

FINANCE

Big M&A deals forecast in banking industry in 2022

Vietnam's merger and acquisitions (M&A) market in 2022 is forecast to include big deals worth billions of dollars in the banking industry.



One of them is related Commercial Joint Stock Bank for Foreign Trade of Vietnam (Vietcombank). Vietcombank will carry out a private placement of 6.5 percent of its capital. If successful, the deal will help the bank gain some 30 trillion VND, tinnhanhchungkhoan.vn reported.

Vietcombank is also expected to participate in restructuring a weak bank in the form of mandatory transfer.

Another notable deal is that Military Commercial Joint Stock Bank (MB) has submitted to its shareholders a plan to receive a mandatory transfer of OceanBank.

MB's vice chairman Luu Trung Thai said the cooperation with OceanBank is both a political task and an opportunity for MB to expand its operational scale. MB will coordinate with OceanBank to check their data system before developing a plan to submit to the Government.

OceanBank's representatives have so far announced one of the bank's key tasks in 2022 is to coordinate with MB in carrying out a syndicated loan programme, including retail lending, and develop a number of competitive products to attract customers and increase the bank's brand name in the credit market.

According to analysts, in the first phase, with a large liquidity support from the central bank, MB may not need to immediately pour capital into OceanBank, but it will support OceanBank through sending its senior management personnel to work with them.

With the mandatory transfer of OceanBank, MB will enjoy a number of benefits, including a higher credit growth quota. Therefore, this is a win-win deal for both MB and OceanBank.

Besides Vietcombank and MB, some other banks have been assigned by the Government to study plans to support weak banks including DongABank, CBBank and GPBank.

According to a PricewaterhouseCoopers (PwC)'s recent report on global M&A trends in 2022, despite the market uncertainty, M&A activities are expected to continue to grow strongly thanks to the abundance of capital source and higher demand. In particular, the M&A deals in the banking industry are predicted to boom, with the participation of foreign financial organisations.

Economist Vo Tri Thanh said despite the impact of COVID-19, the success of many M&A deals in the banking industry proved that foreign investors highly appreciated the growth potential of the Vietnam's economy and the banking industry.

If the M&A of finance companies were the spotlight of the market in 2021, this year would see many M&A deals of bank share sales to foreign partners, Thanh predicted.

For example, BIDV has so far planned to carry out a private placement of 8.5 percent of its shares in 2022. If BIDV's offering is successful, the bank will earn about 14-15 trillion VND.

Similarly, Ocean Commercial Bank (OCB) is preparing to sell 10 per cent of capital to foreign partners while Saigon Hanoi Commercial Joint Stock Bank (SHB) has also temporarily locked the foreign ownership rate at 10 percent to find a strategic partner.

Nam A Commercial Joint Stock Bank (NamABank), Saigon Commercial Joint Stock Bank (SCB) and Lien Viet Post Commercial Joint Stock Bank (LienVietPostBank) have also planned to attract more foreign capital.

According to Pham Van Thinh, general director of Deloitte Vietnam, when the pandemic is under control, banking M&As will develop again. Though the bad debts of Vietnamese banks are at risk of increasing due to the pandemic's impacts, banks are still attractive to international investors thanks to their very positive business results and a large market room, especially in consumer credit and retail banking segments.

Warrick Cleine, chairman and CEO of KPMG Vietnam and Cambodia, said Vietnam's financial industry would continually see many M&A deals because the number of banks in the country was still large while the Government and the State Bank of Vietnam were gradually restructuring and streamlining the size of the banking system so as to make it grow stronger. Therefore, it would be difficult for weak banks and those under the restructuring to avoid M&As. VNA

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The owner of e-wallet MoMo buys stake in securities firm

The owner of e-wallet MoMo has purchased more than 4.4 million shares, or a 49 stake, in Hanoi-based CV Securities JSC (CVS).



The deal was struck Thursday and Online Mobile Services JSC, or M Service, has received more than 4.4 shares from two shareholders of CVS – its vice chairman Jiang Wen and general director Nguyen Kim Hau – the securities firm said in a statement sent to the State Securities Commission of Vietnam (SCC).

Established in 2009, CVS was first known as Hong Bang Securities JSC and renamed Hung

Thinh Securities in 2015. The company also moved its headquarters from Ho Chi Minh City to Hanoi.

