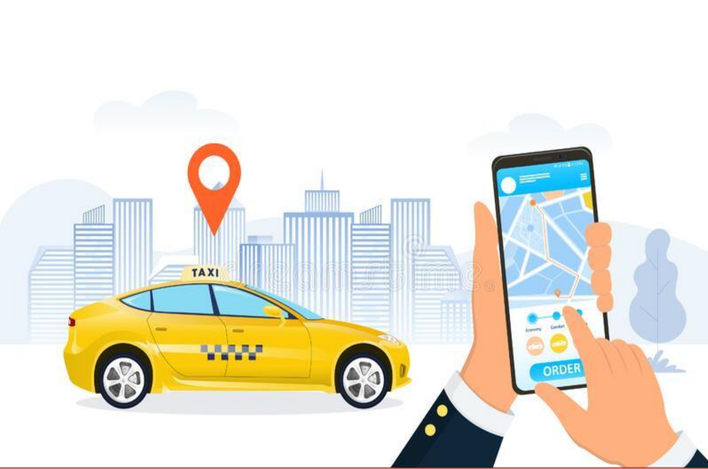

VIETNAM BUSINESS REVIEW

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Highlight

$500 million ride-hailing market: who can compete with Grab?

What's in it today?

FINANCE

Stock market 2020: a rollercoaster year that ends happily

Covid-19 sent Vietnam's stock market tumbling to its lowest levels in years, only for it to rebound spectacularly as cash poured into the market.

When the benchmark VN-index ended 2019 at 960.99 points, a rise of 7.67% in a sedate year with few fluctuations, no securities firms foresaw the rollercoaster ride that was awaiting them in 2020.

Steady macro-indicators had underpinned 2019, with GDP growing by 7.02%, inflation below the government's 4% target, rising household consumption, and the U.S.-China trade war bringing foreign investment into Vietnam's manufacturing sector.

"We expect this stability to continue in 2020," securities company VinaCapital had said in a forecast. Most securities firms in fact had rosy forecasts, saying the index would climb over 10% to end above 1,100.

Petri Deryng, portfolio manager at Finland-based PYN Elite Fund, had even predicted the VN-Index to rise to 1,800 points in the next two or three years.

All was well until January 30, when the Ho Chi Minh Stock Exchange (HoSE), Vietnam's main bourse reopened after a week-long national holiday.

On that day the index plunged 3.22%, its biggest single day loss in over a year as investors raced to offload stocks, erasing all of January's gains, after Vietnam confirmed its first two Covid-19 cases and began deploying emergency response teams and closing its borders with China to contain the pandemic.

The market continued to slide in February, losing almost 140 points as foreign investors pulled out of Vietnam and other Asian markets.

But bottom fishing by domestic investors stemmed the bleeding somewhat and brought some green amid the market's sharp drops.

Crisis as Covid-19 situation escalates

The market saw its worst period in March, a month in which Vietnam's Covid-19 numbers exploded from five to over 100.

The index dropped from 884 to 662, its lowest since early 2017, with several historic losing sessions as news of freshly discovered batches of Covid-19 cases came.

On some days the losses matched those that occurred during the 2008 global financial crisis, with the VN30, a basket of the market's 30 largest stocks, sometimes seeing 10 of its components fall to their floor prices, an extremely rare occurrence for these blue chips.

"Investors were thrown into a state of panic over the fact that the disease seemed to be spiraling out of control in Vietnam's key export markets such as the U.S. and EU," Tran Truong Manh Hieu, head of market strategy at KIS Vietnam Securities, said.

Foreign investors continued to sell off, and by March 24, after 30 consecutive sessions of net selling, pulled a total of VND8.5 trillion (US$366 million) out of the market, more than their total investment in 2019 ($315 million).

Hieu said they took the opportunity to transfer their funds from emerging markets like Vietnam to the U.S. and Europe, expecting big profits when the markets recovered as well as switching to safer asset classes such as gold.

Other Asian markets did little better in March, with India, Japan, South Korea, Indonesia, Thailand, and the Philippines having to apply circuit breakers amid coronavirus-triggered sell-offs.

By March end Vietnam had stopped all international flights and much of domestic transport, and mandated nationwide social distancing at the start of April.

Fresh investors spur recovery

But with the Covid-19 situation seemingly under control, with no new local transmissions since mid-April, by May-end the VN-Index became one of the best performing stock markets in the world.

Between April and May it clawed back over 31% of its losses to finish at 864 points, third only behind South Korea's Kospi index and the U.S.'s S&P 500, which regained 39.2% and 36.1%, according to data from *Bloomberg*.

Trading volumes on HoSE rose sharply to VND6-7 trillion per session from the average of VND4-5 trillion in the previous three years and VND3-4 trillion at the height of the first Covid-19 wave.

Industry insiders speculated that the impact of the pandemic on jobs and incomes caused many people to look at stocks as a new asset class.

In the first six months of this year nearly 31 million people lost jobs or incomes as GDP growth fell to a 10-year low of 1.8%.

According to the Vietnam Securities Depository (VSD), in March, at the height of the Covid-19 crisis, securities companies opened 32,000 new domestic accounts, the highest monthly number since the market peaked in April 2018.

"The stock market is benefiting from surplus cash flows in the economy," Nguyen Duy Hung, chairman of SSI Securities Corporation, had said then.

He described it as "basically dead money" that people were unable to spend during the three weeks of social distancing in April against the coronavirus, and said other asset classes were unattractive.

Nguyen The Minh, vice president and head of retail research at brokerage Yuanta Vietnam, said after the government directed banks to lower loan interest rates to stimulate economic recovery, bank deposits became less attractive, and "cheap money" lent by banks inevitably trickled into equity markets.

With the real estate industry in decline since 2019, and Vietnam not having an official gold trading market, new investors are likely to continue pouring in cash to prop up the VN-Index even after 2021, he added.

VN-Index soars, liquidity at historic levels

Between July and August the VN-Index hovered around the 850-point mark as a second Covid-19 wave hit in late July after 99 days without local infections.

While it took the infection tally past 1,000 and caused the first several dozen deaths, swift lockdowns of localities with patients allowed economic activity to continue.

