

Like other markets within the region, growth within the Middle East's pharmaceutical sector is primarily dependant on oil prices, which have been incredibly volatile over the past couple of years. There are numerous factors suggesting a significant growth for this market over the next decade. GlobalData's **Suraj Ramanathan** reports.

RISE TO THE CHALLENGE

Major advances for the pharmaceutical market in the Middle Eastern region include the establishment of a number of healthcare and biotech parks and the initiation of strategic partnerships between foreign and regional institutions for pharmaceutical R&D. Further adding to this is the general increase in the incidence rates of lifestyle diseases such as cancer. This has led to the establishment of numerous hospitals across many Middle Eastern countries increasing the demand for specialised and targeted therapies. The introduction of recent policies to liberalise the economy and the introduction of robust regional health insurance systems are likely to be key factors contributing to the growth of this market in the next five to ten years. Analyst estimates show a steady increase in the market size to as much as \$15 billion by 2015.

Market scenario

The Middle Eastern sector is primarily an import-oriented market with foreign investors holding respective shares in established businesses. Apart from Egypt, all other Gulf Cooperation Council (GCC) countries share the same characteristic of being high importers of branded drugs. More than 70% and 80% of pharmaceuticals consumed in Oman and Saudi Arabia respectively are imported, while Lebanon imports over 94% of its medicine needs.

Within the pharmaceutical space, countries like Israel and Egypt are the major leaders in terms of market share. Israel has a dominant global presence in the pharmaceutical generics market. Countries like the United Arab Emirates (UAE) and Saudi Arabia are witnessing increasing strategic collaborations involving foreign drug manufacturers creating a steady platform for pharmaceutical R&D and production. As a part of the emerging pharma hub major multinational giants including Amgen, Roche, Sanofi, Teva, Sandoz and J&J

Contributor profile



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have considerable presence across the region. Simultaneously, base players of the Middle East and North African (MENA) market such as Julphar, Hikma, MEENA, Rhino, Sedico and Dar-Al-Dawa are also investing heavily in R&D, developing strong therapeutic portfolios in areas such as paediatrics, and for lifestyle diseases such as obesity and cancer.

Potential market drivers and opportunities

A number of factors are driving the pharmaceutical market and are expected to continue:

- The establishment of health-related free zones has increased the interest of global pharmaceutical players. This has encouraged such players to set up regional centres in countries like the UAE, Saudi Arabia and Qatar. The Dubai Biotechnology and Research Park (DuBiotech) is one such free zone. It aims to attract a mix of biotechnology and pharmaceutical companies active in R&D, scientific discovery, production, testing, sales, storage and distribution as well as business support and legal services. Companies located in DuBiotech will receive 100% exemption on corporate and personal tax guaranteed for the next 50 years.
- Research has revealed that citizens of the GCC countries have an unusually high prevalence of Type 2 diabetes and obesity relative to the rest of the world, and the health

complications associated with both are expected to have a dramatic impact. The UAE (19.5%) leads Saudi Arabia (16.7%) into second place in the list of countries with the highest rates of diabetes, with Bahrain in third (15.2%), Kuwait in fourth (14.4%) and Oman in fifth (13.1%), according to the WHO. Saudi Arabia has the world's third-highest rate of obesity with a huge 35.6% of its population categorised as overweight, the UAE comes fourth with 33.7%, followed in sixth place by Bahrain (28.9%) and Kuwait in seventh place (28.8%).

- Historically, health insurance penetration and density in the GCC region have been well below global levels (approximately 2%) but in the last few years there has been a significant shift to this with the introduction of compulsory health insurance, notably in Saudi Arabia. The UAE has introduced a compulsory health insurance mechanism for foreign workers residing in one of the seven emirates, and has made this a prerequisite to obtain a work permit. Israel has recently liberalised its over-the counter (OTC) sector, following the UK model where more products have been deregulated for purchase without a prescription.
- In countries like the UAE, there has been a move toward making the health sector more transparent and modernised. A new national health council will oversee health policy and ensure people have the same access to healthcare regardless of where they live. In May 2007, Abu Dhabi announced an AED1 billion corporate initiative to take advantage of the rising demand for healthcare. Estimates suggest that the existing 10,500 hospital beds are to increase to about 65,000 by 2015. In countries like Saudi Arabia the government is rapidly promoting the involvement of private healthcare. Analysts estimate that the private sector will account for 60% of healthcare spending by 2012.

