

Together for a healthier world

2023 Healthcare business and investment trends in MENA

Report by Arab Health

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Topline stats in healthcare innovation and digitalisation

- The MENA healthcare market is projected to grow at a compound annual growth rate (CAGR) of **11.7% to \$243.6 billion in 2023**
- Healthcare market CAGR at over 7% between 2020 and 2025
- **Healthcare projects under execution in MENA are valued at \$45 billion**
- Domestic and foreign VCs have raised \$0.9 billion in MENA-specific healthtech-dedicated VC funds since 2020
- **AI's overall contribution to the public sector in the GCC region would be \$59 billion by 2030**, including health and education
- MedTech sector domestic manufacturing will gradually take over in the GCC region, driving the diagnostic and patient monitoring devices market growth to 9%-10%
- The latest research estimates that combined **digital health markets in Saudi Arabia and the UAE is likely to reach \$4 billion by 2026**
- The traditional and complementary market segment in the MENA region is expected to grow at 24% CAGR until 2027



Healthcare Investment Trends In Mena

Demand for healthcare services in the Middle East and North Africa (MENA) region is soaring, unlocking enormous investment opportunities. With the population on the rise and a high prevalence of chronic and non-communicable diseases, the region's healthcare market is set to grow strongly in the coming years.

As a result, the MENA healthcare market is projected to grow at a compound annual growth rate (CAGR) of **11.7% to \$243.6 billion in 2023 from \$185.5 billion** in 2019, according to a recent forecast report by Fitch Solutions.

Meanwhile, Alpen Capital has put the region's healthcare market CAGR at over 7% between 2020 and 2025 as the number of older people aged 50 and above is expected to increase by 6.9%, outpacing the population growth of 2.3% during the same period.

Currently, the healthcare projects under execution in MENA are valued at \$45 billion, followed by pre-planning and planning schemes worth \$23.8 billion.

FDI investment

Global law firm White & Case has highlighted that the MENA region continues opening to foreign investment, subject to licensing approvals and ownership thresholds for specific business sectors or certain geographical zones.



The general trend continues toward an investment-friendly environment in the region, as local governments aim to attract more inbound investments by foreign investors. For example, Egypt recently announced the launch of a "golden license" for specific project categories, allowing qualified investors to obtain all required approvals and licenses through a single streamlined process.

Several countries have created free economic zones that ease some FDI restrictions compared to their base economies. These free zones can cater to different sectors and have been growing steadily in recent years.



Healthtech investment

A 2022 report by data platform dealroom.co revealed that technology is the health vertical that has grown the most in value since 2016 in the MENA region. **Healthtech startups in the region are taking off, with more than \$200 million** in VC funding received since 2016.

More domestic and international VCs are focusing on the region, ready to deploy dry powder. VCs are the main contributors to funding for health tech startups in the MENA region, with the region primarily dominated by domestic investors. Since 2016, 80% of VC funding has come from domestic investors.

However, founders have plenty of opportunities to attract funding from local and foreign investors. Domestic and foreign **VCs have raised \$0.9 billion in MENA-specific healthtech-dedicated VC funds since 2020.**