In fact, upticks in manufacturing and exports helped the GDP grow at 2.62% year-on-year in the third quarter, fueled by a 20% increase in exports of personal computers, according to the General Statistics Office, to meet the demands of a global workforce shifting to working from home.

Although foreign investors continued to sell off, the daily trading volume began to rise to VND5-6 trillion per session as the State Bank of Vietnam continued to lower interest rates and new investors continued to flock to the market, registering over 124,000 new trading accounts between July and August, according to the VSD.

The market began to stabilize in September, rising 3.6% to 914 points, a time when the government considered the outbreak to be under control and allowed commercial flights to several Asian destinations.

The trading surged to VND7-8 trillion a session, almost double that in the same period a year ago and on par with March 2018, when the VN-Index hit an all-time high of 1,204 points.

The VN-Index really picked up pace in the final quarter with several streaks of multiple days of gain and liquidity continuing to climb.

On November 26 it crossed the 1,000-point mark for the first time in two years, along with an explosion in volumes, with HoSE consistently clocking daily trades of VND11-14 trillion, the highest levels ever.

Based on reports by various securities companies, analysts said cash is flowing into a diverse range of sectors. Whereas recovery in the second quarter had depended on stocks in the banking, real estate and retail sectors, construction materials and oil and gas have also been attracting interest in recent months.

The final quarter also saw trading in other stocks consistently surpass that of VN30 stocks for the first time, with "investors seeking tickers that have not seen much growth in the near past for new profit-making opportunities when large caps are already at high price levels," BVSC said in a note.

Last Monday the VN-Index closed at 1,081.08 points, the highest level of the year and erasing all traces of the Covid-19 episode.

So what color will the 2021 market sport?

With the Covid-19 pandemic yet to abate in most countries, securities firms have been hesitant to make forecasts for next year.

But most agree that despite chugging past the 1,000-point mark there is room for the VN-Index to rise further, driven by the recovery of some industries like real estate and industrial zones and some major M&A deals scheduled for next year.

New cash from first-time retail investors, who are finding other assert classes less attractive than stocks, would also continue to play an important role, they said.

With the State Bank of Vietnam relentlessly lowering interest rates to stimulate a post-pandemic recovery and bond market regulations tightened, securities have become one of the most attractive investments.

VNDirect is the only securities company so far to make a specific forecast, saying it expects the VN-Index to rise to 1,180 points next year, the market’s price-earnings ratio to remain steady at 15.9 and corporate profits and dividend yields of listed stocks to rise.

Japanese firm acquires 23.7% stake at Transimex

Japanese firm Ryobi International Logistics Vietnam has acquired nearly 16.8 million shares to become the major shareholder at Transimex Corporation.

The deal was executed on December 14, the Japanese logistics company said in a filing to the Ho Chi Minh Stock Exchange (HoSE).

After the deal, Ryobi International Logistics Vietnam owns 23.7% of the capital at Transimex Corporation.

Ryobi International Logistics Vietnam has replaced Casco Investments Limited in the shareholder structure of Transimex Corporation.

On December 14, Casco Investments Limited offered the entirety of more than 17.2 million shares for sale, equal to 24% of capital.

The shares were completely sold on the day and Casco Investments Limited was no longer the major shareholder at Transimex Corporation.

Casco Investment Ltd was reported to earn VND560 billion (US$24.2 million) from the divestment.

Beside Casco Investment Limited, some other shareholders have also wanted to divest from Transimex.

Toan Viet Investment Co wanted to sell 1.16 million shares between November 12 and December 11. However, the deal failed.

After the one-month period, Toan Viet Investment Co still holds 3.62 million shares, equal to 5.1% of capital at Transimex Corporation.

Thien Hai Investment and Trading Co has registered to sell more than 2.2 million shares or 3.14% of Transimex's capital between December 18 and January 15, 2021.

Transimex shares, listed on the Ho Chi Minh Stock Exchange with code TMS, rose 1.6% to VND37,600 ($1.63) apiece on Friday. Transimex shares have soared more than 31% in the last week.

Ryobi International Logistics Vietnam is the member of the Japan-based Ryobi Holding. The company was founded in September 2014, focusing on logistics and warehouse provision.

Transimex Corporation was established in 1983. The company was equitised in 2000 and debuted on HoSE the same year.

Transimex specialises in delivery and transport of imports and exports, and provides warehouse services. The company has six subsidiaries and seven affiliates.

Transimex on September 30 recorded VND3.82 trillion worth of total assets, including VND1.3 trillion worth of short-term assets and VND2.52 trillion worth of long-term assets. Total debts were worth VND1.52 trillion in September-end with more than half being borrowed from creditors.

Owners' equity was worth VND2.3 trillion and undistributed post-tax profit was worth VND886 billion. In January-September, total revenue increased by 29% on-year to nearly VND2.3 trillion and beat the full-year plan. 9-month post-tax profit gained nearly two-fifths on-year to VND234 billion. — VNS

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E-COMMERCE

The rising and major players in Vietnam's ecommerce scene: brie

Vietnam's ecommerce growth rate is on the up and up, pegged at a staggering 46%, according to the latest e-Conomy report from Google, Temasek, and Bain & Company. Four giants – Shopee, Lazada, Tiki, and Sendo – have already solidified their place in the country.

Chasing the market: Vietnam's general B2C/C2C ecommerce and electronics vertical ecommerce spaces are rather crowded, with many startups vying for a piece of the pie.

Uniquely Vietnam: Business-to-business ecommerce in Indonesia is on a hot streak, but that's not the case for Vietnam, as its B2B ecommerce industry remains pretty much an unexplored frontier.

Cashing in: In the last three years, the total value of ecommerce deals closed annually in Vietnam has steadily gone up. Some of the best-funded ecommerce startups in the country include Tiki (US$130 million, June 2020) and Sendo (US$61 million, November 2019).

Pandemic pushes up food-delivery apps' business

The food delivery apps are becoming familiar with Vietnamese people.

Food delivery apps have become more important for both business owners and their customers as more people order takeout during the coronavirus pandemic in Vietnam.

According to a survey conducted by Q&Me in December, with the participation of about 1,000 people aged 18 to over 30, more than 80% of respondents said they used to order online through food apps. Hanoi takes the highest ratio of people using social media to order food, while Ho Chi Minh City use apps more.

