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Highlight

Sumitomo Mitsui Financial Group to enhance its M&A strategy in Vietnam

What's in it today?

FINANCE

World bank is optimistic about Vietnam's 2022 GDP growth prospects

Vietnam's target of bringing its GDP growth to 6-6.5 per cent in 2022 as set in the recent session of the National Assembly is entirely possible if it can effectively control COVID-19, and improve the supply – demand balance, an official of the World Bank (WB) has said.

According to Jacques Morisset, WB Lead Economist and Program Leader for Vietnam, the biggest risk to Vietnam's economy in 2022 can be the complicated developments of the pandemic with the emergence of new variants. He also mentioned internal economic risks, saying that Vietnam was an open economy which would depend on the situation in other countries in the world.

Another risk is related to inflation, according to the economist. Vietnam's economy is currently facing import inflation, while domestic commodity prices have not yet increased because demand remains lower than supply. Regarding Vietnam's economic prospects, Morisset pointed out three new motivations for growth.

The emergence of the COVID-19 pandemic has indirectly made Vietnam one of the reliable destinations for many large foreign enterprises, which have the goal of diversifying their supply chains. The country can also take advantage of opportunities from green economy. Vietnam is one of the most affected by climate change, but it can also take advantage of this. The third growth driver is domestic demand. As Vietnam becomes a higher income country with a growing number of middle class people, the domestic demand will be stronger. Morisset affirmed that the WB would continue to support Vietnam in achieving its ambitious goal of becoming a high-income and prosperous country by 2045. The bank was working closely with the Vietnamese Government to promote sustainable development and effectively respond to climate change in the Mekong Delta region, and reduce air pollution in big cities, he said.

In addition, the two sides were working in areas of inclusive development and gender-related issues in order to ensure people's participation in the economy, minimize the impact of the pandemic, and fully tap future opportunities, the economist said. Meanwhile, HSBC has also been optimistic about Vietnam's economy. Vietnam's economy should get back to GDP growth of 6.8 per cent next year, which will be driven by a return of strong foreign direct investment into the market, mainly focusing on the manufacturing sector, according to HSBC Vietnam.

HSBC Vietnam said this would benefit Vietnam's exports, especially as free trade agreements that have been signed over the past two years start to bear fruit. The continued expansion of the middle class and in particular the rising affluent sector would lead to changes in consumption as Vietnamese people start spending more and more on leisure and travel.

Infrastructure roll-out would also continue to fuel economic activities especially in the renewable/green arena given the strong ambitions made by the Vietnamese Government following the recent 26th United Nations Climate Change Conference of the Parties in Glasgow, the UK. VNS

Back to top

Sumitomo Mitsui Financial Group to enhance its M&A strategy in Vietnam

Faced with bleak domestic growth prospects, Japan's Sumitomo Mitsui Financial Group (SMFG) is expanding its international footprint, including its presence in Vietnam.

Jun Ohta, CEO of SMFG, stated that after spending more than $3.3 billion on mergers and acquisitions (M&A) in Asia this year, the banking conglomerate will continue executing further transactions, according to Bloomberg.

“We will consider if there are good targets. Our ultimate goal is to create a second and third SMBC Group,” he said.

The CEO of Japan's second-largest lender is looking to expand its services across Asia by purchasing commercial banks and consumer credit firms in four countries: Indonesia, India, Vietnam, and the Philippines.

In April, SMBC Consumer Finance (SMBCCF), a subsidiary wholly owned by SMFG, acquired a 49 per cent stake in FE Credit – Vietnam’s largest consumer finance company. The Japanese bank has invested more than $1.4 billion in VPBank’s subsidiary, making it the largest finance-related M&A deal in Vietnam so far.

In late October, SMBC and the Japan International Cooperation Agency (JICA) co-financed Vietnam’s VPBank in a $75 million loan agreement in a bid to fund micro-, small-, and medium-sized enterprises (MSMEs) through the Private Sector Investment and Finance program (PSIF).

