

2020-21 Australian Dental Industry Intelligence Report

Australian Dental
Industry Association



The Australian Dental Industry Association (ADIA) is the peak business organisation representing manufacturers and suppliers of dental products.

Our vision is for an industry that empowers oral health professional to advance the health and well-being of all Australians.

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Chapter 1 – Overview Of The Australian Dental Industry

IBISWorld has provided the ADIA with historical and forecast data regarding the Australian dental industry. A data model has been created using multiple government and non-government sources. This model includes 13 product and service splits, with historical time series data, and analysis regarding the COVID-19 pandemic, inflationary pressures and key drivers of industry performance. Figures are presented in constant 2020-21 dollar terms.

Note: Due to differences in definitions and methodologies, comparisons with previous Australian Dental Industry Intelligence reports are not advised. However, historical data has been provided and allows for trend analysis.

1.1 Value Of The Australian Dental Industry

The value of the Australian dental industry is expected to increase at an annualised 1.0% over the five years through 2020-21, to total just over \$3.5 billion. Several trends have influenced the industry over this period, primarily driven by the performance of the downstream Dental Services industry. According to IBISWorld report Q8531, Dental Services in Australia, the number of dental practices is expected to increase strongly over the five years through 2020-21, due to Australia's ageing and growing population. This has boosted demand for products and services supplied by the Australian dental industry, increasing its market size.

Australian Dental Industry Market Size*

	Products	%	Services	%	Total	%
2009-10	1,401.6	N/C	1,318.1	N/C	2,719.7	N/C
2010-11	1,405.8	0.3%	1,328.4	0.8%	2,734.2	0.5%
2011-12	1,376.5	-2.1%	1,400.3	5.4%	2,776.8	1.6%
2012-13	1,459.7	6.0%	1,485.9	6.1%	2,945.6	6.1%
2013-14	1,479.7	1.4%	1,499.1	0.9%	2,978.8	1.1%
2014-15	1,650.0	11.5%	1,626.3	8.5%	3,276.3	10.0%
2015-16	1,683.1	2.0%	1,700.7	4.6%	3,383.8	3.3%
2016-17	1,633.8	-2.9%	1,669.6	-1.8%	3,303.4	-2.4%
2017-18	1,733.4	6.1%	1,705.8	2.2%	3,439.2	4.1%
2018-19	1,804.6	4.1%	1,713.6	0.5%	3,518.2	2.3%
2019-20	1,735.0	-3.9%	1,560.6	-8.9%	3,295.6	-6.3%
2020-21	1,810.1	4.3%	1,737.9	11.4%	3,548.0	7.7%