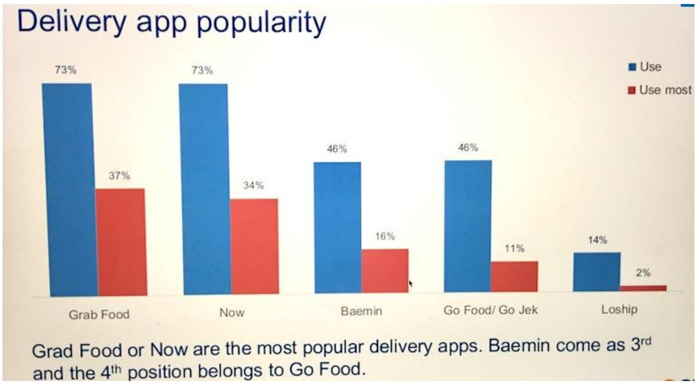
The survey showed that besides time-saving and food variety, the Covid-19 pandemic has accelerated the usage of online food delivery. More than 80% are satisfied with app delivery and quick delivery, in addition to attractive promotion which is seen a factor satisfying people most.

However, high shipping cost are the reasons for dissatisfaction among the respondents.

Vietnam's food delivery market is estimated to reach a value of $38 million this year, according to market research firm Euromonitor. The food delivery app market is still in a growth phase, albeit from a very low base and at a speed that is good but not phenomenal.

Major players

Grab Food and Now (Singapore) lead the food delivery app market in Vietnam, followed by other main players such as Baemin and Go Food (Indonesian decacorn Gojek). Among the players, Baemin showed the biggest growth in terms of number of delivery usage during April-December, according to the latest survey conducted by Asian Plus Inc.



According to Q&Me survey in December, 73% of respondents used Grab Food and Now to order food. However, the percentage of respondents ordering through Grab Food is higher than those using Now.

Baemin, the South Korean player funded by Woowa Brothers tech unicorn, caught up with Gojek in terms of number of usage (46%) and even surpassed its rival to gain the number of people who order most often (16%).

The survey also revealed that Grab Food is more popular among the elderly while Baemin is chosen most by the young people. It is also the most frequently used in Ho Chi Minh City - one of the two largest cities in Vietnam. Now is more favored by women and in Hanoi.

Regarding app satisfaction by brands, Baemin (with 93% respondents) has highest satisfaction score followed by Grab Food (81%), Now (81%), Go Food (82%).

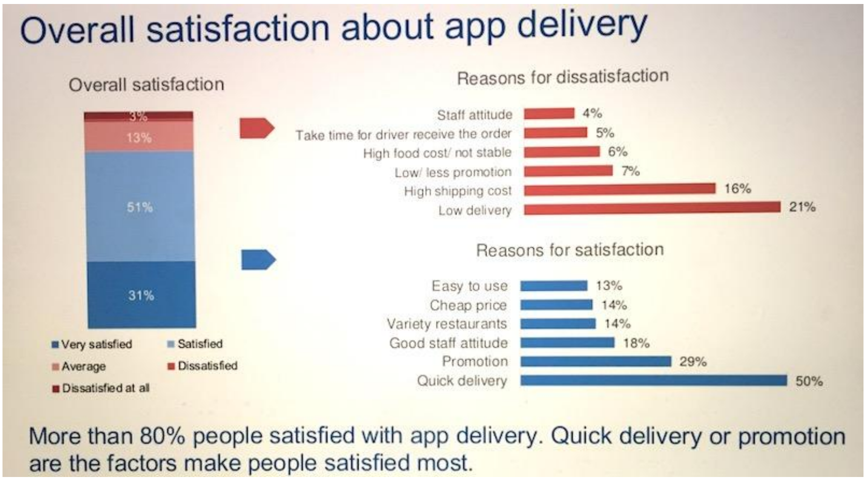
On the same view of the results, Mr. Hoang Tung, founder/CEO of Pizza Home, said that the findings about Grab Food and Baemin are quite correct. Particularly, the South Korean app only focuses on serving inner districts for better optimization, including the reduction of delivery time.

The South Korean player entered Vietnam in 2019 and took over the customer base of Dutch-owned Vietnamm app - one of the pioneering players in the sector in 2011, after the acquisition of the latter. The customers of Vietnamese app are mainly expats living in Hanoi and Ho Chi Minh City, particularly, at least there are more than 100,000 Korean expats living in Vietnam.

“Currently, Baemin took over Go Food in the competitive food delivery market,” Mr. Tung said.

Meanwhile, taking relatively cautious steps in Ho Chi Minh City and then in Hanoi, Baemin is in the process of burning cash and handing out a lot of vouchers to new customers. “As a result, customers prefer Baemin because there are more promotions for customers,” Mr. Tung told Hanoitimes.

However, to take over Grab Food, Baemin would have to make great efforts. There are two critical differences between two players, according to Ms. Doan Kieu My, founder of YellowBlocks - a Vietnam tech gateway.



More than 80% people satisfied with app delivery. Quick delivery or promotion are the factors make people satisfied most.

My said Grab is a ‘super app’, which offers ride-hailing, parcel delivery and other services. This has allowed Grab to acquire and retain customers at a much lower cost, and also offer more value to its network of delivery riders.

Grab also invested “hundreds of millions” into Moca, a mobile wallet. The addition of payment allows the company to form a full ecosystem, which is not only more cost-effective, but much more defensible compared to a company that does only food delivery, she said.

“Promotions would drive volumes up very quickly, and after promotions, everything goes back to the original volume, instead of clinging to a higher level,” My added. Hanoitimes

$500 million ride-hailing market: who can compete with Grab?

After Uber left the Vietnamese market, many ride-hailing apps were launched to compete with Grab, which had taken over Uber. But they have not had much success.

