Pharma's 2026 hit list: The White Album

The pharmaceutical industry is poised for a strong year, despite rising global fragmentation – much like the Beatles' White Album, a masterpiece born amid internal discord

In this bundle

Healthcare

Pharma's 2026 hit list: The White Album

Pharma's 2026 White Album will tell you all you need to know about the year ahead

By Diederik Stadig

Healthcare

Money (That's What I Want): 2026 is the year of truth for Trump's pharma policies

2026 is set to bring more stability for the pharmaceutical industry, which is good for business

By Diederik Stadig

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Hello, Goodbye: Europe loses ground as China becomes powerhouse of innovation

US President Trump's reforms may provide Europe a golden opportunity

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Come Together: Pharma M&A set to accelerate in 2026

2026 should be a good year for pharma M&A as a result of reduced uncertainty and the looming patent cliff

By Diederik Stadig

With a Little Help From My Friends: the importance of CDMOs will continue to grow

We expect strong CDMO growth in 2026, driven by geopolitical fragmentation and regional manufacturing consolidation

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Penny Lane: US and Europe stay reliant on generic medicines from Asia

Western dependence on Asian generics will remain in 2026, in spite of growing national security measures

By Diederik Stadig

Article | 20 January 2026 Healthcare

Pharma's 2026 hit list: The White Album

The pharmaceutical industry should have a strong year, despite rising global fragmentation. It reminds me of the Beatles' White Album – a hit record born from growing internal dissent. We have compiled a 2026 hit list for pharma that reflects this spirit: impressive outcomes, but with riffs, remixes, and a fair bit of discord before the final track plays

Pharma in 2026: A White Album moment – brilliant tracks born from beautiful chaos

Hits amid growing discord

2025 was the year of disruption for Trump's pharma policies: the pharmaceutical sector was central to Trump's tariff policy and faced significant uncertainty as a result of the announced most favoured nation (MFN) pricing. We think 2026 will be the year of truth, in which many of the questions 2025 raised will be answered. Are Trump's policies a seismic revolution, or hot air? How many people will benefit from MFN? Will manufacturing shift to the US? Will European policymakers be forced to agree to higher prices for medicines? And will China continue its rise as an innovation powerhouse?

We think we can make sense of the pharma world through the lens of the Fab Four. Because when The Beatles produced The White Album they faced increasing fragmentation and growing discord, the resulting album has been described as many things, messy, innovative, bloated, complex, a masterpiece that changed music. We believe 2026 will be much the same for pharma. The sector will have a strong year characterised by growth in sales, M&A and several important subsectors, in spite of growing geopolitical tensions — proving, much like the White Album, that creative tension can still produce chart-topping results.

Side A & B: key calls and remaining questions

Each article in this bundle – or each track on pharma's White Album, if you will – opens with our key calls for 2026 (Side A) and closes with the questions that remain (Side B). And just like the eclectic original, our version spans a diverse set of themes:

1. Money (That's What I Want): The sector will see solid growth and a shift in manufacturing
2. Hello, Goodbye: China will become a powerhouse of innovation, at the expense of Europe
3. Come Together: M&A activity is set to accelerate in 2026
4. With a Little Help From My Friends: The importance of CDMOs will continue to grow
5. Penny Lane: The US and Europe will remain reliant on Asian generics

Throughout this outlook, you will find insights on weight-loss drugs and AI mixed in, to add a few more riffs.

We hope you enjoy pharma's 2026 White Album as much as the 1968 Beatles original.

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Money (That's What I Want): 2026 is the year of truth for Trump's pharma policies

While 2025 was the year of disruption for Trump's pharma policies, we expect 2026 to be the year of truth: will the US administration's policies prove successful? As is often the case, it depends on who you ask. We expect prices for pharmaceuticals to increase rather than decrease, with gradually more manufacturing on US soil and stable R&D spending

US President Donald Trump has made pharmaceuticals a key part of his tariff policy

Side A: key calls

- Upward pressure on pharmaceutical prices, especially for new innovative medicines in Europe.
- Manufacturing will shift to the US at the expense of non-core markets.
- APAC to become the second-most important pharma market in 2027.

After the noise in 2025, what tune will 2026 play?

2025 was an exceptionally turbulent year for the pharmaceutical sector: Trump made the industry a cornerstone of his tariff policy, slashed funding for the Food and Drug Administration (FDA), Centers for Disease Control and Prevention (CDC), and the National Institutes of Health (NIH), announced most favoured nation (MFN) pricing and promised 1000% price reductions for pharmaceuticals, only to later strike deals with branded pharmaceutical companies that are favourable for the industry.

So, after many disruptive policies and lofty promises in 2025, we think 2026 will be the year of truth: will Trump's policies in fact achieve lower prices and mean more manufacturing and R&D on US soil? And what does this mean for the sector's outlook?

1 Pharmaceutical prices should increase, including in the US

In recent months, the Trump Administration has concluded deals with many branded pharma companies (e.g. Pfizer, Sanofi, Merck) that agree to three things: 1. Selling drugs to Medicaid at a discount, 2. Listing new innovative drugs at the same price points in the US as those in other countries, and 3. Discounts for cash buyers through TrumpRx. We expect these deals to have a negligible effect on branded drug prices for three reasons.

First, drugs sold to Medicaid are already sold at a substantial discount and make up between 7% and 10% of total US pharma expenditure. Second, list prices for new, innovative drugs are often the same across the globe. However, other governments often do not agree to prices for new treatments, deeming them too expensive. This is why the US is the country with the best treatments for rare diseases.

Third, the cost savings realised by TrumpRx are modest: we estimate that TrumpRx could potentially apply to 1.0-2.0% of US pharmaceutical sales, excluding weight-loss drugs (often referred to as GLP-1s). Previously, we estimated that this has the potential to yield $1.9bn in total cost savings if deals with all branded pharma companies are agreed, which is modest compared to the $700bn US pharma market.

In short, these deals represent ongoing circumventions rather than structural reform of the complex way in which American consumers get their medication. We therefore expect list prices in the US to keep increasing in the coming years. In addition, the American consumer will see price increases from tariffs on intermediate inputs for generic drugs, which will offset the cost savings under TrumpRx. This excludes the market for weight-loss drugs, as that is its own economy in 2026 and beyond. For GLP-1s we expect new entrants, oral dosages rather than injectables, increased competition and lower prices.

