Pharmaceutical Market Potential of Southeast Asian Countries

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CONTENT

Rational of Study

- In a world struggling with low growth, the ten member countries, Southeast Asia represent a genuinely exciting prospect among other Pharmerging markets. It is expected high growth in the region, already the world’s sixth largest economic bloc, to average 5.25% annually in the next five years. Much of this growth will come from ASEAN’s urban hubs: the region currently has populations of over 646 million, which will continue to drive an overwhelming share of its economic development in the next decades.
- For investors looking at the region, determining where exactly the greatest opportunities lie within these metropolises can be a struggle. This Study offer a wealth of data and analysis to clarify the prospects of these dynamic markets, enabling firms to pinpoint which market segments offer the most potential for growth.

Research Question:

- What is the Pharmaceutical market potential of Southeast Asian Countries?

Objectives:

- To Study the Pharmaceutical Market in Six Southeast Asian Countries (Vietnam, Thailand, Malaysia, Philippines, Myanmar, Cambodia)
- To Identify the most promising Southeast Asian Country for Pharmaceutical market

Research Methodology

Type of study:

- Descriptive, Secondary / Desk Research

Data Collection Tool:

- Information is collected from official databases on Healthcare and Pharmaceutical (i.e. WHO Country Profiles, CIA, IMS Health, World Bank) and official country documents such as Ministry of Health reports and country reports available in the public domain. and other government & regulatory published material, and paid data sources such as IMS Health and BMI.

Data Analysis:

- Data from the accomplished from individual Countries entered into a database using Microsoft Excel 2010 spreadsheet and analyzed.

Study Duration:

- The Study was conducted over a period of 3 months from February 2017 to May 2017.

Overview

- Southeast Asia is a sub-region of Asia, South-East Asia Region (SEARO) consists of 10 countries, Myanmar, Thailand, Lao PDR, Cambodia and Vietnam. Archipelagic Southeast Asia consists of Singapore, Indonesia, the Philippines, Brunei and Malaysia.
- Growth in the Southeast Asia economies is expected to decelerate slightly too about 5.25 percent during 2016–17.
- SEA account for 40% of the burden of diseases worldwide.

Why Southeast Asia?

- Large Population, rapid Urbanization & increasing spending power
- Increasing demands for quality healthcare and Medicines
- Strong economic growth
- Increasing healthcare and Pharmaceutical expenditure
- Next growing medical devices/ pharmaceuticals manufacturing industry
- Global shift in ASEAN markets

PEST Analysis

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- Strong political commitment for Universal Health Coverage
- Struggles with the realities of implementation UHC systems
- Willingness to make more evidence-based decision making

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- Combined GDP of Southeast Asian countries was close to $2.1 trillion in 2016
- Growth of middle population segment with disposable income
- Increasing cost pressures on health care budgets as cost of delivery and drugs risk outstripping budgets

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- Epidemiological transitions which Increasing diseases burden (NCD (diabetes, COPD, cancer etc.)
- Patient preference of branded products and private health sector, where affordable
- High income patients cross country borders to seek high standard health care and technologies.

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- Limited pharmaceutical technology, therefore the region relies on import for innovative drugs
- Limited requirements for technology transfer into the region
- Skilled physicians in Thailand, Malaysia, Vietnam which leads to increase medical tourism.

Southeast Asia: Snapshot

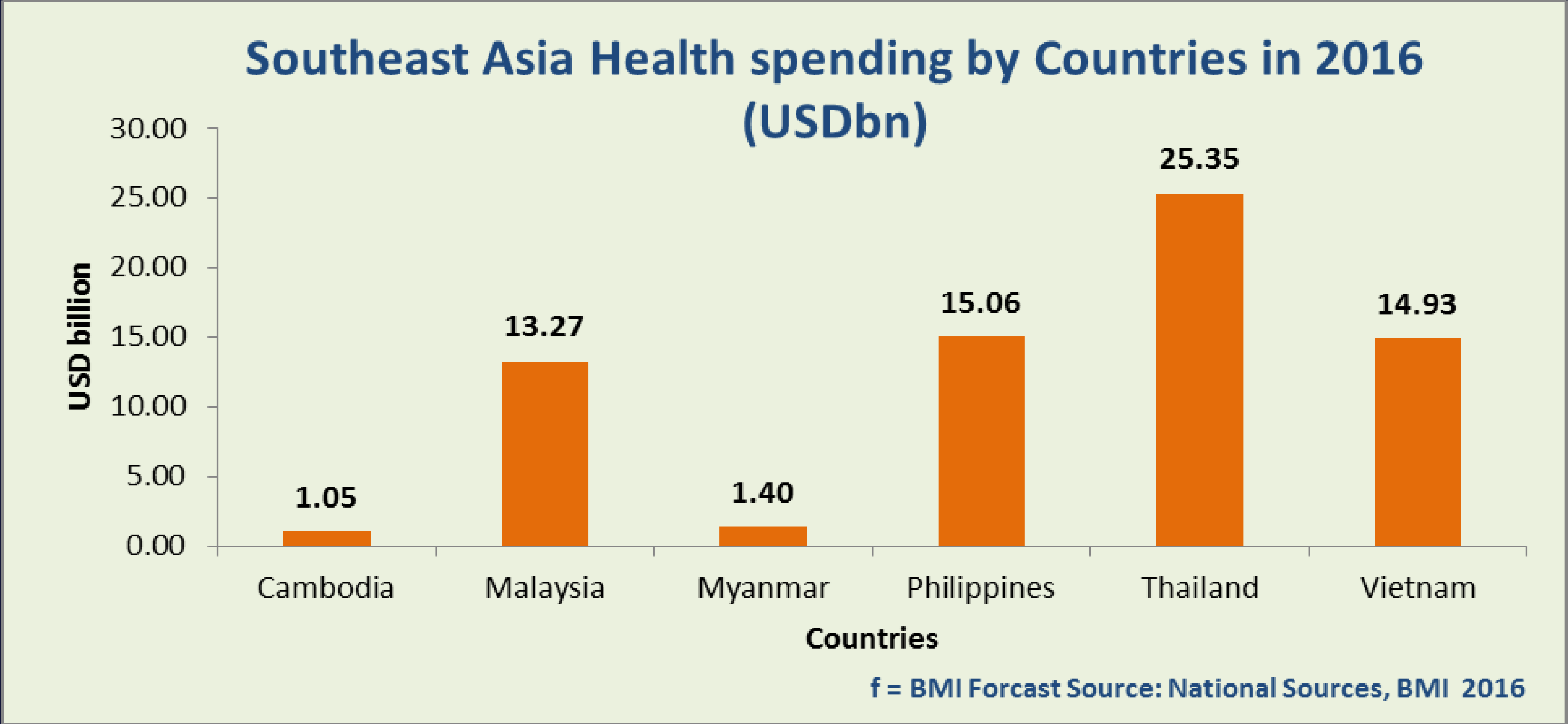
Countries	Population in 2016 (Million)	GDP in 2016 (Billion)	GDP Growth rate %	Pharmaceutical Sales in 2016(USD bn)	Healthcare Spending in 2016(USD bn)	Pharmaceutical Risk/Reward Index(out of 100)	Doing Business Ranking (out of 196 Countries)	Corruption Ranking(out of 196 countries)
Vietnam	95.26	200.5	6.1	4.73	14.93	48.3	82	113
Thailand	68.2	390.6	3.2	4.57	25.35	49.3	46	101
Philippines	102.24	311.7	6.4	3.26	15.06	45.0	99	101
Malaysia	30.94	302.7	4.3	2.09	13.27	59.0	23	55
Myanmar	56.89	68.28	8.1	0.41	1.40	27.8	170	136
Cambodia	15.95	19.15	7.0	0.28	1.05	32.9	131	156