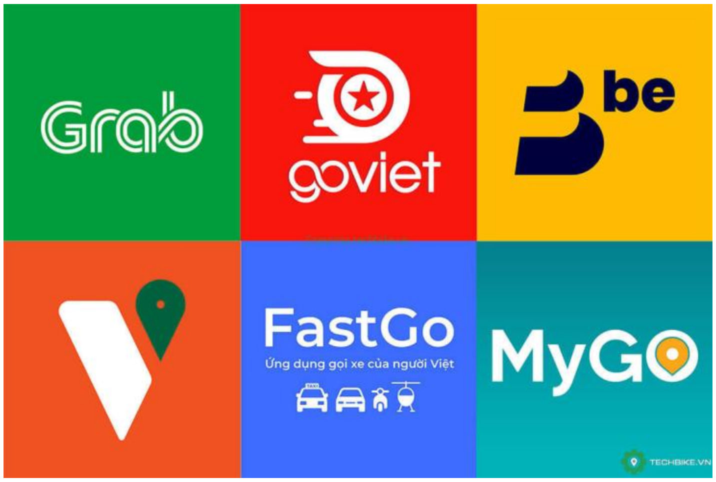
Traditional taxis at the time vowed to regain the market, while a number of e-hailing apps appeared in 2018.

Phuong Trang Corporation once announced an investment of $100 million, or VND2.2 trillion, in Vato, which was both an e-hailing app and a transport service e-commerce platform. It no longer operates.

Aber, another app, made its debut in June 2018. The special characteristic was that it did not collect discounts from drivers. With six services of motorbike and car transport, Mai Linh Bike also stated it was ready to compete with e-hailing brands.

In late 2018, Go-Jek from Indonesia entered the Vietnamese market with the Go-Viet brand. At the same time, another app with powerful financial capability and good ecosystem – Be – declared war with foreign brands. Viettel Post also joined the market with MyGo.

Meanwhile, traditional taxi firms made big investments to compete with e-hailing apps. G7 Taxi announced an investment of $1 million to develop an app and build a new brand identity with the message ‘standard orthodox taxi’.



At the 2020 shareholders' meeting, the board of directors of Mai Linh revealed an ambitious plan to have 20,000 e-hailing cars after 2021 and conquer the e-hailing market in Vietnam. It has launched Smart Taxi and SmartCar in Nghe An.

Foreign startups, including Chinese Didi Chuxing and Singaporean MVL, have stated they will enter the Vietnamese market.

The Vietnamese e-hailing market has a value of $500 million, as estimated by some international institutions. Around 93 percent of the value is from Hanoi and HCM City. This means there is still great potential to be exploited in other cities and provinces.

Indonesia is the biggest e-hailing market in Southeast Asia, with value of $3.7 billion. Vietnam ranks sixth in the region with $500 million, after Malaysia, the Philippines, Singapore and Thailand.

In these markets, Grab is the 'tiger' with the largest market share, present in over 200 cities, after taking over Uber.

Unequal competition

Vietnamese apps still cannot satisfy the requirements of both users and drivers.

Vato and Mai Linh Bike, for example, no longer operate. They had too few drivers and it took too long to get a ride, so consumers shifted to other apps.

Meanwhile, foreign competitors, with powerful financial capability, continue 'bleeding money' to obtain a bigger market share.

Analysts say that competitors with little financial capability will not survive the competition.

The year 2019 witnessed big changes in key personnel at three platforms – Grab, Go-Viet and Be.

Nguyen Vu Duc, the first CEO of Go-Viet, resigned from his post. In April 2019, Le Diep Kieu Trang was appointed CEO of Go-Viet, but left five months later.

In December 2019, Tran Thanh Hai resigned from the post of CEO of Be Group. Be's charter capital increased to VND515.7 billion in August 2019.

After Tran Thanh Hai left and Nguyen Hoang Phuong became CEO of Be, the app continued to increase its charter capital to VND755.9 billion in February 2020.

In early June 2020, a rumor spread that Be and FastGo would merge to compete with Grab. However, a representative of Be denied the rumor.

Meanwhile, the founder of FastGo – Nguyen Huu Tuat – revealed his plan to focus on leasing VinFast cars under the B2B model.

Grab's planned merger

With powerful financial resources, Grab is determined to become a leading super app in Vietnam. Established as an ride-hailing app, Grab now provides food order, delivery and mobile payment (through cooperation with Moca) services as well.

It has announced an investment of $500 million more in the next five years to raise the total investment to $700 million over 10 years.

Grab is now considering taking over Gojek as it did with Uber.

According to DealStreetAsia, the negotiations about the merger of Grab and Gojek have gained important achievements.

Bloomberg reported that the two sides have made considerable progress in the deal. This could be the largest M&A deal of two internet firms in Southeast Asia.

Grab, present in eight countries, is valued at $14 billion. The Gojek valuation is $10 billion. It operates in Indonesia, Singapore, Thailand and Vietnam.

Tech in Asia estimated that an annual $16.7 billion revenue could be reached after the merger.

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LOGISTICS

Cargo via Vietnam's seaports up 4% in 2020

Vietnam's seaports handled more than 689 million tonnes of cargo this year, up 4% annually, reported the Vietnam Maritime Administration.

During the year, the country's fleet of cargo ships were estimated to transport nearly 160 million tonnes of cargo, an annual increase of 3%, including 2.6 million TEUs of containers, up 8% year-on-year.

Vietnam now has 1,516 seagoing vessels, 1,049 of them cargo ships with a combined tonnage of around 9.3 million tonnes. The country ranks fourth in ASEAN and 30th globally in terms of the number of vessels.

The average age of Vietnamese vessels is 15.5 years, or 5.8 years less than the world's average.

So far this year, the Vietnam Maritime Search and Rescue Coordination Centre has saved 60 vessels in distress with 765 people aboard, including 13 foreigners. — VNS

Demand for cold storage facilities grows with e-commerce popularity

Cold storage might soon become a rising star in the logistic sectors, property market researcher Jones Lang LaSalle (JLL) Vietnam has said.

It told a seminar held last week to discuss trends in logistics that investors are already partial to cold storage facilities after online grocery sales skyrocketed during the pandemic, requiring more refrigerated warehouses close to buyers.

"There has been a spike in short-term logistics requirements directly linked to the immediate impact of the pandemic, particularly in relation to the significant expansion of online grocery spending, and the need to support critical health services such as vaccines distribution."

Since all leading vaccines require very low temperatures to remain effective, cold storage for the new COVID-19 vaccines might be the next big thing in the supply chain and logistics industry.

Another trend seen in the market is automation.

Trang Bùi, head of markets, JLL Vietnam, said: "The COVID-19 pandemic is accelerating automation in the logistics sector and will become a major trend in the near future.

