China’s growth as pharmaceutical hub for APIs to continue

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According to Convention on Pharmaceutical Ingredients (CPHI), the growth prospects for pharma ingredients and APIs in China over the next five years are highly promising

The first thing to say about the pharmaceutical market in general in China is that with the market now opening-up, business is once again booming. And that is not just from a domestic point of view, but also, in terms of a domestic international perspective as well.

We see demand for China produced ingredients, demand for finished pharmaceuticals and even an increasing number of international companies wanting to sell their products within China. So while the pandemic has made markets and countries consider the impact of having large decentralised supply chains, this has not dulled the desire for ingredients from China.

The country remains far and away the largest global producer of not only active pharmaceutical ingredients (APIs), but also the required chemicals, starting materials and intermediates used to manufacture APIs. As such, the country remains the heart of global pharmaceutical production.

What we have seen, however, is an increased diversification of ingredients suppliers and/or dual sourcing strategies, but in the majority of cases China will remain the primary source of ingredients. In fact, many of the international attendees atCPHI & PMEC China are at the event to increase the number of partners they have within the country, so that they can ensure they have a great number of approved suppliers and therefore a more robust supply chain.

The country's large-scale manufacturing capabilities, cost advantages, and quality standards continue to attract international pharmaceutical companies to source APIs from China. As the global demand for affordable generic drugs continues to rise, China’s growth as a pharmaceutical hub for APIs looks set to continue – even accounting for the often cited macro-economic trends.

When this is put together with China’s ever expanding the domestic market, for both generic pharmaceuticals and biotechs, it is easy to see how China has quickly recovered to growth following its much anticipated opening up. To emphasise just how quickly the market has recovered, the 2023 event at Shanghai New International Expo Center is anticipated to be the biggest yet for CPHI & PMEC in China with over 3000 companies and 55,000 visits.

Furthermore, China has witnessed growth in early-stage R&D and low-cost chemistry services. Innovators globally are expanding their pipelines and making up for lost time during the pandemic, rushing to bring products into the clinical stage. China's growth is now complemented by other regional suppliers, adopting a "China plus one" strategy, often involving India.

Additionally, virtual chemistry services and AI are creating a growing market in Western economies. China's booming domestic industry and the shortage of providers have limited the impact of shifting geopolitical trends, ensuring continued growth in the short and medium term.

Perhaps the biggest direct trend we have seen – that is an unofficial, consequence of geopolitical headwinds – has been the increasing number of China’s largest contract development and manufcturing organisations (CDMOs) investing in overseas facilities in Europe and the USA. Pharmaron, WuXi and Asymchem being perhaps the most high profile of these players, but look at the underlying growth in these companies in the last 3-years and it paints a very positive picture for manufacturing within the county.

The wider rollout of the Marketing Authorisation Holder (MAH) programme is also beneficial for CDMOs in the country. This program allows the biotech community to utilize CDMOs for drug discovery, development, and commercialization. It also empowers global innovators to dual file simultaneously in the USA/Europe and China, offering more options than relying solely on a western CDMO.

Yet despite all of these newer additional avenues of growth for China – its single largest growth engine will remain ingredients and intermediaries. Rather than shrinking, its dominance in ingredients has grown in recent years and any revenues lost to reshoring parts of supply chains in developed markets will be more than compensated for by growth in high growth Asian markets.

The other significant factor at play is that while China has received some criticisms for the environmental records of its producers, the country is, as a whole, now advancing very quickly in terms of green chemistries and this will help sustain growth over the next few years as these concerns are addressed by suppliers. For example, there is significant advanced manufacturing agenda being pushed at the national level, while the manufacturers themselves are investing in and researching greener chemistries.

This is also supported by the National Green Chemistry Programme which provides financial support, incentives, and guidance to encourage the development and implementation of green chemistry processes.

Looking ahead, the growth prospects for pharma ingredients and APIs in China over the next five years are highly promising. Favourable market dynamics, regulatory reforms, quality assurance measures, cost advantages, technological advancements, and increasing export opportunities all contribute to the expected expansion of China's pharma ingredient and API market.

In fact, such is demand in the country that CPHI is now in the process of adding additional opportunities for international executives to meet with China’s ingredients supplies – foreseeing the fastest growth in Pan Asian markets but with a continued strong presence of European and American companies looking for new suppliers.