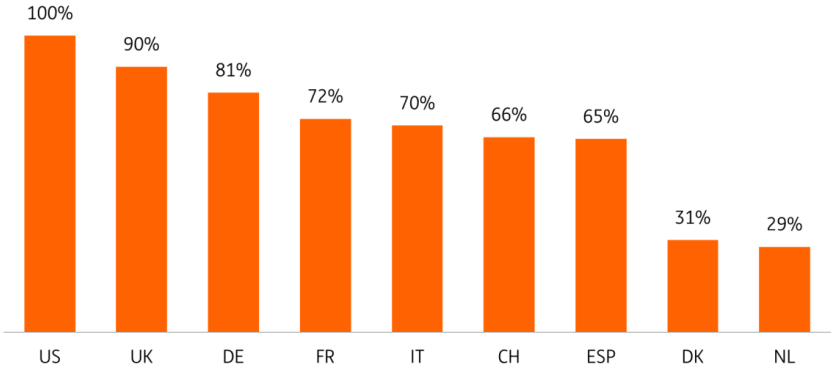
In Europe, drug prices will increase as well. Moreover, as a result of MFN, countries will experience increased pressure from both drugmakers and the US government to substantially increase their drug prices to pay more for pharmaceutical innovation. For reference, US consumers pay between 2 and 4 times as much for their drugs as European consumers.

This price difference is partially a result of the complex US healthcare system, in which direct price negotiations with drug manufacturers go through pharmacy benefit managers (PBMs), but also a result of the US footing the bill for global biopharmaceutical innovation. The UK is the canary in the

coal mine in this case, as it has taken the step to accept that higher prices are necessary to protect access to leading medicines. However, governments unable to find the budget for increased medicine prices will not reimburse or restrict the use of new therapies, which hurts patients but potentially the sector as well, as that would drive volumes of new medicines down.

European countries pay significantly less for their medicines than the US

What percentage European countries spend on pharmaceuticals per capita compared to the US, corrected for GDP



Source: OECD; World Bank; ING

2 Manufacturing of branded pharmaceuticals will increasingly take place in the US

Trump's deals with pharma companies will do little to change US drug prices. However, they will bring in significant investment in branded pharma manufacturing as the deals stipulate that manufacturing needs to happen on US soil in order to avoid tariff exposure. Announcements by various branded pharma companies to the tune of $500bn have already been made.

Increased US manufacturing will be achieved through both greenfield (new plants) and brownfield (upgrading facilities) projects, and with the help of CDMOs (discussed in our article *With a Little Help From My Friends*). Given increased US manufacturing, we expect facility closures in peripheral markets and further pressure on European countries to make investment in Europe more appealing.

For the generic segment, we expect few changes: the supply chain sits mostly in Asia and it will remain there. This indicates that the US and Europe will continue to rely on Asian generics in 2026 and beyond. We discuss this in more detail in our article *Penny Lane*.

3 R&D spending set to be stable in 2026

We expect R&D spending by branded pharma companies to remain stable (as a percentage of revenue) in 2026 and hover around 20%. The newly announced investments are not new but

rather a reallocation of investments away from Europe and towards the US. This means that R&D spending will likely remain intact, which bodes well for the innovative capacity of the sector.

The cuts to fundamental research at the National Institutes of Health (NIH), however, are a much more substantial risk to the innovative capacity of the sector in the medium term, as it has produced blockbuster innovations over the past decades. These cuts are likely to accelerate the rise of China as an innovation powerhouse, which we will discuss in more detail in the article *Hello, Goodbye*.

On the other hand, AI-based research into new proteins may start to prove fruitful in 2026, which is a bright spot for pharmaceutical innovation.

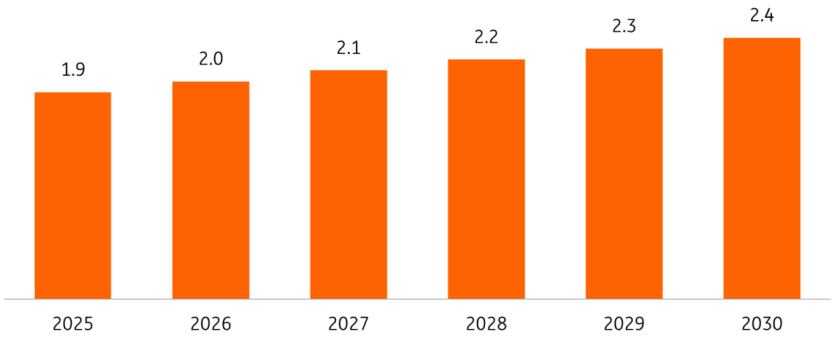
Money, that's what they're getting: pharma's outlook is solid

So, where do these changes leave the global pharmaceutical sector in 2026 and beyond? We expect that, with much of the 2025 uncertainty out of the way, the pharmaceutical sector will experience 5% annual sales growth until 2030. This is driven by ageing populations and the introduction of new innovative medicines, but tempered by governments facing mounting cost pressures amid demographic shifts and increasing strain on healthcare systems.

We expect global pharmaceutical sales to reach $2.4tr by 2030, with most growth coming from the Asia-Pacific (APAC) region. By 2027, we expect APAC to become the second most important market after North America, slightly ahead of Europe.

Global pharma sales to hit almost US$2.5tr in 2030

Global pharmaceutical sales (US$ trillion)



Source: ING estimates based OECD and BMI

Side B: remaining questions

The big question for 2026 is what will happen with European price negotiations for new innovative medicines. List prices will increase, but how will European policymakers respond?

If they go along with higher prices for new innovative medications, it will strain budgets elsewhere, given ageing populations and increasing demand for healthcare. If European policymakers do not

or simply cannot pay more, then this will limit the introduction of new therapies which denies the best care to patients. In addition, it could hurt pharma companies as this would mean lower volumes for new therapies and a greater dependence on markets willing to pay (e.g. the US). In short, a crucial question is still open.

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Hello, Goodbye: Europe loses ground as China becomes powerhouse of innovation

China has rapidly become a leading hub for innovative new medicines, overtaking Europe and putting the continent at risk of losing its relevance in biopharmaceutical innovation. However, if Europe acts swiftly, it could capitalise on recent budget cuts at key US institutions

Side A: key calls

- China will continue its rise as a powerhouse innovator.
- The US remains the most important market for biopharmaceutical innovation, but regulatory changes could threaten that in the medium term.
- Europe could capitalise on US changes, but needs to be more proactive or it will lose relevance.

You say you want a revolution: the next Pfizer will be Chinese

The ascent of China as a hub for biopharmaceutical innovation has been nothing short of spectacular. Through manufacturing specialisation, targeted government support, top science programmes and recent regulatory changes, the country has become a major hub for innovation and even surpasses the US in some areas, as evidenced by the percentage of clinical trials that

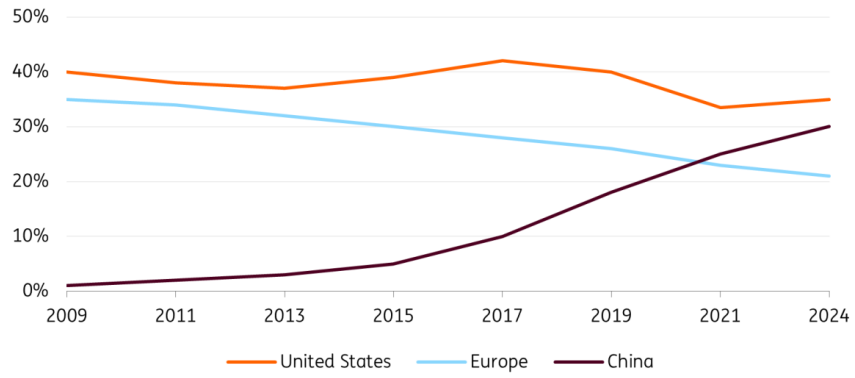
now start in the country.

