

2020

Trade Analysis Series

Pharmaceutical Products Sector



Turn Potential into Profit!



Small and Medium Enterprises Development Authority (SMEDA)
Ministry of Industries and Production
Government of Pakistan

www.smeda.org.pk

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1 Product Description

The pharmaceutical industry develops, produces, and markets drugs or pharmaceuticals licensed for use as medications. Pharmaceutical companies are allowed to deal in generic and/or brand medication and medical devices. The word pharmaceutical comes from the Greek word Pharmakeia. Pharmaceutical products consist of various natural/chemical ingredients combined with additional materials (excipients) selected to control dosage delivery, enhance performance and facilitate manufacture of healthcare products.

The harmonized Commodity Description and Coding System (referred as HS Codes) designated for trade of Pharmaceutical products is classified under the HS Code category 30. The brief description of sub-categories falling under Pharmaceutical products include the following:

Table 1: Pharmaceutical Products Details

Product Category HS Code	Product Description
30	Pharmaceutical Products
30.01	Human and animal substances such as dried glands or organs and their extracts for therapeutic or prophylactic uses
30.02	Human blood; animal blood prepared for therapeutic, prophylactic or diagnostic uses; antisera and other blood fractions and immunological products
30.03	Medicaments consisting of two or more constituents mixed together for therapeutic or prophylactic uses
30.04	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses
30.05	Wadding, gauze, bandages, dressings etc. impregnated or covered with pharmaceutical substances for medical, surgical, dental or veterinary purposes
30.06	Pharmaceutical preparations and products of subheadings 3001 - 3005

Source: Trade Map

2 Global Trade of Pharmaceutical Products

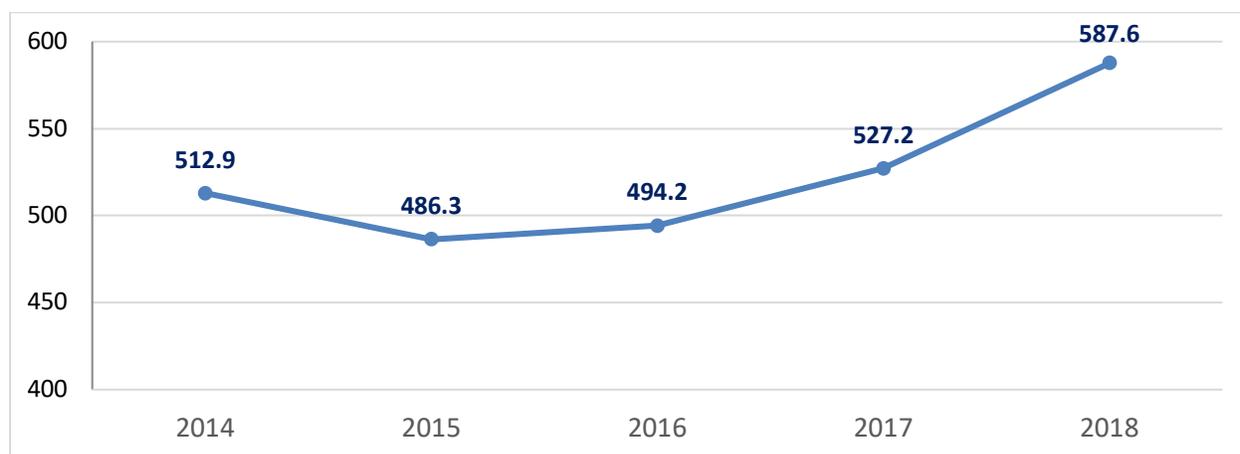
Pharmaceutical products are one of the most valuable products traded on the international market, with a market size of US \$ 587.6 billion in 2018 – growing by 11.5% in trade value compared to the previous year. Pharmaceutical products are considered to be a necessity as they help maintain a healthy population residing in any nation across the globe. During the last five years the global trade value of Pharmaceutical Products has grown at a Compound Aggregate Growth Rate (CAGR) of 3.5%.



