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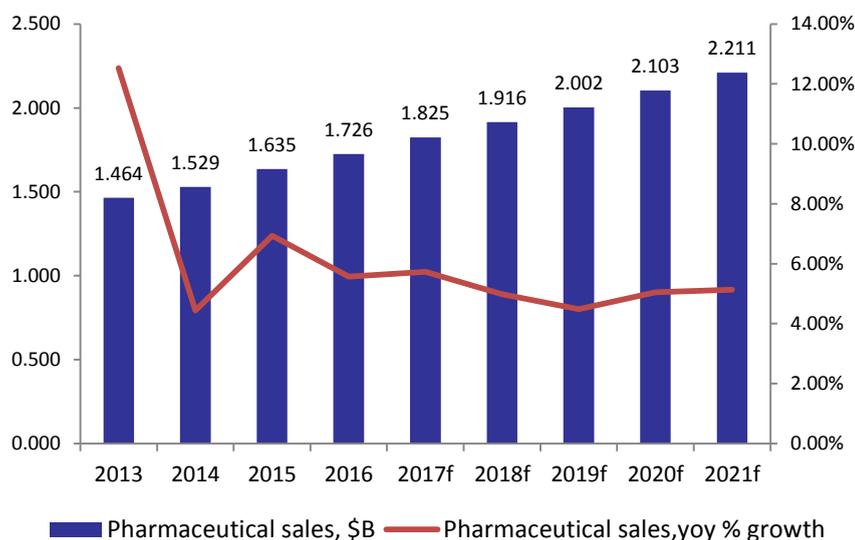
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According to the latest Business Monitor International (BMI) report on Pharmaceuticals and Healthcare in Lebanon, the market will register modest growth in the next few years. BMI believes that, among other elements, “the public’s preference for branded medicines as well as an increasing chronic disease burden will ensure the demand for patented medicine will continue”. Market growth will however be restrained by Lebanon’s small population, strict medicine pricing regulations and high political risks. The latter recently materialized by the recent resignation of Prime Minister Saad Hariri which placed the country in a familiar scenario of political paralysis.

Pharmaceutical Market

Lebanon’s pharmaceutical sales are worth just over \$1 billion. According to BMI’s estimates, pharmaceutical sales are forecast to rise by an annual 5.8% from \$1.73 billion in 2016 to \$1.83 in 2017 and are expected to reach \$2.21 billion by 2021, which would yield a Compounded Annual Growth Rate (CAGR) of 5.29%.

Evolution of Lebanon’s Pharmaceutical Sales



Source: BMI

BMI provides supporting evidence for the “cultural prioritization” of health care in Lebanon. BMI forecasts that Lebanon will keep dedicating a large share of GDP on pharmaceutical spending, a share that will reach 3.5% by 2021 and that is also the highest in the Gulf Levant and the seventh highest globally. Per capita spending on medicine stood at \$287.3 in 2016, is forecast to rise to \$300.00 in 2017 and would eventually reach \$371.2 by 2021, according to BMI forecasts.

For the time being, the Lebanese pharmaceutical market is still heavily reliant on imports. According to BMI, Lebanon houses some 50+ importers but having drugs manufacturing in Lebanon involves high costs and therefore remains weak. BMI believes that even imports will be slowed down in the medium term due to Lebanon’s proximity to war-ridden Syria and the ensuing disruption of trade routes.

According to BMI, “Foreign drug companies dominate the market in value terms, although none operate local manufacturing facilities”. BMI explains that foreign firms simply import medicines via regional or local distribution offices. The leaders on the market according to BMI are European and North American companies, with no one company grasping the lion’s share. According to BMI, the prevalence of foreign firms on the Lebanese market is a benefit to local producers as it gives them “easy access to technology through cooperation agreements”.

BMI, however notes that aside from European and North American companies, a few regional drug companies are active on the Lebanese market. BMI lists the following players: “Gulf Pharmaceutical Industries (Julphar, UAE), Eipico (Egypt), Dar Al Dawa, Hikma Pharmaceuticals (both Jordan) and Spimaco (Saudi Arabia).”

Lebanon is attempting to remedy the issue of counterfeited drugs, cited as a major weakness in the sector by BMI. According to BMI, foreign direct investment in the sector of pharmaceuticals will continue to be hindered unless Lebanon makes some serious progress on the enforcement of legislation and the protection of intellectual property rights. In July 2017, the Ministry of Public Health discussed the implementation of a two-dimensional bar code project on imported and locally manufactured pharmaceuticals. According to the Ministry, the integration of this bar code not only helps in the detection of counterfeit drugs but also allows for fast product recalls once needed.

Efficient measures to crackdown on counterfeiting drugs can inspire confidence for new investors. In fact, in July 2017, the Lebanese Minister of Health and his Egyptian counterpart signed a cooperation agreement which will allow for the creation of medicine factories financed by both Lebanese and Egyptian investors, for a wider entry of pharmaceutical products into Lebanon and for an easier registration of medicine in both countries.

The influx of Syrian refugees is weakening healthcare service in Lebanon which already suffers from structural flaws. In that regard, in June 2017, the World Bank injected \$120 million in the Lebanese healthcare system. The injection, along with a \$30 million earmarked by the Islamic Development Bank, is designed to give up to 340,000 poor people access to healthcare services. In July 2017, Lebanon also benefited from a \$1.2 million donation from Saudi Arabia destined to develop the Division of Intensive Care at the Al Makassed Hospital which will include 20 emergency rooms.

Healthcare market

BMI forecasts suggest that healthcare spending in Lebanon accounts for around 7% of GDP. Healthcare spending which was valued at \$3.5 billion in 2016, is expected to grow by 4.9% to reach \$3.67 billion in 2017. By 2021, BMI expects healthcare spending to reach a value of \$4.33 billion which implies a compounded annual growth rate of 4.3%. Per capita healthcare expenditure is also expected to climb from \$583 in 2016, to \$604 in 2017, to \$726 in 2021 and to \$979 by 2026. The government's healthcare expenditure accounted for a share of 47.6% of the total or \$1.66 billion whereas the private sector contributed to the remaining 52.4% or \$1.84 billion.

According to BMI, the market for medications takes up 49% of total health care expenditure. This is problematic since the national health insurance scheme has been suffering from a chronic deficit and since the population is ageing. The latter would imply lower contributions and higher expenditures. According to BMI, government expenditure on healthcare is set to increase from \$1.66 billion in 2016 to \$2.04 billion by 2021, which would then represent 47.2% of total health expenditure. The strain that healthcare expenditures put on the national health insurance scheme leads BMI to believe that the government will venture into cost-containment measures over the long term.

Promoting the use of generic drugs can be an effective tool to alleviate the public health bill. The Lebanese population still perceives generic drugs as "inferior" to the patented version according to BMI. BMI also highlights the fact that Lebanese patients tend to seek medical advice straight from specialized doctors instead of visiting family doctors first; BMI's report elaborates on this issue by mentioning that "Specialists, as opposed to primary-care providers, offer the drawback (in expenditure terms) of prescribing more advanced and expensive treatments, which might not be the most affordable or appropriate option".

Lebanon has taken a few steps towards bettering the pharmaceutical and healthcare sectors but additional efforts are still needed. BMI notes that Lebanon had one of the "strongest pharmaceutical industries in the region" prior to the civil war but was later outpaced by neighboring markets which built up their facilities. Interestingly, BMI notes that the closure of the central laboratory for drug testing in 2007 negatively impacted the quality of drugs on sale in Lebanon since the testing of these drugs cannot be done locally but is rather requested from developed markets (US and Western European states).

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