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Deregulation will boost Japanese pharma sector

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Singapore: Japan's pharmaceutical industry is the second largest in the world, worth $89 billion in 2011 or 10 percent of the world market. The industry grew from $62.8 billion in 2005 to its current value at a Compound Annual Growth Rate (CAGR) of 5.1 percent.

Growth of the domestic pharmaceutical industry has recently been hampered by biennial drug price reductions, which are expected to continue as the government attempts to cut healthcare expenditure. Price reviews are also constrained by a national health budget, which limits the increase of drug prices. In addition, the gradual increase in market share and competition from generics has depressed market value and will continue to do so as government policy promotes their use, according to a new report by GBI Research, a business intelligence provider, which has released its latest research "Japan Pharmaceutical Market Outlook - Deregulation and More Efficient New Drug Approval Process Attract Foreign Investment and Improve the Competitiveness of Japanese Players".

The report says, however, easing of regulatory guidelines, an aging population and a strong product pipeline will provide a strong impetus for growth in the pharmaceutical industry. Although the increasing market share of generics may dampen market value, this represents a great deal of opportunity for generic manufacturers. Historically, the Japanese pharmaceutical market has favored domestic companies. However, since the 1990s, deregulation has promoted investment from abroad and increased the presence of foreign firms.