Table 2: Global Exports of Pharmaceutical Products - Last 5 Years (Value US \$ Billions)

Description	2014	2015	2016	2017	2018
World Exports (Value is US \$ Billion)	512.9	486.3	494.2	527.2	587.6
Growth (%age)	Base Year	-5.2%	1.6%	6.7%	11.5%

Source: Trade Map

Figure 1: Growth Trend of Pharmaceutical Products Exports - Last 5 Years (Value US \$ Billions)

Source: Trade Map

Major Exporters

During the last 5 years, exports of Pharmaceutical Products have been dominated by Germany followed by Switzerland, Ireland, United States of America and Belgium. The export value and global market share of the five biggest exporting countries is provided in the table below. It is worth noting that countries such as Germany and Switzerland have historically always been major exporters in this industry; however, Ireland has managed to grow its export value at a tremendous pace over the last 5 years with a CAGR of around 18.4% during this period.

Table 3: Major Pharmaceutical Products Export Countries in 2018

Sr. No.	Country	Exports (Value in US \$ Billion)	Market Share in World Exports %	CAGR % (2014 – 2018)
1	Germany	96.6	16.4%	4.9%
2	Switzerland	75.2	12.8%	4.7%
3	Ireland	53.5	9.1%	18.4%
4	USA	48.3	8.2%	2.4%
5	Belgium	47.6	8.1%	-1.1%

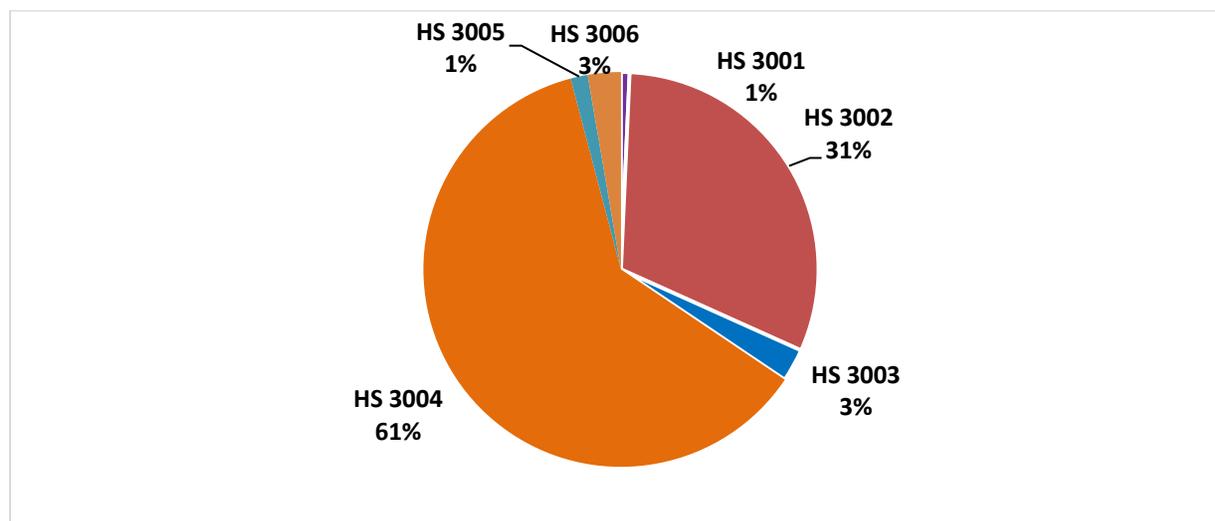
Source: Trade Map



Major Product Mix

Pharmaceutical products categorized under HS Code 30.02 and 30.04 comprised of the most valuable that accounts for more than 90% of all global exports. The percentage share of different product HS Codes as a composition of Pharmaceutical Product exports is exhibited in the chart below.

