

Summary Report: China's Pharmaceutical Industry

China's pharmaceutical industry maintained stable demand fundamentals in the first half of 2026 ("1H2026"). The operating revenue of pharmaceutical manufacturers above designated size edged down year-on-year ("y-o-y"), while their total profit stabilized and recovered slightly. Chinese innovative drug companies were highly active in out-licensing transactions, with deal value hitting a record high for the same period in history.

Policies on medical insurance cost control and volume-based procurement ("VBP") have entered a normalized stage since 2025, and the policy focus has further tilted towards supporting true innovation and regulating industry order in 2026, accelerating structural optimization and divergence within the industry. Looking ahead, we expect domestic pharmaceutical demand to continue growing and the payment capacity of the medical insurance fund to remain highly sustainable, supporting a stable overall operating performance of the industry over the next 12 months.

Industry Performance

Demand for pharmaceutical products is closely tied to life and health, mainly driven by population size, ageing and disease evolution. In 2025, China's national per capita disposable income reached RMB43,377, up by 5.0% y-o-y in nominal terms. At end-2025, China's population aged 65 and above reached 223.65 million, accounting for 15.9% of the total population, reflecting a deepening ageing trend. Total medical visits nationwide rose by 20.07% y-o-y to 10.11 billion in 2024, and increased by a further 2.5% y-o-y to 5.75 billion in the first nine months of 2025. Meanwhile, revenue of the basic medical insurance fund (including maternity insurance) grew by 3.64% y-o-y in 2025, outpacing expenditure growth of 1.71% y-o-y, with the insured population remaining broadly stable, indicating an optimized revenue-expenditure structure and effective cost control. Overall, the fundamentals of pharmaceutical demand remain solid.

In 1H2026, as the policy environment gradually stabilized and innovative drugs developed rapidly, pharmaceutical manufacturers above designated size recorded cumulative operating revenue of RMB1,171.78 billion, down slightly from RMB1,227.52 billion in the same period of 2025, while cumulative total profit edged up to RMB177.32 billion from RMB176.69 billion.

Chinese innovative drug companies' influence and activity in the global innovative drug market continued to grow. In 2025, the total value of out-licensing deals by Chinese innovative drug companies reached a record USD135.7 billion across 157 transactions, far exceeding the USD51.9 billion and 94 deals for the whole of 2024. In 1H2026, Chinese companies participated in 210 pharmaceutical transactions, accounting for 28% of global pharmaceutical deals. License-out transactions remained the mainstream, representing 47% of China-related deals and 13% of global pharmaceutical transactions, with a total value of approximately USD105.1 billion — already 80% of the 2025 full-year level and a record high for the same period. Meanwhile, the share of domestic transactions in China-related deals rose by 9 percentage points y-o-y to 38%. The business development ("BD") model has become an

important profit model for Chinese innovative drug companies, and companies with innovation capabilities enjoy stronger competitiveness.

Policy Environment

Since 2026, China's pharmaceutical policies have focused on encouraging innovation and regulating industry order, marking an accelerated shift from the single goal of "cost control and price reduction" towards a new stage of multi-objective balance among "supporting true innovation, ensuring patient access and promoting high-quality industrial development". On the pricing mechanism, the General Office of the State Council issued the Opinions on Improving the Drug Price Formation Mechanism in April 2026, which for the first time applies classified full-lifecycle policies to innovative drugs, centrally procured drugs and regular listed drugs, established the principle of "no centralized procurement for innovative drugs and no innovative drugs in centralized procurement", optimized the first-launch pricing mechanism for innovative drugs, and accelerated the implementation of the commercial health insurance innovative drug catalogue, guiding the industry from "uniform price suppression" towards "value-based pricing, classified management and innovation incentives".

Key Developments and Industry Outlook

The industry's long-standing structural problem of being "numerous, small and scattered" remains prominent, with few truly internationally competitive innovative drug companies. At end-June 2026, there were 9,449 pharmaceutical manufacturers above designated size in China, 426 fewer than at end-2025, while the number of loss-making enterprises rose by 366 to 3,204, pointing to intensifying divergence. On VBP, eleven batches of national centralized drug procurement have been completed amid the continuous progress of generic drug consistency evaluation. The average price cut of the eleventh batch (55 products) moderated to 53%, from over 70% in the tenth batch (62 products), reflecting a gradual move away from the "lowest-price-only" approach towards balancing cost reduction with drug quality, which favors companies with strong innovation and cost control capabilities, while some small companies may be phased out. In August 2026, the results of the twelfth batch of national VBP were announced, further expanding product coverage and consolidating the normalized and institutionalized VBP regime.

The National Reimbursement Drug List ("NRDL") has been adjusted for eight consecutive years. In December 2025, the National Healthcare Security Administration released the 2025 NRDL and the first Commercial Health Insurance Innovative Drug Catalogue. This round of national negotiation added 114 drugs to the NRDL, of which 50 were Class-1 innovative drugs, with an overall success rate of 88%, higher than the 76% in 2024. Meanwhile, 19 drugs were included in the inaugural commercial insurance innovative drug catalogue, covering CAR-T oncology therapies, treatments for rare diseases such as neuroblastoma and Gaucher disease, and Alzheimer's disease drugs, giving innovative drugs and drugs with clinical value more room for development. Looking forward, medical insurance cost control will remain the policy mainline against the backdrop of structural divergence.

China is gradually entering an ageing society, and the proportion of its elderly population is expected to exceed 30% by 2050. Driven by ageing and consumption upgrading, market demand of the pharmaceutical industry is expected to remain robust, with demand for high-end products and services continuing to rise. Given the sustainable payment capacity of the

medical insurance fund and the gradual implementation of supportive policies, we expect domestic pharmaceutical demand to maintain growth and the industry's overall operating performance to remain stable in the second half of 2026 and beyond.

Note: This report is an executive summary. For full details, please refer to the original report “[医药制造行业 2026 半年度行业分析](#)” published by China Lianhe Credit Rating Co., Ltd.

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