

# Becoming a Pharmaceutical Powerhouse

With growing domestic players and a supportive government, Korea's pharmaceutical industry is poised for more growth and innovation

**K**orea's Ministry of Health and Welfare last month announced the first five-year plan to support the country's pharmaceutical industry. Part of the plan is to establish a KRW 500 billion (USD 448.7 million) fund by 2017 to foster not only a global pharmaceutical industry in Korea, but the world's 7<sup>th</sup> largest pharmaceutical powerhouse by 2020.

The global pharmaceutical market is one of the world's most rapidly growing markets, standing at USD 942.2 billion as of 2011 and expected to reach USD 1.2 trillion by 2016. It recorded an annual average growth rate of 6.1 percent between 2007 and 2011 despite a global economic downturn. The industry is showing strong performance in emerging markets in particular, including Latin America and Asia. This trend is expected to continue thanks to a rapidly aging society, longer life expectancy and growing interest in healthy living.

Considering the fact that Korea's pharmaceutical market grew 5.9 percent annually on average from 2007 to 2011, accounting for 1.8 percent of the global market at KRW 18.94 trillion, Korea is well on its way to achieving its goal by 2020. Though the growth of Korea's pharmaceutical market did slow in 2011, with the output of the domestic pharmaceutical industry decreasing slightly from the previous year, average output for the past five years has stood at 5.2 percent. And though the output of finished drugs dropped 0.88 percent compared to the previous year, at KRW 14.11 trillion, that of drug substances rose 0.83 percent, reaching KRW 1.49 trillion.

Also, exports of the pharmaceutical industry increased by 9.8 percent in 2011 compared to the previous year, reaching KRW 1.94 trillion. Over the past five years, they have shown a relatively high growth rate of 19.7 percent.

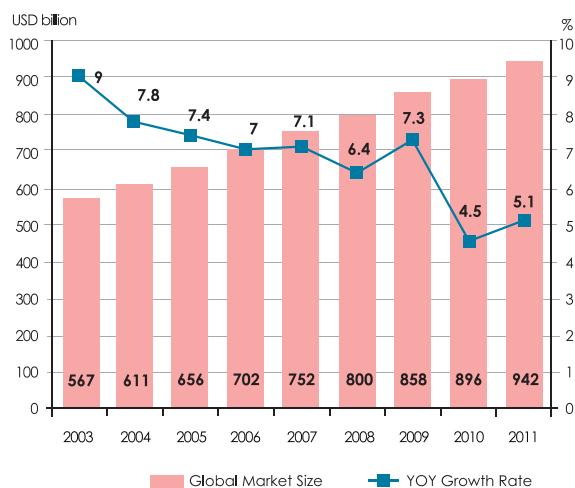
In terms of companies, Korea's domestic players showed strong growth in 2011 compared to the top 20 global pharmaceutical companies. Looking at the average annual sales growth rate for the past five years, global pharmaceutical companies posted 6.2 percent. However, Korean pharmaceutical companies did better, with 10.1 percent, and KOSDAQ-listed companies performed even better, with 19.1 percent.

Korean companies have been showcasing their growth potential in the development of new drugs and orphan drugs. In 2012, 12 new drugs were developed in Korea, and their output reached KRW 82.4 billion, increasing 26 percent compared to the previous year. In addition, the output of new drugs developed more recently is jumping more rapidly, illustrating the huge potential of locally developed drugs.

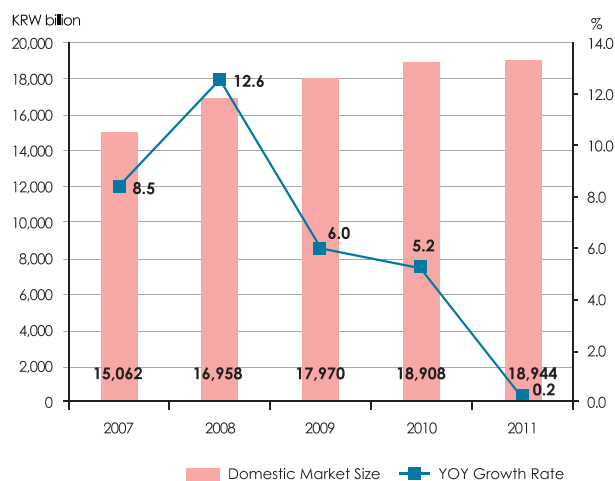
These trends are proven also by the increased number of approvals for new drugs. In 2012, two new drugs were approved, pushing the number of approved new drugs to 19. Remsima, an antibody biosimilar newly developed in Korea, was approved for the first time in the world (Korea: July 2012, Europe: June 2013); and Cartistem, a cell therapy product for degenerative arthritis, and Cupistem, treatment for Crohn's disease, have been approved as well. Moreover, orphan drugs, namely Hunterase (Hunter syndrome) and Abcertin (Gaucher's disease), were granted approvals for the first time. This is especially remarkable considering local companies have depended solely on imports for orphan drugs.

These developments show that while government policies, including the reduction of drug prices, seem to have had a negative impact on the industry in the short term, they ultimately improve the fundamentals of local companies so they can concentrate on new drug development and raise their global competitiveness. And with the support of the Korean government, technological developments and investment in biosimilars will continue to grow.