Source: CIA, WHO, World Bank, BMI , TRI 2016

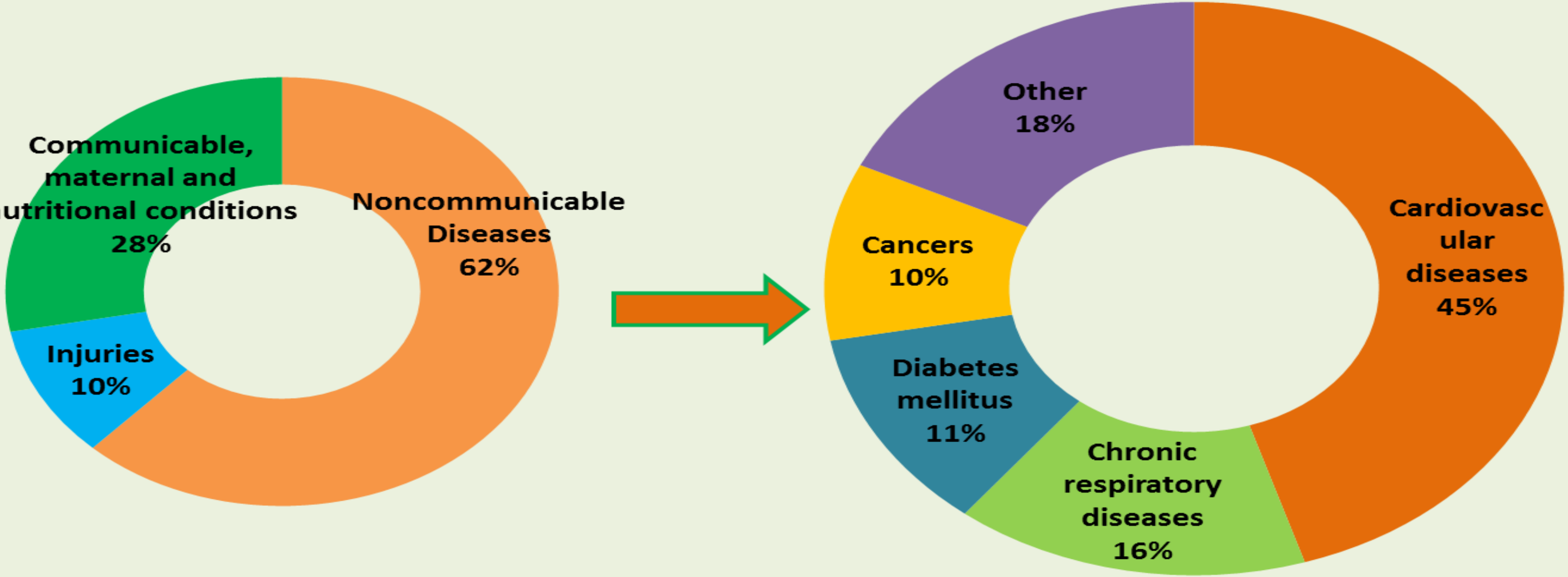
Southeast Asia Healthcare Sector

- Southeast Asia is characterized by varied demographic and economic conditions that require a tailored healthcare model for each country.
- The region's healthcare market was close to 120.57 bn and it is projected to be worth USD176.6 billion by 2020 (BMI).
- Southeast Asia is home to nearly 646 million people, with an elderly population of 40 million.
- Southeast Asia has a high prevalence of lifestyle-related diseases such as diabetes and heart disease.
- About 62 percent of the deaths in Southeast Asian countries could be attributed to non-communicable diseases (WHO) and impact the productive 15-69 age group.
- In Malaysia one in every tenth person of 30 years of age and older have diabetes (WHO).

