Drug-making not viable without price adjustment

Renata CEO tells The Daily Star

Syed S Kaiser Kabir

AHSAN HABIB

Renata PLC, one of the country's leading pharmaceutical companies, discontinued nearly 30 percent of its product line in the last fiscal year after production costs outpaced selling prices, according to the company's chief executive officer (CEO).

In an interview with The Daily Star, Syed S Kaiser Kabir, CEO and managing director of Renata, said many other companies are taking similar steps, as they are unable to adjust prices despite spiralling costs.

He blamed the authorities for not allowing price revisions, even though a 1994 government circular permits companies to set the prices of non-essential drugs.

While the circular fixes the prices of 117 essential medicines, it gives manufacturers the freedom to set prices for other drugs.

Kabir said despite this provision, the authorities have blocked price adjustments across the board, even as the taka has lost about 43 percent of its value against the dollar after the Covid pandemic.

"If production becomes unprofitable, companies will stop making those medicines. Then we will have to depend on imports, which come at a far higher cost," he said.

Citing rising import costs of raw materials and the impact of a weaker taka, Kabir said Renata had 626 products, of which 194 had been pulled from the market in recent years.

"Various companies are also discontinuing roughly 25 to 30 percent of their medicine portfolio," he added.

Kabir said both the previous Awami League and the current interim government have resisted price increases due to political sensitivities.

"The AL government did not allow price increases because it was politically unpopular. Similarly, the current government has flatly refused to allow any price hikes, citing public impact," he said.

He mentioned that if the government believes higher prices will make medicines unaffordable, it should consider subsidies. "But private companies won't make medicines at a loss."

Although some of the drugs are loss-incurring, drugmakers are making a profit overall—so why would the government allow a higher price? The CEO was asked this question.

He said survival and innovation require a reasonable level of profit.

Just a few years ago, Renata made a post-tax profit of Tk 18 for every Tk 100 in sales. The average stood at Tk 15. That figure has now dropped to just 5 percent, according to the company's financial statements.

"With this profit margin, there would not be investment or quality improvement," he said. "So, this is unsustainable."

In the first nine months of FY 2024-25, Renata's net profit fell by 35 percent to Tk 168 crore. Sales stood at Tk 3,132 crore during the period, resulting in a profit-to-sales ratio of 5.37 percent.

"We were hit hard because our biggest investment came just before the taka devaluation," Kabir said. "Other companies are now beginning to feel the impact. If this continues, companies will start shutting down—not suddenly, but gradually."

Kabir commented that medicine prices are globally determined by the market, with a few countries offering subsidies to balance between affordability and sustainability.

"In the UK, prices change daily, like in the stock market. In India, Pakistan, and Singapore, it is company-driven. If there is competition, profits are limited," he said.

"But what concerns me more is that the government is not allowing price increases for ideological reasons. Policymakers do not believe pharma should make profits or grow big."

Referring to long-term investments, the CEO said, "Thousands of crores were invested based on the 1994 circular. Thousands of university graduates are studying pharma. What will happen to them?"

Bangladesh currently manufactures around 98 percent of its required medicines locally.

Kabir said wouldn't be possible without the 1994 circular. He also credited the 1982 Drug Policy for laying the groundwork.

"The policy protected and promoted local companies against the multinational firms."

For years, Bangladesh restricted imports unless they were original drugs, a move that helped local companies flourish.

The 1994 circular, Kabir said, took the industry further. "It completely transformed the industry, taking it from import-dependent and multinational-dependent to now a fully sufficient and exporting one."

Asked whether letting companies set prices would hurt consumers, the CEO's answer was firmly no.

"When companies are allowed to set prices of any commodity, prices usually go up and quality goes down. But in pharmaceuticals, it is just the opposite. Because the competition and ambition of being quality drug producers is the core of our industry," he said.

Citing data from IQVIA, a global health information firm, Kabir claimed that Bangladesh's medicine prices are lower than those in India. "You do not have to take my word for it. Ask any of your relatives living abroad how much they pay for medicines compared to Bangladesh."

On whether companies could trim their own costs to keep prices affordable, Kabir pointed to the long-standing issue of sending gifts to doctors.

