



Highlight

Promising mergers and acquisitions in Vietnam's healthcare sector

VIETNAM BUSINESS REVIEW

Vol 35, Sep 7th 2023

What's in it today?



FINANCE

Vietnam PMI back above 50 mark for first time in six months

Vietnam's shift towards digital banking and retail post-pandemic



INVESTMENT

Vietnam records US\$ 416 million in outbound investments amidst global expansion

Promising mergers and acquisitions in Vietnam's healthcare sector



RETAIL

Vietnam's August CPI sees uptick driven by fuel and food prices



E-COMMERCE

Vietnamese home decor's rise on global E-commerce platforms



ENERGY

Vietnam's new solar energy pricing structure favors the North

The Ministry of Industry and Trade to formulate a new pricing framework for solar and wind power



LOGISTICS

Laos-Vietnam railway project set for 2028 completion

FINANCE

Vietnam PMI back above 50 mark for first time in six months

Vietnam's manufacturing sector showed signs of recovery in August, with the S&P Global Vietnam Manufacturing Purchasing Managers' Index (PMI) rising above the 50.0 mark for the first time in six months, reaching 50.5.



This marginal improvement reflected tentative signs of improving demand, with manufacturers reporting their first increase in new orders in six months. New export business also rose after five months of decline. However, growth rates remained modest, indicating ongoing demand fragility.

Manufacturing production returned to growth after five months of decline, although the increase was only marginal. The recovery was most evident in the investment goods category. Purchasing activity also expanded solidly, reflecting increased new orders and greater output requirements. Employment, however, continued to fall marginally, reflecting ongoing spare capacity in the sector.

Input costs rose for the first time in four months, partly due to higher oil prices, leading firms to raise their selling prices slightly. Business confidence strengthened in anticipation of a continued recovery in the coming months, but concerns about the strength of demand persist. Overall, while the sector showed positive signs, the recovery remains muted. VNA

[Back to top](#)

Vietnam's shift towards digital banking and retail post-pandemic

Visa's recent study, released on September 5th, highlights changing consumer payment preferences in Vietnam following the Covid-19 pandemic. The research indicates that Vietnamese consumers are increasingly embracing digital banking and digital retail.

Notably, consumers are showing interest in various digital trends for the future, such as virtual banking, open banking, augmented reality (AR), smart payments, and cryptocurrencies. Visa Vietnam and Laos Director, Dang Tuyet Dung, emphasized that Vietnamese consumers are likely to continue adopting digital retail methods due to their convenience and efficiency.



The report reveals that 90% of Vietnamese consumers are keen on virtual banking services, with open banking concepts also gaining significant awareness, especially among Gen X and Gen Z consumers who are willing to share personal information.

Digital retail, another area experiencing robust growth, includes trends like AR, allowing users to visualize products through their phone's camera. Smart payments, where consumers scan items to create a digital shopping cart, have also gained traction, especially among Gen Z.

Furthermore, Vietnamese consumers expect home deliveries to remain a prominent feature of their shopping experience, with approximately 8 out of 10 orders expected to be delivered to their homes in the future.

The report also indicates that Vietnamese consumers are interested in emerging digital trends like cryptocurrencies, NFTs, and the Metaverse, reflecting the dynamic landscape of digital finance and retail.

[Back to top](#)

E-COMMERCE

Vietnamese home decor's rise on global E-commerce platforms

As purchasing power for home decor and compact furniture grows on e-commerce giants like Amazon and Alibaba, Vietnamese businesses are finding opportunities to sell their "Made in Vietnam" products.

Items like grass brooms, water hyacinth baskets, and compact chairs have gained traction on platforms



like Amazon. For instance, Linon Home Decor's black painted bar stool, priced at \$81, is labeled as an "Amazon's Choice" and has sold over 50 items in the past month. BeeFurni, a brand selling garden furniture and wooden planks, witnessed a 300% increase in revenue on Amazon in the first 10 months of 2022 compared to 2021.

