

The future's bright

As the world emerges from one of the most difficult economic climates for a generation, pharmaceutical executives tell **ICD Research** – as part of its research for its latest sector survey – of their hopes for the short- to mid-term future of the sector, and share their company's future prospects.

Overall, across the global pharmaceutical industry, half (50%) of respondents in the *What The Global Pharmaceutical Industry Is Planning in 2010-2011: Procurement, Investment & Industry Trends Outlook* survey said they were more optimistic about revenue growth for their company in the coming 12 months, relative to the last 12. A further 31% were neutral about revenue growth, compared with 17% who were less optimistic. The expectations regarding revenue growth over the next year are mixed.

Industry professionals believe the pharmaceutical industry has been shielded somewhat against recessionary pressures, with many believing the greatest threat to revenues is patent expiry of many blockbuster drugs. The number of executives who were neutral about revenues in Q2 2009 remains similar to today. In Q2 2009, it was 35% compared with today where neutral responses stand at 31%.

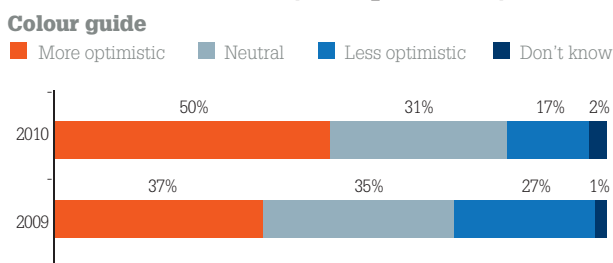
The pharmaceutical sector portrayed positive signs of economic growth as respondents are far more optimistic compared with Q2 2009 survey. The optimism of manufacturers grew by 10%, CRO and CMO experienced a rise of 13% and industry suppliers saw a surge of 20%. This illustrates that the industry is comparatively positive, no doubt boosted by the fiscal stimuli by governments worldwide.

These findings reveal that the number of less-optimistic respondents has declined relatively as they anticipate positive growth

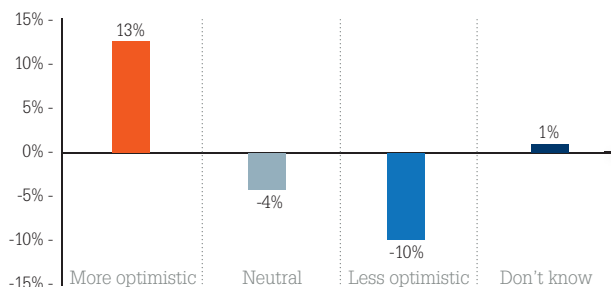
Key findings:

- Overall, pharmaceutical industry respondents are optimistic about the company's revenue growth
- Respondents from Asia Pacific and the rest of the world are relatively more optimistic about their companies' revenue growth in comparison with respondents from North America and European regions due to globalisation of R&D operations and M&A activity
- Asia is growing into a drug manufacturing powerhouse and has emerged as a leading source of drug discovery and high-end innovation over recent years
- Brazil, Russia, India and China prominently figure among the most important business development destinations throughout the different stakeholder segments
- Overall, executives from the pharmaceutical industry expect to see increased levels of consolidation in their industry due to "attractive valuations and opportunistic takeovers", "cost containment/reduction on R&D" and "thinning pipelines".

Question: Are you more or less optimistic about revenue growth for your company over the next 12 months? (% respondents)



Next difference between 2009 and 2010 revenue expectations



Source: ICD Research Industry Survey 2010

in the global economy through increased industrial production, a rebound in global equity market and augmentation in international trade. When compared with buyers, suppliers seem to be more optimistic about the global recovery. Overall in comparison to Q2 2009, respondents are more optimistic about revenue growth.

Asia takes its place

Asia Pacific emerged as the market with the largest expectations for growth. Emerging economies constitute about 80% of the world's population and more than 20% of the global economy. The trade liberalisation and opening up of economies have played a greater role in revenue growth and high level of optimism in the region. The International Monetary Fund (IMF) projects that China's GDP will grow at 9% during 2010 and at 6.4% for India during the same period. It also expects that economies will start recovering from 2010.

Most of the countries in the Asian region were hit by the financial crisis. The IMF expects that exchange rate flexibility will continue to be important in most countries to allow the region to regain competitiveness and build confidence. Targeted government spending

