

HEALTH CARE/MEDICAL DEVICES

In Japan, the aging and disabled represent an important market for health care and medical devices. The Japanese Ministry of Health and Welfare estimates that, by the year 2025, 25.8 per cent of the Japanese population will be over 65 years of age, compared with 13 per cent at the present time. It is estimated that some 2.8 million disabled persons currently reside in Japan. Many of the products and services for aging individuals are used by disabled persons, approximately 80 per cent of whom are over 50 years of age.

As a result, the demand in Japan for medical and health care products and services has grown rapidly over the past five years. Trends vary at the product level, and while in a few cases growth has declined or been stagnant, these are more than balanced by areas where growth is faster than average. This growth should continue on well into the next century, with conservative estimates of an 8-10 per cent annual increase in the demand for health care products.

Changing demographics are the single greatest influence on the current and future state of the health care/medical devices sector in Japan. The Ministry of Health and Welfare projects a tenfold increase in health care expenditures for the elderly (rising from 7 trillion to 71 trillion yen) over the next 30 years. As young people migrate to the cities, the percentage of elderly people in rural areas continues to grow; in some areas it already tops 40 per cent of the population. Medical products and services designed for or used by the elderly will clearly be one of the most important markets in Japan over the coming years. Furthermore, the elderly, generally, have been conservative in their spending patterns and have a high savings rate, which will also positively affect the

growth of this sector.

Japan is a significant consumer of modern medical products and services from around the world and is the second-largest international market for imported medical devices, with imports rising from 289 billion yen in 1990 to over 500 billion yen in 1994. Imports of medical devices into Japan have been increasing at a compound growth rate of 14.8 per cent annually, with a correspondingly larger share of the market. In 1994, imports of medical instruments and equipment rose to 32 per cent of the total market, a rise from 22.8 per cent of the market just four years earlier. Until 1992, Japan's domestic medical devices industry had a favourable balance of trade, but the rise in the yen caused a shift in the trade balance.

With more than 60 per cent of the market, imports from the United States dominate. The European Union follows, with just over 23 per cent. Canada is not yet a major player in the medical devices sector in Japan. Canada's share of the import market hovers at about 1 per cent; however, Canada is one of the top four suppliers in the subsectors of general operating, surgical and orthopaedic supplies and dental instruments. Another area of strength for Canada is artificial joints. In a related area, Canada's exports of in-vitro testing reagents (not officially classified as a medical device) were valued at \$43 million in 1994.

Imports of health care products and services have also increased, but on the whole their position in the market remains weak against the domestic product. Notwithstanding, significant opportunities do exist for companies that find a market niche.