

# Pharmaceutical Sector - Challenges and Opportunities in Indonesia

EIBD Pharmaceutical Sector Meeting

Bali, 8 November 2012

## Opportunities in Indonesia

- Large middle-income population albeit low spending in healthcare

Total population	<b>239,871,000</b>
Gross national income per capita (PPP international \$)	<b>4,200</b>
Life expectancy at birth m/f (years)	<b>66/71</b>
Probability of dying between 15 and 60 years m/f (per 1 000 population)	<b>234/143</b>
Total expenditure on health per capita (Intl \$, 2010)	<b>112</b>
Total expenditure on health as % of GDP (2010)	<b>2.6</b>

*Source: WHO, 2009 (unless indicated)*

## Opportunities

- Robust and stable economic growth despite

	2008	2009	2010	2011	2012 Proj.	2013 Proj.
Real GDP (percent change)	6.0	4.6	6.2	6.5	6.0	6.3
Consumer Prices (end period)	11.1	2.8	7.0	3.8	5.0	5.1
Rupiah per U.S. dollar	9,697	10,406	9,086	8,774	...	...
Balance of payments (in billions of U.S. dollars)	-1.9	14.2	30.3	13.8	-2.2	2.5

Source: IMF, September 2012

# Cont'd - Positive trends boost the nation's readiness into one of the world's leading alternative investment choice

## Recent positive key economics trends

- Large population size of >240 million people and growing, over 50% of which are under 29 years old
- Among the highest projected GDP growth globally (6.8%), second only to China and above India together with rest of ASEAN
- Rapid growth of middle-class segment with GDP/capita of £1,882, currently numbering at 134 mio people \*
- Declining trend of dependency ratio (see side bar) indicating higher disposable income for productive working population
- Positive investment climate with Fitch and Moody's upgraded Indonesia bonds to investment grade in Dec 2011 and Jan 2012

## GDP growth of selected countries

COUNTRY	2011	2012*	2013*	April Forecasts	
				2012	2013
United States	1.7	2.0	2.3	2.0	2.2
Euro Area	1.5	-0.3	0.7	-0.5	0.8
Asia	5.9	6.0	6.5	6.0	6.5
Emerging Asia	7.8	7.1	7.5	6.9	7.5
<b>ASIA (key non-ASEAN)</b>					
Japan	-0.7	2.4	1.5	2.0	1.7
China	9.2	8.0	8.5	8.2	8.8
Hong Kong SAR	5.0	1.0	2.2	2.6	4.2
South Korea	3.6	2.4	1.9	3.5	4.0
Taiwan	4.0	0.8	1.5	3.6	4.7
India	7.1	6.1	6.5	6.9	7.3
<b>ASEAN (Major)</b>					
INDONESIA	6.5	6.5	6.8	6.1	6.6
Malaysia	5.1	3.0	3.2	4.4	4.7
Myanmar	5.5	6.0	5.9	6.0	5.9
Philippines	3.9	4.8	5.8	4.2	4.7
Singapore	4.9	2.0	3.5	2.7	3.9
Thailand	0.1	3.5	4.6	5.5	7.5
Vietnam	5.9	4.8	6.0	5.6	6.3

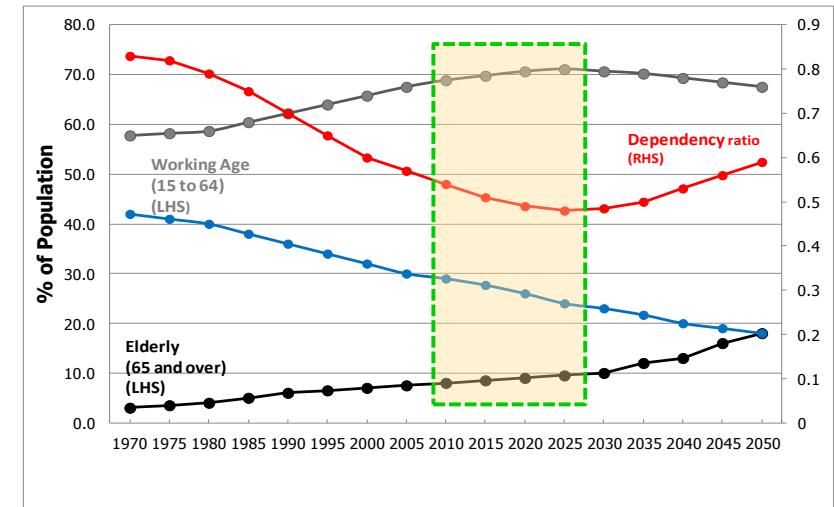
\*estimate

Source: WEO Update-July 2012; IMA Asia-Aug 12

Emerging Asia: China, Hong Kong, S.Korea, Taiwan, India, Malaysia, Philippines, Singapore, Thailand, Vietnam

CastleAsia report, September 2012

## Dependency ratio (young and elderly to working age)



CastleAsia report, September 2012

## Annual GDP growth trend



Sources: IMF, World Economic Outlook, and IMF staff estimates.

