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FINANCE

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This growth was supported by expansion in both the government and corporate bond segments, stated the ADB.

Vietnam's local currency bond market posted quarterly growth of 11.6% at the end of September this year - the fastest quarterly growth rate in emerging East Asia - to reach US$65.3 billion, according to the latest edition of the Asian Development Bank (ADB)'s Asia Bond Monitor.

This growth was supported by expansion in both the government and corporate bond segments, added the report.

Table 1: Size and Composition of the Local Currency Bond Market in Viet Nam

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2019		Q2 2020		Q3 2020		Q3 2019		Q3 2020	
	VND	USD	VND	USD	VND	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	1,293,992	56	1,356,398	58	1,514,275	65	4.7	3.1	11.6	17.0
Government	1,186,748	51	1,162,754	50	1,268,599	55	5.2	2.9	9.1	6.9
Treasury Bonds	955,061	41	1,019,096	44	1,128,861	49	2.5	6.5	10.8	18.2
Central Bank Bills	71,997	3	0	0	0	0	118.2	(4.0)	–	(100.0)
Government-Guaranteed and Municipal Bonds	159,690	7	143,658	6	139,738	6	(1.7)	(11.9)	(2.7)	(12.5)
Corporate	107,244	5	193,644	8	245,677	11	(0.7)	5.1	26.9	129.1

( ) = negative, – = not applicable, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter, USD = United States dollar, VND = Vietnamese dong, y-o-y = year-on-year.
Notes:
1. Bloomberg LP end-of-period local currency–USD rates are used.
2. Growth rates are calculated from local currency base and do not include currency effects.
Sources: Bloomberg LP and Vietnam Bond Market Association.

Vietnam's government bond segment grew 9.1% quarter-on-quarter at the end of September 2020 to reach US$54.7 billion - accounting for 83.8% of the country's total bond stock.

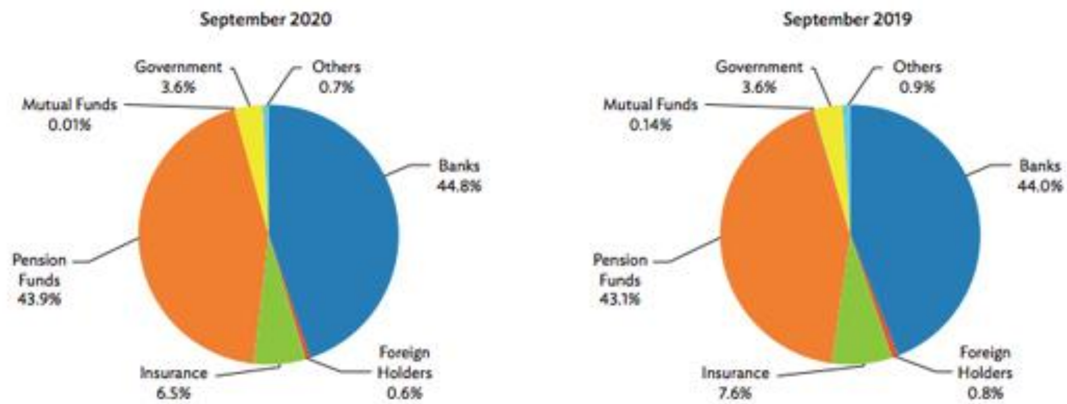
The expansion was driven by Treasury bonds, which grew 10.8% quarter-on-quarter in the third quarter, or double the growth rate of the previous one, on the back of increased issuance from the State Treasury.

There were no outstanding central bank bills at the end of the third quarter as the State Bank of Vietnam (SBV), the country's central bank, continued to support liquidity in the market.

Issuance of government bonds in the third quarter totaled VND116.9 trillion (US$5.06 billion), more than doubling the amount issued in the second quarter. The State Treasury had a higher bond offering volume as it continued to raise funds for the government's Covid-19 pandemic response. Auctions were met favorably by investors as safe assets like government bonds remained attractive amid lingering uncertainty, stated the ADB report.

The corporate bond segment, meanwhile, sustained its growth momentum, increasing by 26.9% quarter-on-quarter in the third quarter to reach US$10.6 billion. On an annual basis, growth in corporate bonds stood at 129.1% at the end of September this year.

Figure 2: Local Currency Government Bonds Investor Profile



Source: Viet Nam Ministry of Finance.

While the corporate bond market grew, issuance activity in the third quarter was rather meek. Debt sales by corporates amounted to VND67 trillion (US$2.9 billion), down from VND83 billion (US$3.6 billion) in the second quarter. The decline is attributed to the government's Decree No. 81/2020/ND-CP, which raises the standards for corporate bond issuance in the market.

The combined bonds outstanding of the top 30 issuers in the corporate market amounted to VND189.4 trillion (US$8.21 billion), or 77.1% of the total debt stock in the corporate segment.

Nearly half of the outstanding bonds, totaling VND93.7 trillion (US$4.06 billion), were from the banking sector, followed by property firms with VND47.5 trillion (US$2.06 billion), or 25.1% of the total.

Positive sentiment boosts bond markets in East Asia

Overall, the report suggested accommodative monetary stance sustained the growth of local currency bond markets in emerging East Asia, with currencies and equity markets gaining in early November.

Local currency bonds outstanding in emerging East Asia reached US$18.7 trillion at the end of September, a 4.8% expansion from June this year and 17.4% higher than a year ago. Emerging East Asia's bond issuance in the third quarter climbed to US$2.2 trillion, up 6.4% quarter on quarter and 39.8% year on year, as governments borrowed to support large-scale stimulus programs.

As a share of gross domestic product (GDP), emerging East Asia's bond market rose to 95.6% at the end of September from 91.6% at the end of June. The rising share of bonds outstanding to GDP was mainly due to regional governments' increased financing to combat the adverse effects of the Covid-19 pandemic.

