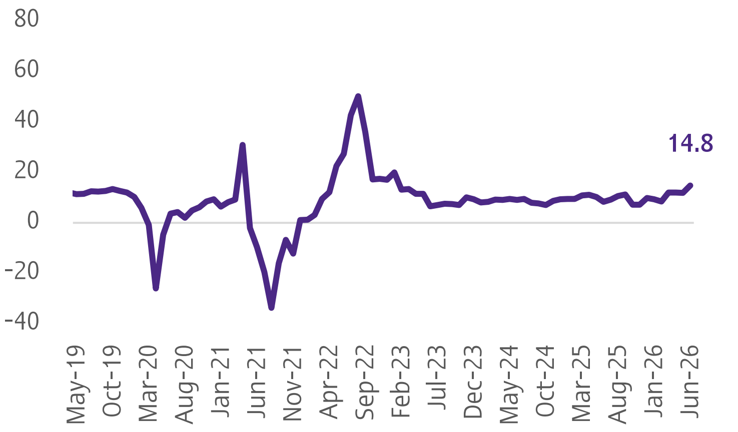
Source: SCB EIC analysis based on data from HSBC, National Statistics Office of Vietnam and CEIC.

SCB EIC

Resilient domestic demand helps cushion Vietnam from external headwinds, supported by a strong labor market, manufacturing activity, and accommodative fiscal policy.