Telehealth investment

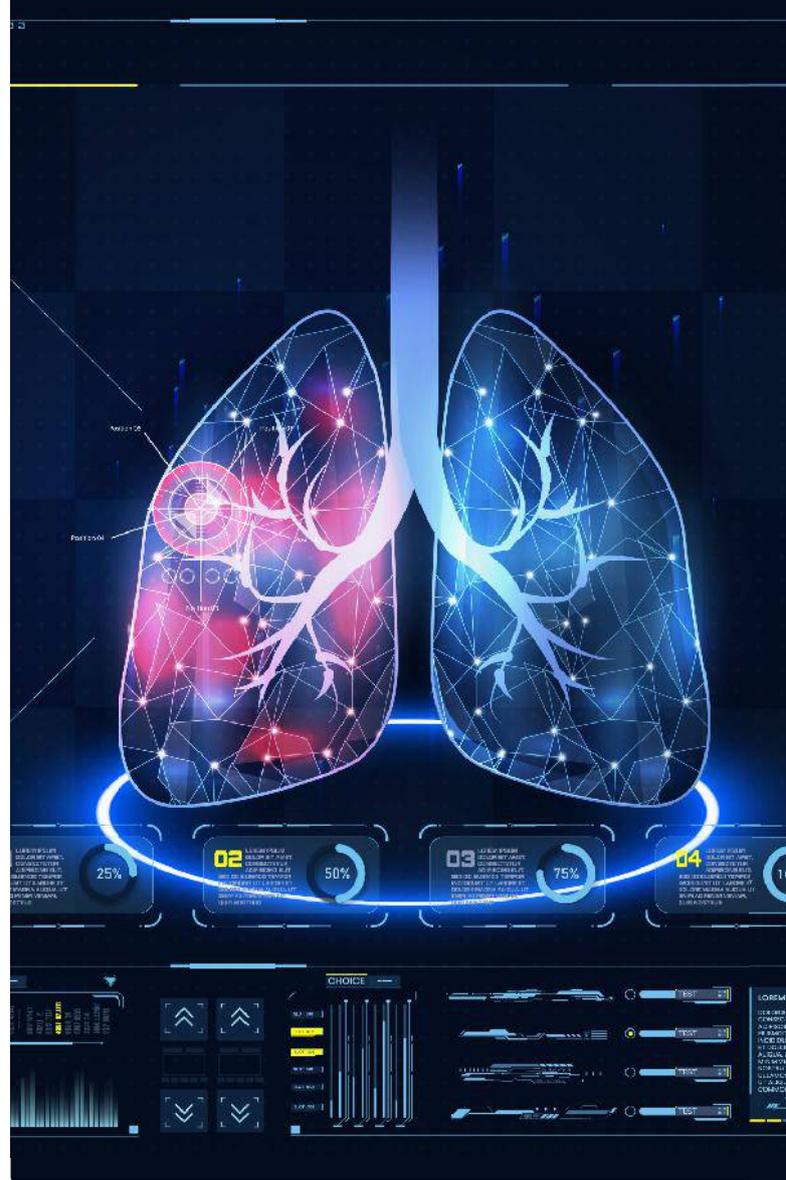
The State of Healthtech in the Mena region report also highlighted an increasing demand for telemedicine in the region and the adoption of remote monitoring solutions. Virtual care goes beyond telemedicine and is a game changer for prevention and proactive care.

Investment beyond healthtech and telehealth

Telemedicine leads in terms of VC investment, value and startup creation in the MENA region, but other patient-focused segments are emerging too. Dealroom.co outlined that VC investment is also active in clinical decision support, practice management and remote monitoring.

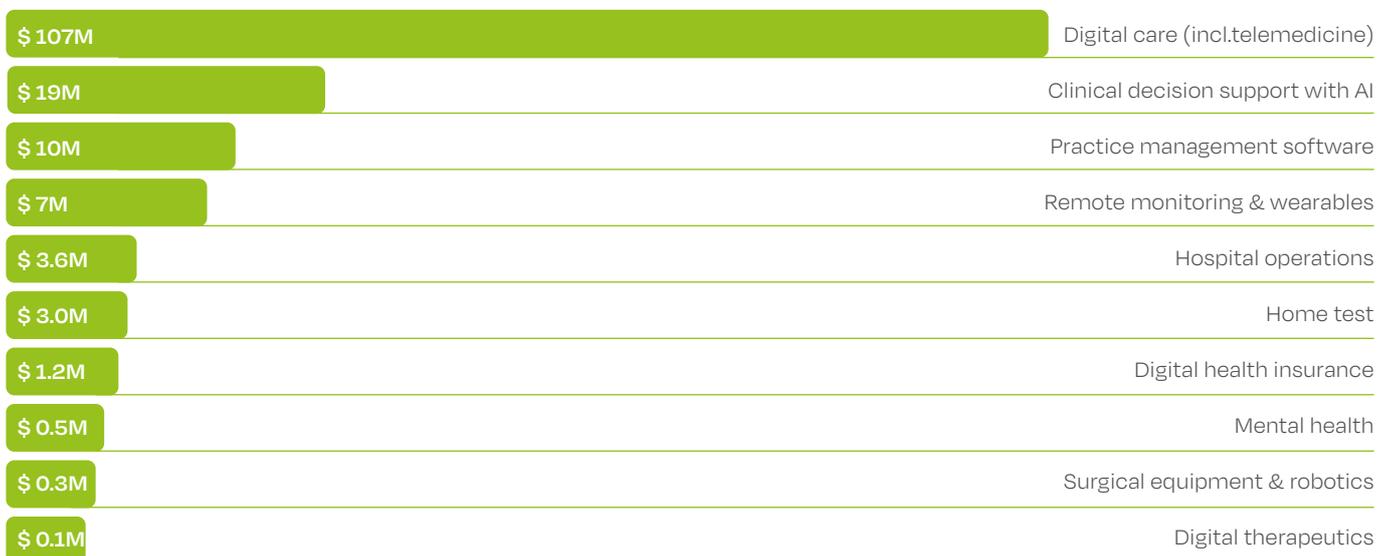
Investment in Artificial Intelligence (AI) in healthcare

