

# **BUILDING HEALTH SOVEREIGNTY**

Strategic Repositioning of Pharma  
Manufacturing in Egypt & KSA —





Local pharmaceutical manufacturing has evolved into a strategic national priority, given its direct implications for **public health security, economic resilience, and long-term competitiveness**. Countries that rely heavily on imported medicines remain exposed to supply chain disruptions, currency volatility, and geopolitical tensions that can compromise access to essential treatments, such as the Iran-Israel escalation and its spillover effects on regional stability and supply routes. Expanding domestic production reduces these vulnerabilities by shortening supply chains, strengthening healthcare system responsiveness, and anchoring greater value within national economies. Pharmaceutical localization has therefore emerged as a central pillar of health security and strategic autonomy across the Middle East.

**In Saudi Arabia**, pharmaceutical manufacturing is embedded within Vision 2030 as a component of economic diversification and industrial expansion. Strengthening domestic capacity, attracting advanced technologies, fostering global partnerships, and increasing the share of locally produced medicines collectively reinforce health security while accelerating the development of non-oil industries.

**In Egypt**, pharmaceutical expansion also aligns with Egypt Vision 2030, emphasizing industrial deepening, export growth, and economic diversification. The strategic ambition extends beyond self-sufficiency toward positioning Egypt as a regional manufacturing and export hub, with a gradual shift from high-volume generics toward more advanced segments such as biologics and innovative therapies.

Across both markets, localization delivers multidimensional benefits:



**Strengthening  
healthcare stability**



**Supporting  
skilled employment**



**Attracting  
investment**



**Enhancing preparedness for  
both routine healthcare  
demand and large-scale  
emergencies**

# I.

## Pharmaceutical Industry Landscape

### Two Markets Converging Toward Localization

The pharmaceutical sector in Egypt and Saudi Arabia reflect distinct starting points yet increasingly converging trajectories. Both operate large and growing healthcare markets, but they differ in industrial maturity, value-chain integration, and export positioning. Egypt represents a long-established production base characterized by high domestic self-sufficiency and expanding exports. Saudi Arabia, by contrast, is a high-value consumption market undergoing structural transformation under Vision 2030, with localization accelerating as part of a broader industrial strategy.



# II.

## Policy as a Catalyst

### The State-Led Push for Localization

In both Egypt and Saudi Arabia, pharmaceutical localization reflects deliberate and sustained national policy choices. Governments increasingly view the sector as strategically critical for reducing import dependence, strengthening resilience, and integrating into regional and global value chains. While their industrial foundations differ, both countries have embedded pharmaceutical manufacturing within long-term economic transformation agendas.

<sup>1</sup> Egypt achieves 91% medicine self-sufficiency & increases healthcare budget to EGP 496B for 2024/2025 – Business Today

<sup>2</sup> The Pharmaceutical Industry in Saudi Arabia - Saudipedia

<sup>3</sup> Arab API lays the foundation stone for the First Multi Purpose Factory - EIPICO

<sup>4</sup> Saudi Arabia Explores Pharmaceutical Localization Opportunities in Denmark – Saudi Press Agency

<sup>5</sup> Egypt Pharmaceutical Market Report by Type (Pharmaceutical Drugs, Biologics), Nature (Organic, Conventional), and Region 2026-2034 - imarc

<sup>6</sup> Saudi Arabia Pharmaceuticals Market Research Report: Forecast (2025-2030) – MarkNtel Advisors

A.  From Import Reliance to Structural Reform

In Saudi Arabia, localization is explicitly anchored in Vision 2030, which prioritizes high-value industrial sectors as part of economic diversification. Pharmaceutical manufacturing features prominently within the National Industrial Strategy and the National Industrial Development and Logistics Program (NIDLP), underscoring its importance for both health security and industrial expansion.

Import dependence has declined from **80% in 2019** to approximately **70% in 2023**, with an objective to localize **50% of production by 2030**<sup>7</sup>.