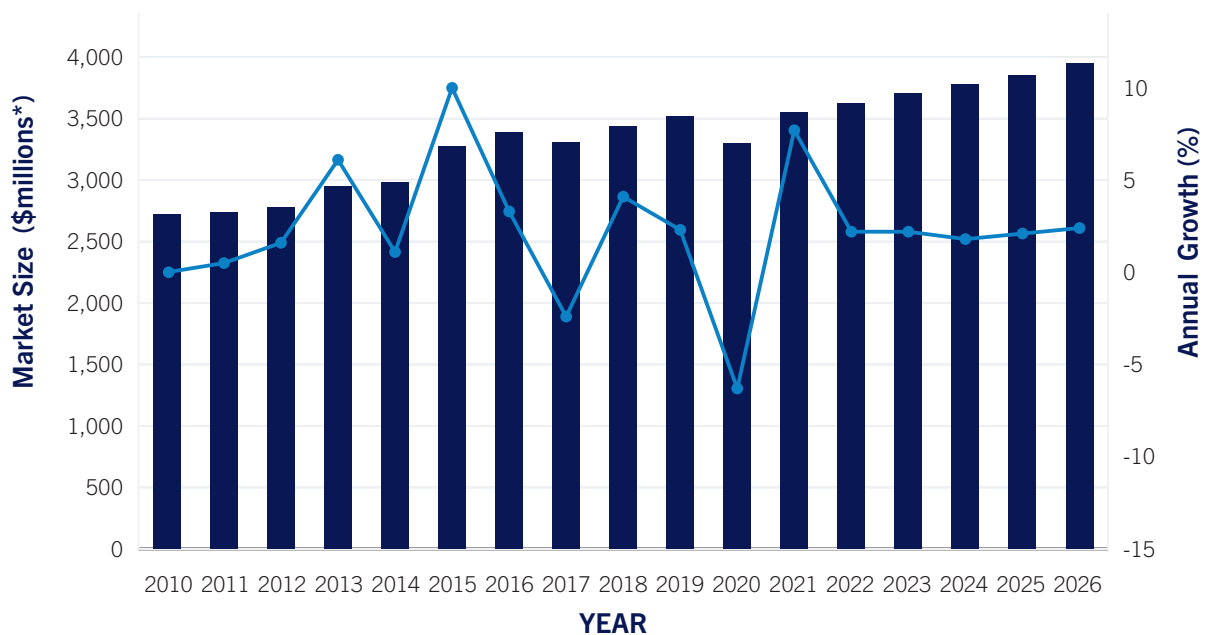
Source: IBISWorld

*in constant 2019-20 dollars

However, several factors have constrained the performance of oral health professionals and dental practices, placing pressure on firms in the Australian dental industry. Social distancing and public health measures implemented by federal and state governments due to the COVID-19 pandemic have hindered oral health professionals' ability to operate. This prompted the size of the Australian dental industry to contract by 6.3% in 2019-20. However, the subsequent easing of COVID-19 restrictions allowed dental practices to continue operations, boosting the size of the Australian dental industry by 7.7% in 2020-21. Nevertheless, localised lockdowns around Australia, such as the prolonged Victorian lockdown at the beginning of 2020-21, have restricted the Australian dental industry's performance, constraining demand for industry firms. Further analysis on the COVID-19 pandemic is provided below.

The market the Australian dental industry supplies has two major segments: dental products and services to dental practices. The dental products segment represents the wholesale value of a range of products supplied to oral health professionals and dental practices, including dental instruments, furniture and consumables. The dental products segment also includes over-the-counter (OTC) products such as toothbrushes sold to oral health professionals, dental practices and retailers. The dental products segment is expected to total just over \$1.8 billion in 2020-21, representing just over half of the overall Australian dental industry's revenue. The second segment, services to dental practices, comprises a variety of services provided to oral health professionals and dental practices, including professional training, subcontracting, and equipment repair and maintenance. This segment is expected to total just over \$1.7 billion in 2020-21.

Australian Dental Industry



Source: IBISWorld 16/05/2022

*in constant 2020-21 dollars

1.2 Demand Determinants

A key driver of the Australian dental industry's performance is downstream demand from firms in the Dental Services industry. Factors influencing demand for dental services include dental service costs relative to household incomes, population growth, private health insurance coverage, oral health, natural teeth retention rates, and recognition of the effects of oral diseases and problems.

The affordability of dental services affects demand, with some people deferring dental services when incomes are low, economic conditions are uncertain or dental insurance coverage is lacking. For example, during the initial stages of COVID-19, demand for the Dental Services industry declined sharply, which negatively affected the Australian dental industry's performance. Dental emergency and repair work can be expensive for the average consumer, and they may either delay repair work or reduce the number of preventative visits. Consumers with private health insurance extras cover are more likely to visit the dentist, as their coverage fully or partially subsidises check-ups and repair work.

Basic preventative programs affect dental health in the community. These include water fluoridation, public education campaigns (including those that promote less-cariogenic diets), adequate self-care and protection from various hazards and injuries, and publicly funded dental health programs. School dental programs can instil the need for good oral care from an early age, increasing the likelihood of consumers visiting their dentist for preventative work in the future.

1.3 Key Performance Drivers

Disposable income

Household disposable incomes affect demand for dentistry services, as households often perceive dental treatments as costly and deferrable. Households with higher disposable income are also more likely to have private health insurance, which lowers dental treatment costs. Increased dental work among the Australian population drives demand for products and services supplied by the Australian dental industry. A fall in disposable incomes can prompt some households to defer non-essential dental work, threatening demand for dentistry products and services.

Consumer incomes have risen over the past five years. However, growth has been constrained by weak wage growth and uncertain economic conditions as a result of the COVID-19 outbreak. Despite the adverse economic effects of COVID-19, total disposable income increased over the two years through 2020-21, as government social assistance payments to households rose strongly. In addition, the household saving ratio increased during COVID-19, as households tried to save money and social restrictions limited their ability to spend. Increasing cost-of-living pressures, as a result of rising inflation, have also weighed on consumer spending, causing lower income households to constrain expenditure. While consumer incomes rose in 2020-21, the positive effect on spending on dental services has been limited. Nevertheless, spending on dental services rose from a low during 2019-20 as a result of the initial outbreak of COVID-19.

