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FINANCE

Mizuho Bank to spend $170 million to acquire Momo stake

A Japanese bank is expected to spend $170 million to acquire 7.5 percent of M-Service, which operates Vietnamese e-wallet app Momo.

Mizuho Bank would acquire the stake by the end of this year to leverage the Vietnamese smartphone payment company's retail business, Nikkei Asia reported.

Mizuho wants to tap into Asian growth rates as it's been lagging behind competitors in overseas investment, the paper added.

M-Service, based in Ho Chi Minh City, intends to turn Momo into a "super app" that would allow users access to multiple services.

Back in 2011, Mizuho also invested in Vietnamese state-owned bank Vietcombank. Its new investment in M-Service is expected to strengthen their collaboration in Vietnam's retail market.

Momo has yet to respond to news of the stake acquisition.

The e-wallet currently boasts over 20 million users in Vietnam. In October, it was named the e-wallet with the highest number of users in the country by Decision Lab, a market research firm. VNE

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Vietnam to regain economic growth momentum next year

An increase in foreign direct investment (FDI) and consumption, coupled with a growing middle class and new infrastructure can all be considered as driving forces for the Vietnamese economy to grow next year, said Tim Evans, CEO of HSBC Vietnam.

The financial expert emphasized that the local economy is likely to secure its GDP growth rate of 6.8% next year thanks to strong FDI inflows recorded in the manufacturing sector, along with the enforcement of a series of free trade agreements (FTAs) which are anticipated to promote the country's exports in the future.

According to details given by HSBC, there remains a strong inflow of FDI into the Vietnamese market which has been slightly impacted by recent social distancing measures.

The total registered FDI capital from January 1 to November 20 increased by 0.1%, with 1,577 newly-licensed projects, while the disbursement of capital decreased by 4.2% amid total export turnover rising by 17.5%, helping the country enjoy a slight trade surplus. Furthermore, the Purchasing Managers' Index (PMI) reached 52.5 in November, signaling improvements in business conditions following a period of decline caused by the fourth wave of the COVID-19 pandemic.

Evans, who also serves as general director of HSBC Vietnam, recommended that the Government closely monitor a number of issues, such as escalating prices of energy and high transportation costs, in a bid to prevent the national economy suffering a negative impact in the future.

The expert analyzed that a gradual recovery in terms of domestic demand is likely to offset high energy prices, and that inflation is likely to rise to 3.5% in 2022, which will be within the Government's threshold. He also pointed out that the most unstable factor is the complicated nature of the COVID-19 pandemic as any social distancing measures to be adopted will have negative consequences on the economy.

However, the executive noted that Vietnam made progress in developing its green financial market in 2021, with large transactions executed. Still, this market is in its infancy and shows enormous potential for development.

Vietnam makes up the largest recipient of FDI among ASEAN member states in terms of GDP, with global corporations paying closer attention to environmental, social and governance (ESG) and sustainability standards. Most notably, it has also received the highest flow of investment in renewable energy in the ASEAN region thanks to its great potential in the field.

Evans also emphasized that the COVID-19 pandemic has helped Vietnam accelerate the digitalization process of its economy and the banking industry in particular, noting that each bank must continue to invest in digital services in order to keep up with customer needs and behavior. VOV

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E-COMMERCE

E-commerce platforms may choose not to pay taxes on behalf of sellers

This is new information as per Circular 100 issued by the Ministry of Finance, replacing the previous Circular 40. This regulation will help e-commerce platforms to relieve their finances.

However, a representative of the General Department of Taxation said that although it would not be compulsory for e-commerce platforms to pay tax on behalf of sellers, Circular 100 still had strict regulations to avoid loss of tax revenue.

Circular 100 gives e-commerce platform owners two choices. One is to pay taxes on behalf of individuals if authorized by sellers. The second is for platforms to provide the information of business individuals, such as the name, age, address, tax number, telephone number, sales revenue and bank account number, to the tax authority.