Southeast Asia Health Spending



Proportion of Southeast Asia deaths under the age 70 years (2014)



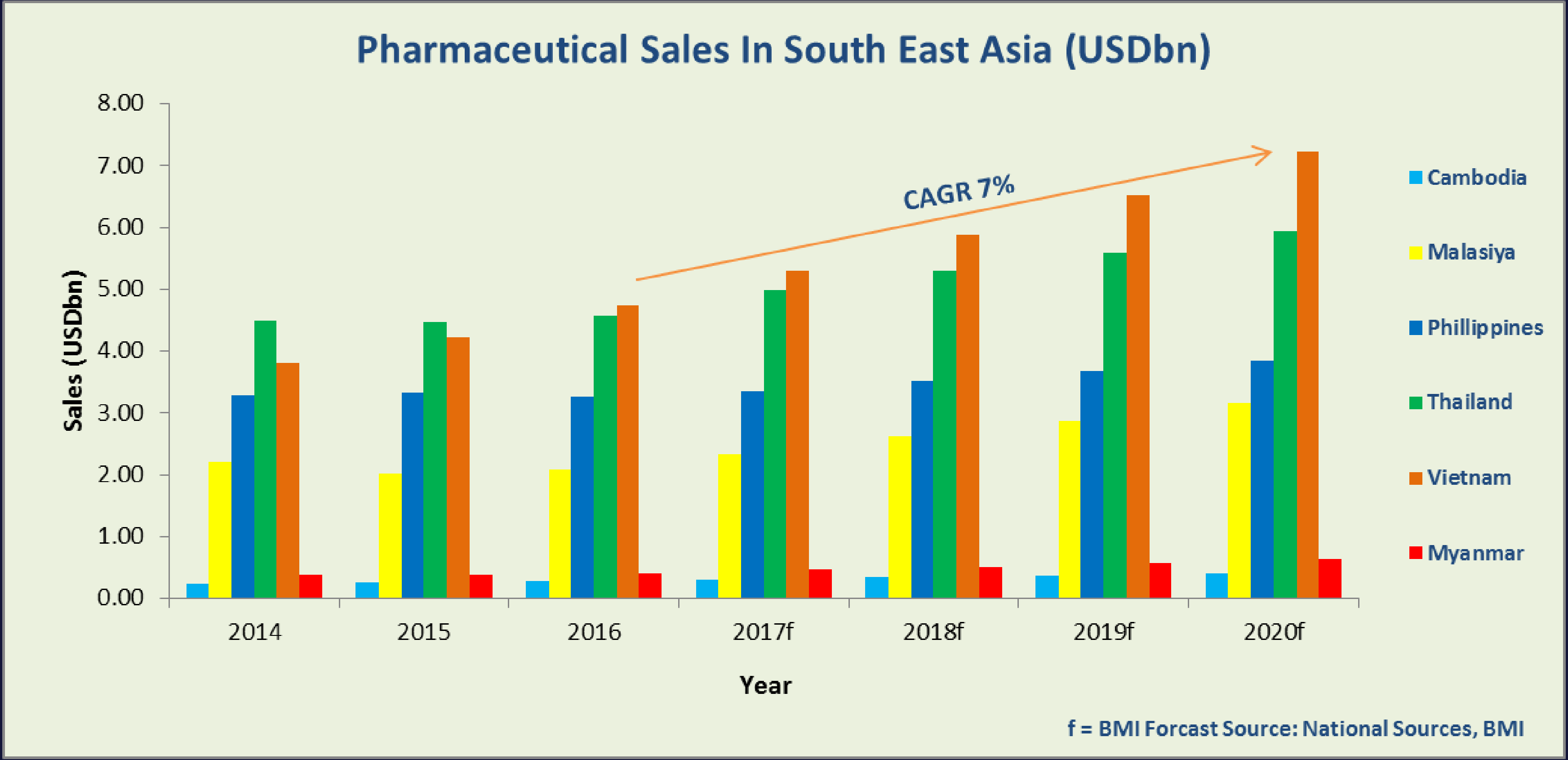
Source : WHO Southeast Asia Health Report, 2014
Note : Other includes Oteoporosis, Alzheimer etc.

Southeast Asia Pharmaceutical Market

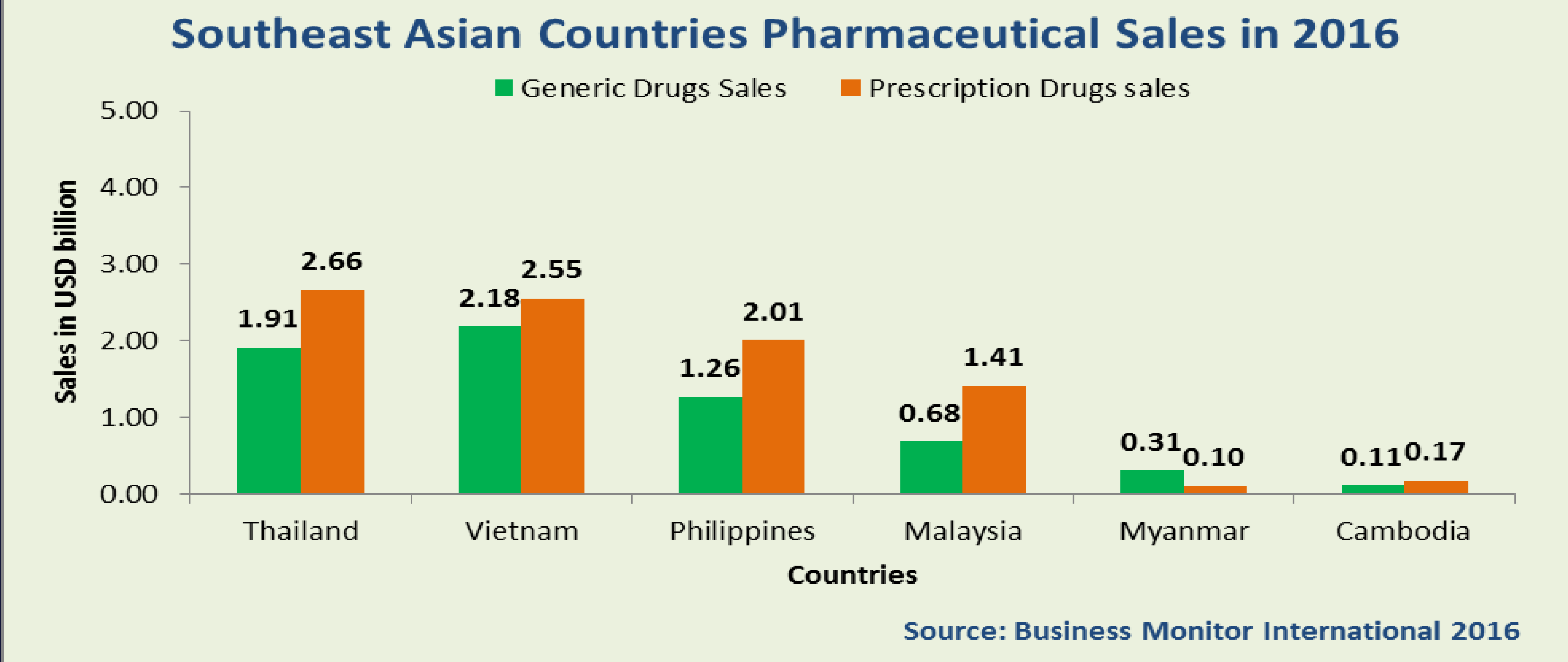
Southeast Asia Pharmaceutical Industry Overview

