

Interview with Milos Bugarin , President, Serbian Chamber of Commerce



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Rather than Mr. Bugarin's personal views, the following information contains general statements provided by the Serbian Chamber of Commerce

Current trends in pharmaceutical industry

The production of the medicines in all countries all around the world is one of the most important economic branches, not only as the economic activity, but as its influence on the health of the human beings. However, together with the energy generation and food production, the production of medicines is considered the strategic sector.

Total consumption of the medicines in Serbia in 2010 was estimated at circa 740 million euro per gross price. The import of the medicines participates with almost 370 million euro. An average annual growth rate of the import of the medicines for the period 2002 – 2010 amounted to 13 percent. It has been estimated that the import of the medicines will grow by the growth rate not less than 10 percent in the following five years, which means that the import value of the medicines in Serbia in 2012 and 2013 will be by 30 percent higher than it is now.

The share of the pharmaceutical industry in total GDP is 0.7 percent, although a number of the enterprises dealing with the pharmaceutical industry, if compared with a number of the enterprises in total economy (0.05% – 0.07%) records a modest participation, the number of the employees is even ten times bigger (currently near 7 000 of them).

Near 49 percent of the demand for medicines in Serbia is made by the domestic producers, and 51 percent by the foreign one. This relation was established in 2010, unlike the previous years, when the consumption of the domestic-made medicines was dominant. This change is the result of the regulations and liberalization of the foreign trade, as the part of the preparations for the EU membership, as well as due to the CEFTA Agreement.

Export-orientation

The pharmaceutical industry is the export – oriented (in 2010 the medicines were exported in the value of more than 130 million euro), while the turnover at the domestic market in the amount of 300 million euro makes the gross product of this industrial branch near 450 million euro. In addition, the domestic pharmaceutical industry substantially contributes to the budget of the Republic of Serbia (in 2010 the sum of 40 million euro was earned through varied taxes, customs fee, and others).

The production of medicines is the pillar of the development in the local community, the investment (in 2010 the investment level was 100 million euro) and the employment (highly – educated staff: pharmacists, physicians, technologists).

Effects of the pharmaceutical industry on the economic development

The domestic pharmaceutical industry provides regular supply of the medicines of all groups, forms and doses. The domestic producers supply the market with near 80 percent of the medicines or in the value of 45 percent (it depends on the price of the domestic medicines which is lower than the imported medicines). The production and trade of the medicines in Serbia has been done in accordance with the Law on trade of medicines and medical devices. According to this Law the wholesale of the medicines covers the supply, storage, delivery, importation and exportation of medicines. The limited wholesale and retail profit margin is the main feature of the market of medicines in Serbia.

The pharmaceutical market in Serbia records an exponential growth of the consumption of medicines and medical devices. Since the consumption of medicines directly correlates with the GDP growth, the Serbian market of medicines has the same-direction growth, but far more intensive than the GDP growth.

For example, in 2004 the consumption of medicines in Serbia amounted to 354,129,900 euro, and in 2009 it was 802,100,340 euro, and its share in the gross domestic product grew from 2.18 percent in 2004 to 3.64 percent in 2009.

The dominant presence of the foreign producers and foreign medicines in general, as well as the adjusting of their promotion strategy to the market requirements indicate on the strengthening of the position of a foreign remedy on the market of Serbia. In addition, the acquisitions in this sector

are frequent, where the international producers and wholesalers take the control packages of the domestic big and medium-sized companies. It has been estimated that such trend could be continued in the next 3 to 5 years.

The market of the pharmaceutical products was shrunk after the separation of the state community of Serbia and Montenegro in June 2006. Apart from this, the analysts consider that the pharmaceutical market in Serbia is one of the least developed in Central and Eastern Europe. Of course, everything depends on the inhabitants, but this data clearly shows that this market will fast develop in the future. The main reason for it is Serbia's goal to join the EU. Although the expenses for the harmonization with the EU standards, when it comes to the production and supply of the medicines, stipulated by the Law on medicines and medical devices as of 2010, the domestic pharmaceutical industry spent 200 million euro on it. The money for this the domestic producers got from the regular activities and expensive credit lines, and the global economic crisis they welcomed with enormously huge international-competitiveness (in Serbia in 2010 more than 300 international companies dealing with importation and trade of medicines were registered).

There are the groups for the pharmaceutical sector which cover the production and trade of medicines and medical devices, which operates within the Serbian Chamber of Commerce (SCC).

One of the main tasks of these groups is the harmonization of the domestic legislature with the EU regulations in this field as well as giving proposals and suggestions.

The members of the SCC Group of wholesalers participate with 75 percent in total trade of medicines in the Republic of Serbia. This Group successfully cooperates with other groups in the chamber system, such are the Group for producers of medicines, then with the Ministries of health, trade and services, finance, with the Republic Institute for Health Insurance, Pharmaceutical Chamber, Medicines and Medical Devices Agency, faculties, and other associations dealing with the medicines. It is obvious that without the synergy of the stakeholders on the market of the medicines there is no the influence on the overall climate in this sector.

In the beginning of this year the group of the wholesalers became the official member of the GIRP (Groupement International de la Répartition Pharmaceutique" or "European Association of pharmaceutical Full-line Wholesalers), which is the roof organization of the pharmaceutical associations of wholesalers in Europe with over 600 wholesale pharmacies running business in 31 states.

The Serbian Chamber of Commerce will officially be joined to the GIRP association at the 52nd Assembly of the Association in Talin, Estonia which will be held from 4th to 8th June 2011.

Non-liquidity the biggest problem

The main problems in the pharmaceutical sector in Serbia are the non-liquidity, price policy of the medicines, policy of the refund of the assets by the health funds and intellectual property issue. The biggest domestic pharmaceutical companies make efforts to keep the continuity in the supply of the domestic market with the medicines.

Upon the active acquisition process in Serbia, there are few domestic pharmaceutical companies: Hemofarm –STADA GROUP, Zdravlje – AKTAVIS GROUP (which is successfully privatized), Galenika, which is the state-owned, as well as the TORLAK institute which are expected to be privatized too. These companies provide more than 56 percent of the Serbian market, which is a huge drop if compared with the period three years ago when it was 80 percent. These companies are also very interested in the global companies which could be potential buyers in the privatization process.

The regular supply of the Serbian market in the future will depend on the coordinated activities of all state authorities being in charge of the production, distribution and finance of the medicines (Ministry of Health, the Medicines and Medical Devices Agency, the Republic Institute for Health Insurance, Ministry of agribusiness, trade, forestry and water management), domestic and international producers and wholesalers. It requires equal redistribution of the responsibility, discipline and finances.

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