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Highlight

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FINANCE

Digital economy to support $74 billion of annual economic impact in Vietnam by 2030

The new report titled "Vietnam's digital economy potential" by AlphaBeta and Google was released at a workshop in October 18 held by the Ministry of Planning and Investment's (MPI) National Innovation Centre (NIC).

At the meeting, MPI Deputy Minister Tran Duy Dong said that the digital economy was not unknown before the emergence of Industry 4.0 and the Internet of Things (IoT), but they been the starting pistol for a new race to digitalize all manufacturing and business operations across the entire economy.

“Amid the COVID-19 pandemic, Vietnam needs to accelerate the digital economy based on science and technologies, innovation, enhancing productivity, efficiency, and competitiveness of the economy," the MPI deputy minister said.

To support these goals, the Party and the government have made digital economic development a key orientation for Vietnam such as resolution No.52-NQ/TW adopted in 2019 by the Central Committee. The legislation set the target that by 2030, the digital economy would contribute 30 per cent of GDP. The government and the MPI have been doing their utmost to implement these directions and reach the targets set forth.

Jacques Morisset, World Bank lead economist and program leader for Vietnam said that to develop a contact-free and high-tech economy, Vietnam needs to be more efficient in the use of its resources. He offered three priorities to make the most of the digital transformation: improving digital skills, promoting information quality and access, and encouraging dynamic and innovative businesses, although Vietnam is lagging in terms of digital skills among the population, and not enough companies embrace disruptive ideas.

"However, the silver-lining of the COVID-19 crisis is that it has accelerated the digital transformation in Vietnam. 60 per cent of businesses are now using online tools and platforms, and more than 2,000 procedures can be conducted online," he emphasized.

The new report "Vietnam's digital economy potential" of AlphaBeta and Google pointed out that if all of its advantages were utilized, digital transformation could generate VND1.73 trillion ($74 billion) in value for Vietnam by 2030, equivalent to 27 per cent of the country's GDP in 2020. The most promising fields highlighted were agricultural products and food, education and training, retail, services, and tourism.

Vietnam's advantage is a young, educated, and tech-savvy population accounting for 70 per cent of citizens under 35, and around 70 per cent of the population use smartphones. Besides that, Vietnam is the second-fastest-growing internet economy in Southeast Asia (following Indonesia).

The report highlighted eight key technologies for the digital economy, including mobile internet, cloud computing, big data, AI, Fintech, IoT and remote sensing, advanced robotics, and additive manufacturing.

New business models will increase revenue, save cost, and enhance the productivity of businesses. They can create significant economic value for businesses and the government of Vietnam, contributing to GDP growth.

Additionally, the report also said that digital adoption is also essential for Vietnam to respond to and recover from COVID-19. By helping businesses connect with customers through digital technology and reducing logistics bottlenecks caused by supply chain disruptions, technologies can help businesses manage the severe impacts of COVID-19. It is estimated that about 70 per cent of Vietnam's total digital opportunities (VND1.216 trillion ~ $52 billion) can be generated by such technology applications.

Highly appreciating the innovation ecosystem and digital economy in Vietnam, Vu Quoc Huy, NIC director said that the centre has already shaken hands with tech giants like Google and Amazon to organize programs including online training on technologies, e-commerce, as well as digital transformation for human resources and businesses. "In the time coming, NIC will continue building and deploying programs to facilitate and support enterprises in digital transformation. We will propose more policies to the MPI to develop the digital economy in Vietnam," said Huy. VIR

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State budget revenue in nine months of 2021 up 10.75%

The State budget revenue in the January-September period of this year reached nearly VND1.1 quadrillion, meeting 80.75% of this year's target and rising 10.75% year-on-year, according to the Ministry of Finance.

Of the total, domestic revenue was VND878.5 trillion, or 77.5% of the expected amount, the local media reported.

Despite the severe impact of the Covid-19 pandemic, the progress of the State budget revenue collection in the nine-month period was still ensured and the revenue rose over the year-ago period thanks to strong economic growth in the last months of last year.

