

# Monthly Bulletin

**THE PHARMACEUTICAL  
MARKET IN SPAIN**

november 2013

## Market Evolution

### Public Pharmaceutical Expenditure (pharmacies)

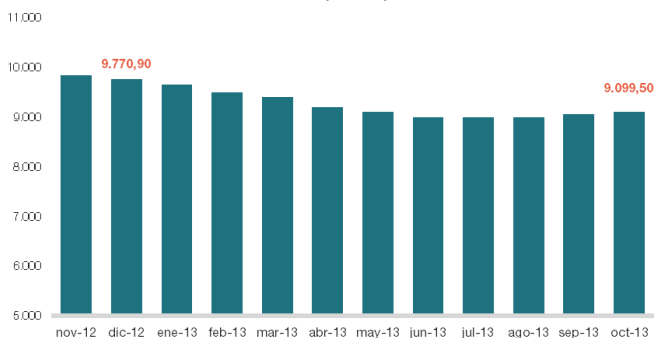
	Nov. 2012- Oct. 2013	Nov. 2011- Oct. 2012	% var. 2013/12
<b>Exp. (€ Mill.) *</b>	9.099,5	10.072,2	-9,66%
<b>Prescrip. (Millions)</b>	852,2	939,5	-9,29%
<b>Av. Exp. per. prescription (€) *</b>	10,68	10,72	-0,41%

\*Retail price (VAT included).

Data from the Ministry of Health, Social Services and Equality shows that in October 2013, public pharmaceutical expenditure at pharmacies experienced a drop of -9.5%, compared to the same month the previous year. This variation in expenditure is a consequence of a fall in the number of prescriptions (-9.3%) and a drop in the average price of each prescription by -0.4%.

The accumulated expenditure in the 12-month period to October 2013 (please see the below chart) is 671 M€ lower than the figure at the end of 2012 and it is foreseeable that this differential will be even greater by the end of this year.

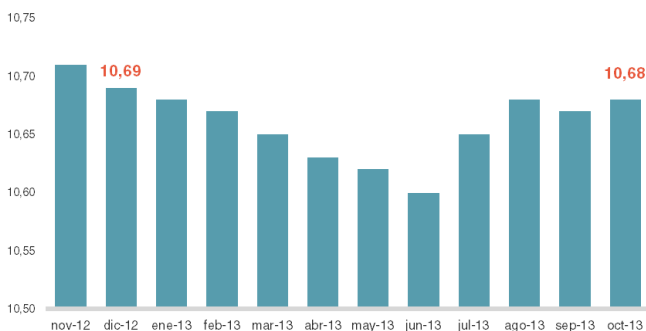
Pharmaceutical expenditure. Moving average last 12 months (€ Mill.)



As indicated in our last Bulletin, the number of prescriptions dispensed -the component that has determined the evolution of pharmaceutical expenditure over the last few years- has started to decrease at the peaks; these peaks have characterized the annual evolution rate over the last 4-months from a growth of +10.3% in September 2013 to a +4.8% in October and a greater reduction in the growth rate is expected in the coming months.

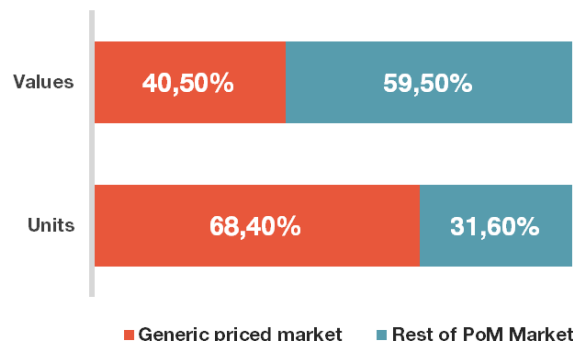
On the other hand, as shown in the following chart, the average cost per prescription is showing a very flat result with annual growth rates close to zero and it will most probably produce a similar evolution in the coming months, if the new Reference Price regulation does not come into force; If it were to come into force, noticeable falls would be registered in the variable rate of average expenditure per prescription.

