Chinese Pharma Growth Slowed Further in 2014 But Still Impressive

Beijing, China, January 25, 2015 – In general the Chinese pharmaceutical sector saw slower but still double-digit growth in 2014 despite a host of challenges stemmed from slowing Chinese economy, regulatory shakeups, cost containment measures and price cuts, as well as healthcare reform turbulences. The Chinese drug market (at retail price level) is estimated to have grown 13.4% in 2014 to reach CNY 1,245.7 billion, according to China Pharmaceutical Guide 2014 (9^{th} Edition) quoting SMEI data.

The slowing Chinese pharma growth has, to a large extent, been driven by: 1) falling government healthcare investment growth as a result of staggering economy; 2) cost containment and activities against healthcare corruption; and 3) intensive and often irregular competition.

Following nearly a decade of healthcare reform, life of the old Chinese pharma business model, which has been overly sales driven and heavily dependent on face-to-face promotions to physicians, is finally coming close to an end.

Under pressures of escalating anti-corruption campaigns, increasingly sophisticated cost containment measures as well as upcoming policy shifts in drug pricing and reimbursements, the pharmaceutical industry in China, especially MNCs and leading domestic players, is now forced to look for a new business approach which is more coherent with the Chinese healthcare business reality today.

China is expected to very quickly transition from a sales-driven culture into a strategic marketing driven one, industry experts pointed out. In fact, some of the business dynamics last year have already reflected this growing shift.

If the Chinese government’s unrelenting anti-corruption campaign was the last straw that broke the old business model of Chinese pharma, the drastic drug price liberalization recently proposed by the NDRC is set to put the final nail on its coffin.

NDRC's proposal to liberalize government drug price setting is by no means the end of drug price reform. In fact, we are at the beginning of a new reform cycle. Much has to be achieved to replace the dismantled system with a new regime which has no prototype. Without full support of other concerned agencies like the NHFPC and MOHRSS, it remains to be seen if the NDRC can make a major regulatory shift of this magnitude and complexity a success.

Meanwhile, albeit central government’s ambitions palely supported by an increased but tiny healthcare budget, China’s ongoing healthcare reform lost speed further in 2014 amid various old and new challenges including broad economic slowdown, structural flaws, inadequate government financing, failures to coordinate agendas of different agencies and conflicting interests of stakeholders, fiscal challenges of local governments and superficial public hospital reform.

There is no doubt the healthcare reform will go on with unchanged slogans. In the 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.

Chinese experts warned recently that the Chinese pharmaceutical economy to face a more complex environment in 2015 with challenges from fallen growth as well as restructuring of the pharma industry and its external environments. There will be lots of uncertainties, unbalances and frailty ahead. The future outlook is therefore mixed. Most analysts agree that the market will keep on growing, but at a slower rate, continuing the trend which started two years ago.

Other than growing challenges on the ground in China, there are success stories from all categories of players, whether they are foreign or local, large or small, newcomer or established, private or state-owned. However, to be one of the success stories require a thorough understanding of the sector, ability to face and tackle challenges, flexibility to deal with changes, and skills to maneuver through complex situations.

Now in its 9th edition, ***China Pharmaceutical Guide 2014 (9th 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, IP and legal issues, 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.
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- ☞ 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.
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- ☞ Profiles of MNC pharma companies are updated annually.
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- ☞ Updated annually, it ensures the most up-to-date coverage and trend analysis

The ***China Pharmaceutical Guide 2014 (9th Edition)***, which was published in July 2014, had 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, regulatory, market and international trade data as well as health statistics are updated with the 2013 (full year) and first half of 2014 figures.
- ☞ New and expanded coverage on the primary healthcare sector, the OTC and consumer healthcare sector, formulated TCMs, high growth market segments, key regional hospital markets, the pharmaceutical distribution sector and online retail pharmacy segment.
- ☞ Expanded coverage of the Chinese biosimilar market prospects and regulatory outlook, consumption patterns and trends of formulated traditional Chinese medicines, and market opportunities/strategies for consumer healthcare.
- ☞ Expanded coverage of digital and academic marketing strategies for Chinese pharma (including social media applications)
- ☞ Updated coverage of contemporary IP and legal issues (including anti-corruption, FCPA/compliance, anti-monopoly and product 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 2013/2014 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-2014.
- ☞ Updated coverage of China's deepening reform of its drug registration and evaluation regime, statistics on drug evaluation and approval in 2013, and Chinese drug innovation trends in recent years.
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