

# China Pharmaceutical Logistics Industry Report, 2009



In recent years, China pharmaceutical logistics industry has changed fundamentally, which is reflected in the accomplished or ongoing logistics projects. Large-scale pharmaceutical distribution centers supported by T-bond discount loans have been founded and many small and medium-size pharmaceutical distribution centers are also under construction.

Pharmaceutical logistics is the result of the development of the pharmaceutical industry which is connected with pharmaceutical industry most closely. Market capacity and potential demand of pharmaceutical logistics industry can be reflected by those of pharmaceutical industry indirectly. Pharmaceutical industry is called as "eternal sunrise industry", mainly because of expanding market demand, which increasingly rely on the service offered by pharmaceutical logistics. Both of the demand for China pharmaceutical industry and that for China pharmaceutical logistics industry are driven by the following factors -- economic growth, people's awareness of self health care, aging population, urbanization, as well as health care system reform.

According to the latest data released by the National Bureau of Statistics of China in 2009, from January to May of 2009, China pharmaceutical manufacturing achieved the sales revenue of RMB321.988 billion, up 18.07% from the same period last year, but the growth rate was 11.36% lower than that of the same period last year. In 2008 around, China pharmaceutical manufacturing achieved the sales revenue of RMB825.36 billion, up 26.5% year-on-year. The average growth rate of China pharmaceutical manufacturing has been more than 20% over the past decade, far above the GDP growth rate in the same period. Chinese pharmaceutical logistics market has grown up fast with the development of pharmaceutical manufacturing.

In Chinese pharmaceutical market, a large number of pharmaceutical wholesale enterprises emerge and survive owing to China's lack of macro-control policies and market access conditions, the isolation of drug regulation from drug operation, and local protection policies. As a result, in China pharmaceutical logistics industry, there are numerous small pharmaceutical enterprises which accounts for 90%; pharmaceutical enterprises have low intensity, low profit margins and low managerial efficiency; many enterprises produce considerable same products. At present, there are 16,500 wholesale pharmaceutical enterprises and 119,000 retail pharmaceutical enterprises in China, but the annual pharmaceutical sales revenue achieved by them only account for less than 10% of the global sales income. At the same time, the products often belong to the homogeneous varieties. 97% of chemicals produced in China are generic drugs. Innovation and research of new drugs are backward and the development of preparation progresses rather slow. Few innovative drugs exist.

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