Growth challenges

A number of major factors could possibly restrict the growth of the Middle Eastern pharmaceutical market.

The volatility of oil prices. The economies of most GCC countries are governed by their largest exporting commodity – oil. The ongoing economic crisis coupled with fluctuating oil prices directly reflects the buying power of the respective governments. Diversifying expenditure and allowing the entry of foreign investment could soften the impact of the oil crises to a minimal level.

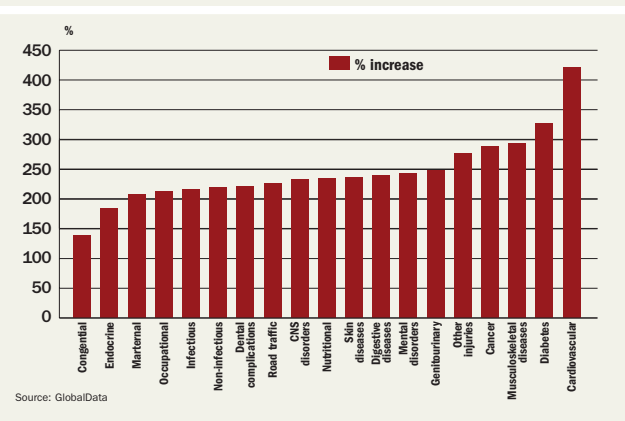
Stringent regulatory approval systems. In the Gulf countries tough entry barriers are implemented to protect the local industry. The major entry barriers in this region are compulsory partnership with local firms, strong patent protection, high level GMP and mandatory bio-equivalence and clinical trials. The Health Policy and Regulation Team, a sector of the Abu Dhabi Health Authority is developing regulatory policies for all medical specialisation and medical service sectors. The policies will include alternative and traditional forms of medicine. Other than the entry barriers, there are restrictive price controls and strict factory audits. The influence of the western world, patent protection, launch of innovative products and novel drug discovery helps maintain growth in the GCC market.

Market scenario in the GCC countries

Country	Scenario
Egypt	Largest pharmaceutical market of the region
Lebanon	Highest importer of branded drugs
Jordan	Leading Arab pharmaceutical exporter
UAE	Among the highest-priced and rapidly developing markets in the region
Palestine	Houses the largest manufacturer of generic drugs globally
Saudi Arabia	The richest regional market

Source: GlobalData

Projected increase in treatment demand in GCC countries by 2025 (%)



Source: GlobalData

Competition for market dominance. Creating differentiation from competitors is difficult in the GCC countries as the quality standards are not defined to patients. Government has to play a vital role in eradicating these challenges for private sector. But private players will need to decide whether to enter into government contracts to manage public facilities or to run their own facilities. Private players should engage in proprietary projects as well as partnerships with government-run initiatives to gain a substantial market share.

Future outlook

The increase in demand for therapeutic applications has made the market lucrative, with more Western companies expected to invest in the future. It is projected that demand for treatment in the Gulf region will rise by 300%. It will stand at \$60 billion in 2025 to \$12 billion in 2008. The major disease areas that will experience steep growth will be cardiovascular and diabetes-related ailments. Pharmaceutical companies that invest prudently in this market and recognise its dynamics will find it is possible to operate in the region without adverse developments having a reflective impact.

The population of the Middle East now exceeds 370 million and is expected to reach over 520 million by 2030. The growing population, dominated mainly by the expatriate community in most of the GCC countries, has given rise to a rapidly growing market for healthcare especially for pharmaceutical applications and its associated industries. WPF