In the nine months, the State budget spending was VND1,030 trillion, equivalent to 61.1% of the plan, including VND218.6 trillion on investment, VND79.3 trillion on loan interest payment and VND725.3 trillion on regular expenditure.

According to the Ministry of Finance, both the State budget and localities' budgets were prioritized for the fight against the pandemic.

As of September, VND29.1 trillion was sourced from the State budget for the Covid fight and support for pandemic-hit people and enterprises, including VND19.7 trillion for pandemic prevention and control and VND9.4 trillion for people and firms hit by the pandemic.

As the spending progress was slower than the collection progress, the country posted a State budget surplus in the January-September period. The Ministry of Finance has adjusted the Government bond issuance to effectively use the State budget while ensuring the payment of overdue debts and restructuring of public debts.

By September, VND237.7 trillion worth of Government bonds with an average term of 13.21 years and an average annual interest of 2.26% were issued.

In the last months of the year, the Ministry of Finance will continue reforming administrative procedures on taxes, simplifying business conditions, enhancing the digital tax management and closely cooperating with the police, customs and market management agencies to control prices to prevent State budget losses and create a healthy business environment to attract investments.

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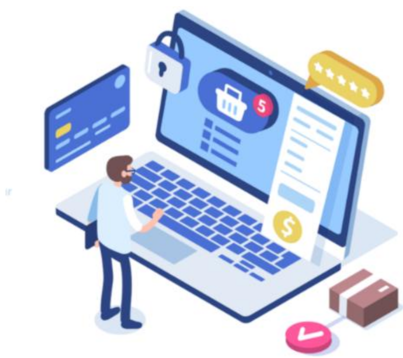
E-COMMERCE

Vietnam passed Decree on regulating e-commerce activities and platforms

E-commerce regulations are set to change with the recent issuance of Decree 85/2021/ND-CP amending and supplementing several articles of Decree 52/2013/ND-CP on e-commerce ("Decree 85"). Most notably, Decree 85 brings offshore entities operating e-commerce websites in Vietnam within its scope. Decree 85 enters into force on 1 January 2022.



Broadened scope of application

Decree 85 and its requirements will apply to offshore traders and organizations operating e-commerce websites in Vietnam if the e-commerce websites fulfill any of the following:

The websites are displayed in Vietnamese language; The websites are under Vietnamese domain names; or the website processes more than 100,000 sales transactions annually from Vietnam.

Offshore traders and organizations falling within scope will have to register their e-commerce activities with the Ministry of Industry and Trade ("MOIT") and establish representative offices in Vietnam or appoint representative(s). It is noted that social network platforms may also be deemed as e-commerce trading floors. Relevant entities must also coordinate with the competent authorities to prevent illegal transactions, protect consumers, and ensure the quality of products. Decree 85 also imposes stricter sanctions on e-commerce platforms with respect to infringement cases and disputes (more details are provided below).

Measures that must be taken upon detection or receipt of reports of violation(s)

Decree 85 requires e-commerce platforms to take prompt measures upon detection or receipt of reports of violation(s) relating to trade of illegal goods/services. Such measures, among others, include: Take down of information relating to illegal goods/services within 24 hours upon receipt of request from competent authorities; Coordinate with the relevant intellectual property rights holders to monitor and remove infringing products; and restrict violating entities from providing services on e-commerce websites for a definite or indefinite period of time. Duty to cooperate with the authorities for investigations and handling of infringements

E-commerce platforms are also obligated to actively support enforcement authorities. Specifically, e-commerce platforms are required to liaise with the competent authorities in the following ways: Provide information about suspected infringers to the authorities upon detection or receipt of such information; Update key words on a regular basis as suggested by the authorities and filter information relating to infringing services/goods before they are uploaded and displayed on e-commerce platforms; Receive and respond to complaints on the MOIT's e-commerce management portal (online.gov.vn). Additional requirements for e-commerce platforms with online order features

Decree 85 imposes additional requirements on e-commerce platforms with online order features such as the following: Assign a contact point to receive requests and provide the authorities with information about potential infringers within 24 hours upon the receipt of such requests; Act as a focal point for the handling of consumer complaints when transactions involve foreign sellers or more than two parties; Store data on sales transactions and orders in accordance with the Law on Accounting; and be jointly liable regarding compensation should they fail to comply with Decree 85 requirements. Rouse

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ENERGY

Electricity of Vietnam warns about low number of commercial wind power projects

The number of wind power projects recognized for Commercial Operation Date (COD) is still small, which is a warning sign for wind power investors in Vietnam.