Localization is reinforced through an integrated policy architecture combining:

Local content integration in public procurement through the Local Content and Government Procurement Authority

Competitive positioning support via the “Made in Saudi” initiative

Regulatory modernization by the Saudi Food and Drug Authority (SFDA), including digitalized registration systems and streamlined approvals

Together, these measures align industrial strategy, procurement reform, and regulatory efficiency to accelerate domestic production growth.

B.  Industrial Deepening and Export Reorientation

Egypt approaches localization from a more advanced production base. With most finished medicines already manufactured domestically, the strategic focus has shifted from import substitution toward upgrading industrial depth, localizing critical inputs, and expanding exports.

Under Egypt Vision 2030, pharmaceuticals are identified as a high-value sector supporting skilled employment and trade balance improvement. A central pillar of this strategy is the development of pharmaceutical clusters within the **Suez Canal Economic Zone (SCZone)**. In January 2025, a **USD 120 million agreement with Arab API** established a facility to produce pharmaceutical raw materials and intermediates, directly addressing dependence on imported active pharmaceutical ingredients (APIs).

Long-term plans for a **four-million-square-meter** integrated industrial zone aim to combine finished drug manufacturing, API production, and medical devices, strengthening supply-chain integration and operational efficiency. Supported by tax and customs incentives, Egypt’s outward-oriented approach positions pharmaceutical manufacturing as a driver of export expansion across Africa and the Middle East.

Simultaneously, reduced medical imports in 2025—down **18.5% to USD 2.42 billion** between January and October<sup>8</sup>—signal an increasingly outward-facing strategy reinforced by stronger local supply capacity.

<sup>7</sup> The Localization Imperative: Navigating the New Localization Requirements in Saudi Arabia

<sup>8</sup> Egypt’s pharmaceutical exports surge to \$400 M – Egypt Today

### III.

## Manufacturing Capabilities

### Domestic Capacity as Competitive Advantage

Manufacturing capability remains the foundation of pharmaceutical localization, shaping self-sufficiency, export competitiveness, technological depth, and supply resilience. While Egypt and Saudi Arabia differ in industrial scale and maturity, both are actively expanding and upgrading their production ecosystems.

#### A. Established Industrial Scale

Egypt maintains one of the largest pharmaceutical manufacturing networks in Africa and the Middle East, with 179 licensed factories and more than 2,000 production lines developed over decades. Many facilities meet WHO and European standards, enhancing export readiness and regulatory credibility.

The ecosystem manages approximately 17,000 registered medical products. Production is concentrated in Cairo and Alexandria, and locally manufactured medicines account for over 90% of domestic consumption. With a market estimated at around USD 7 billion in 2025 and strong growth projected through 2030, Egypt competitive advantages include:

“ The ecosystem manages approximately **17,000** registered medical products.

Strong formulation and packaging capabilities

Large-scale production efficiency

A balanced mix of domestic firms and multinational operators

Continuous technology transfer and compliance enhancement

#### B. Expanding Strategic Production

Saudi Arabia’s manufacturing base is expanding rapidly. Approximately 56 licensed pharmaceutical facilities operate within the Kingdom, supplying around one-third of total domestic consumption by value. The increase in licensed facilities, including factories and warehouses, strengthens supply-chain infrastructure and compliance oversight as domestic production scales.

The sector, valued at approximately USD 12.37 billion, is supported by rising healthcare expenditure and coordinated industrial policy. National champions such as SPIMACO are expanding generics and selected branded segments, while investments increasingly target higher value-added areas, including specialty medicines and biologics. Regulatory modernization by the SFDA—including digitalized registration and streamlined approvals—enhances efficiency and supports multinational partnerships.



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# IV.

## Domestic Supply vs. Global Value Chain

### Export Positioning and Regional Integration

Pharmaceutical localization extends beyond domestic production, as long-term competitiveness depends on integration into regional and global value chains. Egypt operates as an established export platform, while Saudi Arabia is gradually building outward-facing capacity alongside its localization strategy.

#### A. A Regional Export Platform

Egypt has positioned itself as a regional pharmaceutical exporter, leveraging its manufacturing base to serve markets across the Middle East and Africa.

