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VIETNAM BUSINESS REVIEW

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FINANCE

Vietnam target to reach 6.5 per cent GDP growth and GDP per capita of \$3,900 in 2022

The government has set targets to achieve a GDP per capita of \$3,900 in 2022, with GDP growth of 6-6.5 per cent each year.

Deputy Prime Minister Le Minh Khai presented a draft resolution of the Vietnamese government on the major tasks and solutions for carrying out this year's objectives and an estimate of the state budget in 2022 at a conference on the implementation of the conclusions of the Central Committee and the Resolution of the 15th National Assembly on the socioeconomic development plan in 2022.

Accordingly, in 2022, the GDP per capita is supposed to be \$3,900. In 2020, GDP per capita in Vietnam was \$2,785.72, according to World Bank data. There are 180 distinct activities that make up the 12 primary solution tasks specified in the draft.

As a first step, the DPM emphasized that the government would manage the objectives of COVID-19 prevention, control, and rehabilitation, as well as socioeconomic development in a flexible and effective manner. "The prime objectives in 2022 are national GDP growth of 6–6.5 per cent and a GDP per capita of \$3,900," the DPM said.

To that end, the law requires fiscal and monetary reforms to be implemented to promote domestic consumption by aiming to increase total retail sales of consumer goods and services by 8 per cent and maintain macroeconomic stability by keeping inflation around 4 per cent, among others.

In addition, the government plans to optimize the vaccination of youngsters and booster doses, ensuring efficacy and fostering technology transfer. Advanced research and manufacturing of vaccines and medicinal pharmaceuticals in the country would be highlighted as well.

These main goals are being pursued to meet the government's aim for GDP growth of 6–6.5 per cent, aiming to revive and promote production; enhance exports; and marshal public-private resources to expand the infrastructure system. The DPM also highlighted the importance of efficient land and resource management and use; environmental protection; preventing and combating natural catastrophes; and adapting to climate change.

The state agency would construct a synchronized and modern infrastructure system, as well as accelerate the development of critical infrastructure projects, increase regional, inter-regional, and international links, and particularly essential transportation infrastructure projects, such as the building of certain road sections, the construction of an expressway on the North-South East route, the construction of an expressway between My Thuan and Can Tho; and the construction of the Long Thanh International Airport. VIR

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Market capitalization on Ho Chi Minh City Stock Exchange accounts nearly 93 per cent of GDP

Market capitalization on the Ho Chi Minh Stock Exchange (HOSE) rose more than 42 percent year-on-year to 5.8 quadrillion VND (254.83 billion USD) by the end of 2021, accounting for 92.77 percent of the previous year's GDP.



In 2020, the market capitalization on HOSE stood at 4.08 quadrillion VND, or 67.59 percent of 2019's GDP, the southern bourse reported.

Ending the last session of December, the benchmark VN-Index reached 1,498.28 points, a month-on-month increase of 1.34 percent and a year-on-year rise of 35.73 percent. VNAllshare topped 1,561.33 points, up 1.85 percent month-on-month and 51.23 percent year-on-year.

The large-cap tracker VN30-Index edged down 0.12 percent compared to the previous month to close at 1,535.71 points; however, the figure was 43.42 percent higher than that recorded at the beginning of last year.

Industrial stocks posted the highest growth with VNIND Index gaining 9.79 percent year-on-year. It was followed by shares of the utilities sector (VNUTI Index), up 6.31 percent; and those of the consumer staples sector (UNCONS) rising 3.93 percent.

The stock market liquidity last month set a record high in the December 23 session, with more than 1.32 billion shares traded for over 45.37 trillion VND in total.

During 2021, the HOSE saw 184.32 billion stocks traded for total of over 5.39 quadrillion VND, up 118.68 percent and 244.51 percent, respectively, against 2020. An average of 737.29 million shares, worth nearly 21.6 trillion VND per session, were traded on the bourse per session.

As of the end of last year, 533 securities codes had been listed on HOSE, including 404 stocks, three close-end fund certificates, eight exchange-traded funds (ETF), 113 covered warrants (CW), and five bonds. The number of shares listed on the bourse exceeded 120.5 billion.

