



## Highlight

*Chinese conglomerates eye expanding investments in Vietnam*

# VIETNAM BUSINESS REVIEW

### What's in it today?

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#### **FINANCE**

Emerging trends in Vietnam's M&A landscape  
IMF forecast Vietnam's economic growth to recover in second half of 2023



#### **INVESTMENT**

Chinese conglomerates eye expanding investments in Vietnam  
Mekong Delta lures streamlining foreign direct investment



#### **RETAIL**

Korean retailers eye opportunities in Vietnam



#### **E-COMMERCE**

Green consumption and online shopping boom in Vietnam



#### **ENERGY**

Essentiality of storage systems in the renewable energy expansion  
Vietnam set to become Southeast Asia renewable energy leader conference



#### **LOGISTICS**

Logistic system in the north central and central coast regions to be prioritized

## FINANCE

### Emerging trends in Vietnam's M&A landscape

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Vietnam's merger and acquisition (M&A) market has experienced slower growth than anticipated in 2023, although there is still progress compared to the previous year. In the first five months of 2023, there were over 50 M&A transactions in Vietnam, amounting to a total value of \$2.88 billion. This reflects a 28% increase in quantity and a 40% increase in value, according to ASART Deal Advisory.



Binh Le, head of M&A at ASART, emphasized that the trend of consolidation through M&A is inevitable, especially in emerging markets like Vietnam. The slowdown in M&A activities in recent years can be attributed to the rise in the buyer's cost of capital, influenced by factors such as the US Federal Reserve's reserve fund rate hikes, which impacted global markets,

including Vietnam.

However, recent positive changes in the consumer price index (CPI) and expectations of a reduction in reserve rates by the Fed have the potential to increase investor confidence and stimulate capital injection into related projects. Additionally, with Vietnamese companies facing liquidity challenges and a scarcity of local capital sources, they have become more open to foreign investment as an alternative.

While the global market's uncertainty has made foreign investors more cautious, promising projects in Vietnam may attract increased capital allocation. Vietnamese companies, particularly those in the real estate sector, have faced pressure from bond maturities, leading them to seek transactions to obtain new capital sources for debt settlement.

ASART's research highlights that the majority of M&A deals in Vietnam have been smaller in size, but there has been an increase in deal size over the past decade. This trend toward more sophisticated and larger deals has contributed to the overall increase in the value of M&A transactions in Vietnam.

Overall, although the M&A market in Vietnam has experienced some setbacks, there are positive indicators for a slight recovery in 2023 and a stronger rebound in the second half of 2024. VIR

[Back to top](#)

## IMF forecast Vietnam's economic growth to recover in second half of 2023

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Vietnam can return to high growth rates over the medium term, as structural reforms are implemented, Division Chief of the International Monetary Fund (IMF)'s Fiscal Affairs Department Paulo Medas has said. Medas led an IMF team to Vietnam from June 14-29 to hold discussions for the 2023 Article IV consultation with the country.

In an interview granted to the VietnamPlus e-newspaper under the Vietnam News Agency (VNA), he said that Vietnam's economic growth is projected to recover in the second half of 2023, reaching around 4.7% for the year, supported by a rebound in exports and expansionary domestic policies. Inflation is expected to remain contained below the State Bank of Vietnam's 4.5% ceiling.

The IMF predicts the world economy will continue facing difficulties in 2024 and can only recover in 2025, he said. According to him, the measures taken by the central bank and the government such as interest rate cuts, tax reduction, and public investment and spending expansion have helped soften the impact of external and domestic headwinds.

The expert stated that the SBV was able to both contain price and liquidity pressures in a very challenging environment. Greater exchange rate flexibility and continued efforts to modernise the monetary policy framework will provide significant dividends.

Further monetary policy easing, and measures to boost credit growth, at this stage will likely be less effective and more risky, given global rates are likely to stay high for long, and banks in Vietnam are already facing rising non-performing loans and high loan-to-deposit ratios, he noted.

In this context, fiscal policy should take the lead in providing support to the economy and the poorest and most vulnerable groups, especially as the government has fiscal space. The planned increase in spending (wages and public investment) and cut in taxes will help boost domestic demand.

"The current challenging economic environment and rising non-performing loans require the swift development of an action plan to protect financial stability and accelerating needed reforms. This would include strengthening the bank crisis management framework and improving bank regulation and supervision. The authorities should take advantage of the ongoing revision of the Law on Credit Institutions to develop more effective bank resolution and emergency liquidity frameworks," Medas said. To help Vietnam achieve its future macro-economic management goals, the IMF expert stressed that the government needs to maintain its reform efforts in the medium term to achieve the set medium and long term goals and become a developed economy by 2045 and to ensure total greenhouse gas emissions will be reduced to zero by 2025.