Ta Thi Phuong Lan, Deputy Director of the Individual Income Tax Management Department, said that between the two options above, the plan to pay taxes on behalf of individuals would be more favorable for e-commerce platforms. Because the plan to share the seller's information with the tax agency would take much time and manpower. “If declaring or paying tax on behalf of sellers, e-commerce stores only have to do it monthly or quarterly and can do it all at once. Thus, the exchanges will not have to provide information,” she said.

If providing seller information, the platform will have to provide information on each transaction, but the number of e-commerce transactions is currently up to 3.5 million transactions per day, according to Lan. The data is very large, it will consume a lot of human and material costs compared to declaring or submitting instead.

Recently, the Ministry of Finance and the Ministry of Industry and Trade signed an agreement on sharing data on e-commerce platforms and information about individuals selling on them. Circular 100 will take effect from January 1, next year and is a legal corridor to manage tax obligations for sellers on e-commerce platforms, helping to limit the loss of tax revenue on current e-commerce platforms.

A report by the Vietnam E-commerce Association revealed that the average growth rate of Vietnamese e-commerce was forecast to be 29 per cent in the 2020 - 2025 period, with the scale estimated to be 52 billion USD by 2025. With an increasingly large scale, tax revenue from e-commerce is significant and Circular 100 will contribute to combat tax losses. VNS

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ENERGY

Japanese investors venturing into Vietnam's renewable energy market

More Japanese investors are actively entering Vietnam's renewable energy market to satisfy increasing energy demand.

Marubeni Green Power Vietnam, a wholly-owned subsidiary of Japan-based Marubeni Corporation has just signed a corporate power purchase agreement (PPA) with Ajinomoto Vietnam Co., Ltd. in which Marubeni Green Power (MAGPOV) will supply electricity generated by a rooftop solar PV system in Vietnam.

By supplying renewable energy generated from a solar PV system built on the roof of Ajinomoto Vietnam's Long Thanh facility in Dong Nai province, MAGPOV Vietnam hopes to contribute to Ajinomoto Vietnam's carbon dioxide emissions reduction and decarbonisation.

The Japanese Ministry of the Environment has chosen this project as part of its Financing Program for Joint Crediting Mechanism in FY2021, and it will be carried out in collaboration with the Vietnamese and Japanese governments. Marubeni will continue to promote the decarbonisation of the supply chain of companies in Vietnam by introducing rooftop solar PV systems.

Marubeni is expanding this business to provide renewable energy to commercial and industrial customers by installing, owning, and operating solar PV systems on the roofs of their factories and/or warehouses without requiring any upfront investment from the customers in Vietnam.

Marubeni owns holdings in power projects in 19 countries (including Japan), totaling around 12GW of net capacity. Marubeni will strengthen and expand its efforts in the field of power service business by expanding its decentralized power generation business and contribute to the achievement of net-zero greenhouse gas emissions by 2050 and the realization of low-carbon and decarbonization through each project.

The potential of Vietnam's renewable energy market is luring more Japanese companies. In October, Sojitz Corporation and Osaka Gas Corporation have formed a new joint venture with Looop Inc., a Tokyo-based electric power startup, to begin a rooftop solar power company in Vietnam for industrial and commercial customers. SOL Energy Co., established in Dong Nai province, owned 70 per cent by Sojitz Osaka Gas Energy Co., an existing joint venture between Sojitz and Osaka Gas, and 30 per cent by Looop.

In May, the Japan International Cooperation Agency (JICA) also signed a facility agreement to provide up to $25 million for the construction of wind energy projects in Vietnam together with other co-sponsors namely the Asian Development Bank (ADB) and the Australian Export Finance (EFA). This project is JICA's first funding for wind power generation in Vietnam and is expected to serve as a model case for private-sector wind power generation projects in the renewable energy sector in Vietnam, including those by Japanese and local companies. VIR

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Sembcorp and Bamboo Capital Group Energy partner up for 1.5GW of renewable energy projects in Vietnam

Sembcorp Utilities, a wholly-owned subsidiary of Sembcorp Industries and BCG Energy, a wholly-owned subsidiary of Bamboo Capital Group inked an agreement for the development of renewable projects in Vietnam on December 9, 2021.