- Asia appears to be an assured avenue of growth for pharmaceutical manufacturers. Southeast Asia is a fast growing & flourishing pharmaceutical market.
- The pharmaceutical sales in Southeast Asia were USD 24.3 bn in 2016. And it is expected to grow by 33.36 bn by 2020 at CAGR of 7.0%
- Vietnam is by far the largest market discussed here, with $4.728 billion in pharmaceutical sales in 2016.
- Important issues facing pharmaceutical companies in these countries include weak intellectual property protection, differing disease needs, haphazard drug distribution, and pricing and reimbursement issues.

Southeast Asian Countries Pharmaceutical Market Forecast 2020



Prescription and Generic Market Size



Regulatory Landscape

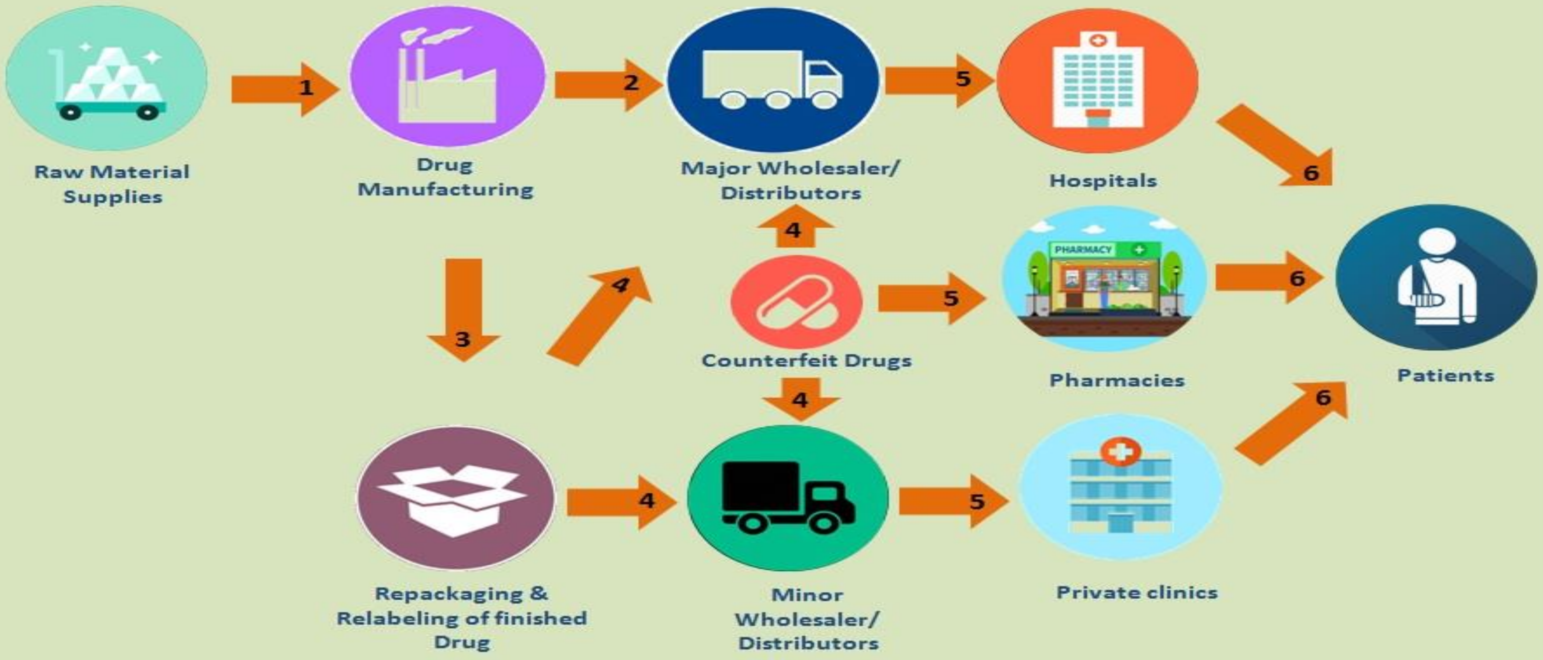
In Southeast Asian Countries an ASEAN Common Technology Dossier (ACTD) is the only regulatory filing required for pharmaceutical companies to gain approval of their drugs in the 10-member ASEAN states starting in 2012.

