



# **Qatar Pharmaceutical Sector**

## **Sector Analysis**

**November 2019**

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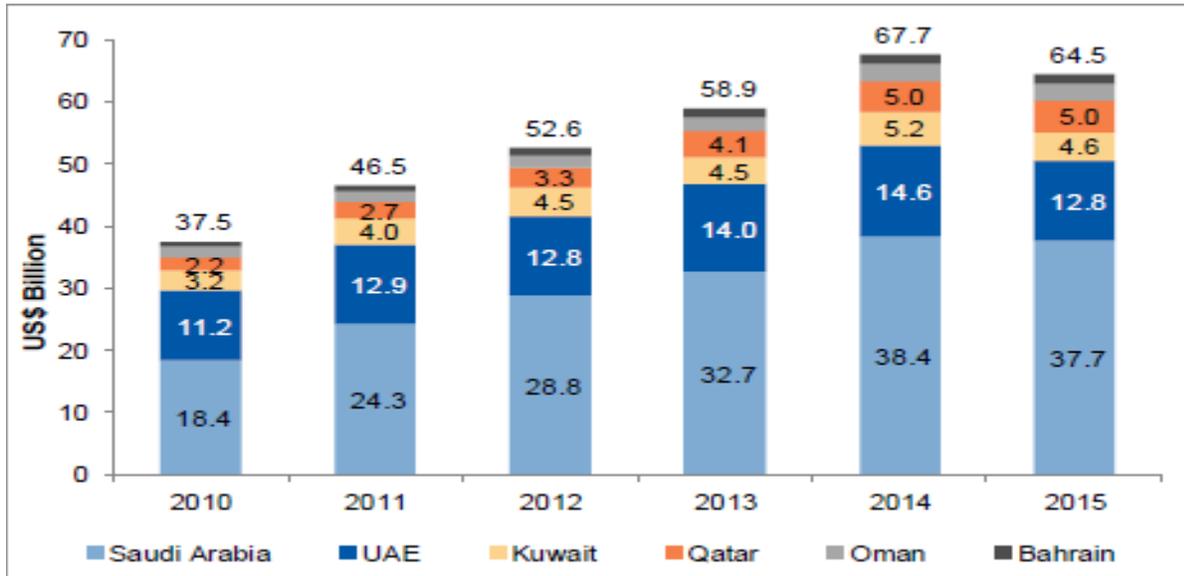
## 1. GCC Pharmaceutical Sector Overview

The GCC has over 700 healthcare projects worth US\$ 60.9 billion under various stages of development. The scale of healthcare services in the region is expected to be augmented with such a massive project pipeline. Moreover, medical tourism is an integral part of economic diversification plans of the GCC countries and subsequently, has been receiving stimulus from the governments of the region (Alpencapital.com, 2018). The two most important factors that are expected to contribute to the GCC pharmaceutical sector significantly are population size and current healthcare expenditure.

The GCC population size is projected to increase by 6.6 million individuals to 61.6 million by 2022, of which approximately 17% will be people aged 50 years or above. The expanding size of the population and the ageing factor is set to exert pressure on the healthcare system. The GCC countries have been observing a swift transition to non-communicable diseases (NCDs), a major cause of most of the deaths and disability in the region. Considering the high cost and length of treating such lifestyle ailments, the healthcare expenditure in the region is projected to rise. Furthermore, the gradual rollout of compulsory health covers across the region will increase the utilization of medical services at private healthcare facilities (Alpencapital.com, 2018).

