

SECTOR ADVISORY

Geopolitical Conflicts in the Middle East and Its Cumulative Financial Burden on Canadian Medical Technology Suppliers

Executive Summary

Conflict and transit risk across Middle Eastern maritime corridors—most notably near the Strait of Hormuz—are creating volatility in global energy prices, logistical bottlenecks, and input price shocks across the medical technology sector. Coming on the heels of multi-year inflationary headwinds, these disruptions are reverberating through global supply chains and directly impacting vendors in Canada.

While Medtech Canada members are doing everything they can to ensure that Canadian inventory levels currently remain stable and patient care is not threatened, the cost to manufacture, import, and deliver critical health technologies has inflated dramatically.

Because medical suppliers operate under fixed, multi-year sales agreements with provincial health networks, Group Purchasing Organizations (GPOs), and hospital systems, companies have virtually no direct mechanism to absorb these sudden expenses. Without procurement flexibility, this environment threatens the long-term economic sustainability of the domestic health supply network.

CORE OPERATIONAL AND FINANCIAL PRESSURES

Input Cost Surges Driven by Energy Markets

The exposure of key maritime routes has heightened crude oil price volatility, driving up manufacturing overhead for petroleum-dependent healthcare consumables:

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 - **Polymer and Chemical Inflation:** Raw material costs for essential protective wear, oncology-grade nitrile gloves, and single-use clinical plastics have risen between 15% and 30%, driving net manufacturing cost increases of up to 50% for select product lines.

- **Protracted Cost Baseline:** Domestic and international production facilities are bearing significantly higher operational and sterilization costs. Industry forecasting suggests these material price spikes will persist even if regional shipping lanes stabilize in the near term.

2 Severe Freight Escalations and Regional Surcharges

Distributing specialized medical hardware and consumables into and across Canada has become vastly more expensive:

- **Maritime Constraints:** Ocean container pricing has escalated sharply, vessel space remains constrained, and long-distance air freight is financially unsustainable for standard distribution.
- **Unplanned Carrier Surcharges:** Freight forwarders are systematically imposing fuel surcharges on inbound component deliveries and outbound customer fulfillment.

3 Administrative and Clinical Substitution Constraints

While distributors and manufacturers continually seek alternative sourcing options to mitigate costs, substituting products in the medical technology sector is uniquely complex. Some healthcare providers operate under strictly validated product and manufacturer requirements within their Standard Operating Procedures (SOPs). These can limit a supplier's ability to quickly transition to lower-cost alternative source materials or manufacturers without triggering lengthy clinical re-evaluations or operational disruptions in health facilities.

RECOMMENDATIONS FOR HEALTHCARE PROCUREMENT PARTNERS

To protect the stability and continuity of Canada's healthcare supply chain, Medtech Canada urges provincial procurement leaders, health authorities, and hospital buying groups to engage in a cooperative approach:

Embrace Contractual Flexibility

Procurement and contracting frameworks must remain sufficiently resilient and adaptable to respond to exceptional macroeconomic shocks, including temporary fuel surcharges and freight adjustments.

Foster Open Dialogue

Payers and procurement leaders are encouraged to engage in open dialogue with suppliers to address excessive shipping and input costs collectively, ensuring the financial viability of Canada's supply base.

Supporting a sustainable medical technology sector is essential to ensuring continued patient access, supply chain resilience, and health system stability across Canada.

About Medtech Canada

Medtech Canada is the national association representing Canada's medical technology industry. Our member companies provide innovative medical devices, in vitro diagnostics, digital health solutions, and services that improve patient outcomes and support the sustainability of Canada's healthcare system.