It is also necessary to reform the business environment by reforming administrative procedures, creating favourable conditions for the development of enterprises, invest in infrastructure, ensure renewable energy in the next 5-10 years, and pour capital into technology in education and training, he added. vnexpress

[Back to top](#)

## E-COMMERCE

### Green consumption and online shopping boom in Vietnam

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Vietnamese businesses are responding to the growing trend of green consumption by adapting their practices accordingly. Consumers are increasingly embracing sustainable lifestyles, actively reducing plastic waste, engaging in recycling, and prioritizing factors such as affordable prices, safety, hygiene,



healthiness, trusted brands, environmental sustainability, and eco-friendliness. To promote green consumption, retailers can implement strategies like using electric vehicles for transportation, offering organic products, minimizing food waste, and providing loyalty rewards for sustainable purchases.

In recent years, various green consumption models have gained popularity, such as using banana leaves for packaging fruits and vegetables, adopting eco-friendly alternatives like glass or bamboo straws, replacing plastic cups with paper alternatives, and encouraging the use of fabric bags instead of plastic ones.

Manufacturers are advised to implement emission reduction plans, reduce and replace plastic packaging, and commit to sustainable energy sources. They should also explore technologies for data collection on emissions, utilize sensors, AI, and automation to enhance supply chains, and minimize water, energy, and material waste.

E-commerce is becoming a preferred shopping channel for Vietnamese consumers due to its convenience. With the rapid growth of e-commerce in Vietnam, more businesses are turning to online platforms, including social networks and artificial intelligence, to reach customers. Digital transformation plays a crucial role in bringing agricultural products closer to consumers, especially the younger demographic. By embracing digital platforms like TikTok and Facebook, thousands of households in remote areas have successfully sold their agricultural products through live streams.

Overall, businesses need to stay abreast of these trends, develop solutions to access e-commerce channels, and deploy multi-channel strategies to connect with customers. Digital transformation, when tied to real-world strategies, can bring significant long-term economic benefits to the Vietnamese retail market.

[Back to top](#)

## ENERGY

### Essentiality of storage systems in the renewable energy expansion

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Vietnam needs to issue policies to encourage and manage Battery Energy Storage Systems (BESS) for renewable projects to ensure a stable power supply, a foreign expert has advised.



The country's 20.1-gigawatt of total supply from solar and wind power projects is relatively large, but utilizing these sources is difficult due to limitations in electricity transmission and distribution, said Sunita Dubey, Vietnam Country Representative of the Global Energy Alliance for People and Planet.

Although renewable power supply accounts for almost 27% of total installed capacity, northern Vietnam still records electricity shortages as most renewable projects are located in the central and southern regions. Under the latest power development plan, Vietnam aims to have renewable supply accounting for 47% of all sources by 2030. To do this, the country needs to focus on developing policies for Battery Energy Storage System to ensure the reliability and safety of renewable sources, said Dubey. Vietnam eyes to have 300 megawatts of BESS by 2030, or 0.2% of total supply, which seems to be a modest target if the country wants nearly half of its electricity sources being renewable, she said.

"Vietnam needs an action plan and clear policies to achieve its targets," she said, adding that so far only private renewable power projects have trialed BESS development. Some companies such as VinES and Fluence have developed and assembled BESS.

Recently two Chinese companies have approached the government to invest up to \$900 million in building a BESS factory in Vietnam. In several markets such as Taiwan, South Korea and India, BESS are being developed. Vnexpress

[Back to top](#)

## Vietnam set to become Southeast Asia renewable energy leader conference

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With its abundant resources and soaring demand for clean energy, Vietnam is poised to become a regional leader in renewable energy, heard a recent conference organised by Forbes Vietnam.

Ha Dang Son, Deputy Director of Vietnam Low Emission Energy Programme II (V-LEEP II), highlighted the country's attractive prospects for local and foreign investors in renewables. "Vietnam's vast renewable resources, growing energy demand and supportive governmental policies are major contributing factors."

Its ample solar resources offer favourable conditions for investors as do its extensive coastline and favourable wind conditions, he said. Its well-established agricultural sector generates substantial biomass waste, which can be utilised for energy generation, Son said.