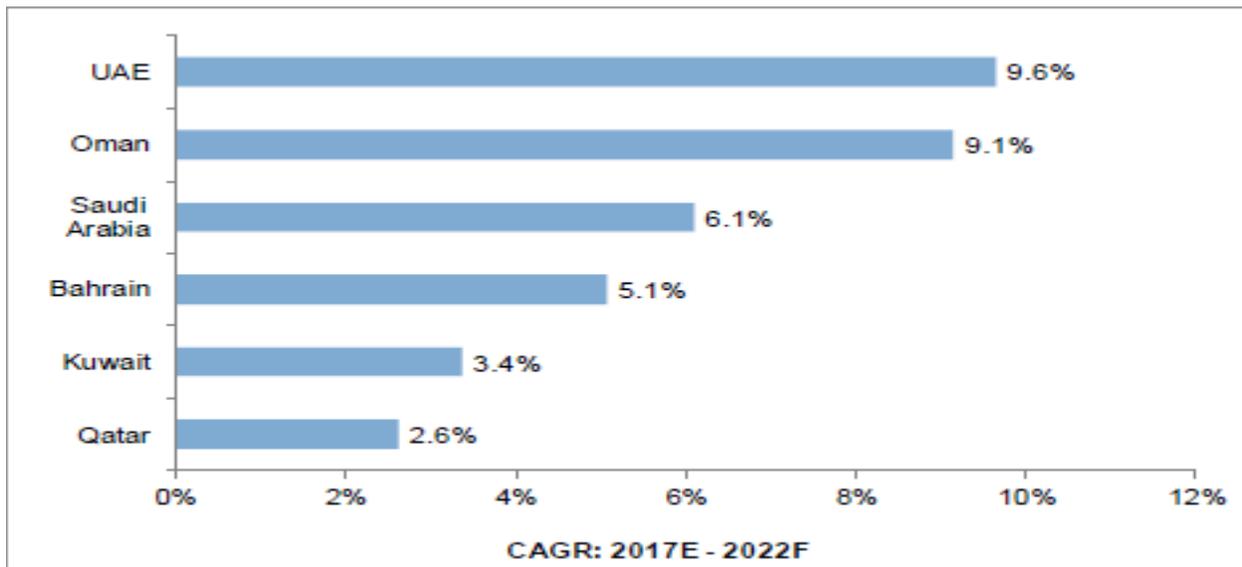
Current healthcare expenditure (CHE) in the GCC is projected to reach US\$ 104.6 billion in 2022 from an estimated US\$ 76.1 billion in 2017, implying a CAGR of 6.6%. Expanding population, high prevalence of NCDs (Non-communicable disease), the rising cost of treatment and increasing penetration of health insurance are factors supporting growth in GCC pharmaceutical sector. Saudi Arabia and the UAE will continue to dominate the sector with a combined share of over 80% in 2022. Exhibit 1 depicts historical, current expenditure for GCC countries from 2010-2015. Saudi Arabia represented 58.5% of the region's healthcare market with current healthcare expenditure of US\$ 37.7 billion in 2015, whereas Qatar's current healthcare expenditure stood at US\$ 5 billion in 2015. The current healthcare expenditure in Qatar is expected to grow to US\$ 6.6 billion in 2022 (Alpencapital.com, 2018).

**Exhibit 1 – Current healthcare expenditure in the GCC by country.**



Between 2017 and 2022, CHE in the GCC countries is anticipated to expand at annual average growth rates of 2.6% to 9.6% (see Exhibit 2). The growth range is wide due to country-specific projections of population, cost of healthcare and other factors (Alpencapital.com, 2018).

**Exhibit 2 – Growth in current healthcare expenditure from 2017-2022.**



## 2. Qatar Pharmaceutical Sector Overview

Qatar intends to develop an integrated healthcare system according to world-class standards in order to improve the health of its population. The plans are to improve the health and extend the life expectancy of its population. Overall healthcare services are intended to be accessible and affordable to the entire population regardless of nationality (Rida, Zaidan and Ibrahim, 2017).