Population

Australia's population also drives demand for dental services, which influences demand for products and services supplied by the Australian dental industry. Australia's population has grown over the past five years, increasing the number of dental practices in the country. This trend has supported demand for the Australian dental industry. However, population growth since the initial outbreak of COVID-19 has been limited, due to low and negative net migration while the Federal Government had border restrictions in place. This has slightly constrained revenue growth for the Australian dental industry since the onset of COVID-19. Population growth is expected to accelerate in 2022-23 due to eased border restrictions, encouraging demand for the Australian dental industry.

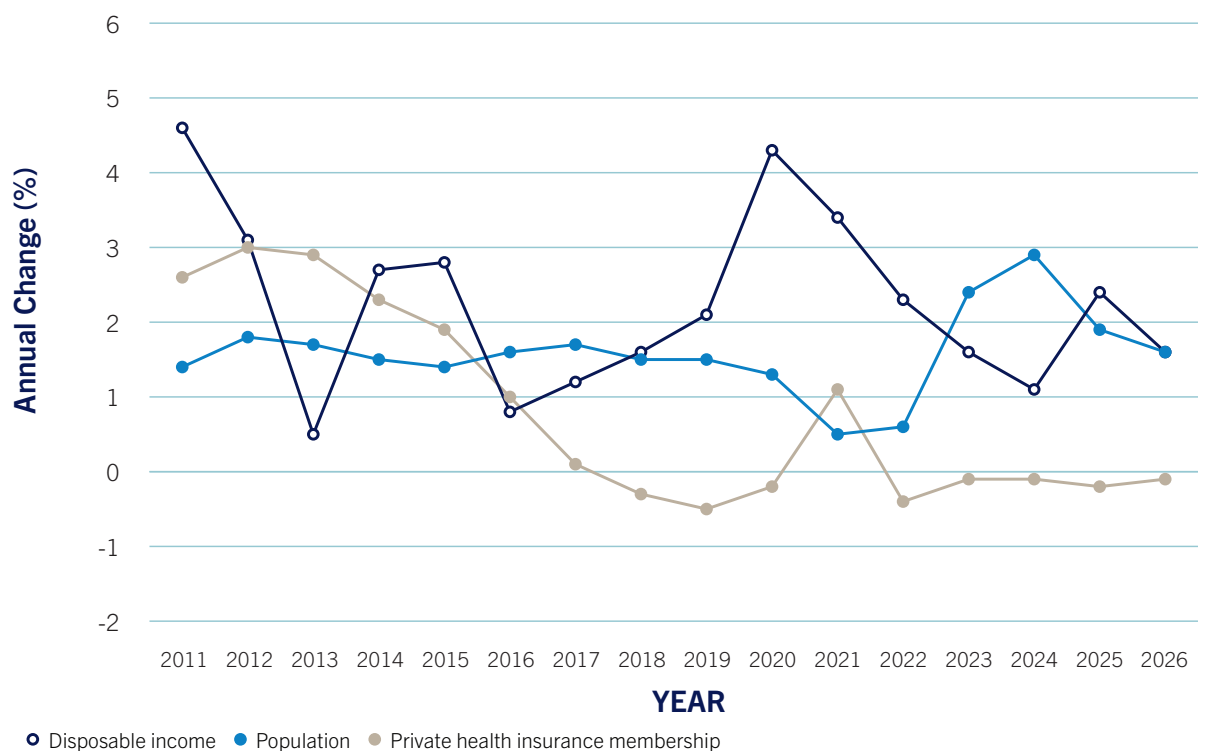
Private health insurance membership

The proportion of the population with private health insurance extras cover influences demand for dental services, as Medicare does not cover most dental services. Consequently, increased demand for dental work from Australians with private health insurance provides an opportunity for revenue growth for the Australian dental industry. Private health insurance membership numbers have fallen as a share of the population over the past five years. However, since the Federal Government introduced private health insurance reforms on 1 April 2019, the percentage has risen. Concerns about affordability and value are likely to discourage the uptake of private health insurance by younger people.

COVID-19

The COVID-19 pandemic has significantly affected the Australian dental industry. The onset of the pandemic in March 2020 led to substantial social distancing and lockdown restrictions, prompting the deferral of most routine dental treatments. Only a limited number of dental treatments for emergencies were allowed. This contributed to steep revenue declines in the Dental Services industry, negatively affecting the Australian dental industry. Further lockdowns and social distancing restrictions over the two years through 2021-22 are also expected to limit demand for the Australian dental industry, particularly in Victoria and New South Wales. Nevertheless, demand recovered from the 2019-20 decline, contributing to revenue growth over the period.

