GLOBAL PHARMACEUTICAL INDUSTRY

- **Emerging markets spend more on pharma than main EU markets – US$281bn vs US$196bn**
- **Big Pharma investing in emerging markets through acquisition and partnerships**
- **Growth driven by expanding middle-class populations and led by 'BRIC-MT' countries**

Emerging markets

TIER 1 – BRIC-MT	TIER 2	
Brazil	Argentina	Pakistan
Russia	Algeria	Poland
India	Columbia	Romania
China	Egypt	South Africa
Mexico	Indonesia	Saudi Arabia
Turkey	Morocco	Thailand
	Nigeria	Venezuela

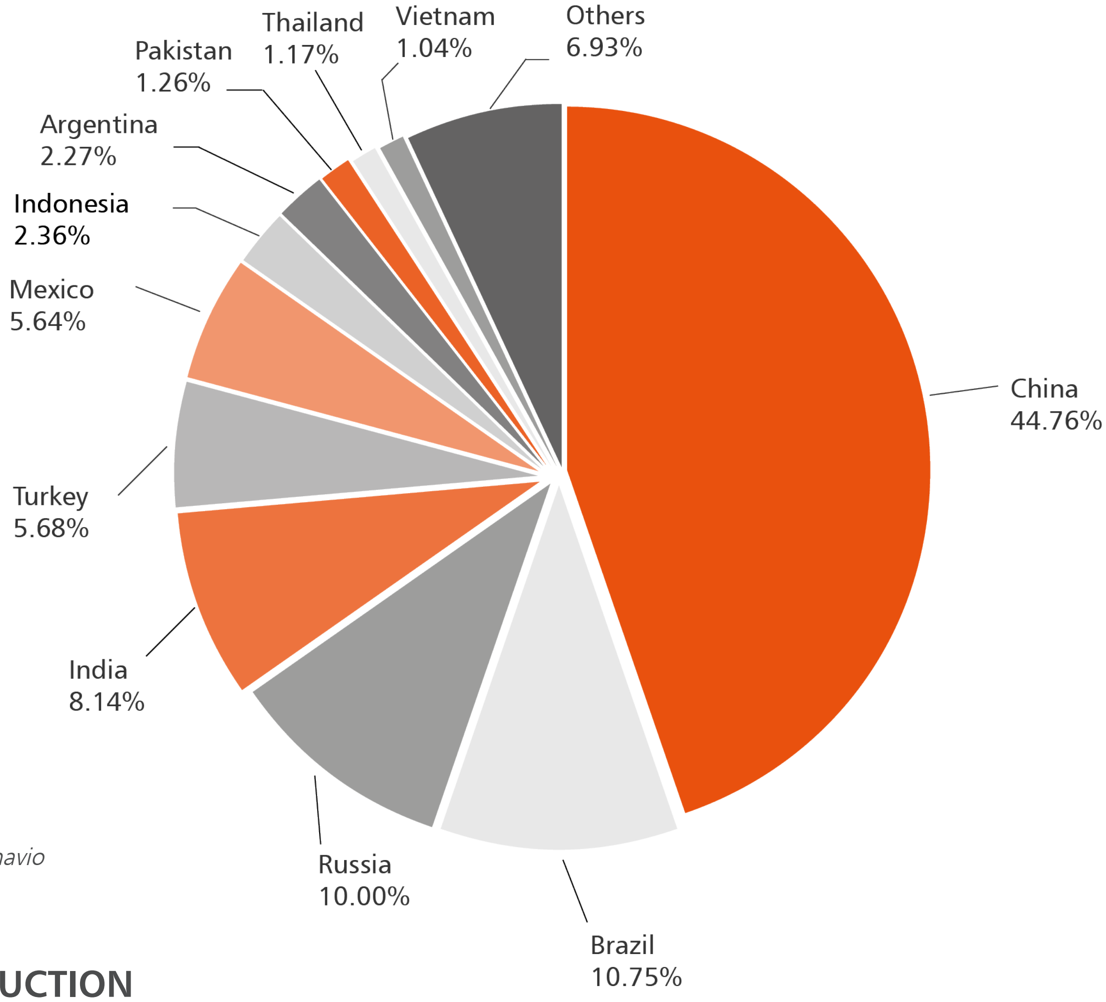
The 'Phamerging economies' – Sales growth by region 2015-2020

