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VIETNAM BUSINESS REVIEW

Vol 05, Feb 08th 2023

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FINANCE

Vietnam likely to achieve US$ 1 trillion from foreign trade by 2025

The import-export turnover of the Vietnamese economy is anticipated to hit a new record high of 2025, providing that businesses continue to make full use of new generation free trade agreements (FTAs), among other factors, says Prof. & Dr. Nguyen Thuong Lang, an expert of the International Business & Economics Institute.

Vietnam has made an impressive trade performance in 2022, breaking a record set in the previous year. Despite the impact of the protracted Russia-Ukraine conflict, global market fluctuations, and rising inflation risks internationally, the national economy recorded an impressive trade performance in 2022, with the import-export turnover reaching more than US$730 billion, thereby breaking the US$600 billion record set in 2021 and representing an annual rise of 10%. The trade sector has high hopes of raising the annual trade figure to new heights ahead this year and moving forward, in which the US$1 trillion trade is an ambitious target set for 2025.

This plan can be realised providing that domestic businesses continue to make full use of FTAs, especially new-generation FTAs such as the EU – Vietnam Free Trade Agreement (EVFTA), the Regional Comprehensive Economic Partnership (RCEP), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), according to Dr. Lang from the International Business & Economics Institute under Hanoi-based National Economic University.

He says that new generation FTAs generate large markets for Vietnamese exports by offering taxes to be cut to almost 0%, reducing costs, and simplifying procedures. At the same time, these FTAs also help the country to take advantage of abundant capital and high technology from transnational corporations, as well as developing supply chains.

Despite having higher requirements, new generation FTAs still have the potential to bring about good prospects, meaning they can be considered as tools to overcome fluctuations in the world economic market and the evolution of the COVID-19 pandemic, elaborates Dr. Lang.

In contrast, new generation FTAs present certain challenges with high requirements in terms of rules of origin, environmental factors, labour standards, along with a number of technical and non-technical barriers. Indeed, all FTAs require building a strict and scientific value chain in order to optimise the various benefits and ensure long-term partnerships. This represents a major challenge in terms of building a supply chain from the very first stage of research, development, and innovation, up to the last stage of after-sales service.

To competently implement FTAs, Dr. Lang suggests that management agencies pay attention to the development of businesses by introducing solutions to encourage innovation, as well as investing in key products and services whilst developing supporting industries and promoting start-ups.

At present, an urgent requirement is to improve the business environment and upgrade the infrastructure for export to maximise cost savings, according to the expert.

For businesses, he says the requirements of transparency, equality, friendliness, and cooperation of the business environment are always respected in order to reduce intermediaries and unofficial costs. The simplification of administrative procedures, business, and trade facilitation with regard to technical infrastructure, logistics services, and social infrastructure must therefore be implemented effectively and efficiently to create breakthrough results.

Dr. Lang believes that businesses should study and master the requirements of new generation FTAs in terms of rules of origin, environmental standards, labour standards, responsible business practices, and investment to meet technical and non-technical requirements.

Alongside improving the overall quality of products and services, he says that firms also need to invest in branding, boost networking connectivity, apply new business models by combining traditional commerce with e-commerce, increase promotion, and develop scenarios to prevent risks.

It is also important that authorities actively negotiate to expand export markets, formulate a strategy for export goods, set up a market information system, support trade promotion, and build a team of trade experts capable of making accurate forecasts and giving practical advice, suggests Dr. Lang. VOV

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Bustling M&A deals in banking industry at year beginning

Right from the beginning of 2023, many banks have announced their plans for merge and acquisition (M&A) deals and capital increase.

Last week, the Board of Directors of the Vietnam National Petroleum Group (Petrolimex) approved a plan to divest capital from PG Bank, which means the bank will have a chance to seek a new strategic shareholder to increase its capital after 12 years.

Earlier in January, the Sumitomo Mitsui Banking Corporation (SMBC) was likely to complete capital divestment from Eximbank. Meanwhile, VPBank is working to sell 15% of its stake to a foreign partner. Once the deal finishes, it will be one of the banks with largest equity in the system.