Bamboo Capital Group (BCG) is one of the pioneers in Vietnam's renewable energy industry with strong knowledge of the local market and extensive experience in developing large-scale infrastructure projects. Sembcorp has invested in Vietnam for more than 20 years through its integrated energy and urban management expertise and is looking to scale up its renewables portfolio in the country. Sembcorp's Vietnam Singapore Industrial Park (VSIP) is also a leading name in integrated townships and industrial parks in Vietnam.

Under the collaboration, Sembcorp and BCGE will leverage each other's strengths and resources to identify and jointly develop a pipeline of up to 1.5GW of wind and solar projects in Vietnam.

In the latest draft of its National Power Development Plan 8 (PDP VIII), Vietnam has prioritized the development of renewable energy sources. The draft PDP VIII includes increasing the country's solar and wind capacity to about 21.4GW and 12.5GW by 2030, respectively.

Koh Chiap Khiong, CEO of Singapore and Southeast Asia, Sembcorp Industries said: "Vietnam is a key growth market for Sembcorp in this region as we transform our portfolio from brown to green. BCG Energy is an established and strong local developer in both wind and solar projects, and we are pleased to partner them to bring in our next wave of investment in renewables to Vietnam."

Pham Minh Tuan, vice chairman of the Board of Directors cum general director at BCG, emphasized, "The draft PDP VIII of the Vietnamese government clearly illustrates then country's priority on renewable energy development. Prime Minister Pham Minh Chinh also pledged at the United Nations Climate Change Conference (COP26) for Vietnam to reduce net emissions to zero by 2050."

This, he added, demonstrates that BCG's involvement in solar power and wind power is a good fit for the Vietnamese market.

"We are delighted to be working with Sembcorp since the firm is a trusted partner with strong financial resources, long-standing experience, and prestige in the European energy sector. The collaboration between BCG and Sembcorp not only helps both parties in terms of business performance it also fosters the transition to clean energy in Vietnam, contributing to Vietnam's future emission reduction objective," Tuan said.

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RETAIL

36 million middle class consumers may join Vietnam’s consuming class

The report “The new faces of the Vietnamese consumer” said that in the next decade, Vietnam’s middle class was expected to continue to grow, spreading out geographically and becoming more diverse.

Powered by continued investments in its manufacturing sector, dynamic foreign direct investment and rising productivity, Vietnam has been a consistent outperformer in Asia.

Vietnam is well positioned to be a significant driver of the next chapter of Asia’s consumption story. Over the next decade, 36 million more consumers may join Vietnam’s consuming class, defined as consumers who spend at least US$11 a day in purchasing power parity terms.

This is a major change. In 2000, less than 10 per cent of Vietnam’s population were members of the consuming class, which has risen to 40 per cent today. By 2030, this figure may be close to 75 per cent.

New consumption power is emerging not only from those who have entered the consuming class for the first time, but from the consuming class’s sharp rise within the income pyramid.

The two highest tiers of the consuming class (those spending US$30 or more per day) are growing the fastest and may account for 20 per cent of Vietnam’s population by 2030.

“Urbanization is an important contributor to income growth. Vietnam’s urban population is projected to surge by 10 million over the next decade as the share of the country’s urban population rises from 37 per cent in 2020 to 44 per cent by 2030," the report said.

"Cities are likely to be Vietnam’s engine of growth, contributing roughly 90 per cent of all consumption growth over the next decade. The story of Vietnam’s urbanization has often been centered around the populous cities of Hanoi and HCM City, with each city home to more than 10 million people and most of Vietnam’s middle class. However, our analysis finds that over the next decade, sources of urban consumption are likely to spread to smaller cities, including Can Tho, Da Nang and Hai Phong.”

