Article

Key Tailwinds and Headwinds Impacting the Outlook for the Asian Pharmaceutical Market

IQVIA Market Prognosis

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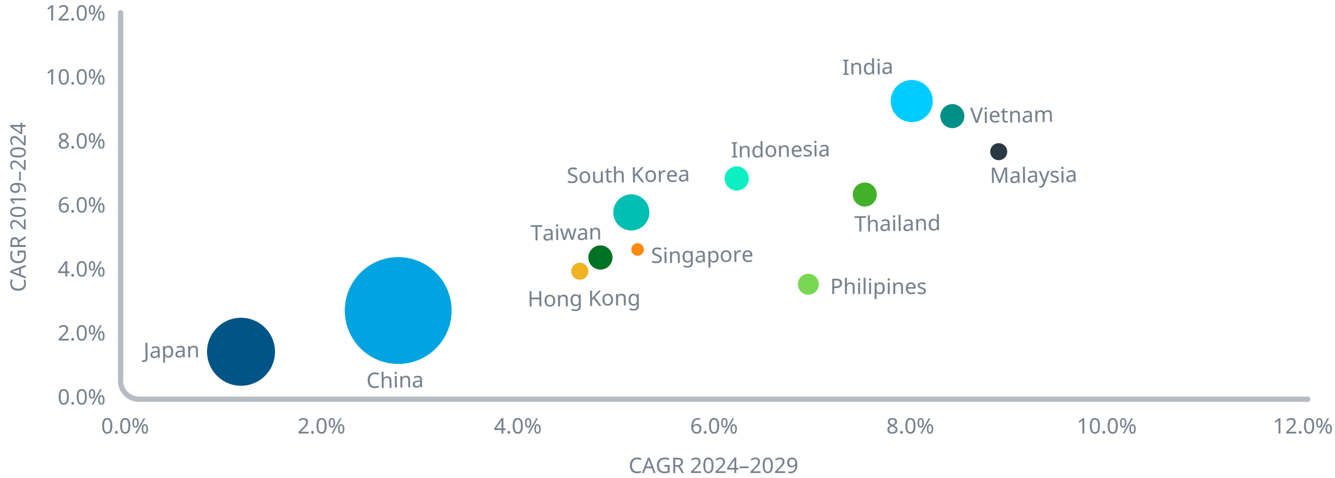
This article reviews the latest pharmaceutical forecasts from IQVIA's Market Prognosis in the Asia region and presents a summary of key tailwinds and headwinds impacting the region's pharmaceutical market outlook over the next five years. The analysis is based on findings from 12 key Asian markets covered in the March 2025 edition of IQVIA's Market Prognosis, including China, Hong Kong, India, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam.

Pharmaceutical sales in the 12 Asian markets are forecast to grow at a CAGR of 3.7% between 2024 and 2029, marginally faster than in the previous five years. China, Japan, and India are the largest markets and major contributors to the region's pharmaceutical expansion, together accounting for 81.1% of regional sales in 2024. China, the largest market, is anticipated to expand at a CAGR of 2.8% over 2024–2029, whereas Japan and India, the second and third largest markets, are expected to post a CAGR of 1.2% and 8.0%, respectively. Of the 12 Asian markets, Malaysia will record the fastest growth, posting a CAGR of 8.9% over 2024–2029.

Figure 1: Asian markets compound annual growth rates (CAGR) 2019–2024 and 2024–2029



Notes: Sales in LC$ at constant exchange rate (Q4 2024 IQVIA). Bubble Size represents the market size in 2024 in LC$ at ex-manufacturer price.
Source: IQVIA Market Prognosis, March 2025.

Tailwinds

Increasing demand from a rapidly aging society action

Asian markets are experiencing one of the fastest demographic shifts in the world, with their population aging at an unprecedented pace. Countries such as **China**, **Japan**, **Singapore**, **South Korea**, **Taiwan**, and **Thailand** are the vanguard of this trend. The most significant implication of this shift is the growing healthcare and pharmaceutical demand from the elderly population. According to the Economist Intelligence Unit (EIU), the population aged 65+ years in the 12 Asian markets is expected to increase from 409.0 million in 2024 to 514.2 million in 2029, posting a CAGR of 4.7%. As the growth in this cohort accelerates, the need for accessible, affordable, and quality healthcare services is skyrocketing. Long-term care services, including home-based and community-based care are being expanded in **Japan**, **Singapore**, **South Korea**, and **Taiwan**. However, meeting these needs requires significant public and private investment. Initiatives to increase funding for elderly care are also underway in these countries. For example, the **Japanese** government has approved around ¥38.3 trillion for FY2025 social security spending. Health ministries in **South Korea** and **Taiwan** are planning to launch home-based care services.