Key Performance Drivers



Source: IBISWorld 16/05/2022
*in constant 2020-21 dollars

1.4 Outlook

Dentistry operational activity is forecast to continue recovering in 2021-22. The continued easing of COVID-19 restrictions due to high vaccination rates and the recovery in economic conditions are projected to support the Australian dental industry. As a result, demand for dental products and services is anticipated to pick up during the year. According to IBISWorld report Q8531, Dental Services in Australia, the industry is expected to expand by 1.4% in 2021-22 to total \$10.6 billion. This will boost demand for the Australian Dental industry and lift revenue by 2.2% in 2021-22, to total \$3.6 billion. However, several factors are projected to limit growth during the year. Prolonged lockdowns in Victoria and New South Wales at the beginning of the financial year are likely to limit demand. Additionally, substantial supply chain pressures stemming from significant economic unrest over the past three years have created inflationary pressures and raised the cost of living. This is likely to increase operating costs for dental practices and reduce households' spending power, limiting consumers' likelihood of undertaking dental treatments. It is also forecast to limit the number of Australians taking out private health insurance, further restricting demand for dental care. Nevertheless, recovering economic conditions and an ageing Australian population are likely to support the expansion of the Australian dental industry over 2021-22.

Over the next five years, the negative effects of the COVID-19 pandemic are likely to wane. As consumer spending power recovers and Australia's population grows, demand for dental services is anticipated to rise, increasing demand for products and services supplied by the Australian Dental industry. Furthermore, supply chain pressures are forecast to ease, boosting consumers' purchasing power and easing cost pressures on dental practices. Additionally, any inclusion of dental services under the Medicare scheme over the next five years is likely to boost demand for the Dental Services industry, supporting the Australian dental industry. The Australian dental industry is forecast to grow its revenue at an annualised 2.1% over the five years through 2025-26, to \$3.9 billion.

Chapter 2 – Dental Products

The Australian Dental Industry supplies a range of dental products to oral health professionals/dental practices. This chapter includes products manufactured in Australia and products imported from overseas. Similar to other manufacturing sectors, imports make up the majority of dental products in Australia. Imports of dental products have increased strongly over the past decade. The United States makes up the majority of dental product imports, with just under one-third of the total value of imports. Other major importing countries include China, Germany, Mexico, Japan, Thailand, the United Kingdom and Ireland.

The dental products market has been split into specialised and over-the-counter products. The specialised dental products segment is expected to have increased at an annualised 0.4% over the five years through 2019-20, to total \$988.7 million. The expansion of the Dental Services industry has provided some opportunities for increased sales of specialised dental products over the period. However, weak income growth and declining per-capita health insurance membership have constrained demand for dental services, limiting demand for upstream product suppliers. The COVID-19 pandemic has further limited demand for dental products, as many dental practices were temporarily closed during March and April 2020. Revenue generated through specialised dental products is expected to have fallen by 9.4% in 2019-20, due to weakened demand from dental practices during the COVID-19 pandemic.

Specialised Dental Products

	Imported dental laboratory products	Orthodontic and restorative products	Consumable products	Infection control products	Dental instruments	Imaging equipment	Imaging products	Other	OTC
2009-10	125.3	178.6	140.4	50.8	253.0	43.9	14.6	85.2	509.8
2010-11	110.2	183.7	169.6	61.8	207.3	42.8	14.3	105.8	510.3
2011-12	105.6	199.0	187.9	58.0	218.6	42.1	14.0	116.7	434.6
2012-13	110.1	206.9	210.6	56.0	224.8	44.3	14.8	129.0	463.3
2013-14	113.2	205.2	191.7	52.3	266.4	40.5	13.5	119.1	477.8
2014-15	139.8	228.2	202.1	48.4	285.0	43.8	14.6	123.5	564.6
2015-16	168.9	257.8	169.8	38.8	339.8	45.1	13.1	101.0	548.8
2016-17	179.0	256.3	168.4	39.4	318.8	43.6	12.6	97.7	518.0
2017-18	171.4	250.9	166.6	39.3	351.4	44.3	12.8	98.6	598.1
2018-19	183.2	261.6	162.6	40.0	346.1	40.4	11.7	95.3	663.7
2019-20	190.6	223.5	138.8	44.9	330.7	30.7	8.9	75.4	691.5
2020-21	193.0	235.0	124.3	47.8	418.1	40.7	11.7	80.1	659.4
CAGR	2.7%	-1.8%	-6.0%	4.3%	4.2%	-2.0%	-2.3%	-4.5%	3.7%
2020-21	1.3%	5.1%	-10.4%	6.5%	26.4%	32.5%	31.7%	6.2%	-4.6%

Source: IBISWorld

*in constant 2019-20 dollars

Specialised dental products have been split into the following categories: Dental instruments; Orthodontic and restorative products; Consumable products; Imported dental laboratory products; Infection control products; Imaging equipment; Imaging products; and Other products. Domestically produced dental laboratory products are included in chapter 3.2, which will understate the true value of the specialised dental products segment.