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TAKEAWAYS FROM INTERVIEW

HOW PHARMA INDUSTRY FLOURISHED

- The 1982 drug policy protected local companies and restricted imports
- The 1994 circular allowed companies to set prices for most medicines
- Massive investment and skilled workforce entered the sector due to policy support
- Fierce local competition drove prices down and improved quality
- Industry leaders were ambitious to become world-class, boosting quality and exports

CRISIS IN MEDICINE SECTOR

- Many essential medicines are being discontinued due to high production costs
- Drug companies' profits dropped after the sharp devaluation of the taka
- Govt's refusal to adjust prices will force small companies to shut down gradually
- If prices can't be raised, some medicines will disappear or be imported at 4-5 times the cost

Did tight monetary policy help?

MAMUN RASHID

With support from the World Bank and more importantly the IMF, the Bangladesh Bank (BB) has largely improved its policy analysis capability. The regulator has been announcing the half-yearly monetary policy statement (MPS) since 2007.

Monetary policy is generally either expansionary or contractionary. When the total supply of money is increased, it is expansionary, and when cumulative money supply is decreased, it is contractionary. An expansionary policy is usually adopted in a situation where employment generation is a priority by lowering interest rates. Conversely, a contractionary policy is followed to stabilise inflationary pressure through increasing interest rates.

There's also an "accommodative" stance—a balancing act between curbing inflation and supporting growth, marked by relatively swift shifts in policy direction.

Since its inception, monetary policy in Bangladesh was conducted with full direct control on interest rates and exchange rates, also on the volumes and directions of credit flows. But today, direct lending (other than loans at times directed by the state-owned bank's board) has mostly been abolished, and gradual liberalisation of interest rates has taken place.

The exchange rate has become floating, with BB buying or selling currencies to keep liquidity at the desired level, though we heard about "managed float" or "moral-suasion" at frequent intervals.

BB's recent MPSs have focused on identifying and neutralising inflationary pressures arising from growth-supportive policies, while still targeting priority sectors like agriculture, SMEs, renewable energy, and green finance. At the same time, it has discouraged lending to unproductive or consumption-heavy sectors.

Though BB has often framed its strategy as accommodative, in practice, it leaned towards contractionary, mopping up excess liquidity by raising the cash reserve ratio (CRR) and policy rates. Liquidity was occasionally injected through repurchase agreements (Repo) to ease the market.

BB aimed to shield the banking sector from shocks like a stock market crash. But political instability and policy contradictions, such as legalising black money in real estate, capital market, or extending support to struggling apparel firms, undermined its efforts. These moves increased pressure on the central bank's policy credibility.

Adding to the strain were rising loan defaults in state-owned banks and poor supervision of classified loans, including pressure to release reserves made against classified loans. This impacted the liquidity situation.

At its core, BB is more responsible for real sector growth while maintaining banking sector stability. But a shallow capital market, with only about 300 traded issues, not depicting the real fundamentals, cannot ensure inclusive and equitably distributed growth.

In a labour-surplus economy like Bangladesh, job creation, with an increasing rise in investments, is crucial. Only real sector investment can make it happen.

Managing the trade-off between controlling inflation and supporting growth is a tough balancing act. BB must remain cautious about private sector credit growth and avoid extending credit to unproductive sectors. Equally critical is addressing rising debt default and maintaining exchange rate stability.

That said, in a country with weak governance, tackling inflation is more about enforcing rule of law than monetary tools alone. Excessive focus on lowering inflation can choke off investment and stall national wealth creation. Interest rate management is vital in this context.

Our economy is offering policymakers all the challenges of "managing growth in a transition economy" with an apparently weak regulatory framework and pressure on capacity. Even if we perform above average, striving continuously to maintain a balance with fiscal measures, the country does not have a high risk of slipping from the growth track. If we err, let us err with investment and employment generation.

The writer is an economic analyst and chairman at Financial Excellence Ltd

IMF warns trade tensions cloud outlook

REUTERS, *Washington*

The International Monetary Fund warned on Friday that risks related to trade tensions continue to cloud the global economic outlook and uncertainty remains high despite some increased trade and improved financial conditions.

IMF First Deputy Managing Director Gita Gopinath said the fund would update its global forecast later in July given "front-loading ahead of tariff increases and some trade diversion," along with improved financial conditions and signs of continued declines in inflation.