Its annual revenue was VND4.4 billion (\$190,000) and VND4.8 billion in 2020 and 2021 respectively. As of the first quarter of 2022, CVS had recorded a cumulative loss of more than VND80 billion.

The new deal makes M_Service the second fintech firm to invest in a securities company after Finhay, who bought shares in Vina Securities early this week.

Both Momo and Finhay are invested in by Thien Viet Securities (TVS). As of March 31, TVS recorded the original cost of investment in M_Service at VND27.8 billion and nearly VND62.5 billion at Finhay.

Momo had 31 million users and 140,000 payment acceptance points last year. The wallet is now a partner of more than 50 banks, and financial and insurance companies.

The e-wallet has completed a \$200-million Series E funding round funded by a consortium of investors led by Japan's Mizuho Bank. Investment funds Ward Ferry, Goodwater Capital and Kora Management make up the rest of the consortium.

A media representative said he could not announce a specific figure, but MoMo's valuation exceeds \$2 billion, making it a startup unicorn. Vnexpress

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E-COMMERCE

Amazon initiative helps boost cross-border e-commerce in Vietnam

The Vietnam e-Commerce and Digital Economy Agency under the Ministry of Industry and Trade and Amazon Global Selling Vietnam on June 8 launched a cross-border e-commerce initiative in the breakthrough era.

The initiative is intended to help Vietnam develop workforce for this kind of commerce in the next five years, thus raising the capacity of local enterprises and opening up export opportunities for them.



Deputy Minister of Industry and Trade Nguyen Sinh Nhat Tan described digital platforms as an effective solution for businesses to penetrate and expand markets as Vietnam is integrating intensively and extensively into the global economy.

E-commerce sales worldwide are expected to amount to 7.38 trillion USD by 2025, he said, noting that this form in Vietnam has also made big strides over the past years, significantly contributing to spurring domestic economic development and boosting the digital economy in the post-pandemic recovery.

Last year, Vietnam earned 13.7 billion USD from online retail sales, up 16 percent, and the value is expected to climb to 35 billion USD by 2025, with the annual growth rate of 25 percent between 2022 and 2025. The initiative is expected to support local firms in digital transformation and equip them with knowledge about export-import and market, and gradually build Vietnamese brands in the global market.

Gijae Seong, head of Amazon Global Selling Vietnam, said the initiative aims to help 10,000 Vietnamese enterprises with personnel development in e-commerce during the 2022-2025. The Amazon initiative is scheduled to last for five years, with both online and in-person training courses. It will come to Ho Chi Minh City, Da Nang city and some other localities this year.

According to a report released by Amazon on this occasion, Vietnam's cross-border retail sales increase over 20 percent annually, hitting 75.4 trillion VND last year, and is projected to reach 256.1 trillion VND in 2026. Notably, cross-border e-commerce will grow strongly in the Southeast Asian nation in the next five years. NDO/VNA

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ENERGY

Ho Chi Minh City promotes us co-operation in green energy development

Ho Chi Minh City expects to increase investment cooperation in green energy development with foreign partners, including those from the United States.



Vo Van Hoan, vice chairman of the Ho Chi Minh City People's Committee, expressed his hope during a meeting on June 10 with Pamela Phan, deputy assistant secretary for Asia of the US Department of Commerce.

Hoan acknowledged the US official's concerns about the development of green and clean energy, noting the city has introduced a number of green solutions to meet Vietnam's greenhouse gas emission reduction commitment at the recent 26th UN Climate Change Conference (COP26).

The city has introduced green energy in the transportation sector, encouraged enterprises in high-tech parks and industrial parks to utilise clean energy, and urged local people to make use of solar energy, he told the US official.

According to the local official, US businesses operating in Ho Chi Minh City also highly appreciate the city's prospects for economic recovery moving into the post-COVID period.

The city creates the optimal conditions for foreign investors to do business, including those from the US operating in the field of clean energy in the future, he assured his guest.

In response, Phan highlighted the effective co-ordination between Ho Chi Minh City People's Committee and the US Consulate General in implementing co-operation activities, especially in the field of smart technology development and smart city building.

She went on to reveal that US firms remain keen on investing in the development of clean energy and cybersecurity solutions to protect the local energy system, thereby fulfilling the nation's commitment to reducing carbon emissions to zero by 2050.

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Vietnam invests over 815 million USD in hydropower, mining in Lao province

Vietnam has invested over 815 million USD in hydropower and mining projects in Laos's Attapeu province, the Vientiane Times reported on June 9.



