

## Brazil's Medical Industry Grows 21% and Generates US\$ 3.74 Billion

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São Paulo's metropolitan region continues to be the Brazil's leading industrial hub. The companies based in the area embody the most innovative aspects of the Brazilian economy, such as enterprises in the medical-hospital equipment industry, for example, which has practically multiplied its revenues by four, from ten years until now.

At least, this is the assessment of economist Aurílio Sérgio Costa Caiado, advisor to the executive board of directors at the Foundation for Administrative Development (Fundap). "The medical-hospital equipment sector is growing strongly worldwide, and the Brazilian industry is accompanying the trend," says the economist, who specializes in subjects such as regional economy, regional development and urban economy.

Last year, the Brazilian medical-hospital inputs and equipment industry generated revenues of US\$ 3.74 billion, 21% more than in 2006, says Hely Maestrello, executive director at the Brazilian Association of the Manufacturers of Medical and Dental Products (Abimo). Besides, the industry generated 31,100 direct jobs.

The growth, Maestrello explains, was driven by the export performance, which grew 14% during the period, and government investment in the healthcare sector. The highlight was the segment of consumption (needles, syringes, gauze, among others), which answers to 37% of revenues, followed by medical-hospital equipment (17%) and dental material and equipment (13%).

"We currently generate more employment than the toy industry, and our exports are greater than those of the pharmaceutical industry," says the director at Abimo. Presently, he claims, the national industry has capacity to cater to up to 90% of domestic consumption.

The remaining 10% are supplied by means of imports, which total approximately US\$ 2.1 billion per year. "The products we do not manufacture here yet are reagents for diagnosis, tomography and ultrasound equipment, and those used in Nuclear Medicine," explains Maestrello.

According to a survey conducted by the Institute of Industrial Marketing Studies (IEMI), of the 449 companies operating in the country, 45.4% are located in the capital of the southeastern Brazilian state of São Paulo, and 21.8% in the interior of the state.

The state of Rio de Janeiro comes right after, with 6.2%, ahead of Minas Gerais, which concentrates 5.1% of the total. The southern Brazilian states combined answer to 16.7%. Another survey, compiled by Aurílio Caiado, shows that eight years ago, the hospital equipment segment in the municipality of São Paulo answered to 22% of the Brazilian industrial production.

According to the director of Abimo, enterprises concentrate in São Paulo due to the nearness to the leading academic reference centers in the area: in the capital, the University of São Paulo (USP), and in the interior of the state, USP Ribeirão Preto and Unicamp, in Campinas.

From the universe of 449 companies, the majority is medium-sized. Companies with annual revenues between 1.5 million and 15 million reais (US\$ 940,000 to US\$ 9.4 million) represent 32.8%, whereas micro companies (annual revenues of up to 120,000 reais or US\$ 75.2 million) answer to 23.1%.

Small companies (121,000 to 1.5 million reais /year, or US\$ 75.8 million) answer to 19.6%; medium and large-sized companies (15 million to 50 million reais, or US\$ 9.4 million to US\$ 31.3 million), for 16.4%; and large-sized companies, with annual revenues above 50 million reais (US\$ 31.3 million), for 8.1%. "Large companies concentrate at least 30% of the sector's total revenues," claims Hely Maestrello.

Last year, the sector exported US\$ 525 million, 14% more than in the previous year. The leading destinations for Brazilian products were the United States (28,3% of the total), Argentina (7.5%) and Mexico (6.3%). By the projections of Abimo, the US\$ 1 billion mark might be exceeded in two years.

Until ten years ago, this was a segment that practically did not export at all. Should the US\$ 1 billion mark actually be surpassed, it should contribute to consolidate the national hospital equipment industry, which imported a total of US\$ 2.1 billion in 2007.

The trade surplus was lower than the medical-hospital and dental production chain was expecting, due to the depreciation of the dollar that the Brazilian government promoted over the course of the year. Brazil imports mainly from the United States (33,1%), Germany (15,6%), Japan (5,6%) and China (4,5%).

However, the board of directors at the organization believes that Brazil has a technological base and an industrial density allow for a continual and constant reduction of the sector's trade deficit. For such, all it would take would be for the government to adopt a strategy for promoting an intersection between social policy (increased access to the Unified Healthcare System - SUS) and industrial policy.

Another indicator of the industry's good health conditions is the Hospitalar 2008, an trade fair for the sector that will see its 15th edition this year, 20% larger than last year's edition. Opened by president Lula last Thursday, Hospitalar 2008 continued until last Sunday at Expo Center Norte, in São Paulo, with the participation of 1,100 exhibiting companies from 13 Brazilian states and a total of 33 countries.

In 2007, according to the event's organizers, the volume of deals closed and/or in the process of being closed by exhibitors surpassed 4 billion reais (US\$ 2.5 billion), including domestic and foreign sales.

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