The market value for over-the-counter products has increased at an annualised 4.5% over the five years through 2019-20, to total \$666.8 million. Australia's growing population has driven demand for oral hygiene products at the retail level. For more information, please refer to Chapter 2.9.

2.1 Dental Instruments

This segment includes dental drill engines (both standalone and combined on a single base with other dental equipment); air-turbine-operated dental drill engines (comprising at least an operating handpiece and air supply controller); dental articulators; apparatus for administering anaesthetic gases used in dental sciences and dental occlusal programming units; dental handpieces and accessories; instruments (such as articulating forceps, awls, bone files, brushes, chisels, excavators, files, forceps, measuring gauges, mirrors, pliers and wire cutters, rubber dams, saws, scalpels, scissors and tweezers); instrument accessories (such as sharpeners); and other instruments, fittings and appliances used in dental sciences (excluding some allocated to other segments).

Dental instruments represent one of the largest product segments in the dental products market. This segment includes hand and mechanical instruments, and fittings. Products include dental drills, handpieces, measuring gauges, apparatus for administering anaesthetic gases and dental articulators. The size of the dental instruments market is expected to increase at an annualised 4.2% over the five years through 2020-21, to total \$418.1 million. Demand for dental instruments has risen over the period, as indicated by the rising value of dental instrument imports. The COVID-19 outbreak created difficult trading conditions for this segment, as the temporary closure of dental practices caused the deferral of routine examinations and treatments, limiting demand for dental instruments. Nevertheless, demand recovered strongly in 2020-21, with revenue rising by 26.4%. Supply-chain pressures have also raised prices, inflating revenue.

2.2 Orthodontic And Restorative Products

This segment includes dental cements and other dental fillings, and bone reconstruction cements; fillings; endodontics (cavity cleaners, dispensers and guns, organisers, pathfinders, removers, rings and rulers and stoppers), impression materials and accessories; dental wires and screws; retainers; brackets; aligners; and dental instruments, consumables and fittings primarily related to orthodontic and restorative dental work.

The orthodontic and restorative products segment contains a range of products used by dentists to provide orthodontic or restorative work. The segment comprises dental cements and instruments and fittings not included in the dental instruments segment, such as wires, brackets and retainers. The size of the orthodontic and restorative products market is expected to fall at an annualised 1.8% over the five years through 2020-21, to total \$235.0 million. The number of endodontic and restorative services provided in Australia has declined at an annualised 3.3% over the past five years, as indicated in the Australian Government's Medicare statistics. This has limited revenue derived from this segment. In addition, weakened demand for orthodontic and restorative services during the initial stages of the COVID-19 pandemic reduced this segment by 14.6% in 2019-20. However, this segment began recovering in 2020-21, growing by 5.1%.

2.3 Consumable Products

This segment includes adhesive dressings and other articles that have an adhesive layer or are impregnated or coated with pharmaceutical substances for dental uses; wadding (including cotton wool and absorbent cotton) that is impregnated or coated with pharmaceutical substances for dental purposes; gauze, bandages and similar articles that are impregnated or coated with pharmaceutical substances for dental uses; syringes; needles; drinking cups; paper products; debris collectors, saliva ejectors; brushes; and other consumable products that are not classified elsewhere.

Consumable products are single-use items that aid dental services. Products in this segment include adhesive dressings, wadding, bandages and paper products. This segment also includes syringes and needles that are often used for anaesthetic purposes. The size of the consumable products market is expected to decrease at an annualised 6.0% over the five years through 2020-21, to total \$124.3 million. This decline is largely attributable to the COVID-19 pandemic, with the deferral of routine examinations and treatments limiting demand from dental practices. This segment has declined at an annualised 12.6% over the two years through 2020-21.

2.4 Imported Dental Laboratory Products

This segment includes artificial teeth; modelling pastes and preparations known as dental wax or dental impression compounds; and dental fittings.

This segment represents the value of imported dental laboratory products, which include artificial teeth, modelling pastes, dental wax and dental fittings. Sales of these products are separate from the products manufactured by domestic dental laboratories and are often more generic in nature. Sales and service costs from domestic dental laboratories can be found in Chapter 3.2. A wholesale mark-up has been applied to import values and they are presented in constant 2020-21 dollar terms.