In 2025, exports exceeded **USD 400 million**, representing a **14.9%** increase year-on-year.

**\$798.5**  
million  **\$3** billion

This momentum supports a broader 2030 objective of scaling total medical-industry exports (pharmaceuticals, vaccines, sera, and medical supplies) to USD 3 billion annually, up from USD 798.5 million recorded in 2024.

Egypt's geographic location, anchored by the Suez Canal, enables efficient logistics into MENA and Sub-Saharan Africa, while AfCFTA provides access to a market exceeding 1.3 billion consumers across 55 countries. Export destinations are primarily concentrated in:



MENA markets, benefiting from regulatory familiarity and established trade channels



African markets, characterized by strong demand growth and reliance on imports

#### B. Building an Export Base

Saudi Arabia export footprint remains modest relative to its large domestic market. In 2026, pharmaceutical exports reached approximately USD 579 million, representing a limited share of total market value.

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Several structural factors shape Saudi Arabia export trajectory:

A large domestic market that consumes the majority of local production

Continued reliance on imported APIs, limiting upstream value capture

Export promotion initiatives, including Saudi Export Development Authority and "Made in Saudi", that are still supporting broader non-oil diversification



# V.

## Economic Spillovers

### Jobs, Investment, and Industrial Upgrading

Pharmaceutical localization generates spillover effects beyond medicine supply, supporting employment, foreign direct investment, technology transfer, and broader industrial upgrading in both economies.

#### A.

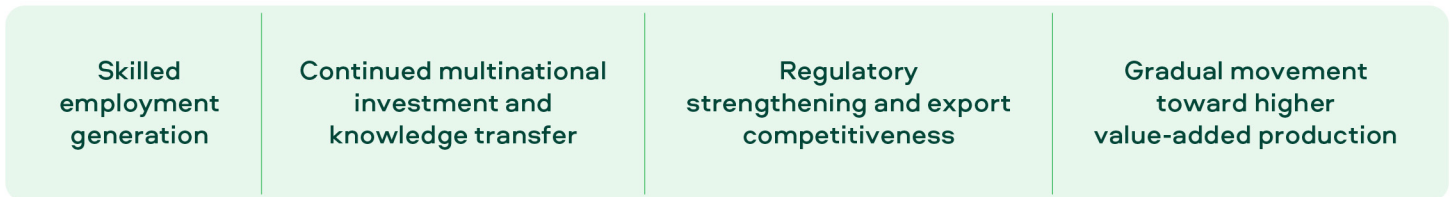


#### Job Creation and Manufacturing Upgrading

Egypt pharmaceutical ecosystem supports skilled and semi-skilled employment across manufacturing, quality assurance, regulatory affairs, research and development, and supply-chain management. Facility concentration in Greater Cairo and Alexandria reinforces the sector’s importance within the national industrial labor market.

Sustained multinational presence, with firms such as **Pfizer, Sanofi, Novartis, and GSK**, reflects ongoing capital engagement and technology transfer. Industrial upgrading is evident in investments in sterile injectables, complex dosage forms, and strengthened compliance systems. **Egypt’s attainment of WHO Maturity Level 3** further enhances regulatory credibility and export readiness.

The sector contributes to:



#### B.



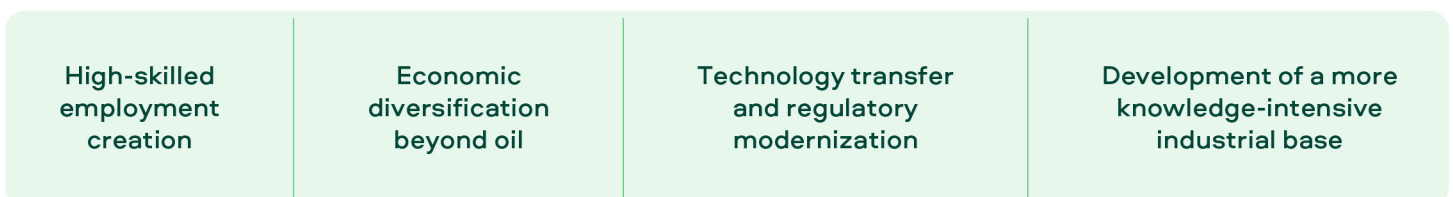
#### Economic Diversification and High-Skilled Industry Growth

In Saudi Arabia, pharmaceutical manufacturing aligns with Vision 2030’s ambition to expand knowledge-based, non-oil sectors. National life sciences and biotechnology strategies project the creation of approximately **11,000 specialized roles by 2030** across research, engineering, regulatory sciences, and advanced manufacturing.

