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What goes **around...**

WHAT A DIFFERENCE 12 MONTHS MAKES. This time last year I was penning a gushingly optimistic editorial column exclaiming how the Australian biotechnology industry was coiled and ready to spring. All the signs were there: as a country, we were emerging from the global financial crisis relatively unscathed; the stock market was bouncing towards pre-GFC levels; the R&D Tax Credit was poised for passage through the Senate; opportunities for innovative Australian biotechs here, in Asia and around the world appeared plentiful. In short, the glass was half full.

Alas.

The second half of 2010 was quite simply a shocker. The economic recovery turned shuddered, at least it did for everyone but the big miners. Foreign investment remained dry as other nations – particularly the unemployment- and debt-ridden US – continued to strain under the burden of the GFC; a spectacularly bizarre federal election saw the R&D Tax Credit shelved then scuppered by a belligerent opposition; and several high profile stumbles by biotechs – Pharmaxis, ChemGenex and Avexa spring to mind – shook confidence in a sector already deemed high risk, especially compared to mining. As a result, our state of the nation report penned around the time of the AusBiotech conference in October last year saw sentiment turn: the glass was half empty.

Then Mesoblast happened (see page 24 for the full story and an interview with the mastermind behind the deal, Professor Silviu Itescu). People will tell you they saw the deal coming, but no-one was prepared for the sheer scale of the deal, which was effectively an overwhelming endorsement of the mesenchymal stem cell technology developed by Mesoblast. It's even inspired Teva to acquire Cephalon, which struck the deal with Mesoblast.

But it didn't end there. In the wake of the Mesoblast/Cephalon deal came a run of good news on other fronts. Several biotechs who had been beavering away since before the GFC had finally cut deals that came with real dollar figures attached.

Suddenly biotech didn't look so flacid after all.

In a world driven by investment, sentiment is not to be underestimated. Seeing a few biotechs deliver a run of good news sparked renewed interest in the sector and saw share prices bounce. Finance is still hard to come by, and it's not easy competing with the big miners, but when investors are making money from their biotech stocks, they're more likely to reinvest in the same industry. Win/win.

The big question is: has the tide really turned?

As scientists, you know only too well that correlation ain't causation. Making predictions based on patterns found in surface phenomena can often be spoiled by hidden underlying mechanisms that can easily perturb the system in a non-linear fashion. As such, taking a run of good news and rallying stock prices as an indication that the sector is genuinely recovering is dangerous unless one is confident the underlying forces are likewise pointing in the same direction.

That's why this issue's Australian biotech state of the nation report is optimistic, but cautiously so: the glass is half full once again.

Right now Australian biotech is looking good, but a lot depends on whether the industry can consolidate its wins over the rest of 2011. Will it? Guess we'll have to wait for the next biotech state of the nation report to find out.

Tim Dean