

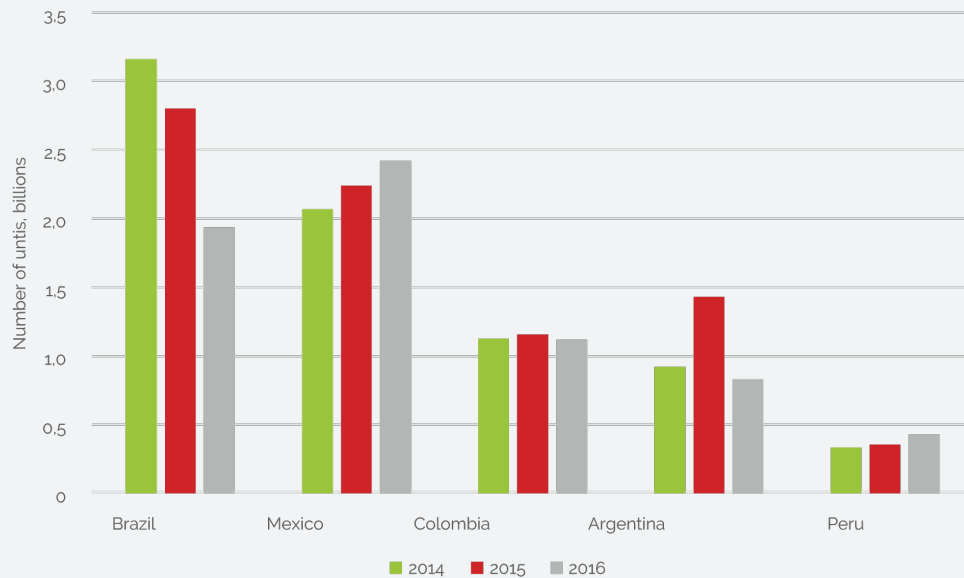
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Key Growth Opportunities for Medical Devices and Equipment

Latin America's medical equipment, device and consumables market is worth an estimated US\$ 29 billion in 2016f. Imports account for 85%-90% of this market, with limited production for the local market in Brazil, Mexico, Argentina and Costa Rica. As a result, the market has a high exposure to currency fluctuations and lost significant purchasing power due to foreign exchange rate devaluations across the region in 2015 and 2016. In 2015, imports of medical capital equipment contracted slightly from US\$ 5.2 billion to US\$ 5.1 billion year-over-year (YoY). As players absorb currency drops, distributors are forced to squeeze margins in order to maintain volumes. Despite stagnant numbers, there are still a number of profitable product classes in response to the region's aging population and the rise of non-communicable diseases (NCDs).

- **A look at medical device/equipment import trends:** Brazil's imports of medical devices/equipment has declined across all categories at a -22% CAGR from 3.2 billion units in 2014 to 1.9 billion units in 2016f, a direct result of lower demand affecting most product classes, of which CT scanners, X-Ray machines, Radiography/Radiotherapy equipment, Breathing appliances, and Respiration equipment. Devices whose use is directly tied to patient wellbeing, such as Orthopedics equipment, Artificial teeth, Artificial joints, Heart valves, Hearing aids, and Pacemakers continued to witness pent-up demand (in number of units), albeit being imported from lower cost countries.

IMPORT TRENDS ACROSS MAJOR MARKETS



Conversely, the Mexican market for medical equipment, devices and consumables grew by 8% in 2015 and 2016f, lifting the market from 2.0 billion units in 2014 to 2.4 billion units in 2016f. Leading the trend were products related to artificial respiration, Massage equipment, Instruments and equipment using UV, visible or IR optical radiations, as well as CT scanners, X-Ray machines, Radiography/Radiotherapy equipment which all demonstrated a CAGR of over 20% from 2014 to 2016f, in number of units.

Colombia remained a flat market, demonstrating 2.7% growth in 2015 and then shrinking 3.2% in 2016f, in number of units. While the number of units has remained relatively stable, the value of imports decreased by -13% from 2014 to 2016f. This is

in part due to a shift in import origin towards Asian manufacturers – Colombia is now serviced by 21 different Chinese medical equipment distributors. The government hopes to lower the cost of care by increasing competition in the local market and enabling Asian products to compete directly with traditional American and European counterparts.

After countercyclical spending in 2015 (which boosted the imports of medical devices and equipment), Argentina's imports returned to their historic norm of 800,000 units in 2016f.

