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Massachusetts Office of International Trade & Investment

BRAZIL MEDICAL DEVICE INDUSTRY

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Market Brief: Brazil Medical Device Industry

Overview

Brazil purchases most medical equipment in SA

Brazil is the largest medical equipment market in South America. The total market for medical equipment in Brazil should continue to expand through 2010. Brazil is both a major medical equipment producer and importer. This industry comprised of a number of related products and services:

- Medical equipment and devices
- Dental equipment and products
- Radiological and diagnostic imaging equipment
- Laboratory equipment

Brazilian medical equipment revenues in:

| Medical Equipment (US\$ billions) | | | |
|------------------------------------------|-------------|-------------|-------------|
| | 2007 | 2008 | 2009 |
| Market Size | 3,41 | 4,25 | 4,94 |
| Local Production | 1,98 | 2,14 | 2,33 |
| Exports (FOB) | 0,57 | 0,57 | 0,59 |
| Imports (Global – FOB) | 2,03 | 2,18 | 2,21 |
| Imports from U.S. | 0,79 | 0,85 | 0,81 |

Source: Abimed, MDIC and US International Trade Commission

Brazilian medical equipment revenues in 2009 reached an estimated US\$ 4.9 billion, which represents an increase of 16% from the previous year. Abimed estimates the market will reach approximately US\$5.5 billion in 2010. The United States accounts for approximately 40% of the import market, with US sales mainly going through local agents, distributors and importers who sell to hospitals and clinics.

There are few high-quality Brazilian manufacturers of advanced medical products so Brazil's reliance on imports should continue for some time. Local buyers view US and other foreign products (mainly Canadian and European) as having comparable quality and reliability. Thus, financing terms often become the differentiating criteria in making a sale.

Over the last eight years, Brazilian Medical Industry revenues have grown almost 50%. In 2008, the Brazilian medical market was valued at US\$3.74 billion, equivalent to around US\$19.6 /capita. The country has a well-established medical industry, comprising local and multinational companies, which supplies around 75% of the market. The biggest company in medical equipment in Brazil is Philips, responsible for 36% of entire market revenues in 2009. Brazil is unusual in that imports hold such a small share of the market; they performed well until 1998, but have stagnated since.

The domestic industry is geared towards the domestic market and approximately 90% of production goes towards fulfilling local demand. Exports are a small fraction of total production and the country consistently runs a negative balance of trade in medical equipment and supplies. According to the local manufacturers association, ABIMO, approximately 68% of its members' sales are to the private sector, 21% are to the public sector, and the remaining 9% is exported.

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Future growth is likely to be influenced by an increasing consumer demand for the latest technology. With the expansion of private health insurance companies, patients are demanding better medical care. The public sector is also modernizing and upgrading obsolete equipment. While the Brazilian medical market is the eighth largest in the world, per capita spending on medical devices remains low and there is room for improvement.

Distribution largely controlled by regional firms

There are some 5,000 equipment and supply distributors in Brazil, but only 3.3% of these firms can be considered large companies. Excluding direct sales networks of multinational manufacturers such as GE and Philips, virtually all distributors are regional rather than national.

In addition to the attractive size of the Brazilian medical market, US exporters should consider the opportunities offered by Mercosul, and use Brazil as a "spring board" for export into Argentina, Uruguay and Paraguay. Since compulsory product registration before sale is required for all of Mercosul countries, US exporters should consult a local lawyer/consultant before signing a contract with any agent/distributor.

An interesting trend in Brazil is the growing market for home health care products, which has increased dramatically in recent years. Brazil has approximately 1,500 home health care companies compared to approximately 12,000 in the US. In Brazil, these companies are increasingly viewed as good ways to cut hospitalization costs while offering better services for patients. Brazilian health insurance companies are responsible for paying 99% of the costs related to home care treatment, and as such, many specialists see the market for home health care products growing dramatically during the coming years. Brazil's Regional Nursing Council is currently developing procedures on how to regulate this market, including standards for health professionals.

The baseline for optimistic future outlook of Brazil's healthcare industry is the increased participation and high investments made by private players into medical infrastructure and supply of pharmaceuticals to the population. In addition, there will be strong demand for primary health care level drugs, such as generics, antibiotics and OTC, in coming years as a number of drugs are due to lose their patents. As a result, the healthcare industry is expected to grow at a CAGR (Compound Annual Growth Rate) of around 14.5% during 2010-2013. Moreover, clinical trials conducted by private players make Brazil an ideal destination for research. This will draw the attention of world's leading healthcare providers and make the Brazilian healthcare sector a lucrative market for further investments.

Private entities such as universities and even religious organizations represent new opportunities for both US equipment and training/management service suppliers. Interested US suppliers should look for opportunities beyond the larger communities of São Paulo, Rio de Janeiro and Minas Gerais. Excellent opportunities exist in the northeastern states of Bahia, Ceará, Pernambuco, Paraíba and Rio Grande do Norte and the southern states of Paraná, Santa Catarina and Rio Grande do Sul.

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Brazil's recently strengthened currency has meant that private and public hospitals have greater purchasing power, and with continued expansion of Brazil's private health care sector, the market should grow. New opportunities for US exporters abound, particularly for:

- More advanced medical equipment
- Disposables
- Diagnostic devices
- Implants and components

Home Health Care

The home care sector in Brazil is expected to grow significantly during the next decade. Brazil's 198 million citizens are aging and the country has a low number of hospital beds per person. Accordingly, the population and the health care sector are increasingly looking to alternative health care options, including home care. The home health care sector is generally focused on attending to the 53 million Brazilians (30% of the population) who suffer from chronic illnesses such as diabetes, hypertension, rheumatism and respiratory problems.