Across Asia, households are shrinking. The size of the average Vietnamese household has decreased by around 20 per cent over the past two decades, from 4.5 people per household in 1999 to 3.5 people per household in 2019.

If the experience of other Asian markets holds true in Vietnam, the declining size of households may lead to new types of demand, including smaller homes, increased ownership of pets and new forms of entertainment.

Vietnam remains a young country overall, with a median age of 32 in 2020. However, the number of people aged 60 and over is projected to increase by 5 million; seniors could account for more than 17 per cent of Vietnam's population by 2030.

Spending by seniors is expected to triple in the next decade, growing at more than double the rate for the population as a whole.

So-called digital natives born between 1980 and 2012, including members of Generation Z and millennials, are expected to account for around 40 per cent of Vietnam's consumption by 2030.

Members of this digitally savvy generation live online and on their mobiles. Almost 70 per cent of Vietnam's population in 2020 are internet users. Rapid digitization is changing the daily channels and communication methods used by Vietnamese people, particularly in e-commerce, where regional players, such as Shopee and Lazada, and local players such as Tiki, are active.

The rapid emergence of digital consumers has fueled innovation in retail and purchasing behavior. VNS

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Vietnamese retail market attracts foreign investors

Featuring a large market size and an open domestic market development policy, the local retail market has developed into a magnet to hordes of foreign investors, according to industry insiders.

At a recent meeting with Prime Minister Pham Minh Chinh, Motoya Okada, president and CEO of leading Japanese retailer AEON Group, revealed that the group has been deploying its medium and long-term plans in Vietnam, and that it will increase the number of shopping malls nationwide in the near future.

Nguyen Thi Ngoc Hue, general manager of Strategic Human Resource Management, Corporate Communication & External Affairs at AEON, said the group has so far grown a presence in six provinces and cities across the country, spanning a range of business areas such as shopping malls, department stores, bicycle, pet, and cosmetic shops.

Alongside AEON, other large foreign retail corporations such as FamilyMart, K-Mart, Lotte, Central Group, and Circle K have been accelerating the pace of their expansion strategy within the Vietnamese market.

Most notably, a series of mergers and acquisitions (M&A) deals recently highlighted the attractiveness of the Vietnamese market.

Previously, a group of investors, including e-commerce giant Alibaba and Banring Private Equity Asia investment fund, injecting US$400 million into The Crownx, while the Republic of Korea's SK Group also invested US$410 million in Vietnam's largest retailer VinCommerce.

Economists largely attribute the keen interest of foreign financiers in the Vietnamese retail market to a steady increase in population and rapid rise in consumer spending.

Furthermore, middle class people locally now account for 13% of the total population, and the figure is anticipated to increase a double by 2026.

Le Viet Nga, deputy director of the Domestic Market Department under the Ministry of Industry and Trade, also underscored the importance of a healthy business climate, which will serve to create more favorable conditions for foreign investors to inject additional capital into the domestic market. VOV

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LOGISTICS

Textile exports being impacted due to shortage of containers, high logistics costs

Container and warehouse shortages and surging container shipping costs have hit the textile and garment industry hard, insiders told a seminar in HCM City.

Speaking at the seminar organized by the Vietnam Textile and Apparel Association (VITAS) and Saigon Newport Corporation last Friday (December 10), Nguyen Thi Tuyet Mai, deputy general secretary of the association, said container shortages and delays at ports are causing a headache for exporters and importers globally.

Delivery delays mean textile and garment businesses could have to pay compensation to buyers, she said.

Logistics costs threaten to affect Vietnam's economic competitiveness, particularly its textile and garment industry, she said.

Vietnam needs to develop shipping lines for shipments to Europe and the US, which are large markets for its textile and garment businesses, making it less reliant on international shipping lines, she added.

Nguyen Thi My Le, deputy marketing director of Saigon Newport Corporation, said her company has made efforts to provide a full package of logistics services and solutions to help customers reduce costs.

