

Lebanon Pharmaceuticals & Healthcare Report Summary-Q2 2011

In BMI's Q211 Pharmaceuticals & Healthcare Business Environment Ratings (BERs), Lebanon remains placed eighth of the 19 markets surveyed in the Middle East and Africa (MEA) region. Lebanon's rewards indicator is above the regional average, while its risks indicator is again judged to be below average for the region. This reflects the emerging nature of the country's pharmaceutical market, whereby the potential for high growth (largely due to epidemiological and demographic factors) is tempered by operating risks due to an underdeveloped regulatory regime, as well as by the political instability in recent months. On a positive note, Lebanon's status as the Middle East's hub of cosmetic surgery has grown since 2000, with the return of political stability expected to continue providing opportunities in this area.

In 2010, Lebanon's pharmaceutical market was calculated to have been worth around LBP1,445bn (US\$960mn), having posted a 10.6% year-on-year (y-o-y) growth in local currency terms. We expect this growth to decelerate somewhat over the coming years, due to a combination of political and economic factors, as well as due to continued downward pressures on prices. Therefore, we expect the market to post a local currency compound annual growth rate (CAGR) of 7.71% through to 2015, when it will reach a value of LBP2,095bn (US\$1.41bn). Improvements in operating conditions and economic development are likely to result in better annual growth rates after 2015, although patented drugs' share of the total market's value will continue to decline.

In the meantime, we do not expect the collapse of the Lebanese government in early 2011 to alter our fundamental outlook on the economy in the near term. We expect real GDP growth to expand by an average 4.8% between 2011 and 2020, which is lower than in preceding years, although GDP per capita is forecast to hit US\$22,353 by the end of the decade. That said, the collapse has raised a host of questions surrounding the underlying political and social stability in the coming months and we stress that smallscale outbreaks of sectarian unrest cannot be ruled out and would clearly disrupt healthcare provision. Additionally, Lebanon will continue to contend with high budget deficits, which may necessitate further cost-containment measures in the coming months.

The above expectations are supported by recent reports in local press. According to a December 2010 publication of The Daily Star, drug prices are still considered unfair. The newspaper quoted the chief of the National Body of Health of Lebanon, Ismail Sukariya, who had raised concerns over drug prices in the country by highlighting differences between the prices of the medicines available in the pharmaceutical market. Drug prices had already been reduced in mid-2010, with a view to containing healthcare costs. The reductions mostly targeted cardiovascular and hypertension products. The decision followed the more extensive price reductions of around 1,000 drugs in 2004 and 2005.

Source: Business Monitor International-March 24, 2011