

The Polish pharmaceutical market. Its condition and growth prospects until 2011 in the opinion of the largest pharmaceutical companies

Date: 12-16-2009 10:30 AM CET

Category: [Health & Medicine](#)

Press release from: [PMR Publications](#)

The Polish pharmaceutical market has grown dynamically in the past five years, showing great resilience to the impact of adverse trends prevailing in the market. As demonstrated by the results of the most recent study conducted by the advisory company KPMG and the research company PMR in June 2009, the current economic situation linked to the global economic crisis has not affected the good performance of the pharmaceutical industry; either, it has not had an adverse effect on the optimistic mood prevailing among pharmaceutical companies in Poland.

Marcin Rudnicki, Partner, Head of the Pharmaceuticals Group, KPMG emphasises: „Pharmaceutical companies expect continued growth of the market. Over half of companies surveyed plan to increase investments in employee development and production infrastructure in the next 12 months.” He also points out that “More than 60% of the surveyed companies described the current market situation as good or very good – a steep 40% of the surveyed companies plan to introduce 3 to 10 new drugs by the end of 2009.”

Monika Bartoszewicz, Partner, Audit Department, KPMG adds: „It appears that the pharmaceutical sector has managed to find a solution to achieve growth during the times of economic slowdown. In 2009, the value of the pharmaceutical market in Poland will exceed PLN 25bn, which shows a significant improvement over the figure for 2008.

On-line pharmacies will be the fastest growing distribution channel – a whopping 80% of the companies surveyed predict that distribution through this channel will develop faster than the pharmacy sales market as a whole”.

Monika Stefanczyk, Head Pharmaceutical Market Analyst, PMR, comments:

„In the opinion of the companies operating in the pharmaceutical market, unfavourable legal regulations, including the Regulation on pharmaceutical advertising of 2008 and insufficient transparency of decisions regarding pharmaceutical reimbursement, are among the largest barriers to the growth of the pharmaceutical market, which is a consequence of the failure to implement the EU laws. Dietary supplement producers voice concerns about by the approaching end of the transitional period for the so-called borderline products. It should be noted that these impediments were not strong enough to block the market’s growth in 2009 since a high number of infections was a decisive factor influencing growth of the pharmaceutical market”.

Some of the conclusions of the report:

- Polish companies provided more favourable assessments of the market situation compared to companies with a substantial foreign equity stake. For instance, the “good” assessments were given by two-thirds of mostly Polish companies and less than 50% of companies with a foreign-equity shareholding.
- Assessment of the current situation of the market also varies depending on the principal business segment. Enterprises operating mostly in the dietary supplement segment provided significantly more upbeat assessments of the present market situation.
- Most frequently mentioned reasons provided by respondents as justification of their positive assessment of the current market situation (54%) and the stability of the sector (52%).
- According to respondents of the survey, the factors which will have the largest influence on the development of activities in the Polish pharmaceutical sectors primarily included introduction of new products to the market (30%), overall increase in the wealth of the Polish society (14%) and access to reimbursement (12%).
- Nearly three-quarters of respondents anticipated that new categories of medicines would appear on the market in the next two years. The new preparations used to treat cancer stood the greatest chance of being introduced to the market (nearly half of responses).
- In terms of regulatory issues, pharmaceutical companies are particularly constrained by restrictions on advertising and promotion of drugs set forth on the Regulation on pharmaceutical advertising of November 2008 and the lack of transparent policies with regard to drug reimbursement, which results, for instance, in unfair treatment for manufacturers of innovative and

generic products.

Commenting on the projected impact of legal changes, including in particular the most controversial of them concerning fixed margins on reimbursed drugs, Monika Przygodzka, Senior Tax Manager, Tax Advisory Department, KPMG, notes that:

„The maximum fixed margin on subsidised drugs (in both wholesale and pharmacy trading) will not be freely reduced by wholesalers or pharmacies, as has been done hitherto, and the subsidised pharmaceuticals will have the same prices in all pharmacies – in the opinion of companies surveyed, this change will have an adverse effect on drug distributors but it will be rather beneficial to patients.”

“The 2008 year was one of the best for the pharmaceutical industry in the last decade, in part because of high GDP growth and related increases in the purchasing power of Polish consumers. Non-refunded OTC products, with dietary supplements at the helm, drove market growth”, says Karol Kolt, President of PMR’s Management Board. Mr Kolt also adds: „in 2008 OTC products already represented 34% of the pharmacy market in Poland, whereas in 2005 they accounted for around 30%. Close to half of 2008 market value was, however, generated by sales of prescription preparations subject to reimbursement”.

The main areas covered in the report:

1. The size of the pharmaceutical market in Poland and its growth prospects in the coming years
2. Barriers to the growth of the pharmaceutical market
3. Impact of the planned legal changes on the pharmaceutical sector
4. Development of pharmaceutical distribution channels
5. The financial standing of pharmaceutical companies

Full version of the report is available at pmrcorporate.com and kpmg.pl.

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