While this tells us nothing about the quality of clinical trials started in China, which is often debated, R&D expenditure data from the EFPIA shows that Chinese investments in fundamental research have been substantial. From 2010 to 2022, Chinese pharmaceutical R&D spending grew by 20.7% per year on average. Whereas, US spending grew by 5.5% per year and EU spending grew by 4.4% in the same period. We do not expect a similar growth rate from Chinese R&D spending until 2030, but forecast an 8% compound annual growth rate (CAGR) in this time period, which is significantly higher than our forecasts for American (5.0%) and European (4.0%) spending.

We therefore believe that the next Pfizer will be Chinese, especially if the country enacts a few more regulatory changes. This development has come at the expense of Europe, which suffers from its relative lack of scale, shallow capital markets and slower innovation. However, recent budget cuts at the National Institutes of Health (NIH) and Food and Drug Administration (FDA) could threaten the leading position of the US in the medium term (roughly 10 years). This has the potential to further accelerate the rise of China, but is also a golden opportunity for Europe and its policymakers to regain importance for pharmaceutical innovation.

China has surpassed Europe with the percentage of started clinical trials

Clinical trial started by company location in percentages of global total



Source: IQVIA

Here Comes The Sun: China already rivals the US in global drug approvals

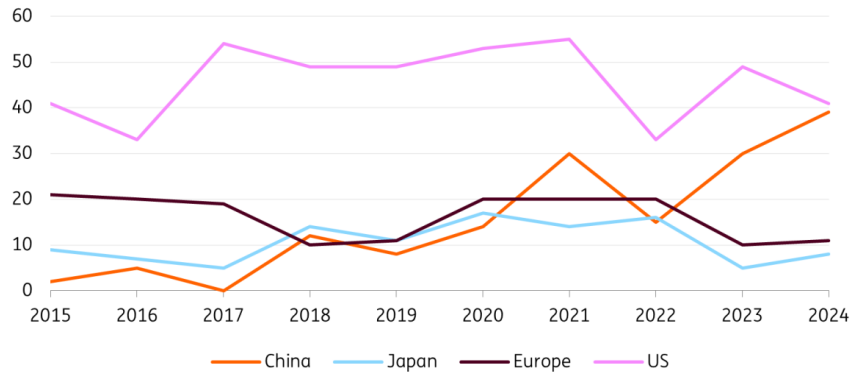
Naturally, numerous clinical trials and high R&D spending do not automatically translate into the development of new medicines. However, in recent years, China has surpassed Europe in the number of new global drug approvals, and it is edging closer to the US. This increase in new drug approvals is driven by advancements in both chemicals and biologics.

As has happened in other sectors (such as electric vehicles), China initially developed as a manufacturing hub and then gradually into a hub for innovation as well. In the late 1990s, China started focusing on producing generic drugs, and subsequently the country moved up the value

chain: from supplying active pharmaceutical ingredients (APIs) to becoming a key location for outsourced biotech manufacturing to now drug development itself. At every stage, Chinese contract development manufacturing organisations (CDMOs) and clinical research organisations (CROs) gained critical expertise, resulting in the impressive number of new drugs coming out of China currently.

China has surpassed Europe in global drug approvals

Distribution of first global approvals of innovative drugs, 2015-24



Source: Nature publication, BMI, ING

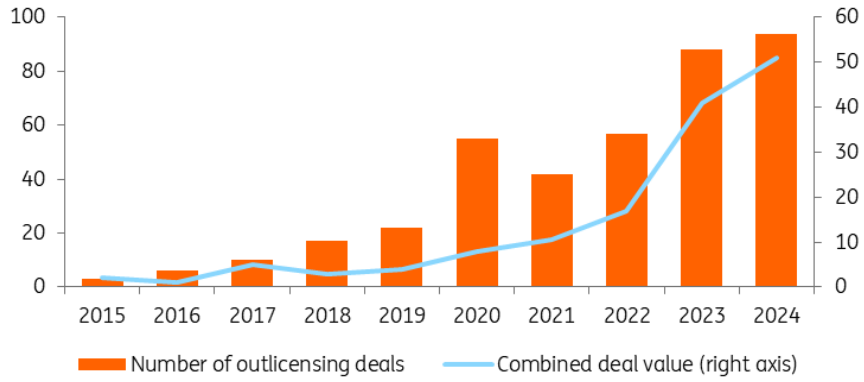
Another indicator of China's success has been increased outlicensing deals between major pharma companies and Chinese counterparts. Outlicensing means that a company that owns a drug asset grants another company the rights to develop, manufacture and/or commercialise that drug. On average, one-third of these deals are with big pharma and above US$1bn in deal value.

The Trump Administration sees outlicensing to China as a national security threat and included restrictions for Chinese companies in the National Defence Authorisation Act at the end of last year. In spite of these restrictions, we expect outlicensing and deal value to continue to increase in 2026 and beyond.

Chinese biotech shows no signs of slowing down, and dealmaking is robust, with companies such as Merck, Bristol Myers Squibb, GSK and AstraZeneca announcing major deals recently.

Outlicensing to China has risen steeply in recent years

Number of outlicensing deals by drugmakers with Chinese counterparts and total deal value in US$bn (right axis)



Source: Bloomberg; BMI; ING

Nothing's gonna change my world: the US remains the most important innovation hub...for now

The US is by far the world's most important pharmaceutical market: brand-name drugs are generally approved fastest in America, and they launch years earlier than in Europe, but they also cost roughly three times as much as the OECD average (while the US accounts for roughly a third of OECD GDP). As a result, the US accounts for roughly 70% of pharmaceutical profits globally. The swift and overwhelming response of pharmaceutical companies to the tariff threat underscores this importance. The announced investments do not just include investment in manufacturing but also R&D spending and M&A, which is good for the innovative capacity of the US, which mainly comes at the expense of Europe.

Furthermore, the US biotech industry is still best in class and produces high-quality new molecules at significant volumes. Before recent regulatory changes, we expected low double-digit growth until 2030. However, the Trump administration has recently enacted budget cuts at the FDA and NIH, which may hamper US innovation and growth.

