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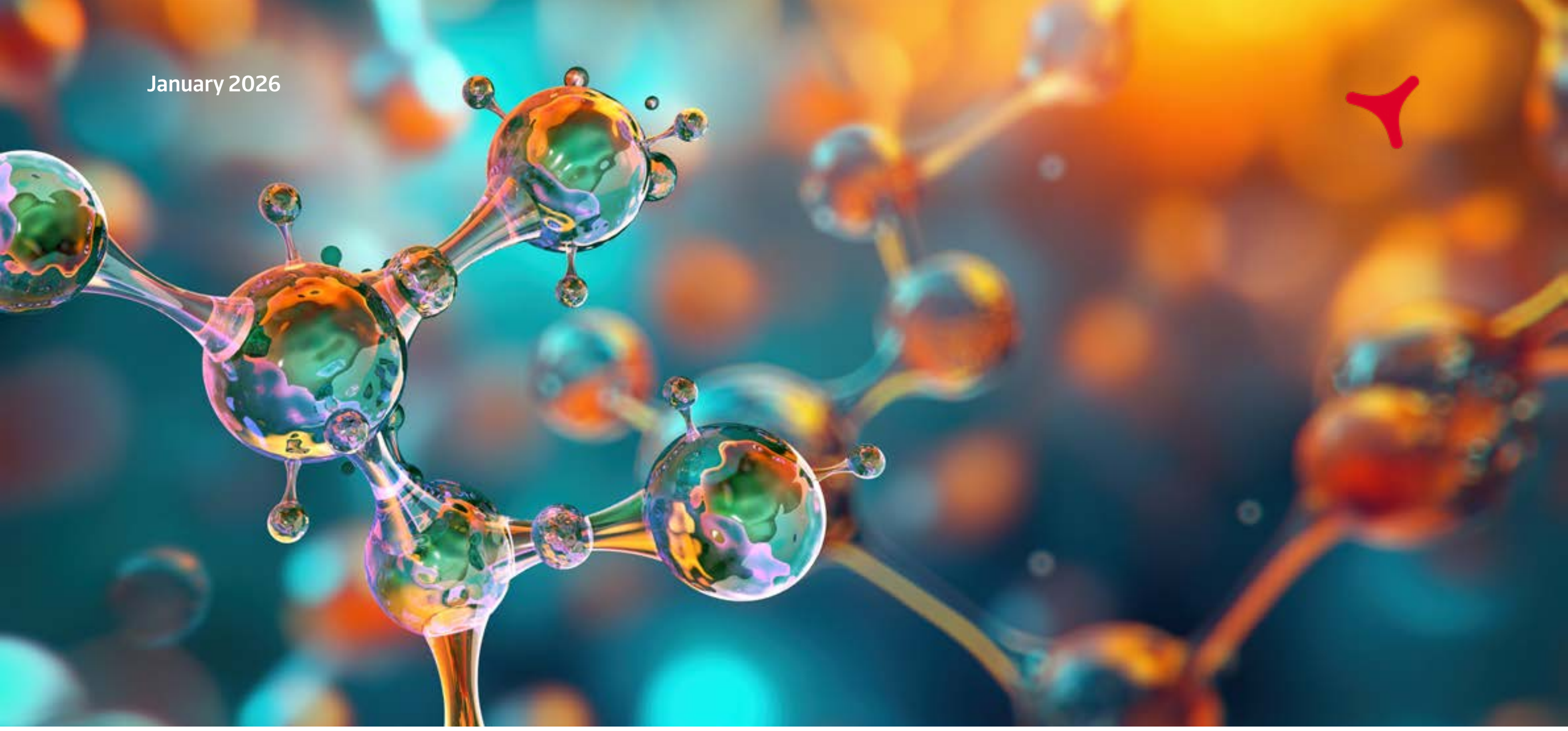
Managing risk, enabling trade

Industry trends – Pharmaceuticals

Asia drives pharma growth, although outlook for all regions remains healthy

January 2026



Global overview

US tariff threats caused a front-loading surge in 2025

Global pharmaceutical production increased 9.1% in 2025, mainly due to front-loading activity in anticipation of US tariffs. In 2026 output growth is expected to slow down to 1.6%, as a retrenchment following last year's surge will dampen production in H1 of 2026. The impact of tariff threats has been limited so far, as the US has granted exemptions to most major pharmaceutical producers and tariff caps have been negotiated with countries. However, the downside risk of another tariff flare-up remains.