Covid-19 remains the biggest downside risk to emerging East Asia's bond market and the global outlook, particularly the possibility of new waves of positive cases and related lockdowns and other restrictions on economic activities. Ongoing trade tensions between China and the US is an additional risk, it added. *Hanoitimes*

Freight and logistics stocks on the rise despite pandemic

Freight and logistics stocks have seen major gains since the beginning of 2020 even as the COVID-19 pandemic has wreaked havoc on the economy.

According to the General Statistics Office, the country's exports topped US$254 billion during the first 11 months of the year, making for an increase of 5.3 per cent over the previous year, while imports were estimated at $234.5 billion.

Increased trade activities coupled with a number of international trade deals which were recently signed or came into effects such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the EU-Vietnam Free Trade Agreement (EVFTA) and the Regional Comprehensive Economic Partnership (RCEP) have significantly boosted investors' confidence in logistics stocks.

A number of stocks such as VSC, GMD, DVP, DXP, SFI and HAH have seen double-digit growth in recent months and some of them set all-time high records on the trading floor.

Experts, however, pointed out the recent rise in stock value did not necessarily come from better business performance but rather investors' optimism in the sector's future. For example, despite the increased trading value, Gemadept has reported a 32 per cent drop in profit in the first three quarters, Tân Cảng Logistic (TCL) a 15 per cent drop and Hải An Logistics a 9 per cent drop.

A container shortage, typically experienced by logistics firms during the end of the year when import/export activities are at the highest level, especially for an export-oriented economy such as Việt Nam, contributed to an increase in logistics costs.

A report from the Vietnam Logistics Business Association (VLA) showed more than 40 per cent of firms had difficulty finding containers for their cargo with up to 17 per cent unable to rent them. This has created a large backlog of cargo at port and storage facilities across the country, which generated additional revenue for logistics firms.

Meanwhile, freight charges have skyrocketed in recent months. According to Freightos, a Hong Kong-based shipping company, the freight charges for a 40-feet container from China to the US west coast has almost tripled to near $4,000.

Investors also seem to be betting on an increase in port charges as Việt Nam's current prices were comparatively low in the region. A statement from the VLA said the sector has set an objective to bring charges to 60-70 per cent of the region's price level by 2025, which they have planned to start bringing up at the beginning of next year. — VNS

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E-COMMERCE

Digital transformation accelerates online sales target of US$35 billion

Vietnam is set to see 55% of the local population regularly participate in online shopping activities by 2025, with the value of goods purchased through the internet and online services reaching an annual average of US$600 per person.

B2C e-commerce sales, including online consumer goods and services, are expected to increase 25% annually, reaching US$35 billion

The Department of E-Commerce and Digital Economy under the Ministry of Industry and Trade believes that e-commerce represents one of the pioneering fields of the digital economy. Moving forward, Industry 4.0 technologies will be widely used in an effort of boost the efficiency of the business cycle as a means of modernizing the distribution system, therefore improving the competitiveness of domestic enterprises whilst also promoting the development of the local and export market.

The e-Conomy SEA 2020 report, jointly compiled by Google, Temasek of Singapore, and venture capital firm Bain & Company, focused on the largest six economies of Southeast Asia, including Indonesia, Malaysia, Singapore, Thailand, the Philippines, and Vietnam.

Domestically following various lockdown periods, users turned to the internet for solutions to their sudden challenges. This saw a significant number of people make use of digital services with 41% of all digital service consumers being new, higher than the SEA average, and 94% of these new consumers intending to continue their online shopping habits in the post-pandemic period.

E-commerce has driven significant growth locally, at 46%, alongside strong growth across the majority of sectors with the exception of travel. Overall, the year’s gross merchandise value (GMV) is anticipated to reach a total value of US$14 billion, representing annual growth of 16%. Looking forward to 2025, the overall economy is likely reach US$52 billion in value, especially with both Hanoi and Ho Chi Minh City being named among the top 10 most dynamic cities in the world in 2019, according to City Momentum Index 2019.

Nguyen The Quang, deputy head of the Department of E-Commerce and Digital Economy, cites the Vietnam E-Commerce Whitepaper 2020 which outlines how the size of the country’s business-to-business (B2B) e-commerce market enjoys an average annual growth of 20% to 30%. Elsewhere, business-to-consumer (B2C) e-commerce revenue in 2019 hit US$10.08 billion, whilst the estimated value of online shopping stood at US$225 per person per year, the highest regionally.

Currently, increasing numbers of domestic businesses choose to apply e-commerce in support of import and export activities. On a global scale, cross-border e-commerce has witnessed rapid growth and has become a prominent trend of the sector in recent years, thereby offering plenty of opportunities for startups to make swift progress.

“In fact, there are many successful businesses and they consider e-commerce platforms as support tools and their main business form. Nowadays, with the remarkable advancement of technology, every business, especially small and medium enterprises, is able to directly access domestic and foreign consumers.

Moreover, thanks to BigData and IoT technologies, businesses can analyse consumer behaviour in all markets, through which they can self-improve products according to consumer needs, work out a customer care strategy, and a marketing strategy for the right target consumers at a low cost," Quang said.

According to Vu Duc Thinh, general director of Lazada Logistics Vietnam, opportunities remain equal, although success can be viewed as being different. Although many businesses enjoy the huge potential of e-commerce development, domestic firms face numerous difficulties in terms of the process of transformation, with up to 72% of local small and medium enterprises (SMEs) facing at least four major challenges despite having a digital transformation orientation.

These issues include having few opportunities to access relevant digital technologies, not being fully equipped with a business mindset on relevant platforms, a lack of understanding of customers' data whilst operating on these platforms, in addition to logistics-related issues.

According to experts, the digital economy is becoming an increasingly important aspect of the national economy due to it being applied in industry, agriculture, finance, banking, and services. Being based on digital technology and the internet, it serves to create plenty of job opportunities, increase income, utility, and improve the quality of people's day-to-day lives.

