

Lebanon Pharmaceuticals and Healthcare Report Summary - Q2 2012

Continued improvement in Lebanon's intellectual property (IP) and pharmaceutical regulatory environment reinforces BMI's view that the country will begin to attract investment in a similar fashion to Jordan. Better quality control over pharmaceuticals will help multinational drugmakers via a reduction in the number of counterfeit and substandard drugs and the enlargement of the legitimate pharmaceutical market. However, we highlight Lebanon's close ties with Syria as a risk. Instability in the region, combined with the possibility of a conflict between Israel and Iran, will worry investors.

Headline Expenditure Projections

Pharmaceuticals: LBP 1,807bn (US\$1.20bn) in 2011 to LBP1,934bn (US\$1.28bn) in 2012; +7.1% in local currency terms and +7.0% in US dollar terms. Forecast up from Q112 due to an improved macroeconomic outlook.

Healthcare: LBP 4,970bn (US\$3.30bn) in 2011 to LBP5,421bn (US\$3.60bn) in 2012; +9.1% in local currency terms and +9.0% in US dollar terms. Forecast up from Q112 due to macroeconomic factors.

Medical Devices: LBP408bn (US\$271mn) in 2011 to LBP453bn (US\$301mn) in 2012; +11.1% in local currency terms and +11.0% in US dollar terms. Forecast up slightly from Q112 due to macroeconomic factors.

Risk/Reward Rating

Lebanon again ranks eighth out of the 30 markets surveyed in the Middle East and Africa (MEA) region's Q212 Risk Reward Rating (RRRs) matrix. Its composite score is unchanged on the previous quarter at 52.3. Generally speaking, Lebanon's rewards and risks profiles are illustrative of the emerging nature of the country's pharmaceutical market, although both scores are superior to the regional averages.

Key Trends & Developments

In February 2012, Lebanon's Ministry of Health repealed some import approvals for prescription drugs in an effort to better regulate the entry of pharmaceuticals into the country. Around 3,500 different drugs had previously entered the country through a regulatory loophole that allowed drugs to obtain import authorisation with the signature of the Minister of Health. Although this loophole was only supposed to be used under special circumstances for 'emergency life-saving medicines that were not profitable enough for an import agent to seek authorisation, it was abused and became the de facto regulatory approval process for 15% of pharmaceuticals entering the country, bypassing the quality and price controls that apply to other drugs.

BMI Economic View

Downside risks to the Lebanese economy are becoming increasingly pronounced on the back of the ongoing crisis in Syria and political paralysis in Beirut. We have pencilled in real GDP growth of 3.2% in 2012, with remittances likely to provide a key base of support for household consumption. The net export position remains a particular concern in light of slowing exports and risks of a growing energy import bill.

BMI Political View

We have little reason to believe that Lebanon's political risk profile will improve markedly in 2012. That Prime Minister Najib Mikati's government was only able to narrowly avoid collapse in late November 2011 simply highlights the uncertain policy climate and the lengths which the government must stretch in order to avoid crises. With Syrian President Bashar al-Assad's grip on power waning, we believe uncertainty surrounding internal power dynamics in Lebanon will only increase further.

Source: Business Monitor International-March 20, 2012