



Upcoming Meetings of PB – 2014

Members	Regulatory	Corporate Communications
Thur 30 January	Thur 30 January	Thur 30 January
09:30 – 10:30	15:00 – 17:00	13:00 – 14:00

World Health Days – January 2014

4 th January World Braille Day	
26 th January World Leprosy Day	

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Editorial Team

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Dear Members

Happy New Year from all of us at the Pharma Bureau. I hope 2014 will be a year of turning fortunes.

2013 like 2012 was a difficult year for the pharmaceutical industry in Pakistan. The year began with a renewed and vigorous discussion on the issue of pricing. As you are all aware Pakistan has one of the highest levels of price control in the world and the anomaly in Pakistan is that despite drugs being decontrolled and the government's own gazette formula for annual input cost increase adjustment for price controlled products, the Drug Regulatory Authority of Pakistan will not allow the same to be applied to drugs.

Despite prices of drugs in Pakistan being generally lower than India and Bangladesh, there have been no price adjustments for inflation even though products have numerous generic competitor brands. A few adjustments on hardship basis have been considered for some essential products which are loss making. There has been no across the board price adjustment since the 3% given in 2001. During this period the CPI has increased by over 190%. Furthermore, over the last 5 years, the cost of raw material alone has increased by about 77% on account of the Rupee devaluation against major currencies while the minimum wage has increased by 74% since 2007-08. Non application of a formula to adjust drug prices annually coupled with an increase in raw material and other manufacturing costs together with the devaluation of the rupee, has severely impacted the viability of the pharmaceutical industry.

After many representations to and meetings with the regulators on the pricing issue the Policy Board of the DRAP, recognizing the industry's problems, recommended a price increase of 15% on certain products. SRO 1002 was issued in December and immediately withdrawn by the government. Its withdrawal was a huge set back to the industry which had been working tirelessly for several months with the new government in Islamabad and left the industry with no option but to turn to the courts. The PPMA, the representative body of the national pharma companies, filed a Constitutional Petition in the Sindh High Court seeking, inter alia, the restitution of SRO 1002. A Divisional Bench of the Sindh High Court heard the matter and granted interim relief by setting aside the withdrawal notification. The PPMA's stand has re-enforced the Pharma Bureau's demand for a justifiable inflationary adjustment in the immediate term and a transparent Pricing Policy in the long term.

A drug pricing policy developed over 6 years ago by the then Ministry of Health, now the DRAP, in consultation with the industry, continues to remain in abeyance and we are working toward the finalization and implementation of the policy as early as possible. The first Policy Board meeting of this year is scheduled for January 16 and the finalization of a drug pricing policy is on the agenda.

Last year there were 13 meetings of the Pharma Bureau. Member's participation has increased as there is an increased interest in working more closely with the Pharma Bureau. In addition there have been regular meetings at the Pharma Bureau with the Regulatory Affairs Managers and Corporate Communications Managers. We hope this trend will continue and our collective efforts will yield fruit.

I would like to take this opportunity to thank Mr. Tariq Wajid, Chairman for 2013, for his tremendous support and for steering us through this very difficult period. His patience, good humour and gentle handling of all things difficult kept us in good stead. I look forward to working with our new Chairman, Mr. Shahab Rizvi, who has been a fantastic and very proactive Co-Chairman.

With all good wishes for a peaceful and prosperous 2014,

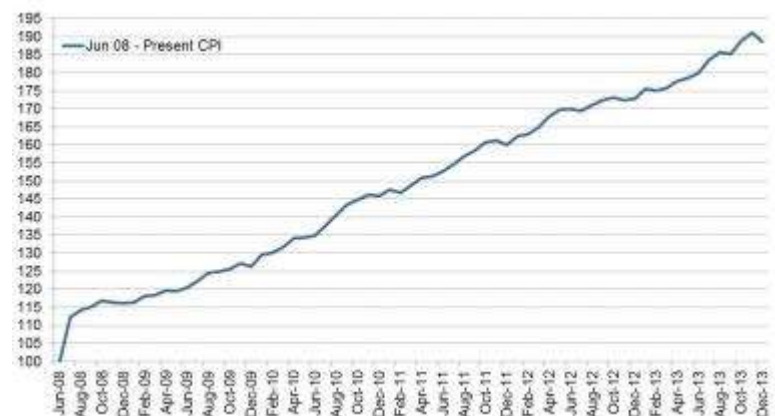
Ayesha Tammy Haq
Executive Director

Inflation Update

CPI Evolution MoM. Difference

	% Increase vs. Previous Month					
	2013	2012	2011	2010	2009	2008
Jan	1.70%	1.54%	1.30%	2.42%	-0.42%	1.91%
Feb	-0.30%	0.30%	-0.74%	0.39%	0.95%	0.49%
Mar	0.40%	1.20%	1.48%	1.25%	1.37%	3.08%
Apr	1.10%	1.80%	1.40%	1.73%	1.41%	3.04%
May	0.50%	1.10%	0.23%	0.06%	0.23%	2.69%
Jun	0.70%	0.04%	0.55%	0.65%	0.99%	2.10%
Jul	2.00%	0.20%	1.80%	1.23%	1.54%	3.34%
Aug	1.20%	0.90%	1.40%	2.51%	1.70%	2.14%
Sep	-0.30%	0.80%	1.03%	2.65%	0.45%	0.97%
Oct	2.00%	1.40%	1.44%	0.62%	0.95%	2.12%
Nov	1.30%	-0.40%	0.29%	1.52%	1.39%	-0.12%
Dec	-1.30%	0.20%	-0.70%	-0.51%	-0.49%	-0.50%