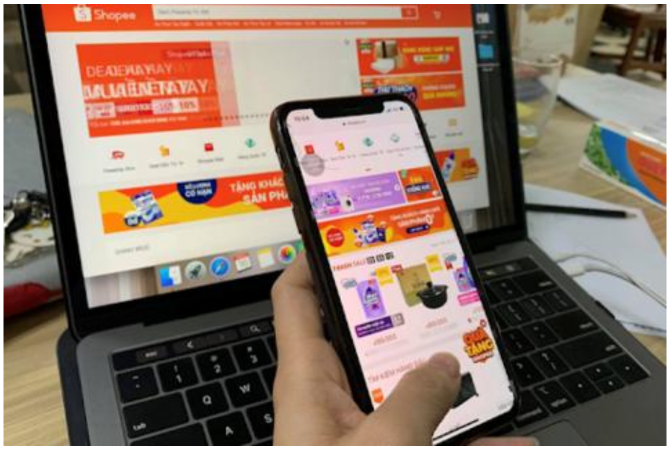
Economic expert Dr. Nguyen Minh Phong acknowledges that, amid the novel coronavirus (COVID-19) pandemic, social distancing measures and border closures in some places have forced many enterprises to undergo transformations in an effort to adapt to the development of e-commerce. This is along with a number of new business models that are based on the digital-based economy, especially traditional non-contact service activities.

The Vietnamese Party and State have therefore issued guidelines and policies whilst making close efforts to invest in important infrastructure that can develop IT and communication, in addition to also promoting e-commerce and applying modern technology in relation to the scientific and technological revolution.

In line with this, B2C e-commerce sales, including online consumer goods and services, are expected to increase 25% annually, reaching a figure of US$35 billion and accounting for 10% of the total retail sales of goods and consumer services nationwide. VOV

E-commerce serves as a gateway for Vietnamese exports

E-commerce offers businesses, especially small and medium-sized enterprises (SMEs), a direct reach to international customers, boosts their sales, speeds up the marketing process and saves costs, experts have said.



Vietnam's e-commerce market value will increase by more than 30% this year, exceeding $15b and reach $52b by 2025

Industry insiders were speaking at a seminar on exporting local goods through e-commerce, held by the Vietnam Chamber of Commerce and Industry (VCCI) and the Innovative Hub Company in Hanoi on November 24.

In the context of the COVID-19 pademic, the supply chains are disrupted and e-commerce shows its superiority and strengths that can help SMEs continue their business, maintain operations and create a breakthrough more clearly, said Pham Hoang Tien, Director of the VCCI's Small and Medium Enterprise Promotion Center.

Sharing how Singapore has practised effective e-commerce, Zoe Zuo, CEO of Innovative Hub said Vietnamese businesses need to acquire and do some things that are considered useful in Singapore with positive values to help promote the implementation of e-commerce in the country.

Zuo advised firms to select and carefully identify customers, focus on different groups and select products suitable for them, adding they should also select e-commerce platforms and interfaces appropriate to the objectives of the business and find qualified staff.

According to the Vietnam E-Commerce Association, the country's e-commerce market value will increase by more than 30 percent this year, exceeding 15 billion USD and reach 52 billion USD by 2025.

Doan Thuy, a representative of Glovimex which produces handicrafts for export, said her enterprise has accelerated transactions through e-commerce and reported positive results.

Thuy said e-commerce platforms have helped her overcome difficulties and maintain growth amid the pandemic.

Lawyer Le Trong Thiem, from the law firm LTT & Lawyers, said e-commerce transactions bring benefits but create many potential risks of cash flow, security on international payment transactions, transaction costs, technology risks or fraud and hackers.

Thiem recommended businesses develop a full, detailed and specific sales policy, learn and grasp the rules of the game and ensure the deadline to receive money in any transaction.

He added there should be a clear agreement with the partner while the enterprises must make a careful investment in technology and have knowledge about the geopolitical situation when trading via e-commerce.

The Asian Development Bank (ADB)'s Asian Development and Outlook 2020 Report forecasts that Vietnam's economic growth will reach 2.8 percent in 2020 amid a global economic slowdown due to COVID-19. The growth was expected to increase by 6.3 percent in 2021. Notably, the report assesses that Vietnam is showing stronger resilience compared to similar economies.

Like other countries, Vietnam faces a very difficult period with more risks of cybersecurity and also the dependence on digital technologies.

Trinh Minh Anh, Head of Office of the Inter-sectoral Steering Committee for Global Economic Integration suggested that the government should give priority to developing digital identity in Vietnamese, build smart barriers and strongly develop electronic payment methods.

Vu Tu Thanh, a representative of the US-ASEAN Business Council, said the pandemic is having uneven impacts in each geographical area and business sector, by firm size and by digital transformation level, so Vietnam should take its chance to take advantage of the digital economy.

With the scale of the local internet economy of 14 billion USD, which was increasing 16 percent from the previous year despite the pandemic, Vietnam was forecasted to reach a scale of 50 billion USD in the next five years and be second only to Indonesia in the regional digital economy.

“Doing business on digital platforms with goods and services transactions over the internet is a great opportunity for Vietnam," Thanh said./.VNA

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START UP

Vietnam fintech startup go from 44 in 2017 to 121

Vietnam's fintech startup landscape almost tripled in size between 2017 and 2020, growing from 44 startups in 2017 to now 121 startups, according to a new report released by Fintech News Singapore.

Accordingly, the number of fintech startups in Vietnam grew more than 179% between 2017 and 2020. Payment remains the biggest segment, representing 31% of all fintech startups.

Fintech Vietnam Startup Map 2020 (Source: Fintech News Singapore and Switzerland Global Enterprise)

As of October 2020, Vietnam was home to 39 licensed non-bank payment services providers, with the five biggest e-wallets being MoMo, Payoo, Moca, ZaloPay, and ViettelPay.

