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# China Headwinds Set To Persist For Imaging Majors

*GE HealthCare, Siemens Healthineers And Philips Make The Best Of A Patchy Quarter*

by [Ashley Yeo](#)

The global leaders in imaging have set full-year sales growth outlooks of low to mid-single digits, with China market headwinds due to prevail throughout 2024. Pent-up China demand will be the upside from 2025, industry believes.

The benefits of China's stimulus package for life sciences and health care companies, announced in 2023, have been slow to come through. The effects of this delay on the business of the industry's imaging majors is seen in the latest quarterlies of the global top three – GE HealthCare, Siemens Healthineers and [Royal Philips](#) – released in late July/early August.

“The stimulus program rollout is taking longer than we and others estimated it would, “ said [GE HealthCare Technologies, Inc.](#) CFO Jay Saccaro. The program came out quickly, he said, but its delivery is taking time, as each of China's 31 provinces is working together with the central government on the plan.

[Siemens Healthineers AG](#) CFO Jochen Schmitz agreed. “We do not expect an impact from the stimulus program for this fiscal year. The program is divided into several areas. He said good progress was expected among the top hospitals within the Tier 1 national hospitals early in the company's 2025 fiscal year. About the other tiers, predictions are less certain.

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***"We expect to see Chinese order recovery later in the year" – Peter Arduini***

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GE HealthCare president and CEO Peter Arduini described the situation as a temporary challenge. "We expect to see Chinese order recovery later in the year. The market is an attractive long-term opportunity," he insisted. But GE HealthCare, the industry's imaging leader with revenues of \$17.2bn in 2023 (excluding pharma diagnostics – PDx), has lowered its 2024 growth outlook to 1-2%, as a result of the slowdown in China.

On top of this, the anti-corruption measures ordered by Chinese premier Xi Jinping since 2012 have reached a new level of intensity for the health care segment. The National Health Commission and other central and local government agencies are doubling down on anti-corruption, which is delaying ordering bookings for health care companies. The NHC was among 10 departments overseeing a one-year anti-corruption campaign started in mid-2023, covering the entire health care production chain.

The anti-corruption campaign triggered muted demand and order delays in China, Siemens Healthineers CEO Bernd Montag confirmed. For the Erlangen, Germany company, this led to a double-digit reduction in Chinese imaging sales in fiscal Q3 2024. The company's "very good" prior-year quarter accentuated an unfavorable year-on-year comparison.

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***"We do not expect the anti-corruption measures to impact structural demand" – Roy Jakobs***

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Montag continued: "The imaging business is being impacted by the anti-corruption campaign in China, but it is impacting the entire industry. We expect this to turn into pent-up demand in 2025 [when] the clinical need for offerings [will not be influenced] by exogenous factors."

Philips' CEO Roy Jakobs agreed. The Dutch company's Chinese orders in Q2 declined as the anti-corruption measures imposed by the government continued to impact order lead times, he said, but he believes the end is in sight. "We do not expect the anti-corruption measures to impact structural demand and we expect China to gradually contribute to order growth in the coming quarters – albeit from a low base."

The China government's new program for the renewal of aged medical equipment will support this, he speculated.

Excluding Philips' ongoing Respironics recall, remediation issues and legal proceedings, including the investigation by the US Department of Justice, the company said it expected 3-5% comparable sales growth in full year 2024. In Q2, it concluded an agreement with insurers to pay \$538m to cover Respironics recall product liability claims.

Running alongside, Philips is overseeing a major productivity program, a transformation to an agile operating model and a staff reduction program to cut 10,000 staff globally by 2025. The program is 90% complete. (Also see "[A Healthtech Global Software Business With A Silicon Valley Look](#)" - In Vivo, 20 Mar, 2024.)

### **China Holds Back The Big Three – The Quarterlies**

Philips achieved Q2 comparable sales growth of 2%, and a quarterly total of €4.5bn (\$4.9n), the decline in China business offsetting expansion in mature and growth geographies.

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*"Q3 revenues from China could be the first signs of stabilization" – Bernd Montag*

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GE HealthCare scored 1% organic revenue growth in the period, to \$4.8bn. Excluding China, where sales were down some 15% for the quarter, its global revenue growth was 4%. The company recorded a 3% increase in order bookings. China has accounted for some 14% of the company's business; in 2024, it will be 11-12%, Saccaro said.

The Q2 US imaging and ultrasound markets were robust for GE HealthCare. Its pharma DX division (radiopharmaceuticals) expanded by 14% in a busy quarter that saw the company acquire the artificial intelligence division of Intelligent Ultrasound, a developer of AI tools for women's health ultrasound. It also entered a strategic deal with AWS to develop AI tools to streamline hospital operations and care delivery. (Also see "[GE HealthCare Teams Up With Amazon Web Services To Build New Gen AI Models](#)" - Medtech Insight, 2 Aug, 2024.)

The company is working on aligning its ultrasound and image guided therapy to provide a better offering to clinicians.

For Siemens Healthineers, China sales were down by 13%. This limited the German group's Q3

revenue growth to 4.3% and a total of €5.4bn. Imaging revenues were up 4%, while advanced therapies sales was flat, both segments being affected by headwinds from foreign exchange.

Diagnostics sales were up 2.1% in the quarter at €1.1bn. Diagnostics is “fully on track” to deliver savings from the segment’s transformation, Montag said. The recent launch of another offering in its core Atellica lab platform, the CI Analyzer, is further part of the puzzle now in place. The Atellica franchise is now worth over €1bn, and is growing at double-digit rates, said Montag, describing diagnostics as one of the company’s two core businesses. (Also see "[Challenges Prompt Diagnostics Footprint Change At Siemens Healthineers](#)" - Medtech Insight, 14 Nov, 2022.)

The other core business is a combination of imaging-Varian (radiotherapy)-advanced therapies.

## Outlook

Siemens Healthineers’ portfolio in cancer, cardiology and neuro diseases means the company is well placed to meet rising demand for care arising from the growth of non-communicable disease and the aging and growing population.

It is an environment in which theranostics – a new approach to diagnosing and treating an increasing number of cancer types – fits well. This combines a highly targeted and individualized treatment using one radioactive agent to identify and mark cancer cells and a second agent to destroy the cells.

It suits patients who do not responded to chemotherapy, radiotherapy or immunology approaches, said Montag, citing a pharma industry pipeline covering some 25 cancer types. The technique has proven its value in the treatment of prostate cancer, for instance.

China has been a drag on Siemens Healthineers’ business, but Q3 revenues from China were at the Q2 level – “or even a touch above,” said the CEO, which could be the “first signs of stabilization.”

Montag concluded that Siemens Healthineers was optimistic about its future growth prospects on the back of a constantly growing order book and having identified its focus areas of growth.

GE HealthCare, which has lowered its guidance for the year, anticipated a continued sales decline in China year-on-year in the second half of the year, despite the announcement of stimulus earlier in 2024.

A piece of good reimbursement news for the company was the strong prospect that the US Centers for Medicare & Medicaid Services (CMS) would begin paying market value for diagnostic radiopharmaceuticals in January 2025. This has long been lobbied for by the imaging industry. Some of the products had an average sales price of thousands of dollars, Arduini said.

Philips said uncertainties remained, but it is confident of being able to deliver its 2025 plan.