SMBC is also rumored to be a potential foreign strategic shareholder of VPBank, particularly after the remarkable deal with FE Credit.

Ohta stated that SMFG's strategic collaboration with Jefferies Financial Group, which began earlier this year, has already resulted in several agreements in the US. He is also interested in retail banking and has stated that he may consider entering online lending in this market.

Eventually, he added, the bank intends to grow operations that flourish in more mature economies, such as investment banking. Despite his attempts to expand the bank's Asian business and boost shareholder returns, Ohta believes the stock price is too low. "It is a shame," he remarked, referring to the company's price-to-book ratio of around 0.43, cited Bloomberg. VIR

Back to top

E-COMMERCE

Kilo, a Vietnamese B2B e-commerce platform for MSMEs bags $ 5 million pre-Series A

Kilo, a Vietnam-based B2B e-commerce platform that connects wholesalers with micro, small and medium enterprises (MSMEs), wants to digitize the local retail value chain via technology.

"In Vietnam, micro, small and medium enterprises are the backbone of the retail economy — serving 80% of all purchases," CEO and founder of Kilo Kartick Narayan said. Kilo's platform and tools enable the local small and medium enterprises to manage businesses across multiple sales channels, such as Kilo's app, Facebook and Zalo, and optimize inventory turnover to save costs and reduce risks over the long term.

The small and medium shop owners have a one-stop shop in which they can browse, build a cart and check out with transparent pricing a wide array of assortment and in-stock details through Kilo's platform and tools, Narayan said. Kilo was founded in 2020 by Narayan, former CMO of Groupon, vice president of Coupang and chief business officer of TIKI Corporation. The startup retained thousands of MSMEs in 24 provinces across Vietnam, Ryan Wilber, Kilo's head of product and engineering said. Kilo, which has grown its net merchandise value by 320x since launching in October 2020, targets an approximately $180 billion retail market in Vietnam, according to Narayan. The Ho Chi Minh City-based startup announced today it has secured a $5 million pre-Series A to spur its growth. The latest funding was co-led by Altos Ventures, marking the VC firm's first investment in Vietnam, and January Capital, with participation from its previous backer Goodwater Capital, Ascend Vietnam Ventures, Decisive Capital Management, Ratio Ventures and other angel investors. The pre-Series A brings its total raised to $5.7 million, Narayan noted.

Kilo will use the new capital to grow its team by 4x in the next 12 months and enhance its platform for customers. The company also plans to add features such as financing, logistics and self-service e-commerce store creation for the MSMEs. "Our mission has taken on new meaning during COVID as Kilo has enabled offline MSMEs to thrive by converting the procurement process from face-to-face interactions to a contact-free, online process. Customers across the nation have been vocal about how Kilo has kept their business running and families safe during COVID," Narayan said. "They will revolutionize the traditional retail industry in Vietnam with their maniacal focus on the customer and technology. The breadth of knowledge and expertise the team brings to market is exceptional and unmatched in the region," said Richard Song, partner at Altos Ventures. "We believe strongly in supporting founders who enable MSMEs to be more successful in developing markets, an area in which Kilo has shown significant success," said partner at January Capital Benjamin Dunphy. Techcrunch

Back to top

ENERGY

Japan's Shikoku Electric to pay US $87 million for 15 per cent equity in coal power plant project in Ha Tinh

Japan's Shikoku Electric Power Company has paid more than 10 billion yen (US$87 million) to buy a 15 per cent stake in the Ha Tinh-based Vung Ang 2 coal-fired power plant project in Vietnam.

VReuters reported Shikoku paid between 10 billion and 20 billion yen to the Japanese trading house Mitsubishi Corp to buy the stake.

"We understand there are various opinions about the project, but we have decided to join it as the 1.2 gigawatts project is expected to contribute to the stable supply of electricity and economic development in Vietnam," the Shikoku Electric spokesperson said.