Average expenditure. Moving average last 12 months (€ per prescription)



Finally, data from IMS covering the 12-month period ending September 2013 shows that the whole of the medicines market with generic prices reached 68.4% of the total prescription market, in units, in Spain, and 40.5% of said market value.

Market shares last 12 months (September 2013)



Source: Farmaindustria estimation from IMS  
Note: Total market net from RDL 8-2010 and 9-2010 RDLs rebates

## When adapting statistics to the number of working days, prescription dispensing and pharma expenditure evolve in a smoother fashion.

In previous bulletins, we have explained the motives behind the peaks and valleys of annual pharma expenditure variation rates and also of the number of prescriptions dispensed during June-September 2013, and we advised against using these figures as part of the trend evolution analysis.

This said, the annual variation rate corresponding to October (in principle, this is the first month without statistical copayment and de-listing influences) has been a +4.8% in prescriptions and a +5.2% in pharma expenditure; some analysts have interpreted this as a reliable predictor of evolution which is able to show both variables in the public pharmaceutical market in Spain in the short and medium-term.

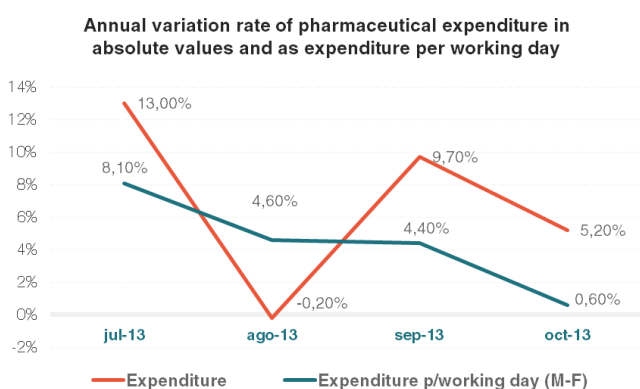
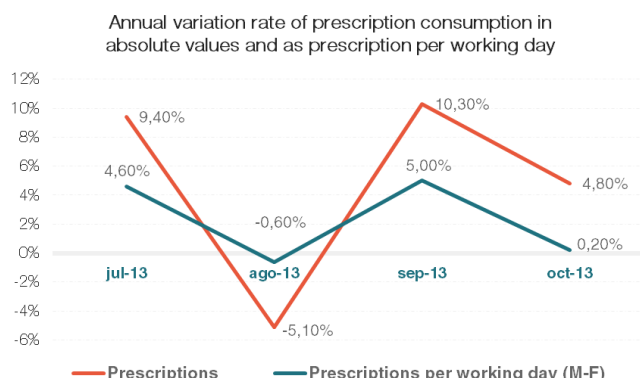
In our opinion and with regard to October, the annual variation rate of expenditure and prescription dispensing didn't kick-start a trend (as we had thought) in the Spanish public pharma market for the months to follow, rather, this will evolve in a much more suppressed manner for the following two reasons:

Firstly, the stocking-up of medicines in August 2012 didn't only affect September, but also (to a smaller degree) the following months too, especially October which recorded a lower amount of prescriptions, which was to be expected.

Secondly and more importantly is because this year, the 12th October fell on a weekend, whereas in 2012, it was a working day and this also influenced (to a certain degree) a greater dispensation of prescriptions in October 2013. With this in mind, if we adapt the study of prescriptions dispensed to the number of working days (Monday-Friday) in each month, the daily prescription dispensed in October 2013 would have been 3,294 million prescriptions, just a +.02% higher than October 2012 which registered a total of 3,287 million prescriptions p/day.

In terms of expenditure, the evolution is similar: 35.1 million Euros per working day (Monday-Friday) in October 2013, facing 34.9 million Euros /day of pharma expenditure in October 2012, just a 0.6% more.

In fact, as shown in the following chart, the annual variation rate of prescriptions and expenditure in the last 4-months are smoothed out noticeably when using monthly data adapted to the number of working days each month.