According to the updated information of the Electricity of Vietnam (EVN) Group, from October 1 to October 15, five more wind power plants with a total capacity of 170MW were recognized for commercial operation (COD).

Of 106 wind power plants with a total capacity of more than 5,655 MW registered for COD testing, as of October 15, only 11 wind power plants with a total capacity of 443 MW had been recognized for commercial operation.

This is a very small number compared to the number of registered projects, while there are only 15 days left for wind power projects to enjoy the preferential price. Projects operating after October 31, 2021 will not have the opportunity to enjoy the price of over VND1,900/kWh for 20 years according to Decision 39.

With the current pace, many wind power projects will not be able to enjoy the price.

A representative of the Electricity and Renewable Energy Bureau told VietNamNet that the Ministry of Industry and Trade is coordinating with ministries and agencies to research and develop regulations on the development of renewable energy power projects, including bidding, selection of investors, and the price framework for solar power projects to submit to competent authorities for approval. VNN

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EDF Renewables from France invests in Vietnam rooftop solar developer

French company EDF Renewables has made an undisclosed investment into a rooftop solar power developer subsidiary of VinaCapital, seeking to profit from the booming industry in Vietnam.

With the investment SkyX Energy, the holding company of SkyX Solar that has 30 megawatt-peak of solar projects under operation, plans to invest more than $100 million into further develop 200 megawatt-peak of rooftop solar and distribute energy solar projects for customers over the next few years, VinaCapital stated.

"The potential for renewables in Vietnam is enormous, and we are keen to expand our footprint in the country by drawing on our global knowhow in rooftop solar solutions," said Yalim Ozilhan, Southeast Asia director of EDF Renewables.

In recent years, Vietnams' rooftop solar energy sector has grown from virtually nothing into Southeast Asia's leading solar market, with cumulative rooftop solar capacity totaling 9.3 gigawatts by the end of last year, VinaCapital said.

EDF Renewables is an international leader in renewable energies, with gross installed capacity of 13.8 gigawatts worldwide.

SkyX Solar invests, designs, builds and operates solar systems for its commercial and industrial customers in Vietnam.

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RETAIL

Japanese retailers are committed to the huge potential of the Vietnamese market

Following the reopening, more Japanese retailers are stepping up operations in Vietnam, betting on the huge potential consumption demand of local customers.

Sakuko Japanese Store, a Japanese supermarket chain, is still committed to the Vietnamese market after 10 years of operation. The retailer operates 33 stores in Hanoi and many other localities, selling mother and baby, cosmetics, food, healthcare, fashion, stationery, as well as home and life products.

Most recently, Sakuko Vietnam Retail Co., Ltd., the operator of the Japanese supermarket chain, has announced its plan to increase the number of its outlets to 60 stores in Vietnam by 2025. Under its plan, Sakuko Vietnam will expand its chain in the densely populated areas of Hanoi and other northern localities, targeting middle-class consumers. The retailer also plans to venture into the southern region in the next five years.

Cao Thi Dung, CEO of Sakuko Vietnam Retail Co., Ltd. said that Vietnam is an extremely promising market for Japanese retailers. In particular, Japanese goods are trusted by Vietnamese customers due to their high quality. Growing bilateral trade between the two countries also facilitate Japanese manufacturers and importers to access the local market. Thus, Japanese retailers can gain more advantage to diversify their sources of goods to meet all needs of Vietnamese consumers.