Home decoration and furniture items have experienced remarkable growth on Amazon from 2020 to 2022, even as people returned to the office, indicating sustained interest in online shopping for such products. Home and kitchen decor consistently rank among the best-selling categories for Vietnamese sellers on Amazon.

Amazon and Alibaba both see significant potential in Vietnamese furniture and decoration manufacturers due to the country's abundance of craft villages, raw materials, and strong supply chains. Vietnamese craft villages boast a long history and abundant experience in creating unique products. However, to succeed globally, manufacturers must meet international market expectations, such as improving material processing for goods like rattan, bamboo, and sedge, which are sensitive to factors like humidity and insects.

While Vietnam's wood and wood product exports decreased by 26.2% YoY to \$7.21 billion in the first seven months of 2023, the U.S., Japan, China, the EU, and South Korea remained critical export markets, accounting for 89% of the country's total export value.

In summary, the home decor and furniture sector presents significant opportunities for Vietnamese businesses to expand their global footprint through e-commerce platforms like Amazon and Alibaba.

Vnexpress

[Back to top](#)

ENERGY

Vietnam's new solar energy pricing structure favors the North

Vietnam is revising its pricing structure to promote solar energy projects in the northern regions, given their lower solar radiation intensity compared to the central and southern regions.

The Electricity Regulatory Authority, part of Vietnam's Ministry of Industry and Trade (MoIT), is leading this effort to update the pricing framework for solar and wind energy.



The proposed changes will tailor solar project pricing to the solar radiation intensity of each locality, which will encourage development in the less sun-exposed northern areas. These adjustments align with the national Electricity Law, which relies on data from consultative organizations for pricing calculations.

Vietnam Electricity (EVN), a state-owned enterprise, will formulate the tariff framework, subject to MoIT review and ratification by November 1 annually. If there's a surge in solar and wind power plant tariff negotiations, an advisory council will scrutinize EVN's proposed pricing framework.

Notably, the revised pricing structure won't apply to existing transitional solar and wind power projects but only to newly constructed renewable energy projects with new power purchase agreements. Vietnam has considerable solar energy potential, estimated at 963,000MW, with ground-based solar accounting for 87% of it. The country aims to increase cumulative solar capacity by 4,100MW by 2030 and between 168,600MW and 189,300MW by 2050. In the wind energy sector, the plan targets 21,880MW onshore and approximately 6,000MW offshore by 2030, rising to 70,000-91,500MW by 2050. VIR

[Back to top](#)

The Ministry of Industry and Trade to formulate a new pricing framework for solar and wind power

The Ministry of Industry and Trade (MoIT) is currently in the process of collecting data to formulate a new pricing framework for solar and wind power, with plans to release a draft in November.

This forthcoming framework is aimed at tailoring solar power prices to the solar radiation conditions in specific regions, with an emphasis on keeping rates higher in the northern regions to encourage further investments.



The draft is expected to recommend a pricing structure similar to the one applied to transitional projects outlined in Circular No.15/2022/TT-BCT. However, it will diverge in terms of input parameters. These parameters will encompass factors such as installed capacity, project economic lifespan, debt repayment periods, equity-to-loan ratios, profit margins, and the standard

distribution coefficient linked to energy output expectations.

Additional parameters, including investment rates, foreign loan ratios, operational and maintenance costs, and methods for calculating the average long-term energy output for standard solar and wind power facilities, will be detailed in the draft. This information, drawn from consultant data to ensure consistency, will also include guidelines for establishing local and foreign currency interest rates.

The MoIT will also put forward proposals for determining the capacity scale of solar and wind power plants eligible for investor selection in accordance with Power Development Plan VIII.

It's crucial to note that this circular will only be applicable to new solar and wind projects with signed power purchase agreements, excluding transitional wind and solar power projects as specified in Circular 15. Per the Electricity Law's provisions, Vietnam Electricity (EVN) will be responsible for calculating the pricing structure and presenting proposals to the MoIT for approval annually before November. VIR

[Back to top](#)

RETAIL

Vietnam's August CPI sees uptick driven by fuel and food prices

In August, Vietnam witnessed a 0.88% increase in its Consumer Price Index (CPI) compared to July, resulting in a year-to-date inflation rate of 3.1%, as per the report released by the General Statistics Office on August 29. This uptick in inflation can be attributed to the surging prices of fuel, rice, and housing rentals. Domestic fuel and rice prices were influenced by global trends, while growing housing demand contributed to the rise in rent costs.