Recent and future drug launches driving stronger market growth

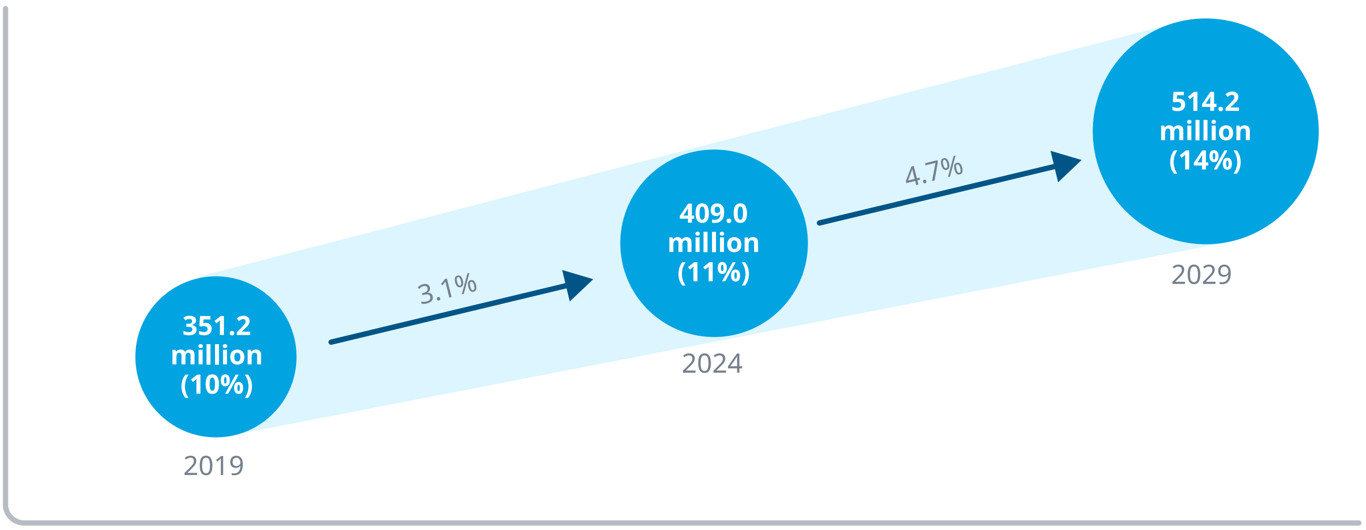
Recent and future innovative new products, many addressing unmet medical needs, will drive growth in the Asian pharmaceutical markets. Specialty, orphan, biologic, and oncology products will constitute a growing share of these drugs, leading to a gradual increase in the average price per standard unit and driving growth in value terms. New, more efficacious anti-obesity drugs available on an out-of-pocket basis will also contribute to market growth across the larger Asian markets, especially in **China**, **India**, and **South Korea**.

Facilitating access to innovative drugs

Governments in the Asian markets are implementing strategies to ensure timely access to innovative new drugs for patients. These strategies include streamlining approval processes, expanding reimbursement coverage, and fostering domestic pharmaceutical innovation.

China has implemented accelerated regulatory pathways such as priority and conditional approvals to expedite access to innovative drugs. Moreover, the institutionalization of national price negotiations enables the timely inclusion of innovative drugs in the

Figure 2: Asian markets 65+ population and growth rate in 2019, 2024 and 2029



Notes: Bubble represents the 65+ population and its % share of overall population. Markets included are China, Hong Kong, India, Indonesia, Japan, Malaysia, Phillippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam.
Source: Economist Intelligence Unit (EIU).

National Reimbursement Drug List, benefiting new drugs for oncology, rare, and other chronic diseases.

