



Industry report: Automotive Industry

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Policy Tailwinds Extended

KEY INFORMATION

Vietnam's electric vehicle (EV) support policies continue to be extended, primarily through the renewal of existing incentives, notably the special consumption tax and registration fee exemptions. The preferential tax timeline for EVs has been prolonged to end-2030, compared with the previous deadline of February 2027, helping stabilize total cost of ownership amid still-elevated EV prices.

At the same time, the plan to restrict and eventually ban fossil fuel-powered vehicles in central Hanoi signals a clearer regulatory direction toward transport electrification.

In practice, this trend has begun to materialize in market dynamics. 1Q2026 saw a notable increase in EV volumes and market presence, indicating that the transition from internal combustion engine (ICE) vehicles to EVs is gradually taking shape. Policy and market factors are increasingly aligned, sustaining momentum for vehicle electrification in the current phase.

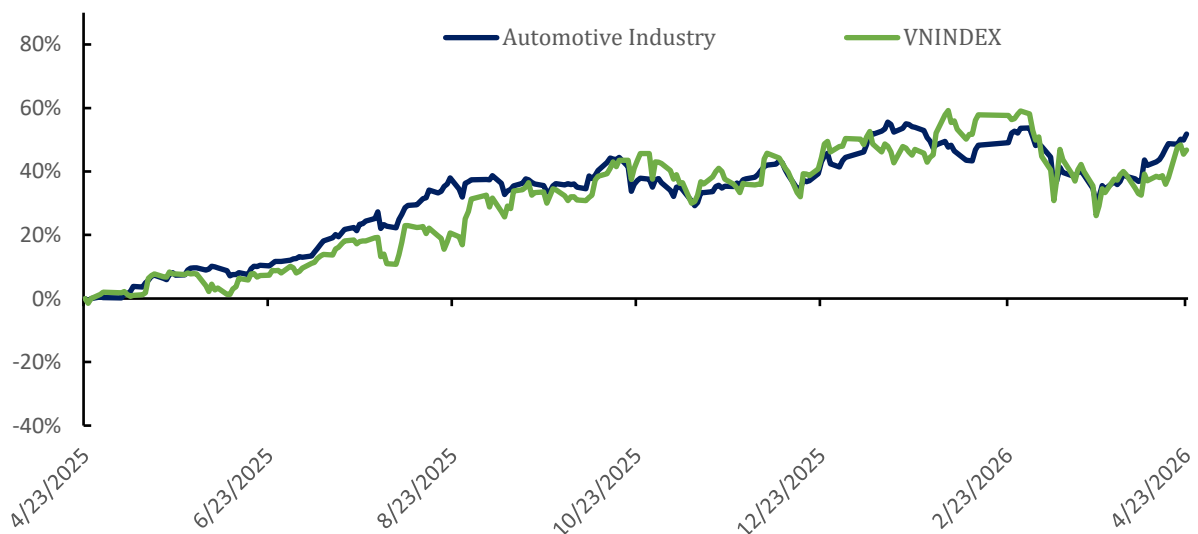
OUTLOOK

The automotive sector outlook for 2026 remains heavily policy-driven, with extended tax incentives and registration fee support alongside a gradual tightening of restrictions on fossil fuel vehicles. These measures are expected to maintain affordability and accelerate demand migration toward EVs, particularly in major urban centers. As a result, domestic auto market electrification is likely to become more pronounced in the near term.

Against this backdrop, VinFast is likely to retain its leadership in the EV segment, supported by robust volume growth. However, financial performance remains a key concern, as the company continues to post losses due to heavy investment and expansion costs. While localization rates have improved, they remain suboptimal. This suggests that the EV transition is still in its early stages, reliant on policy support and yet to fully demonstrate operational sustainability.

In contrast, internal combustion engine (ICE) players are facing increasing growth pressure and are being forced to adapt. Haxaco is shifting toward EV distribution, while VEAM is approaching the transition indirectly via the supporting industries segment.

Overall, 2026 is likely to represent a "pivot year", where policy continues to play a leading role while the market begins to exhibit a clearer electrification trend.