As many as 46 HOSE-listed companies had market capitalization reaching over 1 billion USD and three hitting over 10 billion USD, namely VinGroup (VIC), Vietcombank (VCB) and Vinhomes (VHM). VNA

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E-COMMERCE

Vietnam Airlines launches new e-commerce platforms

Vietnam Airlines, the national flag carrier, officially launched two e-commerce platforms VNAMAZING and VNAMALL and Vietnam Airlines Gift Card with an expectation of bringing outstanding and new experiences to consumers.



VNAMAZING is an e-commerce platform providing online travel services, including tour and accommodation bookings with a variety of options at attractive prices that are expected to contribute to stimulating tourism demand after the Covid-19 pandemic.

VNAMALL will provide a wide range of aviation and non-aviation goods and services, taking advantages of Vietnam Airlines air logistics and partner networks worldwide.

The Vietnam Airlines Gift Card, the first airline service gift card in Vietnam, can be used to exchange for airline tickets or business class upgrade on flights operated by Vietnam Airlines, Pacific Airlines and VASCO.

Le Hong Ha, General Director of Vietnam Airlines, said: “With the goal of becoming a digital airline, developing e-commerce is one of Vietnam Airlines' top priorities.”

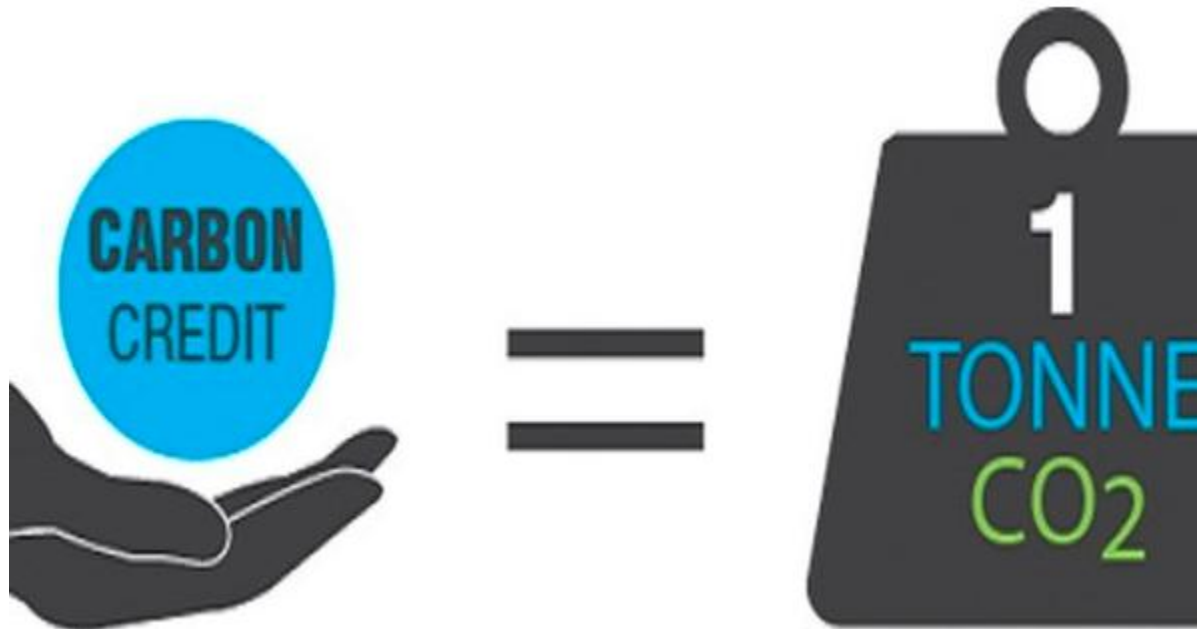
He added that local enterprises have gradually digitalized many processes including booking and ticketing, searching for information and shopping for airline services. Users of Gift Card will be able to manage Lotusmiles membership cards on the carrier’s websites and mobile applications. The airline is intended to expand its e-commerce ecosystem with VNAMALL and VNAMAZING. Hanoitimes

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ENERGY

Vietnam maps out a roadmap to the domestic carbon market foundation and development

Vietnam plans to set up and pilot the operation of a carbon trade exchange from 2025, according to a new Government decree on greenhouse gas (GHG) emissions and Ozone layer protection.



The document stipulates several articles of the Law on Environmental Protection, and maps out a roadmap to the domestic carbon market foundation and development. From now until the end of 2027, the country will put forward regulations on the management of carbon credits, the exchange of GHG emission quotas and carbon credits, and the operation of a carbon credit exchange.

