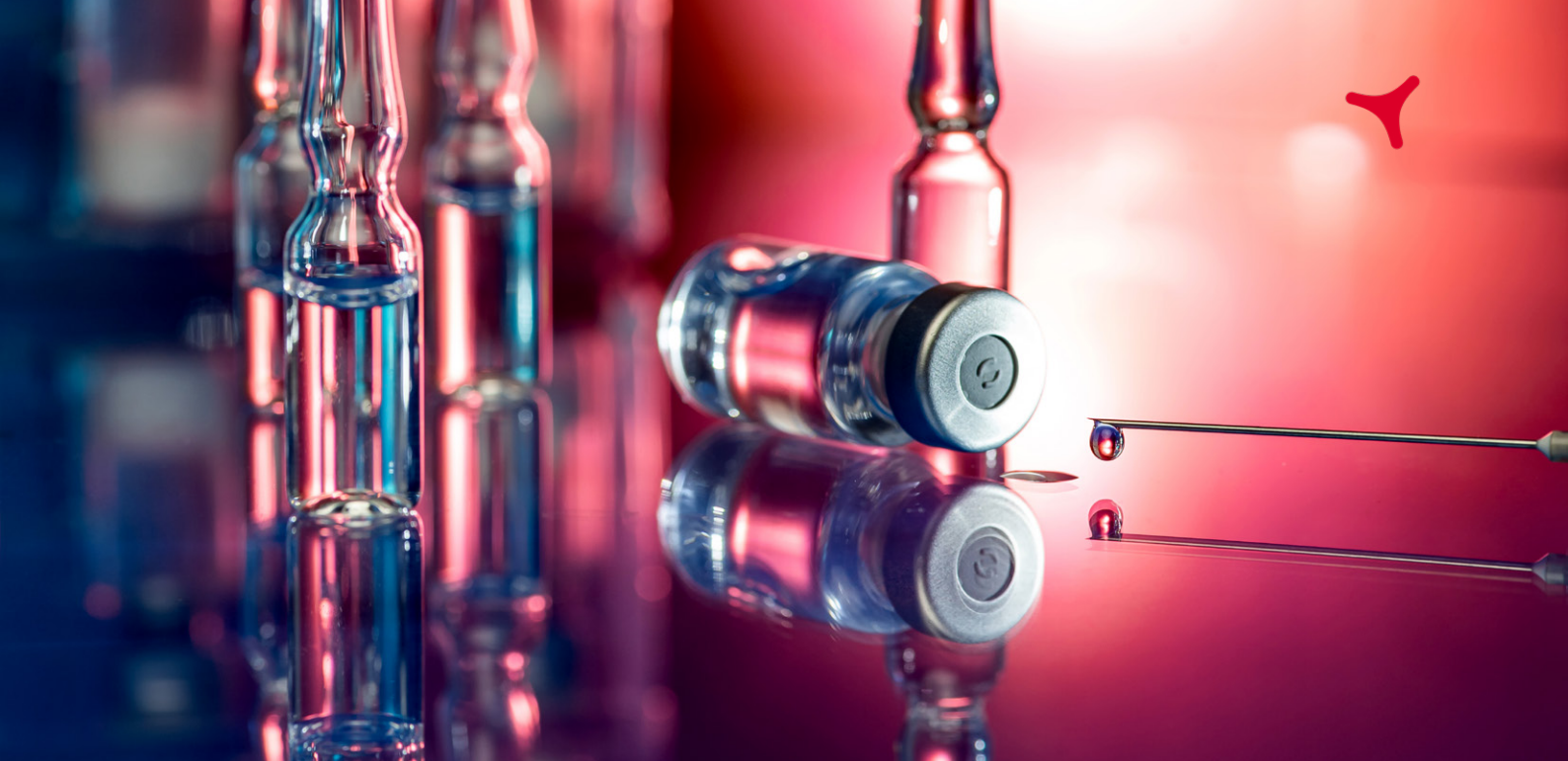




Industry trends – Pharmaceuticals

# Emerging markets and new products drive growth, but tariff threats loom

April 2025



## Global overview

### The US tariffs and retaliation will indirectly affect growth

Pharmaceuticals have been exempted from the massive US import tariffs announced in early April, but uncertainty remains. While pharmaceuticals are more detached from the business cycle than other sectors due to their essential nature, the sector will nevertheless feel the pinch from global economic slowdown. We expect global pharmaceutical production and sales to grow by 3% in 2025, about 0.5 percentage points lower than previously forecast. In 2026 we expect a 2% increase, a shave-off of 1%.

