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2015 life sciences outlook
Southeast Asia

Indonesia is the largest pharmaceuticals market in the growing Southeast Asia/Asia Pacific (SEA/AP) region, followed by Thailand, the Philippines, Vietnam, Malaysia, and Singapore.[1] SEA/AP is generally viewed by life sciences companies as secondary to traditional mainstay markets due to lower purchasing power and overall health care system maturity. Yet, the region is developing rapidly and holds considerable future potential.

Singapore's strong IP laws and well-developed trade links have enabled it to attract substantial investment from global research-based pharmaceutical companies, many of which collaborate with Singapore's research institutes. To further this collaboration, the government has set aside $3.7 billion (local currency rates) to encourage biotechnology research in 2011-15.[2]

Philippine's pharmaceutical market = $5.2 billion in 2013

Growth rate = 9 percent annually in 2014-2018

Population growth rates that are expected to outstrip those of other geographies and increasing health care demand — the SEA/AP population is going through an epidemiological shift from infectious diseases to a chronic disease pattern matching western markets – should help to solidify the region's importance. In addition, Asia's emerging economies are reaching a level of maturity whereby consumers are able to afford the full spectrum of products from life sciences companies, which also should increase the region's strategic priority.

Already, Singapore is an important global trading hub that connects South-east Asia and the West, and that role should increase the city-state's importance to life sciences companies seeking to expand in the region. Pharmaceutical sales in Singapore were estimated at $1.1 billion in 2013 and are forecast to grow an average of nine percent per year in 2014-2018, reaching nearly $1.7 billion in 2018.[3] Singapore has a substantial and expanding pharmaceuticals production base, and is a major re-exporter of pharmaceuticals. Even with this growing demand, the competitive pressures are increasing and companies are looking at changes in their operating models to sustain profitability and growth. The U.S. is a major market, with $4.4 billion worth of imports in 2012.[4] The government has encouraged the development of the local life sciences industry in recent years in order to reduce the country's reliance on electronic products as the main source of growth in exports and manufacturing.[5]

1 *Industry Report, Healthcare: Philippines*, The Economist Intelligence Unit, July 2014
2 *Industry Report, Healthcare: Singapore*, The Economist Intelligence Unit, June 2014
3 Ibid
4 Ibid
5 *Industry Report, Healthcare: Philippines*, The Economist Intelligence Unit, July 2014

In the Philippines, pharmaceutical sales were an estimated $5.2 billion in 2013. Sales are forecast to grow by 8.5 percent annually in 2014-18, to $7.9 billion. Generics account for around 40 percent of the Philippine drug market by value and 60 percent by volume. Most of the biggest pharmaceutical companies with operations in the country are foreign but the market share of local companies has been rising slowly.[6] The country's pharmaceutical market is undergoing far-reaching reform, following passage of the Universally Accessible Cheaper and Quality Medicines Act. The law allows the government to impose maximum retail prices for essential drugs; permits patented drugs to be imported from other countries (but makes it more difficult to renew the patents); and enables local pharmaceutical producers to register their own versions of patented drugs when the original patent expires.[7] Among the main beneficiaries of the government's policy of making medicines more affordable have been local producers of generic drugs.[8]

Innovation is becoming the spearhead for life sciences companies looking to enter, grow, and thrive in key SEA/AP markets. While most manufacturers do not consider the region to be an R&D or clinical center of excellence, some are using facilities there to modify products for emerging/low-cost markets. Moving forward, infrastructure improvements and foreign investment is expected to jump-start local innovation in numerous forms, including locally based R&D and clinical trials to improve market access, shorten licensing approval periods, or produce a genuine pioneering product developed. In addition, increasing number of industry players are looking at SEA/AP as a promising region in which to make bold moves in business model innovation; for example, creating a second brand, forging long-term strategic partnerships, and upgrading supply chains to support near-sourcing of raw materials and finished products to nearby high-growth markets.

Innovation is often accompanied by risks and challenges, and both are becoming evident in SEA/AP. The proliferation of technology in the region, including life sciences companies' increasing reliance on conducting sensitive business activities on connected systems puts them at risk of cyber security breaches and hacking activity. As more and more IP is transferred and developed in the region, heightened awareness of maintaining cyber security will be needed.

Regulatory issues may also proliferate, especially since the SEA/AP region currently has a fragmented regulatory framework with patchy enforcement. There is a movement towards establishing a more organized regulatory framework, as evidenced by China and India's significant push for regulatory reforms in life sciences (pharma and med. device sector) and health care industries and the ASEAN Economic Community's (AEC) work to define a regional regulatory landscape via the establishment of common dossier templates and harmonisation of tariffs.

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[6] *Industry Report, Healthcare: Singapore*, The Economist Intelligence Unit, June 2014
[7] *Industry Report, Healthcare: Philippines*, The Economist Intelligence Unit, July 2014
[8] Ibid

Dr. Janson Yap
LSHC Industry Leader
Deloitte Southeast Asia
+65 6216 3119
jansonyap@deloitte.com

Dr. Chern Chet Yong
Deloitte Southeast Asia
+65 6216 3346
chetyong@deloitte.com

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