

# Pharmaceutical & Healthcare Sector

Q1 2017

---

## The Global Pharmaceutical and Healthcare Sector

Page | 2

- The Pharmaceutical & Healthcare sector is a globally high growing sector which is driven by a rising burden of diseases, an expanding healthcare systems due to urbanization and a notable recent economic growth witnessed by many emerging markets.
- The global pharmaceutical market size is estimated at about 1 trillion US\$ in 2015 and is forecasted to post a 4.6% annual compound growth rate (CAGR) through to 2020
- The Healthcare sector, comprising funds mobilized by government and private systems for the operation of the healthcare sector, registered a global spending of around 7.3 trillion US \$ in 2015 and is forecasted to post a 5% CAGR through to 2020
- The pharmaceutical market is characterized with a high R&D spending, extensive regulations and sophisticated marketing
- Value-wise, North America registered the highest sales of pharma of about 363 billion US\$ in 2015, followed by Europe 319 billion US\$, Asia 281 billion US\$ Latin America 62 billion US\$ and MENA 32 billion US\$
- In contrast, the high volume sales markets are, however, the slowest growing markets. The fastest growing market is Sub-Saharan Africa (6.9% CAGR), followed by Middle East & Africa (7.0% CAGR), Asia Pacific (5.9% CAGR), Latin America (5.1% CAGR), North America (4.5% CAGR) and Europe (2.7% CAGR)

## UAE Pharmaceutical sector

- The pharma sector is one of 6 target sectors for Dubai Industrial Strategy until 2030. The sector current average share of manufacturing value added stood at around 2%
- The UAE pharmaceutical & healthcare sector is rated as one of the strongest sectors in the region. The sector growth is fueled by a number of positive factors including the high per capita income, the launching of a medical tourism scheme, and the promulgation of a mandatory health insurance scheme for all companies
- The BMI's Risk /Reward Index (RRI) is a tool that provides an assessment of market attractiveness, comprising of the sum of industry and country rewards and industry and country risks.
- According to the RRI index UAE is a leading rewarding market for pharmaceutical & healthcare providers in the region. It has achieved in Q1 2017 the highest score in the Middle East & Africa of 61.1 as against world average of 50.1, followed by KSA (60.4). The index is reflective of market growth prospects

## Strengths Opportunities and Challenges

### Strengths

- The prevalence of a strong healthcare infrastructure
- High per capita expenditure
- Strong market for patented drugs due to high per capita income
- A commendable domestic pharma industry with a growing export trend and an innovative modern healthcare system.
- A growing population translating into increasing healthcare expenditure.

### Opportunities

- Large projects like Healthcare City and DuBiotech open up vast opportunities for FDI
- The changes in the law limiting foreign ownership is expected to boost FDI.
- Medical tourism will increase demand .
- Expansion of the health insurance scheme will impact demand for pharma products and healthcare services.
- Increasing anti-counterfeiting activity will regulate the market for international firms secured entry.
- A growing demand for over the counter medicines(OTC) .
- A Short time approval for new medicines

### Challenges

- Need of continuous development and implementation of the patent laws regulating the sector
- Combat of counterfeiting medicines
- The domestic industry need to expand to cover high-tech end of the domestic and global demand.

## Market size

The UAE pharmaceutical market size reached a value of 8.8 bn AED in 2015 and is posted to reach 13.3 bn AED by 2020 at an annual compound growth rate(CAGR) of 8.2% for 2015-2020

The main drivers are the growing demand for treatment of lifestyle diseases and the expansion of the health insurance scheme which came into effect in Jan 2014