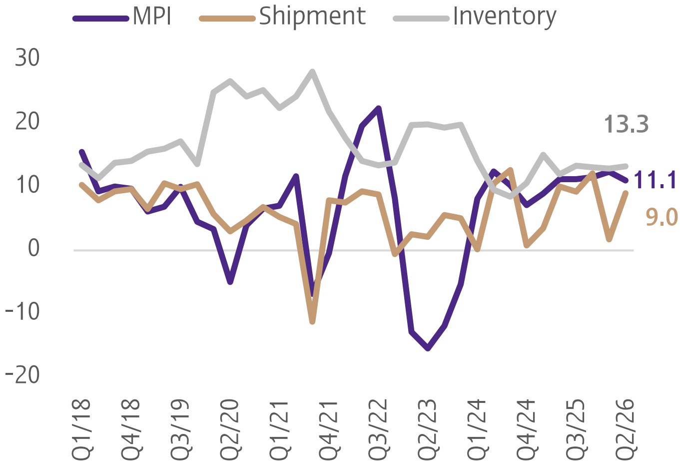
Retail Sale

Unit: %YOY



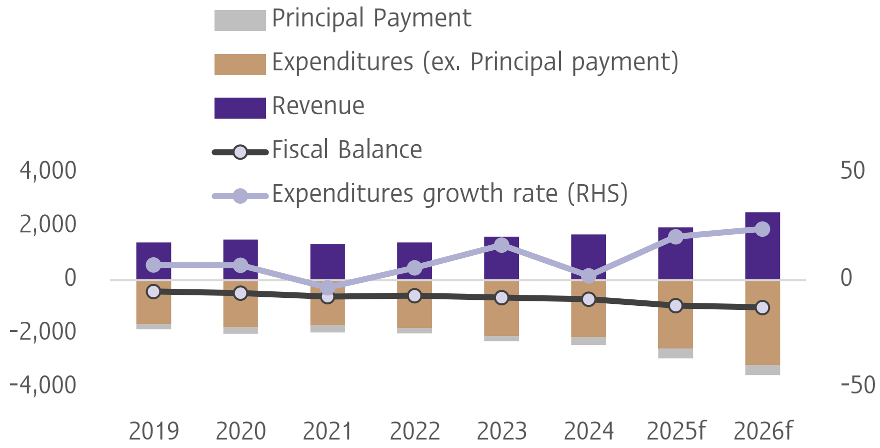
Indicators in Manufacturing sector

Unit: %YOY



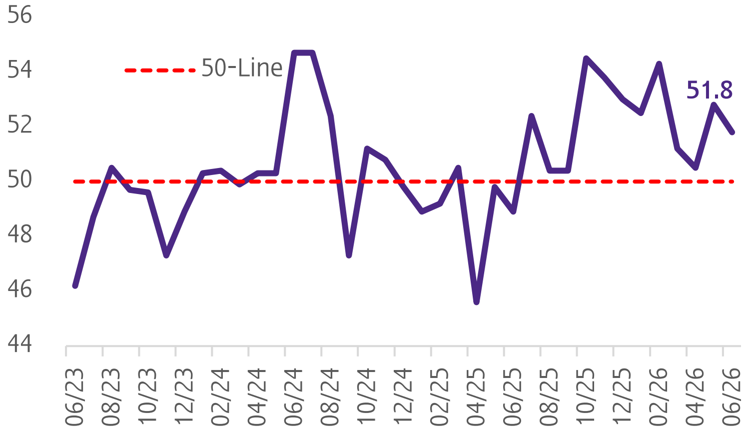
State budget plan

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



Manufacturing Purchasing Manager Index (PMI)

Unit: Index (Higher than 50 = Expansion)



Domestic indicators remain strong

- **Retail sales & manufacturing output remain strong**
- **Low unemployment and continue wage growth.**
- **Temporary government support :** VAT cut to 8% (until end 2026).
- **PMI remains in expansion for >1 yr**
  June 2026 : New orders, export orders and purchasing activities continued to grow.

- Fiscal policy will remain accommodative in 2026, supporting the economy.
- Public debt remains low and manageable at 34% of GDP in 2024 (36.4% in 2023 and peak 63.7% in 2016) well below 60% ceiling.
- State Investment remain strong (10.3%YOY 5M2026)
- Targeted support measure (e.g. 0% import tariffs on crude oil/petroleum products, energy price stabilization fund) cushion shocks

- SBV cut credit growth target 2026 to 15%, reflecting rising financial risks after credit expanded in 2025 by 20%yoy
- However, credit conditions remain supportive.

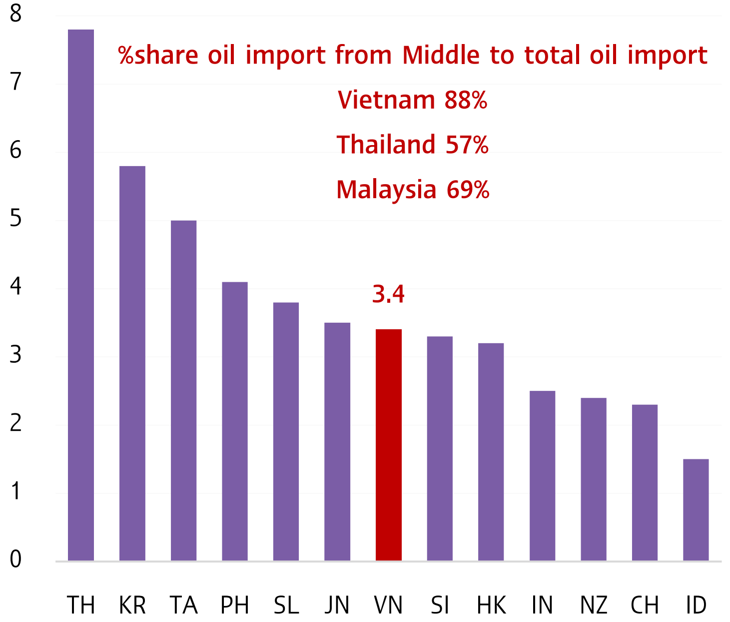
Source: SCB EIC analysis based on data from HSBC, National Statistics Office of Vietnam and CEIC.

SCB EIC

Vietnam's outlook remains robust, but high reliance on imported energy amplify the transmission of the Middle East shocks **through energy prices, weakening both external and domestic activities.**

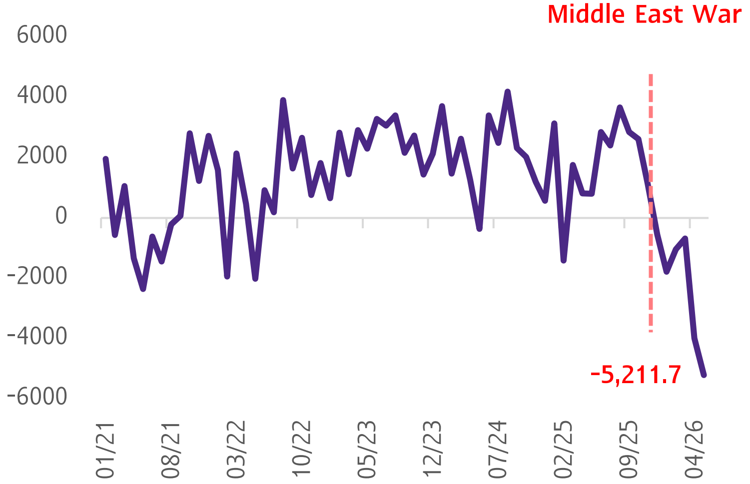
% of Energy Imports (Oil & Natural Gas) from Middel East