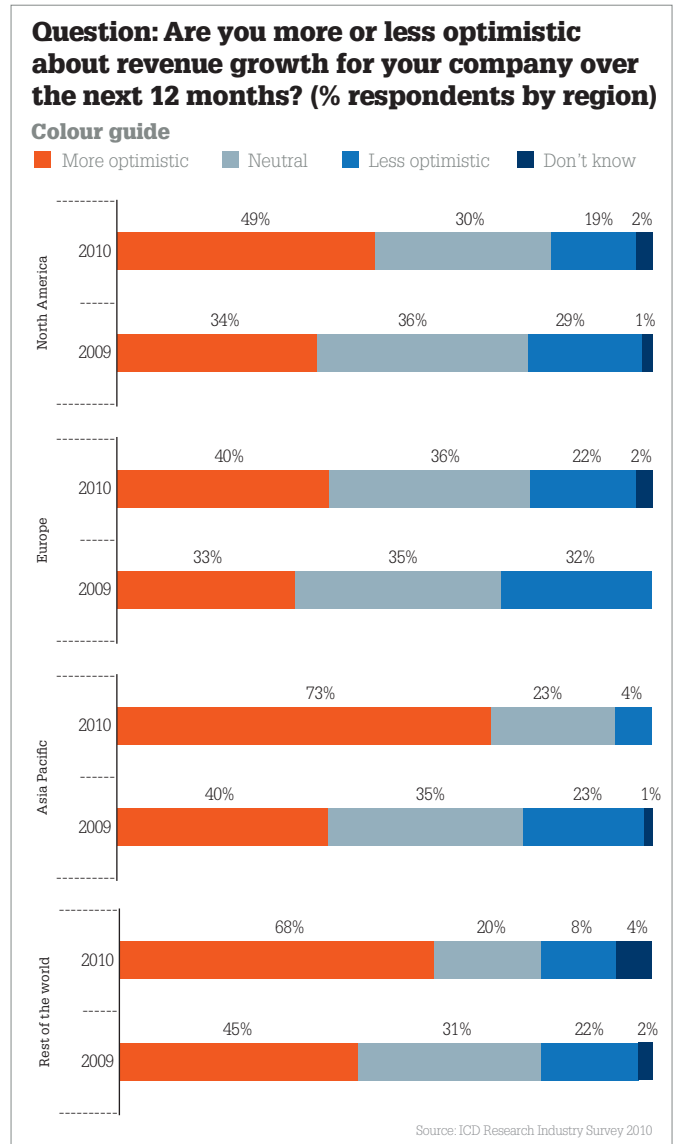
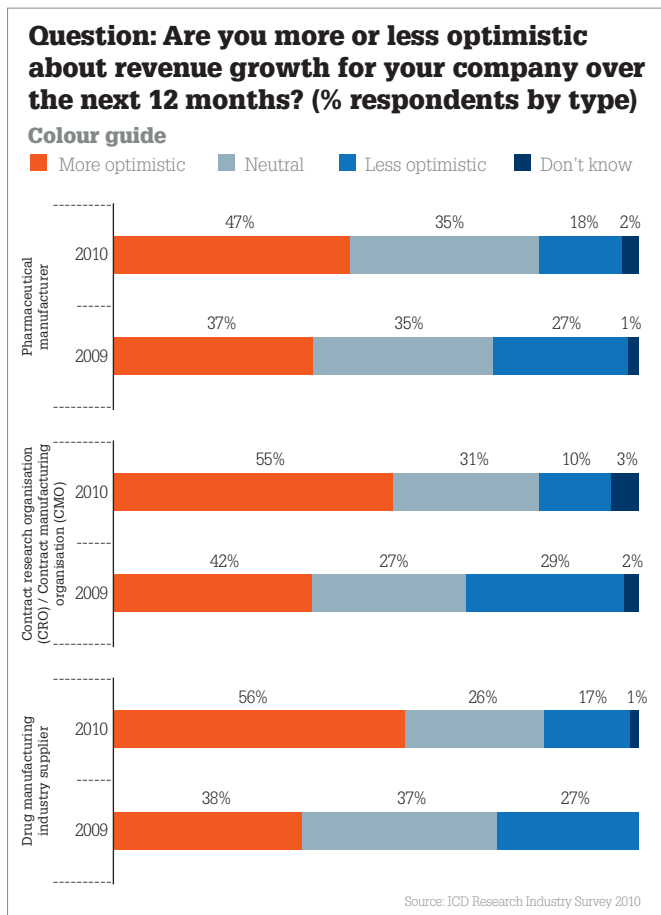
will help protect poor and vulnerable groups and continued efforts will be needed to identify financial sector risks and ensure appropriate banking supervision to reduce vulnerabilities.

Most companies are facing significant pressure to change, with thinning pipelines, skyrocketing R&D costs, calls for lower prices and a greater regulatory burden, these conditions, and the financial crisis, have made the work of creating new drugs harder than ever. Big pharmaceutical companies are being forced to globalise R&D, especially to emerging markets. Merger and acquisition activities are taking place, giving way to small biotech companies.

Asia is growing into a drug manufacturing powerhouse and is emerging as a leading source of drug discovery and high-end innovation. Big pharmaceutical companies now rank China as the best location for R&D in Asia, followed by India, Korea and Taiwan.

The optimism level is very high in Asia Pacific and in the rest of the world in comparison to the results showcased in Q2 2009. The IMF believes that financial conditions returning to normal should support a rebound of private investment, sustaining demand even as the fiscal stimulus wanes. The result of the survey reveals that ongoing economic growth in emerging markets will contribute more than half of the global growth. European companies will earn benefits from the recovery in the US as it is their most important export destination.

Developing countries are more optimistic about global economic recovery as the effects of they were less affected by the financial crisis. The economic crisis has affected every industry but the drug manufacturing sector may continue to thrive through increasing productivity and cost of goods reduction promoting efficiency.



More than half (52%) of respondents from the global pharmaceutical industry with revenue turnover up to US\$100 million and those with runovers between US\$100 million and US\$500 million are more optimistic about revenues this year. More executives from larger pharmaceutical companies are considering where to make future investments and are less optimistic about company revenue growth.

The net difference in optimism trends for the pharmaceutical industry was mapped with the individual results of 19 other industries. The pharmaceutical industry is a significant one with a relative optimism trend of 33%. This indicates that the sector is well on the recovery path along with other sectors that are driving the economy. ■

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