The Government approved in May a power development master plan that prioritises renewable energy, he said. The plan includes an ambitious target to generate 20% of the country's electricity from renewable sources by 2030.

Experts pointed out the country requires US\$135 billion for power plant and transmission grid development by 2030, and over US\$500 billion by 2050. They highlighted the need for foreign investment, green credit and domestic private capital to achieve the transformation towards a sustainable energy model.

They also spoke about the major challenges faced by investors such as uncertainty and inconsistency in the Government's renewable energy policies and regulations. Trinh Quoc Vu, CEO of a HCM City-based renewable energy company, said the shortage of infrastructure to accommodate the rising renewable energy capacity is another obstacle.

Dang Quoc Toan, Chairman and General Director of the Asia Petroleum Energy Corporation, said the lack of transparency in the bidding for renewable energy projects is also a critical issue. Financing remains a challenge despite the decreasing costs of renewable energy technologies, he added.

The complex and time-consuming land acquisition process in Vietnam is another hurdle for investors in renewable energy projects. The shortage of skilled professionals and limited domestic manufacturing capabilities escalate project costs and timelines in Vietnam since developing large-scale renewable energy projects requires skilled labour and robust supply chain networks.

Supa Waisayarat, Vietnam country manager for Thailand's Super Energy Corporation, said investors should stay updated on government policies, regulations and incentives related to renewable energy in Vietnam. VOV

[Back to top](#)



## RETAIL

### Korean retailers eye opportunities in Vietnam

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Retail firms of the Republic of Korea (RoK) are stepping up efforts to tap into the Vietnamese market, which has huge growth potential thanks to its rapid economic growth and a high proportion of the working age population.



Lotte Group, one of the top two retail giants in the RoK along with Shinsegae, is the most active in the scene. The company currently has 20 affiliates operating in Vietnam, including Lotte GRS, Lotte Shopping and Lotte Culture Works.

Lotte Shopping is set to open Lotte Mall West Lake Hanoi in the capital city in August. It will be Vietnam's largest shopping mall complex also consisting of a hotel and offices.

The retail giant is also investing about 900 million USD to establish Thu Thiem Eco Smart City, which is a complex that will consist of a shopping mall, a hotel, offices, housing and a cinema. In August, Lotte World Aquarium is set to open in Hanoi as well.

"Vietnamese retail market grew about 100 times in the past 20 years. It is an attractive business destination with a high portion of the young population, who love Korean food, K-pop and K-drama," a Lotte Shopping official said, as cited by The Korea Times.

Shinsegae plans to open a third Emart store in Vietnam under a master franchise contract with local THACO Group in the second half of this year. GS Retail has already opened over 200 GS25 convenience stores in the Southeast Asian country.

Apart from retail corporations, leading unicorn businesses in technology, tourism services, and hotels in the RoK, such as Yanolja Cloud, are also targeting the Vietnamese market.

Following the Vietnam visit by President Yoon Suk Yeol and a business delegation of the RoK in June, Yanolja Cloud has successfully established strategic partnership agreements with three Vietnamese companies, namely VNTravel, DiHotel, and Fusion Hotel Group.

Vietnam has a domestic market with a population of nearly 100 million. Looking at the composition ratio of the population, those under the age of 30 account for 50% of the population while the working-age population takes up 70%. VNA

[Back to top](#)

## LOGISTICS

### Logistic system in the north central and central coast regions to be prioritized

The Ministry of Transport (MoT) has called for more investments to be prioritised for the logistic system in the north central and central coast regions.



This is part of the MoT's recently-issued plan on developing modern, comprehensive and cost-effective transport that also guarantees defence and security for the north central and central coast regions by 2030, with a vision to 2045.

Under the plan, priority will be given to developing a national and international logistic system associated with seaports, airports, international border gates, key economic corridors and inter-regional trade routes in 14 provinces and cities, including Thanh Hoa, Nghe An, Ha Tinh, Quang Binh, Quang Tri, Thua Thien - Hue, Da Nang, Quang Nam and Quang Ngai.

In addition to the construction of the two airports in the central provinces of Quang Tri and Binh Thuan, the ministry will upgrade nine other airports already operational in the region.

A new logistics centre will be established to facilitate freight transportation activities at Da Nang International Airport and Chu Lai Airport.

The ministry also plans to develop logistics hubs at airports with an annual transportation demand exceeding 250,000 tonnes.

Enterprises will be encouraged to increase investment in container transport, modernise transport vehicles and cargo handling equipment and improve the service quality.