Source: Farmaindustria from MOH data

According to our medium term forecast, prescriptions and pharma expenditure will reach a standstill, or maybe even a fall. Registered growth rates over the last few months cannot be considered reliable predictors of prescription evolution nor pharma expenditure in Spain in the medium term.

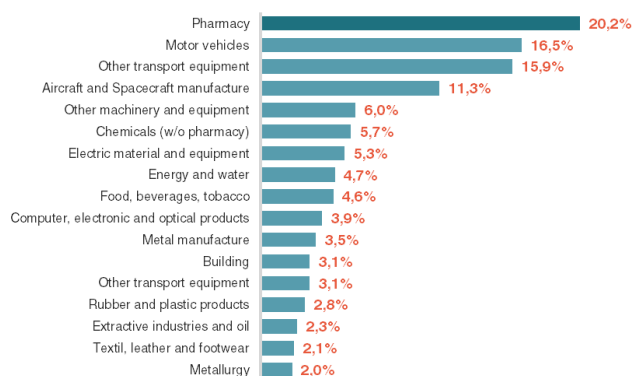
## The Pharmaceutical industry remains in the lead where R&D investments are concerned in Spain

Many analysts have warned that the sharp fall in pharma companies' revenues will have a negative knock-on-effect on R&D investment; this fall was brought about by public cost containment measures on medicines which has been affecting the pharma industry for at least the last 3-years now.

Latest R&D data published by the National Institute of Statistics (corresponding to 2012) appears to verify the existing connection between corporate revenue and investment in R&D. Similarly, during 2009-2012, while corporate sales revenues in the public market fell at an average annual rate of -7.9%, pharmaceutical R&D registered a clear stagnation of +1%, which contrasts with the substantial R&D investment growth registered in previous years; the average variation rate during the previous 10-years was +10,6% p/a, while revenues were on the up.

Notwithstanding the above, the pharma industry remains in the lead where R&D investment is concerned.

R&D investment of each sector as a % of all industrial sectors. Spain. 2012.

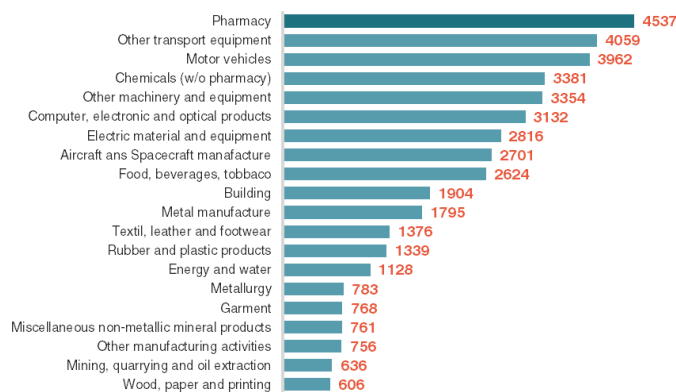


Fuente: INE. Innovation in companies survey (2012)

As shown in the above chart, a fifth of all R&D investment carried out by the whole of the Spanish industrial sector was made by pharmaceutical companies. This is a particularly relevant figure if you bear in mind that its turnover implies only 2.4% of the total national industry.

Additionally, pharma industry leadership is not only limited to just R&D investment, it is also the industrial sector that most generates employment in this area of the sector.

Employees in R&D (EJC). Main industrial sectors (2012)




Source: INE. R&D activities survey (2012)  
(\*) EJC: Complete working equivalence

Furthermore, employment in R&D activities in the pharma industry is for highly qualified persons (45% are researchers) and, predominantly women, given that 2 out of every 3 research jobs are held by women.

We could also mention many other indicators, however the ones mentioned constitute a good example of the importance of a strategic role model -as is the pharma industry- in spite of the substantial rebates made on the Spanish market (almost a -30% in the public arena), it still holds leadership where national industrial R&D material is concerned.

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