In general, the industry has robust equity, solvency and liquidity. Most pharmaceuticals and biotech businesses are able to enjoy good access to external financing to help sustain high R&D costs.

Emerging markets will gradually gain a larger share of global pharmaceuticals output and sales, as improvements to healthcare systems and supply chains increase accessibility and production. Producers of speciality products, medicines for chronic conditions and generic drugs will find opportunities for growth among ageing populations. Producers of medication for weight-loss 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.

### Potential constraints ahead

High government debt and the need to reduce fiscal deficits are affecting public healthcare spending in advanced economies. In recent years, many patents have expired, putting pressure on profits as generic alternatives have become more popular at a time when governments are seeking to cut costs. The US, Japan and most of Western Europe are imposing drug pricing policies to lower state healthcare costs and offer medicines at cheaper prices.

This is meeting some resistance from the industry. Pharmaceutical businesses argue that pricing regulations limit their revenues and lower their incentives to invest in R&D. They also say that directing their research areas could prevent the development of new drugs and lead to lower long-term production. As the costs for developing new pharmaceuticals have soared, R&D returns have declined since 2014.

Industry performance forecast					
Europe		Asia and Oceania		Americas	
Austria	Netherlands	Australia	Phillipines	Brazil	<b>Excellent</b> The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.  <b>Good</b> The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend.  <b>Fair</b> The credit risk situation in the sector is average / business performance in the sector is stable.  <b>Poor</b> The credit risk in the sector is relatively high / business performance in the sector is below its long-term trend.  <b>Bleak</b> The credit risk in the sector is poor / business performance in the sector is weak compared to its long-term trend.
Belgium	Poland	China	Singapore	Canada	
Czech Republic	Portugal	Hong Kong	South Korea	Mexico	
Denmark	Slovakia	India	Taiwan	USA	
France	Spain	Indonesia	Thailand		
Germany	Sweden	Japan	UAE		
Hungary	Switzerland	Malaysia	Vietnam		
Ireland	Turkey	New Zealand			
Italy	UK				



# Industry trends

## Pharmaceuticals

Pharmaceuticals key figures	2023	2024	2025*	2026*
Production	-1.9	2.8	3.1	1.9
Gross output (sales) (real, USD)	-2.4	1.7	3.0	2.0
Investment (real, USD)	1.8	4.5	4.3	1.1
Gross operating surplus (profits)	3.1	3.9	1.7	4.3

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

Pharmaceuticals output per region	2023	2024	2025*	2026*
Americas	3.9	6.5	2.7	1.4
Asia Pacific	-2.4	3.6	4.6	4.2
EU & UK	-6.9	-0.5	1.9	0.4
Middle East & Africa	1.2	6.8	5.4	3.3

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	2023	2024	2025*	2026*
Brazil	-0.9	-2.1	1.0	1.5
Canada	-3.2	12.9	1.0	-7.9
Mexico	3.4	1.0	3.0	0.6
USA	4.6	7.1	2.4	1.2

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

## USA

### Lower economic growth due to tariffs will impact pharmaceuticals demand

Lower US economic growth, price pressures and decreasing private consumption due to the far-reaching import tariffs will affect drug sales. US pharmaceuticals output is forecast to increase by 2.4% in 2025 and by 1.2% in 2026, a 2 percentage point (ppt) downward reduction over this period. Pharmaceuticals have been exempted from import tariffs for the time being, but uncertainty remains, as the US administration has repeatedly announced to target medicine imports. Businesses have started to stockpile medicines in anticipation of further disruptions. Should any tariffs be imposed, higher prices and shortages of generic drugs could be the result.

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 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 share, driven by the loss of patent protections on established drugs. According to the US Food and Drug Administration (FDA), 20 biosimilars were approved in 2024, and 109 biosimilars were enrolled in the FDA's Biosimilar Product Development programme. The autoimmune disease sector is expected to see the largest growth over the next decade. Additionally, many biologic drugs are approaching the expiry of their patent protections, making them vulnerable to biosimilar competition. The FDA also approved 58 first-time generic drugs in 2024, further intensifying the competitive landscape.

The US government has taken steps to reduce the price of pharmaceuticals for consumers, which could erode businesses' margins. The Inflation Reduction Act (IRA) authorises Medicare to engage in price negotiations with pharma producers. In January 2025 a selection of 15 additional drugs for price negotiations was announced. This brings the total number of drugs selected for IRA negotiations to 25. Additionally, according to a Rebate Program producers will be required to pay a rebate to Medicare if prices of 64 prescription drugs rise faster than inflation. 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.