To achieve the above-mentioned goals, the ministry will focus on perfecting the system of legal documents related to construction investment in the form of public-private partnership, application of information technology and creating a full legal environment for the management and development of the transport market.

Priority will be given to the development of multi-modal transport on corridors, especially the North-South corridor and those linking to international seaports to increase the volume of goods transported and reduce costs. The development of the inland port system will be stepped up to facilitate the connection between modes of transport and logistics services.

The MoT will promote the linkage of transport services between modes of transport; creating favourable conditions for forming large-scale transport enterprises capable of joining domestic-international transport chains.



Regarding transportation services, the ministry will focus on improving the efficiency of transport and logistics exchanges, facilitating the connection between transport units and goods owners as well as enhancing the transparency of the transport market.

It will mobilise all resources and prioritise investment in upgrading essential infrastructure works to attract more transport enterprises.

The MoT will boost applying information technology in all fields of the transport sector as well as transport management and operation. VNA

[Back to top](#)

## INVESTMENT

### Chinese conglomerates eye expanding investments in Vietnam

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Chinese conglomerates, including Texhong Group, Goertek Group, and Energy China Group, have expressed a strong interest in expanding their investments in Vietnam, highlighting the country's growing appeal as a lucrative business destination. During Vietnamese Prime Minister Pham Minh Chinh's visit to China, he engaged in high-profile meetings with top leaders from these major Chinese economic conglomerates on June 28 in Beijing.



The discussions revolved around the investment opportunities available in Vietnam, with the conglomerates expressing their desire to expand their production capacities and business ventures in the country. Prominent attendees included the heads of Texhong Group, Runergy Group, Energy China Group, Goertek Group, TCL, and others.

These influential leaders were impressed by Vietnam's dynamic and progressive development and commended the nation's efficient production and business practices. They conveyed their intentions to increase investments in various sectors, such as energy, industrial infrastructure, social housing, inland ports, vehicle manufacturing, research and development, and supply chain establishment.

During the meeting, the conglomerate leaders requested the Vietnamese government, led by PM Pham Minh Chinh, to create an environment that facilitates and nurtures investment and business activities. They emphasized the importance of administrative reforms, a stable electricity supply, sufficient land allocation for industrial park development, and the timely resolution of regulatory bottlenecks.

PM Chinh acknowledged and commended the achievements of these enterprises, highlighting Vietnam's commitment to renewable energy transition outlined in the ratified Power Development Plan VIII. He also encouraged Chinese businesses to invest in sectors like renewable energy, power transmission, garment and textile industry, and internationally acclaimed fashion exhibition platforms.

This meeting signifies a significant turning point as Chinese companies increasingly show interest in expanding their investment portfolios in Vietnam. With Vietnam's favorable business climate, robust economic growth, and commitment to reform, this surge in investment presents a significant opportunity for mutually beneficial partnerships and economic development for both Vietnamese and Chinese enterprises. VIR

[Back to top](#)

## Mekong Delta lures streamlining foreign direct investment

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Streamlining foreign direct investment (FDI) processes is crucial for unlocking the untapped potential of Vietnam's Mekong Delta, a significant economic region in the country. Despite its natural advantages, the region has struggled to attract substantial FDI in the past three decades.



In the first quarter of 2023, the Mekong Delta witnessed some FDI activity, but it was concentrated in a few provinces, while others failed to attract any projects. The actual investment realization and its impact on the regional economy have been hindered by sluggish disbursement and post-licensing issues. Delays in investment procedures and challenges with central bodies' involvement have affected projects such as power plants in Bac Lieu, Long An, and Can Tho City.

Furthermore, the disbursement of FDI capital in the Mekong Delta remains low, with a significant gap between registered capital and the actual amount invested. This issue was recently discussed at a forum focused on infrastructure development and economic growth in the region. Experts highlighted the need for better support for FDI projects, improved investment promotion activities, and streamlined licensing procedures.

Proposed solutions include providing better support to larger-scale FDI projects, enhancing investment promotion strategies, streamlining licensing procedures, and reducing reliance on external consulting firms. Additionally, the Mekong Delta's potential for industrial development, including offshore wind power and agricultural processing, should be harnessed. The government is investing in transport development projects, creating opportunities for private sector investment in infrastructure and logistics through public-private partnerships. Prioritizing the training of skilled workers and improving legislation, mechanisms, and policies are also crucial steps.

By addressing these challenges and implementing the proposed solutions, the Mekong Delta can attract more FDI, unleash its economic potential, and foster sustainable growth in the region. The saigontimes

[Back to top](#)

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