



Market Insights: South Africa Medical Devices Market

Medical Devices Overview

- South Africa is one of the largest markets in the Middle East & Africa (MEA) region, similar in size to Iran.
- Market size is supported by a large population and Africa's most industrialised economy.
- Spending on medical devices as a proportion of wealth is around average for the MEA region.
- 'Other medical devices' accounts for nearly 40% of the total market.
- As an emerging market it offers considerable potential for growth.
- National Health Insurance programme is in the early stages of implementation.
- Limited medical device production, therefore market largely dependent on imports.

Market Overview

The South Africa medical device market will register a 9.1% CAGR between 2017-2018 according to a recent Fitch Solutions report. This significant growth will raise the market to USD 1.27 bn by 2018 with a product category breakdown that looks like this:

South Africa Medical Device Market by Product Category in 2018

Devices	USD Millions
Consumables	241.00
Diagnostic Imaging	199.30
Orthopaedics & Prosthetics	153.70
Patient Aids	156.00
Dental Products	41.30
Other Medical Devices	487.10
TOTAL	1,278.40

Sub-Saharan Africa will benefit medical device exports

Medical device exports will benefit from accelerating economic growth in Sub-Saharan Africa, supported by higher commodity prices and growing investor sentiment, although the region remains highly vulnerable to political uncertainty.

South Africa is the primary business hub for the medical device industry in Sub-Saharan Africa. A substantial portion of medical device and lab equipment exports are sent to other parts of Africa, with 12 African nations featuring in its top 20 export destinations last year.

Top Sub-Saharan Destinations for Medical Devices from South Africa, 2017

Country	USD Millions
Namibia	31.46
Botswana	18.85
Uganda	9.80
Swaziland	9.69
Zimbabwe	9.55
Zambia	5.90
Kenya	5.85
Mozambique	4.82
Lesotho	3.91
Malawi	3.47
Tanzania	3.29
Mauritius	2.64
Democratic Republic of Congo	2.23



Medical Devices Procurement

Despite recent cutbacks, the government sector is still the major purchaser of healthcare equipment and supplies. While a form of national tendering exists, each province has its own tendering system. Public tertiary hospitals have had severe budget constraints imposed in recent years which has led to stagnation in the purchasing power of these facilities. The best prospects for advanced technology and equipment remain in the private sector.

The government's encouragement of public private partnerships in the development of hospitals is a new area of growth. Companies supplying primary healthcare products and services may find opportunities within the clinic building/refurbishment programmes, although needs in this area are directed more towards basic infrastructure than clinical supplies.

Government tenders are now geared to supporting the government's broader objectives. Selling to the public sector in South Africa is no longer a simple matter of supplying goods to a market; companies must demonstrate a commitment to the improvement of the health of the population, to maintain a successful and continued presence in the market.

Preferential Procurement Regulations

The National Treasury published new revised Preferential Procurement Regulations in January 2017, which came into effect on April 1, 2017, replacing the previous regulations from 2011. The revised preferential procurement regulations will help optimise procurement strategies in South Africa, although corruption remains a critical issue hindering effective procurement.

Multinational medical device companies will aim to develop strategies that are in line with the country's socio-economic policies to counter the increasing preference for local suppliers. The revised preferential procurement regulations will make it harder for foreign companies to win government tenders, making local companies more competitive. Tenders are now geared further to supporting the government's broader objectives, favouring small, medium and micro enterprises (SMMEs), which complement the government's aims of employment creation and income generation.

Competitive Landscape

The South Africa medical device market will register a 9.4% CAGR between 2017-2018 according to a recent Fitch Solutions report. This significant growth will raise the market to ZAR 24.4bn by 2022 with a product category breakdown that looks like this:

Medical Devices Production

Local firms tend to be small or medium sized businesses with less than 50 employees and often combine distribution activity with manufacturing. Multinational companies present in South Africa often operate in a joint venture capacity with local firms. Most South African manufacturers specialise

on producing basic medical equipment & supplies.

Output by the domestic medical manufacturing industry is estimated to be in the region of USD 200mn-USD 300mn, of which more than half is exported. Production is focused on bandages & dressings, medical furniture and low technology items.

