



Ministry of Foreign Affairs

# **Market Insights Opportunities in the Life Science and Healthcare Industry (Malaysia)**

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## Market Insights

# Opportunities in the Life Science and Healthcare Industry (Malaysia)

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### Summary

Amidst the countries of the Southeast Asia region, Malaysia stands out as a highly attractive investment destination for the life sciences and healthcare (LSH) sector. Its swift and effective whole of government response to the COVID-19 at the onset of the ongoing pandemic and later during deployment of its nationwide vaccination programme, have placed the country among the top 15 nations in the world that have been able to ensure that its population has at least two doses of a vaccine.

It is expected to be one of the first Southeast Asian countries that will soon see the full and safe dropping of its COVID-19 restrictions, and complete reopening of its borders.

This is an achievement that would not have been possible without strong demonstrated collaboration between the life sciences and healthcare players of the public and private sectors, strong and open relationships between industry and government, intellectual property frameworks, and commitment to protecting and growing investments made in the national economy and its people.

**The LSH sector has taken a renewed importance.** As part of outbreak preparedness and resilience measures to face pandemics in the future, the government has committed to boosting Malaysia's preparedness in this area for the next decade, especially in modernisation of healthcare infrastructure and vaccine production. This commitment is a part of health security, to increase resiliency of health systems and reduce dependency on other nations.

**Malaysia is aiming to strengthen its reputation as a major medical tourism hub in ASEAN, despite fierce competition from neighbours Singapore and Thailand,** regaining more than one million medical tourists annually, which was on the increase prior to the COVID-19 outbreak. The country also remains one of Southeast Asia's most robust and dynamic markets for foreign medical device manufacturers.

**The public and private healthcare sectors are planning significant investments over the next 10 years in health innovation, medical devices, and digital health to ensure and maintain a competitive edge in the delivery of world-class quality healthcare services.**

#### Reasons To Engage Malaysia

- Areas of potential growth, prioritised investment, and engagement: medical tourism, medical devices, pharmaceuticals, connected healthcare systems, clinical research, vaccine development and manufacturing
- Increasing demand for innovative medical devices as part of modernisation, outbreak preparedness, aged care, and non-communicable diseases (NCD) management
- Increased health expenditure and investment in public and private health systems
- Strong governmental commitment to increased LSH investment and reforms
- Well-positioned to provide an export base to other Southeast Asian markets



## LSH: Best performing sector

Malaysia is an upper middle-income country with a population of around 32 million, bordering Indonesia, Thailand, and Singapore, which is about to transition to a high-income economy within the next 5 years.

Its health system, which has been committed to providing universal healthcare coverage for the past four decades, has been globally recognized for being robust and resilient, with a proper health infrastructure and a well-trained professional workforce.

In order to develop its health system in a sustainable manner, Malaysia, which is highly dependent on imported products and knowledge, looks to grow mutually beneficial international partnerships involving local production and knowledge exchanges. These partnerships should help provide solutions to Malaysia's health challenges such as a growing number of people living with non-communicable diseases and an aging population, whilst simultaneously benefitting the development and growth of Malaysia's domestic industries.

Malaysia's LSH sector is both a strong contributor to the country's GDP and is one of the best-performing sectors in the region.

**Demand for private healthcare services in Malaysia is expected to continue to grow in tandem with an expanding upper-middle income and affluent segment of the population.**

The government has encouraged further private investment in recent years, recognizing the economic multiplier effect of the medical industry. **The healthcare sector is a leading driver of economic growth in Malaysia, growing at 11% per year.**

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The availability of talent, labour, infrastructure, intellectual property protection and widespread proficiency in the English language make Malaysia an attractive destination for an increasing number of multinational companies situating regional and global functions in the country and firms capitalizing on the nation's improving quality standards to export their medicines and medical devices.

Over the past decade, this country has established itself as a medical devices production base for the Asia Pacific region.

While it might not be the biggest market in ASEAN, Malaysia holds its own, and the strength and growth potential of its domestic market should not be underestimated.

## Malaysia's healthcare sector

Malaysia has a two-tiered healthcare system: a government-based tax-funded public healthcare system and private healthcare system (paid by out-of-pocket payments and/or private insurance). **As of 2020, there were around 156 government hospitals and 219 private hospitals.**

Like other countries worldwide, the COVID-19 pandemic has put a major strain on the healthcare system. This, along with the massive burden of treating non-communicable



diseases such as hypertension, cardiovascular diseases, and cancer, strained the healthcare system to the breaking point and tested its resiliency.

