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# Pharmaceutical Industry of Bangladesh: The Opportunity and Challenges



# Pharmaceutical Industry of Bangladesh: The Opportunity and Challenges

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## Abstract

Bangladesh will officially become a developing nation in 2026 after a UN commission recommended that the country be given five years before graduating to this category (United Nations, 2022). After graduation from LDC, Bangladesh might lose many facilities of export in different sectors the eligibility of which was given to least developing countries, and among the export sectors RMG will be hampered most. In such a scenario, the development of the pharmaceutical industry can compensate for the possible loss from the RMG industry by capturing the international market. Pharmaceutical industry can contribute to the export earnings of Bangladesh after RMG. Recent statistics show that the export growth of pharmaceutical products is 11.73% (Export Promotion Bureau of Bangladesh, 2021). During the post-pandemic period, growth of the industry got a new height due to surging demand for COVID-19 medicine and COVID-related medicine supply. However, medicine production requires raw materials most of which are imported, which is the competitive disadvantage of this industry, but the Bangladesh government has taken the initiative to reduce import dependency on pharmaceutical goods. The sector possesses different opportunities and challenges, which are discussed in this analysis.

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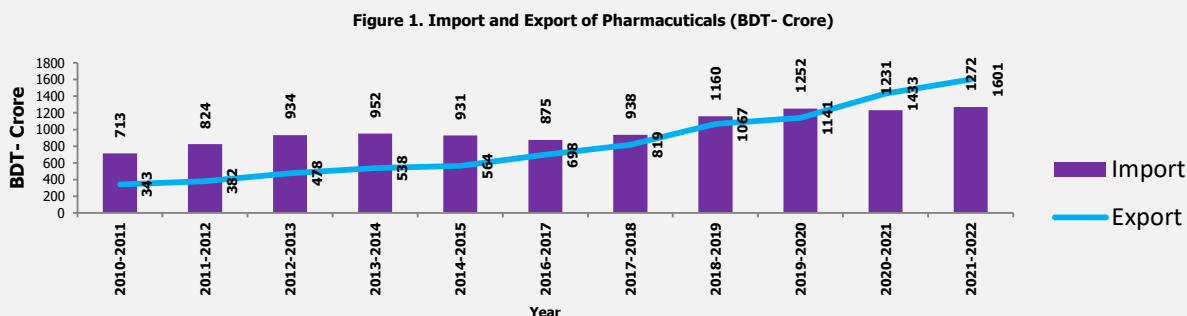
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## Introduction

The pharmaceutical industry is one of the leading industries in Bangladesh. According to the Bangladesh Association of Pharmaceutical Industries, 257 licensed companies are operating their business across the country. Since the industry's inception, this industry has been contributing to the economy by meeting the local demand for medicine and generating skilled employment in this sector. At present, 98% of the local market is fulfilled by local companies. According to Bangladesh's drug and manufacturing association, about 150 manufacturers operate actively in the market (Bangladesh Association of Pharmaceutical Industry, 2022). These firms produce the generic, vaccine, anti-cancer, and hormone drugs. Though Bangladesh's domestic industry is proliferating, the export growth is not satisfactory compared to other export items. According to the Export Promotion Bureau, the total medicine export of Bangladesh for the financial year 2021-2022 was BDT 1,601 crore against the import of BDT 1,272 crore. The worldwide pharmaceutical market is predicted to develop at a 3-6% CAGR until 2025, reaching USD1.6 trillion in total value. This does not include COVID-19 vaccine spending, which is expected to make a total of USD157 billion through 2025 (Global Medicine Spending and Usage Trends: IQVA Outlook to 2025, 2021).

## Import and Export

Figure 1 represents Bangladesh's last ten years' import and export scenario. In recent years, the rise in pharmaceutical product export growth has been outstanding as the rising demand for COVID medicine, an anti-cancer drug, and COVID-19 medicine. According to Bangladesh's export promotion bureau,



**Source:** Export Promotion Bureau of Bangladesh (2021), and (Bangladesh Bank Publication, 2022)

Pharmaceutical goods' export increased from BDT 1,433 crore to BDT 1,601 in 2020-21 financial year crore due to rising demand for low-cost and COVID-19 medicine. According to the Bangladesh Bank and export promotion bureau, the pharmaceutical industry export is growing by 17% annually. In FY2022, the growth rate has been 11.73%.