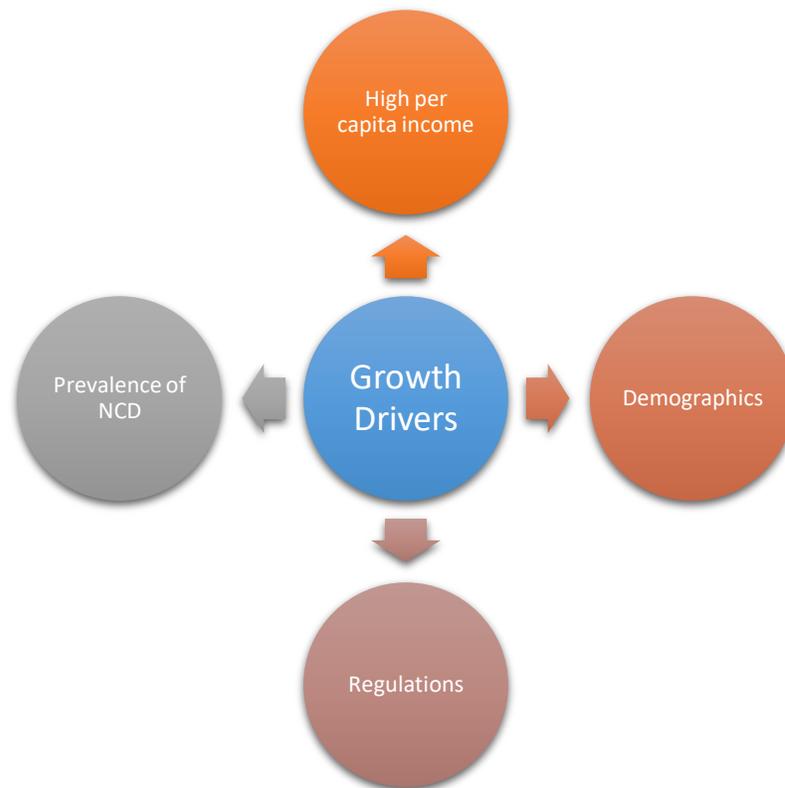
Qatar's pharmaceuticals sector is highly dependent upon imports of pharmaceutical products. The pharmaceutical industry was valued at US\$ 559 million in 2016. The development of the pharmaceutical market is shaped by the decision of the Ministry of Public Health (MoPH) to abolish government controls over the pricing of medicines and to allow more importing agents and suppliers in the country. This has resulted in the adoption of an open market system. There is no policy on the bioequivalence of generic medicines, but the government is promoting the use of generic medicines despite the extensive use of branded medicines in Qatar's healthcare facilities. A high share of imported and branded medicines, which are trusted and preferred by prescribers and consumers, has increased the Qatari government's healthcare spending. The government's attempt to remove price controls has affected the affordability of medicines as the prices of some drugs have increased (Rida, Zaidan and Ibrahim, 2017). Qatar Pharma is the major domestic player. Drugs were imported from a plethora of companies including Roche, MSD (Merck), GSK, Novartis, Sanofi, AstraZeneca etc. (Researchandmarkets.com, 2017).

Qatar has accomplished most of the projects stated in the National Health Strategy 2011-2016 and is in the process of scoping out the future plans to 2022. The new five-year strategy will focus mainly on preventive measures to achieve good health. These short-term strategies support the country's National Vision 2030, that aims to build a world-class healthcare system (Alpencapital.com, 2018).

## 3. Qatar Pharmaceutical Sector Growth Drivers

Despite Qatar's relatively small market size, the rising burden of non-communicable diseases and a growing population will ensure that demand for treatment continues to rise. The country's high spending per capita on medicine will create renewed opportunities for multinational drug makers

(fitchsolutions.com, 2019). The four major growth factors are as follows:



### 3.1. High per capita income

Qatar is the world's highest per capita income non-OECD country as well as having the highest per capita health expenditure in the region (Rida, Zaidan and Ibrahim, 2017). A high per capita income translates into high spending power for the population. Financial ability of the population along with government economic diversification efforts by supporting the development of healthcare infrastructure would fuel pharmaceutical sector growth.

### 3.2. Demographics

Several demographic factors drive the growth of Qatar's pharmaceutical market. These include rapidly changing population dynamics, where the population is not only increasing, but also ageing. The country's population has grown quickly at an annualized average rate of 8.3% in five years from 2012 to 2017, thus, increasing the need for healthcare services. Although the population growth is expected to slow down in the coming years, the increase in the size of the population and ageing people will continue to augur demand for the pharmaceutical sector (AlpenCapital.com, 2018). Moreover, in addition to a rapidly growing and ageing population, improving life expectancy is also