In **Hong Kong**, regulatory improvements have expedited innovative drug approvals and improved evaluation standards in accordance with internationally renowned regulatory agencies across the US, Canada, Europe, Japan, and Australia. The expansion of the '1+' approval mechanism which permits the approval of all drugs based on evidence of registration in a single reference country, as well as broader reimbursement coverage, are enhancing access to innovative products.

Similarly, **Japan's** Ministry of Health, Labor and Welfare (MHLW) has introduced an 'early launch' premium and tax exemptions on intellectual property assets starting April 2025 for a seven-year period. Revisions to the price maintenance premiums and post-launch premiums will protect prices for innovative drugs during the patent period. Moreover, a fast-track approval has been formalized under the *Sakigake* system to enhance the regulatory framework for innovative drugs.

In **South Korea**, several measures including flexible Incremental Cost-Effectiveness Ratios, parallel reviews of drug approval, reimbursement, and drug pricing, as well as the expansion of risk-sharing agreements to include innovative drugs for severe conditions, have been introduced. Additionally, the Ministry of Food and Drug Safety (MFDS) plans to reduce drug approval timelines starting in January 2025.
This will be supported by increased revenues from higher regulatory fees, recruitment of additional regulatory staff, and formation of dedicated review teams.

In 2024, **Taiwan's** National Health Insurance Administration (NHIA) expanded reimbursement coverage for new and existing cancer and rare disease drugs, including next-generation sequencing testing. Two-year provisional reimbursement for new drugs addressing unmet medical needs and the establishment of a Cancer Drug Fund will improve access to new drugs. The parallel review mechanism launched in 2024 is expected to speed up drug approvals and reimbursement listing.

The Department of Health (DOH) in the **Philippines** has facilitated expedited registration pathways to improve access for innovative drugs. An abridged procedure for evaluating clinical trial applications to shorten registration timelines is being utilized by the regulatory agency. Initiatives to shorten approval timelines and extend the validity period of licenses to operate and Certificates of Product Registration are among several measures that aim to create a more attractive environment for drug manufacturers in the Philippines.

Improvements in healthcare funding, delivery, and infrastructure

Enhancing health insurance coverage and the healthcare infrastructure is a major policy objective in the region, with continuous efforts to bolster the resilience and sustainability of healthcare systems.

In **China**, the government aims to develop a comprehensive multi-level insurance system, and the National Healthcare Security Administration has called for a '1+3+N' system, comprising the core pillars of the current system and supplementary providers, including city-level complementary insurance (*huiminbao*) and other commercial health insurance . Simultaneously, 13 national medical centers had been established across China by mid-2024, in line with government objectives under the 14th Five-Year Plan to expand and decentralize high-quality medical resources.

In **Hong Kong**, a government-regulated voluntary private health insurance scheme launched in 2019 aims to ease pressure on public healthcare. The scheme provides tax exemptions, coverage renewals up to 100 years of age, and coverage extensions. A total Hospital Authority budget of HK$100.2 billion has also been earmarked for FY2025–2026 to strengthen healthcare services, with a focus on chronic care, expanding the capacity of health centers, and engaging in several public-private partnerships.

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In **Singapore**, the Healthier SG Chronic Tier framework is providing subsidized chronic whitelisted drugs. From January 2025, the government has adjusted the second tier of the Annual Value thresholds to provide increased reimbursement support for Singaporeans. Additionally, to improve the healthcare infrastructure, the government plans to redevelop university hospitals, increase total bed capacity in public hospitals by 2030, build a nursing home with 400 beds, and upgrade urgent care.

The National Health Insurance Comprehensive Plan 2024-2028 in **South Korea** aims to address regional healthcare disparities, essential medical service shortages, and overuse of the national healthcare system. The plan includes a Won10 trillion investment over five years in critical health areas such as neurosurgery, emergency care, and organ transplantation, as well as alternative payment schemes, and enhanced cooperation between medical institutions to address regional inequality.

In **Thailand**, the '30 Baht Treat Anywhere' initiative, which began its fourth phase in January 2025, has improved access to health records and services and coordination among healthcare providers. The 'One ID Card, Treat Anywhere' sub-initiative will allow patients to use a single card to access services at 500 public hospitals. Additionally, a budgetary allocation of Bt275 billion for 2026 will enhance disease prevention for chronic diseases.