Multinational firms have expanded through joint ventures, contract manufacturing, and localized production, contributing capital and technological expertise. Regulatory reforms by the SFDA, particularly **digitalization** and **faster approvals**, improve investment attractiveness and reduce time-to-market.

Manufacturing hubs in Riyadh, Jeddah, and Dammam integrate production with logistics and healthcare infrastructure, enhancing coordination and supply-chain efficiency.

The sector supports:

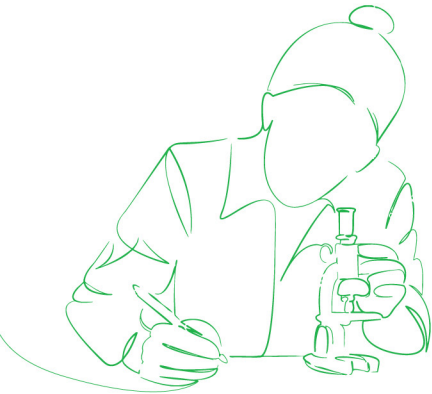




# VI.

## Balancing Risks and Opportunities in Pharmaceutical Localization

### A. Structural Constraints and Competitive Pressures



Despite measurable progress, structural constraints continue to shape long-term competitiveness in both markets. A primary limitation, particularly in Egypt, remains dependence on imported APIs. Although more than 90% of finished medicines are produced locally, approximately **85–90% of raw materials are imported**, primarily from Asia. This reliance exposes manufacturers to exchange-rate volatility, freight costs, and global supply disruptions.

Saudi Arabia faces comparable upstream constraints. **Limited domestic API capacity** affects value-chain autonomy and cost competitiveness, particularly in price-sensitive generic segments. Structural cost differentials (labor, infrastructure, and capital costs) further constrain pricing flexibility compared with established export hubs.

Both countries operate within a highly consolidated global pharmaceutical landscape dominated by large-scale exporters with strong regulatory recognition. Egypt exports of roughly **USD 400 million** position it as a mid-tier exporter, while Saudi Arabia market—projected to approach **USD 18 billion by 2030**—remains primarily consumption-driven.

Strengthening global positioning will require continued progress in:

