

The monthly economic Bulletin

THE PHARMACEUTICAL
MARKET IN SPAIN

March 2014

Market evolution

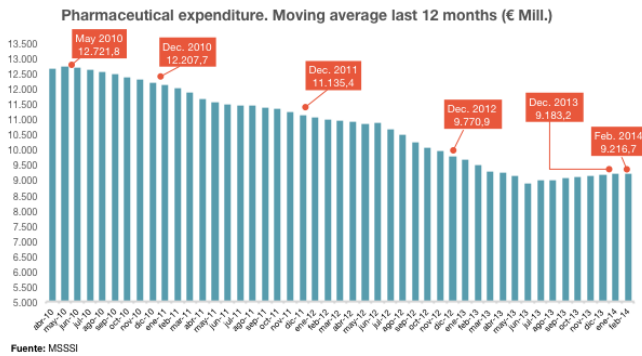
Public Pharmaceutical Expenditure (pharmacies)

	Feb. 2013- Ene. 2014	Feb. 2012- Ene. 2013	% var. 2014/13
Gasto (Millones de euros) *	9.209,2	9.652,9	-4,60%
Recetas (Millones)	862,2	903,7	-4,60%
Gasto Medio por Receta (€) *	10,68	10,68	0,00%

* PVP con IVA

Data from the Ministry of Health, Social Services and Equality shows that in February 2013, public pharmaceutical expenditure at pharmacies experienced a drop of -2.9%, compared to the same month the previous year. This variation in expenditure is a consequence of a fall in the number of prescriptions (-3.1%) and of a slight increase in the average price of prescriptions (+0.2 %).

The accumulated expenditure in the 12-month period to February 2014 was -3.505 M€ lower than the recorded high in May 2010. (Please see the below chart.)

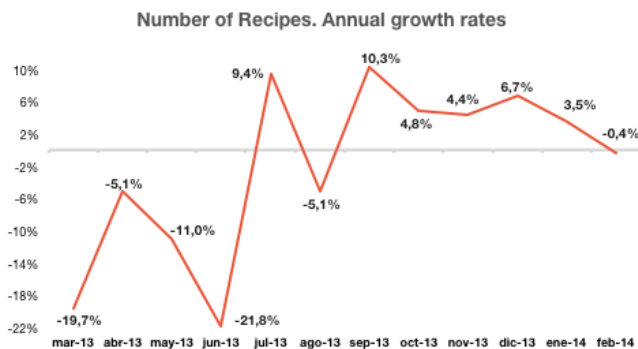


Fuente: MSSSI

February once again registered a decline in the annual rate of the number of prescriptions invoiced (-0.43%), breaking the 5 month roll of growth since September 2013.

Notwithstanding, it is foreseeable that in March, prescription dispensation recoups –albeit temporarily– its positive annual growth rates once the seasonal effect of Easter week (which falls in April this year) is over.

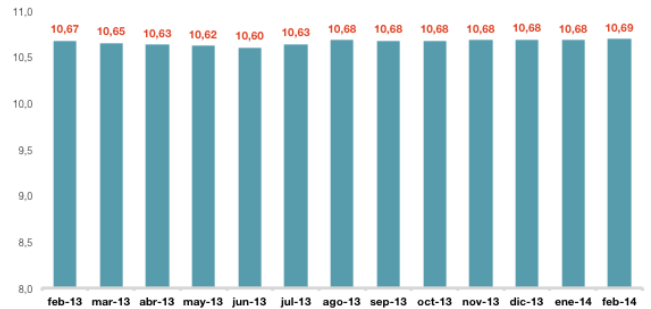
Nevertheless, we will see a reverse phenomenon in April and the annual variation rates of prescription dispensing will go back to registering a negative.



Where average expenditure per prescription is concerned, February showed a slight upturn in the annual growth rate of +1.5%; however, the average expenditure per prescription remains at a standstill and is lower than 10.70 euros.

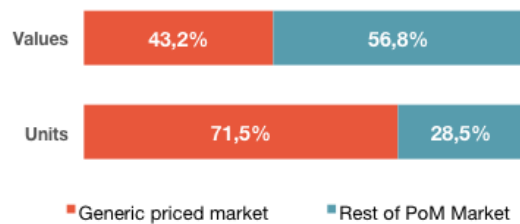
This situation is likely to have very few variations up until the next Reference Price Ruling comes in to force.

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



Finally, data from the IMS covering the 12-month period ending December 2013, shows that the whole of the medicines market with generic prices reached 71.5% of the total prescription market in units in Spain, and 43.2% of said market value.

Market shares last 12 months (December 2013)



Source: Farmaindustria estimation from IMA
Note: Total market net from RDL 8-2010 RDLs rebates

More than a quarter of Spain's hi-tech export products are from the pharmaceutical industry.

The national institute for statistics has recently released data in their report on hi tech indicators, corresponding to 2012.