The move is part of Shikoku Electric's efforts to expand overseas operations to boost growth. It aims to support the operation of the plant with the know-how derived from its domestic power business, the company said.

After the deal, Mitsubishi holds a 25 per cent stake in the project while another Japanese utility, Chugoku Electric Power Co Inc, owns a 20 per cent stake. VNS

Back to top

2021 remains gap year for solar developers

After a boom in solar development thanks to incentives given in 2020, Vietnam held back due to a policy gap that has pushed investors into an awkward situation this year.

In 2020, Tien Thinh Trading and Construction Services Co., Ltd. implemented dozens of solar projects in many southern provinces and cities, with total revenues of the company reaching around $430,000.

However, this year the firm only implemented a few small-scale projects with total revenues shrinking to one-tenth lower.

“Many businesses are waiting for the new solar pricing policy,” said Trinh Ngoc Quyet Tien, director of the company.

Tien explained that the incentives for solar projects have expired, whereas state-run Electricity of Vietnam (EVN) stopped receiving requests for connection and signings of power purchase agreements from residents and businesses after the end of last year.

Under the prime minister’s Decision No.13/2020/QD-TTg on mechanisms to promote the development of solar power projects in Vietnam, the prices of each kilowatt-hour generated from ground-mounted, floating, and rooftop solar initiatives are 7.09, 7.69, and 8.38 US cents, respectively, but this policy also expired last year.

Up to now, the government has not yet issued further instructions on procedures for electricity purchases and sale contracts, as well as payments for purchased electricity from rooftop solar power systems.

The south-central province of Ninh Thuan People’s Committee said in a recent document that investors have worked day and night to complete projects, but some of them missed the deadline to enjoy the feed-in tariffs (FiT). Even now, some electricity has been generated and delivered to the grid, but EVN and investors could not calculate selling prices.

There have been many meetings between investors, EVN, and provinces during this year, but no positive movement has been made.

The FiT has had a great impact on equipment manufacturers and trading units, as well as developers and investors using solar power. Rooftop solar installations skyrocketed in Vietnam last year before the FiT deadline, with more than 9GWp of rooftop solar installed in the country. However, the hot development of solar projects caused an overload of supply.

Bui Van Tien, CEO at VATEC Consulting Co., Ltd., said during the Zoom meeting termed “Paving the way for green growth through buildings in Vietnam” hosted by Energy Box Vietnam last week, “After the boom, the solar market was almost frozen due to both the lack of a pricing policy and the pandemic situation. Electricity consumption in 2021 is also lower as factories reduced their capacities."

However, Tien predicted that this situation would only last "for the short-term as Vietnam made a strong commitment at COP26 to net-zero emissions and policy development for the solar sector in the coming time."

Hoang Tien Dung, director of the Department of Electricity and Renewable Energy under the Ministry of Industry and Trade admitted that an FiT for solar power was previously considered suitable to attract investment. "Technological progress also helps projects to be more efficient and calculate solar power price reductions while ensuring benefits for investors as well as electricity buyers," Dung said.

In March, he stated that rooftop solar power could be traded at only 5.2-5.8 US cents per kWh, with these rates based on an assessment by foreign consultants on the changes to and development of renewable energy, as well as the price of equipment in Vietnam and around the world.

Meanwhile, foreign investors have used mergers and acquisitions to expand their renewable energy investment in Vietnam because of a lack of policy for solar power projects at the moment. All acquired projects are completed and received the FiT prices.

For instance, Banpu Power Plc this month announced that it has acquired Ha Tinh Solar Power JSC in a deal worth $23.9 million as part of its strategy for renewable power businesses across Asia-Pacific. VIR

Back to top

RETAIL

Aeon plans to expand MaxValu supermarket chain in Vietnam

Japanese retailer Aeon plans to open an additional 100 of its MaxValu supermarkets in Vietnam by 2025 in the context of wet markets suffering difficulties following Covid outbreaks.