The value of imported dental laboratory products is expected to increase at an annualised 2.7% over the five years through 2020-21, to total \$193.0 million. This is despite the relatively weak value of the Australian dollar, compared to the previous decade, and trade disruptions caused by the COVID-19 pandemic. Imported dental laboratory products come from a range of countries. In 2020-21, the largest countries are the United States (31.5%), China (18.9%), Mexico (10.2%) and Switzerland (8.7%). The value of imported dental laboratory products increased by 1.3% in 2020-21.

2.5 Infection Control Products

This segment includes absorbable and non-absorbable sterile surgical or dental adhesion barriers made from various materials; sterile tissue adhesives; sterile absorbable dental haemostatics; gloves made from various materials; sterilising products, cleaning solutions and skin cleaners; and other infection control products that are not classified elsewhere.

Dental service providers purchase infection control products to minimise the likelihood of infections during dental treatments or surgery. This segment includes sterile dental adhesion barriers made from various materials, haemostatic agents, latex and other gloves for dentistry; and cleaning solutions and sterilising products. The value of infection control products is expected to increase at an annualised 4.3% over the five years through 2020-21, to total \$47.8 million. The rising need for infection control products during COVID-19 has driven most of this increase. The value for infection control products is still relatively high compared to the previous five-year period, having increased by 12.3% in 2019-20 and 6.5% in 2020-21.

2.6 Imaging Equipment

This segment includes apparatus based on the use of X-rays for dental use (including radiography or radiotherapy apparatus but excluding computed tomography apparatus); apparatus based on the use of alpha, beta or gamma radiations (including radiography or radiotherapy apparatus) for dental use; cameras; and other imaging equipment that is not classified elsewhere.

Imaging equipment includes capital items such as intra- and extra-oral X-ray machines, and cameras. This segment has declined at an annualised 2.0% over the five years through 2020-21, to total \$40.7 million. This decline has primarily been driven by trade disruptions for imported imaging equipment caused by the COVID-19 pandemic. This segment fell by 23.9% in 2019-20. However, this product segment's value has risen by 32.5% in 2020-21 as demand for imaging equipment has increased with the recovery of the Dental Services industry.

2.7 Imaging Products

This segment includes radiography accessories; intra- and extra-oral films; film holders; film mounts; processing chemicals; protective equipment; screens and cassettes; sensors and viewers; and other imaging products that are not classified elsewhere.

This segment includes products that are required to use imaging equipment, such as film and processing chemicals. This segment is expected to decline at an annualised 2.3% over the five years through 2020-21, to total \$11.7 million. This fall has primarily been driven by declines in the imaging equipment segment during the COVID-19 pandemic. In addition, the increasing digitisation of dental health services has limited demand for traditional products like film. However, similarly to the imaging equipment segment, the value of this product segment is expected to increase by 31.7% in 2020-21.

2.8 Other Products

This segment comprises dental furniture and parts, including operating tables, examination tables and hospital beds with mechanical fittings; dental chairs, benches and stools; and other products that are not classified elsewhere.

A range of other dental products are supplied to dental service providers. Collectively, these products are expected to account for \$80.1 million in 2020-21, with the value of this segment falling by an annualised 4.5% over the five years through 2020-21. This decline has primarily occurred due to a fall of 20.9% in 2019-20, as dental practices reduced their spending on capital items such as furniture during the COVID-19 pandemic. However, as the broader economy began to recover, spending on other products increased. Therefore, this segment has risen by 6.2% in 2020-21, partially offsetting the declines of the previous year.

2.9 Over-The-Counter Products

This segment comprises dentifrices for oral or dental hygiene, including toothpastes and other preparations for teeth and denture cleaners but excluding mouth washes and oral perfumes; high-tenacity yarn made from nylon or other polyamides used to clean between the teeth (dental floss) in individual retail packages; yarn used to clean between the teeth (dental floss) in individual retail packages (excluding high-tenacity yarn made from nylon or other polyamides); preparations for oral or dental hygiene, including mouth washes and oral perfumes but excluding high-tenacity yarn made from nylon or other polyamides used to clean between the teeth, dentifrices and yarn used to clean between the teeth; and electric and hand-powered tooth brushes.