Sakuko Vietnam continues to expand its footprint in the midst of the global health crisis to satisfy the needs of customers who are looking for Japanese products with clear origin, prestige, and quality. At the same time, the Japanese retailers aims to accompany customers with tight-spending budgets during the crisis.

Dung shared that the company also faces some challenges in expanding operations amid the pandemic. In particular, the company incurred higher operation expenses, logistics costs, and human resources challenges due to social distancing. However, with 10 years of experience in retail, Sakuko has made efforts to overcome the challenges to ensure business and ensure logistics continuity.

"We accept higher expenses to keep good track of product supply so that our stores can provide continuous services to customers. We also try to diversify categories and restructure product portfolios to meet the evolving demand of customers during the pandemic. This, coupled with increasing Omni-channel presence and customer care services, brings convenience to customers even in the context of the pandemic," Dung added.

Like Sakuko, many other Japanese retailers are also looking for opportunities in Vietnam in the long run. They continue investing to expand the market share when the country is easing social distancing regulations.

UNIQLO, the Japanese global apparel retailer, will open the ninth store in Vietnam by the end of October. Located at AEON Mall Ha Dong, UNIQLO's latest store covers an area of 1,000 square metres. Meanwhile, TOKYU is planning to open a new shopping center in New City in Binh Duong in 2023 and AEON will be one of the core tenants. In July, Japanese chain retailer Muji opened its first store in Hanoi after opening one in Ho Chi Minh City last November.

Hirai Shinji, chief representative of the Japan Trade Promotion Organization (JETRO) in Ho Chi Minh City, said, "Among ASEAN countries, Japanese retailers previously chose Singapore, Malaysia, Thailand, or Indonesia for their business expansion. Vietnam, the third-largest among ASEAN countries in terms of population, was regarded as a potentially attractive market, but it is only recently that most Japanese retailers decided to open their shops in Vietnam as the GDP per capita of Vietnam is close to $3,000."

The economic ties between Japan and Vietnam is expected to be upgraded accordingly as the economy of Vietnam develops. Previously Vietnam might be looked upon as a site for production. In particular Japanese companies, entitled as an export processing enterprise, import parts, and materials from Japan, and export final product back to Japan. In this case, knowledge on local Vietnamese market does not matter so much.

"But recently, as the economy of Vietnam develops, the size of the local consumption market is attractive. The GDP of Vietnam is comparable with the size of a major prefecture of Japan. But if the GDP increases at an annual rate of 7 per cent, then 10 years later, the size will be twice. It is very promising, so not only manufacturing but also non-manufacturing companies in the retail and service sectors come to Vietnam year by year," he added. VIR

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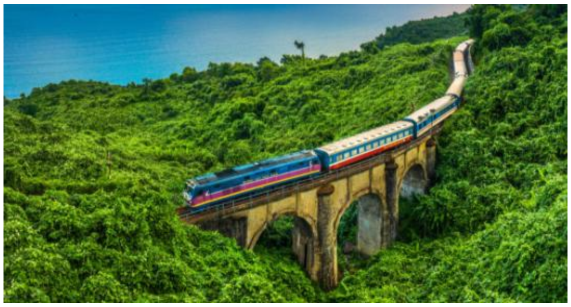
LOGISTICS

Nine new railways expected to be developed by 2030

The Government has this month approved a plan to develop nine new railways with a total length of nearly 2,400 kilometers by 2030, including the North-South express railway project.



According to a decision approving the master plan for the railway system in the 2021-2030 period with a vision to 2050, the railway sector will upgrade existing routes, connect with international routes and develop new rail routes.

The country currently has seven rail routes which are 2,440 kilometers long in total, the local media reported.

Among the nine new routes, the largest project is the North-South high-speed railway stretching from the Ngoc Hoi Station in Hanoi to the Thu Thiem Station in HCMC, which will be some 1,500 kilometers long. The Ministry of Transport proposed developing the Hanoi-Vinh and HCMC-Nha Trang sections before 2030.

