

Chinese Pharma Growth Slows, But with Unchanged Long Term Positive View

Beijing, China, July 4, 2013 – The Chinese pharmaceutical industry and market in 2012 and early 2013 was 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 & 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)***, which was officially published today by WiCON International Group LLC, the publisher of *Pharma China*.

The annually-updated ***China Pharmaceutical Guide*** 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.

In fact, the Chinese pharmaceutical industry still managed to outperform other industries last year in spite of a fresh array of policy turbulences, slowing economy and a host of other challenges, and it managed to grow at around 20%.

The overall output value and core business revenue of the Chinese pharmaceutical industry grew 21.7% and 20.1% reaching CNY 1,825.5 billion and 1,795.0 billion respective, while the industry's net profit rose 20.4% to 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 subsectors are holding out better in terms of output value and revenues, while profit erosion is less acute in the pharmaceutical formulation and crude drug subsectors.

In the interim, China's international trade of medicines and health products (MHPs) grew 10.5% in 2012, reaching US\$80,950 million in total, according to the China Chamber of Commerce for Import and Export of Medicines and Health Products (CCIAMHP). Among the total, export rose 6.9% to US\$47,600 million while import grew faster at 15.9% to US\$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.

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.

There is no doubt the healthcare reform will go on with unchanged slogans. In reality, both central and local governments will be more financially strapped this year to achieve original reform objectives and they will be forced to rely on cost containment even more. The aftermath will be fallen quality of healthcare, increased safety incidents and reduced overall healthcare efficiency, potentially leading to social unrests in a period of political sensitivity.

Despite economic uncertainties, the Chinese healthcare sector is still anticipated by leading experts and players to continue its current expansion, though probably at a lesser speed. A recent MOH document, *Health China 2020 Strategic Research Report*, includes a strategic objective to raise the share of health expenditures in China's GDP to 6.5%-7.0% by 2020 from 5.1% in 2011.

Southern Medicine Economic Institute (SMEI) under the SFDA expects the Chinese pharmaceutical industry performance to bottom out in 2013, but suggests the growth rate may not be able to match the well-above-20% level seen between 2009 and 2011. Overall output value of the industry is expected to grow 20.45% in 2013, reaching CNY 2,270 billion, it forecasts.

Faced with unprecedented challenges, large pharmaceutical companies, represented by state-controlled companies and MNCs, continued to reposition themselves through M&As, diversification drives, alliances and partnerships, and capacity building for both manufacturing and R&D.

Recent surveys of MNC pharma executives indicate revenue growth optimism for the global pharmaceutical industry in 2013. Despite some recent setbacks with China's healthcare business environment, executives continue to identify the country as the most important region for pharmaceutical industry growth this year. Presence of huge and aging population, economic development, growing public expenditure towards healthcare, government support, increasing awareness about health and fitness in public are deemed as key drivers for the growth of the pharmaceutical market in China.

While there are many enticing reasons to be optimistic this year, executives should watch out for potential turmoil from another round of large scale government reorganization which tends to result in widespread and sometimes dramatic policy adjustments.

The Chinese economy, facing many challenges and uncertainties, will also weigh on the healthcare sector. Should the Chinese government fail to appropriately support its healthcare reform ambitions financially, cost containment may get way out of hand at the local levels to cause falling quality of medical care, diminishing pharma industry margins and broad healthcare system instabilities.

Now in its 8th edition, *China Pharmaceutical Guide 2013 (8th Edition)* continues 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 28 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 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 two volumes, ten parts with 53 chapters excluding Preface, Executive Summary and Appendices, it has over 1,500 pages with more than 200 tables and charts.
- ☞ Updated annually, it ensures the most up-to-date coverage and trend analysis

The *China Pharmaceutical Guide 2013 (8th 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 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 2012 (full year) and first half of 2013 figures.
- ☞ Expanded coverage on the primary healthcare sector, the OTC and consumer healthcare sector, high growth market segments, key regional hospital markets, the pharmaceutical distribution sector and online retail pharmacy segment.
- ☞ Added coverage of the Chinese biosimilar market prospects and regulatory outlook and expanded coverage on consumption patterns of formulated traditional Chinese medicines.
- ☞ Expanded coverage of digital and academic marketing strategies for Chinese pharma (including social media applications)
- ☞ Updated coverage of emerging legal issues (including FCPA/compliance and liability issues) and drug-related IP and trademark concerns.
- ☞ Comprehensive top line data, research findings and observations from our collaborative partners such as IMS Health, Kantar Health, Nicholas Hall, ZS Associates and RDPAC.

- ☞ All regulatory changes in 2012/2013 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 mid-2013.
- ☞ Comprehensive coverage of the latest reorganization and internal structures & jurisdictions of the Chinese regulatory agencies (e.g. newly-created CFDA and NHFPC).
- ☞ Focused coverage of China's deepening reform of its drug registration and evaluation regime, new policies to support drug innovation and high clinical value generics, and its initiative to re-evaluate all generic drugs with bioequivalence studies.
- ☞ An updated section covering proposed new drug-related laws and regulations under drafting process with previews of the draft versions.
- ☞ 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 2012 and early 2013.
- ☞ 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, digital/social media and academic marketing solutions, drug consumption patterns, the R&D and outsourcing sectors, 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 2013 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 2013*** 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. To download our promotional PDF and a brochure/order form, please visit:

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WiCON International Group LLC

Tel: +1 609-9190898 Fax: +1 702-9953905 e-mail: info@pharmachinaonline.com

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

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

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- ☞ **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)