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ANALYSIS OF THE PHARMACEUTICAL MARKET IN UKRAINE FROM THE PERSPECTIVE OF A FOREIGN INVESTOR

General view of problem. Pharmaceutical industry is one of the most profitable industries of Ukraine. It occupies a considerable place in the national economy. Product demand grows regardless of economic and political factors. That determines attractiveness of this industry for both domestic producers and foreign companies. In the post-crisis period, the pharmaceutical sector has shown one of the best rates of recovery and has already outperformed pre-crisis sales. Despite the positive tendency within the country there is still a lack of innovation, skilled personnel, and compliance with international standards that require funding. Investing in Ukrainian pharmaceuticals is becoming more attractive for foreign investors, but numerous macroeconomic and political factors hinder the development of the industry and its entry to the European market as an exporter.

Analysis of publications of recent years. The analysis of the Ukrainian pharmaceutical market is systematically conducted by international (IMS Health Consulting, Business Monitor International) and ukrainian companies (BakerTilly, Pharmplaneta). The research of the problem of investment attractiveness and the ways to increase it was carried out by such professors as Dorovsky O.V., Oliynyk A.D. Kostyuk G.V., Moroz S.G., Magaletsky K.V., Kubareva IV, etc.

Open questions of general issue. In domestic literature the analysis of the pharmaceutical industry is carried out regularly, but the problem of investment attractiveness in the post-crisis period is not sufficiently highlighted.

Research objectives. The purpose of this article is to analyze the investment attractiveness of the pharmaceutical industry in Ukraine and determine the prospects for its development in the post-crisis period from an investor's point of view.

Basic materials of research. The interest of investors in an investment object depends not only on the object itself, but also on external factors, including macroeconomic ones. In 2017, Ukraine showed a GDP growth of about 2%, which is a positive tendency mentioning about political situation. The overall inflation rate was 14.4%, while in the pharmaceutical sector it was only 4.1%. Nominal and real incomes of the population in 2017 also increased - 16.6% and 2.4%, respectively. The growth of nominal wages amounted to 37%, and real - 19% [6]. The exchange rate fluctuates in a rather narrow corridor, which does not cause significant jumps in the price of medicines and indicates the relative stability of the pharmaceutical industry.

The volume of sales of medicines in the Ukrainian pharmaceutical market in 2017 amounted to UAH 61.2 billion, 1.1 billion packets, and increased by 20.8% in monetary terms and by 6.5% in comparison with 2016. In dollar terms (at the rate of NBU) sales increased by 16.1% amounted to \$ 2.3 billion. (Fig. 1) [1].

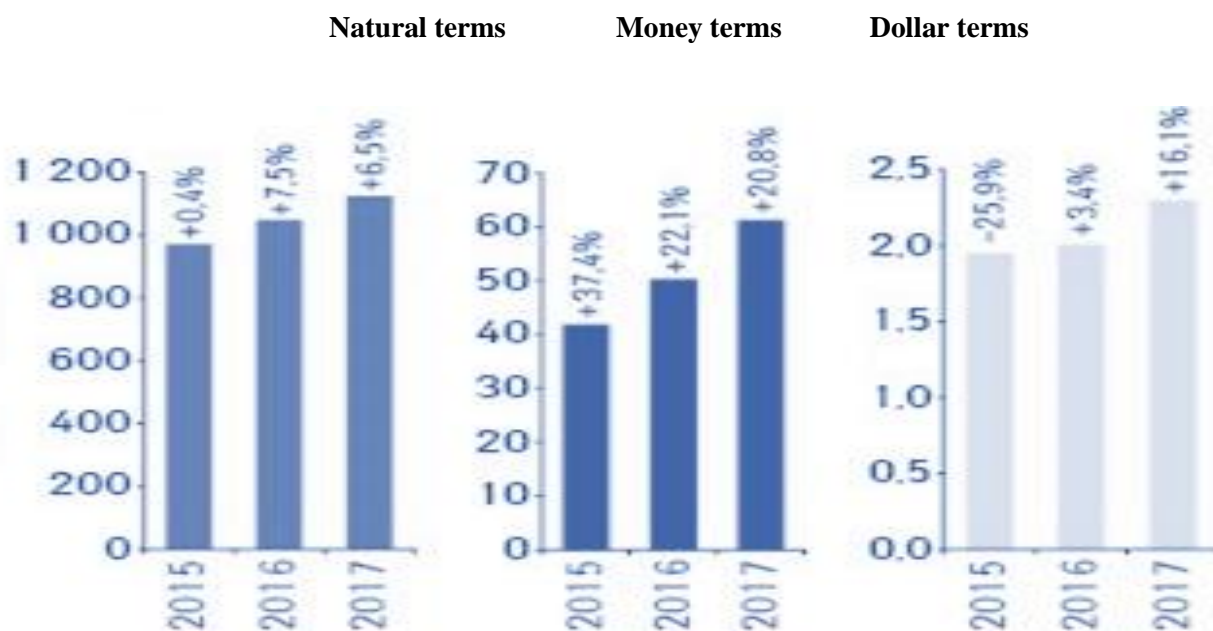


Fig. 1. The growth rate of sales of drugs for 2015-2017 years [1]

Indicators of the dynamics of the market of medical products in monetary terms show that during 2017 market growth was mainly due to an increase in the volume of sales in packages and redistribution of consumption to more expensive drugs (Figure 2).

