

The Economic Bulletin

THE PHARMACEUTICAL MARKET
IN SPAIN

Number 108, April 2014

Market evolution

Public Pharmaceutical Expenditure (pharmacies)

	Abr. 2013- Mar. 2014	Abr. 2012- Mar. 2013	% var. 2014/13
Exp. (€ Mill.) *	9.271,4	9.289,3	-0,19%
Prescrip. (Millions)	866,2	872,8	-0,75%
Av. Exp. per. prescription (€) *	10,70	10,64	0,57%

*VAT included)

Data from the Ministry of Health, Social Services and Equality shows that in March, public pharmaceutical expenditure at pharmacies experienced a drop of -0.2% compared to the same month the previous year. The variation in expenditure is a consequence of a fall in the number of prescriptions (-0.8%) and of a slight increase in the average price of prescriptions (+0.6%).

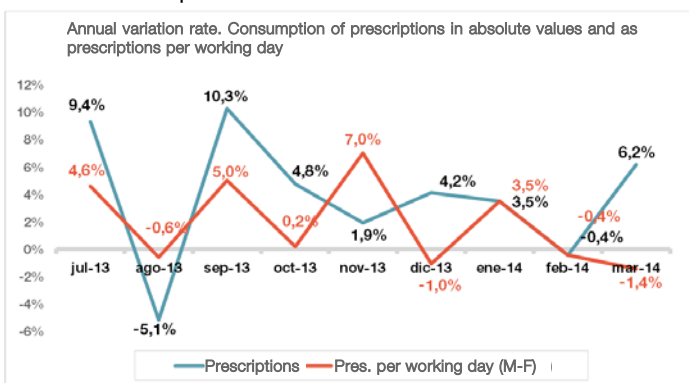
The accumulated expenditure in the 12-month period to March 2014 was -3.450 M€ lower than the recorded high in May 2010.



Fuente: MSSSI

When we analyze the annual variation in the number of prescriptions for March, we can appreciate an important growth of +6.2%. As we anticipated and mentioned in our last Bulletin, we needed to know the reason behind this growth coinciding over the Easter holiday period which affected this variable in a positive way (i.e. a greater number of working days March 2014 compared to March 2013) and this in turn will affect April's variable, albeit in a negative way.

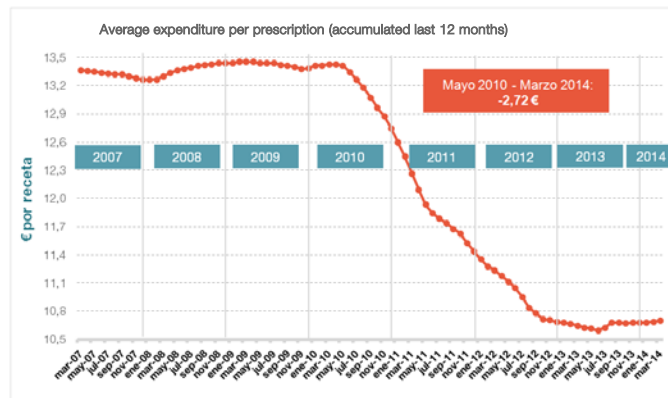
In fact, as shown in the following chart, when analysing the evolution of prescriptions by the number of working days each month (Monday to Friday), what we see in March's (2014) results is not an annual growth of +6.2%, but rather a fall of -1.4% when compared to March of 2013.



Fuente: Análisis Farmaindustria a partir de datos del MSSSI

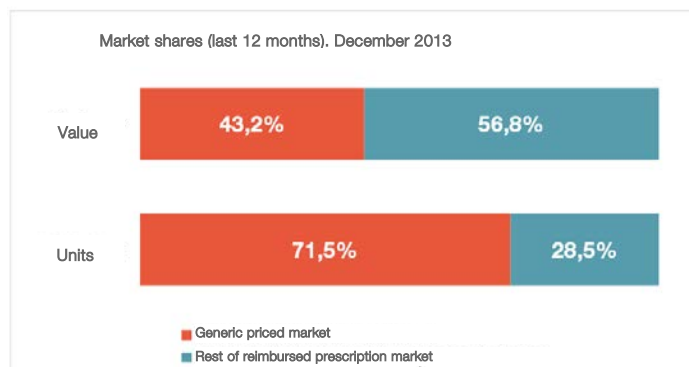
Nota: Datos de noviembre y diciembre de 2012 y 2013 contienen corrección anomalías de Galicia en 2012

Where the average expenditure per prescription is concerned, the very slight growth in March will not significantly affect its value, which remains at a standstill of around 10.70 euros. It isn't expected that the average expenditure per prescription experiences significant variations until the next Reference Price Order.



Fuente: Farmaindustria a partir de datos del MSSSI

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.



Fuente: Estimación de Farmaindustria a partir de información de IMS

Nota: Mercado total de prescripción neto de las deducciones de los RD/Ls 8/2010 y 9/2011

The pharmaceutical industry ups its contribution towards internationalisation of the Spanish economy.

The external sector has had a calming and decisive effect on the economic crisis in our country and has laid down a foundation for growth for the coming years.

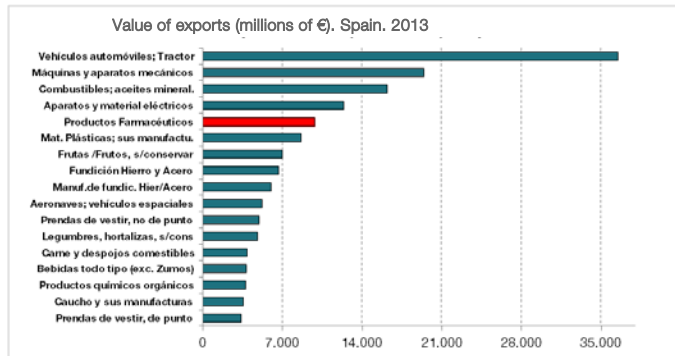
Latest data published in this regard by official sources endorses: during the period 2008-2013, while the GDP decreased by -6% in nominal terms, Spanish exports increased by +24%, giving way to a substantial reduction in our commercial deficit from -87% GDP in 2008 to a 1.6% in 2013.