Figure 2: World Export Product Mix - Pharmaceutical Products 2018



Source: Trade Map

3 Pakistan's Exports of Pharmaceutical Products

Pakistan recorded a total export value of around US \$ 197.6 million during 2018 the commodity constitutes 1% of the countries total exports during the year. Export figures reached their peak in 2015 valued at US \$ 212.7 million but witnessed an overall slump in growth with a CAGR of - 0.1% during the five-year period.

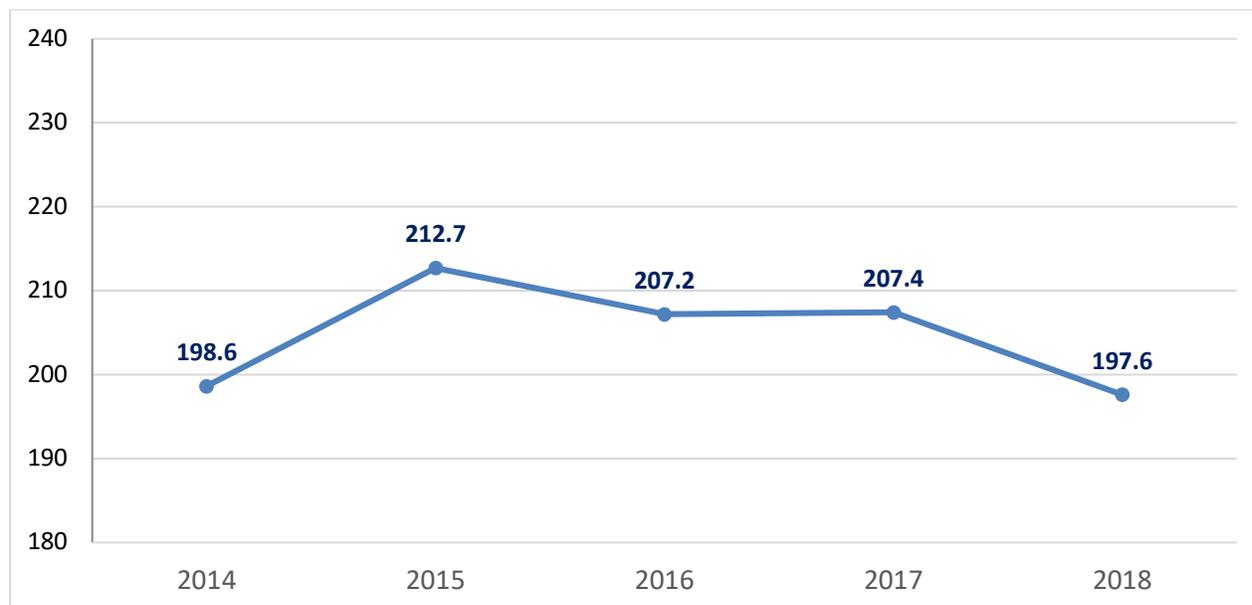
Despite the fall in trade value the export potential of the industry cannot be overlooked due to the overall growth in global trade of the pharmaceutical products especially in the background of the current due to growth in the global population and increase in both the incidence of communicable and non-communicable diseases. This provides local manufacturers in Pakistan. a significant opportunity to grow they could find a way to successfully tap into demand from new markets or increase their market share of existing export markets. The table and figure below show the trade value of Pakistan's exports from 2014 to 2018.