Between January and August, the CPI recorded a 2.02% increase compared to December 2022 and a 2.96% rise year-on-year. The average CPI for the first eight months of 2023 exhibited an annual growth rate of 3.1%, with core inflation registering an increase of 4.57%.

Among the 11 categories used for CPI calculation, 10 experienced price hikes, with postal and telecommunications services being the exception, showing a minor decrease of 0.17%.

The surge in CPI was notably impacted by a 7.28% average increase in the education price index, primarily due to higher tuition fees in certain regions, contributing 45 basis points to the CPI.

Housing and construction material prices saw a year-on-year jump of 6.65%, adding 1.25 percentage points to the overall CPI. Rising input material costs such as cement, iron, steel, and sand, combined with increased housing rents, played a significant role.

The cultural, entertainment, and tourism index grew by 3.18%, partly due to Covid-19 restrictions boosting leisure and travel demand, which contributed 14 basis points to the CPI.

Food prices edged up by 3.04%, driven by increased consumption during festive periods, resulting in a 65-basis-point CPI increase. Household electricity prices surged by 3.99%, driven by increased electricity usage and a 3% retail electricity price adjustment, which contributed 13 basis points to the CPI.

Domestic rice prices inched up by 2.96%, aligning with global trends and adding eight basis points to the CPI. Airplane ticket prices skyrocketed by 71.82%, train tickets by 31.3%, and bus tickets by 8.94%, primarily due to increased travel demand during holidays and summer, leading to a nine-basis-point CPI spike.

Other commodities and services marked up by 3.98% year-on-year, contributing 14 basis points to CPI growth, mainly due to adjustments in healthcare insurance premiums linked to a new base salary introduced in July 2023.

[Back to top](#)

LOGISTICS

Laos-Vietnam railway project set for 2028 completion

The Laos-Vietnam railway is on track for completion and operation in 2028, as reported by Lao media.



Before construction commences, a detailed design study for the railway will be conducted by the Petroleum Trading Lao Public Company (PTL), Yooshin Engineering Corporation, and Korea National Railway, following a cooperation agreement signed in Vientiane last week. The agreement was inked by President of Petroleum Trading Lao Public (PTL)

Company, Chanthone Sitthixay, President of Yooshin Engineering Corporation, Chon Kyung-soon, and Executive Director of Korea National Railway, Park Jin-Hyun.

The Laos-Vietnam Railway is expected to enhance the development of a modern and standardized transport infrastructure system, reduce transportation costs, and boost Laos' socio-economic progress. Additionally, it will enhance Laos' connectivity within ASEAN and beyond, aligning with the country's aim to transform from a landlocked to a land-linked nation.

The Laos-Vietnam Railway is part of the Laos Logistics Link Project, which encompasses various sub-projects, including the Thanaleng Dry Port, Vientiane Logistics Park, Vung Ang Seaport, and the Boualapha Coal Fired Power Plant. This high-speed electrified railway project will span approximately 500 kilometers, with a 312-kilometer segment connecting Vientiane and Khammouane province's Thakhek district and a 139-kilometer route linking Thakhek district with the Laos-Vietnam border. The total estimated investment for the project is \$5.5 billion. VNA

[Back to top](#)

INVESTMENT

Vietnam records US\$ 416 million in outbound investments amidst global expansion

In the initial eight months of 2023, Vietnamese enterprises channeled approximately \$416.34 million into their overseas projects, marking a 5.2 percent increase compared to the same period last year.



As reported by the Foreign Investment Agency under the Ministry of Investment and Planning, this period witnessed the issuance of 79 new investment registration certificates for projects, with a combined registered capital of \$244.37 million. This amounts to 70.8 percent of the corresponding figure from the previous year.

Furthermore, 18 international projects adjusted their capital allocation, contributing an additional \$171.96 million, a significant growth of almost 3.4 times in comparison to the previous year.