In the coming years industrial policy will play a larger role throughout the global pharmaceuticals product value chain. The Covid-19 pandemic and geopolitical tensions have exposed vulnerabilities in national health systems, e.g. heavy reliance on imported active pharmaceutical ingredients (APIs). This has resulted in a series of state actions to reduce reliance on imports, incentivise local investments and strategic stockpiling. Supply networks of pharmaceuticals and medical devices will become more fragmented due to geopolitical tensions.

Good long-term prospects, but healthcare spending cuts are an issue

In general, the industry has robust equity, solvency and liquidity. Most pharmaceuticals and biotech businesses enjoy good access to external financing to help sustain high R&D costs. However, the industry (in particular big pharma businesses) is confronted with a major patent cliff that will continue through to 2030, with top-selling oncology, immunology, and metabolic drugs facing the loss of exclusivity over the next few years.

Globally there is a shift towards premium and differentiated pharmaceutical products, including biologics, antibody-drug conjugates, and cell and gene therapies. Demand for GLP-1 weight-loss drugs remains strong, and producers of medication in this segment are facing growth predictions of about USD 80 billion by 2030. We expect that Artificial Intelligence (AI) will increase productivity in the pharmaceutical sector in the coming years, mainly by supporting the preclinical phase and R&D in the production pipeline.

In the mid- and long term, the developed world will remain a major source of demand for pharmaceuticals, as ageing and increasingly overweight populations drive demand for high value-added speciality products aimed at chronic diseases as well as generic drugs. In emerging markets, rising insurance coverage, diagnostics uptake, and treatment of chronic disease support structurally strong demand. However, longer-term expansion could be restrained as governments push for cost control and introduce drug price negotiations. Healthcare spending cuts could affect R&D investment given the high cost of developing new drugs.

Industry performance forecast

Europe				Asia and Oceania				Americas	
Good	Austria	Good	Netherlands	Excellent	Australia	Good	Phillippines	Good	Brazil
Good	Belgium	Fair	Poland	Excellent	China	Excellent	Singapore	Good	Canada
Good	Czech Republic	Good	Portugal	Excellent	Hong Kong	Excellent	South Korea	Fair	Mexico
Good	Denmark	Good	Slovakia	Good	India	Excellent	Taiwan	Good	USA
Excellent	France	Good	Spain	Good	Indonesia	Excellent	Thailand		
Good	Germany	Good	Sweden	Excellent	Japan	Good	UAE		
Good	Hungary	Good	Switzerland	Good	Malaysia	Good	Vietnam		
Excellent	Ireland	Good	Turkey	Excellent	New Zealand				
Good	Italy	Good	UK						

Excellent The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.

Good The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend.

Fair The credit risk situation in the sector is average / business performance in the sector is stable.

Poor The credit risk in the sector is relatively high / business performance in the sector is below its long-term trend.

Bleak The credit risk in the sector is poor / business performance in the sector is weak compared to its long-term trend.

Industry trends

Pharmaceuticals

Pharmaceuticals key figures	2024	2025*	2026*	2027*
Production	3.8	9.1	1.6	3.7
Gross output (sales) (real, USD)	2.6	9.7	1.6	3.9
Investment (real, USD)	5.7	5.2	3.7	4.9
Gross operating surplus (profits)	5.7	10.3	4.1	5.9

Year-on-year, % change /*forecast
Source: Oxford Economics

Pharmaceuticals output per region	2024	2025*	2026*	2027*
Americas	6.9	4.2	1.0	2.5
Asia Pacific	3.7	6.2	6.0	6.3
Europe	2.4	13.8	-1.0	2.5
Middle East & Africa	2.4	6.6	6.8	2.1

Year-on-year, % change /*forecast
Source: Oxford Economics

Strengths and growth drivers

Structural resilience. Pharma products are essential and are usually less affected by economic downturns than other more cyclical sectors.