First, the cuts at the FDA may threaten time to market in the US, as well as drug safety (in therapeutic areas such as psychiatric drugs), but most importantly, they threaten the predictability of the FDA, thereby adding volatility for drugmakers. This, in turn, is bad for investment in a risky sector such as biotech and could hamper innovation in the medium run. Second, the cuts at the NIH affect the ability of scientists to do fundamental research into areas that the industry deems too risky.

These cuts are significant: by mid-2025, 2,000 NIH research grants had been terminated (approximately $3.8bn in funding). This disrupted 383 clinical trials and 74,000 patients. These cancelled NIH grants are roughly 6.5% of the $57bn in total private funding last year (LPBI), which is not enormous. However, NIH grants are generally for commercially non-viable research projects which have shown to deliver very uneven returns (a lot fail but a select few produce blockbuster

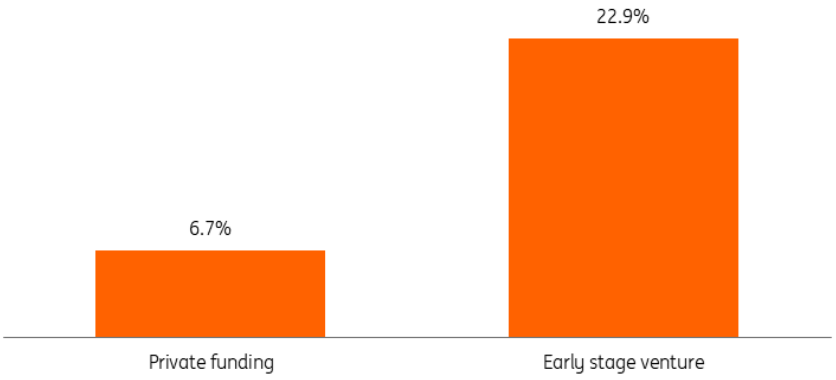
drugs). This means the distribution is skewed. In addition, much of NIH research is very early stage and total venture investment in seed through growth stages was around 16.5 billion dollars last year (Crunchbase). This means that cancelled NIH grants are roughly 23% of venture through growth funding last year, which is much more significant.

Moreover, the Trump Administration has cut research funding for many universities more broadly. These reforms will significantly hamper the innovative capacity of US biotech in the medium term. The cuts at the CDC are not material for innovation but underline the different stance of this administration towards science and public health.

The Trump Administration has also started levying $100,000 fees on H-1B visas, which hampers the ability of the US to attract and maintain top foreign scientists on which its industry heavily relies. Our outlook for US biotech has therefore declined, and we would not be surprised if US biotech growth rates drop from 2027 onwards: we forecast a 6% CAGR until 2030, which is significantly lower than before these reforms.

Cancelled NIH grants are important as a percentage of early stage venture funding

Cancelled NIH grants as a percentage of total private funding and as a percentage of early stage venture investment



Source: ING based on LPBI, Crunchbase and Forbes

However, advancements in AI may help offset some of these concerns. US firms are leading in AI development and deployment, and the Trump Administration is keen to remove obstacles that hamper swift AI deployment.

AI has two major upsides for biopharmaceutical R&D: first, AI has the potential to help discover new proteins, which could lead to the discovery of new medicines; second, AI could speed up discovery processes. So, if the potential of AI in biotech is harnessed, it could offset some of the effects of the regulatory reforms discussed above.

Yesterday: can Europe turn it around?

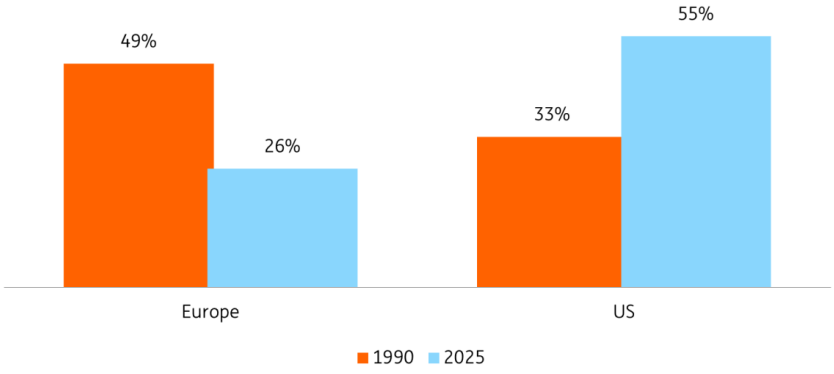
Europe used to be the world's biggest biopharmaceutical innovation hub: in 1990, Europe accounted for roughly half of all global pharmaceutical R&D spending compared to a third for the US. Currently, US firms account for 55% of global R&D spending, while Europe has dropped to 26% (ITIF). While European innovation spending declined, American and Asian R&D spending accelerated.

Furthermore, the percentage of clinical trials started in Europe nearly halved from roughly 35% in 2009 to 20% in 2024, and Europe's percentage of global new drug approvals also halved: in 2024, the continent accounted for only 10% of new global drug approvals, down from 20% in 2015.

Europe is still an important centre of innovation and an important market. However, if these trends continue, it risks becoming obsolete.

European R&D spending has declined rapidly compared to the US

European and American biopharmaceutical R&D spending as a percentage of global spending in 1990 and 2025



Source: ITIF; ING

Europe's declining importance is the result of several European weaknesses: the continent lags China and the US in scale, speed and translational efficiency (i.e. how effectively a cell turns an mRNA molecule into a protein). Furthermore, Europe suffers from fragmented regulatory practices, differing evidence and health technology assessment (HTA) requirements, a lack of common procurement and crucially, fiscal pressure on healthcare systems due to ageing populations.

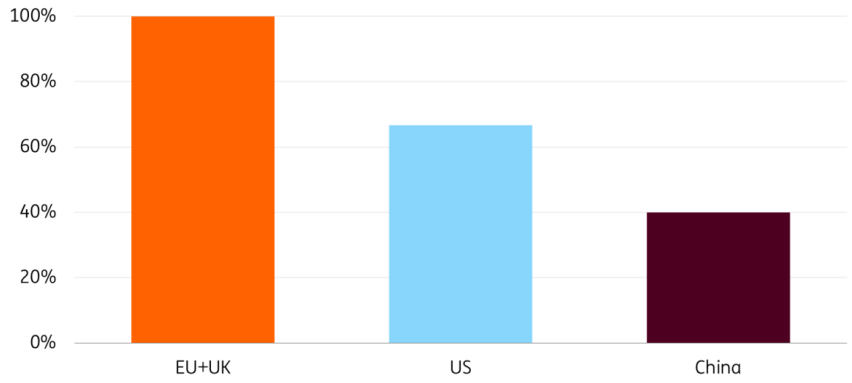
This cost pressure prevents higher prices for medicines and encourages clawback taxes which are commonplace in Europe. These subdued prices and relatively high taxes take away incentives for R&D spending in Europe. As mentioned, the US currently accounts for 70% of pharmaceutical profits and the country has a uniform set of rules, which makes it more appealing to invest there.