In a directive issued earlier this year, the State Bank of Vietnam (SBV) no longer banned banks from paying cash dividends. Accordingly, this year, many banks are preparing to pay cash dividends such as VPBank, TPBank, VIB and ACB. In its Directive 01/CT-NHNN, the SBV also encouraged banks to pay cash dividends in shares to increase charter capital, improve financial capacity and credit supply to the economy, and stabilise market interest rates.

Currently, VPBank is leading the system in terms of charter capital with over 67 trillion VND (2.84 billion USD). However, the ranking is likely to change with many new records to be set after the capital-raising race this year. VPBank’s first rival will be Vietcombank, which plans to issue over 2.7 billion shares to increase its charter capital to 75 trillion VND (3.2 billion USD), becoming the leader in Vietnam's banking industry in terms of chartered capital.

In recent years, Vietnamese commercial banks have actively increased their capital and improved their financial capacity, but compared to their peers in the region, the capital buffer of Vietnamese banks is still thin. On the other hand, while countries in the region have applied Basel 3 or a part of Basel 3 standards, Vietnam has just met Basel 2 standards. According to experts, the upcoming increase in charter capital is crucial for banks in developing healthily, expanding business activities, and increasing resilience in a volatile economy. Chairman of BIDV's Board of Directors Phan Duc Tu said that by the fourth quarter of 2022, the capital adequacy ratio (CAR) of the Big 4 group was only 9.04%, while that of the joint stock commercial banks was 12.92%. This level is very low compared to other countries in the region, he said, citing the ratio of the Philippines was 16.29%; Singapore 17.2%; Malaysia 18.3%; Thailand 19.3%; and Indonesia 23.3%). VNA

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E-COMMERCE

Vietnam's e-commerce forecast to continue booming in 2023

Relevant ministries and agencies will tighten management and supervision of e-commerce to discover violations and prevent tax losses in 2023.

Vietnam's e-commerce is projected to continue booming in 2023 and developing firmly in the following years, aided by a series of growth drivers such as the wave of digital transformation, consumers' trust, technological infrastructure, and favourable mechanisms and policies issued by the Government.

Boasting some 100 cross-border e-commerce platforms, Vietnam has been ranked among the top five nations with regard to the sector's growth of 20% a year by eMarketer. Last year, the country's top four platforms – Shopee, Lazada, Tiki, and Sendo – generated VND135 trillion (US$5.73 billion) in revenues.

Meanwhile, the scale of the country's retail e-commerce market was estimated to reach US$16.4 billion last year, accounting for 7.5% of the country's goods and service revenues. There were approximately 57-60 million Vietnamese people shopping online, with their spending averaging US$260-285.

According to the White Book on Vietnamese E-Business 2022, up to 74.8% of Vietnamese internet users purchased goods and services online, with the most consumed commodities named apparel and cosmetics, household items, and technological and electronic devices.

Nguyen Thanh Hung from the Vietnam E-commerce Association (VECOM) assessed that the market sees extensive room for growth as it obtained significant attention from the Government for related institutions, policies, human resources training, and cashless payments.

Nguyen Thi Minh Huyen, deputy director of the Vietnam E-commerce and Digital Economy Agency, said the Government targets pushing the rate of e-commerce in the country's total retail to over 20%. The local retail market is now worth some US$250 billion.

Tran Trong Tuyen, general director of Sapo Technology JSC, highlighted advantages of the Vietnamese market such as foreign capital inflows, domestic technology development, and a comprehensive and convenient e-commerce ecosystem, among others. He also forecast a quick and firm growth for the sector in the time to come. VNA

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ENERGY

Quang Tri proposes adding power projects to national plan

The government of Quang Tri Province has proposed adding local power generation projects to the National Power Development Plan for 2021-2030, reported the local media.

These projects comprise a 1,800-2,000MW wind farm west of the province and a 1,200-2,000MW pumped-storage hydroelectricity plant. They should be synchronized with the investment progress of the Huong Hoa 500Kv transmission line and substation, according to the province.

Quang Tri proposed putting some power projects into operation by 2030, including the 1,320MW Quang Tri I Thermal Power Project, the 1,500MW Hai Lang LNG Power Center Phase I, and the 340MW Quang Tri Combined Cycle Power Plant.