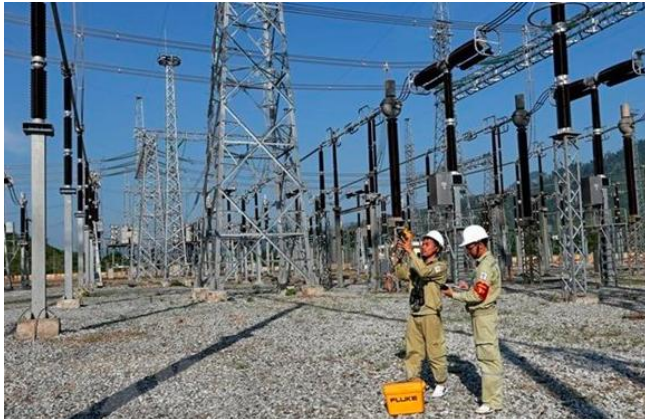
It will also carry out a pilot mechanism for exchanging and balancing carbon credits in potential areas, guide the implementation of the domestic and international carbon credit exchange and balance mechanisms in accordance with laws and international conventions to which Vietnam is a signatory. Activities to raise capacity and awareness of carbon market development will be stepped up during this period.

The carbon trade exchange is expected to be put into official operation in 2028. A carbon credit is a kind of permit that represents one tonne of carbon dioxide removed from the atmosphere. They can be purchased by an individual or, more commonly, a company to make up for carbon dioxide emissions that come from industrial production, delivery vehicles or travel. VNA

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Power Development Plan VIII under revision towards sustainable development

The draft Power Development Plan VIII is being revised again and expected to be submitted to the Prime Minister for approval in the first quarter of 2022, an official said in a press conference of the Ministry of Trade and Industry (MoIT) on January 12.



The latest draft of the plan was submitted to the PM last October, said Bui Quoc Hung, Deputy Director General of the MoIT's Electricity and Renewable Energy Authority (EREA), but the ministry made new amendments to the draft in order to fulfil Vietnam's fresh commitments to minimizing greenhouse gas emission at the UN Climate Change Conference (COP26).

At COP26 in Glasgow, the UK last year, Prime Minister Pham Minh Chinh announced Vietnam

is committed to achieving net-zero emissions by 2050.

So the plan is under revision towards sustainable development to provide more spaces for production of green, clean and environmentally-friendly energy sources at reasonable costs, Hung said.

He also said that the MoIT is finalizing the draft Power Development Plan VIII, for the 2021 – 2030 period and with a vision to 2045, in which the country sets to generate 5,000MW of offshore wind power by 2030 and 40,000MW in 2045./.

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RETAIL

Automobile market increases slightly during 2021

Vietnam's automobile market recorded slight growth in 2021, data from manufacturers showed.

The Vietnam Automobile Manufacturers Association (VAMA) reported that its members sold 304,149 units in 2021, rising 3 percent from the previous year, with passenger cars down 3 percent, commercial vehicles up 17 percent, and special-purpose ones up 50 percent. Among the sold vehicles, there were 168,357 domestically assembled cars and 135,792 completely built-up (CBU) units, respectively declining 10 percent and rising 24 percent year on year.



Apart from VAMA members, many other brands like Audi, Jaguar Land Rover, Mercedes-Benz, Nissan, Subaru, Volkswagen, Volvo also operated in the market but didn't reveal their business outcomes.

Added with statistics from TC Motor and VinFast, which are not members of VAMA, a total of 410,390 units were sold on the local market last year. Hyundai remained the best-selling brand in 2021 with 70,518 units, followed by Toyota (67,533), Kia (45,532), VinFast (35,723), Mazda (27,286), Mitsubishi (27,243), Ford (23,708), and Honda (21,698).

After seven years of dominating the market, Toyota Vios lost its top position as the best-selling model to VinFast Fadil, with 24,128 units sold. The following places belonged to Hyundai Accent, Toyota Vios, Toyota Corolla Cross, and KIA Seltos. Insiders said the sales of passenger and domestically assembled vehicles in December grew 33 percent and 23 percent month on month, which was driven by the halving of registration fees for domestically assembled cars since the month. Facing that pressure, CBU importers also cut down corresponding fees to boost sales. VNA

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LOGISTICS

Domestic logistics industry to focus on value-added services

Despite difficulties caused by the pandemic, the domestic logistics industry still has many opportunities for growth if it improves competitiveness with foreign competitors.