Statistics from the State of Bank of Vietnam (SBV) revealed that as of 2019, there were 4.2 million e-wallet users out of the country's population of 100 million people, implying that despite a rather crowded and highly competitive local payment sector, there are still plenty of growth opportunities, stated the report.

While Vietnam's payment startups continue to grow and attract investors' interest, the strongest growth was actually recorded in peer-to-peer (P2P) lending and the crypto/blockchain space. These two segments saw the number of startups rise from less than five in 2017 to more than 15 startups in 2020.

The past three years also saw the emergence of insurtech, digital banking, and small- and medium-sized enterprises (SMEs) financing, three segments that were non-existent in 2017.

Fintech News Singapore emphasized that despite notable traction and strides, Vietnam's fintech sector remains nascent when compared to neighbouring Singapore for example, and segments including data/credit/scoring management and crowdfunding are still unrepresented.

The domestics fintech sector is largely comprised of players operating under a business-to-consumer model, making the underdeveloped business-to-business (B2B) market poised for growth.

At the same time, Vietnamese banks are accelerating their digital transformation, with a growing number of them adopting a partnership approach to enable rapid innovation. This provides B2B startups with plenty of opportunities to support incumbents in their digital efforts.

In the fintech sector, these so-called "super apps" are rapidly gaining ground, leveraging their advanced tech platforms and expertise to deliver cheap and convenient digital financial services to the masses.

More developments are expected in the near future on the back of favourable regulations. These include the forthcoming fintech regulatory sandbox as well as a legal framework for digital assets and cryptocurrency, the report said.

Medtech Village 2020 empowers healthcare revolution with digital transformation

Medtech Village with a number of activities during Techfest Vietnam 2020 has created connectivity and opportunities for startups to develop, contributing to digital transformation to revolutionise healthcare.

Especially, the Novembeer 28 seminar with the participation of leading experts in the field of medical technology in Vietnam and the world, as representatives from the Ministry of Health, organisations, heads of leading businesses, and startups (the highlight of the event) bringing values and lessons for all participants.

The seminar focused discussions on digital transformation trends, demands, and visions about digital transformation from hospitals, thus looking for solutions to tap into the huge potential, and to spur the process in the coming time.

Ngo Thanh Son, deputy general director of VMED Group, who is also head of Medtech Village, said, "Despite a number of challenges and difficulties, Vietnam's medical tech market is very promising. Healthcare infrastructure is not much developed and there is a marked lack of technology for management, operation, and administration and diagnosis and treatment activities."

“As the head of Medtech Village, we are striving to bring the medical sector closer to technology. We and startups will together analyse and solve the problems in an appropriate and effective manner,” Son noted.

Addressing the event, Pham Hong Quat, head of National Agency for Technology Entrepreneurship and Commercialization Development under the Ministry of Science and Technology, noted that, "COVID-19 helped us realise that Vietnamese people have excellent brains, innovation, and great unity. Especially in the medical sector, technology has contributed significantly to the success in the pandemic control.”

“With such a seminar and the associated contest, VMED Group and Genetica – the leaders of Medtech Village create new ways and opportunities for startups and others to go ahead.”

Nguyen Truong Nam, deputy head of the Information Technology Department, Ministry of Health (MoH), emphasised that healthcare is one of the eight sectors that the government is giving priority to in digital transformation.

“The MoH is willing to cooperate and connect with businesses and startups to bring more advanced technology to the sector so as to improve the quality of diagnosis and treatment.”

As part of the seminar, international experts virtually shared lessons about digital transformation in the medical sector. Duong Anh Quang, representative from Google Health, said that the application of Google Health’s AI solutions in India and Thailand’s medical sectors shows that AI could help the medical sector deal with a number of hard problems. However, besides knowledge and financial capacity, successful applocation requires intensive studies about the market and practical experience.”

Talking about digital transformation at hospitals in Japan, Ominext Group shared valuable lessons for Vietnamese healthcare facilities. Ominext Group was involved in the digital transformation of 5,000 health facilities and 3,000 drug stores in Japan. Tran Quoc Dung, CEO of Ominext Group, stressed that there are some important issues that hospitals should pay attention to during the process: digital strategy, digital transformation plan; trained consulting team; specialisation in each part; and communications, and others.

Regarding real stories from startups, Cao Anh Tuan, CEO of Genetica, said that in the digital era, it is necessary to focus on the products that users and the market are looking for. For startups, money is not the most important factor. Experience from senior advisors is also necessary.

Techfest 2020 wrapped up, Medtech Village made a mark with MedON being named in the top 10. MedON represented startups of Medtech Village at the Techfest 2020 contest.

Digital transformation in the healthcare sector is an inevitable trend which is expected to make great changes in administration, diagnosis, and treatment quality, thus further improving healthcare services for all.

As the head of Medtech Village, VMED Group plans to make more moves to increase connectivity, cooperation, and the power of the five parties: schools – the state – scientists – businesses – community to fuel the sector's digital transformation journey and creat a sustainable innovative ecosystem in the digital age.

Grab's reign over Vietnam ride-hailing market continues

Grab remains the dominant player in the Vietnamese ride-hailing market with close to a 75 percent share, and is widening the gap with competitors. Global market advisory firm ABI Research said Grab completed 62.5 million rides in the first six months of 2020, or 74.6 percent of the market, an increase from last year's 73 percent.

The market share of FastGo, a Vietnamese competitor, dropped to 0.7 percent from 1 percent.

But, the Covid-19 pandemic came as a huge blow to the market as Grab's figures showed. Its 62.5 million rides were a mere 20 percent of the 313 million it completed in the first half of last year.

The overall market shrunk to 19.5 percent of last year's 429.5 million rides.

Two new Vietnamese apps, HCMC-based Viservice's viApp, and GV Asia's GV Taxi, made their debuts during the year. But analysts are skeptical about their prospects.

With the ride-hailing field being extremely competitive, even strong players like Grab, Be and Gojek have turned to the food delivery market for profits.