MARKETS	BRIC-MT	Asia	Eastern Europe	Others
Sales Growth	US$117bn	US$18bn	US$16bn	US$39bn
CAGR*	9.3%	8.8%	6.5%	8.1%

**Compound Annual Growth Rate*

Continued...

'Phamerging' market share by country



Source: Technavio

INTRODUCTION

Since 2010, there has been a steady but important shift in the global pharmaceutical – or 'pharma' – industry.

The fluctuating global economic situation and increasing levels of austerity have seen developed economies pull-back from healthcare funding. Meanwhile, emerging markets, with growing middle-class populations, have focused on healthcare reforms and invested heavily in the development of their own domestic pharma industries.

Emerging markets spent 43 per cent more on pharmaceuticals than the major EU economies (France, Germany, Italy, Spain and the UK) combined in 2014, according to a report from McKinsey & Company. By 2020, pharma sales in the emerging markets are expected to account for US$190 billion. International business magazine Fortune, which has labelled these emerging pharma countries 'pharmerging countries', expects them to see the fastest growth in total drug spending over the next three years.

As well as a change in the size of their pharma sectors, emerging markets have also seen the nature of the sector evolve. Urbanisation and increased access to healthcare have led to an adjustment in mortality rates and a significant increase in the prevalence of non-communicable diseases such as cancer, diabetes and cardiovascular disease – diseases which are well-covered by drugs produced by global pharma companies.

Many 'Big Pharma' companies are watching the emerging markets carefully to take advantage of the best opportunities. Recently, companies including Novartis, Sanofi and Astra Zeneca have all invested in key countries, with some acquiring local businesses and others adopting partnerships.

According to BMI Research, much of the growth in the emerging markets has been driven by the 'BRIC-MT' countries (Brazil, Russia, India, China, Mexico and Turkey). However, there is also a second tier of less obvious markets which offer opportunities for ambitious companies in the pharma sector as well as specialist consultants.

In this whitepaper, we review the prospects in three of these 'pharmerging countries' – Morocco, Vietnam and Poland – for growing companies in the pharma sector and specialist contractors.

MOROCCO

- **2nd largest market in Africa**
- **US$1.5bn revenue**
- **4% annual growth rate**

Source: IMS Health, AMIP

Morocco has a long history in pharmaceuticals, having been one of the first African nations to develop a pharma industry in the 1950s. As a consequence, the country has the second largest market in Africa, after South Africa.

Morocco's initial success was based solely on local production of pharmaceuticals which led to a series of industrial investments and the development of laboratories across the country. More recently, this business model has evolved as overseas businesses have sought to launch their own products in Morocco under licence with local laboratories.

The change has acted as a catalyst for the country, making it particularly attractive to pharma businesses and international investors for a number of reasons:

- Strong infrastructure – 60 years of success and experience have created a strong network of laboratories and distribution channels supported by government regulation
- Quality – Morocco's pharma plants already operate to exacting European Standards
- Proven track record – the top-five Moroccan pharma companies generate revenues of over US$100m
- Gateway to Africa – Morocco has become an ideal strategic location to access the rest of Africa, where there is a US$20 billion market growing at an annual rate of 20 per cent

Despite this, investment and opportunities for pharma companies and contractors have been muted in the last few years – but with good reason. Morocco underwent major medical reforms in 2012 which included access to healthcare becoming a constitutional right for the whole population. There is still a way to go in achieving this ambition as universal healthcare is currently only available to around a quarter of the population. However, as a consequence of the changing legislation, prices were cut causing a period of adjustment for the pharma industry.

