Thailand Market Report

The macro environment is positive for the Thai pharmaceutical market. Economically, the Economist Intelligence Unit (EIU) projects that Thailand will be the eighth largest economy in the Asia Pacific region by 2016. Real GDP growth is projected to increase in the forecast period, reaching 7.1% by 2016. Legally, Thailand remained on the USTR’s Priority Watch List in 2010; however, there have been encouraging signs that the government is committed to stronger IPR protection and enforcement. Demographically, the EIU projects an annual growth rate of around 0.7% and the population to be the ninth largest in the Asia Pacific region by 2016. The elderly population is rising; Thailand is expected to have the eighth highest proportion in the Asia Pacific region.

Despite relying heavily on imports, Thailand’s pharmaceutical market is growing. The balance of pharmaceutical trade remains considerably negative, with retail medicaments accounting for nearly three-quarters of the total deficit. Between 2005 and 2009, the deficit in the balance of trade rose by a high double-digit CAGR. Thailand’s pharmaceutical market is estimated to grow at a low double-digit CAGR in US dollar terms between 2011 and 2016. Thailand will have the seventh largest pharmaceutical market in the Asia Pacific region in 2016. In per capita terms, Thailand is projected to have the eighth highest rate in the Asia Pacific region by 2016.

The Thai generic sector is growing, especially in the public sector, where the government has encouraged its use over patented drugs in order to cut costs. Greater Pharma has recently launched its first generic inhaler drug for the treatment of osteoporosis, making it the first company in Southeast Asia to successfully manufacture a generic version of this drug. The Thai biologic sector is very underdeveloped, but there are signs that this could change. The government-backed organisation BIOTEC has formed partnerships with both Greater Pharma and i+MED. Greater Pharma has developed the first biologic allergy vaccine in Southeast Asia.


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Thailand’s pharmaceutical market is expected to grow by 7.7%:

Thailand’s pharmaceutical market is expected to grow by 7.7% in 2009. Although this is below the 2004-08 compound annual growth rate (CAGR) of 12.4%, it is well above the global average for this year. Annual per-capita spending is US$58.60 and the drug market accounts for 1.46% of GDP. We are forecasting a 5.66% CAGR for pharmaceutical sales through to 2019. Due to the strengthening baht, the market will post a 10-year CAGR of 7.80% in US dollar terms.
In our Pharmaceutical Business Environment Ratings table for Q210, Thailand has retained tenth position out of the 15 key markets surveyed in the Asia Pacific region. The country’s score of 50.5 of 100 is also unchanged from the previous quarter. This is a slight disappointment because the regional average increased from 53.2 to 54.2. Compared to its neighbours, Thailand scores well for ‘Pharmaceutical market’, but is let down by ‘Country Structure’ and ‘Market Risks’. Over the medium term, we expect the country to improve its position on the Pharmaceutical Business Environment Ratings table. However, it will never challenge the leading emerging markets (namely, China and India), or the well-established developed states (such as Japan and Australia).

In 2008, public sector spending on pharmaceuticals reached US$1.91bn, or 54% of the total market. However, these funds were not equally distributed among Thailand’s 63.4mn population. Almost 50% was spent by doctors treating the country’s 5mn civil servants, while the remainder was spent on the ‘30 baht’ scheme introduced by former prime minister Thaksin Shinawatra.

Under the populist programme rolled out in 2001, people could pay a nominal fee of THB30 (US$0.90) to receive medical treatment. Despite its critics, the scheme survived the 2006 coup and continues to provide healthcare to many millions of people that would otherwise be unable to pay. According to the World Health Organization (WHO), the public sector accounted for 66.3% of healthcare spending in Thailand during 2007. The corresponding figure in 1995 was 47.0%.

Corruption is widespread in Thailand. Public Health Minister Witthaya Kaewparadi resigned in 2009 after a government-appointed panel found evidence of misappropriation of funds provided by the Thai Khemkhaeng (‘Strong Thailand’) stimulus package. The investigators specifically identified procurement items with unusually high prices and deemed others unnecessary for improving the health of the nation. We are maintaining its forecast for healthcare expenditure, but if the political climate worsens and the economic recovery stalls, a downward revision is likely. Healthcare spending in Thailand reached US$10.37bn in 2009. This equates to a relatively low 3.98% of GDP. Annual per-capita spending is US$160.32 well below the Asia Pacific average of US$1,014.


**Pharmaceutical Prices Set To Fall:**

Thailand's liberal pharmaceutical pricing regime is in need of reform. The current framework favours the interests of drug makers over patient welfare, which is leading to societal discontent. As the country's economy expands and its political situation stabilizes, we expect advocacy groups, non-government organizations (NGOs), academics, insurers and health economists to push for change.
Only a limited portion of Thailand's US$3.96bn pharmaceutical market is subject to indirect price controls. These mechanisms seek to contain public expenditure and include the National Drug List, the National Health Insurance schemes and the use of the Drug Related Group (DRG) to reimburse inpatients expenses for government workers. Significantly, there are no pricing controls in the private sector, which is typical of an emerging market.

**Free pricing has led to profiteering.** A study conducted by Mahidol University and published in the South Medicine Review found wide differences in medicine prices in public and private hospitals, and in commercial pharmacies. The median mark-up for patented drugs is 31% in the public sector and 22% in the private sector. For the lowest priced generics, the equivalent median mark-ups are 80% and 96%, respectively.

