VinaCapital

Economist's Note

March 4, 2026

Michael Kokalari CFA, Chief Economist
Thai Thi Viet Trinh, Senior Economist

Iran War: Modest Impact on Vietnam

A short but intense effect on global markets.

The war in Iran should not have a major impact on Vietnam, partially because its exports to the Middle East account for less than 3% of total exports, and because protracted, large-scale ground operations in Iran are unlikely. Instead, we expect a more intense version of last year's "12-day war," lasting a bit longer but ultimately proving to be a sharp but temporary shock for global markets. The reasons for our expectations include:

1) **U.S. Munitions Constraints**. Reports citing Pentagon officials highlight serious concerns over the sustainability of prolonged high-intensity operations.[1] This suggests the current campaign is likely to involve several days of intense bombardment followed by a de-escalation/low intensity conflict for weeks rather than extended warfare.

2) **China's Leverage**. China remains a major buyer of Iranian crude and has strong incentives to prevent extreme oil price spikes or a sustained disruption of the Strait of Hormuz.[2] It also has leverage over the U.S. with its dominance over the rare earths supply chain.

3) **Regime-Change Unlikely.** Iran's political structure is institutionalized through the Revolutionary Guard and clerical leadership, making rapid internal collapse unlikely, absent large-scale "boots on the ground," which is not feasible given how unpopular the war is in the U.S., including among Trump's own voting base.[3]

On March 2nd, Trump said that he expects the war to end within five weeks.[4] We anticipate the U.S. running low on ammunition stocks and failing to achieve the regime change objective, which would in turn prompt an end to the war within that timeframe. If the war drags on longer - to the point that China's oil reserves start to run low - then we would expect the Chinese to put pressure on the U.S. to wrap up the conflict by further containing the supply of rare earths materials (which the U.S. will need to replenish its weapons stockpiles).

Modest Macro Impact on Vietnam

Higher oil prices will cause inflation to rise, but the Government has tools to limit the impact of temporary jumps.

Global oil prices are up about 30% YTD which will probably lift Vietnam's CPI inflation rate from 2.5% year-on-year to circa 4% in the months ahead. Petrol accounts for approximately 4% of Vietnam's CPI basket, but food accounts for 36%/CPI and Vietnam produces most its own food domestically, enabling policy makers to limit the impact of temporary inflation spikes on the country's economy. The oil price spike will also weigh on Vietnam's GDP growth *somewhat* because Vietnam net imports over 1% of GDP worth of the energy that it consumes, despite producing crude oil and gas itself. Here again it would be fairly straightforward for the Government to offset this drag on growth with stimulus measures.

Also, additional increases in oil prices from current levels could be somewhat constrained by OPEC's decision to increase output beginning in April and oil inventories — particularly in China — were reportedly at multi-year highs as of early 2026. That said, the value of the U.S. Dollar and gold prices both increased to some degree in response to the commencement of the conflict due to "safe haven" flows into both. This in turn puts some depreciation pressure on the VN Dong, which when coupled with upward pressure on CPI inflation, reinforces our prior expectation that 12-month bank deposit rates in Vietnam will increase by 50-100 bps this year to circa 7% by year-end.

The Impact of a Protracted Conflict on Vietnam

The impact of a possible - though unlikely - protracted conflict.

There is a clear consensus among the numerous geopolitical experts we follow that this conflict is already evolving into a "war of attrition" likely to last weeks, with neither side delivering a decisive blow. One complication to a quick end—unlike last year's 12-day conflict—is that the decapitation strike on Iran's government leaders has apparently left Iranian military units operating in a semi-autonomous manner. This could make it difficult for Iran's new leaders to coordinate a ceasefire, although there are no indications yet that this is something they seem inclined to pursue.

[1] "U.S. Races to Accomplish Iran Mission Before Munitions Run Out," March 1, 2026, Wall Street Journal
[2] "US and China hold the keys to containing a Mideast oil shock," February 24, 2026, Reuters
[3] "US officials skeptical of regime change in Tehran after Khamenei killing, say sources," March 2, 2026, Reuters
[4] "Trump says U.S. projected 4-To-5 Week War with Iran," March 1, 2026, The New York Times

Several credible experts (e.g., Standard Chartered and Goldman Sachs) identified a 10–20% probability of a protracted conflict that would include a "hard closure" of the Strait of Hormuz. In our understanding, the Strait is already de facto closed to most shipping, due to a surge in insurance premiums and other associated costs.[5] A protracted "hard closure" in that 10–20% scenario – which has never happened before – would mean the Iranians actually mine and fire upon ships in the Strait, which could push oil prices well above USD 100 for the foreseeable future; we believe this is a low probability scenario because of the damage this would do to China's economy since about half of the oil that flows through the Strait goes to China.

Three key challenges in this scenario: higher inflation, lower growth and exports.

Vietnamese policymakers would face three major challenges in such a scenario:

- Inflation would rise above 5%, pushing 1-year deposit interest rates above the 7–8% range
- Vietnam's Domestic Economy would take a ~1%pts hit from a sustained surge in oil prices
- Vietnam's Exports would clearly suffer, which would probably knock another 1%pts off GDP growth

We have included a calculation appendix at the end of this report with some details on how we arrived at our estimate of a total 2%pts hit to Vietnam's GDP in the "protracted war" scenario. Sentiment towards the stock and real estate markets would obviously be very poor, but above-and-beyond negative sentiment, savers in Vietnam tend to withdraw money from the stock market when 12-month deposit rates in Vietnam rise above the 7–8% range. Furthermore, deposit rates above 7–8% typically push mortgage rates above 12–13%, at which point enthusiasm for home purchases tends to dry up.