Table 4: Pakistan Pharmaceutical Exports – Last 5 Years (Value in US \$ Millions)

Description	2014	2015	2016	2017	2018
Pakistan's Exports (Value is US \$ Millions)	198.6	212.7	207.2	207.4	197.6
Growth (%age)	Base Year	7.1%	-2.6%	0.1%	-4.7%

Source: Trade Map

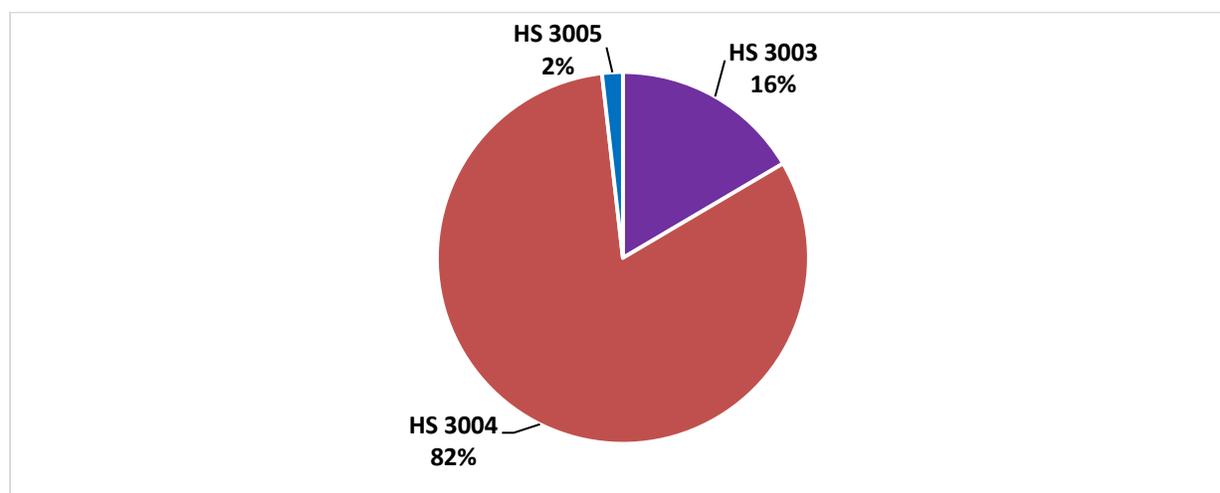


Figure 3: Growth Trend of Pakistan's Pharmaceutical Exports – Last 5 Years (Value in US \$ Million)

Source: Trade Map

Pakistan's Major Product Mix

Pharmaceutical products categorized under HS 3004 constituted the most valuable commodity among all exports from Pakistan and accounted for 82% of its product mix during 2018. This was followed by product categories of HS 3003 and 3005 which contributed 16% and 2% respectively towards Pakistan's exports in the Pharmaceutical category (see figure below).

Figure 4: Pakistan's Product Mix – Pharmaceutical Products 2018

Source: Trade Map

Pakistan's Export Destinations

The table below provides the total value of Pharmaceutical Products that Pakistan exported to its top five trading partners during 2014 to 2018. The share of the top five trading partner countries of this commodity from Pakistan represented 62.2% of its total exports in 2018.

Table 5: Pakistan's Top Five Export Partners – Last 5 Years (Value in US \$ Million)

Sr. No.	Country	2014	2015	2016	2017	2018
1	Afghanistan	59.9	73.9	75.4	74.4	65.1
2	Sri Lanka	18.2	22.1	22.2	25.3	20.1
3	Philippines	15.9	15.0	15.4	16.6	18.1
4	Myanmar	7.7	6.7	6.7	7.2	10.4
5	Vietnam	16.2	14.9	13.9	8.5	9.3