CPI Index – June 2008 – December 2013



The CPI index decreased by -2.53 points a 1.3% decrease to the previous month. This represents a 9.2% increase in prices vs. December 2012. The CPI index stands at 188.68 for the month of December 2013. Overall for the year 2013 Pakistan witnessed general inflation of 9.2% with a monthly increase of about 0.8%.

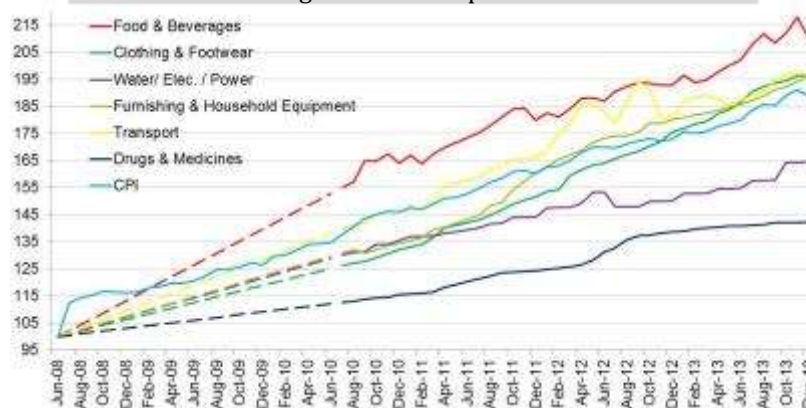
Major contributors for last year's (2013) increase were:

- Onions: 78.2%
- Potatoes: 48.8%
- Wheat: 30.9%
- Postal Services: 24.4%
- Electricity: 15.8%
- Motor Fuel: 12.7%

Looking at the various segments of the CPI, Food & Beverages segment increased the most in 2013 by 9.2% owing to increase in fruits and vegetables. Alcoholic Bev. & Tobacco (not covered in the graph below) increased by 15.7%, Utilities (water, electricity and power) increased by 9.6%, Transport by 8.8% and Furnishing & Household Equipment Maintenance by 8.7% respectively. Health, which includes Medicines, Doctor Clinic Fee, Medical Equipments and Medical Tests, registered an increase of 6.4%.

Within the Health segment, for the year 2013, Medicines increased by 2.5%, Medical Equipments 5.8%, Doctors Clinic Fee by 12.6% and Medical Tests by 5.9% respectively.

Inflation Segment Break Up 2008 - Present



FX Update

PKR. vs. IND against USD Jun 08 - Present



PKR. vs. Core Currencies Evolution Jun 08 - Present



PKR vs.	7 Jan 2014	7 Dec 2014	7 Jan 2013	MoM%	YoY%
USD	105.2	108.4	96.7	-3.0%	8.8%
GBP	172.1	177.5	155.5	-3.0%	10.7%
EUR	142.9	147.0	127.1	-2.8%	12.4%
JPY	1.008	1.059	1.096	-4.8%	-8.0%

To round off 2013, the Pakistani Rupee continued its devaluation trend since 2012 and reached a record low against the USD hitting the 110 mark in September. IMF payments, fast depletion of foreign reserves of the State Bank and a bleak outlook were the main attributes to this. These levels then cooled down somewhat in December with the USD now hovering a little over 105 mark. This devaluation was seen vs. most main currencies with the exception being the Japanese Yen which in turn devalued vs. the PKR by 8%.

The USD overall performed poorly versus the major currencies on the fears of a recession risk, debt payments last year.

The Indian Rupee saw a fairly volatile 2013. It too had seen record lows against the USD on back of repayments and flight of capital. However the INR has managed to scale down from the low levels it had witnessed in August and over the course of November and December gained considerably vs. the USD.

Industry Update

Pharma Stocks Update

The KSE has performed admirably in 2013 crossing the 26,000 mark at year end. Looking at the performance of pharma stocks, Wyeth, GlaxoSmithKline and Sanofi it was rather interesting to see the position and view that the market held towards the industry. The P/E (Price to Earnings) multiple were trading at record levels of upto 40 times.

Whilst a move towards the more lucrative Consumer Health Care divisions does indeed call for better P/E multiples the fundamentals do not point towards such exaggerated returns. A general undertaking by analysts is of the following:

1. Increase in foreign investors interest in consumer and pharma stocks
2. Diversion of focus to Consumer Health Care business
3. Speculation of a cross the board price increase

Analysts are of the view that this may be the time for profit making for this sector and could soon see investors locking in their returns (of up to 86% within a year), signaling an end of pharma stock appreciation.