Director of the provincial Energy and Mines Department Vithaya Phommachanh said that 691 million USD was invested in several power projects, including Xekaman 1, Xekaman Sanxay, Xekong Loum A and Xekong Loum B hydropower plants, which are expected to be completed in 2025.

The power projects also include a thermal, a solar and a biomass power plants, along with some transmission lines. The remaining 30.8 million USD was invested in a transformer station. Meanwhile, 93.3 million USD was poured in the mining sector.

The Vientiane Times also reported that Vietnam is currently running 417 projects worth 4.3 billion USD in Laos, ranking third among 54 nations and territories pouring capital into the country.

Last year, the Lao Government allowed Vietnamese businesses to invest in three projects, including two in the mining sector and one in the banking sector.

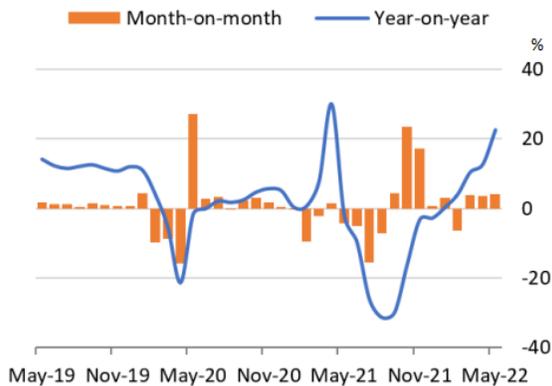
Two-way trade hit 1.37 billion USD in 2021, up 33.32 percent year-on-year. NDO/VNA

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RETAIL

Retail sales of Vietnam rebounded sharply in May

Retail sales increased by a record 22.6 percent (y/y) in May, compared to the 12.7 percent (y/y) rate in April.



This acceleration is partly due to a low-base effect as sales had dropped by 2.1 percent in May 2021 following the April-2021 COVID-19 outbreak and subsequent mobility restrictions. To a larger extent, however, this growth in sales reflected the firming of domestic private consumption and the return of international tourists after the government opened the borders in late March 2022.

About 173,000 international visitors arrived in May, about 70 percent higher than in April and the highest figure since April 2020, yet still less than 15 percent of pre-pandemic levels. Sales of consumer services, which were hit harder than the sales of goods last year experienced a stronger rebound (41 percent (y/y) compared to 18.3 percent (y/y), respectively).

The rebound was due to the booming accommodation and catering services, which increased by nearly 70 percent and were 12.4 percent higher its pre-pandemic level three years ago. Travelling also tripled compared to a year ago although it was about 60 percent lower than its pre-pandemic level. Worldbank

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LOGISTICS

Hanoi accelerates construction of key transport projects

Hanoi targets to fully disburse the public investment fund in 2022, estimated at VND51.07 trillion (US\$2.2 billion).



Hanoi is pushing for the construction of key transport projects with high spillover effects to accelerate the disbursement of public funds.

With public investment seen as a key measure to boost socio-economic recovery, Hanoi had set up a task force specialized in speeding up public investment in late 2021, which has been essential in helping the city's disbursement rate above the national average.

In the first quarter, Dong Da District posted a disbursement rate of 72.1% of the year's target, while those of Ba Dinh, Tay Ho, Thanh Oai, and My Duc had the rate from 22-44%.

As of present, Hanoi is working with Government agencies to accelerate the construction of key projects, including the Vinh Tuy Bridge Phase 2, Le Van Luong underground tunnel, and Ring road No.3, and the upgrade of sporting infrastructure for the 31st Southeast Asian Games (SEA Games 31).

Meanwhile, the metro line section Nhon – Hanoi station with a length of 12.5 kilometers and investment capital of VND33 trillion (\$1.42 billion), is scheduled to complete in 2022 as 75% of the work volume has been completed.

The authorities expected to complete the Vinh Tuy Bridge phase 2 before June 30 to avoid the rainy season. The project with an investment capital of VND2.5 trillion (\$108 million) and a length of 3.5 kilometers, is scheduled to complete in mid-2023.

Once completed, the Vinh Tuy Bridge phase 2 would connect with the Ring road No.2 and form a complete transport network from Hanoi's center to the city's north and northeast, in turn relieving pressure on the traffic in Thanh Tri Bridge and Ring road No.3.