Ageing demographics. Older populations in developed markets and China are driving demand for over-the-counter (OTC) medicines, generics and medicines for treating chronic diseases.

Emerging markets. Improvements in healthcare systems and growing disposable household incomes are driving demand. Generics and OTC drug producers will be the first to benefit.

Digital technology. AI and big data analytics are improving efficiency in drug development, clinical trials and patient care.

Banks and investors. The pharma industry can sustain high R&D costs through continued access to external financing.

Constraints and downside risks

Upcoming patent cliff. The top 15 blockbuster patents will expire over the next decade. Producers of brand-name drugs are likely to increase their R&D spending as they seek to develop new patents. Profits could decline if they are not able to reduce costs or introduce alternative products to increase gross margins.

Public health spending. Many governments are trying to contain or cut public healthcare costs (including via price controls). This price pressure could impact investments, given the high costs of developing new drugs.

Environmental concerns. Some pharma businesses could face rising pressure from environmental activists highlighting issues such as pharmaceutical residues that are contaminating water and soil.

Pharmaceuticals outlook

Americas

Pharmaceuticals output	2024	2025*	2026*	2027*
Brazil	-2.3	-0.6	1.4	2.4
Canada	17.8	-7.9	-1.1	1.6
Mexico	-2.1	-6.4	0.8	3.0
USA	7.5	5.2	0.9	2.5

Year-on-year, % change /*forecast – Source: Oxford Economics

Industry performance forecast
Brazil
Canada
Mexico
USA

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USA

Relief from tariff threat for the time being

We expect US pharmaceuticals output growth to decelerate to 0.9% in 2026 after a strong 5.2% increase in 2025. In 2027 a 2.5% rebound is forecast. The US administration has exempted generic drugs from import tariffs for the time being. Additionally, exemptions have been granted to individual drug companies and there are tariff caps on branded drugs imports. However, uncertainty remains, as Washington has repeatedly announced its intention to target medicine imports.

Since September 2025, key pharmaceutical companies such as Eli Lilly, Novo Nordisk, AstraZeneca, Pfizer, and Merck have forged agreements with the Trump administration in exchange for tariff relief. They agreed to sell certain drugs and future medicines at lower prices under a so-called "most favoured nation" framework via TrumpRX, a proposed direct-to-consumer website for key pharmaceuticals which is expected to go live in early-2026. As part of the agreements, they have pledged to invest heavily in the US, expanding their R&D and manufacturing capacity.

It is expected that the Trump administration will decrease regulatory hurdles for domestic facility construction in order to incentivise reshoring to the US. This could further boost pharmaceuticals production in the US. However, high production costs could still make it more cost-effective for pharmaceuticals to be manufactured elsewhere.

Demand for pharmaceuticals will be driven by the ageing population in the US. Companies making speciality products, like medicines for chronic conditions and generic drugs, will find growth opportunities here. A surge in demand for weight-loss drugs will also benefit the US pharmaceuticals market in the coming years. That said, currently only half of obese Americans have access to the drugs through their health insurance.

Margins for branded pharmaceuticals are robust, leading to strong cash flow and credit profiles. Many US pharmaceutical companies seem financially strong or have ample liquidity sources in the financial markets.

More competition and drug pricing regulation could impact the industry

While patented drugs will continue to dominate the market, there is growing competition as both generics and biosimilars increase their market share, driven by the loss of patent protections on established drugs. According to the US Food and Drug Administration (FDA), more than 75 biosimilars were approved in 2025, expanding competitive pressure in several biologics-heavy therapy areas. Recent regulatory changes, including streamlined guidance on interchangeability, are lowering practical barriers to biosimilar adoption and strengthening price competition for off-patent biologics. Approval rates of generic drugs also remain high, further intensifying the competitive landscape. At the same time, the US government has taken steps to reduce the price of pharmaceuticals for consumers, which could erode businesses' margins. Overall, the industry objects to those measures, arguing that they could lower innovation as businesses become discouraged to invest in R&D if returns on their investments are uncertain.