With the sector now recovering, the Moroccan government has highlighted pharma as one of the industries that will boost its economy as part of its Industrial Acceleration Plan. The plan sets out measures to develop Morocco's pharma industrial base and export capabilities by forming partnerships with other African nations. This will help the country to become a pharma hub for companies keen to serve Africa with the creation of a direct export platform to reach the rest of the continent.

VIETNAM

- **71% growth in pharma market by 2020**
- **170+ pharma companies**
- **19% annual growth rate for the sector**

Source: Bloomberg, BMI

Like Morocco, Vietnam's pharma industry was also formed in the 1950s but, unlike Morocco, it did not benefit from industrial investments so remains in the fairly early stages of growth.

However, increasing levels of health awareness now mean Vietnam's rapidly expanding population – particularly its burgeoning middleclass – are spending more on healthcare than ever before. This has translated to an annual growth rate of 19 per cent for the country's pharma industry, creating significant opportunities for pharma businesses and specialist contractors.

This growth has been backed by favourable economic conditions across South East Asia and, according to Bloomberg, led to Vietnamese healthcare companies becoming some of the best performing industry groups on the country's stock exchange.

The sector's success has not gone unnoticed, having become a focus for overseas investment, particularly from growing pharma businesses in other parts of Asia. The latest figures from BMI research show the Vietnamese pharma market is expected to grow from US$4.2bn to $7.2 billion by 2020, with analysts expecting to see ongoing annual growth at around 10 to 15 per cent.

However, there are some hurdles to overcome. These include regulatory issues, such as inadequate intellectual property regimes and the underlying problem of corruption among healthcare officials. There is also a significant variation in pricing across the country which needs to be tackled to create a more stable market.

The growing population and the Vietnamese government's commitment to providing universal access to healthcare will act as a catalyst in addressing these concerns but there is also a real need for experience and expertise. The sector is fragmented and management standards vary considerably, creating opportunities for overseas pharma businesses and specialist consultants who can bring and apply industry best practice from other markets.

POLAND

- **5% annual growth over next 5 years**
- **US$10bn market by 2021**
- **#1 market in Central & Eastern Europe**

Sources: PMR, IMS Health

Following the political and economic changes in Poland in the 1980s, the country's nascent pharma industry opened-up to international collaboration. Since then the sector has grown steadily creating a strong manufacturing infrastructure.

More recently, Poland has seen significant changes to pricing, transparency and regulation in the sector which have enabled it to become a more mature market over the last ten years. As a result, a number of global pharma companies have chosen to locate their regional headquarters in Poland and the country is becoming a hub for exporting to Europe and Asia.

Poland has become the largest pharma market in the Central and Eastern Europe region. Today, the country's pharma infrastructure and strong network of scientific institutes make Poland an attractive investment option for the global pharma industry, particularly with the security of the country's growing economy and EU membership.

With government supported infrastructure and effective regulatory regime in place, Poland is well placed for continuing growth. The latest estimates from Polish market research firm PMR point to an average annual growth rate of 4.8% between 2016 and 2021.

While the country has a large number of highly qualified staff, their experience is broad, creating an opportunity for consultants with specialist pharma knowledge in growth sectors. In the immediate future there are a range of legal changes on the horizon where specialist pharmaceutical and healthcare experience could be in demand. These include a planned programme of free drugs and medical devices for persons aged over 75 years; a mandatory vaccination against pneumococcal disease; and the launch of Poland's National Plan for Rare Diseases.

OUTLOOK

The BRIC-MT countries may be leading the growth of pharma in the emerging markets in the short-term, but there are longer-term opportunities for ambitious pharma companies and specialist contractors in the second tier of pharmerging countries which already have the security of a growing economy. The opportunities for contractors and businesses serving the pharma sector are potentially significant but also varied, ranging from medical and scientific to legal, technical and financial.

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