Return on investment is key, as biopharmaceutical innovation is a very costly and risky investment: on average, it takes $2bn and 10 years to take a medicine to market. Yet, Europe has all the fundamentals to become a leader in pharmaceutical innovation once again. Its researchers are

cited 2.5 and 1.5 times more in top journals than their American and Chinese counterparts.

Europe's scientists are top notch

Number of citations in top pharma journals as a percentage of 'leader'



Source: ING estimates based on Coface and NIH

Europe could use the recent regulatory changes in the US to its advantage. By offering a dependable alternative to the FDA, investing in fundamental research for projects cancelled in the US and accelerating visa programmes to attract scientists, it can drastically improve its innovation capacity. In addition, the Draghi report, and national 'follow-ups' such as the Wennink report in the Netherlands, outline biotech as a key opportunity for high-value-added European economic growth, so it is higher on policy agendas than in previous years.

Still, to make this comeback story come to fruition, European leaders should enact policies in three critical areas:

1. Consider increasing prices and decreasing clawback taxes, especially for drugs in areas of value and priority from a public health point of view. De-risking the investment case for the manufacturing of critical medication through tax breaks or subsidies should also be considered.
2. Harmonised regulation on clinical trials and HTA, and expanding on the recently adopted Pharmaceutical Package. Offering time to market on par with the FDA is key, especially given FDA budget cuts.
3. This is not specific to pharma, but deeper capital markets would enable more early-stage funding, which could spur innovation. In this regard, completing the Banking, Capital Markets, and Saving and Investments Union could be considered.

If these regulatory changes take effect, Europe's pharmaceutical industry could leverage US reforms to its advantage and avoid becoming yesterday's news.

Side B: remaining questions

The biggest question hanging over the biopharmaceutical market from an innovation perspective is to what extent Trump's funding cuts will start to bite and how other blocs can capitalise by

attracting scientists, instituting research grants and providing regulatory certainty.

If AI and private funding can fill the gap, then the effect will be limited. If other blocs attract top scientists and fund fundamental research paired with attractive opportunities for commercialisation, then the US could gradually lose its leading position.

Ultimately, the global balance of scientific leadership will hinge on whether the current uncertainty solidifies into a long-term structural shift or proves to be a temporary disruption.

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Come Together: Pharma M&A set to accelerate in 2026

There was a significant amount of biotech M&A activity at the tail end of 2025. We expect increased deal activity to continue in 2026, driven by the looming patent cliff and reduced uncertainty for the sector

Biotech M&A is expected to remain strong in 2026

Side A: key calls

- M&A volume and total deal value are expected to increase by 15% in 2026.
- The patent cliff and lower interest rates are the primary drivers.
- Additional growth could come from an increasing appetite for deals involving weight-loss drugs and AI.

2026 should be an even better year for biotech M&A

2025 turned out to be a good year for biotech M&A: after a slow start, the final four months of the year accounted for nearly half of the total deal value. This made 2025 a significantly better deal-making year than 2024. We forecast that this will continue in 2026, with companies such as Merck, Johnson & Johnson, Novartis, Sanofi and Bristol Myers Squibb likely candidates to actively pursue deals.

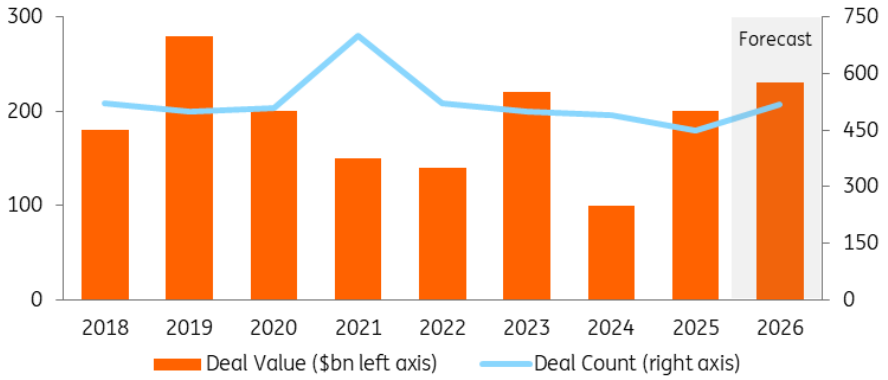
We believe this will amount to 15% growth in both total deal value and the total number of deals, which would amount to nearly 520 deals and a little over $230 billion in deal value. This expectation is based on three factors: first, companies need to replenish their pipelines as branded

medicines that bring in $200-250bn in sales will come off patent by 2032. Second, the uncertainty facing the sector in its most profitable market (the US) has eased after deals were struck with many branded pharma companies, giving them clarity on pricing and tariff impact. Third, the Federal Reserve will likely cut rates in 2026, meaning a lower cost of capital and an increased appetite for deals in the year to come.

Two other potential factors driving deals could be a growing appetite for weight-loss drugs among consumers and pharma companies not wanting to miss out on a growing and lucrative market. Another factor is AI-driven innovation: AI could be fruitful for both the discovery of new medications and accelerating discovery timelines, which may provide more new and promising biotech startups in 2026 and the years to come.

Biotech M&A value increased in 2025 and we expect more in 2026

Total biotech M&A deal value in US$bn (left axis) and total deal count (right axis)



Source: Pitchbook; ING forecast for 2026

The majority of deals will be growth focused, but could there be room for a mega deal?

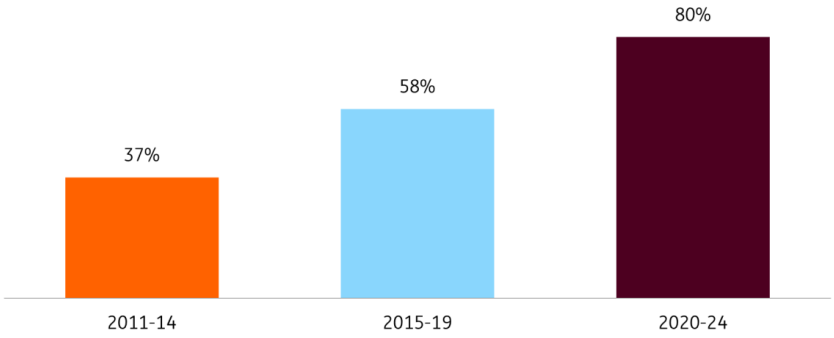
Given the looming patent cliff, the overwhelming majority of deals in 2026 are expected to focus on growth and late-stage assets (drugs nearing the end of clinical trials). In the past fifteen years, the percentage of deals focused on growth has more than doubled: from 37% between 2011 and 2024 to 80% between 2020 and 2024. This trend indicates that most pharma companies are comfortable at their current scale and do not need to realise additional synergies, but acquire to replenish pipelines.

