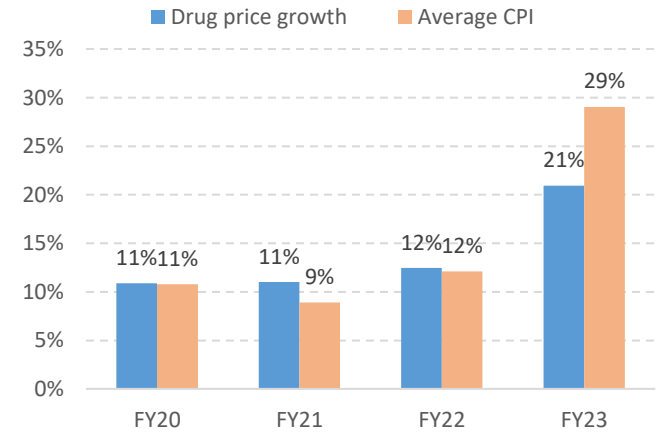


Deregulated prices for non-essential drugs

Federal cabinet approves drug prices deregulation

- The federal cabinet on the recommendation of the Ministry of National Health on 6th Feb'24 approved the proposals regarding deregulation of the prices of the medicines which were not included in the national list of essential medicines, as per the news report.
- Under these proposals, prices of medicines other than essential medicines in the national list will be exempted from the Drugs Act, 1976 and necessary amendments will be made in the Drug Pricing Policy 2018.
- As per the Drug Policy 2018, the market retail price of pharmaceutical products became linked to the Consumer Price Index (CPI) on July 1, 2018. This pricing mechanism enables pharmaceutical companies to notify the Drug Regulatory Authority of Pakistan (DRAP) of price increases 30 days in advance without the need for prior approval.
- The DRAP pricing policy 2018 classifies drugs into two categories: essential and non-essential. Essential drug prices can be increased by up to 70% of the annual CPI or a maximum of 7%. On the other hand, for non-essential drugs, prices can be increased by the full annual CPI, with a maximum allowable limit of 10%.
- To recall, in May'23, the Cabinet approved a one-time dispensation, allowing manufacturers and importers to increase the MRPs of essential drugs and biologicals by up to 70% of the increase in CPI, capped at 14%. For non-essential biologicals, the MRP increase is linked to the rise in CPI, capped at 20%, based on the average CPI from Jul'22 to Apr'23.
- It is expected that the implementation of the cabinet's approval will have a positive impact on the profitability of pharmaceutical companies including HALEON, ABOT, AGP and HINOON with a significant proportion of non-essential products.

Exhibit: Drug prices vs. Average CPI



Source (s): PBS, AHL Research

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