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# Market data about the German healthcare industry

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An overview of the sector



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# The healthcare sector in Germany

Germany excels at all the individual industrial sectors on the European market.

In the medical technology sector in particular, the Federal Republic is well ahead of the following economies: France (11.3 billion euros), Italy (9.8 billion euros) and the United Kingdom (7.2 billion euros).

Medical devices “**Made in Germany**” are considered a guarantee of quality and make a significant contribution to enhancing patient health care and lives all around the world. They benefit from a world-class research and business environment and they result from a close collaboration between science and industry.

## 1. The importance of the medical sector in Germany

The healthcare market is considered a **growth driver** and **job engine** in Germany; one out of six occupations in Germany is in the healthcare sector. In 2018, it generated almost **370 billion euros**, which is around twelve percent of Germany’s gross value added. In the last ten years, the healthcare industry has risen by 4,1 percent per year and it has grown faster than the whole German economy. The German states of North Rhine-Westphalia (75,2 billion euros), Bavaria (56,0 billion euros) and Baden-Württemberg (53,9 billion euros) generate more than half of the total gross value added. In North Rhine-Westphalia, more than 1.6 million people work in the

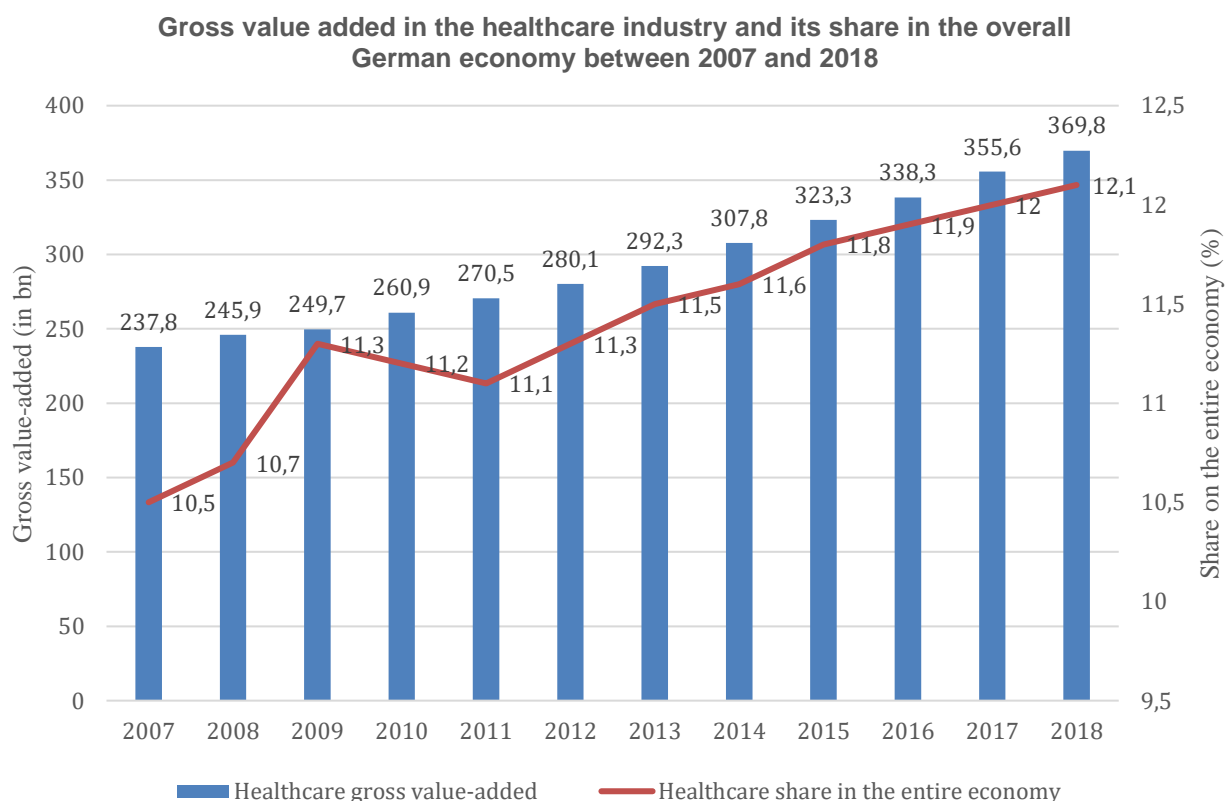
healthcare industry, while Baden-Württemberg is the leader state in exports (38,2 billion euros). Schleswig-Holstein (15,0%), Mecklenburg- Western Pomerania (15,0%) and Saxony-Anhalt (14,0%) are the states where the healthcare industry has a more relevant impact on the regional economy.