The **Vietnamese** Social Security Institute achieved 94% coverage of the population with Social Health Insurance (SHI) in 2024. Healthcare reforms to extend insurance coverage to additional age groups are underway. The Reimbursement Drug List (RDL) is set to be expanded in 2026, while a long-term national plan approved in 2024 aims to increase the hospital bed/population ratio and address healthcare professional (HCP) shortages. To support these goals, tax exemptions and other incentives will be offered to attract private investment into the public hospital network.

The **Philippines** will focus on complete implementation of the Universal Healthcare Act as part of the National Objectives for Health 2023–2028. The Health Care Financing Strategy 2023–2028 has been developed as a medium-term financing roadmap for this purpose. The government has also developed a framework to improve access to primary care. Meanwhile, private hospital networks and pharmacy chains are expanding into ambulatory care, floating hospitals, home care, and store expansions to offer services in geographically isolated areas.

As of late 2024, **Indonesia** had managed to achieve over 98% coverage under the national health insurance scheme (*Jaminan Kesehatan Nasional*, JKN). The new single-inpatient class (KRIS) system, to be implemented in mid-2025, will replace the previous three-class system and aims to provide equal healthcare access. Demand for quality healthcare and limited public hospital capacity are boosting private hospital use. Allowing foreign specialists to practice in Indonesia and prioritizing local doctors in specialist education will help address the shortage of HCPs.

In **India**, the central government's *Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana* (AB-PMJAY) health insurance scheme covers ~25% of the total population and has been expanded to include those aged 70 years and above since October 2024. Meanwhile, private health insurance demand is rising, with a 24% increase in the number of people covered in 2024. Enhanced healthcare infrastructure and logistics are boosting medicine demand in tier 2 and tier 3 cities. Major private hospital players are expanding and consolidating their networks, attracting significant private equity and venture capital investments.

Increasing demand for medical tourism across Asia

Asian markets are rapidly expanding their medical tourism sectors by investing in world-class healthcare infrastructure, streamlining healthcare services and processes to align with international standards, and offering cost-effective, high-quality treatments. A rise in medical tourism can be seen especially after the pandemic's negative impact.

The reopening of the border between **Hong Kong** and mainland China in February 2023 has led to a resurgence of medical tourists. Meanwhile, **Singapore** continues to be a prominent medical tourism destination, attracting patients seeking costly and complex multi-specialty procedures due to its advanced technology compared to other regional countries.

In **Thailand**, medical tourism is being advanced through the Thailand 4.0 strategy and the Andaman International Medical Center project, to be completed by 2028, and designed to serve as a training hub for research and development. Improvements in the sector are expected in 2025–2026, supported by government policies promoting health tourism. Joint initiatives with the hotel industry are being developed to offer integrated health packages.

Medical tourism is a key economic strategy in **Malaysia**, promoted by the Malaysia Healthcare Travel Council, which has a dedicated budget for medical tourism. Acquisition of Malaysia's Island Hospital by the Integrated Healthcare Holdings (IHH) Healthcare in November 2024 also aims to strengthen IHH's presence in northern Malaysia and increase its share of medical tourism.

The development of new international hospitals in Bali and Batam, along with foreign specialist doctors practicing in **Indonesia**, will boost the country's appeal to medical tourists by aligning healthcare standards with international norms.

India's emergence as a favored medical tourism destination has boosted the private hospital sector. Income from medical tourism, accounting for 10-12% of private hospital revenue, is projected to double in the short to medium term. Relaxed visa regulations announced in the FY2025–2026 budget will also positively impact medical tourism.

Integration of digital tools in healthcare processes

Asian markets are rapidly adopting digital healthcare to improve access, care quality and managing rising demands. With the challenges of an aging population, urbanization, and chronic diseases, digital health technologies are key to modernizing healthcare delivery. Artificial intelligence is being leveraged in **China**, **Hong Kong**, **Japan**, **South Korea**, **Taiwan**, **Singapore**, **Thailand**, **Malaysia**, and **Indonesia** to enhance early diagnosis and risk management, curb staff shortages, and improve business processes. Smart hospitals in the Asian region are integrating Internet of Things, robotics, and automated systems to improve operations and patient outcomes. Electronic medical record systems are being widely adopted, improving data accessibility and interoperability. Teleconsultations and online pharmacies are growing rapidly, providing convenient, safe, and cost-effective access to care. Governments across the region are increasing budgets to support the health digitalization, which will contribute positively to the region's pharmaceutical market growth.