**Malaysia's health spending was estimated to have reached 5% of the Gross Domestic Product (GDP) or RM72.7 billion (US\$ 17.4 billion) in 2021.** This amount, comprising both public and private spending, though still regarded as underspending, represents a significant rise in the country's health expenditure, which has been steadily increasing from 4.2% of GDP in 2016 to 4.7% or RM63.8 billion (US\$15.2 billion) in 2020. **The healthcare sector is expected to grow to US\$30 billion by 2027.**

Malaysia has some of the lowest medical fees in the world (estimated 40% lower than the US and UK) with the government subsidizing up to 98% of healthcare costs through the public healthcare system.

This rising trend in expenditure on health, which is expected to continue for at least a decade, is due to a growing burden of chronic lifestyle- and age-related NCDs, increasing demands for quality healthcare, the cost of clinical and technological advances (i.e. digital health systems), and an aging population.

**The areas of potential growth are in medical tourism, the manufacturing of medical devices, pharmaceuticals, connected healthcare systems, clinical research, and vaccine development and manufacturing.**

## Medical tourism

**Medical tourism is an important driving force in the Malaysian healthcare sector.** The country is on track to become the preferred destination for medical tourism in ASEAN.

From seeing 640,000 medical tourists in 2011, over 1.3 million medical tourists contributed US\$ 433 million (RM 1.8 billion) to the Malaysian economy in 2019, representing 5% of overall spending in the private healthcare space. In 2018, it was US\$361 million (RM1.5 billion). The economic spill over is estimated to be between US\$1.4 – 1.7 billion (RM 6-7 billion).

More than half of all medical tourists travelling to Malaysia were Indonesians, followed by patients from India, Japan, China, the UK, the US, and the Philippines, attracted by the affordability of the treatment provided.

Bypass surgery in Malaysia costs US\$14,000 in 2019 compared to US\$23,000 in Singapore in the same year. Knee replacements in Singapore would cost US\$16,700 but only US\$10,900 in Malaysia.

Prior to the onset of the COVID-19 pandemic, Indonesians spent over US\$1 billion annually in medical tourism. 66% of Malaysia's total medical tourism revenue came from Indonesian medical tourists.

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Malaysia is positioning itself as a provider of specialized treatments, carving a niche for fertility and cardiology treatments, enabling the country to compete with world-class medical centres across Asia.

**The country is becoming known as a specialist provider for cardiology treatments as it aims to become the preferred destination for medical tourism in ASEAN.** There are over 30 advanced heart treatment centres, including the National Heart Institute, which was the first hospital outside of the US to implant the world's tiniest pacemaker.

**Medical tourism is driving demand for medical technology innovation especially those involving connected health, quality health services and world-class expertise in the private healthcare space.**

## Medical devices

Malaysia is the largest medical device market in Southeast Asia, with a market worth US\$1.55 billion (RM6.44 billion). Public sector procurement accounts for around 50%.

The domestic medical device market has been forecasted to be worth US\$2.0 billion in 2022, with a Compound Annual Growth Rate (CAGR) of 7.5% between 2018 and 2022.

Malaysia currently imports around 95% of its growing medical device needs.

The medical devices industry comprises of more than 200 manufacturers, of which 30 are multinationals that have made Malaysia their manufacturing base. Penang particularly, is gaining a reputation as a medical device manufacturing hub among world-class manufacturers.

Malaysian supplies 60% of the world market for medical gloves and 80% for catheters. Other devices produced include surgical tools, syringes and needles, orthopaedic products, optical lenses, hospital furniture, blood transfusion sets, dental dams; and first aid kits.

Malaysia is seen as the leading medical device manufacturing hub in the East, competing against mature hubs such as Puerto Rico, Costa Rica and Ireland.

**Despite being a major manufacturing base for medical devices, it exports most of what it produces.** 50% goes to the US, Germany, Japan, and China markets. As a result, in terms of domestic consumption of medical devices, Malaysia currently imports around 95% of its growing needs which are significant. Rapid diagnostic tests for example, takes up USD 24 million (RM 100 million) annually.

The medical devices industry is expected to impact positively on the Malaysian economy as it transitions to manufacturing more higher value-added and technologically advanced products, such as cardiac pacemakers, stents, orthopaedic implantable devices, electro-medical, therapeutic, and monitoring devices.



## Opportunities

In the next five to 10 years, Malaysia is aiming to grow certain sub-sectors of the medical device industry, such as orthopaedics, high-value electronic-based medical products and plastic-based products.

This positions Malaysia as a major medical device manufacturing hub in ASEAN as well as an outsourcing destination for many multinationals. The government views this industry as a high potential growth area.

Businesses are looking to shift production into more value-added products and services, through embracing technology and enhancing research and development methods.

New areas of growth include components of medical imaging systems such as magnetic resonance imaging (MRI) machines, aged care devices, connected care systems, and digital health infrastructure.