In contrast, the industry's average import increased by 6%. Though medicine exports have increased over the years, import of raw materials have increased parallelly, which is the industry's major disadvantage. Despite its significant export potential, our pharmaceutical sector largely relies on imports for raw, and almost 90% of the raw materials are import-dependent (The Daily Star, 2021).

## Opportunities and Challenges of Export

The pharmaceutical business in Bangladesh has seen tremendous expansion in recent years, with practically all local demands being met by the local manufacturers. They contribute to the economy and

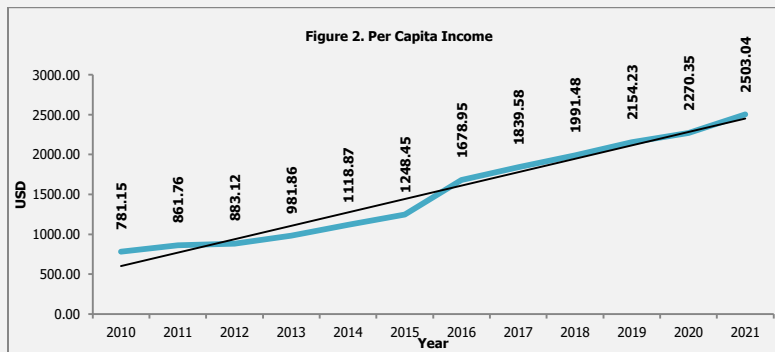
play an essential part in achieving medical sufficiency. The following are the primary core strengths of the pharmaceutical industry

### Opportunities

The pharmaceutical industry of Bangladesh has vast opportunities, and some economic and social indicators fuel the opportunities of those industries; for instance while having lower labor costs, increasing the per capita income will be a game changer for this industry. Moreover, some firms received FDA clearance, and exporting to developed countries along with the TRIPS agreement extension is an excellent opportunity for this sector. However, government policy support will be a vital issue for the pharmaceutical industry.

- **Increase in Per capita Income of Bangladesh**

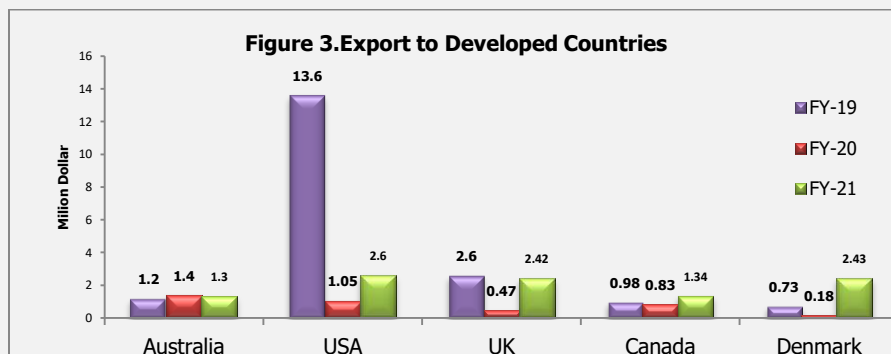
According to the Bangladesh Bureau of Statistics, per capita income increases by 9% yearly. Per capita income in 2021 was USD2,503.04, and recent data from the Bangladesh Bureau of Statistics show that per capita income is USD2,824(Bangladesh Bureau of Statistics, 2022). The growth in per capita income will encourage individuals to spend more on healthcare, which will positively influence the development of the pharmaceutical industry.



Source: (World Bank, 2021)

- **Exporting to Developed Countries**

Exporting to developed countries is a significant possibility for Bangladesh, as just a few firms have received FDA clearance, which is a remarkable success for any local company. Square, Beximco, and Sk-F just acquired FDA clearance and approval from the EU and Australian health authorities. Following the Covid-19 outbreak, exports to developed countries have ramped up. The graph represents exports to developed countries based on statistics from Bangladesh’s export promotion bureau.