## Business environment and local manufacturing

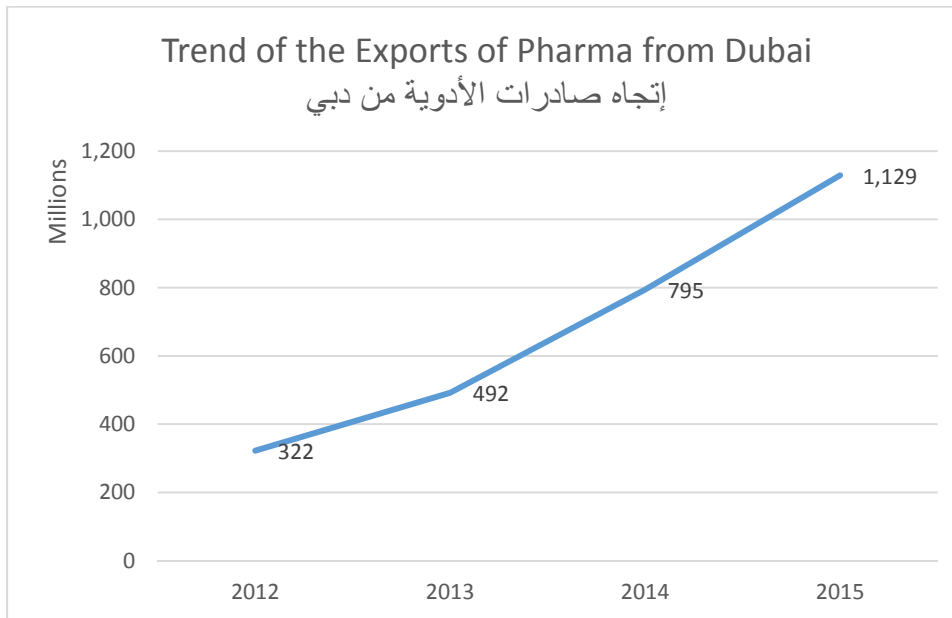
- The UAE government supports the domestic production of generic medicines to reduce the cost of medicines. Among the measures taken by Ministry of Health to promote domestic industry are fast-track approval times and preferential treatment in federal tenders
- The Ministry require certification of Good Manufacturing Practice(GMP) in compliance with current guidelines, UAE also actively participate in international regulatory schemes regarding active ingredients
- UAE has a strong Intellectual Property (IP) regime .It is a member of WTO and a signatory to the Agreement on Trade-Related Aspects of Intellectual Property Rights(TRIPS),the Paris Convention and the General Agreement on Tariffs and Trade(GATT).The UAE promulgated the copyright ,trade mark and patent law in 1992.
- It is estimated that the number of medical tourists to UAE will reach several millions by 2020
- The hosting of Expo2020 will have a positive effect on the healthcare market due to the increase in visitors.
- Dubai has established a modern biotech park Dubiotech and Pharmaceutical Research and manufacturers of America(PhRMA),representing US pharmaceutical firms, has announced its plan to establish a regional headquarters in Dubiotech. Also Dubai have succeeded in finalizing a comprehensive regulatory framework for the biotechnology and pharmaceutical industry in partnership with Research Triangle Institute International(RTI),in addition to comprehensive Codes of Practice(COP's),covering clinical research ,clinical trials, manufacturing and environment and health and safety
- UAE has about eight domestic pharmaceutical producers including :Pharmaceutical Industries ,Globalpharma,GullfInject,Medpharma,Neopharma,and Pharmacare
- Generally pharma production can be either contract manufacturing , manufacturing under license, or generic manufacturing(when a firm produce its own version of medicine of an off-patent drug).Statistics show that Generic manufacturing in the MENA generates the highest revenue among all manufacturing practices. For this reason ,It is to be noted that the current domestic production in UAE is mostly generic manufacturing.
- The import market is dominated by multi nationals ,including Pfizer,Novartis ,GlaxoSmithKline,Wyeth Eli Lilly and Abbot Laboratories
- UAE sales of Generic and Over-the-counter medicines

Currently the majority of the sales of pharma are patented drugs, and until 2020 68% of sales will still be for patented drugs

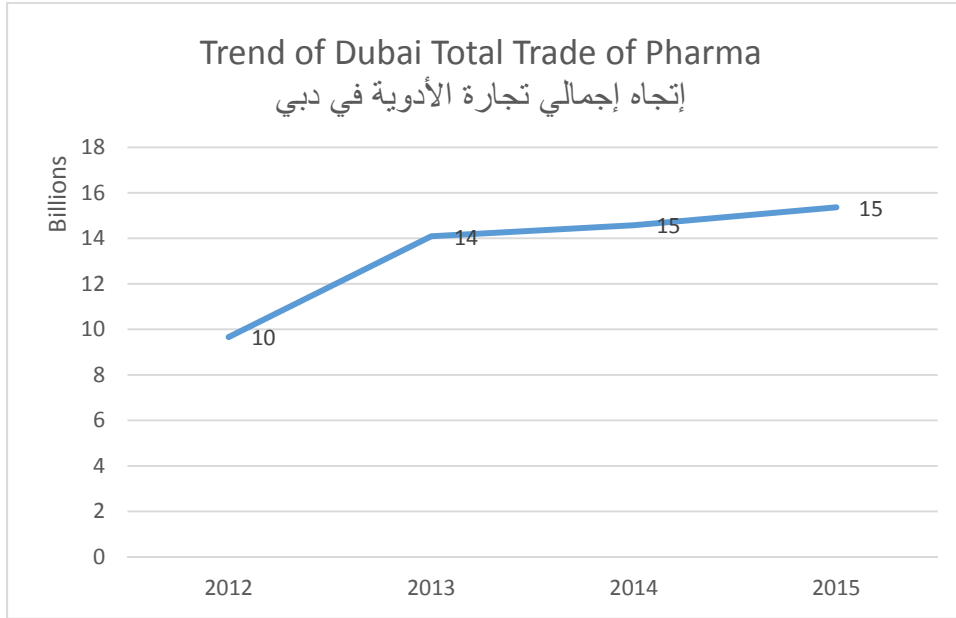
Medicine type	Sales 2016 Bn US\$	CAGR % 2015-2020	% of total sales of pharmaceutical products in 2020
Generic	0.5	9.2	19.1
OTC	0.4	5.1	13