At the meeting in the first quarter, Hanoi's authorities target to reach 16% of the disbursement target by the end of April and 100% by the year-end.

With nearly 60% of the undisbursed amount, Hanoi is calling for contractors and localities to speed up the construction progress but with high quality and efficiency.

A report from the Ministry of Planning and Investment attributed site clearance as a key obstacle in pushing for public investment.

“A thorough preparation for site clearance is essential in ensuring the completion of public projects as scheduled,” noted the ministry.

Bearing this in mind, the Hanoi People’s Committee has concentrated on this issue in public projects and sees the progress as the criteria to assess the performance of each unit. In this case, the authorities would consider allocating funds from projects with slow disbursement progress to those of higher pace.

Hanoi is expected to allocate VND51.07 trillion (US\$2.2 billion) for public investment in 2022, of which VND510 billion (\$22.1 million) would be used for the payment of debts and interest rates. For the 2021-2025 period, the city sets to earmark VND650 trillion (\$28.4 billion) for the 2021-2025 public investment plan.

The priority order for investment would be aligned with the vision for the development of the transport sector and socio-economic infrastructure, namely the ring road 2.5, ring road 3, ring-road 3.5, ring road 4; major bridge crossing the river (Vinh Tuy bridge Phase 2, Thuong Cat bridge); inter-provincial roads (national road 6, upgrading national road 32, national road 1A, 21B); and urban railway projects.

Hanoitimes

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Ho Chi Minh City Transport Department proposes halving seaport fees

The HCMC Department of Transport has proposed the city government ask the People's Council for approval to halve the seaport fees for goods transported on waterways.



The move was made after Deputy Prime Minister Le Minh Khai asked the city to reconsider the seaport fee collection and the fees have been collected for two months, the local media reported.

The fees will be the same for enterprises in HCMC and other localities. The proposal is aimed at encouraging enterprises to reduce the use of roads, contributing to easing road congestion and accidents. Meanwhile, the transport of cargo on waterways, currently accounts for only 20% of the market share, requires lower costs.

As 60% of the cargo passing through seaports in HCMC comes from other provinces, so the city has imposed higher fees on goods declared in other provinces to increase the volume of cargo passing through seaports in Dong Nai, Binh Duong and Long An. However, after two months of the fee collection, enterprises from other provinces have still chosen seaports in HCMC to file declarations for their goods. HCMC officially began the seaport fee collection from April 1 with the lowest fee being VND 15,000 per ton and the highest being VND4.4 million per ton.

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INVESTMENT

Vietnam to improve institutions to attract foreign investment

In view of the important contributions of investment capital to the local economy, Vietnam needs immediate solutions to attract more FDI and strengthen its sources, according to experts.



According to data, after 35 years of implementing the open-door policy to attract FDI, up to now, Vietnam has received investment from 140 countries and territories around the world.

Foreign capital flows have been present in most localities in the country with projects invested by big global names such as Intel, Microsoft, Foxconn, Samsung, Sanyo, Sony, Fujitsu, Toshiba, and

Panasonic.

Depicting a full picture of the situation in Vietnam, the annual report on foreign investment in Vietnam in 2021 by the Association of Foreign Investment Enterprises (VAFIE) published recently highlights encouraging results. The report said: "FDI enterprises account for about 25 percent of total social investment capital, 55 percent of total industrial production value, and more than 70 percent of export turnover." It said this proved the local business and investment environment was increasingly improving, making foreign investors believe in the success of doing business in Vietnam by adjusting investment capital to expand the business and increase profits.

Notably, foreign investors' capital contribution and share purchase activities in Vietnam have been very active in the past 10 years, accounting for a high proportion of registered and realised FDI. In 2021, the value of business mergers and acquisitions will reach 12 billion USD, up 150 percent compared to 2020, equivalent to the record set in 2017 of 13.4 billion USD, despite the context investment environment and the world changed dramatically due to the impact of the pandemic. In addition, non-equity investment (NEM) was becoming a new investment method in Vietnam, such as with the two investment deals of Vingroup in Vinfast and Vinsmart brands.

Nguyen Mai, President of VAFIE, said this form of investment allowed multinational corporations to coordinate product supply chain activities, creating opportunities for domestic manufacturers and suppliers to join the global supply chain. Mai said the resources of foreign investors often included the provision of trademarks, intellectual property rights, and business know-how, which could be an investment trend to increase profit margins through finding potential markets without capital contribution.

