

VIETNAM MEDICAL EQUIPMENT MARKET

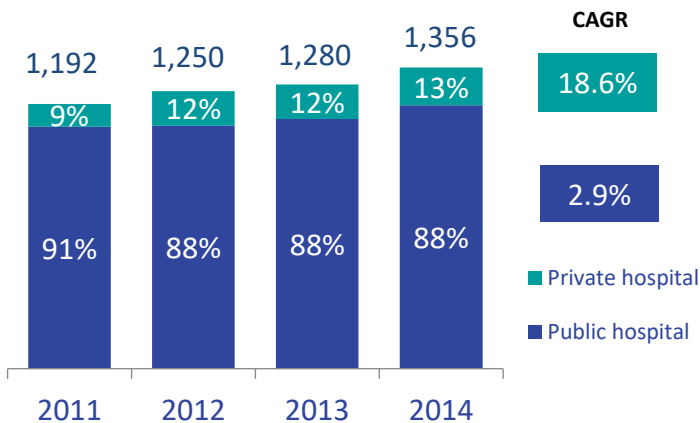
1. OVERALL OF VIETNAM HEALTHCARE INDUSTRY

In recent years, Vietnam healthcare system has witnessed positive changes in budget issue: Ministry of Health decided to devote US\$11.6 billion (equivalent to 6.1% total GDP of Vietnam) in 2015 and this figure is expected to remain unchanged until 2018 to enhance quality of the healthcare system. However, public healthcare system of Vietnam still does not operate effectively. For instance, public hospitals at tier-1 cities such as Hanoi or Ho Chi Minh City are usually overcrowded, especially during peak time when operation runs at 200% capacity, while local hospitals do not operate at their full capacity. The main reasons of this problem are unsuitable human resource allocation and lack of experts.

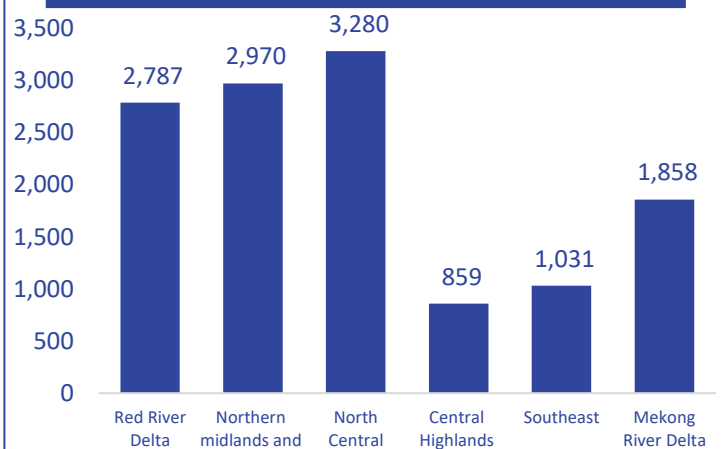
Meanwhile, private healthcare system has grown sharply since operation permission in 1989. By 2015, there have been 200 private hospitals providing healthcare service, mainly for middle class and these hospitals are ideal options for individuals who are able to afford high healthcare care costs. Annual average growth rate of private hospital sector reached an impressive rate at 18.6% during 2011-14.

71% public healthcare facilities are located in the Northern area. Hanoi is forecasted to receive a large part of the fund to invest in modern and high quality medical equipment. Besides, with high living standard, Ho Chi Minh City also has high developing potential, although the quantity of public healthcare facilities of the city is less than some other provinces (only 379 public healthcare facilities in total).

Growth of hospital in Vietnam, breakdown by type, 2011-2014



Number of healthcare facility by region, 2014 (excluding private facility)

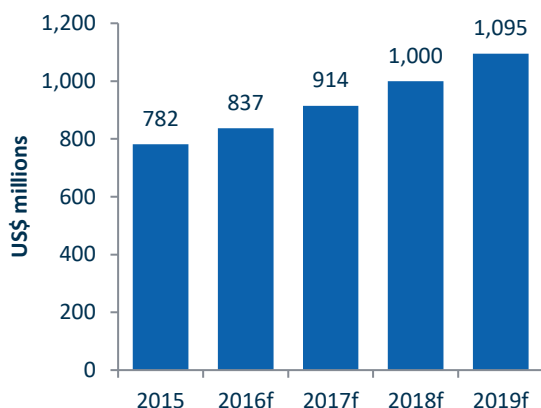


(Source: Ministry of Health, General Statistics Office)

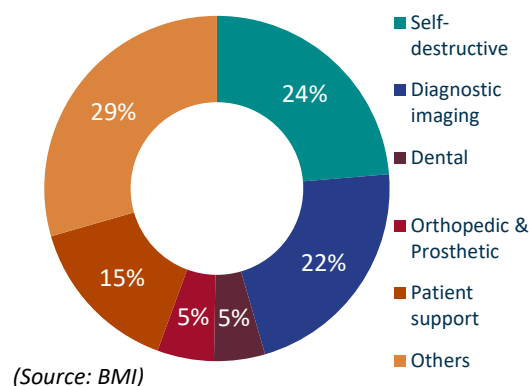
2. VIETNAM MEDICAL EQUIPMENT MARKET

Along with the development of healthcare industry, Vietnam medical equipment market grew sustainably in recent years, at US\$781.8 million in 2015 and the figure is estimated to reach US\$1,095 million in 2019. However, 95% of medical products in the market currently are imported, especially high-end segments such as diagnostic imaging equipment. By 2015, domestic manufacturers are only able to provide basic medical equipment such as hospital beds or disposable products.

Value of medical equipment market, 2015-19f



Value of medical equipment market in 2015
breakdown by type



In 2014, export and import value of medical equipment were respectively US\$751 million (an increase of 127% compared to 2010) and US\$707 million (an increase of 44% compared to 2010). The US is the main export destination of Vietnamese medical equipment, accounting for 23% of total export value. Japan is the second largest export market, taking 20% of total export value, with self-destructive gadgets as the main product.

As mentioned above, all products of high-end segments such as diagnostic imaging equipment are imported (mainly from Japan and Germany). In addition, Vietnam also imports a lot of medical self-destructive equipment from Singapore (with the largest market share at 19% of total import value of the industry).

3. MARKET MOTIVATIVE TREND AND FACTORS

Based on reports and analysis, Ipsos Business Consulting identifies that the development prospect of Vietnam medical equipment industry is very positive, because:

- **An increase in the average life expectancy of Vietnamese** with an increase of population aged 60-79 will boost the demand for medical equipment in future.
- In production side, the number of foreign medical equipment companies has increased since Vietnam joined World Trade Organization (WTO) in 2007, for instance, Terumo, Sonion, and United Healthcare **moved their factories to Vietnam** in order to take advantage of low labour costs and supporting policies from the Government.
- **Vietnam has actively promoted the development and modernization of public health facilities and equipment** in major cities and provinces to meet growing demand and reduce overcrowding.
- **Support from international organizations** improves quality of the healthcare sector in Vietnam. In 2014, Europe Union (EU) signed an agreement with Vietnam to fund US\$130 million for the second phase of the program (EU-HSPSP-2), which aims to increase the quantity of healthcare facility and the quality of services.