According to The Ministry of Industry and Trade (MoIT), import and export turnover of goods will continue to grow this year, creating demand for logistics services. By the end of 2021, Vietnam's total import and export turnover is expected to reach a record level of more than US\$660 billion.

More than 4,000 logistics enterprises are operating international logistics services in Vietnam where their operation has been increasingly improved thanks to increasing digital transformation applications and better business processes, especially ones providing services to European, American and Chinese markets.

According to the MoIT's Vietnam Logistics Report 2021, in the first nine months of 2021, the number of newly registered transport and warehousing enterprises increased by 4.61 per cent, and capital increased by 43 per cent over the same period in 2020.

MoIT data showed that in 2021 many logistics enterprises grew in revenue and profit, most with double-digit growth, adding that the volume of goods transported by road and waterways in 10 months of 2021 significantly improved compared to the same term of 2020.

The total tonnage of ships increased sharply by 22 per cent over the same period. The economic situation in the main export markets of Vietnam also recovered. The GDP of major consumer markets in the world such as the US, EU, Japan, and China is forecast to continue to grow in 2022 and 2023.

Over the years, Vietnam's logistics industry has made remarkable progress. Vietnam's logistics efficiency index is currently ranked 39 out of 160, up 25 places compared to 2016, which is third among ASEAN countries. However, logistics costs in Vietnam were still much higher than throughout the world. According to World Bank (WB) 2020 data, logistics costs in the country were about 20.9-25 per cent of GDP. Meanwhile, the cost in Thailand was 19 per cent, Malaysia 13 per cent, Singapore 8 per cent, and the US 7.7 per cent. High logistics costs push up the cost of import and export goods of 2020 data, which loses its competitive advantage compared to other countries in Asia such as China, Thailand, the Philippines, Indonesia.

With pressure in the fierce competition of international trade, the race in technology continues to create competitive advantages, save time, optimize costs, create flexibility and reduce risks. A representative of the Vietnam Logistics Service Association (VLA) said about 95 per cent of logistics firms were small and micro enterprises, and most of the revenue and market share belonged to foreign logistics enterprises. The association said the proportion of newly established transport and

warehousing enterprises compared to the total number of enterprises in the country was still modest and the capital scale of enterprises in the industry was still limited.

In the first nine months of 2021, there were 2,509 transport and warehousing enterprises that had to temporarily suspend operations, an increase of 14.1 per cent over the same period in 2020. At the same time, 571 enterprises completed dissolution procedures, up 17.7 per cent over the same period in 2020, the association said.

“Currently, Vietnamese logistics enterprises continue to face stiff competition with foreign logistics enterprises,” a VLA representative also said. Ho Thi Thu Hoa, director of the Vietnam Logistics Research and Development Institute, said that in order to improve the competitiveness of the economy and trade activities, Vietnamese logistics enterprises needed to focus on the provision of high value-added services such as third-party logistics services and fourth-party logistics services, international multimodal transport services, and cross-border logistics services.

She said: “In order to have strong logistics enterprises, in addition to providing logistics services with the highest quality and standards, businesses need to make efforts in building a system that can flexibly adapt to market fluctuations.”

She said it was particularly necessary to promote the digital transformation process in logistics management through electronic port applications, automatic monitoring, application of cloud computing technology and artificial intelligence to support and care activities, and at the same time develop high-quality human resources.

Super-port project

On December 23, the construction of the Vinh Phuc Inland Container Depot Logistics Center, the first super-port project of the ASEAN Smart Logistics Network, began in the northern province of Vinh Phuc at a cost of VND3.8 trillion (US\$165.56 million). Spanning 83 hectares in Huong Canh Township and Son Loi Commune in Binh Xuyen District, the centre has a designed customs clearance capacity of some 530,000 TEUs per year. The investor of the project is the T&Y Superport Vinh Phuc Joint Stock company, a consortium of the T&T Group and its Singaporean partners – the YCH Group and YCH Holdings Company.