Initiatives to improve screening and immunization programs

The region is focusing on enhancing screening and immunization programs as key elements of public health strategies. With the dual burden of communicable and non-communicable diseases, early diagnosis and preventive care are essential for improving health and reducing healthcare costs. Countries like **Indonesia**, **Singapore**, **India**, the **Philippines**, **Taiwan**, and **Thailand** are expanding screening programs for chronic conditions such as diabetes, hypertension, and cancer to facilitate early intervention and better disease management.

Immunization programs are being intensified to combat communicable diseases, with a focus on vaccinating high-risk groups like the elderly, children, and immunocompromised individuals against influenza, hepatitis, malaria, and human papillomavirus. Establishment of new and expansion of existing local vaccine production is also being encouraged.

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Headwinds

Pharmaceutical drug price revisions restraining stronger market growth

Asian countries are implementing aggressive drug price reduction policies to improve public access to essential medicines and rein in rising healthcare costs. While these measures are benefiting patients and public health systems, they are also putting pricing pressure on drug manufacturers, impacting long-term operational sustainability and innovation.

Since 2021, **Japan** has implemented annual drug price reductions through 'off-year' price reviews to better align reimbursement prices with market prices. These adjustments aim to enhance pricing efficiency and ensure a stable supply of medicines. This approach is expected to continue on a trial basis in 2027 and 2029.

In **South Korea**, biennial reviews conducted by the Rewards for Saving Drug Expenditure system are aimed at comparing drug prices with actual transaction price (ATP), leading to adjustments when differences between the drug prices are identified. The latest price cuts were implemented in mid-2024, with future adjustments expected in 2026 and 2028.

In **Taiwan**, the annual Drug Expenditure Target system manages drug spending by setting a yearly cap on the NHI budget, with price cuts applied if the threshold is exceeded. The latest adjustments in April 2025 affected multiple drug categories and, as in previous years, prompted pharmacies to reduce inventory in anticipation of lower retail values.

In **Vietnam**, the reforms under the 2023 Law on Bidding and ensuing MOH circulars have strengthened drug procurement rules and expanded the scope for price negotiations of originator brands. Aimed at easing pressure on SHI budget, these measures will lower prices, with dedicated MOH-led teams expected to oversee annual negotiations and timelines.

In **India**, annual price ceiling revisions for Drug Price Control Order listed drugs are linked to changes in the wholesale price index over the preceding year. Latest adjustments have trailed behind inflation, however, with only marginal adjustments granted in 2024.

Optimizing drugs costs and stringent drug procurement processes

Regulators across the region are implementing a wide array of measures to control healthcare expenditure. These include prescribing restrictions, stricter procurement reforms, increased scrutiny over pricing, and the tightening of reimbursement decisions.

Japan has implemented a series of cost containment measures to manage rising healthcare expenditures driven by an aging population and the launch of high-priced medicines. These include patient co-payment schemes for long-listed products, expanded use of cost-effectiveness assessments and targeted price reduction rules like Z2, G1/G2, and Category C, to curb spending. Measures like 'huge-seller' re-pricing, which was introduced in April 2022 target products with potential annual sales over ¥150 billion.

In **South Korea**, the MOHW has launched the National Health Insurance Comprehensive Plan 2024-2028 to strengthen system sustainability amid growing healthcare demand and resource strain. The plan introduces measures to reduce unnecessary resource utilization, including a policy introduced in July 2024 where patients exceeding 365 outpatient visits per year may face a 90% out-of-pocket payment rate.

In **China**, national volume-based procurement contracts have led to significant price reductions for multisource products. Flat-sum provider payment models based on Diagnosis-Related Groups and Diagnosis Intervention Packets have been introduced. Defined budgets under case-based payment models are leading to more cost-sensitive prescribing in hospitals.

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In **Taiwan**, significant NHI budget deficits over the past few years have prompted a series of reforms aimed at managing resource use, including higher patient co-payments and reassessments of reimbursed drugs. The NHIA also plans to withdraw drugs with limited patient use, while the Center for Health Policy and Technology Assessment, established in January 2024, is evaluating cost-effectiveness of provisionally listed drugs, lowering hospital prices.

