OTC market in Central and Eastern Europe expected to grow by 9% per annum between 2011 and 2013

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In 2010 OTC product pharmacy sales in Central and Eastern Europe (CEE) were worth €10.7bn, a 13% year on year increase in euro. Between 2011 and 2013 the market should develop by around 9% on average per annum, according to the latest report published by the research and consulting company PMR, entitled "OTC market in Central and Eastern Europe 2011. Comparative analysis and development forecasts for 2011-2013".

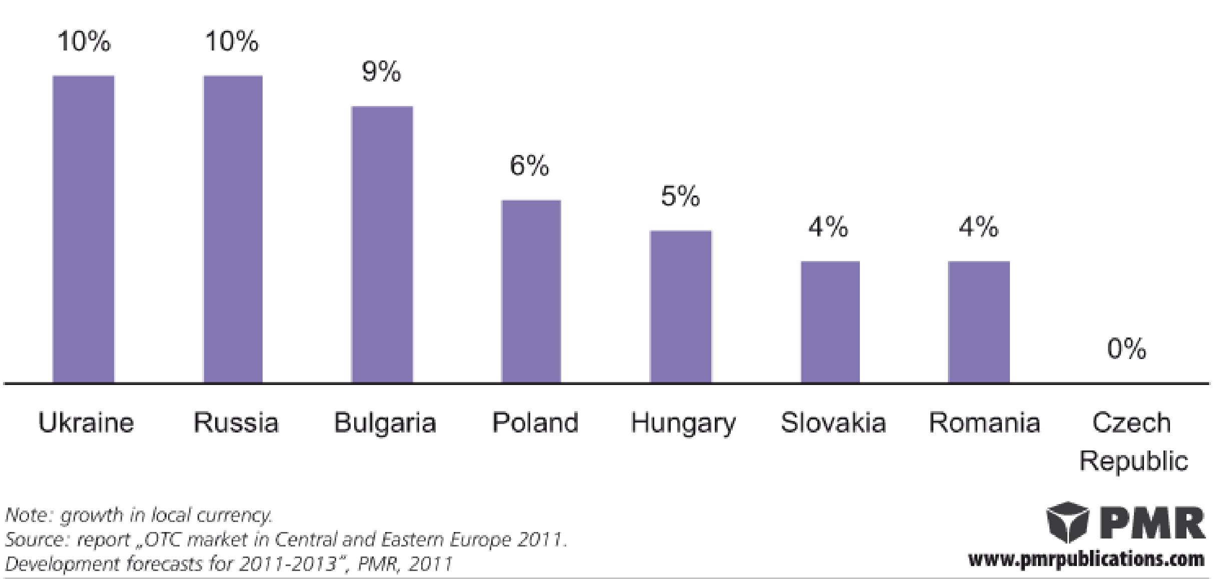
Half of market value generated by Russia

As in previous years, in 2010, around half of market value was generated by Russia. In 2010 Poland was the second largest OTC market in the region, with a share as a proportion of total sales value of around 23%. Ukraine accounted for approximately 7% of all OTC business on the CEE market.

In 2010 most OTC markets in Central and Eastern Europe witnessed less substantial growth rates expressed in local currency than they did in 2009. The exceptions were Bulgaria, Slovakia and Ukraine, where OTC product markets developed more rapidly in 2010 than in 2009. In Ukraine there was substantial growth – pharmacy sales of OTC drugs and dietary supplements increased by as much as 24% year on year, according to PMR report.

"Even if the less substantial increase in sales in 2009 in Ukraine is taken into account, the country was the most rapidly developing OTC market in the region in 2009-2010, in terms of CAGR (compound annual growth rate). Russia and Bulgaria also witnessed average annual growth rates of 9-10% during this period" says Agnieszka Skonieczna, PMR Senior Pharmaceutical Market Analyst and the report co-author.

Average CAGR for OTC markets in the analysed CEE countries for years 2009-2010



Note: growth in local currency.
Source: report „OTC market in Central and Eastern Europe 2011. Development forecasts for 2011-2013", PMR, 2011

Ukraine the most promising OTC market in the region

According to PMR forecasts, Ukraine and Bulgaria will remain the most rapidly developing OTC markets in the region between 2011 and 2013.

It is worthy of note that if the ban on the advertising of OTC products in Ukraine is introduced, there could be a reduction in the market growth rate of a few percentage points each year. There has recently been a great deal of discussion in Ukraine about the proposed Act No. N7007, the "Act banning the advertising of pharmaceutical drugs", which passed its first reading in parliament in December 2010. The government planned to schedule the second reading by the end of 2011. The act, as its name suggests, stipulates that the advertising of all products (including dietary supplements) will be banned in the mass media. Information on drugs will be allowed exclusively in specialist magazines devoted to medical facilities and doctors, and in materials available at seminars, conferences and symposiums devoted to the subject of medicine.

M&A activity in progress

Few important acquisitions of OTC companies or their portfolios have taken place in CEE in the last year. In May 2011, for example, Johnson & Johnson, through Cilag, bought the OTC business of the Indian company JB Chemicals & Pharmaceuticals in Russia and other CIS countries. JB's OTC brands were sold on a slump sale basis, and this included trademarks, brand names, patents, registrations and domain names. The transaction was worth $260m (€196m).

The Italian Angelini Group strongly developed its OTC portfolio in the region. In November 2010 Medagro Internation, part of Angelini, acquired six of GSK's OTC drugs and dietary supplements in Poland, becoming their exclusive owner and distributor. Later, in the summer of 2011, Angelini took over the product portfolio of CSC Pharmaceuticals Romania. 75% of the portfolio consists of Rx drugs, and 25% of OTC drugs.

Slovakia to introduce non-pharmacy sales?

Russia, Ukraine, and Slovakia are the only CEE (Central and Eastern European) countries in which non-pharmacy sales of pharmaceuticals are not allowed. A proposal by the Russian Ministry of Industry and Trade to allow such sales was rejected by the Ministry of Health and Social Development and any possible changes in Ukraine are more likely to focus on reducing the number of people practising self-medication. Now, it seems, Slovakia is seriously considering changes in legislation in this area.

A government proposal in Slovakia's National Reform Programme 2011 addresses the issue of OTC sales. With the intention of stimulating competition and reducing the prices of OTC medicine, the Slovak Finance Ministry intends to initiate a debate on the introduction of OTC medicine sale at places other than pharmacies. However, the Slovak Chamber of Pharmacists and the country's Health Ministry are opposed to such a change. The National Reform Programme covers many areas and is to be implemented by the Slovak ruling coalition by the time of new parliamentary elections in 2014.

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