Vietnam was the fourth largest ride-hailing market in Southeast Asia last year behind Indonesia, Singapore and Thailand, according to a report by Google, Singaporean sovereign fund Temasek and U.S. management consultancy Bain.

ABI Research estimated the market at US$1.1 billion last year and said it could rise to $4 billion by 2025.

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RETAIL

Takashimaya chases new identity as developer, starting in Vietnam

With its mainstay department store business foundering amid the coronavirus pandemic, Japan's Takashimaya has turned to property development overseas as the company's next engine for growth.

About 6 km from central Hanoi, development of a new urban hub called Starlake is underway. Takashimaya is investing 1.3 billion yen ($12.5 million) into the construction and operation of a K-12 school there in cooperation with Edufit International Education, a Vietnamese school operator.

Takashimaya envisions a roughly 20 billion yen overseas investment spree in total during the next three to four years, largely in the real estate sector. The Hanoi work represents the first foreign property project in which the company has been involved every step of the way, from land acquisition to operations.

The Japanese company also will develop commercial and office space at Starlake between 2022 and 2025, along with two separate large-scale commercial projects elsewhere in Hanoi. Takashimaya will renovate several mixed-use buildings as well that it acquired in Ho Chi Minh City and Hanoi last year.

Takashimaya opened a Hanoi department store in 2016 and has relationships with numerous Japanese brands. The company plans to tap these connections to attract unique tenants for its buildings, setting them apart from those built and operated by local developers.

Expanding the property development business is a top priority, as Takashimaya's department stores faced headwinds from online rivals and slowing tourist traffic to Japan even before the pandemic.

Its department stores in Japan accounted for less than 20% of total operating profit in fiscal 2019, despite making 80% of total revenue -- a sharp contrast to the property development business, which generated about 40% of operating profit on less than 10% of revenue. Department stores, both in Japan and overseas, are only expected to face further challenges from the coronavirus.

Takashimaya also has made inroads into property development domestically. But demand for office buildings and other properties has much more room for growth in overseas markets.

Vietnam, in particular, has been booming in recent years, and its gross domestic product rose 7% for the second year in a row in 2019. The country also logged positive growth in the July-September quarter, having brought the coronavirus outbreak under control early on.

"There's a lot of room for us to expand our portfolio in many different fields in Vietnam," Takashimaya President Yoshio Murata said.

Hanoi retail market: Landlords reshuffle tenant mixes

Landlords need to be more open to different kinds of tenants to meet the actual requirements.

The Covid-19 pandemic has delivered a strong hit to shopping malls as consumers were cautious not only about going to malls where many people gathered but also spent.

Landlords, therefore, needed to reshuffle tenant mixes by replacing underperformed brands with more resilient ones like F&B and entertainment categories, leading professional real estate services and investment management firm JLL has said.

With many tenants moving out and malls changing tenant mix, Hanoi's retail market saw significant increase in vacancy in the third quarter this year.

Main supply from suburban

Total stock remained unchanged as no new supply entered the market in the first three quarters of 2020 (3Q20).

Hanoi's retail space was largely contributed by those in suburban districts where there remained more land bank available than CBD (districts of Hoan Kiem, Dong Da, Ba Dinh and Hai Ba Trung). These retail centers tended to be one-stop destinations, providing multiple types of goods and services that catered toward a diverse group of consumers.

Rents hold firm in CBD but dip in suburban areas

Despite the challenging period, the average rents in CBD appeared to hold firm in 3Q20, given the high occupancy rate and lack of future supply in the area. Meanwhile, rents in suburban areas softened as many landlords were under pressure to maintain occupancy.

Although those supports from landlords in the beginning of the pandemic were lifted in most of the malls, some landlords were seen to extend certain aids on case-by-case basis.

According to JLL, supply will remain unchanged in CBD, while non-CBD will continue to see more shopping malls. In the fourth quarter this year, Vincom Ocean Park with approximately 33,600 square meters (sqm) will enter the non-CBD market.

This will be the first mall in Gia Lam district and is expected to become a new destination for residents in the area. The mall has achieved an impressive pre-commitment rate thus far.

As a notable trend, most developers are focusing on generating superlative experiences and value-added services to attract shoppers. Therefore, more shopping malls are expected to get rejuvenated with better tenant mix, infrastructure and added services in upcoming time. Hanoitimes

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ENERGY

Vietnam picks Tokyo Gas and Marubeni for $2bn LNG power plant

Japanese utility Tokyo Gas and trading house Marubeni will build a liquefied natural gas-fired power plant in Vietnam, betting on the emerging economy's growing appetite for an energy source cleaner than coal.

An artist's rendering of an LNG plant under development in Indonesia by Marubeni and Sojitz.

The Japanese companies have signed a memorandum of understanding with Petrovietnam Power -- a member of state-run Vietnam Oil and Gas Group, known as Petrovietnam --and a local construction company for the project with an estimated total investment of 200 billion yen ($1.93 billion).

The deal comes as China, Japan and South Korea lead the way in setting goals for cutting greenhouse gases in Asia in the coming decades. Natural gas plays a key role in such plans.

LNG "will be an outperformer in the medium term," a gas industry insider said.

The Japanese companies and their Vietnamese partners will begin a feasibility study and negotiations on power pricing, with the aim of bringing the plant online in 2026.

To be located in the coastal province of Quang Ninh about 200 km from Hanoi, the LNG power station will have a capacity of 1,500 megawatts, or the equivalent of one nuclear reactor. The all-encompassing project will include construction of a terminal for receiving LNG ships and for regasification, as well as a pipeline to the plant.

Power demand is increasing 10% a year in Vietnam's growing economy, which is outperforming regional peers this year. While a global shift to renewable energy is accelerating, this transition poses a challenge for rapidly industrializing emerging economies.

This is where LNG comes in. The fossil fuel is considered a relatively clean energy, with carbon dioxide emissions from its combustion about half of those from coal.

