



HD Regional Overview - Pharmaceuticals & Healthcare Asia Pacific Q214 Round-Up

WC 2,256 words

PD 23 May 2014

SN BMI Industry Insights - Pharma & Healthcare, Asia

SC BMIPHA

LA English

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BMI View: The fragmented nature of the Asia Pacific region will continue to provide unequal **commercial** opportunities for pharmaceutical firms looking to invest in the region. Key drivers of growth in the region include ageing populations across many Asia Pacific countries, an expanding and increasingly affluent middle - class and various governments' commitment to improving healthcare access.

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The Asia Pacific regional pharmaceutical market is expanding rapidly due to a rising, affluent, middle-class, and governments' push for healthcare reforms. Combined sales of prescription drugs and over-the-counter (OTC) medicines are forecast to increase from USD276.6bn in 2013 to USD384.7bn in 2018, representing a five-year compound annual growth (CAGR) of 7.0%. It is worth noting that by 2018, overall pharmaceutical sales in Asia Pacific is expected to exceed overall drug sales in Western Europe and the US combined. The sub-region of Greater **China** consisting of **China**, **Hong Kong**, Macau and Taiwan (+11.7% CAGR) will expand fastest, followed by South Asia (Bangladesh, India, Pakistan and Sri Lanka (+10.5%)), South East Asia (Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam (+9.4%)) and Developed Asia Pacific: Australia, New Zealand, South Korea and Japan (+2.3%).

Strong Growth Forecast
Asia Pacific Pharmaceutical Market (USDbn)



Key Developments In Q214

Greater China

In May 2014, Beijing Genomic Institute (BGI) unveiled it plans to expand the operations of its Tai Po research centre in a bid to meet the **company's** expected business growth.

In May 2014, Taiwan-based active pharmaceutical ingredient **firm** ScinoPharm Taiwan, and **Hong Kong**-based Lee's Pharmaceutical Holdings, announced two collaboration agreements for **China**. The firms commented that the collaboration would capitalise on their respective strengths and abilities, and the products are expected to offer competitive advantages upon entering the **Chinese** high-end generic drug market.

In May 2014, GlaxoSmithKline's (GSK) senior vice president Mark Reilly was accused by the **Chinese** police of scheming to bribe **Chinese** doctors and hospitals. Reilly reportedly ordered his staff to pay hundreds of millions of US dollars in bribes to help promote sales of the **company's** medicines to **Chinese** hospitals.

In April 2014, eight departments of the **Chinese** government, namely the National Health and Family Planning Commission (NHFPC), National Development Reform Commission (NDRC),

China Food and Drug Administration (CFDA), Ministry of Finance (MOF), Ministry of Industry and Information Technology (MIIT), Ministry of Human Resources and Social Security (MHRSS), and the Ministry of Commerce and State Administration of Traditional **Chinese** Medicine (SATCM), released a statement announcing a policy that will secure the supply of commonly used low-price drugs, essentially allowing free pricing of selected essential drugs in low supply.

In April 2014, **China**'s National Development and Reform Commission (NDRC) and the National Health and Family Planning Commission with the Ministry of Human Resources and Social Security jointly issued a circular to encourage more development in the private healthcare sector.

In April 2014, Concord Medical Services Holdings announced plans to establish a premium cancer hospital - Shanghai Concord Cancer Hospital (Shanghai Concord) - at the Shanghai New Hongqiao International Medical Centre in Shanghai.

In April 2014, Valneva granted vaccine manufacturer Adimmune certain exclusive rights to its Japanese encephalitis (JE) vaccine in Taiwan. Adimmune will be entitled to register and commercialise Valneva's JE vaccine under a local trade name and to develop, manufacture and commercialise the vaccine from bulk product delivered by Valneva.

In March 2014, US-based digital contract research organisation Clinipac Worldwide announced a merger with **Hong Kong**-based Choice Pharma. The merger will provide Clinipac Worldwide with access to more Asian countries including Taiwan, **China**, **Hong Kong**, South Korea, Vietnam, Singapore and Malaysia.

In March 2014, Bayer announced plans to invest approximately EUR100mn (USD138mn) to expand production capacity at one of its existing plants in Beijing, **China**.

In February 2014, Bayer acquired **China**-based Dihon Pharmaceutical, which specialises in over-the-counter (OTC) and herbal traditional **Chinese** medicine (TCM) products.

South East Asia

In May 2014, DKSH Holdings Malaysia announced plans to establish a new 130,000-square-foot healthcare distribution centre on the Hicom Industrial **Estate** in Shah Alam, Selangor, Malaysia, in a bid to expand the presence of its healthcare arm.

In May 2014, Myanmar deputy Minister of Finance Dr Maung Maung Tein stated that the government is working to launch a pilot run of its first health insurance service this year, and that there will be a study of insurance premiums and reimbursements.