Maintaining international regulatory compliance

Deepening upstream and downstream supply chain integration

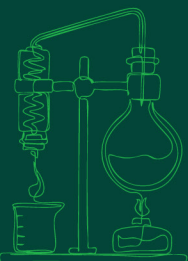
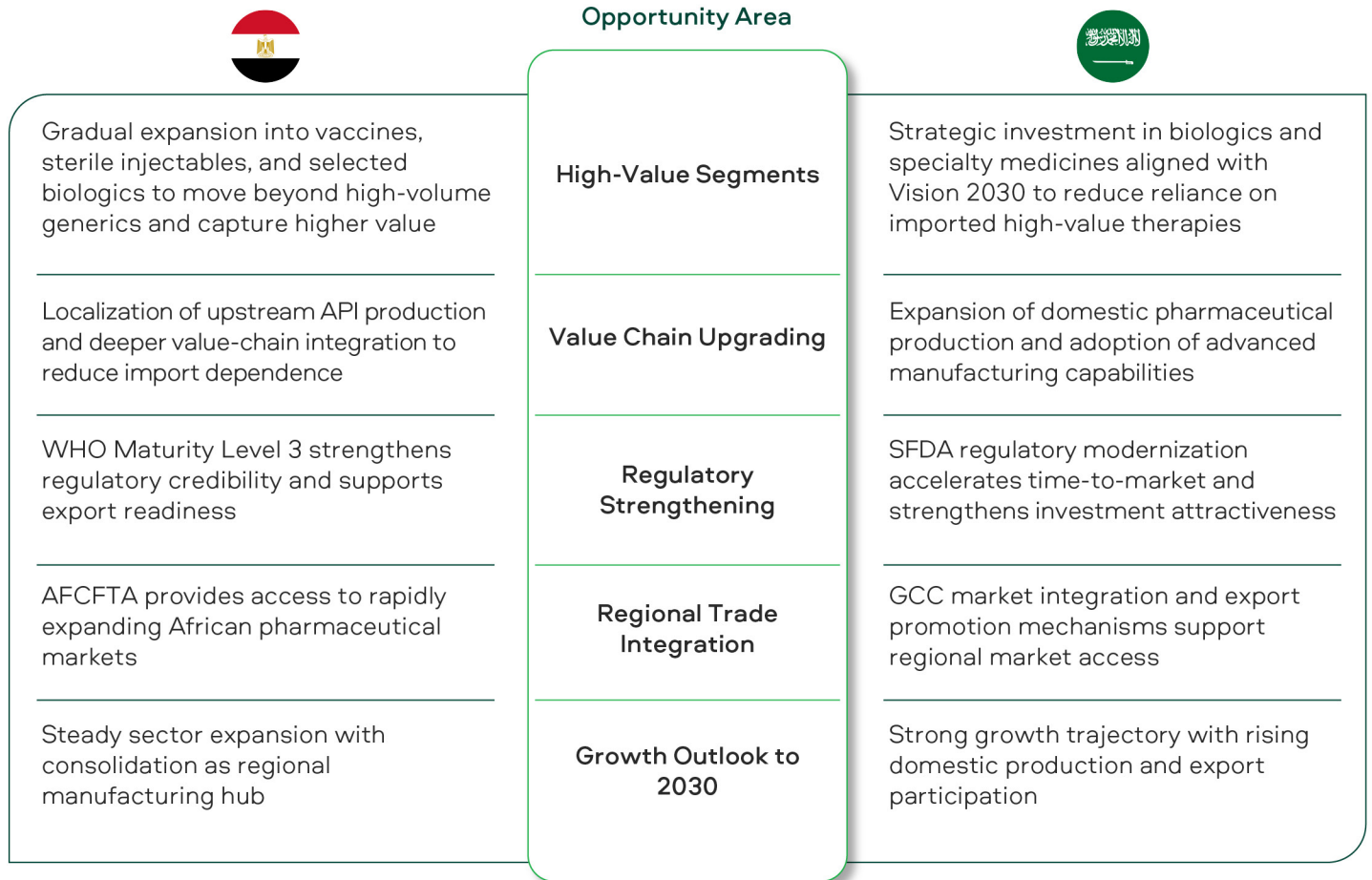
Improving cost efficiency and production productivity

Strengthening brand credibility and market recognition in export markets



## B. The Next Phase - Upgrading the Pharmaceutical Value Chain

The medium- to long-term outlook for pharmaceutical manufacturing in Egypt and Saudi Arabia remains favorable. Demographic expansion, rising healthcare demand, regulatory strengthening, and sustained industrial policy support are driving continued upgrading.



Pharmaceutical localization in Egypt and Saudi Arabia has become a structural pillar of national health security and economic strategy. While their industrial foundations differ, both countries are converging toward more resilient and competitive manufacturing ecosystems.

Egypt's advantage lies in its industrial depth, high self-sufficiency, and expanding export footprint, with future gains dependent on upstream API localization and advancement into higher-value segments. Saudi Arabia, under Vision 2030, is deepening domestic production as part of a broader economic diversification strategy, gradually shifting from a consumption-driven model toward a more integrated production economy.

Although challenges persist—API dependence, cost pressures, and global competition—favorable demographics, biologics expansion, regulatory modernization, and regional integration create substantial opportunity. Over the coming decade, Egypt and Saudi Arabia are positioned to emerge as complementary pillars of pharmaceutical manufacturing across the Middle East and Africa.

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