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Pharmaceuticals outlook
Asia Pacific

Pharmaceuticals output	2024	2025*	2026*	2027*
China	3.9	3.6	6.6	6.5
India	0.3	2.0	5.0	8.6
Japan	7.5	26.3	6.1	7.0
Singapore	-20.2	0.8	7.2	3.3

Year-on-year, % change /*forecast – Source: Oxford Economics

China

The shift to biopharma and innovation is accelerating

We expect Chinese pharmaceuticals production to grow by 6.6% in 2026 after a 3.6% increase in 2025. The sector's short- and mid-term outlook remains benign. Tariff exposure to the US is limited, as pharmaceutical exports to the US account for only 2% of nominal gross output. China accounts for about 40% of global active pharmaceutical ingredients (API) output, but those are not targeted by US tariffs.

The government has been successful in making the country attractive for pharmaceutical production and innovation, shifting away from producing generics and towards high quality drugs and biopharmaceutical innovations. Measures include a series of capital investments, support of R&D, and policies to streamline approval processes and to align regulations to international standards. However, the sharp increase in pharmaceuticals output has also increased safety concerns about production standards, attracting more scrutiny by regulatory authorities.

Biologics and innovative drugs now account for roughly 40% of China's development pipelines, with China contributing around 30% of global clinical trials (up from 5% ten years ago). Novel medicines are becoming the main growth engines, with domestic champions continuing to report strong innovation-drug revenue growth, even as legacy generic margins contract. There is policy support to attract foreign investment in cell and gene therapy, with a designated zone in Pudong, Shanghai, that aspires to become a global hub for gene therapy innovation, clinical testing, and manufacturing. In the first half of 2025 about a third of all global licensing agreements signed by large multinational pharma firms were with Chinese businesses. These partnerships reflect confidence in the country's biopharmaceutical ecosystem.

Domestic market: Low margins for producers, but good long-term prospects

The domestic market is highly price sensitive, as public procurement continues to suppress prices on mature drugs. In China most sales are still of generic drugs. State insurance covers most purchases, pooling demand from hospitals. In order to obtain coverage, producers have to lower prices to reach a large patient pool. The state's volume-based procurement (VBP) programme is covering over 400 medicines cumulatively and driving average price cuts of 40%–60% on off-patent drugs, accelerating consolidation among small generic manufacturers.

Mid- and long-term domestic demand will be sustained by a growing middle class that can afford high value-added products. It is expected that the number of Chinese households with incomes over USD 35,000 will rise to 160 million in 2030, from an estimated 48 million in 2020. At the same time the population is ageing, which will spur demand for drugs related to chronic illnesses.

Industry performance forecast
Australia
China
Hong Kong
India
Indonesia
Japan
Malaysia
New Zealand
Phillippines
Singapore
South Korea
Taiwan
Thailand
UAE
Vietnam

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Pharmaceuticals outlook
Asia Pacific

India

Government schemes and demographics drive growth

We expect Indian pharmaceuticals output to grow by 5.0% in 2026. Most businesses have strong balance sheets and good access to bank financing. The government has introduced a National Pharmaceutical Policy (NPP), aimed at reducing drug costs and decreasing dependency on Chinese active pharmaceutical ingredient (API) imports. The policy offers financial incentives for the production of API, key starting materials and drug intermediates in India. As a result, India's API sector is expected to grow steadily, supporting the overall expansion of domestic pharmaceutical manufacturing. However, quality standard issues and incidents of alleged drug contamination remain downside risks.

India's growing middle class and the increasing number of health insurance providers are enhancing access to medicines, which is expected to further stimulate domestic demand.

