



Where Next for Global Healthcare?

Description

Healthcare is one of the most defensive industries around. After all, it is near the top of everyone's priorities and is likely to stay that way. Looking ahead, the global healthcare market is set to experience major change in the coming years. The rising world population and a higher proportion of older people mean that demand for healthcare services is likely to increase. But does this necessarily make it a good place to invest?

Population growth

Between today and 2050, the world's population is forecast to rise from around 7.2bn to 9.7bn. That's an increase of roughly a third and is likely to cause demand for healthcare products and services to rise at a gradual pace. This means that the outlook for pharmaceutical companies focused on delivering new treatments, generic drug manufacturers and healthcare equipment providers is relatively bright.

However, the companies which will benefit the most from the world's rising population are likely to have exposure to the emerging world. That's where the majority of increased demand is likely to be centred, since Africa in particular is forecast to see significant population growth over the long run. As such, it may be prudent for investors to focus on stocks with international exposure and which are able to access developing markets.

An ageing population

Of course, one result of improving healthcare is that people live longer. Across both the developing and developed world, life expectancy is rising. Today, over 1 in 10 people are over 60. By 2050, the proportion of people over 60 is set to increase to 1 in 5. Given that the world's population is forecast to increase by a third during this time, it is clear to see how much of an opportunity there could be for companies focused on care for older people.

This could be in the form of hospital care, such as private hospital companies, or in occupational care where products and services are aimed at making daily tasks easier for older people. Similarly,

pharmaceutical companies are likely to benefit from the potentially larger number of older people. The prevalence of illness tends to be higher among people aged over 60 than it is in younger people. As such, investing in companies which focus on healthcare for older people could be a sound move for investors to make over the long run.

The Foolish Takeaway

While healthcare may not be viewed as a particularly exciting industry in which to invest, it offers clear growth potential over a long period. A rising world population and a higher proportion of older people are set to cause demand for healthcare to rise significantly in the coming years. Therefore, companies operating within the sector should benefit from a substantial tailwind over a sustained period.

This could mean it is worth paying more for higher quality stocks which are exposed to the right regions and the right product areas, given the industry outlook. Doing so could yield a high return for investors who are able to buy and hold for the long run.

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