

Market Overview

Thailand's Medical Equipment and Accessories



The rapid rise of Thailand into a medical hub in Asia has been accompanied by significant investments in cutting edge medical equipment and supplies by public and private hospitals, and other caregivers. It has been estimated that since the year 2005 the market in Thailand for medical equipment and supplies has grown annually, about 14% last year alone, to reach approximately one half billion US Dollars. Within the Asia and Pacific region as a whole, the medical and supplies market could reach as high as US\$43 billion within the next three years, boding well for Thai industry. Despite the burgeoning growth in both the regional and domestic markets, Thailand continues to be dependant on importing products, with approximately 87 percent of the medical device equipment and accessories coming from other countries.

The market for medical devices and accessories in Thailand is driven, in part, by the fact that its private hospitals are increasingly looking to attract foreign patients, which despite the country's competitive low cost services, nevertheless remains an attractive revenue stream. At the same time, private and public hospitals must continue to attend to a national population that is covered under the government's low cost universal health care system, which was introduced in the year 2000. In fact, public hospitals continue to be the main user of clinical laboratory and medical equipment accessories. With the overall numbers of foreign patients rising, and given the demographics of the Thai population, the market for modern medical equipment offers tremendous opportunities for investment.

Reflecting that growth, last year the country had to import US\$531 million worth of medical supplies, which was an 18% increase from the previous year. Imports of X-ray and scanner equipment alone in 2006 were slightly more than US\$80 million,

mostly from Germany, Japan and the United States. A similar increase in the country's spa and health facility industry has been accompanied by a jump in imports of therapy equipment, which was valued at US\$27 million in the year 2006. Dr Chatri Banchuin, director-general of the Department of Medical Services, was recently quoted in the Bangkok Post as saying "The medical equipment and supplies market in Thailand is expected to maintain steady growth of 20% this year and this growth is mainly from the expansion of health-care facilities, replacement of medical equipment and upgrades"

Anecdotal evidence of the strength of the medical device and equipment market in Thailand can be found in the success of the recently held HospiMedica Thailand 2007 trade show at Queen Sirikit Convention Center. This event clearly attests to Medical Equipment and Accessories the burgeoning interest in state of the art hospital, diagnostics, medical and related equipment. Held in early September, the show had about 250 companies from 25 countries, in what has been aptly described as "A virtual Who's Who of the hospital, diagnostic, pharmaceutical, medical and rehabilitation equipment and supplies segments..."

Not all of the goods are flowing into Thailand and some real progress is being made in attracting investments in the country and in strengthening nascent domestic medical device companies such as Innova and i+MED, which are diagnostic test kit manufacturers. In fact, Thailand is taking a lead in the manufacture of diagnostic kits, orthopedic products, syringes and other disposable devices. Capitalizing on the country's position as the leading country in world for producing natural rubber, Thailand has also built a position in the manufacture of rubber gloves, exporting nearly US\$78 million last year. And, according to the Rubber Research Institute of Thailand, the domestic demand for rubber gloves in 2006 was for 52,312 tons.

The country has an extensive and strengthening foundation to continue to build its domestic manufacturing base. Thailand Science Park, a large facility that was completed in 2002, with a second currently under construction, works to promote ongoing research and development in the private sector. This includes providing incubation space for new businesses, as well as access to grants and other forms of financial assistance. There are currently over fifty private companies at the Science Park.

While Thailand exhibits a significant need for foreign manufactured medical devices and supplies in order to cope with a rapidly growing demand, the sector is, nevertheless, strictly controlled by the nation's Food and Drug Administration. Thailand is vigorously working to build a world class health care system, and the quality and safety of medical products assumes increased economic as well as medical importance. Therefore, companies wishing to import medical device equipment into Thailand must meet with the stringent requirements controlled by the Medical Devices Control Division of the Food and Drug Administration, Ministry of Public Health.

This division categorizes medical devices into three main levels: general control, pre-marketing notification, and pre-marketing approval. Producers, importers or distributors of general control, or category I, devices do not need to have a license, although all medical devices sold in Thailand require labeling with Thai text. This category includes such items as surgical gloves and syringes. Class II items, such as HIV test kits and rehabilitation devices, are required to submit information on the product to the FDA and must have a certificate of free sale in country of manufacture. Importers of category III devices must register with the FDA and have a license for production, import or sale of the item. It should be noted that Thailand's FDA recognizes several foreign standards, including the USFDA (US Food and Drug Administration), CE Mark (Europe) and the PAB (Pharmaceutical Affairs Bureau of Japan). The FDA monitoring does not stop with import criteria, but extends into post marketing control to ensure that such devices comply with medical device standards.

Thailand's Board of Investment includes this sector of the economy among its many activities for promotion. The manufacture of medical supplies or medical equipment, activity 3.9, is classified as a priority activity of special importance and benefit to the country. This entitles investments in this activity to an eight year exemption on import duties for machinery and an eight year exemption on corporate income taxes. Furthermore, promoted projects may not be subject to a cap on the amount of corporate income tax exemption. Similar benefits are extended to the manufacture of scientific equipment. The manufacture of medicine and/or active ingredients in medicine, qualify for the exemption on the import duty, and from corporate income taxes, as follows: 5 years if the project is located in Zone 1; 6 years for Zone 2; 7 years if the project is in an industrial estate or promoted industrial area in Zone 2; and 8 years for projects located in Zone 3.

With Asia's continuing rapid economic growth and accompanying increases in consumer spending and lifestyles, access to the most advanced medical treatment and facilities will no doubt also come under increasing demand. Thailand has taken a leadership position that it will maintain through constant investment in modern medical equipment and devices. Investments in this sector will reap a healthy return.

Source: Thailand Investment Review, September 2007