## Foreign Trade

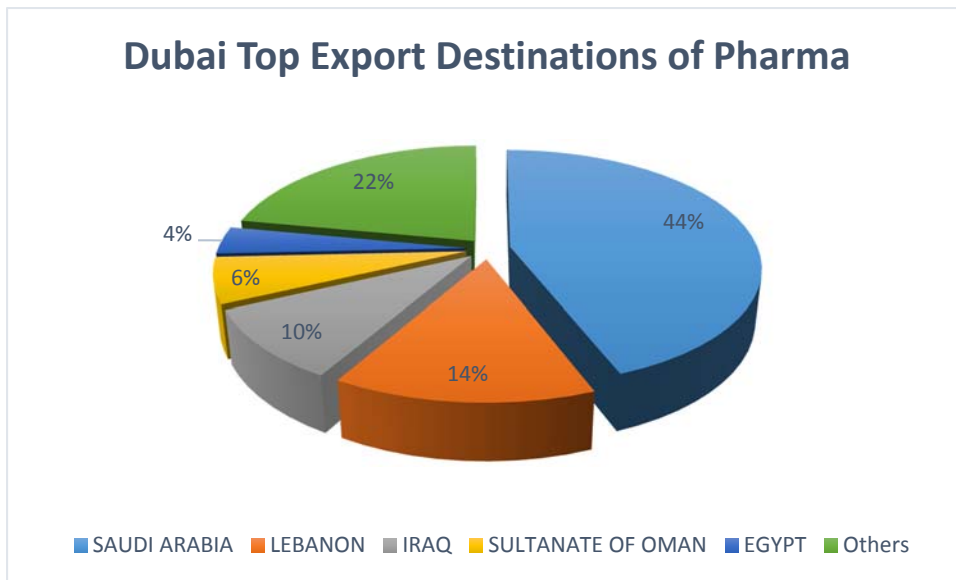
Exports have achieved a commendable annual growth of 51% between 2012 and 2015(CAGR) and an excellent rate of 27% for the period between 2015 and 2016 (9 months) indicating a sustained growth.



Total pharma trade has also shown gradual growth since 2013 at around 4% annual average, reflecting the growing market size.



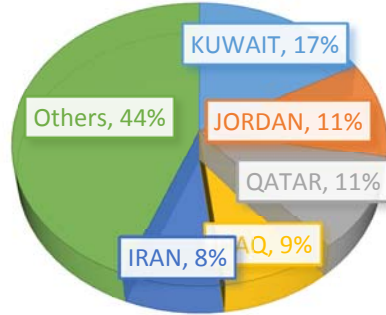
Top export destinations are mostly regional markets with KSA having the lion share of 44%



Also top re-export destinations are regional markets with approximately equal market shares for each (no one single market has a major chunk)

### DUBAI TOP RE-EXPORT DESTINATIONS OF PHARMA

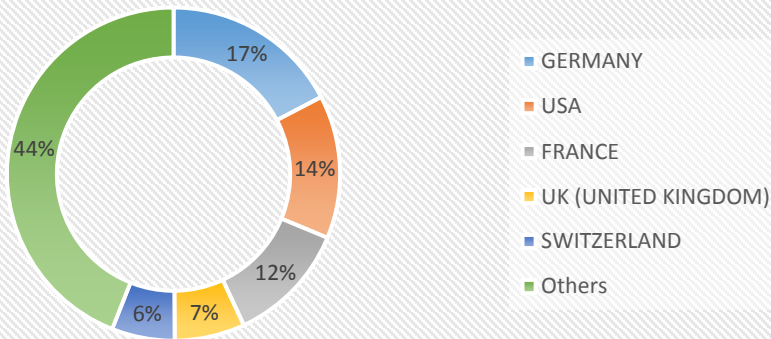
أهم وجهات إعادة الصادرات من الأدوية من دبي



Top import partners are industrialized countries that are prominent for the pharmaceutical industry.

### Dubai Top Import Partners of Pharma

أهم مصادر الأدوية المستوردة لدبي



Sources:

- BMI reports

- Dubai Customs Statistics