## 2. The impact of this sector on the German economy

The healthcare industry has grown **steadily** every year since 2007. A positive increase has also been recorded in 2009, a year of financial crisis. Its share in the overall economy has risen over time: from 10.5 percent in 2007 to 12.1 percent in 2018 (see the chart below for more detailed information).

According to the Federal Statistical Office, the 1,350 German manufacturers of medical technologies were able to generate a total turnover of **30.3 billion euros** in 2018. The Domestic turnover amounted to 10.5 billion euros, while the foreign turnover reached 19.8 billion euros.

The German healthcare industry is characterised by medium-sized companies and it is highly innovative: more than 93 percent of the companies have less than 250 employees. The **R&D ratio**, i.e. the proportion of total expenditures spent on research and development, is around 9 percent. As in the previous years, the number of employees has increased also in 2018. It rose by 3.9 percent to around 143,200 employees.



Source: Bundesministerium für Wirtschaft und Energie (BMWi); Gesundheitswirtschaftliche Gesamtrechnung (GGR), Ausgabe 2018; Berechnungen: WifOR.



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Due to the **interdependence** with other economic sectors, the economic activity of the healthcare industry is having a positive effect on the entire German economy. Its macroeconomic gross value-added effects amount to 298.2 billion euros. This means that every euro of gross value added in the healthcare industry adds 0.81 euro in the whole gross value-added of the national economy.

However, the industry is also concerned about the increasing over-regulation, especially due to the **new Medical Device Regulation**. Many companies expect this to jeopardise their further growth in sales and employment and they are already seeing the first effects of this phenomenon.

### 2.1 The new Medical Device Regulation

The past Legislation states that German regulations must be complied with the European medical device directives (MDD). Moreover, medical device manufacturers are required to declare conformity to European Union Legislation ("Conformité Européenne-"CE") for all devices with an intended medical purpose. The CE mark can be applied to the device once conformity has been declared. However, the European Commission started a revision of the existing regulatory framework for medical devices in 2012. The goal was to align the rules with the technological progress and to harmonize national interpretations as well as increase transparency for all involved stakeholders. From May 5, 2017 a transition time of three years started and from May 2020 onward, the new European Medical Device Regulation (**MDR-Regulation** (EU) 2017/745) was put in place and it replaced the MDD Regulation. New medical devices can now be certified only under the new Regulation and consequently the MDD CE marking should disappear by approximately 2025.

## 3. Typical features of the German healthcare sector

The environment, in which medical products are developed, is very dynamic and considerably more complex than in other industrial sectors. Small and medium-sized companies dominate the industry's image. Different medical technology segments are dotted around the country; Tuttlingen (in the southwest part of Germany), for instance, is perhaps one of the most well-known spots for medical technologies in Germany. While the eastern German city of Jena is the country centre for medical optics, with some globally leading manufacturers still bearing the city name in their own company name. The distribution of German medical technology manufacturers by size class reveals the picture of an industry dominated by **SMEs** (i.e. small and medium enterprises), which, especially compared with other sectors, have a high level of export experience (64% of products are exported). Only 84 MedTech companies in Germany have more than 250 employees. In 2018, the 1,262 companies with **less than 250 workers** employed almost 66,000 people and achieved a turnover of 8.4 billion euros.

## 4. Promoting Partnerships

Given the small and medium-sized nature of most German MedTech manufacturers, it is very common and strategic for them to establish **close cooperation** with academic, scientific and other manufacturer partners. Germany is home to more than 30 specialized **clusters** focusing on medical technology. Their activities are promoted by the Federal Ministry for Economic Affairs and Energy and the Federal Ministry of Education and Research. The individual cluster research programmes are also supported by some funding instruments. Medical technology clusters can be found all over the country; their **goal** is to create a network platform for world-class partnership opportunities and cross-industry, by connecting companies, hospitals, universities and other research institutions. These collaborations allow advantageous synergy

effects to be realized and costs of research and product development to be cut through joint purchasing initiative. The Federal Ministry for Economic Affairs and Energy developed two Initiatives in order to support the cluster networks. The first one is the so called “**go-cluster**” and it’s an excellence programme, that brings together more than 100 innovation clusters from across Germany. Cluster members represent the technological diversity within the country’s industry and technology sectors. This programme provides financial support, in order to foster cluster management and to allow member clusters to position themselves in international rankings. The **Digital Hub Initiative** is the second tool developed by the Federal Ministry for Economic Affairs and Energy and it’s aimed to support digital hubs in Germany. Currently 12 digital hubs are established across the country and their goal is to strengthen the cooperation between companies and business start-ups, in order to ensure a constant innovative approach towards the present and future challenges.

