

Pharmaceutical market is a key growth area in Africa

 By [Graeme Pitt](#)

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Africa still holds huge potential for growth and investment, but in order for this to happen basic needs and services must be attended to first. Much of the potential for business investment lies in finding ways to improve the lives of people in Africa, be this through supplying power, better access to quality FMCGs or through empowered healthcare.



Image by 123RF

The Economist in its April 2016 issue states, “The continent’s future depends on its people, not commodities.” An [article on Bizcommunity](#) states, “The UN estimates the continent’s population to double to 2.5 billion by 2050 – making it not only a billion reasons to believe in the prospects of Africa’s consumer market, but two billion plus reasons in the long-term. When South Africa is taken out of the equation, Sub-Sahara Africa’s median age is 25 years.

“Couple this demographic dividend with the rapidly growing population, and the continent has a great potential not only to produce and consume its goods and services, but also to export. The rise in population and income is leading to increased demand in housing, healthcare, education, and retail and banking services among other products and services.”

Pharmaceuticals are a key growth area

Creating access to medicine and going one step further to produce pharmaceuticals in Africa, has been identified as a key growth area for the continent. Not only is there a great demand for affordable healthcare, but having healthier populations has a knock-on effect of encouraging economic growth in other sectors.

Carlos Lopes says in his article [‘Making medicine in Africa - the untapped possibilities that could save millions of lives’](#) on the M&G online that, “Africa carries 25% of the world’s disease burden, but consumes less than 1% of global health expenditure. The pharmaceutical market in Africa is 70% imported. 37 African countries have some pharmaceutical production, although only South Africa produces some active pharmaceutical ingredients.”

He goes on to explain that medication is really expensive for communities across Africa and that according to the World Health Organization (WHO), a seven day course of treatment with the antibiotic ciprofloxacin might cost almost a month’s wages for many in Kenya. To treat malaria in a child under five in Uganda could cost something in the region of 11 days household income for a single course of artemisinin-combination therapy.

Lopes continues, “Africa carries 25% of the world’s disease burden, but consumes less than 1% of global health expenditure. It manufactures less than 2% of the medicines it consumes. Over 70% of the world’s HIV/AIDS cases and 90% of the deaths due to malaria currently occur in Africa. In addition, the continent bears 50% of the global deaths of under five children mainly due to neonatal causes as well as pneumonia, diarrhoea, measles, HIV, tuberculosis and malaria.

“The tragedy is that these diseases are treatable: most related deaths could be prevented with timely access to appropriate and affordable medicines. Africa’s capacity for pharmaceutical research and design (R&D) and local drug production is amongst the lowest in the world.’

“The problem of inadequate investments in this area, unfortunately, continues. With economic growth projected to keep growing and the continent pursuing an agenda for economic transformation, there is a huge market opportunity. Local manufacturing would create modern jobs, stimulate economic activities and many ways increase productivity. To be able to generate wealth and give its future generations a chance, Africa must take ownership of its health.”

Market research is vital

There is great potential to develop a burgeoning pharmaceutical industry in Africa, but supply and demand change nuances and market readiness, need to be carefully researched in each individual region.

The above mentioned [Bizcommunity article](#) goes on to state that, “The Africa rising narrative is still alive and sound – though it’s not for those investors hunting for hot money. As rightly put by O’Sullivan of Old Mutual, investors need to take a long-term view of Africa to realise maximum return. Africa is still on spotlight globally. ... There is a need for investors to get a thorough understanding of the continent’s consumer markets prior to entry.”

Before entering any African market it is essential to establish what will work within that particular region and country. The benefits need to be carefully weighed up in comparison to barriers of entry. Market research would be the first step in understanding demand and supply chain dynamics and what scope there is for growth in the pharmaceutical sector. What the local communities, health workers and legislators are open to.

ABOUT GRAEME PITT

Graeme Pitt, MD of FGI Africa, an innovative data collection and reporting company, has for the past six years been working in a research and advisory capacity with companies and organisations in various stages of business maturity. His experience spans start-ups, established blue chip companies, donor-funding organisations, government parastatals, global research houses and esteemed business consultancies, covering 24 countries across the continent.

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