Vietnam is moving forward with LNG-fueled power plants, many of which are expected to begin operating in the mid-2020s. Gas-fired power generation is projected to grow to 158.1 billion kilowatt-hours in 2030 from 44 billion kwh in 2020, according to government data.

The LNG plant in Quang Ninh will mark the first overseas one-stop project for Tokyo Gas, which is eager to export its LNG know-how to markets beyond the stagnant Japan.

Marubeni has similar projects involving steps from LNG procurement to power generation in Indonesia and Myanmar as well, working with other Japanese companies.

While Japan remains the world's biggest LNG importer, some predict China will ascend to the top spot as soon as 2023.

Tokyo Gas buys LNG from six countries as of this year. If Japan's energy demand shrinks in line with its demographic decline, this would weaken the country's purchasing power, resulting in higher import prices. Tokyo Gas wants to broaden its markets to maintain its procurement edge.

M&A renewables on upward trajectory in Vietnam

Mergers and acquisitions in renewable energy in Vietnam are on an upward trajectory and expected to become even hotter next year, with the country officially overtaking Thailand to rank as the largest solar market in Southeast Asia.

With more than 6,314MW installed as of the end of August, the market is expected to add 7,000MW newly-approved capacity while 13,000MW also awaits approval.

Key solar projects in Vietnam

Project	Developer/Investor	Commercial operation date	Installed capacity	Province
Loc Ninh Solar Power Plants (four single projects)	Super Energy (Thailand)	Target before Dec 31, 2020	750MW	Binh Phuoc
Dau Tieng Solar Power Complex (three single projects)	JV between XuanCau Group (Vietnam) and B. Grimm (Thailand)	June 2019 for two projects, one project target 2021–2025	650MW	Tay Ninh
Trung Nam Thuan Nam Solar Plant	Trung Nam Group (Vietnam)	October 2020	450MW	Ninh Thuan
BIM/AC Renewables Solar Farm (three single projects)	AC Energy (Philippines) and BIM Group (Vietnam)	May 2019	330MW	Ninh Thuan
Hong Phong Solar Power Plant (two single projects)	Vietnam Trading Engineering Construction (Vietnam)	June 2019	325MW	Binh Thuan
Hoa Hoi Solar Power Plant	JV between B. Grimm (Thailand) and Truong Thanh Vietnam Group (Vietnam)	June 2019	275MW	Phu Yen
CMX Renewable Energy Vietnam	JV between Sunseap (Singapore), InfraCo Asia (Singapore), and CMX Renewable Energy Canada (Canada)	June 2019	168MW	Ninh Thuan

Source: Apricum

The new landscape has fuelled investor sentiment as they begin to assess risks from other perspectives instead of only focusing on models such as power purchase agreements due to bankability issues.

As a result, mergers and acquisitions (M&A) in the country's renewables, especially in solar, have become more active since the end of 2018 thanks to a feed-in tariff (FiT) mechanism of 9.35 US cents for solar for phase 1, and each kilowatt-hour generated from ground-mounted, floating, and rooftop solar initiatives set at 7.09, 7.69, and 8.38 US cents respectively for the FiT2 rate.

Under Decision No.13/2020/QD-TTg issued in April on encouraging mechanisms for solar power development in Vietnam, the deadline of December 31 was set for solar systems of any scale to attain a certificate of delivery and enjoy the FiT2 rate, which is considered financially attractive. Both developers and investors believe that acquisitions of operational plants may be far easier from a legal point of view, while also reducing the risk of forecasting generation as real data already exists, while they do not know if new projects can enjoy the preferential FiT rates.

Moritz Sticher, senior advisor for Berlin-based cleantech advisory Apricum, said that the solar M&A landscape is looking up for several reasons. By the end of 2020, nearly 3,000MW of ground-mounted solar projects could potentially reach commercial operation date, adding to existing operational solar assets – many of which will be up for acquisition.

From FiT phase 1, additional ground-mounted projects are up for acquisition as well as rooftop solar projects that have been developed under both rate phases. This expected market supply of operational solar power plant assets, Sticher said, plus the number of ongoing transactions not yet finalised, is likely to create more traction for the solar M&A scene of Vietnam, driven by a rather oversupplied capital market looking for renewable energy assets.

Rong Viet Securities Corporation meanwhile added that M&A activities in renewable projects in Vietnam also contributed through high demand of electricity and attractive electricity tariffs in the country.

At the forum, however, experts pointed out existing barriers for M&A activities including continuing COVID-19 pandemic setbacks globally, regulatory uncertainty, financing access, and environmental and social concerns.

Solar, wind power projects to exceed transmission capacity

Investors continue to pour money into solar and wind power projects, but the total capacity of approved renewable energy projects could exceed the transmission line capacity.

Solar, wind power projects queuing up

Sao Mai Group in early October asked for permission to implement the 875 MWp Sao Mai – Dak Nong solar power project, capitalized at VND12 trillion on an area of 754 hectares in Cu Jut district.

Electricity of Vietnam (EVN), in a report to the Ministry of Industry and Trade (MOIT) in late August, showed that the total approved capacity of renewable energy sources to be put into operation by early 2025 is 23,000 MW, or 20 percent of the total capacity of all electricity sources by that time (approximately 107,000 MW).

This includes 11,200 MW of solar power and 11,800 MW of wind power. Of this, 7,000 MW of wind power has just been added to the list of wind power projects by the Prime Minister.

The figures show that solar and wind power are attracting large capital from private investors, which has never been seen in the history of the power industry.

The good news is that the power industry can attract private investments which lift concerns about electricity. However, the bad news is that there is a high number of projects expected to become operational which may cause overloading of the transmission line.

The project developed by Sao Mai Group also has raised worry about the overloading of the local transmission line.

According to EVN, in the Central Highlands (Dak Lak, Dak Nong, Gia Lai and Kon Tum), the total renewable energy capacity will be 2,433 MW by 2021. However, only 857 MW can be absorbed, while the remaining 1,576 MW may not be transmitted to the grid. The figures could be 660 MW in 2022 and 660 MW in 2023.