Unit: % to GDP



Trade Balance

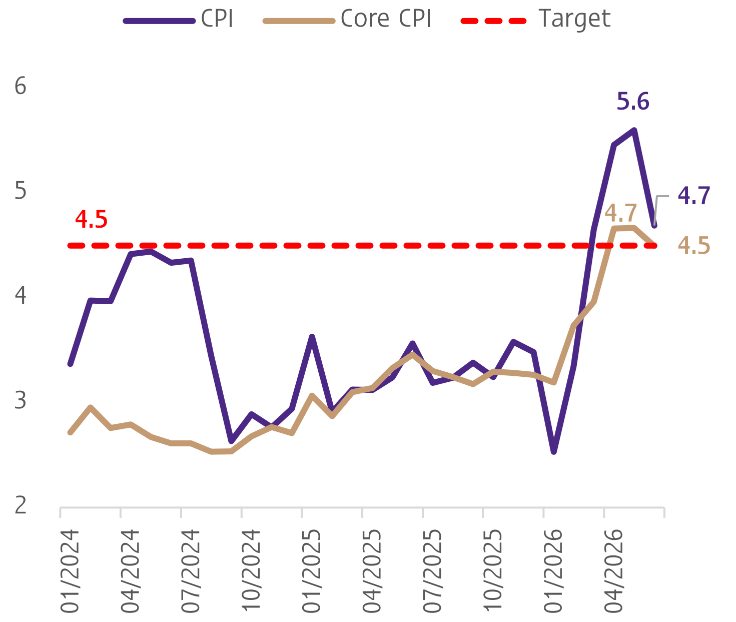
Unit: Million USD



USD/VND	Feb-26	Jul-26
YTD (Spot Rate)	0.3%	-0.4%

Vietnam Inflation Rate

Unit: %YOY



External impacts of the oil shock
• **Higher fuel prices raise import costs,** reducing trade gains. • **Worsening trade balance may pressure VND,** reinforcing higher import costs and inflation. • **Tourism may slow,** especially tourist from Europe (temporary closure of major transit airports in the Middle East) and Asia (higher travel costs). • **FDI could weaken** amid energy and cost uncertainty.

Domestic impacts of the oil shock
• **Higher inflation erodes purchasing power,** weakening consumption. • **Higher construction costs** will further widen K-shaped divergence. • **Rising input costs compress corporate margins, reducing investment** • **Potential monetary policy tightening could slow growth and increase NPLs.**

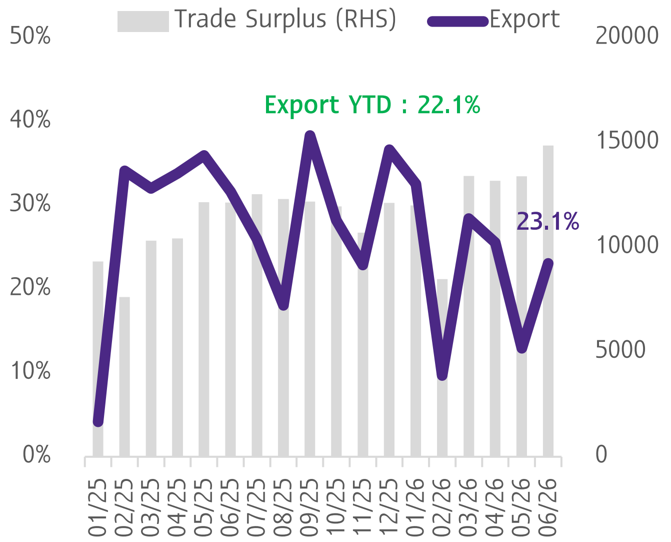
Source: SCB EIC analysis based on data from HSBC, National Statistics Office of Vietnam, National Statistics Office of Vietnam and CEIC.