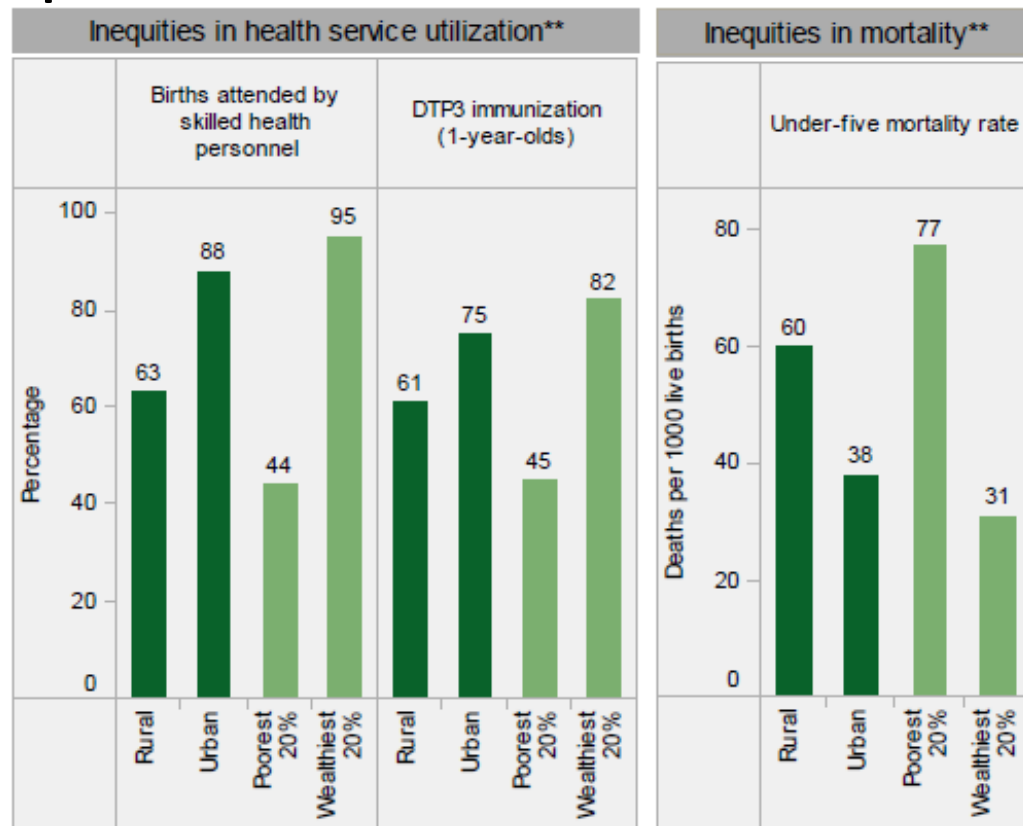
CastleAsia report, September 2012

## Opportunities

- Existing healthcare needs, particularly in rural areas and among the poor

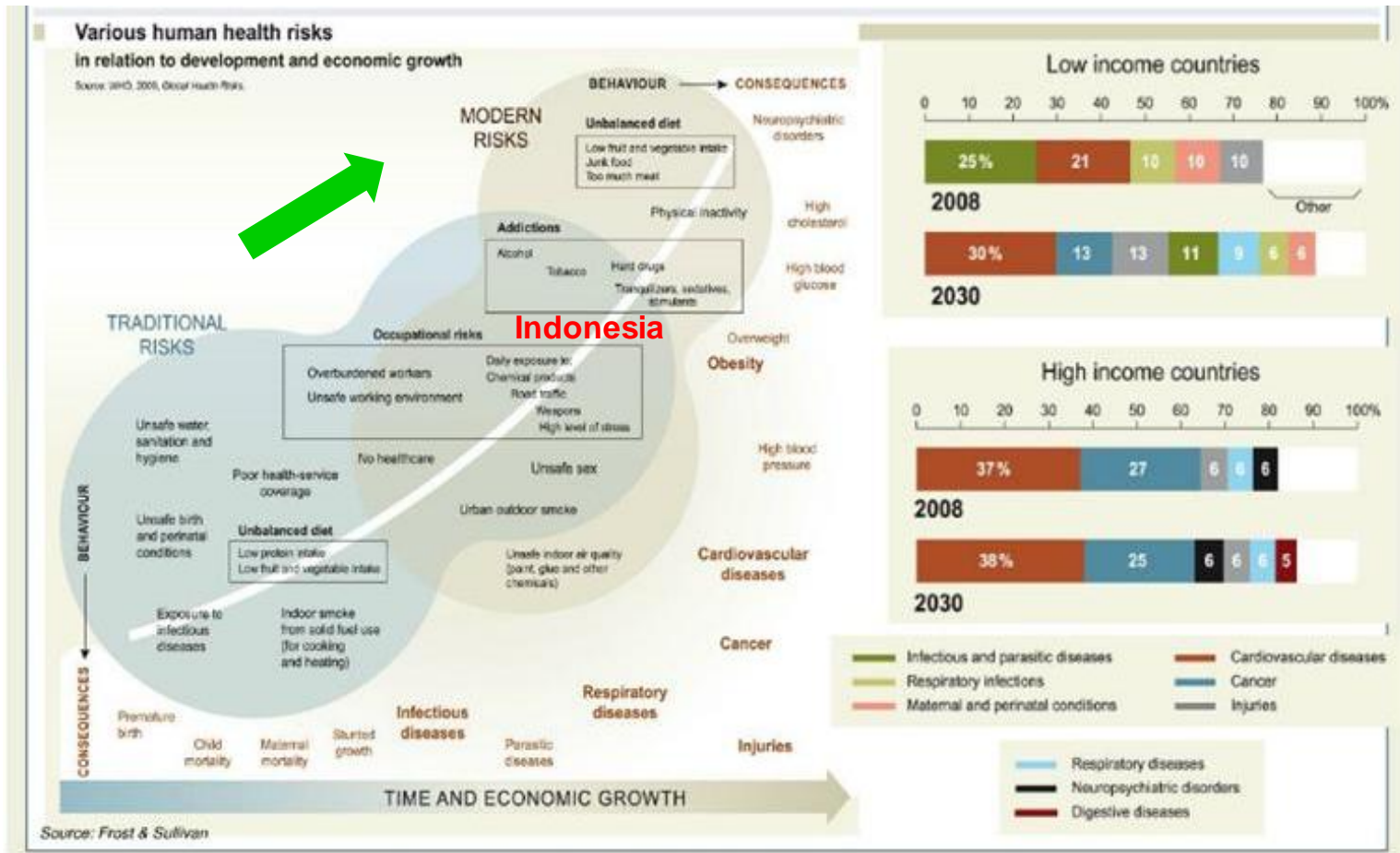
Selected Indicators	Country	Regional average
Maternal mortality rate (per 100 000 live births)	220	200
Prevalence of tuberculosis (per 100 000 population)	289	278
Distribution of years of life lost by NCD (percentage)	45	36
Physicians (per 10 000 population, 2005)	2.9	5.6

Source: WHO



\*\* For data source and year, see the World Health Statistics 2012.

# Cont'd - How economic development is also changing the disease trend in the country



- Clear shifts from infectious diseases towards lifestyle-related diseases such as cardiovascular, cancer, respiratory, driven by better quality of life and change of lifestyle mainly in the middle-class population

# Challenges in the Pharmaceutical Sector

- Investment Policy
  - 75% cap for foreign ownership in the Pharmaceutical sector
  - Requirement for Pharmaceutical companies to have local manufacturing facilities to be able to import
  - Requirement to locally manufacture imported products within five years after patent expiry
  - Business uncertainty due to lack of transparency in policymaking process
- Regulatory incoherence
  - Importers may only have one license, either to import raw materials for manufacturing activities, or to import finished goods for trading
  - Misalignment between import requirements and INSW requirements
- Supply chain
  - Lack of infrastructure in the rural and remote areas to ensure availability of healthcare services and goods
  - Deteriorating cold chain system to support immunization program
- Ethical Business Practices
  - Lack of enforcement of ethical code of conduct in the healthcare sector

# Summary

- Indonesia presents a vast opportunity for both the multinational and local pharmaceutical companies to operate, given:
  - The stable economic outlook
  - Financial capacity to increase spending in healthcare, both private and public spending, particularly with the upcoming SJSN implementation
  - Existing needs for healthcare services and products, particularly in the rural areas
- However, in order to attract more investment in the healthcare sector, Indonesia needs to:
  - Remove investment and regulatory barriers in the healthcare sector
  - Foster dialogues and consultations with the private sector to address healthcare needs and in policymaking processes
  - Improve healthcare infrastructure, particularly in rural areas
  - Improve monitoring and enforcement of ethical code of conduct in the healthcare sector in the interests of patients



Thank you