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Report: Chinese pharma industry growth slows

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Singapore: The Chinese pharmaceutical industry and market in 2012 and early 2013 were characterized by slowing growth, falling profitability, mixed regulatory developments setting higher industry standards to improve drug safety and boosting drug review efficiency, renewed price cutting initiatives disregarding higher costs and expenditures of the industry, superficial healthcare reform progress driven primarily by cost containment measures, fallen healthcare quality and growing drug safety incidents, worsening patient-physician relations, and non-stop repositioning of the pharma industry adapting to new realities, according to *China Pharmaceutical Guide 2013* (8th Edition), published by WiCON International, the publisher of *Pharma China*.

However, the Chinese pharmaceutical industry still managed to outperform other industries last year in spite of a fresh array of policy turbulence, slowing economy and a host of other challenges, and it managed to grow at around 20 percent. The overall output value and core business revenue of the Chinese pharmaceutical industry grew 21.7 percent and 20.1 percent reaching $297.62 billion (CNY 1,825.5 billion) and $292.65 billion (CNY 1,795.0 billion) respectively, while the industry's net profit rose 20.4 percent to $29.88 billion (CNY 183.3 billion), according to the National Development and Reform Commission (NDRC). Annual output and revenue growth rates were off by multiple percentage points in 2012.

Industry profit growth continued to fall behind output value and revenues, although the speed of its freefall slowed somewhat compared with 2011. Meanwhile, the pharmaceutical formulation, formulated TCM and crude drug sub sectors are holding out better in terms of output value and revenues, while profit erosion is less acute in the pharmaceutical formulation and crude drug sub sectors.

In the interim, China's international trade of medicines and health products (MHPs) grew 10.5 percent in 2012, reaching $80,950 million in total, according to the China Chamber of Commerce for Import and Export of Medicines and Health Products (CCIEMHP). Among the total, export rose 6.9 percent to $47,600 million while import grew faster at 15.9 percent to $33,350 million in the year. Growth of MHP import and export slowed sharply last year compared with 2011 and was at their lowest point in at least the past five years.

Throughout 2012, central government agencies including SFDA, MOH and NDRC have been leading the efforts of strengthening drug regulation with emphasis on price control, drug safety, GMP implementation, drug registration system reform and OTC drug management, while other agencies such as MOFCOM and the MIIT have stepped up their industrial management role of the pharmaceutical industry.

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As predicted, China's ongoing healthcare reform last year was limited by structural flaws, lack of central government will to finance reform, failures to coordinate agendas of different agencies and balance conflicting interest of stakeholders, fiscal challenges of local governments, and belated reform of the medical service industry. The Chinese government at the central and local levels did step up their healthcare investment somewhat, but it is far from enough to finance the reform goals, the healthcare reform last year continued to be driven primarily by comprehensive cost cutting initiatives.

The Chinese government stated early this year that the healthcare reform has reached a stage of "deep water" and "tough battle" and the government must emphasize its efforts on major issues including primary healthcare, basic medical insurance and essential drugs in 2013.