The province also sought approval from the Government for the province's coastal planning as it is a basis for carrying out solar and wind power projects in the area.

Until now, 60 onshore wind power projects, three offshore wind power projects, 19 solar power projects, some hydroelectricity projects and gas power projects in Quang Tri have been proposed for inclusion into in the National Power Development Plan for the 2021-2023 period. Saigontimes

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Super Energy Group powers ahead with expansion

Thailand's Super Energy Group is demonstrating its commitment in the Vietnamese market through expanding investment and its portfolio.

In January, Super Energy started construction on its fifth wind power project in Vietnam. After being put into operation, Asia Dak Song 1 Wind Power Plant will be capable of providing an average wind power output of 173,000MWh per year, integrated into the national grid.

The plant will contribute to the supply of electricity for domestic use and production of the whole country towards the country's 2050 net-zero carbon emission targets.

Country director Supa Waisayarat said, "Sustainable growth has always been one of the objectives we have strived for since Super Energy began investing in this region. We aim to operate in green businesses which they have less impact on society and the environment, such as solar, wind, hydrogen, and battery energy storage." The group is continuing to improve its investment and business environment as a whole to enhance competitiveness in attracting more funding, Waisayarat added.

"Therefore, all the activities that focus on the environment, society, and good governance are our targets moving forward," he noted. He added that with generation capacity of 886.72MWp from its solar and wind energy plants, Super Energy has produced approximately 2GWh of electricity from the beginning of the year, and has contributed to reducing carbon emissions of about 1.5 million tonnes in Vietnam alone. According to the company, there are projects in hand that will gradually commence commercial operation continuously, taking into account waste-to-energy, solar rooftops, and private power purchase agreement initiatives. Super Energy's 2023 revenue growth target is 15-20 per cent above the previous year's efforts. Waisayarat explained that his company has determined that Vietnam is a prime location for growing in the international market and boosting profits.

"The Vietnamese government is emphasising clean, green energy and providing several alluring circumstances for international investors, including the ability to form fully foreign-owned businesses in the renewable energy industry," Waisyarat said.

"We value the Vietnamese government's transparency, excellent intentions, and support for foreign companies operating in this sector." The company can also benefit from tax breaks as well as other other intriguing government incentives, he added. "Thirdly, due to Vietnam's developing economy, we anticipate an increase in demand for power supplies." Waisayarat belives that Vietnam has a population edge in terms of its youthful talent, which is fueling both economic growth and creative innovation. According to him, this is a further aspect in achieving the company's ambition for the nation. VIR

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RETAIL

Vietnam's retail sales forecast to reach US$ 350 billion by 2025

The scale of the domestic retail market is expected to increase from 142 billion USD at present to 350 billion USD by 2025, contributing 59 per cent of the national GDP, according to the Ministry of Industry and Trade (MoIT).

Last year, the total revenue from retail sales of goods and services rose 21 per cent, exceeding the target of 8 per cent.

A survey by Vietnam Report showed that over 53.8 per cent of total retail firms enjoyed similar and higher business results compared to the pre-pandemic level.

Experts held that growth of retail sales is being supported by rise in income and the strong recovery of the tourism sector as well as relevant sectors such as transport and accommodations, as well as the effectiveness of inflation control measures.

There are signs of vibrant retail activities as many foreign investors have announced their plans to return after COVID-19.

Recently, Thailand's Central Retail said that it will pump an additional 20 trillion VND (852.87 million USD) into the Vietnamese market in the next five years, pushing its investments in Vietnam in the 2022-2026 period to 65 trillion VND. With this plan, Central Retail will raise their coverage from 40 localities currently to 55. Meanwhile, Japanese giant retailer Aeon Group plans to build another megamall in Hanoi, raising its total trade centres in Vietnam to 20.

In 2023, four trade centres are scheduled to be launched - Central Premium Plaza, Vincom Megamall Grand Park, Sunrise City Central and Emart 2 with a total area of over 116,000 sq.m. Many experts predicted that this year, retailers will expand their selling channels, bringing their products to different trading platforms to optimise online retail channels.