A Nikkei Asia report said that Aeon, which has four MaxValu stores in Hanoi at present, would add bigger stores with 500 sq.m or more as part of its overall expansion strategy.

"Vietnam is the most important market for our overseas strategy," it quoted Soichi Okazaki, the executive in charge of the group's Southeast Asian business, as saying.

Supermarkets are one part of the Tokyo-listed company's vision for growth. It plans to increase its shopping centers in Vietnam to 16 locations by 2025 from the current six.

Aeon, which has invested $1.18 billion in Vietnam, has also said it plans to list shares on the Vietnamese stock market, and facilitate export of Vietnamese seafood, garments and other products to Japan. VNE

Back to top

Spending habits of Vietnamese consumers has been changed

With steep falls in income a major impact of the pandemic in 2021, Vietnamese citizens have cut down spending on non-essential spending items.

Trung Hieu, a freelancer in HCMC, has seen his 2021 savings reduced by half against previous years because of the impacts of the fourth Covid-19 wave. The city went through a four-month-long lockdown that ended early October with the "new normal" having very little of the pre-pandemic socioeconomic vibrancy. With reduced income and newly-incurred debt, Hieu said he has been forced to cut down on non-essential spending.

"After this year, I will live more frugally and focus on strengthening my financial ability just in case something unexpected that we can't control happens," Hieu said. Quynh Nhu, an officer worker in HCMC, has also had her income halved by the pandemic, forcing her to tighten her budget on non-essential items like clothes, shoes and eating out.

But, despite severe spending cuts, Nhu has not been able to save any money this year, because all of her income goes into normal essentials like food and new essentials like face masks and hand sanitizers. This year, Kathy Tran, a businesswoman living in HCMC, has cut her spending on cosmetics, fashion products and entertainment by 30-40 percent.

But has increased her spending on healthcare products by around 20 percent. She buys anti-Covid items like vitamins, fever-reducing drugs, test kits, SPO2 measuring devices and health supplements for about VND1- 1.2 million ($44-52) a month.

"The impacts of the pandemic this year have forced me to reconsider my personal financial situation for the long-term and cut down on non-essential spending," she said. A survey of over 10,000 people released last month by U.K.-based market research firm YouGov revealed the Covid impacts have drastically changed personal finance in Vietnam.

Forty-eight percent of respondents in the survey said their incomes fell this year due to the impacts of Covid-19 and some 53 percent said they've cut down on non-essential spending in the last six months. The survey found that 81 percent plan to cut their expenditure on non-essentials in the near future.

Vietnamese consumers are now some of the most prudent in the world, the survey found. Two-thirds (67 percent) are more careful with their personal finances than before the pandemic, while a third (34 percent) prioritize protecting their household finances in case of emergencies.

Back to top

LOGISTICS

Vietnamese customs proposes to use trains to clear China border truck pileup

Vietnamese customs officials have proposed railways be used to transport goods to China amid the pileup of container trucks at the border as the latter tightened Covid-19 measures.

With over 2,100 trucks remaining stuck at the border, the pileup situation – which has lasted the last several weeks – won't be resolved before Tet, Vietnam's Lunar New Year, which falls in February next year, said Nguyen Huu Vuong, deputy head of Lang Son Customs at a meeting in 27 December.

As only 78-90 trucks are cleared each day, by Tet only 1,000 trucks would be cleared, he said, adding China will continue to impose tight border restrictions until March 15.

He proposed the Ministry of Finance and Vietnam Customs encourage businesses to use trains, not trucks, to transport their goods, as this reduces the risks of contagion because a small group of staff can operate the whole train.

He called for the Vietnamese government to conduct a higher level meeting with its China counterpart to ease restrictions as low level meetings have not proven effective.

Another northern province, Quang Ninh, still had 1,555 trucks piled up as of last weekend.

The pileup of container trucks at the Vietnam-China border happens regularly but insiders said this year it is the most severe with up to 6,000 trucks stuck in Vietnam at some points.