## 5. The German healthcare fields

More than half of the German healthcare’s gross value-added (52,9%) is generated in the **medical care** sector. The service-oriented medical sector is divided into inpatient care (i.e. hospitals, rehabs, nursing homes) and outpatient care (i.e. medical and dental practices as well as ambulatory care). Both fields contribute to different degrees to the value added and to the employment rate in the healthcare industry.

A significant part of the healthcare market includes the development of innovative **high-tech solutions** in the medical and pharmaceutical technology as well as for new treatments and examination methods. The medical **manufacturing sub-sector** generates almost a quarter of the entire healthcare industry (22,8%) and it includes the production of medical goods, pharmaceuticals as well as retail and wholesale services, but also goods for medical care, extended trade services, construction investments and equipment for e-health and digital applications. **Biotechnology** is currently still a small part of the healthcare industry, but the growth figures show its great potential. With a growth rate of 5.6 percent, the sector is growing much faster than the rest of the healthcare industry. Such a high gross value-added results also from the open access to statutory health insurance for more than 73 million people. Germany also offers excellent services thanks to its excellently trained specialists and good infrastructure. There is, however, an increasing shortage of skilled staff particularly in the nursing division. Another important feature of the German healthcare industry is that a wide range of companies specializes in very specific fields of application and product types and they often become global leaders of these. Germany’s medical technology R&D ratio is considered a resource that allows these innovative companies to adapt quickly to global market trends.

Germany’s **dental sector** is a particularly relevant example for early innovation adoption. Around half of all MedTech manufacturers is active in this sector in addition to orthopaedics, digital imaging and disposables. The dental industry occupies second place- behind the X-ray equipment- in the country’s medical technology manufacturing sector.

## 6. Influence factors

The sector benefits from the current social trends and additionally of opportunities that are arising from demographic developments, in particular from mature economies and through high investments in healthcare by emerging economies. The growing importance of health and the constant development of new technological solutions drive the market. **Digitalization** is currently the biggest influence factor for this sector. The healthcare industry is going through a very dynamic process of change. Digitalization is already affecting all areas of the healthcare sector, including hospitals. They are currently facing a major transformation of their traditional business model and the challenge of having to react appropriately. As a result, the manufacturers’ business model is also changing; the former supplier of equipment technology has now become a solution provider and will focus more and more on digital solutions in the coming decade.

Germany has also a very high **export** potential; in fact, the export volume of the healthcare industry has almost doubled in recent years. In 2018, around 42 percent of German medical technology exports were addressed to countries of the European Union. The robust development of demand in these countries was therefore an important basis for the industry growth.

However, Brexit has had an impact also on German economy in the last years. Exports in 2017 were seven percent below the previous year’s level, and in 2018 they were still slightly decreasing. In the coming years, it is also expected that the sales growth in other European countries will also slow down as a result of the new Medical Device Regulation.

## 7. Future expectations

Better health care promotes a higher life expectancy. According to the United Nations, the world’s population will grow by almost **25 percent** and will reach 9.7 billion people in the next 30 years. Moreover, the older population (over 64 years) will increase to over 1.4 billion people. Therefore, the **global life expectancy** is increasing. In 2017, less than 5 percent of the population has died before reaching adulthood. The medical technology sector is very likely to profit from this evolution.

Given these predictions, experts forecast an average annual **increase** in the global market for medical technology of around 5.6 percent in the coming years. The British market research company "Evaluate MedTech" calculated the market size for 2024

to be worth USD 595 billion (compared to USD 405 billion in 2017).

**Germany is the second largest market in the world** with a share of 9.9 percent, after the USA (38.8 percent) and ahead of Japan

and China. Due to the market drivers, the German medical technology industry, which is highly innovative, well positioned and internationally competitive, will consequently continue to benefit from this development.



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