M&A is an important part of pharmaceutical innovation, as 40% to 50% of industry innovation comes from acquired assets (Evaluate Pharma). We therefore expect growth acquisitions (versus technology acquisitions) to hold steady around 80% in 2026 and beyond.

From 2011 to 2024, we saw four deals that exceeded a total deal value of $70bn. Deals of that value do not come around often, but if there are pharma companies with a desire to pursue such a deal, then 2026 and 2027 could be a good time to do so, given the Trump Administration's favourable view of mega deals in other sectors.

Growth acquisitions have doubled as a percentage of total acquisitions

Percentage of growth acquisitions (from Series B onwards) as a percentage of total acquisitions in pharma and biotech



Source: ING estimates based on CapitalIQ; Refinitiv; Pitchbook; company press releases

The US will continue to outperform Europe in both deal quantity and value, but are political risks priced in?

The US will remain the most important deal-making market in 2026. In the past decade, the US has seen roughly twice as many deals as Europe at 3.5 to 4.5 times the average deal value (Preqin). We expect similar numbers in 2026. Meanwhile, outlicencing to China will continue to increase as well, despite looming US restrictions, as discussed in another article in this outlook, *Hello, Goodbye*.

Although we do not believe US deal values will decrease, we think investors are not pricing in potential policy headwinds. This often happens as political risk is generally only priced in when laws are implemented. Yet, we think it is worthwhile to discuss three notable risks for the sector.

First, price negotiations under the Inflation Reduction Act (IRA) are set to continue, which could limit future profitability. Second, if a recent draft guidance from the FDA is implemented, biosimilars will become easier to launch. If this happens, policymakers gain credible alternatives that justify faster and deeper price intervention in the sector.

Third, we have seen Secretary of Health and Human Services Robert F. Kennedy Jr. intervene twice in vaccine recommendations in recent months. If anti-scientific views on health become increasingly commonplace, this is bad for public health, and it could progressively deteriorate the outlook for pockets of the pharmaceutical sector.

Despite these risks, 2026 promises to be a good deal-making year in biotech and pharma.

Side B: remaining questions

There are two big questions regarding M&A in 2026. A potential headwind comes from US policy, as much more is certain than in 2025. Still, price pressures in the US could persist outside most

favoured nations, which could dampen profitability. Furthermore, other healthcare policies could increase uncertainty in areas such as vaccines. Will these risks materialise and are they adequately priced in or are investors overly optimistic? AI, on the other hand, is a potential tailwind.

We have seen several AI biotech deals in the first weeks of 2026. If 2026 is the year that AI for drug development really takes flight, deal volumes could be much higher than we anticipate.

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With a Little Help From My Friends: the importance of CDMOs will continue to grow

Thanks to their flexible manufacturing capacity, CDMOs were among the few beneficiaries of the uncertainty created by the Trump Administration. Despite reduced uncertainty in 2026, we still expect the CDMO market to deliver robust growth driven by geopolitical fragmentation and growing consolidation in regional manufacturing hubs

The global CDMO market is expected to experience strong growth until 2030

Side A: key calls

- The global CDMO sector is expected to experience 9% growth until 2030.
- APAC will widen its lead over Europe as the second-largest CDMO market.
- Aside from growing fragmentation, factors driving growth are increased drug complexity and higher demand for weight-loss drugs.

Strong CDMO growth will continue for the foreseeable future

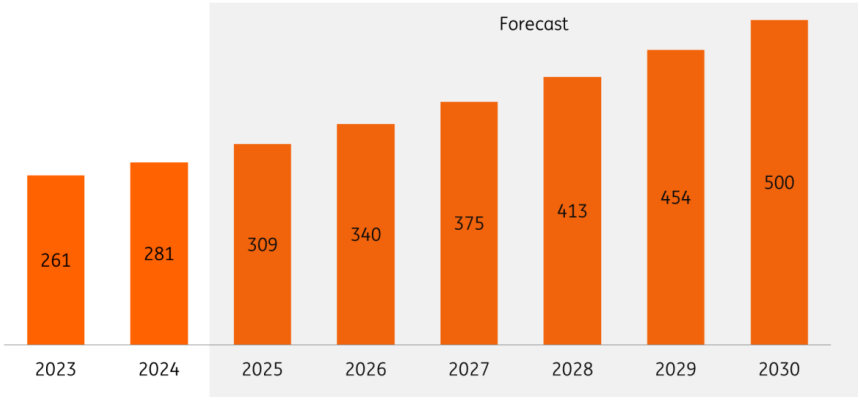
The branded pharma sector breathed a sigh of relief when it turned out that the impact of tariffs and most favoured nation (MFN) pricing proved relatively limited.

Contract Development Manufacturing Organisations (CDMOs), companies that offer outsourced services such as manufacturing, on the other hand, may have been disappointed. They were among the few beneficiaries of increasing uncertainty. But, even with limited tariff and MFN impact on the branded pharma space, we still foresee very strong growth for the CDMO sector until 2030. CDMOs have become increasingly important for pharmaceutical manufacturing. In 2014, pharma outsourcing to CDMOs was 34%. In 2023, that number was 49% (Pharma Advancement). This is primarily driven by an increase in biologics; 70% of that production is outsourced to CDMOs.

We therefore forecast a 9% compound annual growth rate (CAGR) until 2030 for CDMOs, which means that the market will hit $500 billion in 2030. This forecast is mainly driven by growing geopolitical fragmentation and increasing tensions. As a result, governments will incentivise local drug production (e.g. the European Critical Medicines Act) for national security reasons. This, in turn, means that we will see consolidation in regional manufacturing hubs, which will prioritise proximity to core markets over cost optimisation. This is a net cost for pharma companies, but a net benefit for the CDMO space, which is why we expect very strong growth.

Global CDMO market to experience strong growth until 2030

Size of the CDMO market in $ billion



Source: ING forecast based USD and Grandview Research

Growth will also be driven by increased complexity and demand for weight-loss drugs

A few other factors drive strong growth in the CDMO space. First, the complexity of manufacturing processes has increased substantially. In recent years, we have seen a gradual shift from chemicals to biologics as well as an increase in precision medicine (i.e. the tailoring of therapies to specific patient subgroups) and technical innovation (e.g. peptides and conjugates), which means that manufacturing processes are increasingly complex. All of which increases demand for CDMO services.

Furthermore, innovators often lack manufacturing capacity, further increasing reliance on CDMOs. Second, the blockbuster demand for GLP-1s (or weight-loss drugs) is often met via increased investment in CDMOs, which further drives the positive outlook. In short, CDMOs are increasingly important from a strategic point of view as well as an answer to increased GLP-1 demand and more complex manufacturing practices.

