

Market Evolution

Public Pharmaceutical Expenditure (pharmacies)

	Marzo 2013	Marzo 2012	% var. 2013/12
Exp. (€ Mill.) *	737,5	941,8	-21,69%
Prescrip. (Millions)	69,4	86,4	-19,71%
Av. Exp. per. prescription (€) *	10,63	10,90	-2,47%

\* PVP con IVA

Data from the Ministry of Health, Social Services and Equality shows that in March 2013, public pharmaceutical expenditure at pharmacies experienced a drop of -21.7%, compared to the same month the previous year. This variation in expenditure is a consequence of a fall in the number of prescriptions (-19.70%) and a drop in the average price per prescription of -2.5%.

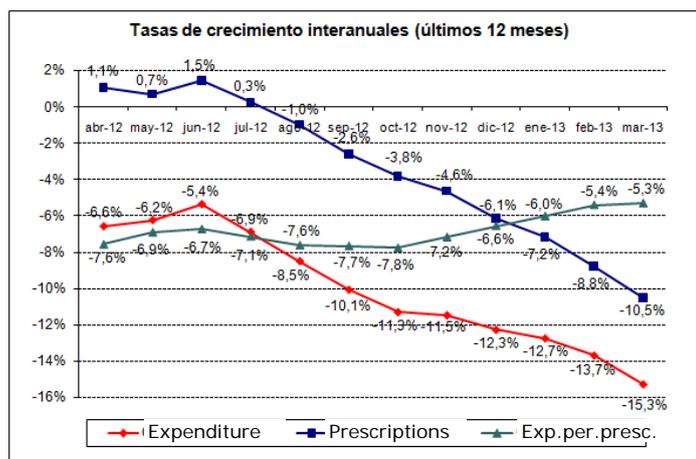
The drop in expenditure in March is higher than the previous months due to the Easter holiday period and the effect that has on the demand side. This is a seasonal factor that influences the annual variation and specific series when Easter falls in different months during two consecutive years. This is exactly what happened this year, Easter was at the end of March, while in 2012, it was in April.

With this in mind, March 2013 is not directly comparable to March of 2012, as March this year, has significantly more holidays to take into account.

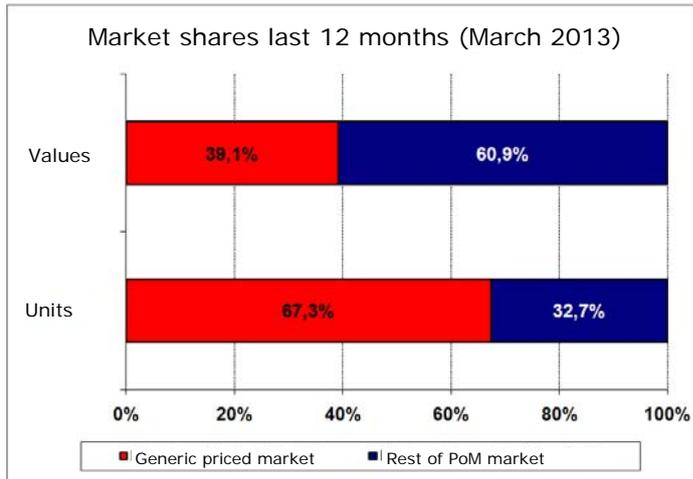
In any case, this effect is purely temporary and April will reflect the opposite phenomenon when comparing the two months; April 2013 (with no Easter holiday period) and April 2012 (with Easter holidays).

This means we should expect a less noticeable drop in pharmaceutical expenditure in April than that registered in March.

Where annual expenditure evolution is concerned (as seen in the chart below), a drop of -15.3% was registered in March 2013 and pharma's expenditure variation rate continues to drop significantly.



Finally, data from the IMS covering the 12-month period ending March 2013 shows that the whole of the medicines market with generic prices reached 67.3% of the total prescription market, in units, in Spain, and 39.1% of said market value.



Source: Farmaindustria estimation from IMS.