Product Approval Timelines in Southeast Asia		
Countries	**Regulatory Agency/Responsible Government Department**	**Time taken for product approval**
CAMBODIA	Ministry of Health	New Chemical Entity- 1 year Generic/Establish Drug Formulation -3 Months
MALAYSIA	Drug Control Authority (DCA)	New Chemical Entity- 8-12 months Generic/Establish Drug Formulation - 3-6 Months
MYANMAR	Ministry of Health	New Chemical Entity- 1 year Generic/Establish Drug Formulation - 3-6 Months
PHILIPPINES	Food and Drug Administration (FDA)	New Chemical Entity- more than 1 year Generic/Establish Drug Formulation - 3-6 Months
THAILAND	Thailand Food and Drugs Administration	New Chemical Entity- 1-2 year Generic/Establish Drug Formulation - 3-6 Months
VIETNAM	Ministry of Health	New Chemical Entity- 1 year Generic/Establish Drug Formulation - 3-6 Months
		Source: Country Specific Regulatory Agency

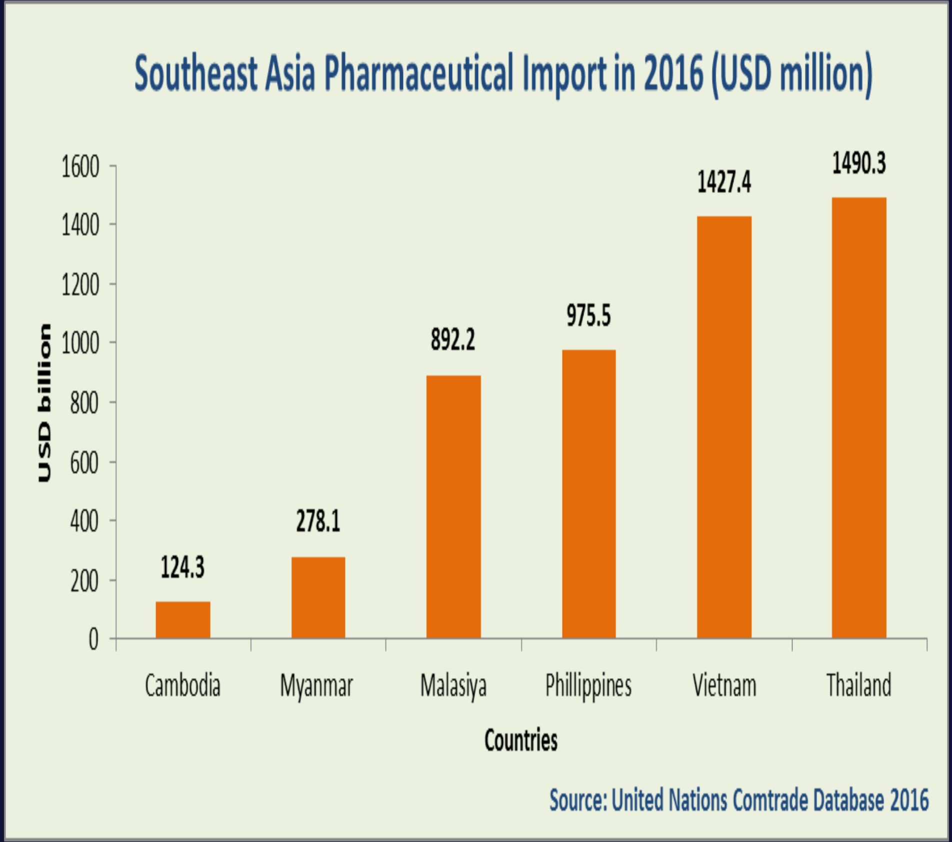
Sr.No	ADMINISTRATIVE DOCUMENTS	MALAYSIA	THILAND	VIETNAM	CAMBODIA	PHILIPPINES	MYANMAR
1	Application Form	✓	✓	✓	✓	✓	✓
2	Copy of valid certificate of brand Name clearance	✓	✓	✓	✓	✓	✓
3	Certificate of Pharmaceutical product	✓	✓	✓	✓	✓	✓
4	Free Sale Certificate	✗	✗	✗	✗	✗	✓
5	Good Manufacture Practice	✓	✓	✓	✓	✓	✗
6	License for pharmaceutical Manufacture	✗	✓	✓	✓	✗	✓
7	Site Master File	✗	✓	✓	✓	✓	✓
8	Permission for manufacturing & Marketing in country of origin	✗	✗	✗	✗	✗	✗
9	Letter of Authorization	✓	✓	✓	✓	✓	✓
10	Labeling Documents	✓	✓	✓	✓	✓	
11	Patent Information	✗	✓	✓	✓	✓	✓
12	Summary Product Characteristics	✓	✓	✓	✓	✓	✓
13	Patient Information Leaflet	✓	✓	✗	✗	✓	✓
14	Product Information Already Approved In Any State /country	✓	✗	✗	✗	✗	✓