At the same time, International Investment Research Company Limited (ISC) published the FDI Annual Report 2021, which analysed the inadequacies and limitations in FDI attraction and made many recommendations to send to investors and policymakers.

Phan Huu Thang, chairman of the Report Compiling Council and former Director of the Foreign Investment Agency from the Ministry of Planning and Investment, told local media: "The current problems in attracting FDI are not new." Thang also mentioned the role of FDI in GDP growth was increasingly important, adding the proportion of total export turnover, budget contributions, job creation, spillover of productivity and technology and supporting industry development from them was high. However, he also mentioned the limitations of foreign capital inflows, which were reflected in the low quality and efficiency of FDI attraction and use, saying: "The number of projects with advanced and modern technology and European technology was only about 5 percent; there is an imbalance in the attraction and use of FDI in the area; linkages and interactions between the FDI sector and other sectors of the economy are not tight, the spillover effects on productivity and technology are not high."

"The disadvantages in attracting and using FDI have been slowly overcome, affecting economic development, social order and national defence-security." Thang said these limitations had many causes, but the most basic was that institutions and policies on FDI had not kept pace with development requirements. He added: "In the coming time, it is necessary to continue to improve institutions and laws on FDI attraction to improve the quality and efficiency of attracting and using foreign investment capital." He said at the same time that it was necessary for the active, robust, synchronous and substantive participation of ministries, branches and localities to create a fair, open and transparent business and investment environment.

He and his colleagues emphasised the solution to monitoring and evaluating FDI projects, especially the status of "hidden" investment in the form of individual investors in Vietnam. In some cases, they could set up a real estate business with a capital contribution of less than 49 percent, lending money to Vietnamese individuals to set up businesses. He said speeding up the progress of building and perfecting the national information system on foreign investment to have an efficient database of information to seriously and accurately evaluate the efficiency of FDI in Vietnam was a solution.

Given that the institutions and laws related to foreign investment were incomplete, overlapping, and not strictly enforced, some foreign investors took advantage of legal loopholes to exploit hidden investments in the industries and fields where FDI was limited. VAFIE said: "It is necessary to continue to improve institutions and laws related to FDI, including the policy of applying a global minimum tax in Vietnam."

In addition, there should be solutions to improve the efficiency of attracting and using FDI by enhancing the investment and business environment, reviewing the investment policy system, supporting investors to remove difficulties, strengthening the state management of FDI from the stage of project promotion, appraisal and implementation to the stage of inspection and supervision of implementation. VAFIE recommended that the Government soon issue a decision on the set of criteria to evaluate the effectiveness of the FDI sector. The evaluation criteria under construction include 26 specific economic, social, environmental, technological indicators, all serving as a basis for foreign investors to self-score and for project screening by localities to receive investment. VNA

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RoK firms expand investment in research and development in Vietnam

Leading enterprises from the Republic of Korea (RoK) including Samsung Electronics, Naver and Revu Corporation have further promoted investment in research and development (R&D) centres in Vietnam to fully tap high-quality and low-cost human resources.



A report released recently by the Korea Trade-Investment Promotion Agency (KOTRA) said with stable economic growth, Vietnam has continuously trained young R&D staff to a high level.

Vietnam ranked second in the world in terms of software outsourcing for information technology development in 2020. Meanwhile, the Vietnam IT Market Report 2021 conducted by TopDev, a Vietnamese market research company, shows that the average salary of programmers with less than two years of experience in Vietnam is at least 430,000 won (332.6 USD) per month, and the salary for those with more than 10 years of experience is 3.27 million won (over 2,500 USD). Meanwhile, the average salary of a new employee working at a mid-range IT firm in the RoK is about 3.5 million won (over 2,700 USD) per month. Samsung Electronics has started construction of the largest R&D centre in Southeast Asia in Hanoi, which is expected to be completed in 2022. LG Electronics opened the LG Vehicle Component Solutions Development Centre Vietnam in the central city of Da Nang in 2020.

Naver and NCsoft have also established R&D organisations in Vietnam. In 2021, Naver collaborated with Vietnam's information technology research institutes, the Posts and Telecommunications Institute of Technology (PTIT) and the Hanoi University of Science and Technology to set up an artificial intelligence research centre. Meanwhile, NCsoft is operating NC Vietnam Visual Studio - an R&D agency focusing on graphics technology in HCM City. VNA

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