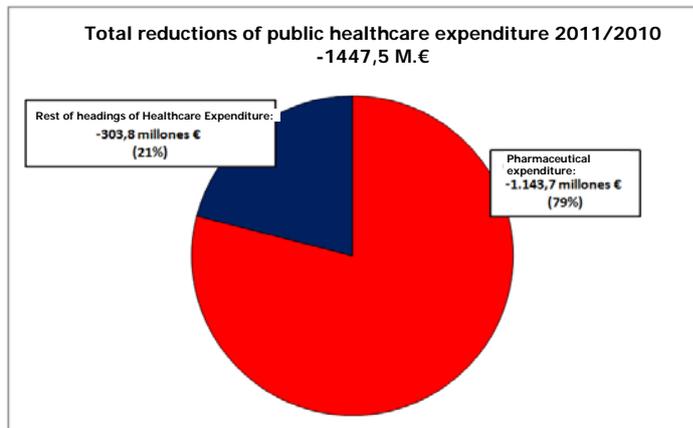
Note: Total market net from RDL 8-2010 and 9-2010 RDLs rebates.

80% of all savings made on public healthcare expenditure in 2011 are due to the reduction in Pharmaceutical costs.

The Ministry of Health, Social Services and Equality (MSSSI) has recently released official data regarding public healthcare expenditure in 2011; the figure came to 67,689.4 million Euros for the whole of Spain<sup>1</sup>, which implies a 6.37% of Spanish GDP in said year. This sum includes healthcare expenditure for i) central government administration, ii) the social security system, iii) insurance for civil servants, iv) Autonomous Regions, v) Ceuta and Melilla and vi) the local authorities.

In 2011, public healthcare expenditure fell by -1,447.5 million euro compared to 2010 (a reduction of -2.1%), making it the second consecutive year in registering a fall. From this figure (1,447.5 million euro) 1,319.3€ (a 91.1% of the total) corresponds to a lower public healthcare expenditure of the Regions and Ceuta and Melilla, while the rest of the amount, 128.2 million euros, is split between the rest of the abovementioned agents.

On the other hand, if we analyse this reduction adjustment in detail with the different items that make up the total public healthcare expenditure, we can see that said adjustment has been very unequal.



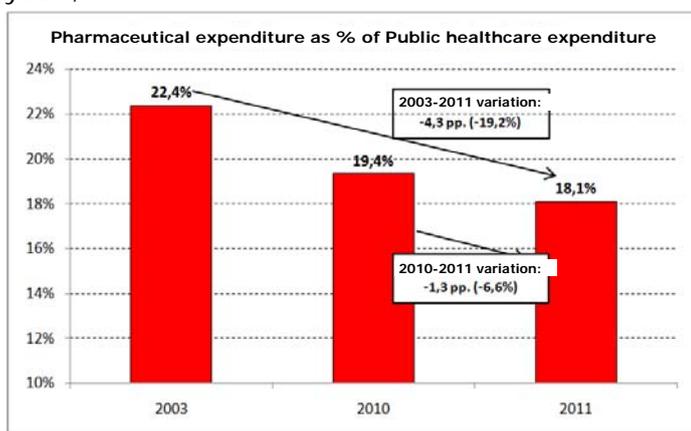
Source: Farmaindustria + MoH. Public healthcare expenditure Satellite Account

<sup>1</sup> Data available here: <http://www.msc.es/estadEstudios/estadisticas/inforRecopilaciones/gastoSanitario2005/home.htm>

As shown in the above chart, of the 1,447.5 million euro savings in public healthcare in 2011, 1,143.7 million euro (79%) correspond to those savings made in pharmaceutical expenditure, while the rest of the amount (303.8 M€, a 21%) corresponds to savings under other headings of public healthcare expenditure.

Therefore, in 2011, 79% of public pharmaceutical expenditure savings came from items that made-up an 18% of said expenditure, while the rest (82%) only generated 21% savings. This has caused a substantial fall in pharmaceutical expenditure representation in the whole of the public healthcare expenditure.

As shown in the following chart, in 2010 pharmaceutical expenditure registered 19.4% of the total public healthcare expenditure, however it only reached 18.1% in 2011, 1.3 percentage points lower than in 2010 and 4.3 points lower than in 2003, which was when pharmaceutical expenditure was at its prime over these last 35-years, or more.