In the north, three railway projects will be executed, including the 129-kilometer Yen Vien-Pha Lai-Halong-Cai Lan route, the 102-kilometer Hanoi-Haiphong route and the 59-kilometer Ngoc-Hoi-Lac-Dao-Bac Hong route.

The central region will be home to the 103-kilometer Vung Ang-Tan Ap-Mu Gia route stretching from the Vung Ang Port in Ha Tinh Province to the Mu Gia Mountain Pass in the border area of Vietnam and Laos.

In addition, four new rail routes will be built in the south, including the Bien Hoa-Vung Tau route which will link the Trang Bom Station in Dong Nai Province to the Vung Tau Station in Ba Ria-Vung Tau Province, the HCMC-Can Tho route running from the An Binh Station to the Cai Rang Station, the HCMC-Loc Ninh connecting the Di An Station to the Hoa Lu Border Gate, and more importantly, the Thu Thiem-Long Thanh route stretching from the Thu Thiem Station to the Long Thanh International Airport. The four routes will have a length of 84, 174, 128 and 38 kilometers, respectively.

The railway sector has set a target to transport 11.8 million tons of cargo and 460 million passengers by 2030, accounting for 0.27% and 4.4% of the transport market, respectively.

The investment needed for railway projects until 2030 is some VND240 trillion, or more than US$10 billion.

By 2050, the North-South express railway together with new railways from Hanoi and HCMC, railways connecting seaports, industrial parks and the Central Highlands, coastal railways and those connecting with international routes are expected to be completed. The national railway system by 2050 will have 25 routes with a total length of nearly 6,400 kilometers.

To achieve the target, the Government will issue policies to encourage domestic and foreign individuals and organizations to invest in these railway projects, and exploit land funds at rail stations to mobilize capital and develop the national railway infrastructure.

The Government will also continue using official development assistance loans and preferential loans of international investors and enhancing the mobilization of private sources in the railway business. SGT

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Volume of goods through seaports reach double-digit growth

Vietnam's seaports handled over 587 million tonnes of goods in the first ten months of this year, representing a year-on-year rise of 2 percent, according to the Vietnam Maritime Administration (VMA).

Despite the effect of the COVID-19 pandemic, the total volume of container cargo going through seaports maintained a double-digit growth rate of 12 percent compared to the same period last year to nearly 20.3 million twenty-foot equivalent units (TEUs).

Of the figure, the volume of exports was estimated to hit over 6.6 million TEUs, surging 11 percent, that of imports - nearly 6.7 million TEUs, up 14 percent, and that of domestic goods - almost 7 million TEUs, up 10 percent.

According to the VMA, most of seaport areas saw positive growth in the volume of goods, such as Vung Tau with 21 percent increase and Ho Chi Minh City nearly 8 percent in the first nine months of the year. The volume of goods that went through seaports in Hai Phong expanded nearly 15 percent and in Dong Nai 7 percent year on year.

The VMA said the Government has effectively implemented disease control and set forth solutions to ensure economic development goals, which are factors that would help the seaport system maintain good growth in the coming time. VNA

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INVESTMENT

Real Estate still attracts investors despite the pandemic

While production activities became stagnant during the pandemic, the real estate market remains warm with many merger and acquisition (M&A) deals.

The best known M&A deals in Q2 included ones in which Phat Dat Real Estate Development acquired 99.5 percent of shares of Binh Duong Building Real Estate Investment and Development for the Binh Duong Tower project; Thaco took over E-Mart Vietnam; and a deal between Becamex IDC and Central Retail Vietnam to develop GO! shopping center in Binh Duong.

Masterise Homes, a subsidiary of Masterise Group, has bought two land plots with the total area of 7.1 hectares at Vinhomes Grand Park project (district 9) from a subsidiary of Vinhomes.

In the northern market, the business acquired six apartment buildings at Vinhomes Ocean Park Gia Lam and developed into Masteri Waterfront project. Also, Masterise Homes is developing Masteri West Heights project in the Vinhomes Smart City Tay Mo Urban Agglomeration project.