Source: Bloomberg, GTJASVN

I. POLICY UPDATE

Vietnam’s automotive market in 2026 is undergoing a notable transition as gasoline-powered vehicles gradually lose their dominant position. In their place, consumers are increasingly witnessing the rise of green vehicles, led by domestic automaker VinFast alongside Japanese incumbents such as Toyota and Mitsubishi. This shift is supported by government incentives aimed at promoting investment, consumption, and the development of Vietnam’s EV industry.

1.1. Extension of Special Consumption Tax Incentives

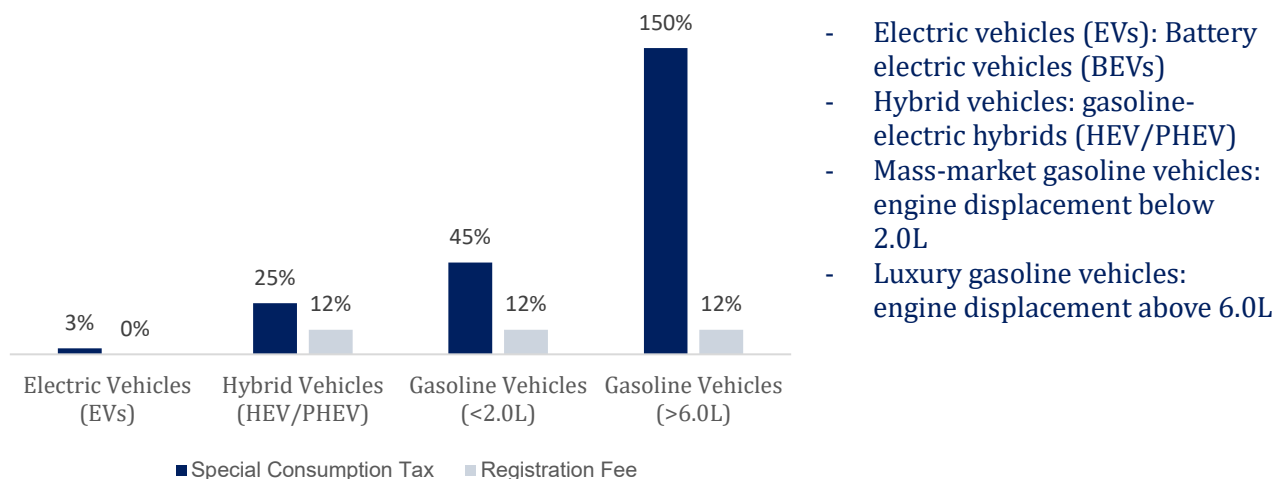
The amended law covering the Law on Personal Income Tax, Value-Added Tax, Corporate Income Tax, and Special Consumption Tax, passed by the 16th National Assembly at its first session, officially extends preferential tax treatment for battery electric vehicles (BEVs) with fewer than 24 seats through end-2030, compared with the previous deadline of February 2027.

Order	Goods & Services		Tax rate (%)
1	Passenger cars and four-wheeled motor vehicles for passenger transport with ≤9 seats; passenger pick-up vehicles	-	From 01/01/2026: 3 From 01/01/2031: 11
2	Passenger cars and four-wheeled motor vehicles with 10 to <16 seats	-	From 01/01/2026: 2 From 01/01/2031: 7
3	Passenger cars and four-wheeled motor vehicles with 16 to <24 seats	-	From 01/01/2026: 1 From 01/01/2031: 4
4	Double-cabin cargo pick-up trucks; VAN trucks with ≥2 seat rows and fixed partition between passenger and cargo compartments	-	From 01/01/2026: 2 From 01/01/2031: 7

Source: Ministry of Finance, GTJASVN

In addition, to further incentivize the adoption of battery electric vehicles (BEVs), under Decree No. 51/2025/NĐ-CP dated March 1, 2025, the Vietnamese government has extended the 100% registration fee exemption for BEVs through February 28, 2027. Previously, Decree No. 10/2022/NĐ-CP stipulated a full exemption from March 1, 2022 to March 1, 2025, followed by a 50% fee level (relative to gasoline/diesel vehicles in the same segment) from March 1, 2025 to March 1, 2027. However, given the clear benefits delivered by the policy, the government has decided to maintain the full exemption through 2027.