The published results show how the importance of the pharma industry is in this market segment, where it leads in our country, not only in production but also in exports of hi technology with quotas of 26% and 27% respectively.

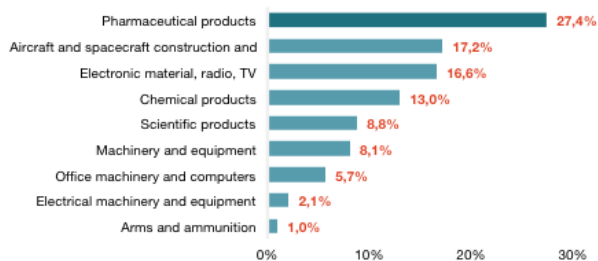
At the present stage, the component that most pushes the Spanish GDP upwards is international trade. Exports of hi-tech products are particularly important given that, in comparison to other products, these are more difficult to substitute and therefore their evolution is stable over time and less dependent on economical cycles.

This is one of the reasons why experts point to technology intensive sectors that have a high added value like industries, which are key in helping the country out of the crisis and on which a new stage of economic recuperation should be consolidated; this is anticipated to begin this year.

Over the last 10 years the pharma industry has noticeably increased its Spanish exports of these types of products from an 11.3% in 2003 to 27.4% in 2012. This turns the

sector into a leader in Spain where foreign trade of hi-tech products is concerned, as you can appreciate in the following chart.

% Exports of hi tech products over national total. Breakdown by type of product. 2012



Source: INE. Indicators of High Technology. 2012.

The pharma industry is not only a key sector for Spanish foreign trade but also one of the strategic industrial sectors upon which the economic recuperation should be supported by.

Pharmaceutical expenditure is a critical determinant in the EU countries' health results, among them, Spain.

There are numerous studies that demonstrate the importance new medicines have on increasing life expectancy and improving the quality of life of the population.¹

Notwithstanding, the study carried out on pharmaceutical consumption and the influence it has on health results is a topic of growing interest in the context of constant search for efficiency where economic resources and allocation of public funding to those programs that provide the greatest social benefit are concerned.

In turn, in the context of the State's current fiscal crisis where the reduction of deficit has been absolutely essential for many regional governments, public financing in the healthcare area has suffered noticeably, as have education or dependency aid.

With this in mind, it is important to analyse the impact determined policies can have on the results of the population's health when public pharmaceutical expenditure is reduced.

Unfortunately, there are not many studies on economic literature which focus on this specific problem from an empirical perspective. However, recently an important article was published on this matter in which the authors showed the existence of a positive impact pharmaceutical expenditure has on the results of the population's health.²

In this study, the analysts used OECDs data base information "Health Data 2012" and took 9 countries of the European Union: Germany, Denmark, Finland, France, Ireland, Italy, Portugal, Sweden and Spain for a period of 15-years, from

1995-2010, building a panel of data (9 countries /15 years). They studied the impact of a series of variables, i.e. social & economic and lifestyles, life expectancy and child mortality. Amongst these explicative variables that could improve health results was included pharmaceutical expenditure.

The analysts worked on several econometric models with the variable being life expectancy of men and women. In all the models, the corresponding coefficient of pharmaceutical expenditure had a positive sign and resulted statistically significant. This means that pharmaceutical expenditure has a positive influence in life expectancy both for men and woman; that is to say, a greater expenditure in one country and/or over time results in greater life expectancy.

In the case of child mortality in the explicative models, the corresponding coefficient of pharmaceutical expenditure -in all cases- was negative and statistically significant, which implies that a greater pharmaceutical expenditure in one country and/or over time reduces child mortality.

Estimations of all the models built by the analysts for this article are robust and consistent with the inclusion of different specifications and the conclusions are very clear "the results indicate that healthcare expenditure and particularly pharmaceutical expenditure and drug consumption produce better health results; this should be taken into account by the responsible political decision-makers".³


The results of this study make it clear that cost containment measures to reduce public pharmaceutical expenditure entail an opportunity cost in terms of health. In this sense, and especially after a reduction in public pharmaceutical expenditure in Spain of almost -30% over the last 4 years, any additional measure that could have a negative impact on medicine consumption, particularly innovative medicines, should be carefully analyzed so as this does not affect the population's health.

¹ FR. Lichtenberg, "The impact of new drug launches on longevity: evidence from longitudinal disease-level data from 52 countries, 1982-2001", NBER Working Paper 9754, junio 2003; o, "Pharmaceutical innovation and longevity growth in 30 developing and high-income countries, 2000-2009", NBER Working Paper 18235, julio 2012.

² Blázquez Fernández, C., González Prieto, N. y Moreno Mencía, P, "Pharmaceutical expenditure as a determinant of health outcomes in EU countries", Revista de Estudios de Economía Aplicada Vol. 31-2 2013, pp. 379-396.

³ : "The results indicate that expenditure on health, and particularly, pharmaceutical expenditure and drug consumption, produce better health outcomes, so it should be taken into account by policy makers." (p. 392).

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