Singapore & Southeast Asia

Robust growth in 2026, but tariff threat still looms

We expect pharmaceuticals output in Singapore to grow by 7.2% in 2026. Structurally, sector performance is supported by a business-friendly environment and proximity to key export markets in Asia. The credit risk situation of the industry is very good. There will be significant investments in new manufacturing sites by foreign major pharma businesses in the coming years. However, Singapore's lack of a trade agreement with the US leaves it vulnerable to a potential increase in US tariffs. Currently Singapore's exports to the US are subject to a 10% baseline tariff, but pharmaceutical products are exempted. Singaporean pharmaceutical exports to the US amounted to USD 3.1 billion in 2024.

In Southeast Asia pharmaceuticals production and sales is projected to grow in 2026, led by Vietnam, where sector output is expected to increase by 8.2%. Key drivers include rising middle-class incomes, healthcare system development, and increasing investment from both domestic and foreign investment. Despite global trade and pricing pressures, credit risk of pharmaceuticals in Southeast Asia remains favourable with stable macroeconomic conditions.

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Pharmaceuticals outlook
Europe

Pharmaceuticals output	2024	2025*	2026*	2027*
Germany	-1.9	3.8	0.4	1.7
Ireland	-3.4	41.3	-6.4	1.4
Switzerland	2.6	4.6	4.4	4.4
United Kingdom	2.1	5.8	0.0	1.4

Year-on-year, % change /*forecast – Source: Oxford Economics

European Union and UK

A major surge in 2025 production due to front-loading

After sharply increasing by 21.6% in 2025, pharmaceuticals production in the Eurozone is expected to contract temporarily in 2026, by 3.7%. The surge seen last year was due to front-loading triggered by massive US tariff threats, in particular benefitting Ireland. For the time being US tariffs on EU pharma goods remain capped at 15%, and there are exemptions granted to European pharma companies that have agreed to increase production in the US. This limits the impact of tariffs on the sector in the EU. However, moving manufacturing to the US requires substantial capital investment and operational restructuring, posing challenges for smaller companies with limited resources.

The UK has secured a zero percent tariff on pharmaceutical exports to the US, in exchange for a significant concession on medicine pricing. The agreement with the US has removed a major external risk to pharma exports and is boosting confidence in export-based manufacturing.

The demand outlook for pharmaceuticals in Europe is solid in both the mid and long-term. Pharmaceutical producers and wholesalers will benefit from the region's ageing population, which will lead to increased demand for products to treat chronic illnesses and other conditions associated with ageing. However, most of the individual markets in Europe are highly regulated and many feature constraints that could impact pharma profits. There is permanent pressure from national health authorities to lower prices of drugs and medicines.

For the most part, financial indicators in the industry are strong, but some SMEs could face financing challenges. This is due to high R&D costs, competition from India and China, and difficulty accessing financing at competitive interest rates. M&A activity between larger pharmaceutical producers and smaller, often specialist pharmas and biotech businesses is booming, and we expect this dynamic trend to continue in the coming years.

International competitiveness is decreasing

European businesses face competitive disadvantages as more pharmaceutical businesses invest in the US and China, at the expense of investments in Europe over the coming years. Despite well-established manufacturing facilities, secure supply chains and high production standards, the EU is facing gradually decreasing competitiveness in innovation. This is due to slower clinical trial setup times, weakening its ability to develop and produce new drugs early, in addition to less favourable regulatory and funding environments, and smaller patient pools compared to the US and China. The squeeze on the European pharmaceutical sector can be seen in the predicted compound annual growth rates (CAGR) for the world's major manufacturing regions. 2025-2030 forecasts indicate CAGR for China pharma investments at 4.5%, the US at 3.0% and the EU and UK at 2.2%.

Industry performance forecast
Austria
Belgium
Czech Republic
Denmark
France
Germany
Hungary
Ireland
Italy
Netherlands
Poland
Portugal
Slovakia
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Switzerland
Turkey
UK

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