



Total healthcare expenditure to be 6.9% in 2020 from 6.3% last year

Thailand striving to lead the medical industry in Asia

The pharmaceutical market in particular is continuing to grow as the country focuses on medical exports

Thailand is on the way to becoming Asia's top medical market with the aggressive growth of its generic drug market and with several prominent pharmaceutical companies choosing the country as their base of operations in the region.

Generic drugs to dominate

Generic drugs continue to dominate Thailand, with these medicines accounting for 60.7% in total prescription drug sales in 2019. Fitch Solutions projected a continuous period of growth in the generic drugs market until 2029.

But why only generic drugs? This is said to be because of Thailand's underfunded healthcare system, with the government pushing to reduce drug prices in the country. This has impeded the growth of patented drugs in the past years.

Fitch Solutions said that they expected this trend to continue, due

to the COVID-19 pandemic and other challenges in the economy that are expected to limit healthcare expenditure. This is in addition to Thailand's greater drive towards cost containment as the country's economy recovers from the crisis.

With this aggressive pricing policy, generic drugs will be the widely accepted medicine for most patients.

Thailand is limited by its poor regulatory environment that is defined by weak patent enforcement and an unpredictable, delayed reimbursement system.

Because of this, innovative drug makers in Thailand will simply lose their interest in setting up shops in the country.

Publicly funded patented medicines will be greatly scrutinised because of a new system that allocates funding. Additionally, pressure continues on pricing due to the country's low per capita healthcare expenditure.

Thailand's public healthcare funding system is complex and burdensome



A demand for cheaper medicine would be imminent at the expense of the innovative market, according to Fitch Solutions.

Pharma exports on the rise

Thailand is a key exporter of medicine with a large share of exports going to neighboring countries, such as Vietnam, Myanmar, Philippines, and Cambodia which account for 57% of the total. With several countries poised to expand domestic healthcare access, the demand in the pharmaceutical market is expected to be relatively high.

This is just one of the factors why multinational pharmaceutical companies have been motivated to invest in their Thailand operations. They see the country as a means to expand their operations in tapping the market in Southeast Asia. Japanese drugmakers in particular have expressed interest in establishing Thailand as their main manufacturing

site for producing and repackaging medicinal products for all markets in Southeast Asia.

Thailand is also receiving support from the newly formed Association of Southeast Asian Nations Economic Community (AEC) as the key exporter of medicine in the region.

However integration is expected to be done gradually due to disparities in regulatory standards between ASEAN members, harmonisation of pharmaceutical regulations, and the elimination of technical barriers that will allow drugmakers to better export products from Thailand. This allows drugmakers to better export their products from Thailand to other emerging markets, such as Indonesia.

Thailand's pharmaceutical export value is expected to rise from \$474.5m in 2019 to \$502m by 2024, with a five-year compound annual growth rate of 3.1% in local currency and 1.1% in US dollar terms.

Though exports will see a robust growth, imports will still remain dominant in Thailand's pharmaceutical market due to the lack of domestic manufacturers in Thailand, owing mostly to generic drugs domination of the local market.

This includes products such as erythropoietin, antibiotics, and cholesterol-lowering medications, with countries like Germany, US, and France acting as main importers.

Fitch Solutions further notes that right now, Thailand is an attractive country for drug manufacturers. Domestic pharmaceutical companies are more focused on packaging of imported drugs and manufacturing generic drugs.

They have forgoed focus on research and development which have been left to international companies.

In addition, to facilitate more advanced biological products, the government has a complete regulatory framework to support local research and development activities from derivations of blood, vaccine, proteins to Advanced Therapy Medical Products (ATMP) such as cell therapy products, gene therapy products, and stem cell therapy products. This is alongside government backing, a high-quality medical system, and lower costs, making it a large

attraction to drugmakers.

With Thailand mainly controlling the export of medicine in SEA and its strong market in generic drugs, its aim in establishing itself as the medical hub of Asia might soon come in fruition.

Spending amidst a tough year

The pandemic has put pressure on the government to spend more on healthcare. Fitch Solutions expects that the total healthcare expenditure will increase to 6.9% in 2020 from 6.3% last year, with the majority coming from the government.

This outlook continues to be a possibility as the government increases its healthcare expenditure, especially in the wake of the coronavirus pandemic resulting in more health-related spending through a fiscal package with several phases amounting to at least 9.6% of Thailand's GDP.

Funds have been allocated towards improvements in healthcare access for patients diagnosed with COVID-19. Some public venues were also converted into temporary hospitals. These measures expanded the supply of hospital beds as well as the capacity to take in and treat patients at short notice.

Part of the spending is with the National Health Security office listing COVID-19 under its Universal Health Coverage. The ฿1b (\$32m) approved by the government will also be rolled out to support hospitals to fight COVID-19.

In August, Thailand launched its 'new normal' healthcare system that aims to build back better after the pandemic subsidies.

The model for the health service made to strengthen the healthcare system and support health workers during the pandemic was developed by the Department of Medical Services and Ministry of Public Health with support from the World Health Organisation and the government of Japan.

Bangkok's healthcare facilities as well as 12 regional health offices in Thailand are participating in this project for 10 months.

The year 2020 is very challenging for Thailand, especially with the

Thai exports dominate most of the markets for generic drugs in Southeast Asia



COVID-19 pandemic dragging the economy down, there will be budget pressures and restrictions in public spending, with the exception of healthcare which remains strong.

According to Fitch Solutions, real GDP growth contracted by 12.2% in Q2, from a revised contraction of 1.9% in Q1, bringing H120 growth to an average drop of 7.1%. The economic shock was mostly felt by the tourism and export industries.

Fitch Solutions projects the gradual recovering of domestic activities as authorities relax confinement rules and stimulus measures are made.

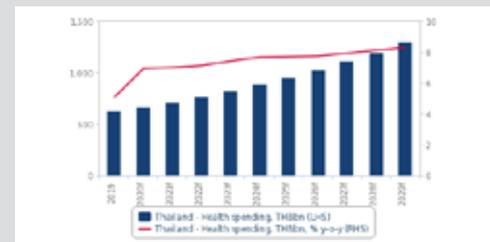
However, mass tourism will unlikely to resume until 2021; the external sector will negatively affect the overall economy and in turn will drive continued budget pressure and restriction in public spending.

Instead, public spending will concentrate highly on healthcare, a key policy area for the government.

Aside from pandemic-related efforts, Fitch Solutions expects the government to pursue its objective of establishing itself as the medical hub of Asia. This includes more effectively managing the country's rising chronic disease burden and reforming healthcare delivery in line with the Ministry of Public Health's 2016-2025 strategic plan for Thailand to become the foremost destination for the medical industry in four key areas of wellness, medical services, academic activities, and medical products.

Key healthcare drivers include expansion of health insurance cover; large-scale development of hospitals and other healthcare facilities; initiatives to increase participation of the private sector in the healthcare system; as well as government support for online medical services and smart technology.

Generic drugs will drive growth in the market



Source: Fitch Solutions