Given increased demand and increased fragmentation, it is no wonder that M&A in the CDMO space will increase in the coming years. As we discussed in our article *Come Together*, 2026 will be a good year for M&A in biotech and pharma in general, and the CDMO market is no exception. European branded pharma companies, in particular, will look to CDMOs to make vertical acquisitions in the US to hedge themselves against more policy changes and produce in the world's most profitable market, as we have seen with Novo Nordisk's acquisition of sites from Catalent.

On the other hand, CDMOs are also looking to pharma for acquisition of sites (e.g. TMO's acquisition of Sanofi sites). Further demand will come from CDMOs with less presence in the US to ensure a more balanced customer offering, and there is notable interest in assets from Asia, where CDMO companies are also rising in importance. Recently, we have seen Samsung and Fujifilm concluding partnerships with big pharma companies.

APAC is already a more important CDMO market than Europe, and the gap will widen

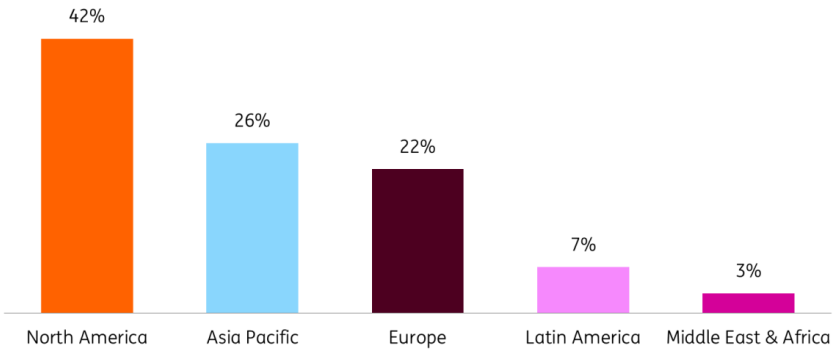
The global CDMO market is largest in North America, whose size is nearly equal to the combined markets of Asia Pacific (second) and Europe (third). We expect strong growth in all three geographies, albeit stronger growth in North America and APAC than in Europe. North America will see stronger growth than Europe because it is home to the most profitable market and has instituted several protectionist measures, which will keep investment in CDMOs high.

APAC will experience stronger growth for pharmaceuticals than in Europe and North America, and benefits from relatively low energy prices, cost and efficiency advantages on which it can build.

The forthcoming Critical Medicines Act has the potential to modestly spur additional growth in Europe by removing cost-based procurement for 243 critical medicines. However, in the absence of lower energy prices and more incentives for European manufacturing, we expect the gap between the US, APAC and Europe to widen in the coming years.

APAC is the second largest CDMO market globally

Share of global CDMO market per geography, in percentages



Source: ING estimates based on USD and Grandview Research

Side B: remaining questions

Geopolitical fragmentation is a key driver of CDMO growth, but it is unclear how long governments, and Europe in particular, will sustain and expand on localisation incentives, such as the Critical Medicines Act. If the Act is successful and Europeans start paying more for medication produced closer to home, then growth of the European CDMO space could surprise to the upside.

At the same time, we are wondering whether the growth drivers of the CDMO sector (GLP-1s, biologics, precision medicines and complex modalities) could turn into bottlenecks, and growth of the sector could potentially surprise to the downside. If CDMOs cannot scale smoothly (e.g. in terms of investment, construction or talent), these same growth drivers could create new bottlenecks rather than tailwinds.

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Penny Lane: US and Europe stay reliant on generic medicines from Asia

Generic pharmaceuticals make up less than 20% of sales, but account for more than 90% of prescriptions. So, generics are much more important for national security than branded drugs, yet the Asian supply chain will not move any time soon. Policies aimed at alleviating national security concerns will play an increasing role in the next few years

Europe imports nearly all common painkillers and antibiotics

Side A: key calls

- Western dependence on Asian pharmaceutical manufacturing has deepened, not declined, since Covid.
- National security concerns will increasingly shape pharma policy in the US and Europe, marking a gradual shift away from cost efficiency.
- Drug shortages will remain elevated, driving more stockpiling as a structural feature of healthcare systems.

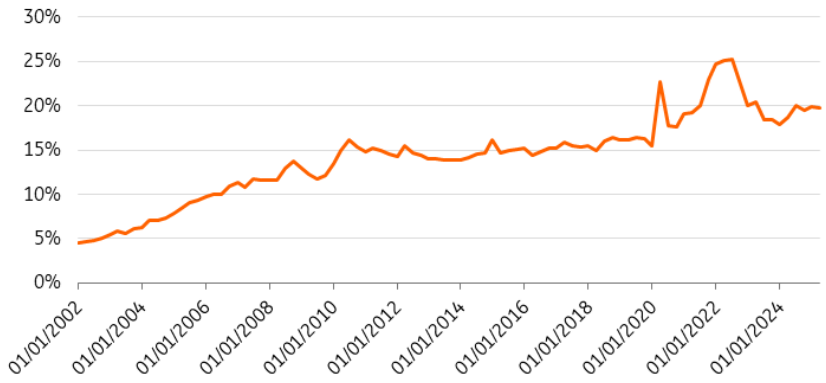
Lots of twisting and shouting, but dependence on Asian manufacturing has only grown since Covid

Western policymakers across the political spectrum lamented their dependence on Asian manufacturing during the Covid pandemic. Yet, little has changed since then – eurozone dependence on Chinese manufacturing has only deepened.

For common painkillers, Europe is entirely reliant on Asia; its last paracetamol factory closed in 2008, for instance. In other critical therapeutic areas, such as antibiotics, Europe has minimal capacity, with just one fully operational antibiotics plant remaining.

Eurozone dependence on Chinese manufacturing has only increased since Covid

Eurozone, nominal imports of manufactured goods from China / Nominal manufacturing gross value added



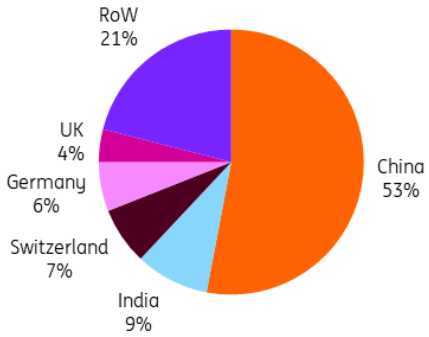
Source: Macrobond; ING

In the US, things are much the same: in 2023, the US imported more than half of its pharmaceuticals (by volume) from China and an additional 9% from India. This underlines the enormous dependence on the large-scale, hyperspecialised and efficient manufacturing of generic pharmaceuticals in Asia.

Furthermore, it underscores the importance of generics for public health: 91% of all US prescriptions are generic. In short, the importance of the Asian supply chain is often overlooked, especially when focusing on import value rather than volume.