Industry performance forecast	
	<b>Brazil</b>
	<b>Canada</b>
	<b>Mexico</b>
	<b>USA</b>
	<b>Excellent</b> The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.
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# Pharmaceuticals outlook Asia Pacific

Pharmaceuticals output	2023	2024	2025*	2026*
China	-5.2	3.9	4.2	4.6
India	16.0	-0.5	5.9	9.6
Japan	5.5	7.1	4.7	2.0
Singapore	-18.9	-20.8	17.1	3.5

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

## China

**Government support drives innovation and better access to healthcare**

We expect Chinese pharmaceuticals production to grow by 4.2% in 2025 and by 4.6% in 2026. China accounts for about 40% of global active pharmaceutical ingredients (API) output. Pharmaceutical exports to the US account for only 2% of nominal gross output, which means that any US import tariffs on pharmaceuticals would have limited impact on industry performance.

Pharmaceutical investments in China increased by 9% last year. The government aims to make the country more attractive for pharmaceutical production and innovation. Measures include a series of capital investments and policies such as reducing new drug approval wait times. The government strongly supports investment and R&D in order to shift away from producing generics and towards high quality drugs and biopharmaceutical innovations. However, the sharp increase in pharmaceuticals output has also increased safety concerns about production standards, attracting more scrutiny by regulatory authorities.

China has initiated a pilot programme aimed at attracting foreign investment in its biotechnology sector by lifting restrictions on foreign involvement in cell and gene therapy. The programme permits biotechnology firms to engage in innovation and production within designated free trade zones. This initiative is expected to drive long-term production growth by fostering international collaboration and accelerating the development of cutting-edge therapies.

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.

## India

**Government schemes and demographics drive growth**

We expect Indian pharmaceuticals output to grow by 5.9% in 2025 and by 9.6% in 2026. Most businesses have strong balance sheets and good access to bank financing. The government has introduced a National Pharmaceutical Policy, 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. Together with a growing population and rising middle class, this could bolster India's path to becoming one of the world's largest pharmaceuticals manufacturers over the next decade. However, quality standard issues and incidents of alleged drug contamination remain downside risks. The US Food and Drug administration has increased the number of inspections at Indian drug manufacturing units amid growing concerns over quality.



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 Europe

Pharmaceuticals output	2023	2024	2025*	2026*
Germany	0.0	-0.9	-2.0	-0.2
Ireland	-24.4	-8.4	4.6	0.7
Switzerland	7.6	2.3	2.7	1.9
United Kingdom	17.3	-1.8	-1.7	0.9

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

## European Union and UK

### A modest rebound amid tariff threats

After a 0.4% contraction in 2024, we expect pharmaceuticals output and sales in the EU and the UK to grow by 1.9% in 2025 and 0.4% in 2026. Due to the expected economic slowdown in Europe caused by US import tariffs, we forecast a slight decline in pharmaceuticals production in several European countries this year. Pharmaceuticals have been exempted from US import tariffs for the time being, but high uncertainty remains. In any case, local production will in particular benefit from large investments by both Eli Lilly and Novo-Nordisk in several European countries in order to increase production of weight-loss drugs.

The EU pharmaceutical sector is highly exposed to targeted US tariffs. Exports of final goods to the US accounted for 14.7% of gross pharma output in 2023. But the equivalent figures for the biggest pharmaceutical exporting countries like Ireland (40%) and Denmark and Belgium (each 30%) are considerably higher. Pharmaceuticals make up a significant part of Ireland’s large trade surplus with the US (EUR 50 billion in 2024).

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, ongoing supply chain problems and talent shortages. 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.

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 instance, due to budget constraints the French government is looking to revise subsidies for medical products, currently worth

EUR 16 billion a year. The UK is losing its appeal to pharmaceutical producers due to volatile price schemes and prolonged licensing and approval periods.

### Solid demand outlook, but there are competitive weaknesses for producers

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.

The region has well-established manufacturing facilities, secure supply chains and high production standards. However, there are concerns about the future competitiveness of pharmaceutical production in Europe. One is directed towards China and India in the generic drug and active pharmaceutical ingredients (API) segments. Another issue is the gradually decreasing competitiveness in innovation. This is due to slower clinical trial setup times, less favourable regulatory and funding environments, and smaller patient pools compared to the US and China. Europe’s global share of commercial clinical trials has dropped sharply in recent years, weakening its ability to develop and produce new drugs early.



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