Comparison of Tax & Fee Burden: EVs vs. ICE Vehicles



Source: Ministry of Finance, GTJASVN

The extension of EV incentives continues to play a key role in lowering total cost of ownership, thereby improving consumer affordability amid EV prices that remain above those of internal combustion engine (ICE) vehicles. The prolonged incentive horizon not only supports demand sustainability but also enables households to better plan expenditures for high-value purchases.

From agency's perspective, this move reinforces policy visibility and stability, facilitating medium- to long-term investment planning, including capacity expansion, development of service ecosystems and charging infrastructure, as well as gradual improvements in localization rates. We view the policy impact as more supportive in sustaining market momentum rather than creating a new inflection point, while still underpinning the transition toward low-emission vehicles.

1.2. Plan to Phase Out ICE Vehicles Reinforces Market Electrification

Hanoi's recently announced Low Emission Zone (LEZ) initiative within Ring Road 1 sets out a plan to ban gasoline-powered vehicles in the area starting July 1, 2026, with full implementation targeted before 2030. The plan comprises 3 phases:

Phase 1 (July 1, 2026 – December 31, 2026)

Hanoi will pilot restrictions on fossil fuel-powered vehicles in the core area of Hoan Kiem Ward (11 central streets). Ride-hailing motorcycles using gasoline/diesel will be fully banned, while private motorcycles will be restricted during weekend time slots. For automobiles, cargo vehicles will only be allowed to operate within limited hours depending on load capacity and emission standards, while trucks above 3.5 tons will be prohibited.

Phase 2 (January 1, 2027 – December 31, 2027)

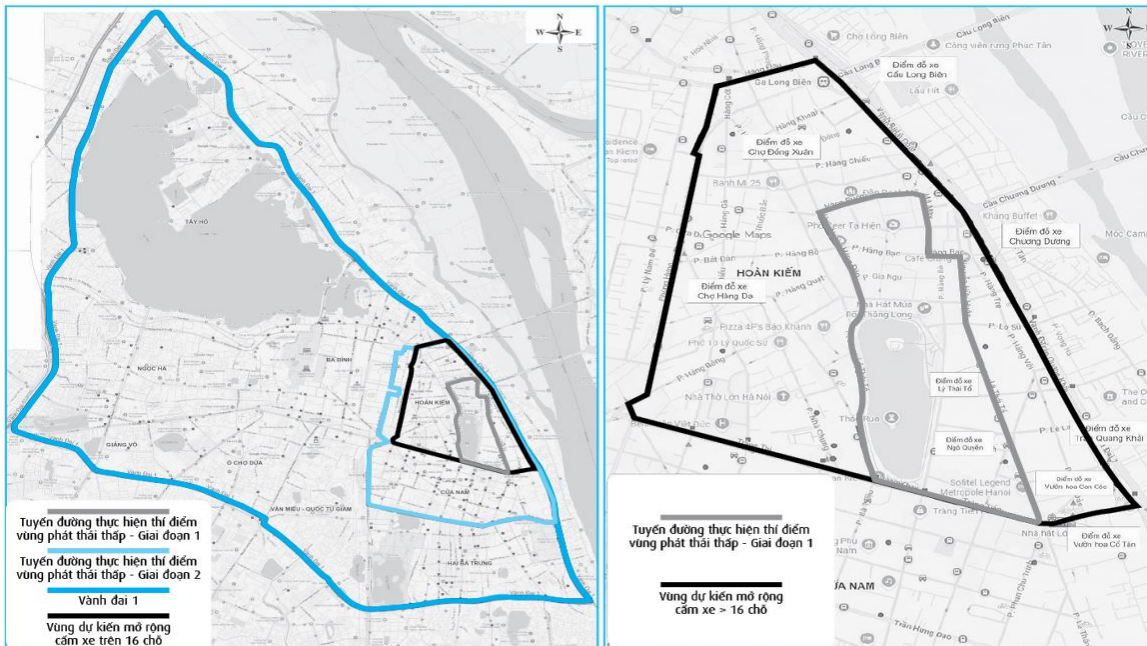
Hanoi plans to expand the pilot area to Hoan Kiem and Cua Nam wards, covering 3.6 km² with a perimeter of 8.3 km and a population of approximately 136,947. The restricted core zone will include 14 surrounding streets such as Nguyen Du, Han Thuyen, Tran Hung Dao, Tran Khanh Du, Tran Quang Khai, Tran Nhat Duat, Hang Dau, Cua Dong, Ly Nam De, Ton That Thiep, Dien Bien Phu, Hang Bong, Cua Nam, and Le Duan.

