

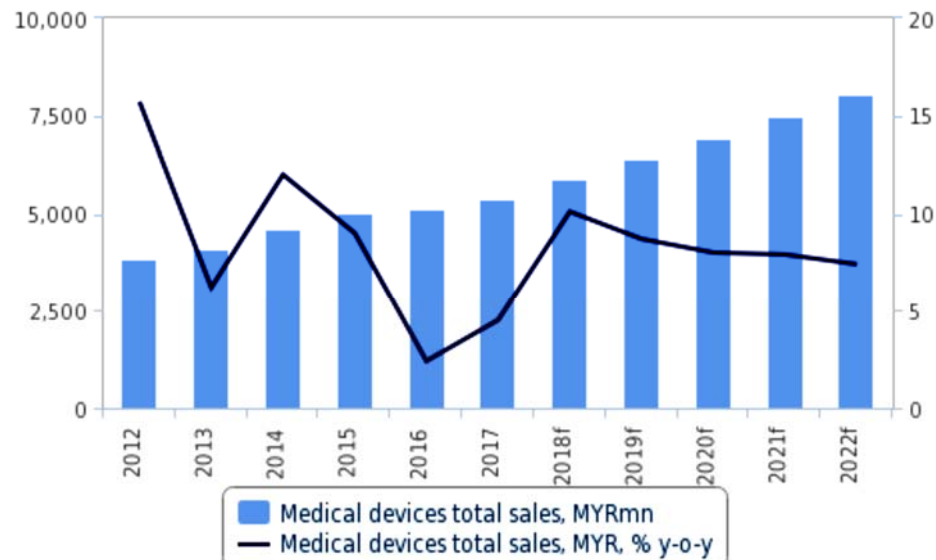
## Medical Device Market in Malaysia (July 2018)

### Latest Updates

Market analysts project that the medical device market will expand by a 2017-2022 CAGR of 8.4% in Ringgit terms, which will take the value to RMR8.0 billion. The market will outperform the economy, which will continue to see solid growth in 2018 on the back of higher consumer confidence from the decision by the newly elected government to effectively scrap the Goods and Services Tax (GST) from June 2018. Over the longer term, power transition arising from the former government and within the Pakatan Harapan coalition will likely slow policy making, posing downside risks to planned expenditure programmes and investment in infrastructure and human capital development.

Above average population growth, the government commitment to improving healthcare provision and an expanding private sector will be key growth drivers. The market will also benefit from increased government health funding in 2018, as well as government plans to boost the healthcare tourism industry through specific funding for the Malaysia Healthcare Travel Council (MHTC) to promote the country as a hub for fertility and cardiology treatments. These measures will support an uptick in medical device spending, which will see lower double-digit growth in 2018 and high single-digit from 2019.

**Medical Device Market Value (RM)  
(2012-2022)**



Source: *Business Monitor International*

Market expect the ringgit to appreciate against the US dollar in 2018 and to remain on a gradual appreciatory trajectory over the forecast period, supported by a positive growth outlook and a still-undervalued real effective exchange rate, though with downside risks arising from the scrapping of the GST which will be negative for Malaysia's fiscal consolidation efforts. The market will see double growth between 2018 and 2020, falling to single-digit growth from 2021.

## Structural Trends

The medical device market will benefit from the following key drivers:

- **Strong fundamentals:** abundant natural resources ensuring continued dominance in the rubber based medical goods industry; positive economic growth outlook with private consumption likely to strengthen following GST removal, increasingly affluent population, progressive government policy aimed at attracting foreign investment; and the cheap labour force.
- **Healthcare drivers:** above average population growth rate, standing at 1.5% in 2016; increasing life expectancy; improvement of healthcare provision high on political agenda with increased government health funding in 2018; government plans to cooperate with the private sector and non-governmental organisations (NGOs) to operate non-profit charitable hospitals based on government hospital rates to reduce congestion in government hospitals; private sector expansion which will benefit from GST removal; and the expanding health tourism sector.
- **Market drivers:** heavy reliance on medical device imports - especially technologically-advanced platforms and systems; the new regulatory system for medical devices, which is forcing local producers to raise production quality to international standards; status as the world's leading manufacturer of surgical gloves; an increasingly attractive manufacturing base for multinationals; government incentives to encourage diversification and the manufacture of more expensive 'high-end' equipment; regulatory developments to maintain a harmonised and business-friendly regulatory framework; and free trade agreements, including the newly signed Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

Market growth will be constrained by:

- **Weak fundamentals:** export-oriented economy which remains vulnerable to Chinese economic slowdown; political uncertainty following change of government, posing downside risks for business environment and direct foreign investment; and cheaper labour and production costs offered by countries such as China and Vietnam.
- **Healthcare barriers:** small elderly population, which stood at 6.1% of the total in 2016; relatively low health expenditure representing only 4.4% of GDP in 2016; and lower level of healthcare coverage in rural areas.
- **Market barriers:** low per capita spending on medical devices; weak import performance in US dollar terms; and new regulatory requirements, which some manufacturers might struggle to comply with in respect of labelling, sterilisation, toxicological testing & clinical evaluation and quality management systems.

<b>MEDICAL DEVICE MARKET BY PRODUCT AREA, 2012-2022 (USDMN)</b>											
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
CONSUMABLES	285.6	267.9	293.3	257.2	243.7	255.9	314.6	349.5	384.7	418.4	455.1
DIAGNOSTIC IMAGING	258.5	263.7	301.0	273.1	259.6	262.6	325.0	365.8	402.7	443.0	477.9
DENTAL PRODUCTS	30.3	33.7	45.1	40.2	33.0	35.7	44.0	48.8	53.5	58.4	64.3
ORTHOPAEDICS & PROSTHETICS	57.5	69.6	71.7	71.0	63.0	65.0	81.8	92.4	103.0	113.5	124.5
PATIENT AIDS	162.1	179.2	189.1	171.9	172.3	185.4	237.6	266.5	296.0	326.7	361.2
OTHER MEDICAL DEVICES	457.7	488.5	504.2	470.1	465.8	442.4	551.2	612.5	673.1	732.2	795.2
<b>TOTAL</b>	<b>1,252</b>	<b>1,303</b>	<b>1,404</b>	<b>1,283</b>	<b>1,238</b>	<b>1,247</b>	<b>1,554</b>	<b>1,735</b>	<b>1,913</b>	<b>2,092</b>	<b>2,278</b>

Source: *Business Monitor International*