These investments by Vietnamese firms encompassed 14 different sectors, with the wholesale and retail industry at the forefront, hosting 23 newly invested ventures and six projects with increased capital, totaling \$150.28 million and constituting 36.1 percent of the total overseas investment.

The information and communication sector secured the second position with \$114.32 million, making up 27.5 percent of the total investment. Subsequent sectors included electricity production and distribution, agriculture, forestry, fisheries, banking, and finance.

Vietnamese investors have dispersed their capital across 23 countries and territories, with Canada being the primary recipient at \$150.2 million, followed by Singapore, Laos, and Cuba.

As of August 20, Vietnam possessed 1,665 active overseas projects valued at \$22.1 billion, including 141 projects from state-run companies amounting to nearly \$11.67 billion, representing 52.8 percent of the total.

Regarding inbound investments, Vietnam attracted approximately \$18.15 billion in foreign direct investment during the initial eight months, marking an 8.2 percent increase from the previous year. Foreign investors have invested across 18 out of the total 21 national economic sectors.

The processing and manufacturing industry led the way with a total investment of nearly \$13 billion, accounting for nearly 67.8 percent of the total and demonstrating a 14.7 percent year-on-year growth. In second place was the real estate sector, with a total investment exceeding \$1.76 billion, representing more than 9.7 percent of the overall registered investment capital but experiencing a 47.2 percent annual decline. VIR

[Back to top](#)

Promising mergers and acquisitions in Vietnam's healthcare sector

While mergers and acquisitions (M&A) in Vietnam's healthcare sector are showing some promise, the sector requires further catalysts for growth. Recent M&A activities indicate increasing interest in this sector.



For instance, Ha Tay Pharmaceutical Company (Hataphar) plans to issue 8.4 million shares to Tokyo-based Aska Pharmaceutical Co., Ltd., aiming to raise \$7.62 million. Aska previously acquired a 24.9% stake in Hataphar in 2020 and will now increase its ownership to 32.56%.

In August, South Korea's Dongwha Pharm agreed to acquire 51% of Trung Son Pharma for \$30 million, intending to expand into the Southeast Asian pharmaceutical and beauty market.

Thomson Medical Group has announced plans to acquire FV Hospital, with a focus on long-term investment in Vietnam's healthcare market.

PwC's Global M&A Trends in Health report highlights the attractiveness of pharmaceuticals, life sciences, and healthcare services to investors, driven by factors like the growing middle class, digital transformation, rising healthcare demands, an aging population, and challenges in the public hospital system.

Despite these promising signs, experts believe that the market needs additional drivers for M&A deals, with legal reforms and increased market openness being crucial. Regulatory scrutiny has caused delays in some larger deals, and issues like high interest rates, economic challenges, and discrepancies in price expectations have impacted dealmaking. The Ministry of Health is working on regulatory changes to facilitate investment in the healthcare sector, but it may take time for these changes to take effect.

In conclusion, while the healthcare M&A sector in Vietnam is showing potential, it requires further support in terms of legal reforms and market openness to fully flourish. VIR

[Back to top](#)

For more information, please contact us:

SEIKO IDEAS

Research & Consulting Division

Our services	Marketing Research Business Matching Investment Consulting Translation - Interpretation Training (Language & Soft skills)
Our clients	Think tanks, Universities Japanese & Vietnamese Government Organizations Manufacturers, Retail companies Advertisement agencies, Mass media
Head Office	Floor 5 th – A Chau Building No.24 Linh Lang Str., Ba Dinh Dist., Hanoi, Vietnam
Rep. Office	〒220-0012, 8F Wework, Ocean Gate Building 3-7-1 Minatomirai, Nishi ward, Yokohama Kanagawa, Japan
Telephone	+84-24-6275-5246 ; +84-24-6273-6989
Fax	+84-24-6273-6988
URL	www.seiko-ideas.com
Email	newsletter@seiko-ideas.com

**You are receiving this because you [subscribed](#) to our weekly business newsletter or you gave us your address via name card.*