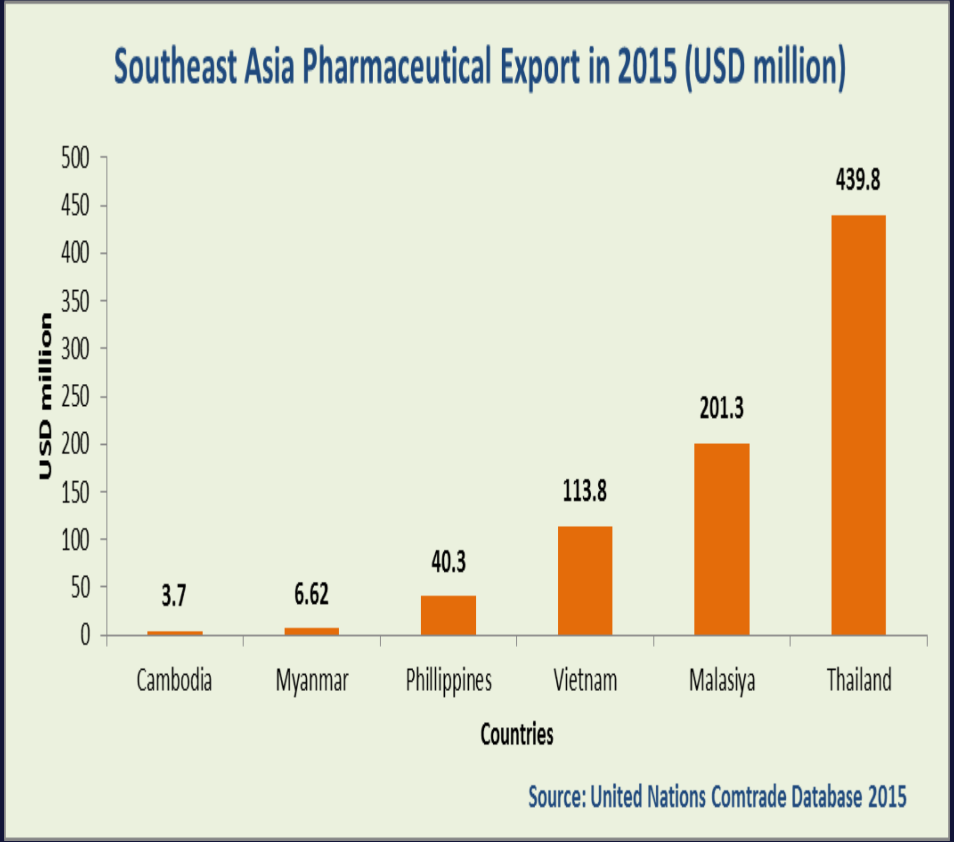
Distribution Network of Vietnam

Distribution Channels of Vietnam pharmaceutical industry

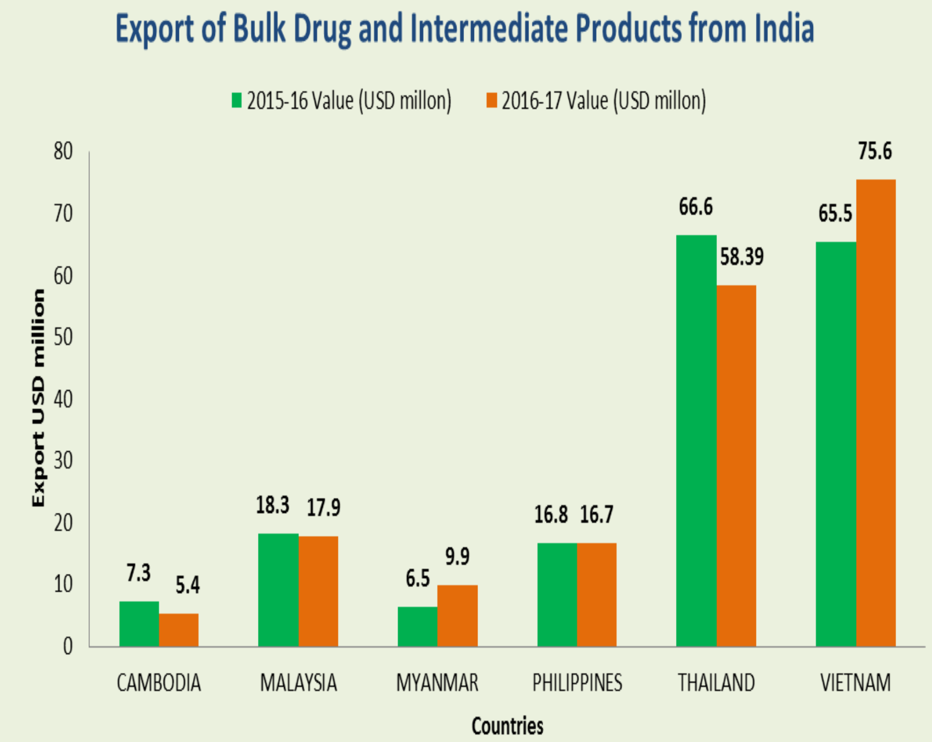


Southeast Asia Import-Export

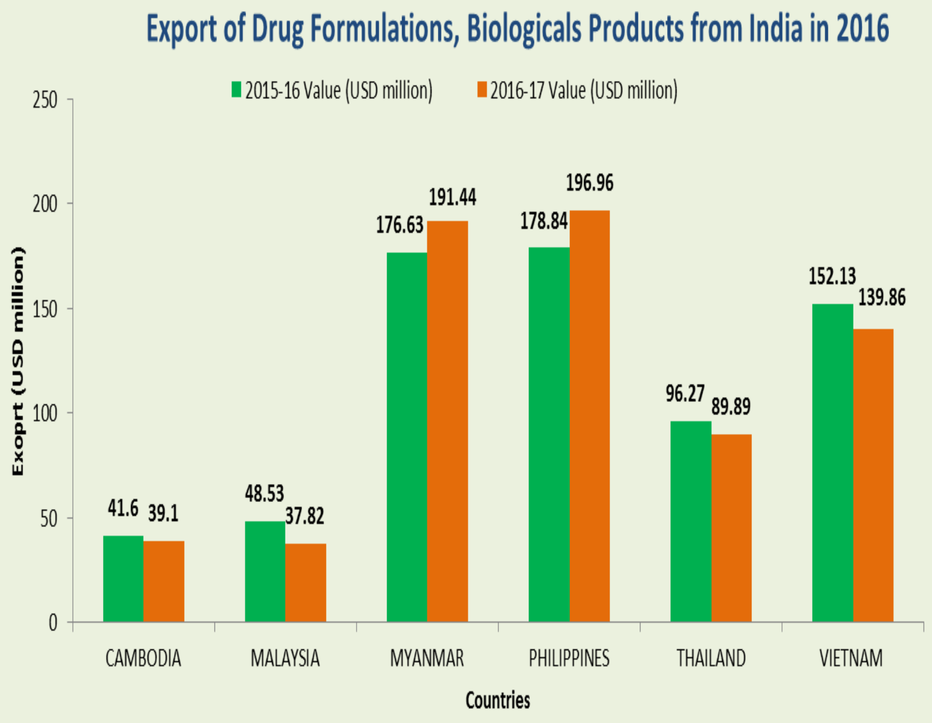




Export of Pharmaceutical from India



Source: Directorate General of Commercial Intelligence and Statistics 2017



Source: Directorate General of Commercial Intelligence and Statistics 2017

Future Ahead

Looking ahead, several trends will change the face of Southeast Asian Pharmaceutical markets:

Large Population and rapid Urbanization

Strong Economic Growth

Improved Regulatory Environment

Greater sophistication of healthcare providers

Higher Affordability

Fewer local players and business models

Global shift toward ASEAN markets

Increasing Generics Demand

Picking winning strategies to maximize results in Southeast Asia

- There are different winning strategies can be adapt depending on the company’s corporate culture, existing geographic presence, portfolio, appetite for risk and willingness to invest for the long term in Southeast Asia .