U.S. tariffs under Section 301 and rising Chinese competition pose increasing downside risks, despite continued support from AI-related demand for Vietnam's exports

Additional U.S. Sec. 301 Tariffs - Increase Vietnam's trade uncertainty

Vietnam's Trade with the U.S.

Unit: %YOY (LHS), Million USD (RHS)



Vietnam's exports highly concentrated in the U.S.

- 32% of Vietnam's total exports in 2025 (19.4% in 2017)
- Largest source of Vietnam's trade surplus (2025 = 44.3%YOY USD 178.2 billion, 6M2026 = 21.5%YOY)

Additional U.S. Sec. 301 Tariffs Impact on Vietnam Economy

Sec. 301 : Forced Labor

Limited impact:

- **Tariff increase slightly (10% Sec.122 to 12.5% Sec.301)**, <20% IEEPA.
- **Comparable tariff rate to competitors** (60 countries)
- **Major exports remain largely exempt from additional tariffs**, e.g. AI-related goods (51% of Vietnam's total exports to U.S. in 2025)

Sec.301 (additional) : Structural Excess capacity and Intellectual Property Protection *(under investigation)*

Broader Sec. 301 risks are rising for Vietnam:

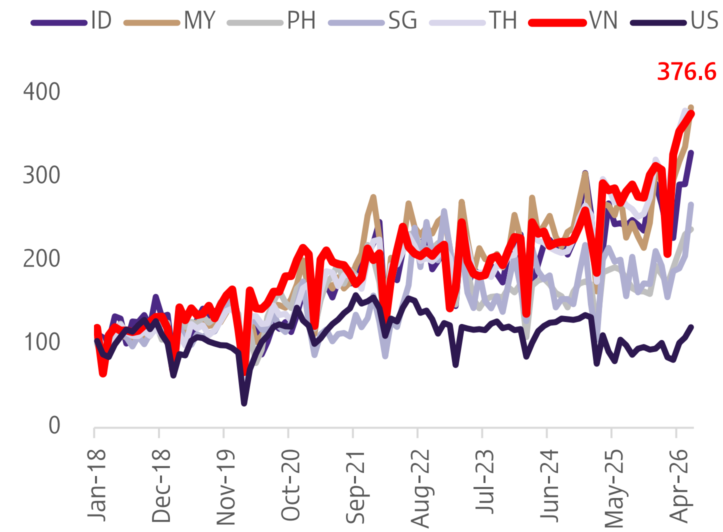
- **Structural Excess Capacity** (11 Mar): Investigating 16 Countries
- **Intellectual Property Protection and Enforcement** (29 May): Vietnam is the only country that USTR has initiated an investigation.

Additional Sec. 301 tariffs, on top of Forced Labor 12.5%, could raise Vietnam's effective tariff rates above peers, reducing competitiveness in the U.S. market.

China Influx - Higher Domestic Competition & Transshipment Tariff

China Export Value

Unit: Index (Average 2017 = 100)



Rising influx of Chinese goods is intensifying domestic competition.

- Weaken domestic producer competitiveness
- Limit local value creation
- Increase risk of transshipment-related tariffs and more investigation from the U.S.

Source: SCB EIC analysis based on data from the white house, USTR, Bloomberg, Vietnam Customs and National Statistics Office.

SCB EIC

External headwinds make a 10% growth target unlikely in 2026, but these challenges could accelerate Vietnam's structural transformation and reform agenda.

Vietnam's double digit GDP growth target (5 Years Plan)

Source: Communist Party of Vietnam, Vietnam National Assembly

Indicator	2021–2025	2026 Target	2026–2030 Direction
Real GDP Growth	AVG 6.2% (7.2% Excl. 2021)	≥10%	Achieve Annual Growth ≥10%
GDP per capita	US$4,745 (2025)	US$5,400–5,500	~US$8,500 by 2030
Manufacturing share in GDP	24% (2025)	~25%	~28% of GDP
Labor Productivity Growth	Avg 6.7% (2021–2024)	~8.5%	~8.5% per year
TFP Contribution to GDP	20–40%	–	55%
Inflation target	3.00%	~4.5%	–
Urbanization ratio	39–40%	–	–
State budget deficit to GDP	Avg 4.0% of GDP	–	Fiscal discipline and public debt safety
Public debt	34% (2024)	<60% of GDP	–