OTC products represent both sales to dental service providers, and wholesale sales to retailers and other businesses that sell to consumers. Key products in this segment include dentifrices, dental floss and mouthwash. The market value of this segment is expected to increase at an annualised 3.7% over the five years through 2020-21, to total \$659.4 million. Australia's growing population has been a key driver of this growth. However, declines in consumer spending power during the COVID-19 pandemic have reduced demand for premium products in this segment. Overall, revenue from OTC products has fallen at an annualised 0.3% over the two years through 2020-21.

This segment comprises four main product lines: dentifrices; dental floss; mouth washes; and tooth brushes.

- The total value for dentifrices in the Australian market is expected to total \$323.0 million in 2020-21, representing a 2.9% annualised increase over the past five years.
- The total value of tooth brushes (both electric and hand powered) is expected to total \$165.1 million in 2020-21, representing annualised growth of 6.2% over the past five years.
- The total value of mouth washes and other oral hygiene products is expected to total \$145.2 million in 2020-21, representing annualised growth of 4.4% over the past five years.
- The total value of dental floss in the Australian market is expected to total \$26.2 million in 2020-21, representing an annualised decline of 2.3% over the past five years.

2.10 Methodology

The value of the specialised dental product market was taken from the average cost structure benchmarks of firms in IBISWorld report Q8531 Dental Services in Australia, which incorporates data from ABS reports, Dental Services (1997-98) and Health Care Services (2009-10). Product segments were estimated using 10-digit import data from the Queensland Government Statistician's Office (Australia-wide data). For imports that needed a split between medical, dental and veterinary, the amount allocated to dental products was based on the relevant sizes of the corresponding downstream Dental Services industry. A wholesale margin was applied to import totals using calculations from the cost structure benchmarks of firms in IBISWorld report F3491, Medical and Scientific Equipment Wholesaling in Australia. Domestic production estimates were then added to import totals to calculate the product segment splits. Some assumptions in prior editions of the Australian Dental Industry Intelligence Reports (Deloitte 2016-17) were used. Figures are presented in constant 2020-21 dollar terms.

To avoid double counting, products have been allocated to the most relevant segment rather than being included in multiple segments. Unfortunately, deeper product segment splits cannot be obtained due to a lack of reliable data.

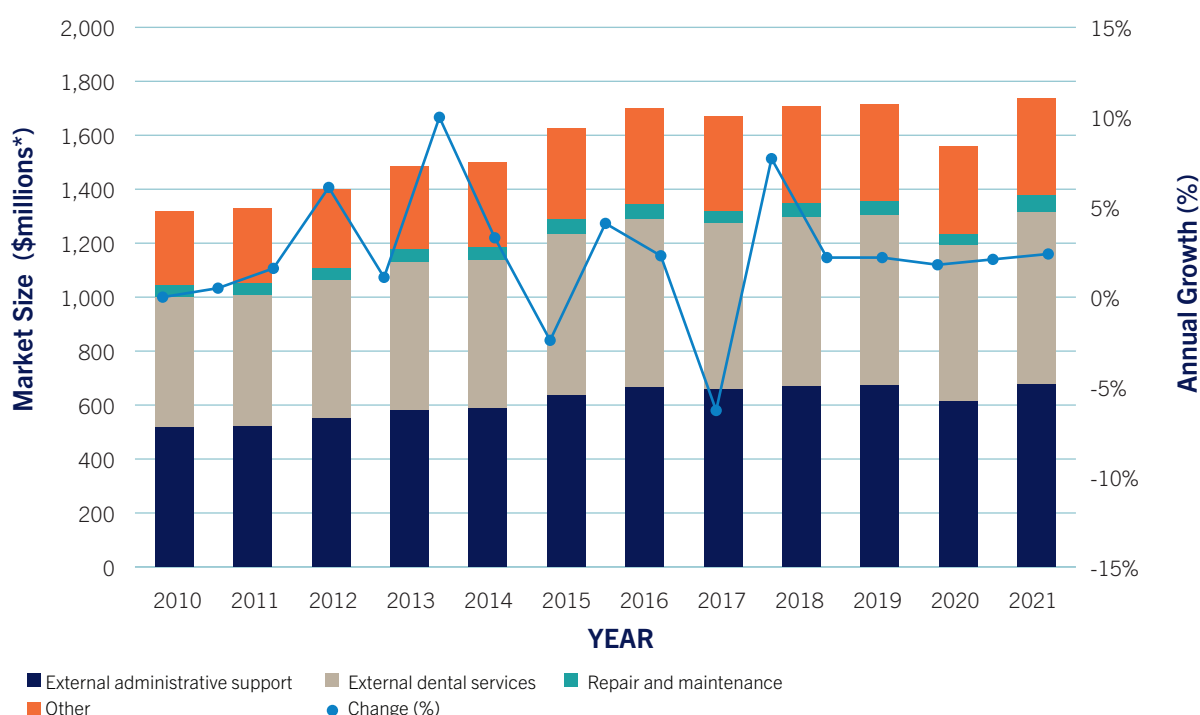
For OTC products, import values were obtained through 10-digit import data from the Queensland Government Statistician's Office (Australia-wide data). Domestic production values were estimated using IBISWorld report C1851, Soap and Cleaning Compound Manufacturing in Australia. A wholesale margin was then applied to the total domestic demand value. Figures are presented in constant 2020-21 dollar terms.

