

## Chinese Pharma Growth Expected to Slow Amid Reform Turbulences and Intensified Government Cost Containment

*Beijing, China, July 5, 2012* – Although there are growing concerns about China's economy and uncertainties about the country's healthcare reforms, the Chinese pharmaceutical industry maintained healthy growth in 2011 and the first half of 2012 as well as a generally positive outlook, according to *China Pharmaceutical Guide 2012 (7th Edition)*, which is officially released today by WiCON International Group LLC, the publisher of *Pharma China*.

In the face of policy turbulence, pricing pressures and a host of other challenges, the pharmaceutical sector in China showed unusual resilience last year and delivered steady revenue growth but at lower margins. According to data released by the National Bureau of Statistics (NBS), the revenues of the Chinese pharmaceutical manufacturing sector grew 29.37% reaching CNY 1,452.2 billion last year. However, growth of the sector's net profits slowed to 23.50% with a total of CNY 149.4 billion. The sub-sector of crude drugs and formulated traditional Chinese medicines had the highest revenue growth at 56.11% and 34.76% last year, while those of pharmaceutical formulations and APIs fell far behind at 24.02% and 22.59%, which are well below average industry growth of 29.37%.

Healthcare demands in China remained robust last year. But repeated price cuts and cost containment measures hurt the pharma industry bottom line in 2011, and the net profit of the API, pharma formulation and biological sectors grew by only 10%, 13% and 7% respectively in the period, according to James Shen, the Publisher of *China Pharmaceutical Guide* and *Pharma China*.

Matching this observation, the Chinese pharmaceutical industry performance in 2011 can be characterized as sustained high revenue growth at lower profit margins in the backdrop of intensified government cost containment.

The Guide found last year's revenue growth and profitability to be imbalanced across subsectors and company categories. Smaller and flexible private companies continued strong growth, while large players, both state-owned and MNCs, lost ground with sharply falling growth. Subsector-wise, formulation traditional Chinese medicines and crude drugs fared much better than pharmaceuticals and biological products.

Large pharmaceutical companies, represented by state-controlled companies and multinational pharmaceutical companies (MNCs), continued to reposition and expand through M&A, diversification, and capacity building for both manufacturing and R&D. Against conventional wisdom, smaller private companies actually did quite well last year at the expense of many large companies through heavy price cutting.

MNCs pursued their Chinese expansion at full speed last year and were active across the spectrum including M&A, joint ventures, research partnerships, geographic and horizontal diversification, new and expanded research operations, manufacturing facility expansion and internal restructuring.

In addition, MNCs committed significantly more investments into their Chinese R&D operations and were also keen on expanding their manufacturing capacities in China last year to prepare for rising domestic demand and the integration of Chinese manufacturing into their global supply chain.

The absolute drug market size of China is already comparable to that of Japan, according to *China Pharmaceutical Guide 2012*, but the country still lags behind Japan by far in terms of its per capita healthcare spending and maturity of its healthcare system.

Pharma industry experts continue to uphold a long-term positive view of the Chinese pharmaceutical market. A number of upbeat forecasts were released by well-established sources throughout last year.

However in the near term, many analysts see a slowdown of Chinese pharmaceutical industry growth in 2012. They expect the industry's revenue growth to fall to between 15% and 20%, compared with around 30% growth in the past five years.

Furthermore, increased short term risk factors and uncertainties recently are clouding the future prospects of Chinese pharma for MNC companies and such challenges include market disruptions and turbulences caused by introduction of new drug regulations and healthcare reform measures by both the central and local governments, looming reform of government drug pricing policies and latest price cuts on innovative category drugs, government preference of domestic large state-owned enterprises through unfair industrial policies, market access issues over essential drugs and low-tier markets, continuous financial pressures from hospital drug purchase tenders, and rising production and regulatory costs.

In the first five months of 2012, the Chinese pharmaceutical industry accomplished a total of CNY 671.96 billion in output value, up 19.2% year on year. It is encouraging to witness the pharmaceutical formulation subsector maintaining relatively fast growth in the period at 21.3%, which is higher than that of formulated TCMs and only second to herbal crude drugs.

***China Pharmaceutical Guide 2012 (7th Edition)*** is the most authoritative and comprehensive reference in English covering China's pharmaceutical and healthcare sector which has been widely subscribed by executives of MNCs, leading CROs, investment banking firms, consulting companies, industry associations and government agencies. Now in its sixth edition, this best-selling reference will continue to play an instrumental role in helping executives understand, navigate, manage and lead their pharmaceutical businesses in China.

- ☞ Authored by James J. Shen, a veteran pharmaceutical executive and the Publisher/Chief Editor of *Pharma China* who has 27 years of managing China and Asian pharmaceutical businesses as a leading China business consultant, multinational company executive and an entrepreneur.
- ☞ Prepared for the real world executives to help them navigate through the complex and turbulent Chinese healthcare business environment for success.
- ☞ Extensive coverage on China's pharmaceutical industry structure and market environment, regulatory framework, healthcare provision and financing, disease & drug consumption patterns, pharmaceutical sales, marketing & distribution, contemporary trends and opportunities, market entry strategies, case studies of successes and failures in six key areas of the Chinese pharmaceutical business, and profiles of leading MNCs in China.
- ☞ Comprehensive and latest data and statistics on the Chinese pharmaceutical industry and market, the Chinese healthcare sector, and disease & drug consumption patterns – much of the data made available exclusively by reputable sources to *China Pharmaceutical Guide* and *Pharma China*.
- ☞ A thorough review of contemporary issues and challenges facing the pharmaceutical industry in China, as well as promising opportunities with many real world examples.
- ☞ A complete and clear picture of the Chinese drug regulatory framework is presented with thorough coverage of all regulations in drug registration, research/GLP, clinical/GCP, import and export, manufacture/GMP, packaging, advertising, distribution/GSP, OTC/ethical drug classification, adverse drug reaction monitoring, internet drug sales, physician drug prescription, compulsory licensing ,etc. Summaries of all these regulations are provided with analysis. In addition, a thorough introduction of all drug related government agencies and industry associations is given with their functions analyzed.
- ☞ A growing collection of selected recent feature article contributions from industry experts and market research companies to *Pharma China* covering extensive areas of interest including healthcare policy, strategic, marketing, regulatory, IPR and legal issues.