SCB EIC's view on Vietnam's double-digit GDP growth target:

- **In 2026, 10% growth target is unlikely** given less favorable external environment, (H1/26 : 8.2% GDP growth)
- **In medium and long term, double-digit growth path is better viewed as upper-bound scenario** rather than baseline as structural reform take times.
- **Achieving the target depends on structural transformation,** including institutional reforms, deeper urbanization, higher domestic value, stronger productivity growth, large-scale infrastructure investment, and sustained high-quality FDI inflows.

Energy Shock as Catalyst for Vietnam's Green Transition

- PDP8 provides a clear roadmap toward net-zero transition
- Energy security concerns strengthen the case for renewable expansion
- Emission targets (reduce 30% by 2050) are driving efficiency gains and green investment
- Clear policy direction and strong leadership under To Lam are expected to accelerate the transition

External pressures may accelerate domestic reform: Privatization

Economic Structural Reform (Resolution 68 Plan)			
Indicator	Current	2030	2045 *
Registered enterprises	~940,000 – 970,000	2 million	3 million
Unregistered Household Businesses	~5 million	Many expected to formalize	Vast majority formalized
Large private firms in global chains	Estimated fewer than 10	At least 20	expected to rise further
Private sector share of GDP	~50%	55–58%	Over 60%
Share of state budget revenue	~30–32%	35–40%	expected to rise further
International competitiveness	Medium	Integration into global supply chains	High regional & global competitiveness

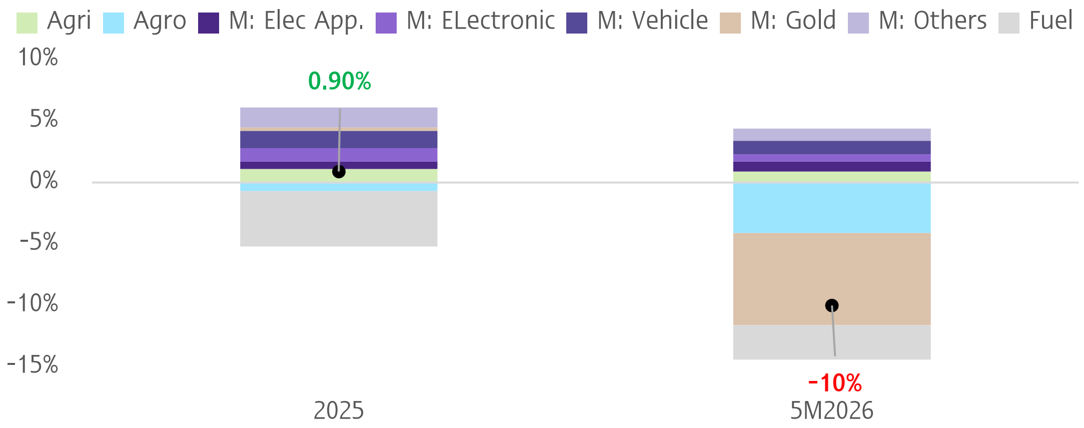
Source: SCB EIC analysis based on data from the white house, USTR, Bloomberg, Goldman Sachs, Communist Party of Vietnam and Vietnam National Assembly.

CLMV and Thai Economy

Thai exports to CLMV are expected to contract in 2026 due mainly to border tensions, while resilient imports from CLMV could narrow Thailand's trade surplus.