In May 2014, the Government of Singapore Investment Corporation (GIC) reached an agreement to acquire a stake in the hospital unit of Philippines-based investment **firm** Metro Pacific Investments Corporation (MPIC). Under the terms of the collaboration, GIC will invest PHP3.7bn (USD84mn) for an initial 14.4% interest in MPIC subsidiary Neptune Stroika Holdings.

In May 2014, Singapore's state-owned investment **firm** Temasek Holdings invested around USD1.2bn into US healthcare stocks in Q114 as part of its strategy to meet the demands of its ageing population. The **company purchased** 5.3mn shares valued at USD634mn in the US-based manufacturer of scientific instruments and chemicals Thermo Fisher Scientific, 1.6mn shares valued at USD106mn in US-based BioMarin Pharmaceutical, and an almost twofold increasing its stake in biopharmaceutical **company** Gilead Sciences to 12.6mn shares valued at USD891mn.

In April 2014, Indonesia-based Kimia Farma announced plans to build the country's first pharmaceutical salt plant in partnership with salt producers Garum. While Indonesia has a relatively established domestic pharmaceutical sector, 95% of its demand for raw pharmaceutical materials is fulfilled by imports.

In April 2014, Cambodia's National Social Security Fund (NSSF) launched a new insurance scheme to provide health insurance to Cambodian workers. However, the proposed scheme is facing opposition from business groups such as the Garment Manufacturers Association in Cambodia which says the initial estimate of the health insurance cost is overpriced.

In April 2014, Malaysian healthcare **company** Pharmaniaga Bhd partnered with Saudi Arabia-based Modern **Group** to set up a 50:50 joint venture (JV) in Saudi Arabia. As part of the JV, which will be finalised by May 2014, Pharmaniaga Bhd has assigned 60mn (USD18.26mn) as capital outlay to establish a manufacturing unit in Saudi Arabia.

In March 2014, Vietnam's Prime Minister Nguyen Tan Dung approved a proposal to create a national committee to manage medicine prices in Vietnam. Vietnamese Deputy Prime Minister Vu Van Ninh previously recommended that the finance ministry should establish caps on medicine prices, while the health ministry should manage detailed prices of all medicines **sold** in the country.

In March 2014, Philippines-based Metro Pacific Investments announced its plans to acquire four hospitals in 2014 to expand its portfolio. The hospital chain is also moving to improve its business model by introducing new methods of healthcare delivery, such as mall-based clinics and telehealth.

In February 2014, the Singapore Ministry of Health was allocated SGD7.1bn (USD5.6bn) in the 2014 budget; a 22.5% increase from the revised expenditure of SGD5.8bn (USD4.6bn) in 2013. The considerable increase in the healthcare budget highlights Singapore's commitment to provide better, more affordable healthcare services to its population, particularly the elderly.

South Asia

In May 2014, Bangladesh-based Square Pharmaceuticals submitted a proposal to the drug office to set up a **commercial** blood plasma fractionation plant. The plant will separate blood components along with plasma factors.

In May 2014, Philips India, the Indian subsidiary of Netherlands-based technology **company** Royal Philips, announced that it intends to set up 30 'sleep labs' in Bangladesh in the coming five years to spread awareness about sleep related disorders in the country.

In May 2014, as part of its expansion strategy India-based hospital management **company** Fortis is planning to establish 500-600 new beds a year. The hospital plans to increase the number of beds over the coming two- to three-years.

In April 2014, India-based Lupin Pharmaceuticals entered a joint venture agreement with Japan-based Yoshindo. The joint venture, YL Biologics (YLB), will focus on the clinical development and commercialisation of certain biosimilars in Japan.

In April 2014, Daiichi Sankyo agreed to sell its stake in Ranbaxy Laboratories to Sun Pharmaceutical Industries. For every share held in Ranbaxy, each shareholder will receive 0.8 shares in Sun Pharmaceutical.

In April 2014, the Drug Administration of Vietnam found that pharmaceuticals manufactured by several Indian companies are Not of Standard Quality (NSQ), and banned these firms from supplying products to Vietnam. According to news source DNA India, at least 45 Indian pharmaceutical firms, such as Medley Pharmaceuticals, Marck Biosciences, UMedica Laboratories and Marksans Pharma, are now unable to supply their products to Vietnam.

In March 2014, The Bangladeshi government announced its intention to collaborate with Sri Lanka to establish a biosimilar pharmaceutical joint venture. The government will support the production of biosimilar pharmaceuticals, such as insulin, in Sri Lanka, and finalise them to finished product levels with a guaranteed cold chain, according to Bangladeshi Health Secretary MN Neaz Uddin.

In March 2014, Danish drugmaker Novo Nordisk announced that it is to invest in several training and education programmes in Pakistan in an effort to improve diabetes awareness.