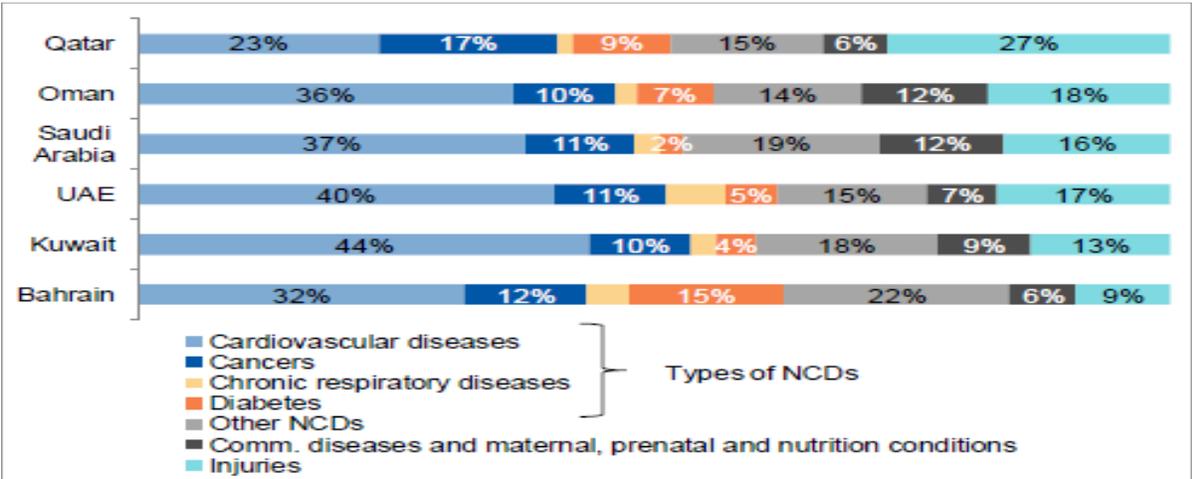
pushing the need for healthcare services. Although the credit for improvement goes to the advancing healthcare system, a rising longevity indicates a growing demand for medical support over the increased lifespan of an individual. Furthermore, an increase in life expectancy is expanding the size of the ageing population with older people requiring more medical attention due to age-related illness (Alpencapital.com, 2018).

**3.3. Rise in chronic lifestyle-related diseases**

People across Qatar are facing several health care issues due to sedentary lifestyles and fast food consumption habits, such as obesity, diabetes, and other cardiovascular diseases. This includes young and working people who are susceptible to lifestyle ailments due to limited physical activity and unhealthy dietary habits. The rising prevalence of chronic diseases among the fast-growing population of Qatar was the primary factor responsible for the growth of the pharmaceutical products market in Qatar at a rapid rate (Researchandmarkets.com, 2017). A high standard of living and an increasing number of international food retailers have led to a high intake of sugary and calorie-rich fast and packaged foods. A resultant rise in the incidence of lifestyle ailments has increased the per capita spending on healthcare. Long duration and high cost of treating such diseases are likely to augment pharmaceutical sector spending (Alpencapital.com, 2018).

Exhibit 3 below shows the mortality proportion by type of disease. Almost half the deaths (49%) in Qatar were due to NCDs. The presence of NCDs, treatment of which is lengthy as well as costly, has inflated the healthcare budgets of governments as well as companies covering employees’ medical expenses.

**Exhibit: 3 – Mortality Proportion by Type of Disease**



### 3.4. Regulations

Qatar is redrafting the Public-Private partnership framework to make it more effective and follow international best practices. Once implemented, the law will attract foreign investments into the country and support the development of sectors, including healthcare & pharmaceuticals. Ashghal, the Public Works Authority, may explore this route to develop healthcare projects. The authority plans to develop 60-70 healthcare centers over the next ten years (Alpencapital.com, 2018).

## 4. Qatar Pharmaceutical Sector Challenges

The Qatar Pharmaceutical market faces five major challenges, and they are as follows:



### 4.1. Rising cost of healthcare

Rising pharmaceutical expenditures have impacted healthcare systems across most countries worldwide. The cost of healthcare has been increasing due to the growing incidence of NCDs, technological advancements and limited availability of specialized care. The cost of care has been on a rising trend with demand for healthcare outpacing the supply of resources. The increase is further supported by advancements in technology and improving capabilities at hospitals/clinics. The increasing cost of healthcare services is also attributed to the limited availability of specialized care, making such treatments expensive. Resultantly, the health insurance premiums have also increased, thereby burdening the budgets of individuals, corporates and governments (Alpencapital.com, 2018) and slowing the growth of the pharmaceutical sector.

#### **4.2. Relatively small market size**

Qatar's size means that it will remain reliant on pharmaceutical imports instead of shifting towards local manufacturing. Qatar was a favorable proposition for drug makers, but the small overall market would continue to deter anything more than a sales and marketing presence from the large multinationals, which run the majority of their operations from the region's larger economies (Sambidge, 2011).