## Pharmaceuticals

Malaysia's pharmaceutical industry is valued at more than US\$1 billion in 2019, comprising of over 100 companies who can be roughly categorized into three categories: generic drug manufacturers; research-based pharmaceutical companies; and over-the-counter (OTC) manufacturers.

## Opportunities

Increasing demand for pharmaceuticals is expected to occur yearly due to rising healthcare needs as a result of the high burden of NCDs, a growing aging population and demand for quality and effective medicines. Local generic manufacturers are only able to supply 30 percent of the domestic demand with the remainder being covered by imports.

## Vaccine development

In addition to establishing self-sufficiency through local vaccine production following its experiences in procuring vaccines during the COVID-19 pandemic, the Government is seeking to be a regional vaccine producing hub within 10 years. This was recently announced through the launch of the National Vaccine Development Roadmap and the Malaysia Genome & Vaccine Institute (MGVI).

A US\$ 120 million (RM500 million) research and development fund has been established. 50% will be used for experimental development research for projects that have the potential to be commercialised.

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## Opportunities

With billions of vaccines required around the world in response to COVID-19, Malaysia is seeking to contribute to the vaccine production effort and be in a position to engage in health diplomacy. The country's competitive advantages in its well-established pharmaceutical and medical devices manufacturing sector provide valuable opportunities for investors.

The Government has announced the following enhanced incentives to attract further investment in the manufacturing of pharmaceutical products in Malaysia:

- Preferential tax rate of 0 to 10 percent for a maximum of 20 years
- Zero percent (0%) special tax rate for 10 years for new investments with capital investment between RM300 million to RM500 million; or
- Zero percent (0%) special tax rate for 15 years for new investments with capital investment above RM500 million

These incentives go alongside the currently existing ones offered by Malaysian Investment Development Authority (MIDA), such as grants for R&D, training expenses, machinery modernisation and automation.

## Accessing the LSH market

- For the Malaysian government, connect with the [Malaysian Investment Development Authority \(MIDA\)](#), an agency under the Ministry of International Trade & Industry (MITI), as the first point of engagement, later on the [Ministry of Health](#) will be a necessary stakeholder to be introduced to, if intending to enter the public health sector
- Private hospitals can be accessed through the [Association Of Private Hospitals, Malaysia \(APHM\)](#) which maintains a strong relationship through its network of member hospitals.
- The [Medical Device Authority \(MDA\)](#) under the Ministry of Health, regulates and provides market authorization for medical devices.
- The [Pharmaceutical Association of Malaysia \(PhAMA\)](#) provides coordination and support for those seeking to enter the robust pharmaceutical sector which is populated by both multinational and domestic industry players, in manufacturing, distribution and logistical support for pharmaceuticals.
- **Domestic presence:** A local agent, representation or partner is highly encouraged if engaging the private market but absolutely necessary for the public sector. The most common forms of business vehicles used by foreign companies in Malaysia are incorporation of a new company, branches, subsidiaries, and joint ventures with local investors.



## How can we support your business?

If your company is in need of support, do not hesitate to contact the Netherlands Embassy in Kuala Lumpur. In a diverse and welcoming society that is Malaysia, we can support you in finding your way in doing business. The Embassy in Kuala Lumpur offers support to Dutch companies that are already active in Malaysia as well as to Dutch companies that are looking to start doing business in Malaysia.

### Our main services include:

- Providing information on sectors and potential business partners;
- Monitoring business opportunities;
- Supporting trade missions and visiting programs to Malaysia;
- Organizing meetings with relevant authorities at local, provincial, or government level;
- Providing information on Malaysian rules and regulations;
- Identifying relevant partners for Research & Development;
- Troubleshooting and assistance;
- Advise on available financial instruments and services.

The Embassy collaborates closely with the [Malaysian Dutch Business Council](#) (MDBC). The MDBC is the accredited NL Business Hub in Kuala Lumpur that provides soft landing opportunities in Malaysia. The strong network of more than 250 member - companies are provided with a wide range of business services, information, representation and events, and with an extensive network of Malaysian organisations and authorities. The MDBC also has Chapters in Penang and Johor.

### Useful Websites

- Embassy of the Kingdom of the Netherlands in Kuala Lumpur Malaysia: [Malaysia | Netherlandsandyou.nl](#)
- Netherlands Enterprise Agency (RVO): [Niet gevonden | RVO.nl | Rijksdienst](#)
- Malaysian Investment Development Authority (MIDA). With an office in Frankfurt, serving the Netherlands: [www.mida.gov.my](http://www.mida.gov.my)
- Malaysia External Trade Corporation (MATRADE). With an office in Rotterdam: [www.matrade.gov.my](http://www.matrade.gov.my)

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