Phase 3 (January 1, 2028 – December 31, 2029)

Hanoi is expected to further expand the low-emission zone, implementing a full ban on gasoline-powered vehicles across the entire Ring Road 1 area, covering 26.07 km² with a perimeter of 25 km and a population of approximately 625,000. The area encompasses nine wards bounded by key routes including Hoang Cau, De La Thanh, O Cho Dua, Xa Dan, Dai Co Viet, Tran Khat Chan, Nguyen Khoai, Tran Khanh Du, Tran Quang Khai, Tran Nhat Duat, Yen Phu, Nghi Tam, Au Co, An Duong Vuong, Lac Long Quan, Bui, and Cau Giay.

Source: Hanoi People's Committee, GTJASVN

Clean energy infrastructure is identified as a prerequisite, with a requirement that at least 20–30% of parking spaces at depots and parking facilities be equipped or ready for EV charging stations. In parallel, the city is deploying AI- and ANPR-based traffic surveillance systems to monitor and control vehicles within designated zones.



Source: Hanoi People's Committee, GTJASVN

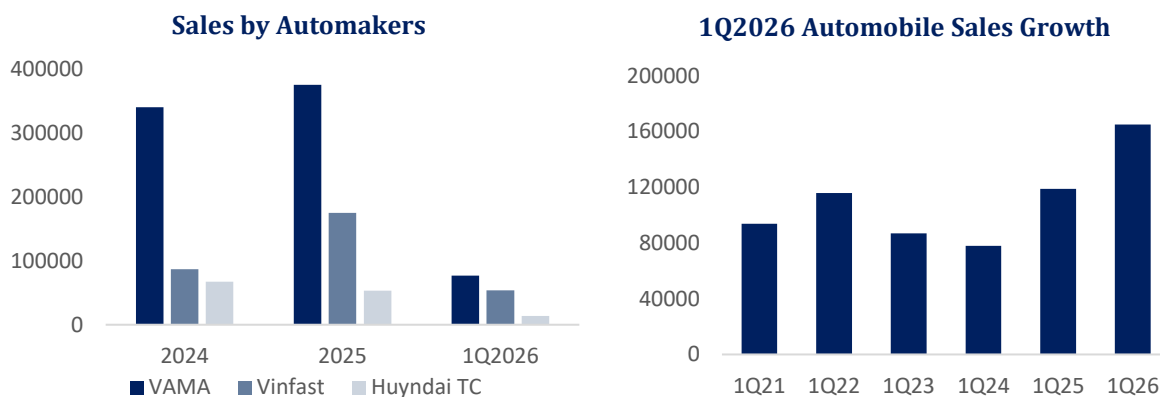
II. AUTOMOTIVE MARKET – 1Q2026

Following a subdued start to the year, Vietnam's automotive market showed a clear recovery in March and 1Q2026, with sales posting strong growth supported by improving consumer demand, intensified promotional campaigns, and gradually stabilizing supply.

According to the latest report from the Vietnam Automobile Manufacturers Association (VAMA), total sales of its members reached 38,704 units in March 2026, up 101% MoM and 122% YoY. This underscores a strong rebound in market demand following the Lunar New Year holiday. For 1Q2026 as a whole, total vehicle sales reached 76,790 units, up 30% YoY.