As part of a detailed plan for the development of Vietnam's inland port and logistics centre system in 2020, with a vision to 2030, the centre integrates the functions of a distribution centre and an inland container depot. Its first phase is planned to be put into operation in the third quarter of 2022 and Phase 2 in the fourth quarter of 2024. It will be one of the largest logistics hubs in northern Vietnam, linking industrial zones by road and rail as well as connecting to Ha Noi, the Hai Phong International Airport, and China's Yunnan province, said a T&T Group representative.

The centre is also expected to contribute to cutting logistics costs to about 16–20 per cent of GDP and raising the ratio of the sector's contribution to the GDP to 5–6 per cent by 2025. VNS

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The maritime refrigerated containers price rockets

Seeing trucks stranded at borders with China, Vietnamese businesses are switching to shipping, but they are facing difficulties due to the shortage of refrigerated containers and higher prices.



"There is a serious shortage of refrigerated shipping containers. Many enterprises have to buy back refrigerated containers from other businesses, so their prices double, even treble or quadruple against the actual prices," Nguyen Khac Huy, director of Hoang Phat Fruit Company, said at an agricultural product connection forum on Thursday.

The border remains jammed with thousands of fruit-carrying trucks waiting to clear the checkpoints after China stepped up its border controls with neighbors to follow zero Covid policies. Thus, local businesses have to switch to shipping.

Huy noted actual prices of a 20-foot refrigerated container range from VND4 million (nearly \$174) to VND8 million.

In addition to the container price hike, exporters are facing higher freight costs, leading to much smaller profits, said Pham Ngoc Thanh, vice general director of Dong Giao Foodstuff Export JSC.

The current freight for transporting a refrigerated container has surged to VND200 million from the previous VND30-40 million, he noted.

Thanh proposed ministries and sectors help connect container suppliers to create favorable conditions for exporting fruit.

Deputy Minister of Agriculture and Rural Development Tran Thanh Nam proposed the south central province of Binh Thuan and the two southern provinces of Tien Giang and Long An negotiate with the Logistics Association of HCMC about assisting export of agricultural products.

Mai Xuan Thin, director of Rong Do Company, said in the long term, Vietnam should use a charter fleet for transporting refrigerated or frozen containers. Hiring ships would serve both export and the domestic market when needed.

Now, Vietnamese dragon fruit, with a total output of some 300,000 tons, along with pomelos, jackfruit, bananas, longans, and watermelons, with an output of hundreds of tons each, are being harvested.

China is Vietnam's largest trading partner, and the biggest market for its fruit and vegetables. Trade turnover of agriculture products between the two countries in the first 11 months of 2021 rose 19.5 percent against the same period last year to \$11.3 billion, official data showed. Vnexpress

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INVESTMENT

Technology M&A deals in Vietnam doubled in transaction volume during pandemic

The Mergers and Acquisitions (M&A) market in Vietnam has been going through a downturn due to the pandemic, but the technology sector is bucking the trend, according to experts at a seminar on digital transformation and M&A on January 11.

Nguyen Cong Ai, deputy director of KPMG Vietnam, noted that technology sector was becoming more



appealing to foreign investors. In 2021, technology M&A doubled in transaction volume and tripled in value, reaching about 963 million USD by October. Sub-sectors that have been attracting strong investment inflows include e-commerce, fintech, ed-tech, logistics and digital transformation.

Tiki has successfully raised 258 million USD in a funding round led by AIA Insurance; Sky Mavis 152 million USD by Andreessen Horowitz; and Momo 100 million USD by Warburg Pincus. “Foreign investors are showing great interest in Vietnam’s technology sector. Recently, we have been receiving an increasing number of requests from Korean and Japanese investors who are interested in Vietnam’s internet economy, fintech, edtech and media,” Ai added.

The deputy director believes foreign interest in technology can be mainly attributed to favourable policies of Vietnamese Government on tech startups. Another contributing factor is the quality of human resources, which has been improving substantially in recent years. Nguyen Viet Khoi, director of Institute of Skills Education and Creative Intelligence, said Vietnam’s digital economy had been forging ahead over the past few years. Rapid growth could be observed in information technology (IT), telecoms, e-commerce and startup ecosystems.

Remarkably, 5,600 new digital firms, with nearly one million personnel, were established last year, raising the total number of digital firms to over 64,000 and marking a 9 percent growth in the sector.

Such a steady expansion has allowed the technology market to draw in massive foreign investment and multiply M&A transactions. However, digital firms in Vietnam are still at an early stage. A majority of them are startups with original ideas but have trouble with management and strategic planning.