Source: Trade Map

4 Pakistan's Import of Pharmaceutical Products

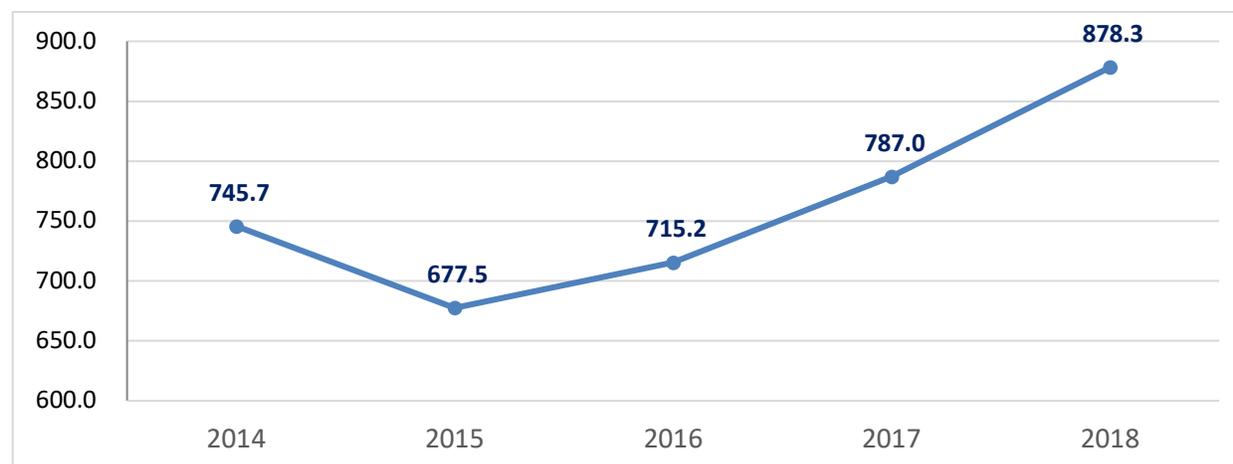
Pakistan's total value of imports was US \$ 745.7 million in 2018 and has been growing rapidly over the last five years with a recorded CAGR of 14.2%. The country is a net-importer of pharmaceutical products and the gap between its exports and imports has substantially widened over the last few years. The trade value of Pakistan's total imports from 2014 to 2018 are provided in the table and graph below

Table 6: Pakistan Pharmaceutical Products Imports – Last 5 Years (Value in US \$ Millions)

Description	2014	2015	2016	2017	2018
Pakistan's Imports (Value is US \$ Millions)	745.7	677.5	715.2	787.0	878.3
Growth (%age)	Base Year	-9.1%	5.6%	10.0%	11.6%

Source: Trade Map

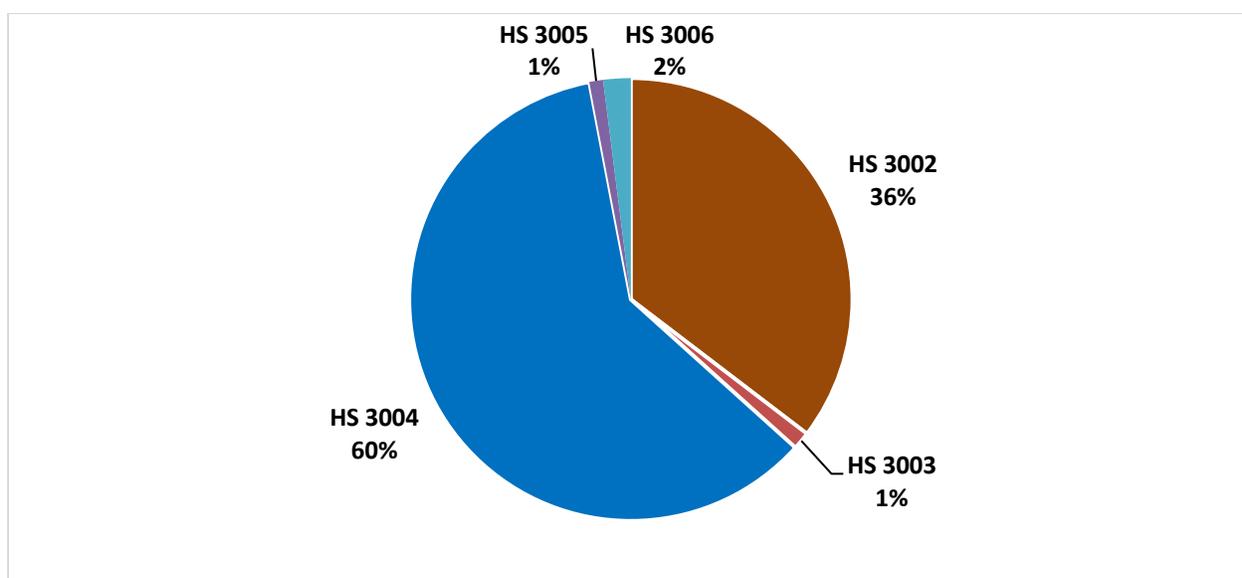
Figure 5: Growth Trend of Pakistan Pharmaceuticals Imports – Last 5 Years (Value in US \$ Millions)