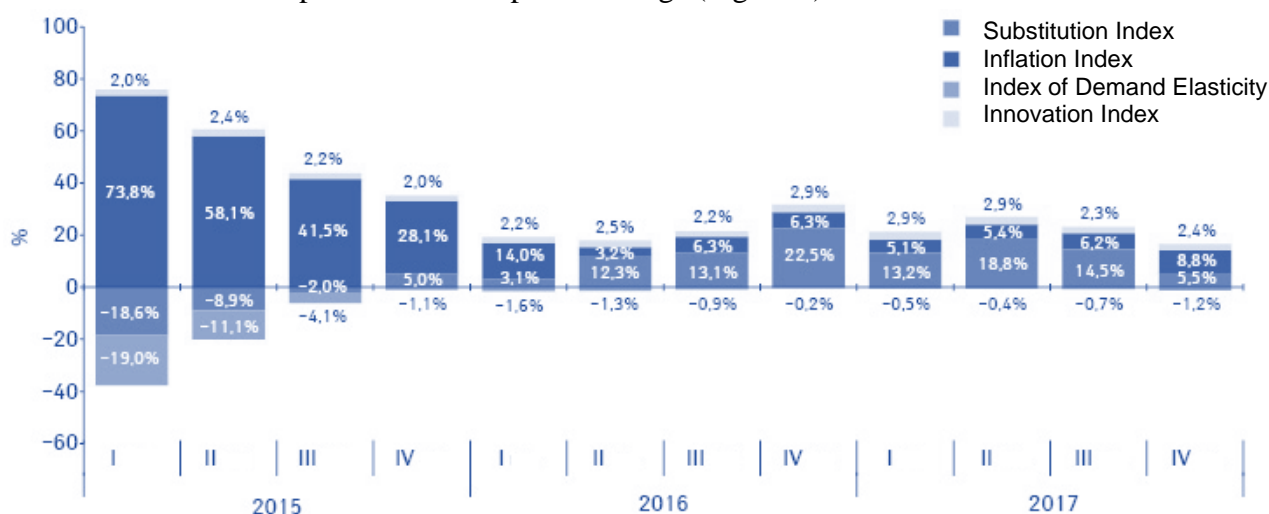


Fig. 2. The growth rate of sales of medicines for 2015-2017 [1]

Based on the data provided, it can be concluded that the pharmaceutical industry has stabilized after the crisis and began to grow confidently.

As for the volume of investments, the growth rate suggests investor uncertainty about the security of investment in Ukraine. According to state statistics, the peak investment in the pharmaceutical industry accounts for 2013 - \$ 83.6 million. In times of crisis and political instability, this figure had almost halved and amounted to 49.5 million dollars in 2015 and 45.5 million dollars in 2016 [3, p. 27]. The expanded statistics for 2017 are not yet available, but the overall figures indicate an increase in the flow of foreign direct investment to Ukraine.

Having analyzed the available literary sources, one can highlight the strengths of Ukrainian pharmaceutical market for investors: the availability of a wide range of pharmaceutical products, high capacity of the domestic market, activities in the foreign market, cheap labor in comparison

with Europe, favorable geographical position for the development of external activities. At the same time we can see weaknesses: weak competitiveness to foreign manufacturers, mismatch with most GMP production standards, lack of own research activities, lack of credit resources, high dependence on imported raw materials and, consequently, dependence on currency rates [2, p.77].

The most prospective areas of investment are determined by: introduction of European standards in national industries, expansion of the external market, development and production of innovative drugs, expansion of the range of generic drugs and OTC-funds, use of surplus capacities of national manufacturing companies in producing foreign drugs, creation of modern paramedics parks [5 , p.7-9].

Along with positive trends there is a number of threats that can reduce the profitability of future investments. The mains are a sharp rise in prices of raw materials due to a high dependence on import of the industry, high competition with foreign companies inside the country, an increase of import of better quality and innovative drugs from other countries.

The key modern trends that will determine the investment attractiveness of the industry are as follows:

- expected growth of the global pharmaceutical market opens opportunities for export development for Ukrainian companies and expansion of their markets;

- high growth rates of the Ukrainian pharmaceutical market contributes to the expansion of the range and volume of sales;

- Ukraine's pharmaceutical market belongs to emerging markets and its predominance of generic drugs is promising for producers of original drugs in terms of product expansion, diversification and expansion of markets;

- the potential for R&D activities is the basis for the development of the segment of original drugs;

- implementation of international standards for the provision and quality control of pharmaceutical products promotes integration into international processes and increasing the competitiveness of domestic producers [4, p.53].

Conclusions and prospects of future researches. The gradual improvement of key macroeconomic indicators in Ukraine suggests a recovery in the economy. The analysis of the pharmaceutical industry in Ukraine showed a slow return to stability and sustained growth in the post-crisis period. The statistics says the growth of sales in both physical and monetary terms. However, the volume of direct foreign investment remains almost twice lower than in 2013, that is, investors still do not trust the Ukrainian economy, primarily because of the political situation. Currently, the key trends in the pharmaceutical market are conducive to investing, although they carry a number of threats. Investments will give an impetus to increase production volumes, expand the range of generics and OTC, develop entrepreneurial activity, and increase the competitiveness of national companies. In subsequent studies, it is advisable to identify concrete reforms by the state that can improve the investment attractiveness of the industry.

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