#### **4.3. Drug registration process**

Stringent registration processes of a generic product and even its packaging, means a lot of effort is required to introduce a generic into a country. The amount of paperwork involved to register generics, as well as sample requirements, act as a deterrence to market entry. Generic manufacturers generally have encouraging growth prospects as Qatar may look to rationalize its healthcare costs (Ubmemeaensoprod.s3.amazonaws.com, 2019).

#### **4.4. Shortage of skilled healthcare professionals**

Growth in the pharmaceutical market is dependent upon overall growth in Qatar's healthcare sector. A significant challenge faced by healthcare providers is the limited availability of skilled healthcare professionals. Shortage of a medical workforce locally, nationalization of jobs, high attrition and rising staff cost are hindering growth (Alpencapital.com, 2018). Therefore, many potential patients may move to regional countries to seek treatment. This adversely affects the demand for pharmaceutical products in the country as its demand is linked with the number of patients under treatment and longevity of the treatment. In this regard, the government is making an effort to provide educational and training facilities, in various skilled and technical fields to address the issue of shortage of healthcare professionals and arrest the flow of patients moving out of the country to seek treatment.

#### **4.5. Fall in oil prices**

The fall in oil prices has widened fiscal deficits of the GCC countries, including Qatar, compelling the governments to curtail expenses. With the government shouldering a large part of the current healthcare expenditure, a low-price oil environment has been constraining the expansion of the healthcare sector (Alpencapital.com, 2018). Shrinking hydrocarbon revenues will lead to lower spending on the healthcare & pharmaceuticals sector.

## 5. Future Trends

The growth of the pharmaceutical market is inextricably linked with the development and progress of Qatar's healthcare sector. The role of technology & private sector, the transition from curative to preventive care, focus on medical tourism and growth of branded generics will define the future of Qatar pharmaceutical sector.

### 5.1. Technology

Technology will remain the core factor in upgrading Qatar's pharmaceutical sector over the coming years. Technologies such as electronic health records, e-visits, telemedicine, connected medical devices, sales summary and booking sales order will decrease manual work, smooth workflow, and will lead to an improvement in productivity and efficiency. Information technology is playing a pivotal role in enabling preventive care, building workforce capacity and improving access to care. Thus, the adoption of technology is emerging as a solution to most of the present challenges related to cost, quality, access and resources (Alpencapital.com, 2018).

### 5.2. Role of the private sector

Even though governments continue to shoulder a sizeable part of the healthcare expenditure, over the recent years, the role of the private sector in the pharmaceutical sector is increasing. The industry continues to be of very high interest to investors due to the reasonable returns and sustainable growth opportunities with significant potential for social impact in the region. Moreover, an increasing number of public-private partnerships (PPP) can be witnessed in the coming years, which will play an important role in supporting growth and improving pharmaceutical standards in the country. The government is encouraging the PPP model primarily to meet the rising medical needs while reducing the burden of financing. The involvement of private players is also looked at as a step to enhance the quality of delivery, with established foreign players bringing in their international best practices (Alpencapital.com, 2018).

### 5.3. Transition from curative care to preventive care

The growing tech-savvy population of the country is transitioning towards preventive measures and is keener on a healthy lifestyle. There is also an increased awareness of preventive care & wellness. People are also proactively conducting annual medical checkups. This change in consumer behavior has also led to a shift from curative care to preventive care by healthcare providers. To reduce the

prevalence of chronic ailments and associated costs, the government is devising ways to encourage preventive care (Alpencapital.com, 2018).

#### **5.4. Development of medical tourism**

The development of the healthcare sector and focusing on medical tourism will be part of the government's strategy of economic diversification. Given the emergence of world-class tourism infrastructure and visa-free access to 80+ countries, Qatar has the makings of a world-class medical tourism hub. Therefore, in future, medical tourism is expected to gain prominence, thereby providing impetus to Qatar's pharmaceutical sector as well.

#### **5.5. Growth of branded generics**

Increasing pressure on governments to cut healthcare budgets could be conducive for the growth of branded generics products. This pressure could result in the implementation of compulsory healthcare insurance policies in order to reduce the burden on governments and pass costs onto private hands. Due to insurance providers pushing for cheaper drugs to be used, plus a consumer preference for a recognizable brand, locally produced branded generics could thrive in the coming years. However, due to high average spending power and a cultural distrust of cheaper foreign-made products, it is perhaps more likely that active pharmaceutical ingredient (API) will be imported, with local manufacturers providing the final product. (Ubmemeaensoprod.s3.amazonaws.com, 2019).

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