Meanwhile, investors with deep pockets prefer putting money in firms that can draw up a detailed plan to realise their ideas. This mismatch between investors and investees is causing a setback for M&A growth.

To deal with the setback, Khoi said the grow-at-all-cost model was indispensable. Additionally, trading floors for startups, which are similar to ChiNext (China), KONEX (Korea) or NASDAQ (US), could be

developed to facilitate startup funding. The director also recommended the Government launch a regulatory sandbox to provide digital firms with testing grounds for their technology innovations. Regarding M&A in IT, Nguyen Thanh Tuyen, deputy director of the Ministry of Information and Communications' Department of Information Technology, revealed there was no significant M&A in digital technology in Vietnam prior to 2015.

It was between 2015 and 2018 that first major transactions in the sector began to emerge, notably VNG seizing a 38 percent stake in Tiki and the buyout of Mundo Reader by Vingroup. From 2019 to 2021, Vietnam saw a sharp upturn in M&A with many noteworthy deals including Vision Fund and GIC Fund pouring 300 million USD to VNPay, Temasek's investment of 100 million USD to Scommerce, and the buyout of Base platform by FPT.

As the COVID-19 pandemic has been paving the way for the widespread application of digital technology, M&A in this sector will continue to boom in the next several years. Sub-sectors that are likely to become investment magnets include e-commerce and fintech. Despite the positive outlook for M&A, Tuyen said that most products and services of Vietnam's tech firms only targeted the domestic market. Few seek customers abroad.

Such a narrow market reach is a setback for the rapid growth of M&A. Ho Phi An, chief executive officer of EI Industrial, believes the rapid growth of M&A in technology is good news for the sector. Through M&A, digital firms will be able to tap into abundant sources of foreign funds. The downside is that firms are more vulnerable to hostile takeovers as soon as they are open to M&A. However, growth always comes at a cost, so the risk of a takeover should not be a matter of concern.

"We should not be concerned with hostile takeovers when we participate in international markets. It's quite normal for a firm to be taken over if it is not good enough," An added. Bui Thu Thuy, deputy director of Enterprise Development Agency under the Ministry of Planning and Investment, acknowledged that the legislative process in Vietnam was quite lengthy. It takes 5-7 years to develop a fully-fledged legal framework, so Government policies normally cannot keep up with the pace of change. Additionally, the practice in some countries that financially supports 100 percent of startups' initial costs or accept a failure risk of 20 percent is unsuitable for Vietnam currently.

"Our current financial situation does not allow such a practice and we cannot accept such a high risk either," Thuy said. The deputy director said the authority would come up with favourable policies for digital firms and startups, but financial support would require cooperation between agencies and associations across the board.

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AEON Group may acquire consumer finance company from Maritime Bank

The Board of Directors of MSB announced the planned sale of Finance Company Limited For Community, and AEON Group is allegedly the most viable acquirer for MSB's consumer finance firm.



Several industry insiders revealed that renowned Japanese retail corporation AEON Group is allegedly the most potential partner for MSB.

The anticipated deal is roughly estimated to be between VND1.8 trillion (\$78.3 million) and VND2 trillion (\$87 million). "We estimate that the proposed spinoff from FCCOM's divestment will result in a comparably large profit for MSB," said Nguyen Hoang Linh, CEO of MSB.

AEON has prepared to investigate the consumer finance landscape in Vietnam since 2020. There were rumors that AEON's retail operation might benefit from the buy now, pay later strategy if a new consumer finance division was established.

Previously, Handico Financing JSC (HAFIC), a consumer finance company owned by the Investment and Hanoi Housing Development Corporation, was allegedly the subject of interest of AEON Group, despite being under the State Bank of Vietnam's special supervision. Hanoi-based lender TPBank, however, is the most likely candidate to buy HAFIC.

In late 2021, Motoya Okada, chairman of AEON Group, expressed his intention to list on the Vietnamese stock exchange. AEON Group has ramped up its presence in Vietnam since 2014 and has spent a total of \$1.18 billion on its investment here.

With its high-profile brand, the Japanese group is an exemplary case for foreign-invested enterprises to raise funds from Vietnam's public equity. Currently, the capitalization of listed overseas-funded firms accounts for only about 0.3 per cent of the overall market size, which is far less than their local counterparts. VIR

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