The Peruvian market demonstrated steady growth, from a relatively small base, growing 7% in 2015 and an additional 19% in 2016f. The Peruvian government has been urgently

replacing obsolete hospital machines that are failing due to lack of maintenance.

- **Chronic disease-related product classes grow:** The economic burden of non-communicable diseases such as diabetes and hypertension is on the rise. The cost of obesity alone is expected to reach US\$ 8.7 billion in 2050, up from US\$ 5.0 billion in 2010. Demand for product classes such as infusion pumps, defibrillators, MRIs, electrocardiographs, blood pressure monitors, and ultrasound machines are on the rise. In 2015 electrocardiograph machines were Brazil's highest-growth medical device class, increasing by 28% to reach US\$ 4 million. The country also saw growth of 6% in ultrasound machines, reaching an import value of US\$ 107 million. Infusion pumps in Mexico saw a 7% YoY growth from 2014 to 2015, trailing behind breath-enhancing machines and defibrillators which saw a 20% YoY growth during the same period.

- **Portable, remote patient monitoring (RPM) devices for home care:** Regional healthcare costs are climbing steadily, with an ageing population mostly covered by universal public health and suffering from an increasing prevalence of chronic diseases. This necessitates a shift in focus from acute care to prevention and monitoring. The Chilean government piloted remote patient monitoring via telehealth provider AccuHealth with an average cost savings of US\$ 4,500 per person per year. Such devices may be a way to advance improved primary care in the region cost effectively.

- **Capital equipment, med-tech investments to meet expanded public coverage:** In mid-2016f, Argentina

announced plans for a universal healthcare system to bring an additional 15 million citizens under coverage, including US\$ 500 million will be invested in bolstering healthcare infrastructure and hospital expansions. A new National Agency for Health Technology Evaluation to develop ways to achieve technology-enabled cost efficiencies in key public spending areas such as buying equipment. Colombia is also scheduled to implement reforms in 2017 that expand the range of services covered by national healthcare to include virtually all non-elective procedures.

Looking ahead: Investment returns to both public and private hospitals, re-fueling sales.

Pent up demand from austerity measures taken during the 2015-2016 Latin American downturn will begin to see a reversal in 2017, with slight increases in public spending and investments in healthcare as economies and currencies stabilize.

Per capita health expenditure gains in Brazil of roughly US\$ 1,200 by 2018 will fuel the expansion of private practices and their investment in medical equipment. The government recently opened the healthcare market's doors to foreign investors, and the expected addition of 13,000 hospital beds by 2017 will reinvigorate demand for devices and hospital equipment. Likewise, the Mexican healthcare sector is forecasted to grow at a CAGR of 6.1% to reach US\$ 101 billion in 2019, with the medical device market expanding from US\$ 4.9 billion in 2015 to US\$ 6.5 billion in 2020. Latin America's aging population will require



increasingly constant monitoring, thus driving the demand for new wearable and portable medical devices. Capital equipment and med-tech companies in particular stand to gain as hospitals expand and invest in cost-reducing technologies. Players should expect to see increased competition from Asian suppliers as well as local Latin American manufactures. The four countries of the Pacific Alliance trading agreement, Chile, Colombia, Peru and Mexico, recently enacted regulations to standardize the quality and characteristics of medical devices to facilitate intra-regional trade.



About Global Health Intelligence

Global Health Intelligence provides detailed information on healthcare infrastructure in emerging markets in order to help clients understand the competitive landscape and identify opportunities for growth.

Founded on over 20 years of research expertise in emerging markets, Global Health Intelligence has developed the world's largest hospital demographics database focused on Latin America.

Find out how Global Health Intelligence can help you grow in emerging markets:

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Our Services

- **Hospital demographics**
The world's largest hospital demographics database focused on Latin America
- **Market size / share**
A unique methodology based on the analysis of import data to deliver reliable insights in a timely manner
- **Tailored research**
Refined with 20+ years Market Intelligence experience:
 - Market sizing and segmentation
 - Partner search & market due diligence
 - Competitive profiling
 - Pricing and cost analysis
 - Best practices
 - Positioning and opportunity identification

Hospital Database Characteristics



12,000 hospitals
profiled



Coverage in 11
countries



Over 100 data
points per hospital



Raw data exports
to Excel



Integration into
your CRM



Prebuilt Tableau
dashboards



Available
immediately!