All of that said, the 2%pt hit to GDP growth we would expect in a "protracted war" scenario likely overstates the impact on Vietnamese companies' earnings. Lower exports would weigh on GDP growth and factory employment but recall that last year a surge of exports boosted Vietnam's GDP growth to 8% without translating into extraordinarily high EPS growth.

Winners and Losers in Vietnam's Stock Market

Some sectors stand to benefit in a limited conflict, but most would be impacted in a protracted scenario.

The U.S.-Iran war has already driven oil prices and gold prices higher and is likely to lead to higher shipping rates for the foreseeable future. We also expect some upward pressure on interest rates in Vietnam because of the inflation and currency depreciation issues discussed above. Following is a compendium of the winners and losers of these factors on various sectors in Vietnam's stock market:

- **Higher Oil Prices (Positive):** Petrol retailers that will see gains on their existing oil inventories; Vietnam's listed oil refiner, which benefits from wider refining margins (aka "crack spreads") that accompany higher oil prices (crack spreads are trading at multi-year highs); E&P adjacent oil services companies that benefit from higher oil prices and natural rubber producers that benefit because of the strong correlation between synthetic rubber and natural rubber prices.

  Note that if the Strait of Hormuz is shut for a protracted period of time, petrol retailers would encounter difficulties sourcing refined oil from the Middle East, and Vietnam's natural gas industry leader (GAS) is already having difficulties sourcing the LPG that it imports and sells in Vietnam.

- **Higher Oil Prices (Negative):** Airlines, travel, and tourism-related companies.

- **Higher Shipping Rates (Positive):** Local shipping companies that benefit from higher shipping rates and the likelihood of elongated routes due to the war and listed port stocks in Vietnam, which have generally benefitted from geopolitical tensions in the past because higher shipping rates tend to drive port operators' handling and storage fees higher (although a protracted war and/or blockage of the Strait of Hormuz would almost certainly, severely impact global shipping volumes).

- **Miscellaneous (Positive):** Vietnam's listed urea fertilizer producers should benefit from the fact that Iran produces about 10% of global urea exports; jewelry companies benefit from both gains on existing inventory of gold, and from the fact that higher gold prices and "safe haven" demand will boost revenue growth.

- **Miscellaneous (Negative):** Vietnamese companies that export their products to customers in the Middle East will suffer some reduced sales, although revenues derived from those exports account for less than 10% of overall sales of those listed companies.

[5] "Insurers to cancel policies and raise prices for ships in Gulf and Strait of Hormuz," February 28, 2026, Financial Times

In addition to those sectors mentioned above, note that higher interest rates would negatively impact rate sensitive stocks, including real estate developers. Finally, we believe U.S. equities are more vulnerable to this shock than emerging markets, because U.S. markets were already grappling with concerns about the impact of AI on "software as a service (SaaS)" companies and private credit lending to those companies. Investors in the U.S. have been aggressively rotating out of software stocks into what analysts are calling "Heavy Asset Low Obsolescence (HALO)" stocks, and the MSCI-EM index has outperformed the S&P500 by circa 9%pts YTD and by nearly 30%pts since the beginning of last year. We expect continued outperformance in the months ahead and would view any significant drop in the VN-Index as a buying opportunity.

Calculation Appendix

How we calculated the possible impact of the conflict on Vietnam's economy.

The protracted war scenario discussed above would entail both an oil price shock and a significant hit to global trade. A sustained surge in crude oil prices to above USD 100 would essentially be a ~70% price shock that would reallocate household spending away from areas of the economy with a relatively high multiplier effect—since consumption tends to trickle through more parts of the economy—toward areas with a lower multiplier. Direct household spending on petrol, heating, and cooking oil in Vietnam is about 6% and a ~70% oil price shock would lift that share to over 10%.

Furthermore, Vietnam is a net energy importer, accounting for over 1% of GDP. We have taken into account recent research[6] from the International Monetary Fund (IMF) on oil shocks in emerging market countries—many of which are larger net energy importers than Vietnam, including Thailand and the Philippines – to estimate the impact on Vietnam's GDP growth from a circa 70% oil price shock; this is how we arrived at the 1%pts hit to GDP growth figure mentioned above.

The hit to Vietnam's economy from trade is trickier to estimate. We based our estimate on research from UC Berkeley[7], suggesting that a ~70% oil price shock would reduce U.S. consumer spending by ~3%pts and on the assumption that Vietnam's exports to the EU would be severely impacted if the Strait of Hormuz was closed for a protracted period of time. Those exports account for over 10% of total exports, and exports to the U.S. account for over 30% of total exports. We expect Vietnam's total exports to suffer a 20%pts hit in this scenario, which would translate into a circa 1%pts hit to GDP growth.

6 "Navigating the tides of Commodity prices", 2024, IMF
7 "The Response of Consumer Spending to Changes in Gasoline Prices", 2023, American Economic Journal