GCC Pharmaceutical Industry

First coordination meeting for the pharmaceutical industry in the GCC and Yemen

Dr. Aasim Qureshi
11 April 2011
The pharmaceutical industry is worth approximately USD 880 billion.

The industry continues to grow (CAGR of 5-7%).

Lead by US (35%), Europe (30%) and Asia/Japan (20%).

Emerging markets are growing quickly (CAGR of 20% of the next 3 years).

Slower innovation despite increased spending on R&D.

Increased M&A activity in the sector.

Regulators are becoming more stringent in the approval process.

Patent expiry – USD 80 billion of sales will be lost in the next 4 years.

“Lifestyle” diseases such as diabetes and cardiovascular disorders are becoming more prevalent.
GCC Pharmaceuticals Industry

- GCC represents less than 1% of the global sector
- Pharmaceuticals market to double from USD 5.5 billion within the next 9 years
- Growth of the sector is driven by:
  - population growth;
  - ageing population;
  - increased lifestyle diseases due to smoking and poor diet; and
  - requirement to maintain health insurance
- 80% of drugs used in the region are imported:
  - Represents USD 1 billion
  - 75% patented products
- Between 7-12% of GCC annual budgets are allocated for healthcare spending
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| **Qatar** | USD 227 million. | - High per capita expenditure on drugs.  
- Many government initiatives to strengthen R&D and local pharmaceutical industry.  
- Drug expenditure is forecast to increase by a CAGR of 11% to reach USD 400 million by 2014. |
| **Saudi Arabia** | USD 2.8 billion. | - Market expected to grow at CAGR of 6% until 2014.  
- Leading position in GCC with 27 manufacturers.  
- Government allows 100% foreign ownership, low cost loans and low cost power to encourage domestic production.  
- Wholesale retailing of products is not allowed for foreign companies. |
| **UAE** | USD 1.8 billion. | - The pharmaceuticals market is projected to grow to USD 2.7 billion by 2014 at a CAGR of 13%.  
- Per capita drug spending will be USD 493 by 2014.  
- 8 domestic manufacturers, producing mostly generic drugs. |
| **Bahrain** | USD 118 million. | - Drug expenditure will grow at an average CAGR of 4% until 2019.  
- Domestic manufacturing is underdeveloped due to limited investments.  
- Bahrain follows a policy of importing drugs directly from a manufacturer with licensed research capabilities in GCC countries. |
| **Kuwait** | USD 374 million. | - Only 20% of pharmaceutical products in terms of volume were manufactured locally.  
- Market dominated by imported and expensively priced patented drugs.  
- Kuwait has a strong pharmaceutical regulatory structure.  
- Government taking measures to reduce costs of essential drugs, which are considered the highest in the Middle East. |
| **Oman** | USD 152 million. | - Small domestic industry with only two main producers.  
- Oman has the lowest per-capita expenditure, overall healthcare expenditure is forecast to increase from USD 0.8 billion in 2009 to USD 1.4 billion by 2014.  
- Government is active in trying to attract private participation in the pharmaceuticals sector. |

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Challenges

- Continued dominance of Western countries
- High dependence on imported medical products and medicinal ingredients
- Imported, branded drugs are preferred to locally-made generics
- Growth barriers for OTC medicines due to regulations prohibiting advertising and promotion of drugs
- Medicines are very costly in the GCC by international standards
- Unevenly priced medicines could create opportunities for pricing arbitrage
- Pharmaceutical manufacturing requires high capital expenditure
- R&D investment in the GCC is low compared with developed nations
- Increased number of counterfeit medicines
GCC – The land of opportunities

- Spending on healthcare in the GCC is increasing
- Diversification away from oil and gas sectors results in increased focus on education and R&D:
  - Sidra Medical and Research Centre;
  - Dubai Healthcare City; and
  - Qatar Science and Technology Park
- Lack of listed entities results has recently attracted private equity and venture capital interest
- Increased foreign direct investment into the pharmaceutical sector
- GCC governments provide incentives to increase private participation in the local pharmaceutical manufacturing sector
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