

Healthcare in the Emerging Markets: A New Frontier for Economic Growth

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With a staggering 80 percent of the world's population residing in emerging markets, these regions are surfacing as the world's new economic powerhouse. The emerging markets are a group of geographies ranging from Asia Pacific and China to Latin America and Brazil to Eastern Europe, Middle East and Africa, including Turkey and India. Unfortunately, virtually all emerging markets are facing serious health challenges; unless addressed, these nations may be forever "emerging" – stymied by poor health infrastructure and an unhealthy population. For example:

- South Africa is home to 0.7 percent of the world's population yet accounts for approximately 30 percent of the HIV and tuberculosis co-infection.¹
- Twenty-eight million children annually worldwide do not receive basic vaccines² and lack of access to contraceptives represents an enormous women's health issue.
- Increased life expectancy and changing lifestyles have led to high rates of modern chronic diseases – diabetes, cancer, hypertension and respiratory disease – traditionally associated with the developed world: 75 percent of the worldwide diabetic population lives in emerging markets³ and it is projected that the incidence of cardiovascular disease in China will increase more than 50 percent by 2030.⁴

Despite these health challenges, emerging markets are expected to drive the world's economic growth and provide robust opportunities for healthcare companies due to new economic prosperity, increased healthcare spending and fragmented competition in many of these regions. For instance, as the middle class and wealthy populations grow, they will spend more on private healthcare and governments will need to increase public healthcare systems to better meet the demands of the people. Countries such as China, India, Brazil, Russia, South Korea, Turkey and Mexico should see per-capita gross domestic product (GDP) increases of about 6.9 percent annually over the next 10 years, with history proving there is a direct correlation between a nation's GDP growth and healthcare spending.⁵ In addition, different demographic trends (e.g., China's population is aging while India's is growing) are predicted to drive healthcare spending in emerging markets, with key regions accounting for nearly 90 percent of the pharmaceutical industry growth through 2015 – China will become the second-largest consumer of pharmaceuticals and the market in India is on track to nearly triple in size by 2020.

As global healthcare firms find themselves increasingly reliant on emerging markets to increase shareholder value, these companies are implementing plans to significantly boost innovation and growth in these regions by investing in science and technology, securing joint ventures and strategic collaborations, and reaching health care professionals and consumers with new health information on options to both prevent and treat disease. It is critical that industry, governments and health care organizations work together to address the roots of individual countries' health challenges and help create solutions that meet the speed and scale of urbanization in these regions with a focused approach on tailoring strategies to each individual marketplace. Innovation in health care must address long-standing chronic diseases, such as cardiovascular disease and hepatitis.

The explosive growth and opportunity in emerging markets, particularly in the healthcare arena, will change the face of the world's economy. Improving healthcare in these regions will have a

positive effect – it will yield increased confidence in government, leading to more public-private partnerships and fostering greater innovation and entrepreneurship.

¹ http://www.usaid.gov/our_work/global_health/aids/Countries/africa/southafrica.html

² http://www.pharmalive.com/special_reports/sample.cfm?reportID=317

³ <http://www.merck.com/finance/annualreport/ar2010/pdf/merck-2010-chairman-letter.pdf>

⁴ <http://circoutcomes.ahajournals.org/content/3/3/243.full>

⁵ <http://seekingalpha.com/article/222486-emerging-market-gdp-growth-should-drive-healthcare-etfs>