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India slips in rankings as slowdown hits pharma

Rupali Mukherjee | TNN

Mumbai: Conventional wisdom suggests that healthcare sector is recession proof and does not necessarily mirror the lows and highs of the economy. But surprisingly, India's attractiveness as a pharma market has suffered a blow with its growth forecast being revised downwards by a global market research firm, amid a slowdown in the economy.

India has slipped from the 8th rank as forecast in 2016 to the 11th position in 2017, figures culled from IMS Health said. The downgrade suggests that the market may not be growing at the pace projected earlier, and has lost value due to the currency fluctuation, impacting the country's global ranking, experts say.

However, other emerging markets including China, Russia and Brazil have shown an encouraging growth trend, driven by strong macroeconomic indicators and market conditions.

Over the past year, the domestic market has been dogged with a lower GDP growth, regulatory issues and patent challenges. As a result, the growth forecast witnessed a dip last year, affecting India's global rankings.

Since 2006, the market registered a healthy double digit growth, driven by a vibrant economy and a steady rise in incomes. After clocking a CAGR of 15% during the period 2008-12, the market has slowed progressively, and registered a lower growth of 9.9% in 2013.

Says Amit Backliwal, GM India IMS Health, "A comparison of global country rankings between the two studies (done in 2012 and 2013) does indicate a decline in India's rank forecast for 2017. This is most likely due to the downward revision in India's growth forecasts in IMS Market Prognosis (sluggish economy, price control, trade issues), combined with the recent devaluation in currency, against the dollar."

The national pharma policy, which announced price regulation on certain essential medicines (DPCO 2013) and the uncertainty surrounding its implementation both in trade channels (wholesale and retail chemists) as well as at the company level, combined with the overall slump in the economy have contributed to a large extent to this slowdown.

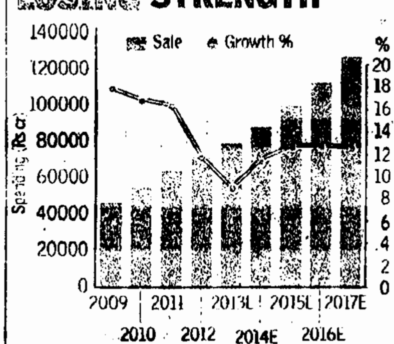
Going forward, IMS expects the Indian market to pick up and grow in double digits to register a CAGR of 12% for the period 2012-17. The Indian market will always remain attractive due to demographics, industry experts say.

"Today, two thirds of the population has no access, but as incomes improve health care infrastructure is set up – increasing populations will come in the ambit of the potential market. So there is no question that India will remain an attractive market. The challenge is the unit value remains low, unlike in other emerging economies where the unit value is high," said Ranjit Shahani, country president at Novartis India.

India's pharma market, valued at $14 billion in 2012, is expected to grow to $22-32 billion by 2017. As against, China at $81 billion will grow much faster at 14-17%, and is estimated to increase to $160-190 billion by 2017, IMS said.

The study says that developed markets of North America, Europe, and Japan will see modest single digit spending growth due to a combination of economic and healthcare austerity measures. In contrast, many (but not all) leading 'pharmerging' (pharma emerging) markets show much higher double digit growth rates due to a combination of economic growth, demographic and epidemiologic changes, increased access to medicines as infrastructure and health systems evolve.

LOSING STRENGTH



Rank	2016	2017
1	US	US
2	China	China
3	Japan	Japan
4	Brazil	Brazil
5	Germany	Germany
6	France	France
7	Italy	Italy
8	**India**	**Russia**
9	Russia	UK
10	Canada	Canada
11	UK	**India**

E: estimates; IMS conducted the study for 2011-2016 in 2012 and for 2012-2017 in 2013

Industry