A report by Mantra Lab revealed that AI-aided super agents can 'engage to win' customers with 63% more success. Health experts are working on AI-based solutions to improve the patient experience and operational efficiency. According to PwC, AI's overall contribution to the public sector in the GCC region would be \$59 billion by 2030, including health and education.



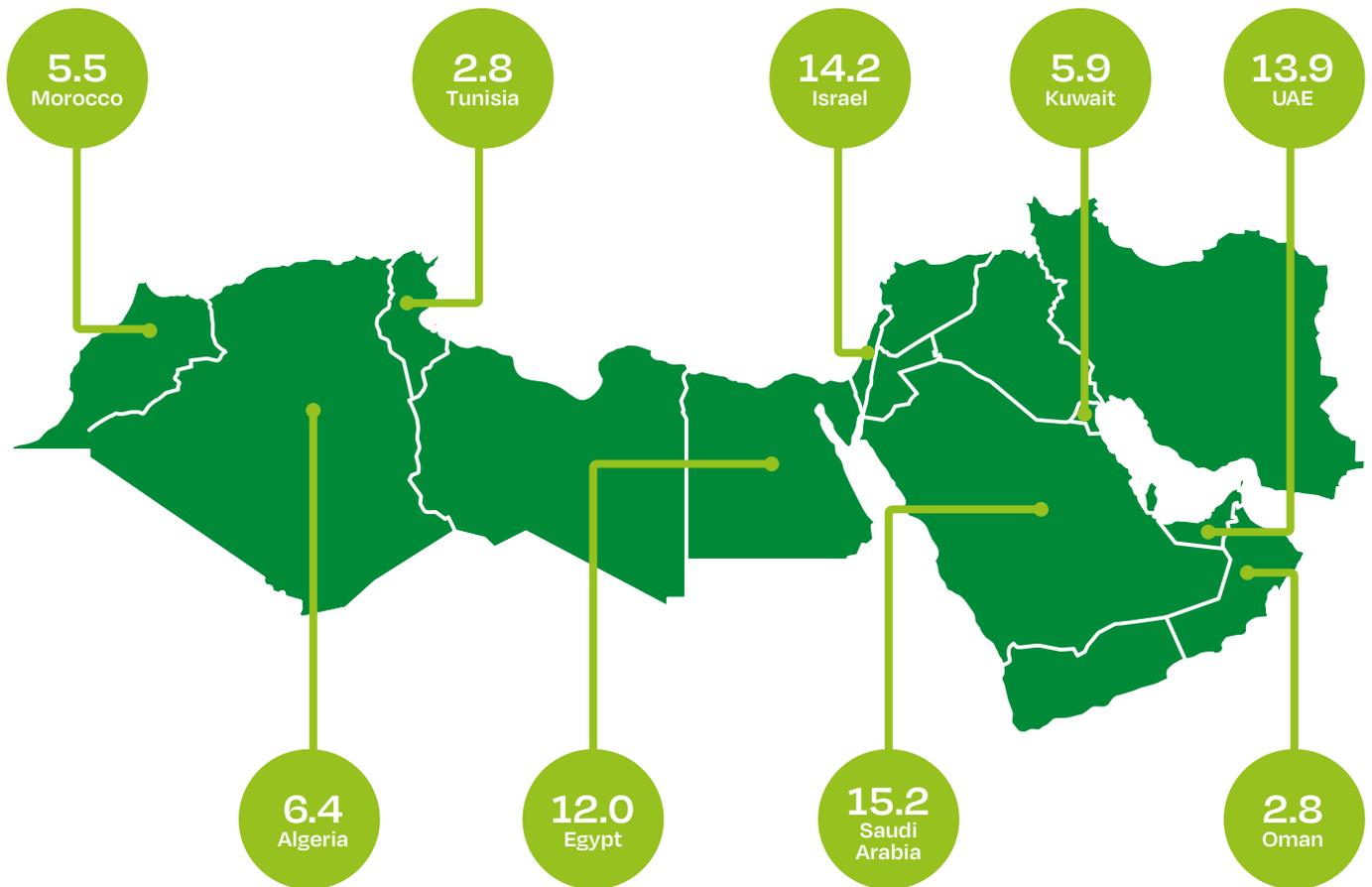
The Middle East's largest AI-based digital health platform, Altibbi, raised \$44 million in Series B funding, making it the most significant single financing round for a regional digital health company.