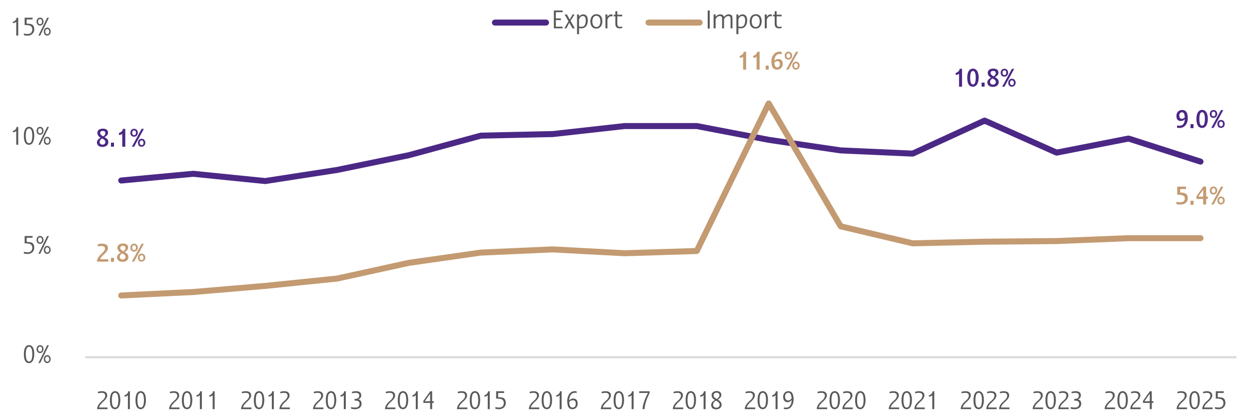
Contribution to Growth of Thai Export to CLMV by Product

Unit: % (*M = Manufacturing Products)



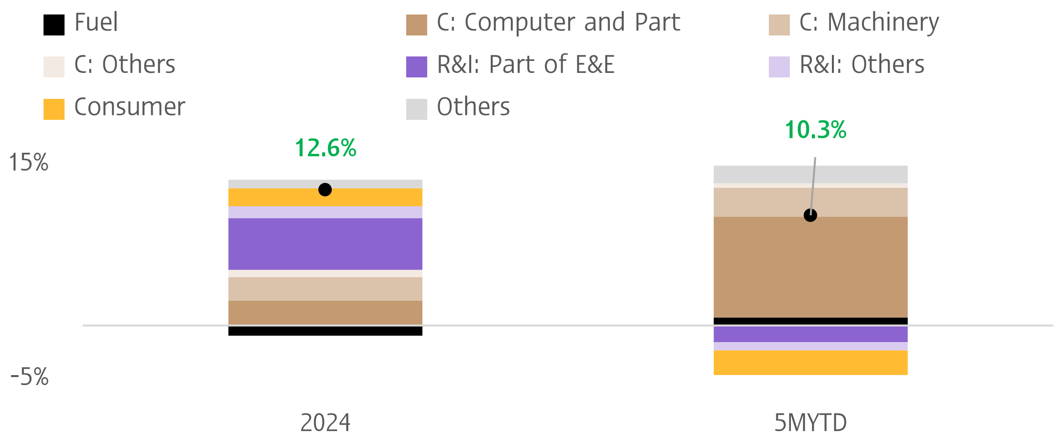
Share of Thailand Export and Import with CLMV

Unit: % of Thailand total Export and Import Value



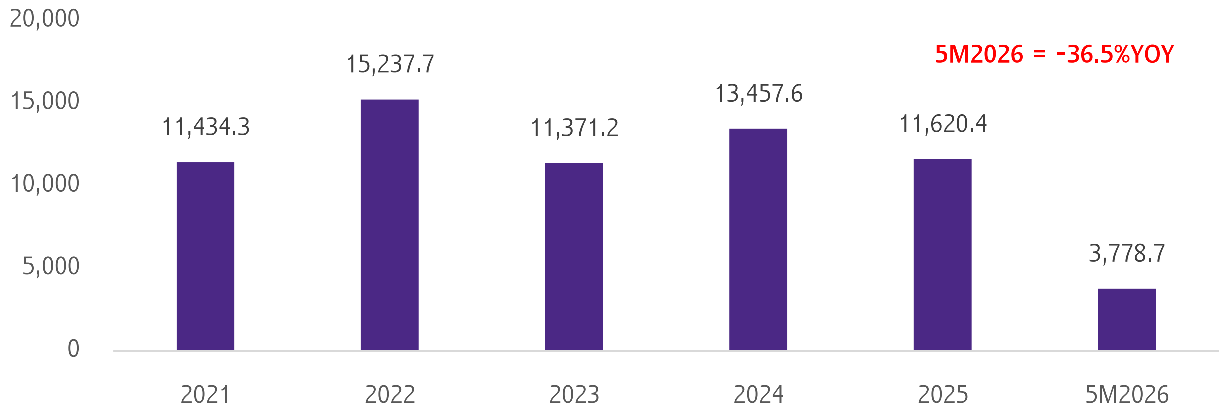
Contribution to Growth of Thai Import from CLMV by Product