The pharma sector has significantly contributed towards the internationalisation process of the Spanish economy.

During 2008-2013, pharmaceutical exports increased by +33%, reaching 10,515 million euro in 2013, which means a 4.5% of total exports in our country.

It is worth remembering that pharmaceutical exports influence in the year 2.000 hardly made up 1.8% of the total Spanish exports.

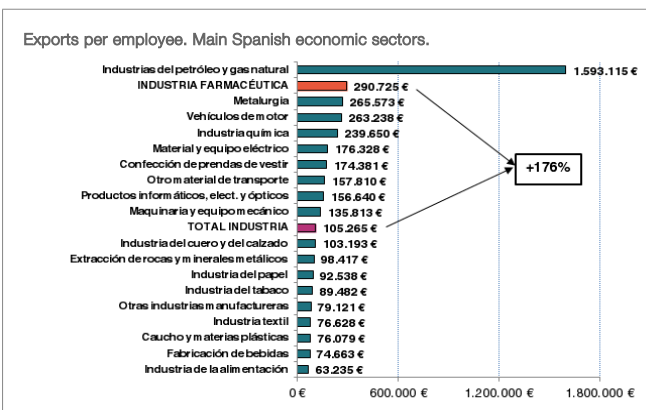
Similarly, it is also worth mentioning that a sector, relatively small in terms of production value (barely 1.4% of Spanish GDP) is the 5th sector in exports the Spanish economy, ranking by tariffs as shown in the following chart.



Fuente: Farmaindustria, a partir de datos de Secretaría de Estado de Comercio

Furthermore, and regardless the size of the sector being analysed, there are other indicators that allow us to study industry's external competitiveness. For example, if we analysed the ratio of exports over turnover, the latest available data (2012) shows the pharmaceutical industry takes 76% of exports which exceeds -by more than double- the whole of the industrial sectors (35%)

If we use export ratios over total employment, the difference is even greater and places the pharma industry in second place as a sector in Spain in terms of competitiveness in external markets with an export volume per employee higher than 290,000 euro.



Fuente: Farmaindustria a partir de datos de la Secretaría de Estado de Comercio y del INE

In essence, data from National Accounts manifest that the economic sectors with greater vocation to exports are contributing to pay off the effects of the crisis on Spanish economy and to lay the foundations for future economic growth in our country. Amongst these sectors, the principal character of the pharma industry is gaining importance every time, due to its vocation to export.

In turn, it is significant to note that the take-off of pharma exports from Spain didn't start when the crisis did, as has been the case with other economic sectors in Spain. In fact, during 2000-2008 (prior to the crisis), Spanish medicines exports grew a +225%, multiplying its value three times over in 8 years.

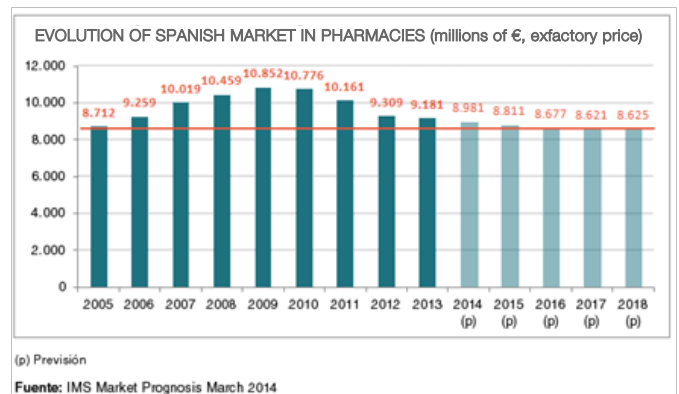
IMS forecast suggests that Spanish pharmacy outlets will face several more years of decline.

In many previous editions of this bulletin we have described the substantial cuts made on NH prescriptions affecting pharmaceutical expenditure; these were a consequence of regulatory measures adopted over the last few years. Public pharmaceutical expenditure in Spain has decreased consecutively over 4 years registering a drop of -28% since its record high in May 2010, to the yearend 2013.

If this analysis was conducted on the whole of the medicines market dispensed through pharmacies (including both public and private markets), data from the consulting Co. IMS Health would show that this market has also accumulated 4 consecutive years of decline, in this case, somewhat lower, a drop of -16%, from its record high in March 2010, till the yearend 2013.

Some of the reasons why the decline in the total market has been lower than public expenditure on NH prescriptions are: i) a better performing private market, ii) the change made to the copayment system and iii) the de-listing of medicines for minor symptoms that were, in large, transferred to the private market.

Furthermore, in light of the analyst's forecasts, it looks like we haven't reached the end of the declining pharmaceutical market in Spain. The latest IMS Health forecasts suggest that further consecutive decreases will occur throughout 2014-2017. According to these forecasts (shown in the following chart), 2018 will be the first year of growth in the pharma market in pharmacies since 2009, estimating a growth of barely four million Euro with respect to 2017 (+0.1%).





(p) Previsión

Fuente: IMS Market Prognosis March 2014

This Outlook of the Spanish pharmacies market evolution is unsatisfactory, especially after a drop of -28% since its record high. The market has hit bottom and it is time to contemplate a new scenario for the Spanish pharmaceutical market with growth at least in line with nominal GDP, which would generate positive expectations in the Pharma Cos but without placing the expenditure sustainability at risk.

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