

## Latin America pharmaceutical sales to grow 12% per year through 2017

With pharmaceutical sales growing at 3% per year in mature markets such as North America, Europe and Japan, the emerging drug manufacturers of Singapore will continue to look for emerging markets to fast-track growth. Latin America and Asia stand out as the strongest growth regions, with Asia expected to average 4.8% per cent between 2008 and 2012, and expected to maintain an average rate of 5.2% per cent through 2017 (see Figure 2a).<sup>1</sup>

### The drivers of sustained growth in pharmaceutical sales throughout Latin America

Underpinning greater access to education and a larger proportion of women in the workforce are helping to further income levels throughout Latin America, thus driving the expansion of pharmaceutical sales to people eager to spend more on healthcare beyond basic necessities. Between 2002 and 2008, Latin American middle class grew by 56 million people (between 4.4% to 4.9% per cent), the middle class grew by 49 million.<sup>2</sup>

These economic developments will continue to shape the market and fuel pharmaceutical sales growth in the coming years.

3. First, **Continuing access** will continue to drive demand on **increased use of generics** throughout the region, a trend driven by governments seeking to broaden healthcare access of reduced costs. **Local producers of generic drugs** are benefiting the strong base of the proliferation of drug manufacturing facilities, reduced production as well as greater labor for generic drugs. Local producers are growing at a staggering 30% per year, using generics to be sold in generic markets 30% more economically than their patented counterparts.<sup>3</sup>

3. The **diversification of products** and the **continued expansion of pharmaceutical sales** will accelerate the local drug market, a study conducted by **Latin American medical associations** indicates that pharmacy stores and pharmaceutical sales that accounted 55% of Mexican pharmaceutical sales in 2007 to 58% in 2010, making the participation of independent sectors. Health care institutions in the primary market, academic and Federal's acquisition of Mexico for pharmaceuticals, Ferrosol, Inc and Farmacos, S de RL de CV are looking to have more robust drug are looking for pharmaceutical distribution.<sup>4</sup> Consolidation of the pharmaceutical retail segment will lead to **lower generic distribution** – of greater drug volume – for drug and over-the-counter manufacturers, thus amplifying the sales process and contributing increasing the volume as a few retailers. This will reduce number of manufacturers.

4. Consolidation will translate into a severe disruption of long-term pipeline by established product manufacturers, who have made the most of the infrastructure of integrated manufacturing. **More aggressive regulations** between retailers and their suppliers are expected to drive, posing a potential to its manufacturing segment.

5. The growth of primary chains will also require wholesale margins forcing this segment to retreat still. Thanks to their cost reduction efforts, large retailers may see to **expand this segment** altogether.

6. Meanwhile, **generic brands** continue to gain traction and the market for “middle tier” generic drugs and hospitals is booming. As this happens, the market for medical devices and

Figure 2a. Three of the world's pharmaceutical spending by region 2013-2017



Figure 2b. Three Latin American pharmaceutical sales 2012-2016 (B USD)



Source: Global Health Intelligence, based on research information from its clients.

equipment will continue to grow, generating **additional drug opportunities** for brand owners.

### Smart investment distributions

Obviously, for pharmaceutical companies, Latin America is a strong bet for future growth. A few markets stand out within the region. Brazil will continue to be the primary driver of healthcare expenditure in the region, accounting for 18% of the region's pharmaceutical sales between 2013-2017, followed by Mexico as the region's second largest market with 17.1% of the region's sales. Brazil is expected to become the world's 10th largest pharmaceutical market by 2016.

Colombia and Argentina stand among growth prospects, albeit Brazil's growth base. Chile maintains the character of a more mature market, with consistent and stable growth. In contrast, the economic woes and efficiency pressures currently besetting retailers such as Argentina and Venezuela are raising serious doubts of a return to the health care spending and margins of these countries. As a result, it is difficult to predict how these markets will fare, though the picture looks gloomier than for most regions.

Smart money will continue to flow to Brazil and Mexico as the region's pillars, creating additional growth from drug markets such as Colombia and Peru.