Size / Growth Rate of Global Market



Size / Growth Rate of Korean Market



### Recent Trends of Korea's Pharmaceutical Industry

	2007	2008	2009	2010	2011	YOY Growth	Average Annual Growth
<b>Output</b>	12,598,208	13,893,810	14,788,387	15,569,588	15,440,251	-0.8	5.2
<b>Exports</b>	946,868	1,255,891	1,772,242	1,770,059	1,943,493	9.8	19.7
<b>Imports</b>	3,410,753	4,319,756	4,953,881	5,108,911	5,447,053	6.6	12.4
<b>Domestic Market Size</b>	15,062,093	16,957,675	17,970,026	18,908,439	18,943,812	0.2	5.9

Source: 2012 Pharmaceutical Industry Fact Sheet, Korea Health Industry Development Institute

LOOKING AT THE AVERAGE ANNUAL SALES GROWTH RATE FOR THE PAST FIVE YEARS, GLOBAL PHARMACEUTICAL COMPANIES POSTED 6.2 PERCENT. HOWEVER, KOREAN PHARMACEUTICAL COMPANIES DID BETTER, WITH 10.1 PERCENT, AND KOSDAQ-LISTED COMPANIES PERFORMED EVEN BETTER, WITH 19.1 PERCENT.

which are to serve as a new growth engine. The plan includes the following five core initiatives: To achieve open innovation with enhanced research and development, to integrate pharmaceuticals with finance, to foster specialized talents, to provide strategic export support and to establish advanced infrastructure.

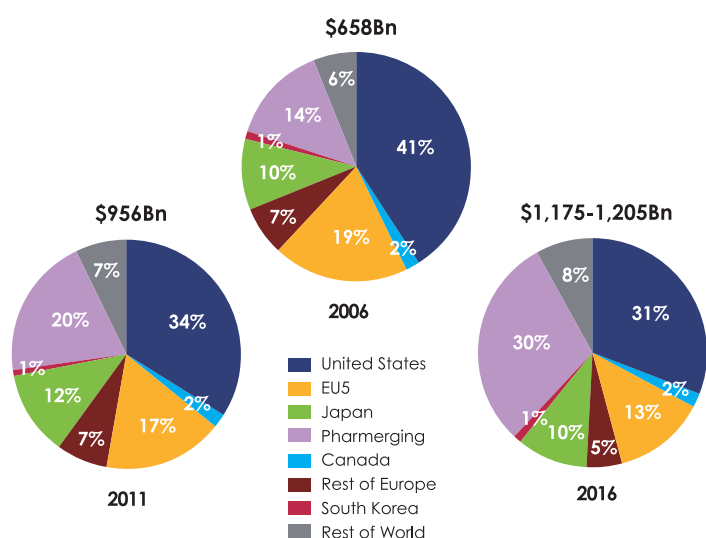
With the global pharmaceutical industry expected to be more focused on biologics and more consumer-centered, Korean businesses will be able to take advantage of more opportunities in the future, especially considering their great potential for new and innovative drugs tailored to niche markets.

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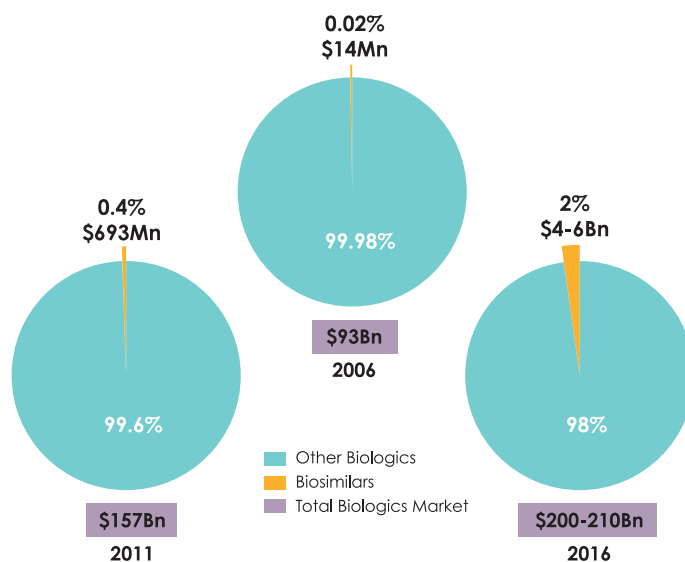
It is also noteworthy that part of the government's five-year plan is to increase the overseas exports of new medicine and new products,

### Market Size and Prospects of Pharmaceutical Industry (2011-2016)

Spending by Geography



Global Biologics Spending



Source: The Global Use of Medicine: Outlook Through 2016, May 2012, IMS

### Largest Global Pharmaceutical Companies and Strongest Products (2012)

	Pharmaceuticals	Generics	Small-molecule drugs	Biologics
<b>Name</b>	Pfizer - USA	Teva - Israel	Seretide - Asthma treatment	Humira - Arthritis treatment
<b>Sales</b>				
'12	USD 59 billion	USD 20.3 billion	USD 8.1 billion	USD 9.6 billion
'11	USD 65.2 billion	USD 18.3 billion	USD 8.2 billion	USD 8.2 billion