- However, the questions remain the same for every company. At the highest level, companies need to prioritise countries, set the portfolio priorities and determine the business structures that will support their ambitions.

Geographical Footprint

Mature Market

Emerging Market

Pharmerging Market

Frontier Countries

Conclusion

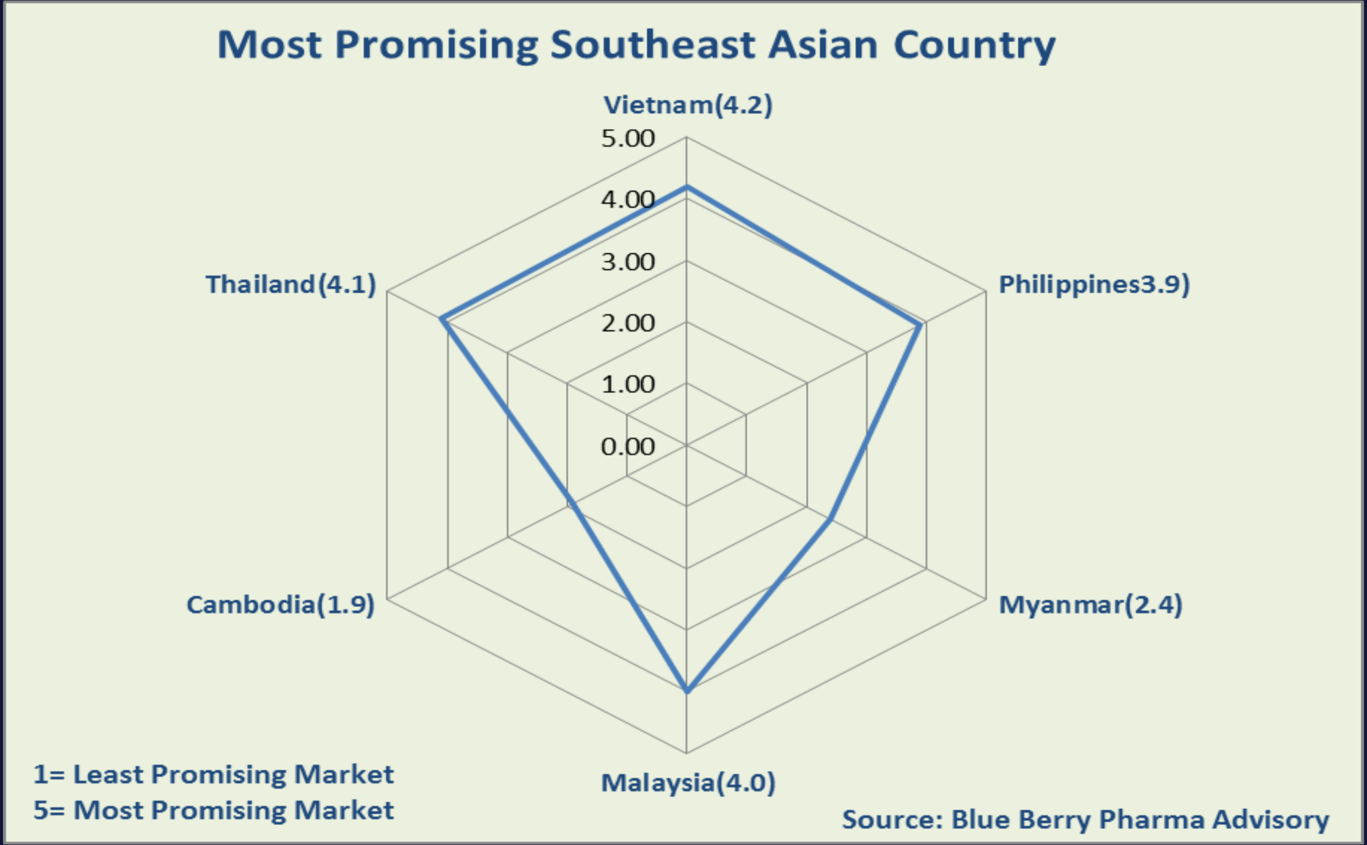
- Despite of various challenges like Patents and Intellectual Property Rights, Regulatory Reforms and R&D spending and the relative average economic growth in Southeast Asia, the overall Pharmaceutical market is expected to raise approximately $33.36 billion by 2020. Such trajectories of future growth remain too compelling for foreign pharma companies to retreat from the market, who are instead opting to adapt their strategies in line with local conditions.
- Vietnam is most promising country today followed by Thailand and Malaysia in Southeast Asia amongst other countries described here but in near future by 2020 Malaysia will become most promising country followed by Vietnam and Thailand because of increasing disease burden, economic growth, expanding Medical tourism and improved regulatory environment