- Akacia Medical
- Beier Drawtex Healthcare
- CapeRay Medical
- CRPM
- Elite Surgical
- Evergreen Latex
- Glycar
- Lifeassay Diagnostics
- Litha Medical
- Lodox
- Medika
- Medi-Safe Surgical
- Sinapi Biomedical
- Southern Group
- TiTaMED

Multinational Medical Devices Manufacturers

Each of the leading multinational companies has at least one representative office for sales, distribution and service, but there is little manufacturing activity, with only Fresenius doing so in Port Elizabeth. Major multinationals with no manufacturing presence are listed below with their respective representation in the market.

- Becton Dickinson
- Boston Scientific
- Elekta
- GE Healthcare
- Johnson & Johnson
- Medtronic
- Philips
- Siemens Healthineers
- Smith & Nephew
- Stryker
- Varian Medical Systems

Medical Devices Market Access

The South African healthcare market is complex and fragmented; foreign companies require extensive representation to gain a foothold in the medical device market. The old administration was decentralised and extremely run down, at least outside the major urban areas. Gaining access is still no simple matter, reflecting the complicated and transitory nature of South Africa's health system in general. There are many points of access and it is not always clear as to where the real purchasing power lies.

Distribution

A lasting presence in the South African market will require the appointment of a distributor. There are many of these in South Africa, most of which are members of the South African Medical Device Industry Association (SAMEDI). A limited number of distributors also manufacture, and virtually all

companies dealing with electromedical equipment provide after-sales service, however few distributors can offer adequate nationwide coverage. South Africa also serves as an important trade route, with many imported products destined for other countries in Southern Africa.

Private Healthcare Providers

There are around 215 private hospitals in South Africa. According to Mediclinic, the total number of private sector beds has increased steadily from 32,130 in 2010 to 35,217 in 2014, constituting approximately 30% of the total number of beds in the country. The three main private hospital operators, all listed on the JSE South African Securities Exchange are listed below:

- **Life Healthcare:** 55 hospitals across seven provinces in South Africa with 7,644 beds (September 2014) together with a 132-bed hospital in Botswana and a shareholding in a further seven hospitals. Other divisions specialise in mental health, renal care and occupational health.
- **MediClinic:** part of the South Africa-based international private healthcare group Mediclinic International; 49 private hospitals across South Africa and three hospitals in Namibia with 7,885 beds (March 2015). The group also operates private hospitals in Switzerland and the UAE.
- **Netcare:** 54 hospitals and 9,424 beds (September 2014) located in five provinces together with 87 primary healthcare facilities through its Medicross and Prime Cure units and 58 dialysis centres through a joint venture with Adcock Ingrams Critical Care. Netcare also operates the largest private hospital network in the UK through its BMI Healthcare division.

Collectively, these groups own and operate more than two-thirds of all private sector beds. Most of the remaining private sector facilities belong to the National Hospital Network, which represents smaller independent facilities. Private hospitals are concentrated in the major metropolitan areas in the Provinces of Gauteng, KwaZulu-Natal and the

Western Cape.

South Africa remains a leader in medical technology

South Africa continues to maintain its competitive position in the African medical device market. Here are some recent developments:

- Wilgers Oncology Centre at the Life Wilgers Hospital in Lynnwood Ridge, Pretoria, is now able to treat up to 100 patients per day following the installation of a second Elekta Synergy Radiotherapy Linear Accelerator as of November 2018.
- It was reported in November 2018 that Life Healthcare has introduced the *da Vinci X* system at Life Kingsbury Hospital. The *da Vinci X* is one of the latest models of the *da Vinci* surgical robotic system and Life Healthcare has acquired the first of this model in Africa.
- In October 2018, it was announced that the Vaal Triangle Oncology Centre at Mediclinic Vereeniging is the latest Equra Health facility to be equipped with the Elekta Synergy Platform Linear Accelerator. The new installation will enable highly targeted radiation therapies to patients from across the Vaal Triangle.
- In April 2018, private hospital operator Netcare announced that a highly advanced robotic visualisation system used to guide complex neurosurgeries is now operational at Netcare Garden City Hospital in Johannesburg. The Zeiss *Kinevo* 900 microscope system was said to be a first in Africa.

You can view several more innovative medical devices at the recent Africa Health exhibition, held in Johannesburg from May 28-30 2019.