It is currently estimated that the sector is billing an estimated US\$120 million year. According to industry watchers, this figure is likely to increase by 16% in 2010. The demographic group of people above age 40, with above-average family incomes, is increasingly demanding home care. A significant portion of home care focuses on treating Alzheimer's and heart surgery patients. In these cases, home care treatment generally lasts for a year or more.

Products and Regulation

The home care sector represents an excellent opportunity for US exporters in a variety of areas. The products in greatest demand by the home care sector include oxygen sets for home care treatment, ventilators, gas therapy equipment, and oxygen uptake measuring devices. Additionally, new diagnostic equipment for cardiovascular patients is in high demand. For example, for companies such as White Martins, home care in Brazil already represents 2 percent of their total Brazilian revenues.

Demand for home health care services in Brazil is likely to increase dramatically over the next decade for the same reasons that it has grown in the USA. Major studies have shown that home care service generates savings of approximately 50 percent per patient. Accordingly, insurers are increasingly looking to providing home care in order to reduce their overall operational costs.

The registration of medical equipment and devices is imposed and controlled by the National Health Administration Agency – Agência Nacional de Vigilância Sanitária, usually referred as ANVISA, created in 1999. The agency has enforcement powers similar to FDA, including cancellation of operation permits for drugs, food, medical and cosmetic products and licensing of manufacturers and distributors. No product without clinically or therapeutically proven beneficial substance in its composition can be registered with the ANVISA. For registration purposes, both local manufactured and imported products must inform detailed information about the products, such as their internal structure and components.

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Market Expectation

Home care in Brazil will continue to grow as the Brazilian population ages, motivated by the need of both public health institutions and private health insurers to reduce costs. Furthermore, the new ANVISA regulations will likely result in major growth in the sector, now that operational regulations are clear to all providers and manufacturers alike. The new regulations for home care represent the first step in standardizing the procedures for home health treatment. Industry watchers are now expecting the market to grow with more professionalism.

Growth of the home health care sector is driving demand for medical equipment, medication and medical devices that are capable in offering in-home services 24 hours per day. The sector will require high-level technology for at-home ICUs, laboratory exam devices, business management software, and sophisticated databases for companies to control patient treatment.

Statistics indicate that the market will increase about 15-25% per year for the next 10 years, as the concept of home care spreads throughout the population and as health insurance companies increasingly offer the service. More and more, medical device distributors and representatives are looking for equipment and new devices to sell or rent to home care service providers. We see this as perhaps the greatest opportunity for US Exporters in this sector.

Trade Shows & Fairs

Hospitalar Trade Show 2011

São Paulo, SP – Brazil

Expo Center Norte

May, 24 -27, 2011

www.hospitalar.com

Hospitalar is an annual International Trade Show for products, equipment, services & technology for hospitals, health clinics & laboratories. It is the largest and most important medical trade show in Latin America and provides a unique opportunity to become acquainted with new products, medical devices, healthcare technologies and services for hospitals, health clinics and laboratories. The trade show features products from leading state-of-the-art medical technology to practical equipment, with a wide variety of solutions in quality and price. Hospitalar showcases hundreds of Brazilian and international exhibitors, aiming to launch products/services and meet potential new clients and partners. On it's last edition, it featured over 1,250 exhibitors from over 35 countries and attracted 89,000 visitors from more than 54 nations.

Four thematically related trade fairs are held concurrently within Hospitalar:

- Diagnóstica 2011 (Clinical Analysis and Pathology),
- Hospfarma 2011 (Pharmacy and Drugstores),
- Reabilitação 2011 (Assistive Devices)

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- OdontoBrasil 2011 (Dentistry).

FCE Pharma Trade Show 2011

São Paulo, SP – Brazil
Transamerica Expo Center
May, 24 – 26, 2011
www.fcepharma.com.br

The FCE Pharma and Cosmetique is the only exclusive event of technology for the pharmaceutical industry in Latin America. It has broken through as the most important meeting point among the industry. With the industry pole focus on São Paulo and Rio de Janeiro / Brazil, FCE Pharma is the opportunity to expand sales, to change the market and to do new business in Latin America. Moreover, with the appreciation of the Brazilian currency against USA Dollars and EURO, all foreign products became much more competitive. Stimulated by this great opportunity, international companies are considering Brazil as a very important market worldwide. FCE Pharma is considered by the whole industry to be the biggest development platform for new products. On display: raw materials, packing, equipment, outsourcing and services.

What We Can Do for Massachusetts Companies

Massachusetts companies interested in entering the Brazilian market or attending/visiting local trade shows, please contact the Massachusetts Brazil Office in São Paulo at massbrazil@massbrazil.com.br.
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Resources

- Brazil Country Commercial Guide - USCS: Trade Reports www.focusbrazil.org.br
- Brazilian Ministry of Health: www.saude.gov.br
- ABIMO - Brazilian Association of Dental, Medical and Hospital Equipment: www.abimo.org.br
- SINAEMO - Syndicate of Medical, Dental, Hospital and Laboratory Industries: www.abimo.org.br
- ABIMED – Brazilian Association of Equipment, Products and medical Supplies Importers: www.abimed.org.br
- Anvisa: National Agency of Sanitary Surveillance - www.anvisa.org.br