Pakistan's Major Product Mix - Imports

The major chunk of Pakistan's imports of Pharmaceutical Products stemmed from two main sub-categories - HS 3002 and HS 3004 which together accounted for 97% of the country's total Imports during 2018 (see figure below).

Figure 6: Segmentation of Pakistan's Import by Product Category in 2018



Source: Trade map

Table 6: Pakistan's Top Five Import Partners – Last 5 Years (Value in US \$ Million)

Sr. No.	Country	2014	2015	2016	2017	2018
1	Germany	53.1	79.3	81.9	99.2	119.2
2	Belgium	66.9	71.6	98.8	100.5	94.6
3	Switzerland	106.2	70.4	74.9	88.5	89.8
4	France	40.7	55.1	67.3	58.5	87.4
5	India	39.4	19.9	29.1	49.1	62.4

Source: Trade Map

5 Pakistan's Trade Tariff

The following Custom Duties are applied by FBR on Pharmaceutical Products from Pakistan:

Product HS Code	Product Description	Customs Duty
30.01	Human and animal substances such as dried glands or organs and their extracts for therapeutic or prophylactic uses	3%
30.02 ¹	Human blood; animal blood prepared for therapeutic, prophylactic or diagnostic uses; antisera and other blood fractions and immunological products	11%
30.03	Medicaments consisting of two or more constituents mixed together for therapeutic or prophylactic uses	11%
30.04 ²	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses	11%
30.05 ³	Wadding, gauze, bandages, dressings etc. impregnated or covered with pharmaceutical substances for medical, surgical, dental or veterinary purposes	20%
30.06 ⁴	Pharmaceutical preparations and products of subheadings 3001 - 3005	20%

¹ Excluding sub-categories: 3002.2010, 3002.2020, 3002.9010 and 3002.9020 have a duty of 3%.

² Excluding sub-categories: 3002.2010, 3002.2020, 3002.9010 and 3002.9020 have a duty of 3%.

³ Excluding sub-category: 3005.9010 which has a duty of 11%

⁴ Excluding sub-categories: 3006.1010 and 3006.6000 have a duty of 3% and sub-categories: 3006.5000, 3006.3000 and 3006.4000 have a custom duty of 11%

6 Prominent International Trade Fairs

Name of Trade Show	Location	Frequency	Web Links
Arab Health	Dubai, United Arab Emirates	Annual	www.arabhealthonline.com/en
Asia Pacific Pharma Congress	Melbourne, Australia	Annual	www.ascb.org/event/23rd-asia-pacific-pharma-congress
Medicall Expo	Chennai, India	Annual	www.medicall.in
Medica Trade Fair	Dusseldorf, Germany	Annual	www.medica-tradefair.com
Medzin Expo	Stuttgart, Germany	Annual	www.expohour.com/medizin-expo
Pharmamed & Healthcare	Ho Chi Minh, Vietnam	Annual	www.pharmed.vn
Pharmacy Show	Birmingham, United Kingdom	Annual	www.thepharmacyshow.co.uk
PharmaConex	Cairo, Egypt	Annual	www.pharmaconex.com
PharmagoraPlusuj	Paris, France	Annual	www.pharmagoraplus.com