Chapter 3 – Services To Dental Practices

The Australian dental industry also provides a range of services to dental service providers. These services include providing staff to dental practices; external dental services; external administrative support; professional and educational training; insurance; and repair and maintenance work on capital items.

Collectively, the market size for providing these services to dental service providers is expected to rise at an annualised 0.4% over the five years through 2020-21, to total just over \$1.7 billion. This weak growth is largely attributable to the COVID-19 pandemic, which caused a substantial decline of 8.9% in 2019-20. Dental practices have been cutting down on unnecessary spending during the pandemic, as temporary closures and weakened consumer demand have put downwards pressure on dental service revenue. However, the recovery from the effects of the pandemic has boosted demand for dental services by 11.4% in 2020-21.

Services To Dental Practices



Source: IBISWorld 16/05/2022

*in constant 2020-21 dollars

3.1 Provision Of External Administrative Support

Payments to administrative businesses for support services account for the largest share of the services to dental practices market. According to the ABS, dental service providers often outsource administrative, secretarial or similar support services to specialised firms, with dental practices paying a management or service fee for this subcontracted work. The external administrative support segment includes firms offering accounting, secretarial, human resources, facilities management, payroll and billing services. Figures are presented in constant 2020-21 dollar terms.

This segment is expected to increase at an annualised 0.3% over the five years through 2020-21, to total \$677.2 million. While this segment has grown over the past five years in line with the expansion of the Dental Services industry, it has faced a steep decline during the onset of the COVID-19 pandemic. This decline was primarily driven by the cutting back of unnecessary spending, with revenue falling by 8.7% during 2019-20. In 2020-21, revenue from this segment rose by 10.1%. Prior to the pandemic, this segment largely grew as more dental practices outsourced non-core work.

3.2 Provision Of External Dental Services

External dental services account for a significant share of revenue in the services to dental practices market. External dental laboratory services make up the bulk of this segment, with dental service providers requiring a range of products and services from external laboratories. This segment includes both the sales of products made by external laboratories (such as dental fittings, crowns and dentures) and the service costs associated with external laboratory work. Imported products are excluded from this segment and are included in Chapter 2.4. Figures are presented in constant 2020-21 dollar terms.

This segment is expected to grow at an annualised 0.4% over the five years through 2020-21, to total \$636.3 million. This weak growth is largely attributable to the COVID-19 pandemic. Declines in the number of dental services provided during the COVID-19 pandemic limited demand for dental products such as crowns and veneers, contributing to this segment declining by 8.6% in 2019-20. The recovery in the number of dental services and inflationary pressures from supply-chain issues have placed boosted revenue derived from this segment in by 10.2% in 2020-21.

3.3 Repair And Maintenance

The repair and maintenance segment has risen at an annualised 2.8% over the five years through 2020-21, to total \$63.4 million. According to the ATO, firms in the Dental Services industry spend approximately 0.5% of their revenue on repair and maintenance work on capital items.

3.4 Other Service Markets

Dental practices also require a variety of other external services, including providing staff to dental practices, insurance premiums, and professional and educational training. Collectively, these costs are expected to rise at an annualised 0.4% over the five years through 2020-21, to total \$361.1 million. Similarly to other service segments, this market contracted during the initial stages of the COVID-19 outbreak as dental practices reduced spending. For example, dental practices have spent less on professional and educational training to scale back costs. However, this trend reversed in 2020-21, due to the beginning of the economic recovery from the pandemic, with this market expanding by 10.2%. Figures are presented in constant 2020-21 dollar terms..

3.5 Methodology

The market size of services to dental practices was estimated using the revenue and the average cost structure benchmarks of firms in IBISWorld report Q8531, Dental Services in Australia, which incorporates data from ABS reports, Dental Services (1997-98) and Health Care Services (2009-10). Repair and maintenance expenses were estimated using the ATO's statistics on expenses, which is provided for the three-digit level and includes firms in the Dental Services industry.



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