Vietnam's total retail sales of goods and services in January was estimated at 544.8 trillion VND, up 5.2 per cent from the previous month and 20 per cent as compared with the same period last year, according to the General Statistics Office (GSO).

The office explained that the hike was attributed to the growing consumption demand as Tet (Lunar New Year), the biggest and longest festival in the Southeast Asian nation, fell in the month. Of the total, the retail sales of goods were 435.4 trillion VND, a year-on-year rise of 18.1 per cent, with the biggest increase seen in garments (27 per cent). VNA

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LOGISTICS

Hanoi-Quang Ninh railway project under reconsideration

The Ministry of Transport is going to reconsider the Yen Vien - Pha Lai - Ha Long - Cai Lan railway project in 2024 after it has been suspended for nearly 20 years due to investment problems.

The Yen Vien - Pha Lai - Ha Long - Cai Lan railway project in 2024 after has been suspended for nearly 20 years due to investment problems. The VND7,665 billion (USD326.30 million)-government invested 131-km project started in May 2005, running from Yen Vien Station in Hanoi through Bac Ninh, Hai Duong provinces, and ending at Cai Lan Port in Quang Ninh Province. About 43 kilometres of the 131 km rail track was planned to be newly built while the remaining 88 kilometres would be upgraded from the existing Kep - Ha Long railway line.

The project was expected to become a key component in the development of the northern economy, particularly in connecting two corridors and an economic belt between Vietnam and China. Although scheduled to be put into operation in 2011, only a third of the project had been completed and the transport ministry explained this was due to a shortage in investment.

Many of the constructions are now covered in moss and badly deteriorated. Local residents have complained about their lives being badly affected by the sluggish project. The ministry recently asked the Railway Project Management Board to look into the project again and make a new construction plan for approval in 2024. 2 packages of Ben Luc - Long Thanh Expressway performed re-bidding procedures

The Department of Transport of Dong Nai Province said that the functional agencies were performing re-bidding procedures for two bidding packages under the Ben Luc – Long Thanh expressway project through the locality.

Accordingly, the two bidding packages included J3 bidding package and A6 package under the Ben Luc-Long Thanh Expressway Project's section through the province of Dong Nai.

The bidding packages of J3 and A6 are completed with around 80 percent and around 34 percent in volume, respectively.

At the current times, there are two other bidding packages under the Ben Luc – Long Thanh expressway project under construction process consisting A5 bidding package with 95 percent of the total volume completion and A7 with nearly 62 percent of completion.

Regarding site clearance progress, the People's Committee of Nhon Trach District is doing procedures to revoke land from the last household.

The Ben Luc – Long Thanh expressway project having a total length of nearly 58 kilometers, including an over 27- kilometer-long section in Dong Nai Province, started in 2014.

According to the initial plan, the project will be finished in 2018; however, its completion time has been behind schedule due to difficulties and problems in site clearance as well as capital arrangement.

Recently, the Ministry of Transport has just submitted to the Prime Minister an adjustment of the project's investment policy and completion time in 2025 for approval. Vietnamnet

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INVESTMENT

World's leading hotel groups to double down on investment in Vietnam

Accor Vietnam and IHG Hotels & Resorts – the world's leading hotel businesses operating in Vietnam announced that they intend to double the number of international-standard hotels in the Southeast Asian nation in the next five years.

Representatives of Accor and IHG said Vietnam is a very attractive country to invest in, and foreign investment has been quite robust over the past few years. There is huge potential for developing the hotel sector in the Southeast Asian nations.

Xavier Cappelut, Vice President of Operations of Accor Vietnam, said the firm has plans to welcome 41 more hotels and resorts in its chain in Vietnam within the next five years.

The hotel market received a great number of domestic visitors from the first half of 2022 due to the loosening of pandemic regulations, he said, adding that the demand has increased in both the resort and business segments.

The corporate market has returned with some vigour, so definitely both Ho Chi Minh City and Hanoi have relatively good corporate demand since August, 2022.

In recent years, people have been looking for more domestic opportunities to travel, but the fact that they now enjoy domestic hotels and destinations will have a lasting effect, he said.