The project of Sao Mai alone has the capacity of 875 MWp. The overloading of the transmission line is foreseeable.

Too many projects weighing on transmission lines

In an effort to improve the transmission network to use up the capacity of renewable energy projects, EVN has proposed developing more transmission line projects in some regions.

However, experts warn that the new transmission lines might not be able to catch up with the rapid development of power generation projects.

The developers of power projects are running against time to put their plants into operation prior to November 2021 to be able to enjoy the FIT (feed in tariff) mechanism stipulated in the Decision 39 dated September 10, 2018. It takes only six months to build a solar power plant, but it takes two or three years to build a transmission line.

Bottlenecks in Vietnam's renewable energy development

Vietnam will likely have to increase coal power to ensure stable and affordable power supply.

Vietnam has pursued a renewable strategy for the sustainable economic growth but gridlock has slowed the power master planning and affected the market landscape.

The economic impact of Covid-19 and the limitations of Vietnam's national grid will hinder the country's attempts to turn away from coal and embrace renewable energy, David Whitehouse told Petroleum Economist.

Vietnam needs to meet electricity demand growth of about 8% per year, with power consumption forecast to rise from 265-278 terawatt-hours (TWh) in 2020 to 572-632 TWh in 2030.

A draft power development plan showed that the country will move forward with 15 coal-fired power projects with a combined capacity of 18GW by 2026. Vietnam will cancel or postpone until after 2030 nearly half of its previously planned increases in coal power capacity.

In terms of natural resources, the country is well endowed for solar and wind generation, with extensive coastlines, slopes and rivers combined with high annual rainfall. Its wind power potential exceeds that of Thailand. As of June, 12 gigawatts (GW) of wind power projects proposed by private investors had been approved.

Transmission overload

A November report from think-tank Institute for Energy Economics and Financial Analysis said that renewable energy will make discussion of new coal power “obsolete” by the end of the decade.

However, war and its legacy have delayed the development of Vietnam’s national grid, with the first 500kV line connecting three regional grids coming into operation only in 1994. Analytics firm IHS Markit said in June that many southern transmission lines and substations were at full load or overloaded. It warned that developing transmission lines between the north, central and southern parts of the country was “critical.”

According to researchers led by Thi Thu Nga Vu of the Electric Power University in Hanoi, transmission lines between north and central Vietnam are always in high load status, especially in flood season.

The transmission network to the heavily populated urban centers of Hanoi and Ho Chi Minh City is often stretched. In the southern and central regions, where solar projects are concentrated, the grid remains poorly developed. The current grid, the researchers write, may be able to absorb only about 2GW of renewable energy.

Grid capacity “has been and is likely to continue to be a constraint for both onshore and offshore installations,” said Philip Andrews-Speed, principal fellow at the energy studies institute of the National University of Singapore. Solar and wind will grow in importance but are “unlikely to be dominant until the issue of cheap storage is solved.”

He said Vietnam could follow the approach of the Philippines and invite bids for grid investment.

Hydropower accounts for the largest share of Vietnam’s renewable energy supply. The country could import hydropower from Laos as a stopgap, Andrews-Speed said, but that assumes transmission lines being in place.

Concerns

Vietnam needs about US$10 billion of investment per year to meet energy demand, according to professional services firm Dezan Shira & Associates. That has prompted the government to allow 100% foreign ownership of energy companies.

A key to the mix will be how quickly Vietnam’s LNG regasification plants and associated gas-fired power plants can be built, Andrews-Speed said.

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INVESTMENT

Exclusive: Foxconn to shift some Apple production to Vietnam to minimise China risk

Foxconn is moving some iPad and MacBook assembly to Vietnam from China at the request of Apple Inc, said a person with knowledge of the plan, as the U.S. firm diversifies production to minimise the impact of a Sino-U.S. trade war.

Foxconn is moving some iPad and MacBook assembly to Vietnam from China at the request of Apple Inc, said a person with knowledge of the plan, as the U.S. firm diversifies production to minimise the impact of a Sino-U.S. trade war.

The development comes as the outgoing administration of U.S. President Donald Trump encourages U.S. firms to shift production out of China. During Trump's tenure, the United States has targeted made-in-China electronics for higher import tariffs, and restricted supplies of components produced using U.S. technology to Chinese firms it deems a national security risk.

Taiwanese manufacturers, wary of being caught up in the tit-for-tat trade war, have moved or are considering moving some production from China to countries such as Vietnam, Mexico and India.

Foxconn is building assembly lines for Apple's iPad tablet and MacBook laptop at its plant in Vietnam's northeastern Bac Giang province, to come online in the first half of 2021, the person said, declining to be identified as the plan was private.

The lines will also take some production from China, the person said, without elaborating how much production will shift.

"The move was requested by Apple," the person said. "It wants to diversify production following the trade war."

Foxconn said in statement: "As a matter of company policy, and for reasons of commercial sensitivity, we do not comment on any aspect of our work for any customer or their products".

Apple did not immediately respond to a request for comment.

Taiwan's Foxconn, formally Hon Hai Precision Industry Co Ltd, on Tuesday announced a US$270 million investment to set up a new subsidiary called FuKang Technology Co Ltd - a move the person said was aimed at supporting the Vietnam expansion.

The contract manufacturer also plans to make television sets at the Vietnam plant for clients including Japan's Sony Corp, with the start of such production slated for late 2020 to early 2021, the person said. Sony declined to comment.

The factory will also make other electronic products such as computer keyboards, the person said.

Shifting iPad production to Vietnam will mark the first time Foxconn has assembled the device outside of China.

The firm already plans to spend up to US$1 billion expanding an iPhone assembly plant in India as "strongly requested" by Apple to diversify production beyond China, people with direct knowledge of the matter told Reuters in July.