- ☞ A growing collection of mini case studies which are in six important areas including market entry, R&D outsourcing, human resource management, market size/information sources, legal/IPR battles and local success stories.
- ☞ Market entry strategies are evaluated and analyzed with real world examples.
- ☞ Profiles of MNC pharma companies are updated annually.
- ☞ Divided into 10 Parts with 53 Chapters excluding Preface, Executive Summary and Appendices, it has 1,380 pages with around 200 tables and charts.
- ☞ Updated annually, it ensures the most up-to-date coverage and trend analysis

The *China Pharmaceutical Guide 2012 (7<sup>th</sup> Edition)* has been thoroughly updated with ample latest data from many reputable sources, abundant analysis by leading industry experts, new regulations and more case studies. Its coverage was renewed and expanded significantly in the following areas:

- ☞ Hundreds of pages of new data, information, analysis and case studies.
- ☞ Thorough summaries and analysis of the latest healthcare reform, drug pricing & reimbursement and hospital tender purchase policies.
- ☞ Comprehensive industry, market and international trade data as well as health statistics are updated with the 2011 (full year) and early 2012 figures.
- ☞ A new chapter on “*Social Media Strategies and Opportunities for Pharma Companies*” and new data on Chinese online drug sales.
- ☞ Expanded coverage high growth market segments including oncology, diabetes, cardiovascular diseases and hepatitis, and added coverage of regional markets, especially those in Yangtze River vicinity.
- ☞ Updated coverage of emerging legal issues (including FCPA/compliance issues) and drug-related IP concerns, as well as new commentaries on recommended approaches for government affairs in China’s healthcare sector.
- ☞ Comprehensive top line data and research findings from our collaborative partners such as IMS Health, Kantar Health, Nicholas Hall, ZS Associates and RDPAC.
- ☞ All regulatory changes in 2011/2012 are updated to present a clear and most up-to-date picture of the Chinese drug regulatory framework with summaries and analysis of all drug regulations in effect by June 30, 2012.
- ☞ An updated section covering proposed new drug-related laws and regulations under drafting process with previews of the draft versions.
- ☞ Overview of China’s 12<sup>th</sup> Five-Year Plans for the pharmaceutical and related industries, as well as other long term industrial planning documents and foreign investment guidelines of the government.
- ☞ Extensive review and analysis of China’s drug registration applications and approvals as well as Chinese drug innovation trends in recent years.
- ☞ Comprehensive review of Sino-foreign M&A, joint venture, strategic alliance, licensing, research partnerships, co-marketing, and new drug research events in 2011 and early 2012.
- ☞ New and expanded coverage on MNC strategies in China with healthcare reform in the backdrop, intellectual property/patent law amendments, data exclusivity, patent litigation, drug regulations, pharma marketing and distribution strategies, drug consumption patterns, the Chinese R&D and outsourcing sector, clinical studies/practices, healthcare reform, community healthcare sector, essential drug policy, regional drug consumption patterns, and the vaccine and API sectors.

- ☞ Numerous new case studies are added to the 2012 Edition.
- ☞ Comprehensive revision of the China operation profiles of MNCs to reflect their latest performance, business deals, legal disputes and outlook.

All purchasers of the ***China Pharmaceutical Guide 2012*** will receive one-year complimentary subscription of *Pharma China* Weekly e-Alert (*Premium Edition*) which provides a weekly summary of the top Chinese pharmaceutical news and *Breaking News Alerts* which notifies subscribers of any major unfolding events in the Chinese pharmaceutical and healthcare sectors.

For further information, please contact WiCON International Group to request a free promotional PDF containing the executive summary, the table of contents, the lists of tables and charts, and preface/bio of the author (available after 06/2012).

To download a brochure/order form and our promotional PDF online (available after 06/2012), please visit: <http://www.pharmachinaonline.com/download/index.asp>.

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WiCON International Group is the publisher of ***Pharma China*** ([www.pharmachinaonline.com](http://www.pharmachinaonline.com)), the most influential English media and source of business intelligence covering the Chinese pharmaceutical / biopharmaceutical sector.

***Pharma China*** caters for the growing needs of the international pharmaceutical industry for up-to-date and insightful intelligence on China's burgeoning but increasingly complex healthcare marketplace. It is subscribed by most multinational pharmaceutical companies, leading CROs, investment banks, consulting firms and industry associations.

Pharma China publishes the following products:

- ☞ **Pharma China Journal Edition** (monthly in PDF and Print)
- ☞ **Pharma China Web Edition** (continuously-updated news and in-depth commentaries)
- ☞ **China Pharmaceutical Guide** (the most comprehensive and authoritative reference for China's healthcare sector)