Source: Export Promotion Bureau of Bangladesh (2021) and (The Daily Star, 2022)

The graph above shows that export to developed countries is not substantial since most pharmaceutical producers did not obtain clearance from the respective countries' authorities. Few businesses have acquired FDA and EU permission,. Export to developed countries is a potential market for Bangladeshi pharmaceutical manufacturers.

- **TRIPS Agreement Extension and Policy Support from the Government**

The World Trade Organization has extended the TRIPS agreement until 2033, allowing Bangladeshi manufacturers to create generic medicines without paying the expense of drug patents. Compared to competing countries, this will maintain industry competitiveness after graduation from LDC status.

Furthermore, because of the beneficial TRIPS agreement, the Bangladesh government provides policy assistance to this business. Recently, the government announced plans to create an API park in Munshiganj to attract investment and lessen reliance on imported raw materials.

- **Lower labor cost**

Bangladesh has the competitive advantage of manufacturing pharmaceutical products at a lower cost due to the lower labor cost. According to the Bangladesh Investment Development Authority, the manufacturing cost of medicines is 10 to 15% less than India and China, the two most significant contributors to pharmaceutical export sectors (Bangladesh Investment Development Authority,2021). At the same time, Bangladesh has the opportunity to export pharmaceutical products more than India and China.

## Challenges of the Pharmaceutical Industry

- **Counterfeit Medicine in Local Market**

The spread of counterfeit medicines in the domestic market represents a significant challenge for our pharmaceutical industry, and it has a detrimental effect on the company's reputation. The adjacent country, India, has emerged as a rival, but inferior medicine from some manufacturers is a significant threat to the market's ongoing growth (New Age BD, 2022). Production of counterfeit medicine has a long-term impact on health, resulting in many diseases of the human body.

- **High Bargaining Power of Raw Materials Suppliers**

Presently, Bangladesh imports 99.5% of the overall pharmaceutical raw materials, mainly from China and India (EBL Securities Limited, 2019). API can also be purchased from a European source. Nevertheless, procuring API from a European country is more costly. Because of supplier concentration and high switching costs, the supplier has strong bargaining power. Due to the concentration of suppliers, the price negotiation benefit is very low for local manufacturers, and the recent devaluation of the taka causes a rise in the import cost of raw materials.

- **Unhealthy Marketing Competition**

One of the primary disadvantages of this market is the unhealthy rivalry among local pharmaceutical companies. Pharmaceutical businesses spend a considerable amount of money on product marketing, yet most of the time, it involves harmful marketing rivalry (New Age BD, 2022). High marketing costs were invested in purchasing gifts for doctors and providing excessive commissions to various stakeholders. Unhealthy marketing competition raises the cost of medicine, which consumers eventually carry.

## Conclusion

The pharmaceutical sector can potentially be the second most successful contributor to exports in the foreseeable future. This industry has competitive advantages over other exporting countries, such as cheap manufacturing costs and a trained labor base, allowing it to compete in the export industry. Furthermore, the Bangladesh government promotes this industry by adopting favorable actions to attract investment. To minimize the reliance on imports, the government has built an API park to generate medicinal raw materials, putting the pharmaceutical sector in a competitive position. However, there are several difficulties in this market that might obstruct the enormous growth of the pharmaceutical industry.

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# About ECRL

Emerging Credit Rating Limited (hereinafter referred to as ECRL) began its journey in the year 2009 with the motive to deliver credible superior & quality credit rating opinions in various industry segments around Bangladesh. ECRL obtained credit rating license from Bangladesh Securities and Exchange Commission (BSEC) in June 2010 as per Credit Rating Companies Rules 1996 and also received Bangladesh Bank Recognition as an External Credit Assessment Institutions (ECAI) in October 2010 to do the rating of Banks, Financial Institutions and their borrowers and also from Insurance Development & Regulatory Authority (IDRA) in 2015 to do the rating of Insurance Companies & affiliated with Malaysian Rating Corporation Berhad.

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