The US imports more than half of its pharmaceuticals from China

US pharmaceutical imports by volume in 2023



Source: United Nations Commodity Trade Statistics Database; BMI; ING

Pharma is the next sector in which national security concerns will play an increasing role in government policies

Over the coming years, national security concerns will be increasingly prioritised by governments instead of cost efficiency. The Trump Administration started a national security investigation into reliance on pharmaceutical imports. To incentivise manufacturing on American soil, it mostly turned to tariffs, but while tariffs had a very significant effect on branded pharma producers, such an effect was largely absent for generic pharma producers, as margins are roughly half that of branded producers.

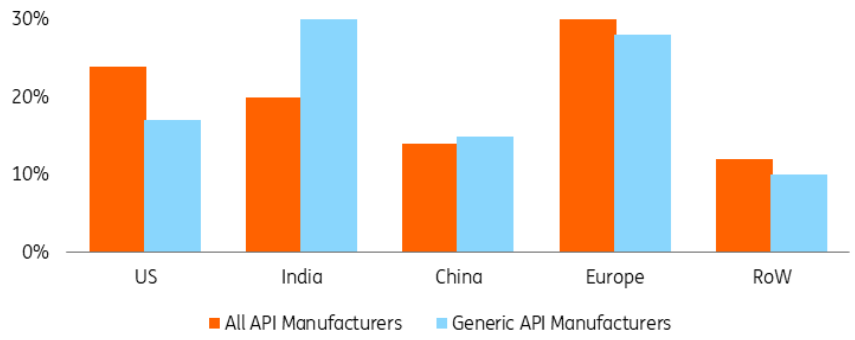
Dependence on foreign active pharmaceutical ingredients (APIs) therefore remains, although we expect dependence on European APIs to come down gradually as more branded pharmaceuticals will be produced in the US rather than Europe. This is a risk for the Irish, German, Swiss and Dutch economies, as we indicated last year.

European policymakers, on the other hand, will likely decide on the European Critical Medicines Act in the next six months under the Cypriot presidency of the European Council. The Act abandons cost-based procurement for 243 critical medicines, which means consumers and/or governments will start paying premiums on medicines produced in Europe.

This increased European manufacturing will likely benefit Central and Eastern European nations, such as the Czech Republic, that have positioned themselves as key manufacturing hubs. It would not surprise us if pharma is the next industry that will see a bloc-wide spotlight for developing independent strategies.

API manufacturers for US market are predominantly located outside the US

Location of manufacturing facilities for APIs consumed by the US



Source: United Nations Commodity Trade Statistics Database; BMI; ING

Stockpiling to increase as medicine shortages remain elevated

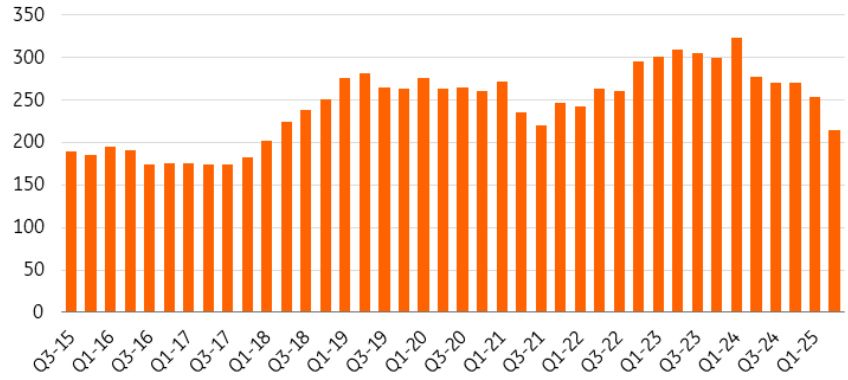
In spite of national security measures, dependence on Asian manufacturing of generics will largely remain in the years to come. This also means that stockpiling measures will become more commonplace as countries aim to build buffers for supply disruptions and prevent shortages.

Drug shortages – particularly for generics – have been severe in recent years, including in the US, which typically experiences fewer shortages due to paying higher pharmaceutical prices. Drug shortages have become increasingly common because there is a large reliance on a few hyperspecialised production facilities for the global consumption of key generics (e.g. antibiotic benzathine penicillin G).

Furthermore, distribution is often 'just in time' to keep costs at a minimum. Historically, stocks of medicines were low or non-existent because producers, governments and healthcare providers were not willing to pay the costs of additional inventory. That also meant that any misstep in the production and distribution process immediately leads to a global shortage of certain medicines. And here's the bottom line: distribution and production combined explain two-thirds of drug shortages.

US drug shortage remains high

Active US drug shortages by quarter



Source: ASHP; ING

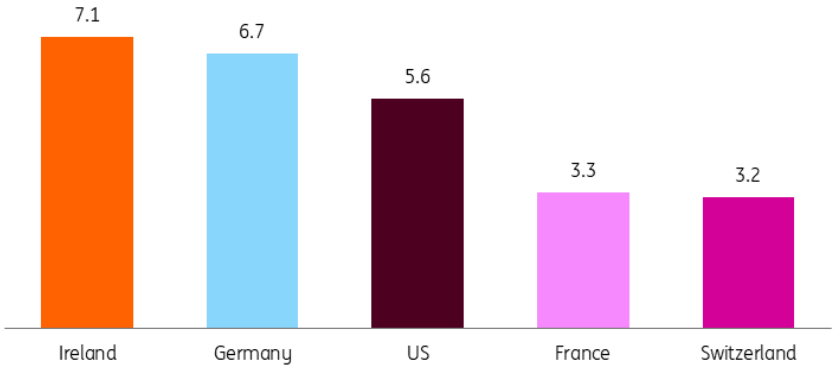
What about Chinese dependence on Western pharma manufacturing?

The dependence on pharmaceuticals goes two ways, as China is currently largely reliant on Western manufacturing of branded drugs: just five developed markets make up more than 60% of Chinese medicine imports. However, growing outlicensing, more investment by Western branded pharma companies and the emergence of China as an innovation hub, as discussed in the article Hello, Goodbye, will increasingly facilitate branded drug manufacturing in China.

The dependence on branded manufacturing will likely remain for the foreseeable future, but the question is how long this two-way dependence will remain exactly.

Five developed markets make up 61% of China's medicine imports

Top five Chinese pharmaceutical import markets in 2024 by value in US$bn



Source: BMI; UN Comtrade; ITC Trade Map; ING

Side B: remaining questions

The biggest question from a national security perspective is whether national‑security-driven policies (tariffs, the Critical Medicines Act, incentives) will actually change where medicines and APIs are made, or simply make Western‑produced medicines more expensive while still relying on Asia for volume. If production is shifted meaningfully, this would also involve more common procurement of raw materials for medicines, which is currently often overlooked.

Finally, we wonder whether there will be a point in the future when Chinese-branded pharma is significant enough that it can negotiate with Europe to fill the void in case Europe is not willing to pay the prices of US pharma. This would mirror the rise in Chinese electric vehicles sold in Europe.

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