Exporters could lose VND3-4 trillion ($131-175 million) because the pileup ruined their agriculture produce, Vietnam Fruit Association estimates. VNE

Back to top

INVESTMENT

FDI inflows to Vietnam in 2021 reached about US $31.15 billion

Despite the pandemic, total foreign direct investment (FDI) inflows in 2021 reached about $31.15 billion, an increase of 9.2 per cent on-year.

As of December 20, both newly- and additionally-registered capital were up against the year previous.

According to the Ministry of Planning and Investment's Foreign Investment Agency, $15.2 billion was poured into 1,738 newly-licensed projects, a decrease of 31.1 per cent in number but a rise of 4.1 per cent in value.

Besides this, $9 billion was added to 985 projects currently underway, down 13.6 per cent in number but up 40.5 per cent in capital. Foreign investors also poured $6.9 billion into share purchase deals, a decline of 7.7 per cent on-year.

A slight decline in share purchases almost countered increases in the other two categories, with total FDI inflows up 9.2 per cent on-year. However, capital disbursement was down slightly 1.2 per cent on-year to $19.74 billion.

Among the 18 sectors receiving investment from foreign investors in 2021, processing and manufacturing took the lead with $18.1 billion, accounting for 58.2 per cent of the total FDI. It was followed by power production and distribution with over $5.7 billion, making up 18.3 per cent, followed by real estate ($2.6 billion), wholesale, and retail ($1.4 billion).

Singapore led the 106 countries and territories investing in Vietnam in 2021 with a total investment capital of nearly $10.7 billion, followed by South Korea ($5 billion) and Japan ($3.9 billion).

The northern province of Haiphong has surpassed the Mekong Delta province of Long An to attract the highest amount of FDI in 2021 with over $5.26 billion, three times as much as last year, followed by Long An ($3.84 billion), Ho Chi Minh City ($3.74 billion), Binh Duong ($2.13 billion), Bac Ninh ($1.66 billion), and Hanoi ($1.5 billion).

The export turnover of foreign-invested enterprises continued to increase in the whole year to $246.7 billion (including crude oil), or $245 billion (excluding crude oil), an increase of 20.7 per cent on-year, while the import turnover was about $218.3 billion, up 29.2 per cent on-year. Generally, in 2021, the trade surplus of the FDI sector was about $28.5 billion (including crude oil), or $26.7 billion (excluding crude oil), while the trade deficit of local enterprises was $25.5 billion. VIR

Back to top

Vietnam-Japan joint venture develops Binh Duong New City

Becamex Tokyu Co. Ltd, a joint venture between Vietnam's Becamex IDC Corp and Japan's Tokyu Corporation, began construction of the first shopping centre named Sora Gardens SC in Binh Duong New City in the southern province of Binh Duong on December 28.

The shopping centre sprawls over 5,000 sq.m in Hoa Phu ward, Thu Dau Mot city at the gateway to Binh Duong New City. Apart from facilities such as retail space, restaurants and a cinema, the centre is also chosen by Japan's supermarket chain AEON to launch the first Compact General Merchandise Store model in Vietnam.

The same day, the joint venture also inaugurated an apartment building called Sora Gardens 2, which it developed in partnership with Mitsubishi Group. The Sora Gardens 2 covers a total area of 84,000 sq.m with 557 hi-end apartments on 24 floors, meeting Japanese quality standards with green living space and quality facilities.

In the near future, Becamex Tokyu will embark on other projects in Binh Duong New City such as Sora Gardens park, expansion of the Hikari Food Court, Midori Park commercial housing area, Viet Hoa International School and a bus rapid transit linking Binh Duong New City with Ho Chi Minh City's Suoi Tien. Becamex Tokyu was established in March 2012. Tokyu Corporation is one of the major and long-standing Japanese groups operating in railway, transportation, retail, culture, education, and most notably urban development. VNA

Back to top

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