Novaland, well known for a series of M&A deals, is continuing to take over hundreds of hectares of land in many localities. It is seeking land in Dong Nai, Long An, Ba Ria –Vung Tau, Lam Dong and Phan Thiet for its urban area and tourism real estate projects.

An Gia Group has announced an M&A strategy as a solution to develop its land bank. At the 2021 shareholders' meeting, An Gia stated it would wrap up negotiations to buy 30-50 hectares of land more to develop projects.

Most of the successful M&A deals were between domestic investors and foreign investors who are present in the Vietnamese market.

Meanwhile, there were few deals with the participation of investors from overseas, because projects could not satisfy their requirements. However, the deals made by international investors had the highest value.

Analysts say that M&A activities have been slowing over the last year. The real estate prices in H2 2020 and H1 2021 did not decrease as predicted, despite the pandemic. This, plus the monetary policy loosening, caused land owners to think that the pandemic would end soon and the market would see a strong recovery. They tended to retain properties or sell at high prices.

But buyers are not so optimistic. They are cautious in disbursing money now and many of them are waiting before taking action. Because of many reasons, the process of legalizing projects' status has also gone more slowly than planned.

Another reason is that many investors who want to transfer projects lack opportunities to approach buyers, especially foreign ones.

In some cases, buyers and sellers cannot find a common voice.

Analysts say that Vietnam needs to have professional institutions that provide M&A consultancy services. The institutions need to understand the local market, have connections with global investors, and provide package consultancy services to help make transactions successful at the lowest possible cost. Analysts also note that, previously, the projects in M&A deals were mostly located in the central districts of large cities of Hanoi and HCM City. However, as the land there is getting scarce, investors are seeking opportunities in neighboring areas.

Opportunities

According to Hung Vuong Holdings CEO Pham Viet Anh, the time to buy projects is when the market cools and realtors turn cautious. Anh believes that current difficulties are just temporary and the real estate prices will increase after the pandemic ends.

According to Savills HongKong, Vietnam remains an attractive destination for foreign investors. The Ministry of Planning and Investment (MPI) reported that total FDI capital in H1 reached $15.27 billion.

Vietnam is the only country which has received an upgrading in credit rating by all three prestigious rating firms - Moody's, S&P and Fitch. Le Phuong Lan from Savills Hanoi said investors are most interested in urban housing projects. The demand for Industrial Zone development and logistics land has also been increasing rapidly in the last 1.5 years. VNN

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Excitement sustained in M&A possibilities

Over the past 20 years, Vietnam has seen over 4,000 merger and acquisition deals conducted in the country, with an aggregated value of $50 billion, securing third position in ASEAN.

The value peaked in 2017 at $10.2 billion, half of which was attributed to the $5 billion deal that saw Thai Bev acquiring SABECO. The merger and acquisition (M&A) value normalized to $7.6 billion in 2018 and $7.2 billion in 2019, which placed Vietnam in the top three among ASEAN markets, behind Singapore and Thailand. M&A activities were inevitably disrupted in 2020 by the pandemic, with the total value dropping 50 per cent on-year, to about $3.5 billion.

During 2016-2019, M&A activities were concentrated in the consumer retail, real estate, and banking sectors. In 2020 and the first half of 2021, real estate and banking/consumer finance led the M&A wave. Foreign investors played the leading role in M&A in Vietnam, accounting for 90 per cent of the total value per annum in the years prior to 2019 and around 65 per cent during 2019-20, led by investors from Singapore, Hong Kong, Thailand, South Korea, and Japan.

We observed that Singapore and Hong Kong investors had stronger preference in real estate, Thai investors in consumer retailing and consumer finance, South Koreans in food and beverage (F&B), retailing, and banking, and Japanese investors in banking/consumer finance. Local investors have become more active in M&A since 2019, accounting for one third of total M&A value during 2019-2020, particularly in F&B and retailing as these companies attempt to dominate the domestic consumer market.