In a bid to address the issue of drug resistance in India, from March 1 2014, a total of 46 drugs will be classified in India under a new category called 'Schedule H1'. Medicines listed on Schedule H1 can only be dispensed by a pharmacist with a prescription given by registered medical practitioners. Drugs that are listed by Schedule H1 include third and fourth generation antibiotics and anti-tuberculosis medicines.

Developed Asia Pacific

In May 2014, healthcare in Australia is expected to undergo an overhaul following the announcement of a tough federal budget by the government on May 13 2014. An audit of the Australian economy by the National Commission of Audit identified healthcare as the country's most serious long-term fiscal challenge.

From May 2014, Australia has established a new manufacturing facility, called Australian Nuclear Science and Technology, which is worth AUD168mn (USD157mn). The new unit, which will triple

production of nuclear medicine molybdenum-99 (Mo-99), will enable Australia to become a major global supplier of radiopharmaceuticals.

In May 2014, South Korean **firm** Samsung is to invest about USD2bn in biopharmaceuticals, including biosimilars, as it aims to become a major player in the biotechnology industry. The **company** plans to sell its first biosimilar version of Amgen's arthritis therapy Enbrel (etanercept) in 2016 in Europe and a version of Johnson & Johnson's Remicade (infliximab) treatment for autoimmune diseases in 2017.

In April 2014, New Zealand's Pharmaceutical Management Agency (PHARMAC) announced its plans to test a contestable fund for high-cost drugs for rare disorders. The agency is seeking **commercial** proposals from pharmaceutical companies by end-2014, following which funding could begin in early 2015.

In April 2014, Bristol-Myers Squibb and Samsung BioLogics announced that they will increase the scope of their existing manufacturing agreement in which Samsung will manufacture **commercial** drug substances and products for several BMS biologic medicines at its Incheon, Korea, manufacturing **site**.

In April 2014, Takeda Pharmaceutical was selected as a recipient of a supplemental subsidy from the Japanese Government for approximately JPY7.2bn (USD70.7mn). Takeda applied for this subsidy in February to expand production capacity for pandemic influenza vaccines at its Hikari plant.

In March 2014, Northern Ireland-based Almac **Group** established regional hubs in Singapore and Japan as part of its aim to address the growing need to conduct clinical trials in Asia and/or manage global trials from the region.

In March 2014, in its FY2014 (April 2014 - March 2015) medical fee revision briefing, Japan's Ministry of Health, Labour and Welfare (MHLW) announced changes to its strategy for generic drug promotion, through which it seeks to increase generic drug use in the country. In its FY2014 revision, rather than give more points for a similar volume of generic drugs dispensed, the MHLW proposed to only award points to pharmacies that dispense a higher volume of generic drugs than previously.

In March 2014, the Australian government announced that, with effect from April 1 2014, the Pharmaceutical Benefits Pricing Authority (PBPA) will cease to operate in a bid to reduce the time taken to list medicines on the Pharmaceutical Benefits Scheme (PBS). The removal of the PBPA will allow new medicines to be listed on the PBS at least four weeks earlier than previously, as well as giving drugmakers more time to finalise their pricing submissions.

Asia Pacific Pharmaceutical Market (USD Bn)

Country	Indicator	2010	2011	2012	2013	2014f	2015f	2016f	2017f	2018f
f = BMI forecast. Source: BMI										
Asia	Asia-Pacific pharmaceutical sales, USDbn	219.4	259.4	276.6	274.1	288.7	313.5	336.1	361.5	384.7
Asia	South East pharmaceutical sales, USDbn	16.6	18.5	19.5	20.4	21.6	23.9	26.4	29.1	31.9
Asia	Greater									
China	pharmaceutical sales, USDbn	78.6	92.8	106.7	119.8	133.4	147.2	161.2	178.6	192.8
Asia	South Asia pharmaceutical sales, USDbn	17.4	19.6	19.7	19.7	21.9	24.5	26.9	29.5	32.5
Asia	Developed Asia Pacific pharmaceutical sales, USDbn	133.481	155.634	157.991	140.803	135.466	144.236	148.2	154.269	157.538

CO novo : Novo Nordisk A/S | tmasek : Temasek Holdings Pte Ltd | sctwnl : ScinoPharm Taiwan Limited | daisky : Daiichi Sankyo Company Limited | ranlab : Ranbaxy Laboratories Ltd | tkdci : Takeda Pharmaceutical Company Limited | byer : Bayer AG | gilsci : Gilead Sciences Inc

IN i257 : Pharmaceuticals | i951 : Health Care/Life Sciences | i2569 : Biotechnology | i81502 : Trusts/Funds/Financial Vehicles | i8396 : Diversified Holding Companies | ibcs :

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PUB Business Monitor International

AN Document BMIPHA0020141216ea5n0000r