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Pharmerging Fundamentals: Inside Latin America's Expanding Medicine Cabinet

As in other global emerging markets, robust growth of the pharmaceutical market in Latin America is fueled by the region's emerging market dynamics such as a growing middle class, favorable demographic trends and the self-pay nature of primary healthcare that tends towards growing Over-the-Counter (OTC) consumption. These countries are also experiencing increasing urbanization and subsequent access to modern retail, as well as slowly improving regulatory environments that may alter the market landscape. These trends create a "pharmerging" growth dynamic likely to affect pharmaceutical sales in the region for years to come.

- **The importance of OTCs.** As in other emerging markets, the Latin American OTC segment accounts for a substantially higher proportion of the larger pharmaceutical sector. While in mature markets such as North America and Europe OTCs account for only 9% of total pharmaceutical sales, in Brazil OTCs account for 27%. Yet OTC category growth in Latin America continues to outpace that of patented prescription drugs by a wide margin. Brazilian OTC drug sales outperformed prescription drug sales growth from 2009-2013, registering a CAGR of 18% versus 8% at 13%. Even during the economic downturn of 2015, OTCs continued to outperform while overall retail slowed to 5% growth. This highlights more limited public health coverage of prescription medications that causes consumers to rely more heavily on OTCs. Although growth of the Mexican OTC market was more modest and more cyclically tied than in Brazil, the sector still outperformed its North American counterparts, where the U.S. and Canada registered CAGR of 3.6% and 3.1% respectively during the same period.