Notable acquirer names include Vingroup, Kido, Masan, Truong Hai Auto Corporation (THACO), and The PAN Group, and their deal sizes typically range between $20-100 million. Three outstanding M&A deals with big sizes of note were THACO acquiring 35 per cent of Hoang Anh-Gia Lai Group in 2019 for $305 million; An Quy Hung acquiring 57.7 per cent of Vinaconex for $320 million; and Masan Group acquiring 86 per cent of VinCommerce from Vingroup in late 2019 for around $1 billion.

We expect M&As will recover strongly after the pandemic is controlled, propelled by secular drivers.

Most stakeholders considering M&A opportunities agree that activity will recover strongly in Vietnam, mirroring the country's economic growth and expanding consumerism driven by attractive demographics and moving up in the global value chain. A survey by the Institute for Corporate Investment, Mergers and Acquisitions estimated that the M&A value could recover to the $7 billion benchmark by 2022.

According to the survey, sectors expected to see the most active M&As in coming years include consumer-goods manufacturing, industrials and energy, property, retailing, ICT, and logistics.

In our view, there are four factors propelling M&A activities in Vietnam over the next three years. First and foremost, a large and growing consumption market of nearly 100 million people would represent enormous growth potential in key sectors like retailing, F&B, financial services, property, logistics, and healthcare.

Supporting factors are a stable socio-political landscape; a large domestic market with rising middle-income consumers; and expanding urbanization. Furthermore, Vietnam is moving up in the global supply chain thanks to active participation in free trade agreements, which would underpin the country's forecast robust economic growth over the next 10-year cycle.

These factors make Vietnam a hotbed for M&A in the consumer, financial service, and property sectors, with particular interest from Thai, Singaporean, South Korean, and Japanese investors. It also justifies the premium valuations that foreign investors are paying to acquire local businesses.

Secondly, we believe there is a stronger demand for capital and expertise from local businesses for the next development phase. Vietnamese companies have gone through a foundation-building phase (2000-2010) and restructuring phase (2011-2018). Currently, they have solidified business platforms and forged clear development strategies for the next growth cycle. The demand for capital and expertise, especially in building network platforms and digitalization, is pronounced. This opens up opportunities in sectors like retailing, banking and Fintech, industrials like electric vehicles, and logistics.

Thirdly, environmental, social, and corporate governance (ESG) criteria are exerting affluence into the M&A market. Since 2015, Vietnam has prepared a national scheme to achieve the Sustainable Development Goals by 2030. Renewable energy is one of the key areas being strongly promoted with a target of having 21 per cent of total power capacity coming from renewables by 2030. By the first half of this year, renewable energy, including solar and wind, accounted for 11.4 per cent of total power generated here. Vietnam leads the ASEAN region in renewable deployment, with significant participation of private companies in the solar energy segment. Total investment in renewables in Vietnam reached $7.4 billion by 2020, ranking eighth globally. We observe some listed companies, such as REE and Ha Do Group, are also diverting from traditional businesses to renewables. The demand for capital to expand portfolios from Vietnamese companies and rising ESG investment flows from the US, Japan, and Thailand will create notable M&A deals in the future in this area.

Last but not least, the accelerated equitisation of state-owned enterprises (SOEs) will pave the way for buoyant M&A activities. Vietnam used to rely on SOEs as the key pillar of its economic growth, which is a legacy of the command-based economy. Since 1990, along with the transition to a market-based economy, the government has set out a plan for equitizing SOEs, which was initially to be completed by 2020. The equitisation process has slowed down significantly since 2018 due to several factors, including a change in government causing delays in decision-making, obstacles in the legal framework pertaining to foreign ownership limits and land-use rights, and of course the pandemic.

There are now 93 SOEs in the pipeline for potential initial public offerings, and 209 SOEs in divestment pipelines, including big names in banking, telecommunications, retail, hospitality and services, and the logistics sector. We expect that the pandemic will retreat and the new government set up this year will focus on resolving legal obstacles to accelerate SOE equitisation in its endeavor to enhance the overall efficiency of the economy. VIR

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