Textiles are among the country's major export items, and Saigon Newport accounted for their largest cargo throughput last month, she said.

Exports this year are estimated at US$39 billion, up 11.2 per cent, according to VITAS. VNS

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Hai Phong to construct $479 million industrial hub

Construction of a VND11 trillion ($479.2 million) non-tariff logistics and industrial hub in the northern city of Hai Phong is set to begin early next year.

The city has greenlighted Xuan Cau – Lach Huyen Investment JSC to construct the Lach Huyen hub, approved by the government in April.

The hub gives companies an incentive corporate income tax of 10 percent for 15 years since the first revenue against the standard 20 percent.

Zero tariffs will be applied on exports from the hub to other countries, and no value added tax and special consumption tax would be applied on goods traded with other countries or other non-tariff zones. The project covers 752 hectares in Dinh Vu – Cat Hai economic zone. Its first phase will be completed in 2025.

The next two phases are scheduled to become operational by 2030 and 2033. The hub is set to attract 40,000-50,000 workers. It will focus on the sectors of exports, technology, storage and logistics. VNE

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INVESTMENT

Denmark's Group invests more than US$ 1 billion into toy plant in Vietnam

Denmark's LEGO Group that specializes in toy production globally for kids has decided to invest more than US$1 billion in a project to build a plant in Binh Duong province, southern Vietnam.

The Danish company on December 8 signed a memorandum of understanding with the Vietnam–Singapore Industrial Park Joint Stock Company (VSIP) to undertake the project.

The project will cost more than US$1 billion including investment in solar energy production on the 44ha land area in Binh Duong. This is LEGO's first ever carbon-neutral unit aiming to create 4,000 job opportunities over the next 15 years.

LEGO said local skilled workers will be trained to operate high-tech manufacturing equipment used in every LEGO plant worldwide, to ensure each product meets global standards.

The company is scheduled to break ground in the second half of 2022 and the plant is expected to be put into operation in 2024. When completed, it will be LEGO's sixth plant in the world and second in Asia, aiming to foster long-term growth in the region and provide fun experiences for children in coming years.

LEGO's decision to build a factory in Vietnam is to expand its global supply chain network as factories are located in areas close to key markets. It helps the company to flexibly and quickly respond to changes in consumer demand in each region, shorten the supply chain and reduce the impact on the environment when transporting long distances.

The new factory is expected to install rooftop solar panels, and VSIP will represent the construction of a solar project next door to meet 100% of the plant's annual requirements for renewable energy.

LEGO's decision to build its plant in Vietnam was attributed to the Vietnamese Government's policy of expanding renewable energy production infrastructure and a collaborative approach to working with foreign companies who are seeking to make high quality investments, said Chief Operations Officer of LEGO Group Carsten Rasmussen.

LEGO Group is one of the largest toy manufacturers in the world and it is rapidly expanding in 40 countries. It has planned to open 174 new stores around the world this year, thereby bringing its total number of stores to 851. VOV

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VinFast pours capital into Israeli auto security startup

Karamba Security, an Israel-based security startup, has announced that it received additional 10 million USD in the series B round led by Vietnamese auto maker VinFast, a member of Vietnam's VinGroup conglomerate.

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The round also saw the participation of other major investors such as SVIC, YL Ventures, Fontinalis Partners, Presidio Ventures, Glenrock, Paladin Group, Asgent and Liberty Mutual.

The round has brought Karamba's total funding to 27 million USD, according to the FinTech Global newspaper.

Karamba said investors in the round are motivated by its strong customer base and leadership in IoT and automotive security.

Founded in 2016, Karamba focuses on securing the entire life cycle of a device without interference of supply chain processes or research and development. The company also has locations in Israel, Germany and the US.

VinFast Deputy CEO Pham Thuy Linh was quoted as saying Karamba could help VinFast, and other OEMs and IoT device manufacturers, comply with the new cyber security regulations, something that is essential for its expansion plans into the European and US markets. VNA

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