The most notable highlight in the market landscape is the strong rise of green vehicles. Out of total sales, battery electric vehicles (BEVs) recorded 53,685 units, accounting for over 33% of total market share, while

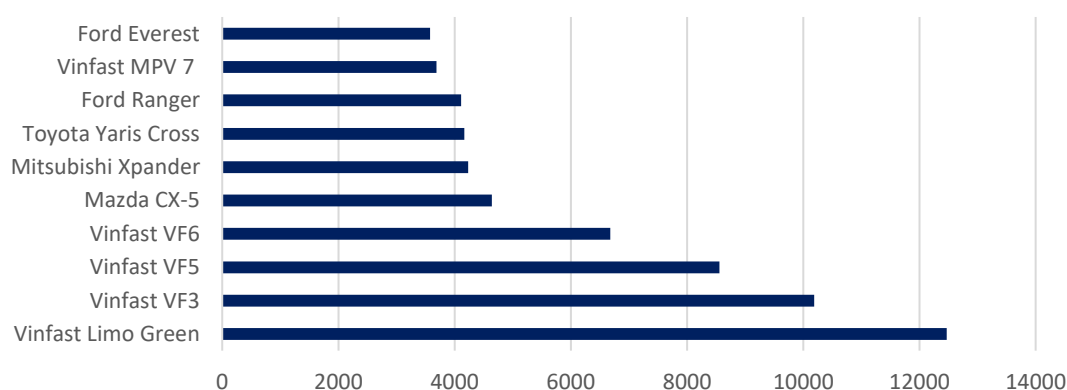
hybrid vehicles reached 5,125 units, up approximately 50% YoY and representing 3.5% market share. This marks a record-high penetration of green vehicles, signaling a clear shift in consumer preferences.



Source: VAMA, Vinfast, TC Motor, GTJASVN

VinFast continues to lead EV sales. According to company disclosures, VinFast delivered 27,609 vehicles in March 2026, bringing its cumulative 1Q2026 sales to 53,684 units. This places the company firmly at the top of the market, significantly ahead of peers such as Toyota (16,885 units), Hyundai (13,498 units), Ford (12,132 units), and Mitsubishi (11,909 units)...

Top 10 Best-selling Car Models - 1Q2026



Source: VAMA, Vinfast, TC Motor, GTJASVN

Electric vehicle models continue to gain strong traction. The VinFast VF 3 once again cements its position as a “national car” with sales of 10,188 units. Meanwhile, the VinFast Limo Green has emerged as a true “dark horse”, contributing as many as 12,471 units.

Supported by policy-driven electrification momentum, 2026 is expected to remain a “golden year” for green vehicle growth. VinFast is likely to maintain its leadership, backed by a refreshed product lineup, accessible pricing, and lower operating costs, attracting younger buyers and first-time car owners, key drivers of incremental demand.

III. OUTLOOK

The 2026 automotive outlook is increasingly shaped by policy adjustments aimed at extending incentives while gradually tightening restrictions on fossil fuel-powered vehicles. Continued tax and registration fee incentives help sustain reasonable ownership costs, while restrictions on gasoline vehicles in major cities create a structural shift toward EV adoption. With policy support in place, we expect the greening of Vietnam’s automotive market to accelerate.

VinFast is expected to remain the leading EV player with strong sales momentum. However, financial performance remains a key watchpoint, as the company continues to post significant losses driven by high investment and expansion costs. While localization rates have improved, they remain below optimal levels. This indicates that the EV transition is still at an early stage, heavily reliant on policy support and not yet fully reflective of sustainable operating efficiency.

Conversely, traditional internal combustion engine (ICE) distributors face medium-term sales pressure. As policies increasingly favor low-emission vehicles, demand for gasoline-powered cars is likely to grow at a slower pace, particularly in major urban areas. Moreover, escalating geopolitical tensions and military conflicts across key energy-producing and transit regions are disrupting global supply chains for oil, gas, and coal, leading to heightened volatility in energy prices. Fluctuations in fuel prices may dampen



consumer sentiment toward ICE vehicles while further boosting EV demand.

Amid the irreversible electrification trend, at its 2026 Annual General Meeting (held on February 28), Haxaco (HOSE: HAX) proposed acquiring a 65%–85% stake in Vietnam Future Group JSC (VFG), thereby directly participating in the operation and development of VinFast dealership networks. This “standing on the shoulders of giants” strategy enables faster entry into the EV market, leveraging existing ecosystems and rapidly evolving consumer trends.

In contrast, VEAM adopts a different approach by engaging in the supporting industries value chain and gradually “greening” its product portfolio, rather than directly transitioning into EV distribution.

2026 is likely to serve as a “pivot year”, where policy continues to lead while the market begins to exhibit a clearer and more defined electrification trend.

COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% OrThe Fundamental outlook of the sector is unfavorable

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