"Tenants are upgrading from outdated, often small and owner-occupied facilities, to newer facilities in premium locations. Simultaneously, the consolidation of logistics operations into more modern facilities is improving efficiency and reducing the overall logistics costs of tenants. Growth in other industries will also support three-party-logistics market expansion, including growth in the food and beverage, healthcare and pharmaceuticals and office and technology equipment industries."

Rapid urbanisation and the growing middle class are among the biggest drivers of growth. Demographic forces drive demand for commercial real estate, and this is a major factor that underpins demand in Vietnam, and the Asia Pacific in general.

Around 35% of Vietnam's population currently lives in urban areas, up from 29% just about a decade ago. As the market matures, the level of logistics space required to serve the population is likely to rise, leading to greater requirements for logistics space.

E-commerce is likely to drive demand for logistics real estate. Typically, e-commerce firms use more logistics space than brick-and-mortar retailers largely due to a more extensive product range, greater inventory levels, larger outbound shipping space requirements, and increased reverse logistics

In recent years the supply chain has become increasingly consumer-driven. Delivery speed has always been a major factor in the buying decision, with major online retailers offering same-day delivery options.

To keep ahead of the curve, retailers and logistics providers need to respond to changing customer needs.

In order to achieve growth goals, Vietnam's logistics industry will have to overcome the many challenges that remain. For Vietnam to enter the next phase of the industrial/logistics cycle, become more competitive and move ahead of regional peers, it is vitally important to continue investing in infrastructure, both highways and utility networks, and renewable energy.

Also, Vietnam's cross-border trade process still needs significant improvements in both processing time and costs.

According to the 2020 Vietnam Logistics Report by the Ministry of Industry and Trade, the global logistics sector has been seriously affected by the COVID-19 pandemic. Although governments work to maintain the supply chain of goods and give priority to the circulation of essential goods, due to disease control measures like social distancing and work-from-home orders, there are times when most commercial markets are paralysed. — VNS

ACV to invest more than $4.3 billion in Long Thành Int'l Airport

The Airports Corporation of Vietnam (ACV) will invest more than VND99 trillion ($4.3b) in the third component project of the first stage of the Long Thanh International Airport in the southern province of Dong Nai.

The decision was made in Resolution No 04 adopted by ACV's extraordinary shareholders' meeting held recently in HCM City, with more than 99.8% approval.

Of the total capital, more than VND36.1 trillion will be sourced from ACV and the remainder from loans and other sources.

The project on the first stage of the airport was approved by Prime Minister Nguyen Xuan Phuc on November 11 this year. The project has four components, covering the offices of State management agencies, works serving flight management, essential airport facilities, and other supporting works.

ACV will invest in the first runway, taxiways, a terminal, an aircraft parking space, and other major infrastructure at the airport.

The airport will be built in three phases over three decades and is expected to become the country's largest airport.

In the first phase, one runway with a length of 4,000m, taxiways, an apron, and a passenger terminal with other auxiliary works sprawling 373,000 sq.m will be built to serve 25 million passengers and 1.2 million tonnes of cargo each year.

The airport is expected to have four runways, four passenger terminals, and other auxiliary works to ensure a capacity of 100 million passengers and 5 million tonnes of cargo a year by 2040.

Covering more than 5,580ha, the airport will straddle six communes in Long Thanh District. It is expected to cost VND336.63 trillion ($14.47b), with the first phase needing more than VND109 trillion ($4.66b).

Some 4,800 households and 26 organisations are expected to be relocated to make way for it.

Located 40km east of HCM City, the Long Thanh airport is expected to relieve overloading at Tan Son Nhat International Airport in the city, now the country's largest airport. — VNS

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RETAIL

Japanese, Thai retailers compete in $200 billion retail market

After the lockdown this year, shopping malls began to be busy again in the 'new normal' situation caused by the COVID-19 pandemic.

At many shopping centers, people can be seen wearing protective masks, queuing for temperature checks and washing hands with antiseptic. Child care rooms and automatic mobile phone charging points are frequently disinfected.


The growing middle class is helping the growth of retail. If the current high growth rate of recent years can be maintained, the Vietnamese retail market will have value of $200 billion in the next two years.

These measures have helped lure customers back to shopping centers in Vietnam, one of the rare markets in the region and the world which has seen a positive growth rate amid Covid-19.

With the steady growth rate of over 10% per annum in recent years, the Vietnamese retail market is among the most attractive markets in the eyes of foreign investors.

According to the General Statistics Office (GSO), the total retail revenue in Vietnam reached $161 billion in 2019, an increase of $18.9 billion over 2018.

Vietnam, which is one of a few regional countries which have positive GDP growth rates in 2020, is expected to maintain stable economic development and the highest growth rate in Southeast Asia.

The Asian Development Bank (ADB) predicted that Vietnam’s GDP would grow by 1.8% in 2020 and bounce back with a 6.3% growth rate in 2021.

The growing middle class is helping the growth of retail. If the current high growth rate of recent years can be maintained, the Vietnamese retail market will have value of $200 billion in the next two years.

Shopping centers expand

A representative of a shopping mall said 80% of clients of the chain had recovered by October 2020, while a few centers had reported 90% recovery.

The confidence about the market has been restored as big retailers have opened new stores.

Japanese retailer Muji in November opened its largest Southeast Asian store in Vietnam, covering an area of 2,000 square meters, in HCM City. The store displays more than 5,000 products, including healthcare and beauty products.

Muji Vietnam's CEO Tetsuya Nagaiwa said that Muji would open more shops in Hanoi in the near future.

Japanese retailer Aeon, which has succeeded with retail points in Hanoi, HCM City and Binh Duong, is expanding its chain by opening a sixth shopping mall in Hai Phong.

Central Retail, the retailer from Thailand, plans to expand its business activities in 55 out of 63 cities and provinces in Vietnam. In the near future, it plans to open six GO!Mall and four Big C supermarkets in big shopping malls.

Meanwhile, Vincom Retail, a Vietnamese chain, has opened the 56,000 square meter Vincom Mega Mall Ocean Park. The chain has 1.6 million square meters of retail premises, with 80 shopping centers in 43 cities and provinces nationwide.

Analysts have predicted that large-scale retail will dominate the market by 2030, especially destination shopping malls.