Medicine procurement prices in the public sector are lower than the private sector, primarily due to government hospitals obtaining pharmaceuticals through bulk purchasing. Patented drug prices are particularly high and differentials are present throughout the supply chain. The study concluded that different prices for identical products were problematic for health insurance organizations in terms of reimbursement, and for patients in terms of fairness. [1]

**Although pharmaceutical prices are high, they are relatively stable.** Data from Thailand's Bureau of Trade and Economic Indices show that the consumer price index (CPI) for 'medical and personal care' products has posted sub-2% year-on-year (y-o-y) growth since January 2008. Meanwhile, the CPI for 'all commodities' peaked at 9.2% y-o-y growth in July 2008, then plunged to -4.4% 12 months later, before rebounding to 4.1% y-o-y growth in January 2011. Overall inflation has remained steady over the past year, averaging 3.3%.

**Over the near term, we expect downward pressure on pharmaceutical prices in Thailand, irrespective of any regulatory reform.** Medicine imports from China and India now account for 6% of Thailand's pharmaceutical imports, up from less than 1% five years ago. These foreign drugs are 20-30% cheaper than domestic formulations due to easier access to affordable raw materials and increased manufacturing capabilities.

According to UN Comtrade, Thailand's leading pharmaceutical import partner in 2009 was the US (US$147mn), followed by Germany (US$98mn), France (US$97mn) and Switzerland (US$94mn). China's and India finished medicine exports to Thailand were valued US$15mn and US$44mn, respectively.

**BMI Economic View:** Thailand's regulatory framework remains attractive to existing businesses and foreign companies looking to expand into the country. However, we believe that the outcome of general elections in H111 will be a key determinant of business sentiment in Thailand. **Should the political situation continue to improve after the elections, we see foreign investors potentially returning to Thailand.**

Thailand's share of gross fixed capital formation as a percentage of nominal GDP plunged from 41.7% in 1995 to 20.7% by 1999 as a result of the Asian Financial Crisis, and has since
stagnated for a decade (2000-2010) at an average of 25.4%. **BMI** believes government initiatives aimed at reviving business investments will continue to provide favorable conditions for businesses in the coming years.

**A Business-Friendly Regulatory Framework**

According to a report published by the World Bank and the International Finance Corporation (IFC), Thailand is ranked as one of the most competitive countries in the Southeast Asian region in terms of its business-friendly regulatory framework. Thailand is ranked 19 out of 183 countries in the 'Ease of Doing Business' category and 12 out of 183 countries under the 'Protecting Investors' category. From our perspective, these two measures of a business-friendly regulatory framework are the most important factors in promoting business investment in an economy. Looking at all 10 categories, Thailand ranks at an average 40 out of 183 countries. [2] *This suggests to us that Thailand remains an attractive country for businesses in terms of its regulatory framework.*


**Patented Drug Sales To Reach US$2.41bn By 2019:**

Thailand's patented drug market is expected to expand from THB37.72bn (US$1.10bn) in 2009 to THB41.35bn (US$1.24bn) in 2010. This equates to growth of 12.7% in US dollars and 9.62% in local currency terms. Spending on patented drugs accounts for 29.1% of the total pharmaceutical market, which **BMI** defines as combined sales of prescription drugs and over-the-counter (OTC) medicines.

Through to 2014 and 2019, we are projecting local currency compound annual growth rates (CAGRs) of 7.80% and 6.00% for the patented drug market. The equivalent CAGRs for US dollars are 12.20% and 8.14%. Although these rates are below Thailand's 2004-2008 patented drug market CAGRs, of 13.06% in local currency terms and 16.76% in US dollars, they are impressive compared with the forecast regional and global averages.

Key consumers of patented drugs in Thailand are those on high incomes, senior members of the military, certain civil servants and foreigners visiting the country for medical treatment. Core outlets are hospitals and pharmacies in the capital city, Bangkok, and other large population centres. Most of Thailand's 63.7mn people do not have the resources to purchase patented drugs.

Drivers of the patented drug market are a growing economy, a desire for branded goods (which are perceived as superior to generic equivalents), more chronic diseases, and large sales forces employed by US and European pharmaceutical companies. **BMI**'s Country Risk team expects
Thailand's GDP to increase from THB8,839bn (US$258bn) in 2009 to THB9,170bn (US$275bn) - a rise of 3.74% in local currency terms and 6.59% in US dollars.

There are several downside risks to our forecast for Thailand's patented drug market. Health economics is becoming more popular and could lead to a greater acceptance of rational prescribing. Compulsory licensing of cheaper equivalents from abroad is not uncommon. Like many other newly industrialised countries, state-imposed healthcare cost-containment is a growing trend. Local development of biosimilars will also constrain revenues for multinational drugmakers over the medium term.


**Drug makers Criticized For Unethical Marketing Practices:**

Sales representatives from pharmaceutical companies use several tactics to persuade doctors to prescribe their medicines, according to Dr Prasert Palittapongarnpim of Chiang Rai's Prachanukroh Hospital. They range from giving branded stationery and hosting lunches to offering overseas holidays and cash bribes. Some sales representatives even wear 'inappropriate outfits' to boost interest.

The result is greater sales of patented medicines made by foreign multinationals, which have the resources and expertise to engage in intensive marketing campaigns. An industry representative, Manu Sawang-Jaeng of the Pharmaceutical Research and Manufacturing Association (PReMA), is aware of the problem and revealed that uniforms for sales representatives had been suggested. He also said that sales representatives from non-PReMA companies were to blame.

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Source: http://www.pharmaceuticalinsight.com/file/85447/drugmakers-criticised-for-unethical-marketing-practices.html