Recommendations

COUNTRY PRIORITIES

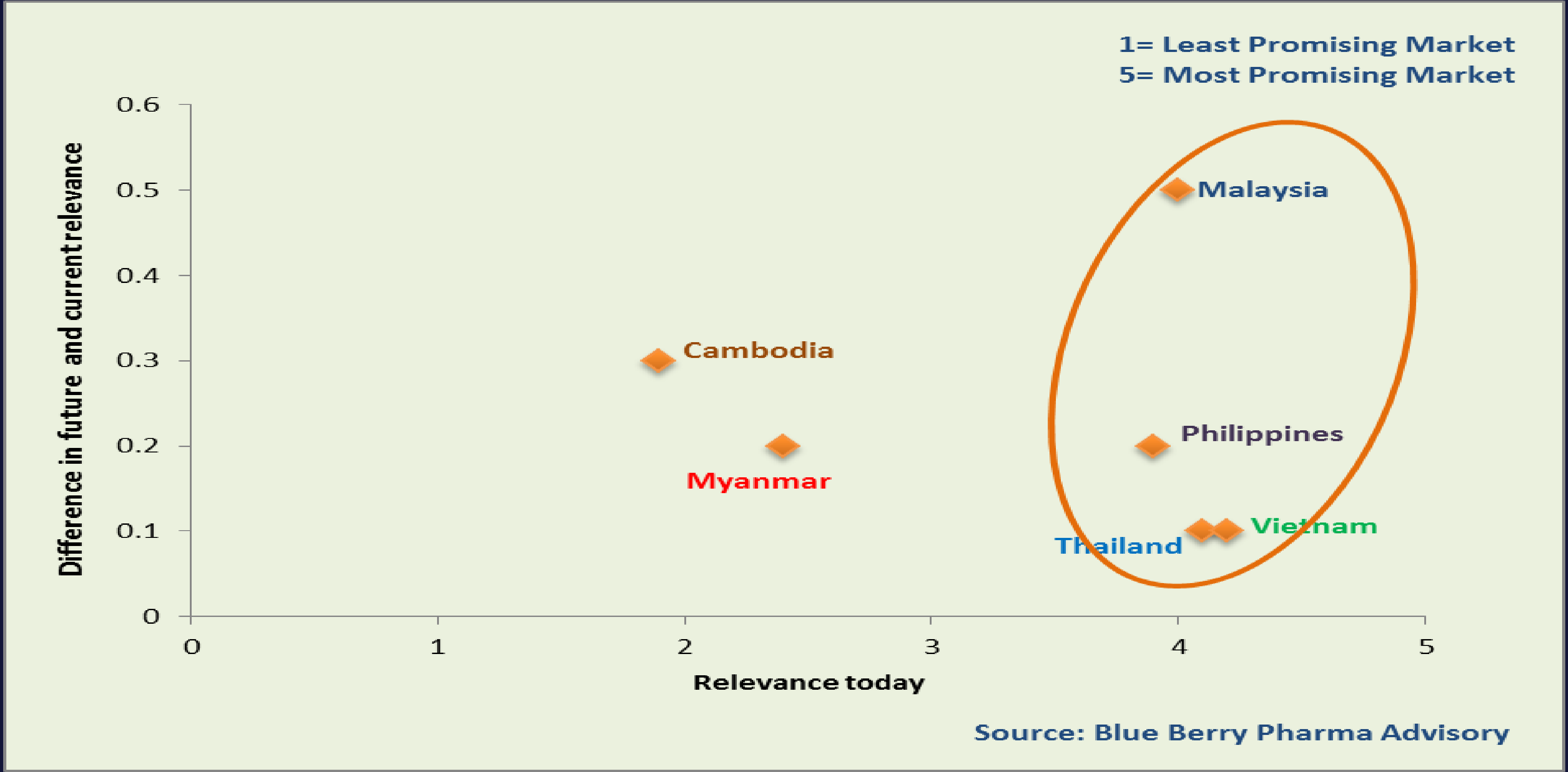
- Success in mature markets is still the top priority for innovative products as it remains the lion’s share of MNC’s revenues.
- Pharmerging markets like Southeast Asia represent the greatest growth opportunities for Indian companies as well as for MNC’s.
- Pharma Companies should continue to invest to maximize prospects. The choice of which to pursue is a case of matching the company’s capabilities, existing portfolio and corporate ambitions.

Most Promising Southeast Asian Country in 2016-17



Sr.no	Component
1	Pharmaceutical Market
2	Healthcare Market
3	Political Status
4	Economic Status
5	Regulatory Environment
6	Doing Business
7	Corruption Status
8	Distribution Network
9	Import
10	Export

Which Southeast Asian markets do you consider as most in the future (2020)



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To establishing a strong foothold in Southeast Asia, Pharma Companies can do much more than sell pharmaceuticals—they can build a robust presence within the region’s pharmaceutical value chain. Companies should take the following actions to secure big wins in emerging markets such as Southeast Asia.

- **Establish public-private partnerships**
- **Differentiate from unbranded generics**
- **Build a strong local distribution network**
- **Explore joint ventures**
- **Develop targeted, region-specific R&D**

Limitation

- The current study has its own limitations. The study confined to the English language for the publically available secondary data, reports and other published documents.
- Regulatory Environment in Southeast Asia as a subject is vast and requires lot of resources to have a detailed analysis on this topic. There is lot of scope to further study in depth on each derived model.

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