Unit: % (* C = Capital Product, R&I = Raw and Intermediate Product)



Thailand Trade Balance with CLMV

Unit: % (* C = Capital Product, R&I = Raw and Intermediate Product)



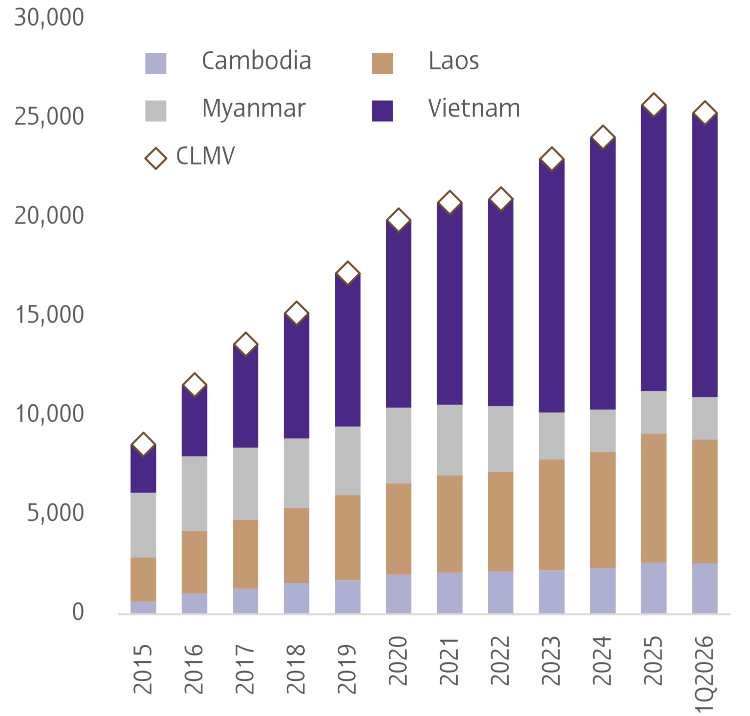
Source: SCB EIC analysis based on data from the Ministry of Commerce.

Thailand's outward investment to CLMV is expected to remain weak, as external headwinds and rising domestic challenges across CLMV keep investors in a wait-and-see mode.

Vietnam remains the top investment destination, while Myanmar's role continues to decline.

Thailand's Direct Investment Position Abroad

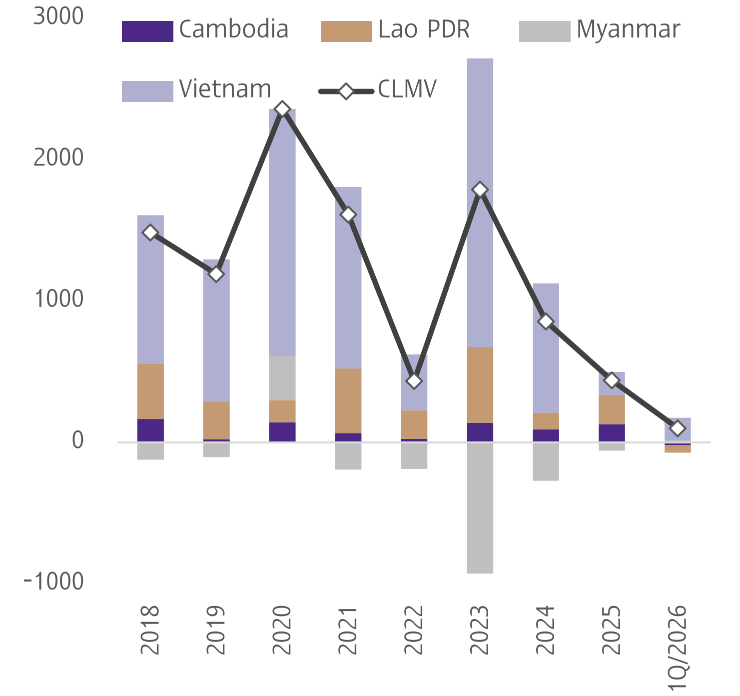
Unit: USD Million, data as of 1Q2026



Net direct investment flows to Cambodia declined in 1Q26 amid weaker investment sentiment.

