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Singapore: Japan's pharmaceutical market value is set to grow at a compound annual growth rate (CAGR) of 1.3 percent from $72.8 billion in 2013 to reach $79.8 billion by 2020, driven by new product launches and the healthcare burden of the country's aging population, according to research and consulting firm GlobalData.

According to the company's latest report, Japanese government's promotion of generic drugs, its biennial pricing review system and the depreciation of the yen against the dollar will be limiting factors in what is the second largest mature pharmaceutical market in the world by value.

The market was valued at $64.2 billion in 2008 and peaked at $88 billion in 2011, before a slight dip to $87.2 billion in 2012. A substantial drop in 2013 saw its value decrease by over $14 billion, but GlobalData expects a steady period of recovery to follow.

Mr Joshua Owide, director-healthcare industry dynamics, GlobalData, mentioned, "Deregulation measures introduced in April 2005 have had an impact on overall market performance and more efficient drug reviews have facilitated the entry of new products. The approval process has now caught up with that outside of Japan, as highlighted by two approvals for Bristol-Myers Squibb, the Daklinza (daclatasvir) and Sunvepra (asunaprevir) dual regimen for hepatitis C, and Opdivo (nivolumab) for melanoma, prior to their approval by the US Food and Drug Administration."

Aside from wider economic factors, such as currency exchange rates, GlobalData states that increased use of generic drugs will be a key contributor to the forthcoming period of slow growth to 2020.

Mr Owide further mentioned, "In 2008, generics accounted for 19 percent of the pharmaceutical space in terms of volume, rising to 25.2 percent in 2013. Japan has set a goal for generics to account for 60 percent of all drug use by 2017. To this end, the Ministry of Health, Labor and Welfare announced new price cuts in 2013 for drugs with generic replacement of less than 60 percent, a move which is likely to limit future growth in the pharmaceutical arena."