In April the IMF slashed its growth forecasts for the United States, China and most countries, citing the impact of US tariffs on imports now at 100-year highs and warning that rising trade tensions would further slow growth.

At the time, it cut its forecast for global growth by 0.5 percentage points to 2.8 percent for 2025, and by 0.3 percentage points to 3 percent. Economists expect a slight upward revision when the IMF releases an updated forecast in late July.

Gopinath told finance officials from the Group of 20 major economies who met this week in South Africa that trade tensions continued to complicate the economic outlook.

"While we will update our global forecast at the end of July, downside risks continue to dominate the outlook and

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China mulls measures to boost economy

AFP, *Beijing*

China has a "plentiful" toolbox to avoid an economic slump in the second half of the year, its commerce minister said Friday as he admitted it faced a "very severe and complex situation".

Growth hit 5.2 percent in the second quarter, official data showed Tuesday, but analysts have warned that more must be done to boost sluggish domestic consumption as exports face the knock-on effects of global trade turmoil.

Retail sales rose far less than expected last month and were much weaker than May, suggesting efforts to kickstart consumption have fallen flat.

"We are still facing a very severe and complex situation. Global changes are unstable and uncertain. Some of our policies will provide some new responses according to the times and circumstances," Wang Wentao told journalists at a news briefing.

"Our toolbox is plentiful, and we will be fully prepared."

Asked specifically about China's reliance on exports, Wang suggested the government was preparing policies to "further stimulate the momentum of our consumption development".

"China's economy is improving, and the long-term fundamentals have not changed, the consumption market's characteristics of great potential, strong resilience and vitality have not changed," he said.

Wang also namechecked Beijing-based toymaker Pop Mart, whose Labubu monster dolls have become a must-have item internationally, adorning the handbags of celebrities such as Rihanna and Dua Lipa.

"We are also promoting new forms of consumption... for example Pop Mart, these kinds of new trends, new fashions and styles... the Labubu phenomenon has swept

People visit the Grand Pacific shopping mall in Beijing on July 2. China's retail sales rose far less than expected last month and were much weaker than May, suggesting efforts to kickstart consumption have fallen flat. PHOTO: AFP

the world," he said.

Beijing is battling to shift towards a growth model propelled more by domestic demand than the traditional key drivers of infrastructure investment, manufacturing and exports.

That desired transformation has become more urgent since Donald Trump came to office.

The US president has imposed tolls on China and most other major trading partners, upending trade norms and endangering Beijing's exports at a time it needs them more than ever to stimulate economic activity.

The two superpowers have sought to de-escalate their row after reaching a framework for a deal at talks in London last month, but observers warn of lingering uncertainty. Wang said Friday that despite "storms and rain", Washington remained an important trading partner.

Even though China-US trade has declined proportionally for each country, overall bilateral trade has remained stable, Wang said.

In a sign of progress, US tech giant Nvidia said this week that it would resume sales of its H20 artificial intelligence chips to China after Washington pledged to remove licensing restrictions that had halted exports.

US treasury secretary says Japan trade deal 'remains possible'

AFP, *Tokyo*

US Treasury Secretary Scott Bessent said Friday that a trade deal with Japan remained possible, following talks in Tokyo ahead of the looming August 1 imposition of new tariffs.

"A good deal is more important than a rushed deal, and a mutually beneficial trade agreement between the United States and Japan remains within the realm of possibility," Bessent said on X.

"I look forward to continuing formal talks in the future," Bessent said following discussions with Japanese Prime Minister Shigeru Ishiba and trade envoy Ryosei Akazawa.

US President Donald Trump imposed tariffs on imports of Japanese cars, steel and aluminium earlier this year.

Trump sent letters to Japan and a string of other countries earlier this month informing them that higher import tariffs will kick in on August 1 unless they reach a deal with the United States.

For Japanese imports, the additional tariff was set at 25 percent. It was the second time the US president has set a deadline after he postponed tariffs on almost all countries in April for 90 days.

Recent weak export data, including a sharp drop in vehicle exports to the United States, raised fears that Japan, the world's fourth-largest economy, could tip into a technical recession.

Trump this week poured cold water on the prospects of an agreement, saying Japan won't "open up their country".

Earlier this month, Ishiba, who faces tough upper house elections on Sunday that could end his premiership, said: "We will not easily compromise."