In **Singapore**, drug pricing pressures have intensified following the implementation of the Cancer Drug List (CDL) and the Healthier SG chronic whitelist. Manufacturers face stringent pricing negotiations for CDL inclusion. At the same time, public sector procurement is being centralized under the Agency for Logistics Procurement and Supply, signaling a shift in supply chain strategy. The government's preference for lower-cost generics in public hospitals aligns with its broader cost-containment agenda.

In **Thailand**, the Maximum Procurement Price policy regulates drug pricing for essential drugs. Expansion of this policy in late 2024 have led to notable savings in drug expenditure. Broader cost-control strategies are being implemented across procurement, reimbursement, and prescribing practices, with a focus on promoting cost-effective, generic medicines.

In **Vietnam**, the government continues to deploy a variety of procurement and pricing measures to control costs. The Law on Pharmacy reinforces provisions in the Law on Bidding passed in 2023, which direct authorities to prefer low-cost locally manufactured products over other alternatives.

Indonesia is enhancing its referral system to cut public hospital costs by directing patients to primary health facilities first. The introduction of health technology assessments (HTA) in late 2024 and stricter reimbursement regulations will trigger delisting of cost-ineffective drugs.

In the **Philippines**, the 'Price Negotiation Board' and HTAs will limit price growth of high-cost medicines. The DOH is strengthening compliance with electronic drug price monitoring and public price transparency tools. National pooled procurement and multi-year purchase agreements will improve access to drug and empower payers to negotiate lower prices.

Prioritization of domestic drug manufacturing and expansion of the generics sector

Policymakers in the region are encouraging the use of generics and biosimilars to reduce reimbursement and out-of-pocket spending for costly therapies, achieve self-sufficiency and stabilize drug supplies. Efforts by both the private and public sectors to enhance the perception of generics will support growth of the generic sector in the region. The patent expiry of key drugs during the forecast period will further drive growth for locally manufactured generics. However, increased genericization will limit stronger growth in value terms in the region.

In **Japan**, policymakers are implementing measures to increase usage levels of generics and biosimilars. The medical cost optimization plan for FY2024-2029, aims for an 80% volume-based target and a 65% value-based share for the use of generics and biosimilars across prefectures. In October 2024, the MHLW announced a 'biosimilar roadmap,' to achieve the biosimilar replacement target, together with a new version of the 'generic roadmap' to further enhance the quality of generics.

In **South Korea**, the government re-evaluates generic drug prices by comparing them with A8 countries (U.S., Japan, Germany, France, Switzerland, the UK, Italy, and Canada) leading to price reductions. In 2023 and 2024, the MOHW re-evaluated the price cap on generics, targeting products without bioequivalence tests or drug master files, resulting in price reductions.

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In **Malaysia**, the government is prioritizing drug-supply security and savings in the pharmaceutical sector by encouraging local production of generics and off-patent drugs, including biosimilars.

In **Vietnam**, regulations issued in 2024 introduced procurement preferences for locally produced drugs that meet international manufacturing standards and are competitively priced with imported alternatives. These measures will prioritize, in particular, domestically produced generics.

In **Indonesia**, the prioritization of local companies and products with high levels of locally produced active product ingredients and raw materials in tender negotiations poses a challenge for multinational companies as they are pressured to offer substantial discounts to compete with domestic firms. The procurement policy mandates a minimum of 55% local content for certain pharmaceutical products, and companies meeting these standards are eligible for government incentives.

To improve access to affordable medicines, the government in the **Philippines** is enhancing pro-generic measures which include the mandatory availability of reasonably priced generics in all drug outlets, the promotion of low-cost unbranded generics, increasing public awareness and acceptance of generics, and the effective enforcement of existing policies on generic prescriptions.

In **India**, incentives for investment in the local manufacture of bulk drugs and finished pharmaceuticals under Production-Linked Incentive schemes are supporting the growth of domestically produced generics and active ingredients.

Summary

Despite numerous challenges, the pharmaceutical sector in the Asian region offers significant opportunities for both foreign and domestic drug manufacturers, driven by heightened health awareness and demand for high-quality care. Although regulatory complexities have historically posed challenges, the region's agility to adopt new technologies and innovations offers substantial growth potential. To achieve sustainable growth in the Asian market, drug manufacturers must develop robust localization strategies, forge strong local networks, and ensure supply chain resilience.

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