The attractiveness of the Vietnamese retail market can be seen by the presence of many foreign brands which have been opening new stores since their arrival.

According to CBRE, the revenue of fast fashion brands, namely Zara and H&M, has increased sharply over the last two years in Vietnam.

Meanwhile, the Japanese retailer Uniqlo opened two stores at Vincom Center Metropolis and Aeon Mall Long Bien just one year after opening a store at Vincom Pham Ngoc Thach in Hanoi. Together with three stores in HCM City, where it opened its first store, the Japanese brand now has six stores in Vietnam.

Two luxury brands, Louis Vuitton and Christian Dior, have officially joined the Hanoi market. Prada, Hermès, Gucci, Patek Philippe, Hublot, Christian Louboutin, Mont Blanc, Cartier, Hugo Boss, Bottega, Kenzo and Valentino are also present.

Stiff competition

The opportunities in the Vietnamese market are great, but analysts say the market competition is stiff.

Deloitte Vietnam said that with different retail models, the market is witnessing a battle for market share among big players, both Vietnamese and foreign, who have begun implementing strategies for rapid expansion.

Many retailers have had to leave the market. Parkson, a subsidiary of The Lion Group from Malaysia, has announced the closure of its stores in Vietnam.

Experts also warn that offline shopping malls now have to compete with online e-commerce.

Lotte Duty Free signs agreement with IPPG to open downtown store in Hanoi next year

South Korean travel retail giant Lotte Duty Free is to open a 1,598sq m duty free store at the upscale Trang Tien Plaza in the centre of Hanoi next December. Lotte Duty Free signed a contract with renowned Vietnamese retailer IPPG, which operates Trang Tien Plaza, in the capital yesterday. The contract was struck to "preemptively prepare" for a recovery in travel demand after the COVID-19 pandemic eases.

IPPG, founded in 1985, is the pioneer of Vietnam's luxury and travel retail sectors. It claims a 70% share of the Vietnamese luxury market. Subsidiary IPP Travel Retail operates a range of stores, food & beverage outlets and advertising services at Tan Son Nhat, Noi Bai, Da Nang and Phu Quoc airports as well as land border duty free shops.

The store will be opened on the 6th floor of Trang Tien Plaza after a year's preparation.

Trang Tien Plaza is the oldest luxury shopping mall in Hanoi, boasting over 110 luxury boutiques and global fashion brands. It is located near Hoan Kiem Lake, a freshwater lake in the historical heart of the city is one of Hanoi's most popular tourist destinations and will help draw big crowds to the new store.

The signing ceremony in Hanoi was attended by company executives and VIPs, including **Kim Eui Joong**, Commercial Counsellor of Embassy of the Republic of Korea in Vietnam; **Park Suk Won**, Head of Lotte Duty Free's Vietnamese business; **Park Chang Young**, Head of Lotte Duty Free Global Business HQ; **Nguyen Manh Quyen**, Vice Chairman of the Hanoi People's Committee; and **Johnathan Hanh Nguyen**, Chairman of IPP Group.

The Lotte Duty Free Hanoi downtown store will feature a differentiated offer and environment allowing customers to experience a variety of experiences by combining Vietnamese cultural characteristics and Korean Wave (*Hallyu*) content.

The interior will feature rattan cane materials to evoke the atmosphere of Vietnam, while local destination merchandise and coffee shops will add to the sense of place. In addition, a K-pop zone will be created so that customers can experience *Hallyu* culture.

A high-quality product offer will be anchored by leading international cosmetics and perfume names, as well as domestic beauty brands that are gaining considerable popularity abroad.

"We expect that overseas travel demand will gradually recover from the second half of next year," said Park Chang-young, head of Lotte Duty Free's Global Business Division.

Lotte Duty Free currently operates 12 stores in six countries. In Vietnam, it has stores at Da Nang International Airport (opened May 2017), Cam Ranh International Airport (June 2018) and Hanoi's Noi Bai International Airport (July 2019). It also plans to open a downtown store in Da Nang, a well-advanced project, once the crisis is over.

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ENERGY

Siemens Energy to install IoT transmission tech at Vietnam wind farms

Siemens Energy has been awarded a contract by Technology Resources Energy to equip two onshore wind farms in Vietnam with digitally enhanced transmission equipment.

The two wind farms IaPet-Dak Doa 1 and IaPet-Dak Doa 2 are both located in the Dak Doa district of Gia Lai province in the country's central highlands and will have a capacity of 100MW each.

The wind farms are part of Vietnam's ongoing *Power Development Master Plan* to further push the integration of renewable energy sources and to enhance the power supply.

The scope of supply of connective transmission equipment includes three units of 500kV and two units of 220kV power transformers, three 500kV and six 200kV circuit-breakers with advanced trending, as well as 15 surge arresters rated at 500kV.

All these assets will be equipped with IOT technology and sensors to measure the most important operating parameters.

The operator will be able to check the status of the substation assets via online applications in real-time to increase efficiency and availability of operations.

Additionally, the company will deliver conventional disconnectors, instrument transformers and current limiting reactors.

The energization of the substation is scheduled for August 2021.

Huge power demand, energy transition strategy makes VN attractive to foreign investment in low-emission energy

Viet Nam aims to be an attractive destination for investment in low-emission energy, given the country's huge power demand for development coupled with the national strategy of sustainable energy development with the priority on renewable energy.

Estimations by the Ministry of Industry and Trade showed Viet Nam would face a shortage of 6.6 billion kWh in 2021, 11.8 billion kWh in 2022 and 13 billion kWh in 2023. It would require a total investment of US$130 billion in new power projects by 2030 to make up for the shortages, equivalent to $12 billion annually.

The country's power demand was forecast to increase by 8.5 per cent per year over the next five years and 7% between 2026 and 2030.

Early this year, the Politburo issued Resolution No 55-NQ-TW on the orientation of the National Energy Development Strategy by 2030, which paved the way for private investment in power sector and set a priority for renewable energy development.

Research showed Viet Nam had the potential to develop around 8,000MW hydroelectricity from small plants, 20,000MW of wind power and 3,000MW of biomass power and 35,000MW of solar power by 2030.