Source: Farmaindustria + MoH. Public healthcare expenditure Satellite Account

Although there isn't any final data available yet for 2012, we do know the figures for pharmaceutical expenditure where official NHS prescriptions from the Regions are concerned; these figures reflect a fall of -12.26% in comparison with 2011 (this particular component comprises more than 90% of the total public pharmaceutical expenditure in Spain).

We also know the Regions' healthcare budget figures for 2012 and these reflect a drop of -1.53%, compared to 2011<sup>2</sup> (healthcare expenditure in the Regions implies more than 90% of the whole of the Spanish healthcare expenditure).

If we applied the above percentages of evolution to both the pharmaceutical expenditure and public healthcare expenditure of 2012, we would have had a reduction of -1,035 million euro in public healthcare and -1,500 million € in pharmaceutical expenditure.

This is if the fall in public pharmaceutical expenditure in 2012 had been higher than the total healthcare expenditure, then pharmaceutical expenditure would have gone to represent 18.1% of public healthcare, barely registering 16.1%.

<sup>2</sup> Datos disponibles en: <http://www.msc.es/estadEstudios/estadisticas/inforRecopilaciones/recursosEconomicos.htm>

In view of these figures, it seems clear that the pharmaceutical sector's contributions made towards Spanish public healthcare cost containment have been very important and are significantly more relevant, as a whole of said expenditure over the last few years.

### The pharmaceutical industry executes 20% of all high tech exports.

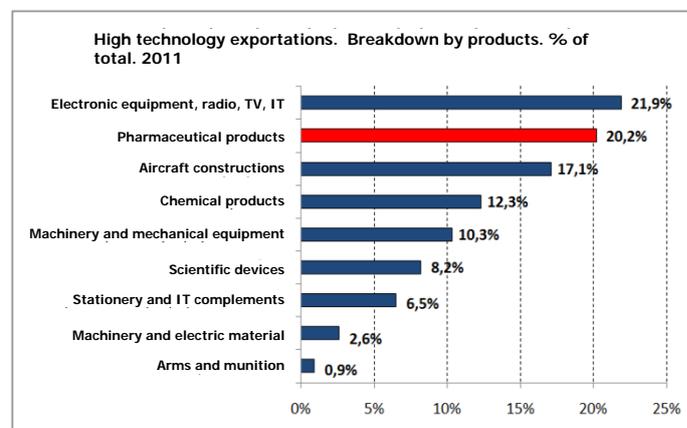
In previous bulletins, we have mentioned the pharma industry's growing role, where Spanish exports are concerned as a whole. The industry went from representing 2.9% of total exports in 2002, to 4.5% in 2011, the year when medicine exports reached 9,791.3 M€.

The importance of the pharma industry is even greater when we analyse products of high technology; which is precisely where these products are listed.

Exports of high-tech products are very important for a country because, when comparing them to other products, they are not easily substituted. Therefore, their evolution is more stable over time and less dependent on economic cycles.

Similarly, the latest figures published by the Spanish National Institute of Statistics (INI) on foreign trade of high-tech goods (2011) highlight the importance of the pharmaceutical sector under this heading.

As shown in the chart below, pharmaceutical production is the second most important sector within Spanish high-tech exports, representing a 20.2% share of the whole high-tech supply, ranking more than sectors such as aerospace, chemicals, IT, etc.



Source: INE. High technology indicators 2011.

More importantly, when analysing over a longer period of time, pharmaceutical exports have gained strength within the high-tech exports structure, growing from 11.3% in 2003, to representing 20.2% in 2011.

Similarly, in a comparative analysis of Spanish exports during years of the crisis (2008-2011), we can see that, while the overall exports grew at an average yearly rhythm of +4.4%, the high-tech exports as a whole, grew at an average yearly rhythm of +9.6%. Within this group, the exports of pharma products increased by +15.5% at an average yearly rhythm.

This data places the pharmaceutical industry not only as a key sector for foreign trade, but also as one of the industrial sectors where new growth and economic patterns can be found in Spain.