Total VC funding (2016-2021)



Source: Dealroom.co

Top wellness markets in MENA (2020, USD billion)



Source: The Global Wellness Economy, Country Rankings, Global Wellness Institute, 2022

Investments in the wellness economy

A recent report by the Dubai Healthcare City Authority outlined how governments in the MENA region increasingly align with the World Health Organisation's approach to treating healthcare as a whole rather than as a symptomatic issue.

The 'Emerging Opportunities in Middle East Healthcare' report describes how traditional and complementary medicine plays a

vital role in this approach. In the Gulf Cooperation Council (GCC), the traditional and complementary market for anti-ageing and longevity comprises 67% of the total, including traditional alternative medicines/botanicals, body healing, mind healing, external energy healing, and sensory healing. This market segment is now expected to grow at 24% CAGR until 2027, surpassing the global growth forecast of 22% CAGR over the same period, according to KPMG analysis.

Top 5 healthcare trends to watch out for in 2023

1. Focus on medtech domestic manufacturing: Medtech sector domestic manufacturing will gradually take over in the GCC region, driving the growth of diagnostic and patient monitoring devices to 9%-10%.
2. Digital transformation: GCC countries will witness 30% of hospital investments in digital health infrastructure over the next decade. KSA & UAE will be the frontrunners with a well-aware consumer base.
3. Pharma investments & localisation: Focus on localisation (Vision 2030 in KSA & MoHAP UAE) alongside expedited

drug approval in the GCC region will attract greater investments from Pharma MNCs.

4. Focus on AI value addition in radiology: AI in the radiology value chain will be driven by ~30% of overall hospital investments in GCC, further bolstering AI usage in precision imaging for diagnostics and therapeutics.
5. De-centralisation of IVD: As IVD moves towards decentralised testing, there will be an increasing demand for respiratory pathogen panel testing in the GCC region.

Source: Frost & Sullivan

Key Healthcare Business Drivers In MENA

As the region's biggest healthcare exhibition, with more than 3,000 exhibitors, 44 pavilions, and 60,000 attendees, Arab Health 2023 welcomed healthcare professionals and industry players from across the industry to the Dubai World Trade Centre to network, do business, showcase innovations, and discuss the future of healthcare delivery across the region.

In a survey conducted among distributors, manufacturers and end users attending the show, participants revealed several valuable insights into company profiles, current performance, regional and global outlooks, and trends for the future.

Key business challenges across the industry

When respondents were asked to identify key business challenges today, 37.99% of distributors cited increasing competition in the market as the main challenge, followed by shrinking margins (25.05%) and the economic slowdown (24.68%). Manufacturers identified sourcing the right distributors (39.08%) as the top challenge, followed by increasing competition (34.99%) in the market and increasing production costs (28.06%). For end users, increasing costs were identified as the main challenge. This was followed by having the latest tech and equipment and increasing costs.

Distributors

Respondents in the distributor segment indicated that the main priority for their business in 2023 was expanding their product portfolios. However, a common theme was also the ability to grow the sales of their current offering and work with new principals and manufacturers. When asked how they expect the market to perform in 2023 in their country, 46.99% anticipated strong growth, 34.79% expected moderate growth, and 10.93% expected growth to be in line with 2022.

Manufacturers

The manufacturers surveyed at Arab Health 2023 were asked what they most looked for when identifying new distributors. 51.5% highlighted existing connections with key players in the market. This was followed by the business size (39.79%) and exclusivity (22.74%). Regarding their company's most promising established market in 2023, India came out on top with 23.93%, followed by UAE (20%) and the United States (18.21%).



End users

When asked about what drives procurement decisions within their organisation, end users identified quality (regardless of brand or country of origin), services and the efficiency and sustainability of tools and medical equipment as the top three drivers. In terms of how they expect their organisation's budget for procurement to perform in 2023, 34.34% expect strong growth, compared to 36.23% expecting moderate growth, and 21.89% expect growth in line with 2022.



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