According to HSBC Viet Nam, which recently forecast an economic growth rate of 2.6 per cent this year and 8.1 per cent in 2021, during the past two decades, Viet Nam emerged as one of the countries with the fastest growing greenhouse gas emissions per capacity with an annual average growth of five per cent per year.

HSBC also noted that Viet Nam was one of the countries most vulnerable to climate change.

“It is an urgent need for Viet Nam to accelerate energy transition to low emissions,” HSBC stressed, adding that Government recognised the importance of the energy transition and was working to reduce the impact on the environment and effectively adapt to climate change.

According to Viet Nam Electricity, power demand was increasing rapidly, requiring the country to move towards clean energy resources to maintain the economic growth rate while protecting the environment and residents’ health.

In October, the US Agency for International Development (USAID) announced it would support Viet Nam to continue its transition to clean, secure and market-based energy sector by increasing the deployment of advanced energy systems, improving energy sector performance and increasing competition in the energy sector.

This would be implemented under the USAID Viet Nam Low Emission Energy Programme (V-LEEP 2) with a budget of more than US$36 million over five years.

USAID would contribute to the design, financing, construction and operation of new clean energy resources including 2,000MW of renewable energy and 1,000MW of combined-cycled, gas-fired power plants.

USAID Vietnam Mission Director Ann Marie Yastishock told Cong Thuong (Industry and Trade) online newspaper as saying that US enterprises were eyeing Viet Nam as an important destination for investment.

Delta Offshore Energy, Bechtel Corporation, General Electric and McDermott signed cooperation agreement to develop a LNG power project in Bac Lieu worth more than $3 billion.

Early this year, Bac Lieu Province handed over a decision on investment policy to Delta offshore Energy for the 3,200MW LNG power project which would have a total investment of $4 billion.

The Viet Nam Energy Summit 2020 in July saw signings of memorandums of understanding for several power projects, including a $10 billion offshore wind power project between Copenhagen Infrastructure Partners and Binh Thuan Province, and a gas-fired power complex in Van Phong Economic Zone in Khanh Hoa Province.

According to Nguyen Thuong Lang from the National Economics University, Ha Noi, Viet Nam must be selective in attracting foreign investment in the energy sector, meaning that the country must say no to outdated technology.

Nguyen Anh Tuan, Director of the Electricity Regulatory Authority of Viet Nam, said it was necessary to have an appropriate power pricing mechanism to attract foreign investment.

Senior economist of BIDV Can Van Luc said Viet Nam must speed up the construction of the power transmission infrastructure to ensure the synchronous connectivity for renewable energy projects. — VNS

ASEAN to strive for 23% renewable energy in regional grids

Energy ministers of the 10-nation Association of Southeast Asian Nations, meeting from November 17 to 20 at an online summit hosted by Vietnam, set a target of a 23% renewable energy share by 2025.

Delegates attending the 38th AMEM

Energy connectivity in ASEAN is a very important pillar

Energy cooperation among ASEAN countries in the past five years showed that the energy intensity in the region has decreased by 21.4% compared to 2005, exceeding the initial target of 20% by 2020. A 3,631 km long gas pipeline system was built connecting Myanmar, Thailand, Malaysia, Indonesia, Singapore and Vietnam. Nine LNG liquefied gas centers were also built with a total capacity of 38.75 million tonnes a year, along with more grid projects to increase the power capacity to 10,800 MW by 2020 and to more than 16,000MW in the following years.

In addition, a pilot multilateral power exchange project among Laos, Thailand, Malaysia and Singapore has been successfully implemented with electricity purchase and sale transactions implemented between Laos and Malaysia through Thailand's grid since January 2018. The proportion of renewable energy in the ASEAN energy structure has gradually increased, aiming for a target of 23% of total energy supply by 2025.

Despite its achievements, according to Deputy Minister of Industry and Trade Dang Hoang An, in order to ensure energy security for the sustainable development of the ASEAN Community, energy cooperation and connectivity among member states is a vital pillar that needs to be strengthened.

With the theme "Energy transition towards sustainable development in the ASEAN region", the 38th ASEAN Ministers on Energy Meeting (AMEM) and related meetings highlighted its target of developing a sustainable, green and clean energy market.

At the press conference following the joint statement of the 38th AMEM, Deputy Minister Dang Hoang An said that ministers committed to transition towards a sustainable energy future amid unprecedented challenges caused by the Covid-19 pandemic to the global energy sector and overall economic growth.

Two publications were also announced: the ASEAN Plan of Action for Energy Cooperation for the 2021-2025 period (APAEC second phase 2021-2025) and the 6th edition of the ASEAN Energy Panorama.

The theme of the second phase is "Accelerating energy transition and strengthening energy resilience through greater innovation and cooperation."

"In particular, the regional energy cooperation will continue pursuing seven programs on the ASEAN Plan of Action for Energy Cooperation, the Trans-ASEAN Gas Pipeline, energy efficiency and preservation, renewable energy, regional energy and policy making, coal and clean coal energy, and civil nuclear energy," Deputy Minister An noted.

Trilateral grid agreement

The meeting marked a new milestone for grid connectivity and multilateral power exchange in the region with the signing of a Memorandum of Understanding for the Laos-Thailand-Malaysia-Singapore Power Integration Project (LTMS-PIP Project Phase 2).

Deputy Minister Dang Hoang An hailed the achievements of Phase 1 of the LTMS-PIP project connecting the grids of Laos, Thailand and Malaysia since 2018 and expressed his hope that the second phase with the participation of Singapore and commitment to increase capacity to 300 MW (compared to 200 MW in phase 1) starting in 2022 will also yield positive results.

"In the coming time, there will be more multilateral power exchange projects among ASEAN member countries, promoting the development of the regional power exchange market," Deputy Minister An said.

The ASEAN ministers and delegation heads pledged to continue their efforts to achieve the target of 23% of renewable energy share in total energy supply by 2025.

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INVESTMENT

More Japanese firms opt for Vietnam after China

Twenty-two more Japanese firms have registered Vietnam as their next investment destination under a scheme in which the Japanese government will fund a production shift from China.

With the latest additions, 37 out of 81 Japanese firms receiving the government's subsidies to move factories out of China and set them up in Southeast Asian markets have opted for Vietnam, Japanese ambassador to Vietnam Yamada Takio said at a conference between Japanese firms and the Vietnamese government Monday.