According to Cappelut, one of the most important strategies for Accor is to focus on the domestic market because the firm gained a lot of traction from this market during the COVID-19 pandemic and increased the volume of direct business to the hotels by having targeted promotions in 2023.

"We are continuingly focusing on guest satisfaction through the improvement of service quality alongside attractive packages for family holidays and staycations as well as our food and beverage offerings", Cappelut said.

In 2023, Accor expects more long haul business, and a higher percentage of North and South American businesses, Cappelut said, adding that the firm also expects a rise from the Indian market and the Republic of Korea (RoK).

Cappelut said the demand for meetings, incentives, conferences, and exhibitions (MICE) has gradually rebounded since the fourth quarter of 2022. Accor hopes for enquiries to ramp up month by month and to come back strongly by April and the back half of 2023.

Operating in Vietnam since 1992, Accor owns 40 hotels and resorts with many brands, including Sofitel, MGallery, Pullman, Novotel, Mövenpick, Mercure, and Ibis.

Operating in the Vietnamese market since 2007, IHG Hotels & Resorts so far owns 15 hotels and resorts in Vietnam with the brands of InterContinental, Crowne Plaza and Holiday Inn.

According to Rajit Sukumaran, Managing Director of IHG in Southeast Asia and the RoK, Vietnam is an important market for the group and it has invested in Vietnam for the long term.

The group is set to add 22 new hotels and resorts to its system in Vietnam in the next five years, lifting the number of member hotels to 37.

"We are building a robust ecosystem including a highly experienced in-market team and strong long-term partnerships to support that growth," Sukumaran said.

Industry data shows that occupancy across Vietnam is steadily increasing, he said, noting that domestic demand is driving the majority of IHG's business.

According to Sukumaran, direct flights have helped promote resort travellers and MICE visitors from ASEAN countries, India, and those from Europe, the US and Australia. But the number of flights across the board has yet to return to pre-pandemic levels.

IHG has worked closely with the VNAT, trade associations, and Vietnam Airlines to solve this problem, toward promoting tourism recovery, he said.

IHG has planned to debut new brands such as Voco Hotels, Vignette Collection, Hotel Indigo, and Holiday Inn Express. VIR

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Foreign investment funds plan to pour money into Vietnamese stocks

Many billion-dollar investment funds have the intention to pour money into the Vietnamese stock market, an event held by VIR has heard.

Quan Duc Hoang, chairman of A+ Fund, made the comments about foreign capital at the roundtable

'New Investments amid New Volatility' hosted by VIR at its headquarters in Hanoi on February 7.

"Recently, I have business trips to work with big investment funds in the United States, the United Kingdom, and South Korea. Not one of these investment funds have a sensitive overview of the Vietnamese investment environment. They estimate that it is an ideal time for investors to collect a portfolio of shares," Hoang said. "In spite of the difficult situation, during the past nearly 30 years, I have yet to see a large investment opportunity similar to the current situation because many Vietnamese enterprises are operating smoothly and generating good profits. Besides, we have yet to take thorough advantage of the opportunity from free trade agreements, especially EVFTA. The important note is that the investors need to be careful in selecting partners."

Hoang added that although many large investment funds want to pour money into the Vietnamese stock market, they have yet to implement their plans because they have yet to select big enough partners. Meanwhile, large domestic enterprises run out of room for foreign investors.

In the framework of the roundtable, the business community and individual investors had opportunities to listen to specific analyses about the fresh environment from experts and lawyers in banking, finance, real estate, and blockchain, and from there have more of a basis for their investment decisions.

A study by BIDV Securities Company analysing over $50 billion owned by foreign investors on the Vietnamese stock market showed that more than half of foreign ownership is owned by strategic investors. This group usually holds stocks for the long term.

Foreign investors also expect Vietnam's market to be upgraded to an emerging market. According to JPMorgan's CEO in the Asia-Pacific region, if it is upgraded to emerging market status, the market will receive approximately $5 billion from ETFs. Therefore, the fact that the market is in a period of low valuation is a very good opportunity to invest and hold. VIR

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