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Executive Summary

- The GCC region has an overall strong demand for medical devices supported by the key drivers, primarily led by increasing demand for healthcare due to chronic disease burden associated with the ageing populations and unhealthy lifestyles.

- However, exports of medical devices from ASEAN to the GCC region shrank at a CAGR of -7.9% to a export value of US$ 20.5 million, primarily due to the economic slowdown in the UAE, which makes up the second largest market share among GCC countries.

- Despite this, growth opportunities are still present in the region, with three examples being Qatar, Oman and Saudi Arabia among others.

- Based on our research, ASEAN exports to Saudi Arabia, among the GCC countries, has been growing at a rapid rate, with a CAGR of 20.2% to reach a value of USD 9.3 million in 2014, and also has a high growth forecast in healthcare expenditure in the region, which is expected to reach USD 41.0 billion, with a CAGR of 3.3%.

- On the other hand, ASEAN exports to the UAE have declined fastest among the GCC countries, with a CAGR of -22.6%. This is due to the saturation of the market with large multinational players from the US, Germany and Netherlands establishing regional subsidiaries in Dubai, which is positioned as a hub for re-export to other GCC countries.

- Given the ample possibilities being overserved across GCC medical device markets, we would recommend that Singapore companies consider exploring opportunities in this region, with a particular focus on Oman, Qatar and Saudi Arabia.
Macroeconomic Outlook of the Industry

Business Overview

- **Trend Analysis**: The MENA medical device market is projected to grow at a steady CAGR of 5.4% over the period 2015-2020 and reach a market value of US$ 9.8 billion by 2020, but this growth is expected to be contained by macroeconomic imbalances due to the lower oil prices, particularly in the GCC region. Despite this slowdown, Saudi Arabia will continue to lead the GCC market and the UAE will remain a predominant base for multinational companies to establish regional headquarters.

- **Key Drivers**: The MENA regional demand for medical devices is primarily driven by greater demand for healthcare stemming from population growth, expansion of the private healthcare system, increasing medical tourism, with Dubai positioned as a hub, and plans to develop an integrated medical city in the Giza, Egypt.

- **Market Leaders**: The medical devices manufacturing space is dominated by multinational companies such as GE, Philips, Siemens, Fujifilm, Hitachi and Medtronic. These companies have a significant presence in the UAE primarily as a distribution base for other countries in the Middle East and also due to the presence of the Dubai Science Park.
Power of Buyers: The limited number of buyers of medical devices, means that buyers have a certain degree of bargaining power. Economic difficulties have seen disposable incomes shrink, resulting in decreasing surgical procedures, particularly in countries where austerity measures have been implemented and the public sector accounts for a large amount of healthcare expenditure.

Power of Suppliers: Often, players will source inputs from a variety of suppliers to reduce their dependence on a single provider. While there is little differentiation in supply materials, given the importance of hygiene and safety in this market, suppliers with a proven record may hold an advantage over those that do not.

Degree of Rivalry: The health care equipment & supplies market is characterized by the presence of large scale international incumbents, increasing the level of rivalry. Large players such as GE, Siemens and Toshiba are able to differentiate themselves through extensive research and development, reducing rivalry to an extent.

Substitute Threat: Substitutes as such do not exist in this market due to the specific function of various types of equipment such as MRIs or ultrasound scanners.

Likelihood of New Entry: There are relatively high barriers to entry due to the high capital expenditure and investment in R&D needed. There is also a large degree of regulation involved and approval for products usually involve time consuming and expensive clinical trials.
Growing demand for medical devices: The recent period of low oil prices has created fiscal pressure on the oil-based economies in the GCC region. Despite this, the healthcare sector will remain a priority for most MENA governments, largely due to its importance in economic diversification. The region's growing burden of non-communicable diseases is expected to be a major driver of increasing healthcare expenditure and medical devices.

Emerging opportunities in ASEAN export market: Singapore is currently the largest exporter of medical devices to the GCC countries among the ASEAN countries. However, there is still opportunity for growth as the GCC countries' import volume from Singapore is relatively small compared to larger players such as the US, Germany and Netherlands.
Opportunities Spotlight and Analysis

Oman
- Growth in exports of medical devices from ASEAN to Oman is the second highest among the GCC countries, with a 3 year CAGR of **24.8%**.
- Omani healthcare expenditure is forecasted to grow at a CAGR of 4.2% over the period 2015 – 2020 to reach a value of USD 3.64bn.
- The Ministry of Health also continued with healthcare expansion, signing agreements for the construction of four new health centres in 2016 as well as the continued development of the USD 1bn International Medical City.

Qatar
- Among the GCC countries, ASEAN exports to Qatar has one of the fastest growth rates, with a 3 year CAGR of **22.2%**.
- Qatar’s healthcare expenditure is expected to grow at a CAGR of 6.1% over 5 years to reach a value of USD 6.47bn by 2020.
- With massive investment in infrastructure projects for FIFA 2022, health infrastructure projects in Qatar are increasingly delayed. However, in the long run, the Qatari government is expected to commit to new health infrastructure projects, supporting the demand for medical devices.

Saudi Arabia
- Saudi Arabia is one of the fastest growing destination for exports of medical devices from ASEAN, with a 3 year CAGR of **20.2%**, and also has the largest market for medical devices among the GCC countries.
- It’s healthcare expenditure is expected to grow at a CAGR of 3.3% over 5 years to reach a value of USD41bn by 2020.
- Healthcare demand is rapidly rising in Saudi Arabia due to the country's high birth rate, growing burden of non-communicable diseases and greater participation of the private sector, creating demand for medical devices.

While Oman, Qatar and Saudi Arabia show promising signs of growth, we see potential for headwinds in the UAE medical devices market. In addition to the slower economic growth in an environment of weaker oil prices, the UAE serves primarily as a re-export base to other GCC countries and is saturated with large multinational market leaders. As such, ASEAN exports of medical devices to the UAE have shrunk, with a 3 year CAGR of **-22.6%**. However, given the overall growth of other countries in the GCC region, this suggests ASEAN has been missing out on opportunities and should consider exploring the potential for growth in this region.
About Reciprocus

We specialize in assisting small and medium-sized businesses with expansion into overseas markets:

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• Mergers, Acquisitions, Joint Ventures;
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