Thailand's Net Direct Investment into CLMV

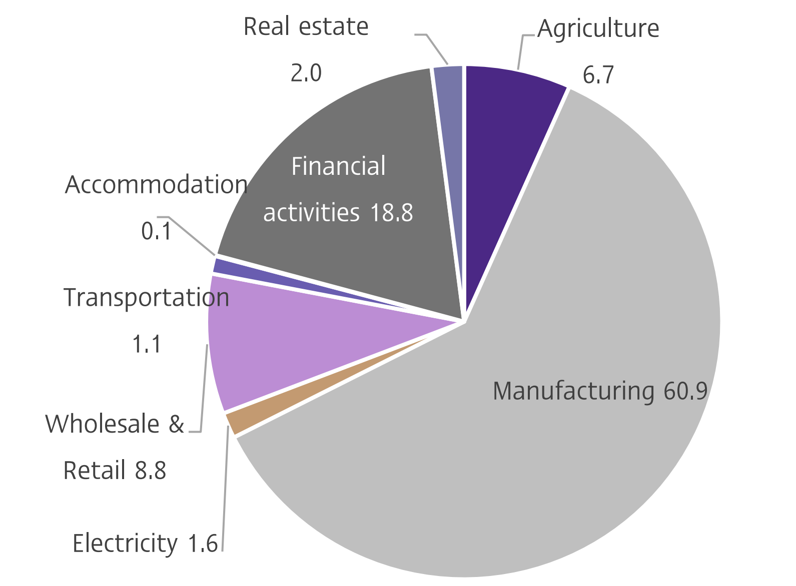
Unit: USD Million



Manufacturing remains the largest investment sector, followed by financial services and trade.

Thailand's Net Direct Investment into CLMV by sector*

Unit: % share of total ODI net flow, 4-Quarter rolling sum : 2Q2025-1Q20206



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.

Despite mounting challenges in 2026–2027, CLMV economies continue to offer opportunities, supported by natural resources, cost competitiveness, and strong regional integration.

Cambodia

Light manufacturing (e.g garments, rubber products)

- **Competitive export base supported by preferential trade agreements** (RCEP, GSP) and low labor costs.
- **Diversification into higher-value manu-facturing sectors** (non-garment e.g. tyres, electrical components)

Agro-processing and Food manufacturing

- **Growing regional demand and preferential access** under RCEP and bilateral FTAs.
- **Urbanization and population growth** support long-term processed food demand
- **El Niño-related climate risks** pose a material threat to agricultural output.

Lao PDR

Power

- **Green transition reinforces Lao PDR's role as a regional power exporter.**
- **Hydropower dependence, seasonal variability, and capacity constraints** remain key downside risks.

Tourism and Logistics

- **Tourism growth supported by affordability and improved connectivity (The China–Laos Railway)**
- **The China–Laos Railway also strengthens regional trade connectivity,** especially agricultural products.

Myanmar

Mining

- **Strong global demand for rare earths** amid the green energy transition.
- **Attraction of diversified investment** as other countries seek alternative sources to reduce dependence on China.
- **Political and environmental risks remain substantial**

Power

- **Strong structural demand:** Severe electricity shortages are driving businesses to invest in reliable power solutions.
- **Growing renewable opportunities:** Solar PV, and hybrid power as fuel costs remain volatile and grid reliability deteriorates.

Vietnam

Power

- **Government's net-zero transition** drives large-scale investment in power generation and grid infrastructure.
- **Energy demand** is rising, driven by manufacturing expansion and Power Development Plan 8.

Electronics

- **A well-established electronics ecosystem** anchored by global firms (Samsung, LG, Foxconn, and Intel)
- **Government support:** Tax incentives, industrial parks, investment-friendly policies, prioritizing high-tech manufacturing.

Source: SCB EIC analysis.

Contributors

KUSALIN CHARUCHART

ECONOMIST

kusalin.charuchart@scb.co.th

PAWAT SAWAENGSAT

ECONOMIST

pawat.sawaengsat@scb.co.th

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