Foxconn and peers such as Pegatron Corp are also considering building plants in Mexico, people with knowledge of the matter said, as Washington promotes near-shoring production.

Foxconn Chairman Liu Young-way in August told investors the Sino-U.S. trade war had split the world into two, saying his firm aimed to provide "two sets of supply chains".

Other iPad assemblers include Taiwan's Compal Electronics Inc and China's BYD Electronic International Co Ltd.

Thai firm spends $39.9 million acquiring solar farm in Vietnam

Gunkul Engineering Plc. has acquired a solar farm in Vietnam at a cost of $39.9 million, or ฿1.26 billion, as reported by the Bangkok Post.

Gunkul Engineering Plc. has acquired a solar farm in the central province of Thua Thien-Hue

The firm became the sole owner of Vietnam-based Doan Son Thuy Investment JSC (DST) and is ready to operate 50MW Phong Dien II solar power plant in Hue, said Gunkul chief executive Sopacha Dhumrongpiyawut.

She said the deal, which was concluded last week, includes the purchase of 49% of shares from Bangjak Green Energy Co., a subsidiary of Bangkok-based BS Industry Service Co., and 51% of the shares from two individual Vietnamese shareholders.

The construction of Phong Dien II plant was recently completed. The facility will be connected to the state grid, operated by Vietnam Electricity, under a power purchase agreement, with a feed-in tariff of 7.09 US cents per kWh granted to the operator for 20 years.

The project is expected to start commercial operation on December 15.

"The acquisition of DST's ordinary shares is part of the company's plan to invest in solar power business in Vietnam," said Sopacha. "This will help expand the company's business in Southeast Asia and promote our growth in terms of assets and operations."

Over the past year, there have been a few notable power projects in Vietnam involving Thai sponsors, including, among others, the acquisition and financing of 100MW photovoltaic solar power plant in the southern province of Tay Ninh, the acquisition of 550MWp Loc Ninh 1, Loc Ninh 2 and Loc Ninh 3 photovoltaic solar power projects, and the 220kV Loc Ninh-Binh Long Transmission Line Project in Binh Phuoc; the acquisition of a 310MW wind turbine power plant in the Mekong Delta province of Ben Tre; the project take-out financings of 50MWp solar power plant and substations and the 257MWp utility-scale photovoltaic solar power plant in the central province of Phu Yen.

Experts predict that there is a trend in acquisition activities by Thai investors in the offshore, nearshore and onshore wind space, followed by greenfield project financing or project take-out financing activities.

Jackpot within reach for keen Japanese investors

Vietnam is expected to welcome a growing wave of dealmaking involving Japanese companies and investors as the pandemic subsides.

More Japanese companies desperately need to find additional markets to expand in

Speaking at the Vietnam M&A Forum 2020 last week, Masataka “Sam” Yoshida, head of the Cross-border Division of RECOF Corporation and CEO of RECOF Vietnam Co., Ltd. – said that investment via mergers and acquisitions (M&A) into Vietnam will be a trendy activity for Japanese companies which have the potential to last for years to come.

“The first trigger for such an opinion is the destiny for Japanese companies to find new markets to expand outside their own country,” Yoshida explained.

Most sectors in Japan are already well matured – for instance, almost one-third of the Japanese population is over 65 years old, making the Japanese average age almost 20 years older than the Vietnamese equivalent.

“The second trigger is using M&A as a growth strategy, which is backed up by the abundant accumulated cash during the last 20 years – reaching $2.34 trillion as bank deposits with almost zero interest rate,” he said. “Pushed by shareholders’ requirements to make use of money, it has started to flow into the M&A market which made its highest record in 2019 by over 4,000 deals in all types of M&A. This means there were more than 4,000 active and successful Japanese investors,” he said.

Indeed, Yoshida noted that there are a growing number of M&A transactions between Japanese investors and companies in most of countries in Southeast Asia. Among them, Vietnam recorded the highest number ever with 33 transactions last year.

In the past, due to the size of businesses, Vietnam was often outside the top three countries in this regard, but in 2019 it reached an amount of $389 million – 2.8 times higher than in 2017 and, for the first time, ranked just behind Indonesia in second.

During the first 10 months in 2020, there were 21 transactions publicly announced between Japan and Vietnam, ranking second in number after Singapore. Although there was an on-year 25-per-cent decline, given that the total of outbound Japanese deals dropped by 33 per cent during this period, the Vietnamese decline was both smaller than the average and also less than most other countries. In terms of transaction value, Vietnam was ranked second at a value of $282 million.

"We can say that the interest from Japanese investors towards Vietnam continues to be strong even in the pandemic situation, and the background of a slowdown of investment is purely a timing issue," Yoshida insisted.

In fact, there has been a surge in Japanese-driven M&A deals across the world over the last five years. In 2019, all categories recorded a historical high. In 2020, the domestic M&A market was hit by COVID-19 with a 4-per-cent on-year dip up to October. However, the Japanese market already bottomed out in May, and now the monthly number has almost recovered to the previous year's level.

Outbound M&A was particularly hard hit and has been slow in recovering, with on-year decline of around 33 per cent up to last month mainly due to worldwide border restrictions.

"From a Japanese point of view, their companies already have very little to do in a market like Thailand. There are already about 5,500 Japanese companies in the country and it is too late to enter. As for somewhere like Myanmar, there are fewer than 400 Japanese companies and so conservative investors still have to wait and see carefully regarding appropriate timing," Yoshida said.

On the other hand, Vietnam, with more than 2,000 Japanese companies in the country, will continue to attract them. New Japanese Prime Minister Suga Yoshihide is following the policy of his predecessor and demonstrated his commitment to Vietnam by choosing the country as his first destination to visit while in the role. "This endorsement to Vietnam will create an enormous impact to the Japanese companies' future strategies," Yoshida explained.

"Once the hurdle of anti-pandemic restrictions on business activities are removed, a big wave of Japanese companies waiting to make progress on investment procedures will rise," he said.

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