In July, the Japan External Trade Organization (Jetro) released an official list of 15 Japanese firms that had chosen to move to Vietnam. Most of these firms make medical equipment while the rest produce semiconductors, phone components, air conditioners or power modules.

"Vietnam currently tops the list of potential investment destinations among Japanese firms choosing to diversify their supply chains," Yamada said, adding that Thailand came second with 19 firms.

He said while many economies around the world were struggling to fight against the Covid-19 pandemic, Vietnam has successfully contained outbreaks and is one of the few economies posting positive growth in 2020, estimated at 2.48%.

In the first 11 months of this year, Vietnam's total export value reached $489 billion, up 3.5% year-on-year.

"In the world, only Vietnam has achieved such great success," Yamada said. As a result, Vietnam has become more attractive for foreign investors, including Japanese enterprises, he said.

The Japanese government had earlier announced a 243.5-billion-yen ($2.3 billion) stimulus package to help Japanese companies move production out of China. Jetro said the Japanese government will give each company 0.1-5 billion yen for the move.

Though Vietnam has emerged as an attractive destination for Japanese investors, there are investment environment problems that need to be resolved, it added.

Many Japanese firms have complained to the Vietnamese government about complicated administrative procedures.

Nakagawa Tetsuyuki, general director of Aeon Mall Vietnam, said their projects often take a long time to complete admin procedures. Some projects have to wait more than one year to receive the investment registration and land use right certificate.

For projects that need approval under the Prime Minister's licensing authority, it takes even longer, Tetsuyuki added.

Therefore, Japanese businesses expected the government to shorten and speed up administrative procedures to improve business environment.

Japanese firms are also concerned about tax incentives, equitization and entry and quarantine policies, infrastructure, and human resources.

Japan was the fourth-largest foreign direct investor in Vietnam in the first eight months of this year with a total registered capital of $1.64 billion, behind Singapore, South Korea and mainland China.

Sumitomo Mitsui Financial Group shows interest in acquiring banks in Asia

Sumitomo Mitsui Financial Group is allegedly going to acquire Asian banks in Vietnam, the Philippines, or India.

Japanese megabank Sumitomo Mitsui Financial Group Inc. (SMFG) is allegedly planning to acquire an Asian lender, specifically in Vietnam, the Philippines, and India. Accordingly, the bank will co-operate with a global investment bank on US dealmaking activities, according to *Bloomberg*.

According to SMFG CEO Jun Ohta, the banking giant is seeking a partner to underwrite equity and bond sales in the US and elsewhere, after the lender was unable to fully take advantage of a corporate financing boom this year.

Last year, SMFG failed in purchasing PT Bank Permata – a local lender in Indonesia – which was acquired by Bangkok Bank Pcl. Sumitomo Mitsui already owns PT Bank TPN in the Southeast Asian nation, according to *Bloomberg*.

“It was very painful to miss out on Permata. However, we are thinking about the next move,” Ohta said.

Currently, SMFG holds a 15% stake in privately-held lender Eximbank of Vietnam.

Meanwhile, Ohta also said the bank needs to consider acquisitions to boost its overseas investment banking business. He believes a more immediate solution is a tie-up with a big securities firm, *Bloomberg* reported.

Foreign firms intent on stronger foothold in Vietnam’s pharma industry

Foreign firms are pouring increasing sums of money into acquiring stakes in Vietnamese pharmaceutical firms, targeting larger market shares in a thriving industry. Dutch firm Stada Service Holding B.V. last month obtained permission from Vietnam’s Pymepharco to increase its ownership in the Phu Yen Province-based company to 100%.

Stada had increased its stake in Pymepharco by 6% to nearly 76% last week. The deal is estimated at around VND380 billion ($16.4 million), based on closing stock price on December 11. In September, Hanoi-based Hataphar issued an additional 5.28 million shares, or 20% of its charter capital, to Japan’s ASKA Pharmaceutical Co., Ltd. The deal was valued at VND370 billion.

Earlier last year, Japan's Taisho Pharmaceutical took a controlling share of over 51% in the DHG Pharmaceutical Joint Stock Company, the biggest pharmaceutical firm in the Mekong Delta region.

In December 2017, CFR International SpA, a subsidiary of U.S.-based medical corporation Abbott Laboratories, transferred all of its 51.69% stake in Domesco Medical Import Export JS Corp, based in the southern province of Dong Thap, to another Abbott subsidiary in a transaction valued at around VND2.3 trillion ($99.5 million).

Vietnam's rapidly growing pharmaceutical industry has been a magnet for foreign firms. The industry is set to record double-digit growth in the 2020-2025 period and is set to reach a value of $7.7 billion next year, according to a report by brokerage Yuanta Vietnam.

There is a rising demand for healthcare products and services, and with domestic production unable to meet it, Vietnam imported $3 billion worth of medicines last year. This figure is set to reach $4.35 billion this year, the report said.

Foreign firms are therefore keen on pouring cash into companies with growth potential, like DHG, which ranks fourth in market share behind three multinational pharma giants.

Analysts of RongViet Securities Corporation said that their strategy is to help Vietnamese companies increase their manufacturing standards and eventually take over instead of establishing its own business and build a factory.

CFR International SpA, a leading pharmaceutical firm in Chile, was the first strategic partner in local firm Domesco and was assisting the Vietnamese company in research and development, technology transfer, businesses consultancy and supply chain management before securing a controlling stake in it.

Ly Thi Hien, lead analyst at Yuanta Vietnam, said the pharmaceutical industry is one that requires years of investment to build up a brand and acquire a decent market share. Domestic firms with relatively shallow pockets find it difficult to spend money on researching and developing new medicines, creating an opening for foreign firms.

To develop further, domestic firms need to take advantage of the exclusive formulas and scientific achievements of foreign pharma giants, she added.

Le Xuan Thang, CEO of Hataphar, said that establishing a partnership with ASKA meant that the company has VND370 billion to build a new factory. It also receives consultancy services from the Japanese company on building that factory with advanced technology.

Meanwhile, DHG, thanks to its partnership with Japan's Taisho, was able to acquire international certification in less than two years for its effervescent tablet production chain and another Japanese certificate for its antibiotics chain.

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