

The Economic Bulletin

THE PHARMACEUTICAL MARKET
IN SPAIN

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Market evolution

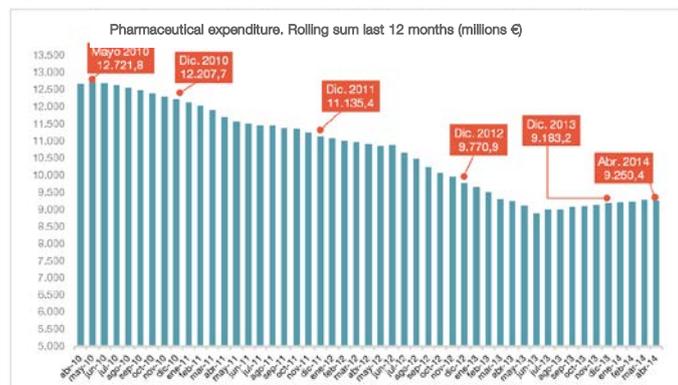
Public Pharmaceutical Expenditure (pharmacies)

	May. 2013- Abr. 2014	May. 2012- Abr. 2013	% var. 2014/13
Exp. (€ Mill.) *	9.250,4	9.233,7	0,18%
Prescrip. (Millions)	864,1	868,6	-0,52%
Av. Exp. per. prescription (€) *	10,70	10,63	0,70%

*VAT included

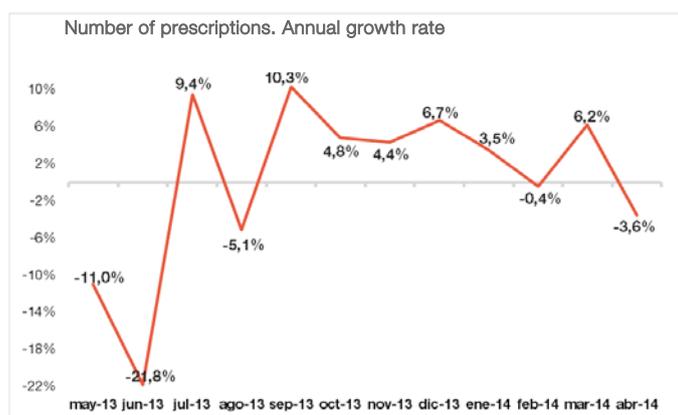
Data from the Ministry of Health, Social Services and Equality shows that in April, public pharmaceutical expenditure at pharmacies experienced a slight increase of +0.2% compared to the same month the previous year. The variation in expenditure is a consequence of a fall in the number of prescriptions (-0.5%) and of a slight increase in the average price of prescriptions (+0.7%).

The accumulated expenditure in the 12-month period to April 2014 was -3,471M€ lower than the recorded high in May 2010 and it has dropped when compared to March's registered figure.



Fuente: MSSSI

As expected, prescription demands for April this year were lower by almost 2.7 million prescriptions than those registered in April 2013. The main reason behind this fall is the Easter holiday week which partly offsets April, with the higher demand of prescriptions registered in March.

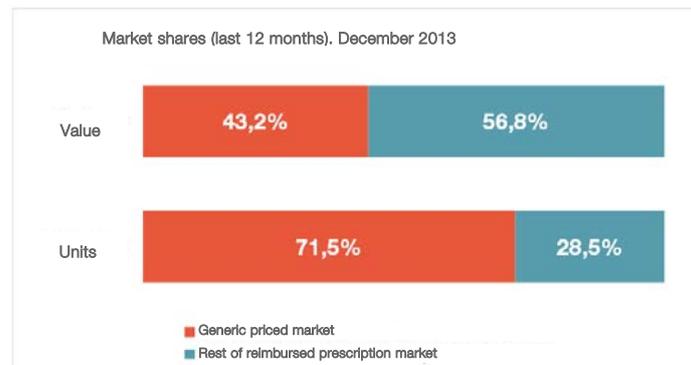


In fact, when we analyse the market evolution accumulated to date (January-April), we can observe how April repeats the exact same variation rates registered in February: +1.6% in prescriptions, +0.6% in average cost per prescription and +2.2% in pharmaceutical expenditure thus absorbing the peaks registered in March.

In 2015, Easter week will also fall in April, and with this in mind, we shouldn't expect movements in pharma expenditure like the ones we have seen this year.

However, in 2016, Easter week will fall in March and more than likely the market will once again experiment seasonal fluctuations.

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.



Source: Farmaindustria estimates from IMS

Note: prescription market net from rebates established in RDLs 8/2010 and 9/2011

Average costs spent on private pharmaceutical products (non-SS prescriptions) barely exceeded 80 euros per habitant en 2013

Recently, the National Institute of Statistics published the results of the annual survey on Household Family Budgets, 2013.

According to this survey, the total amount spent on private pharmaceutical products (broken down to 5 digits) reached 3,713 million euro in 2013.

Under the heading "pharmaceutical products" are the following sub groups: medicines and specially made up medicines (patented), drips, vaccines, vitamins, minerals, cod liver oil, bicarbonates, oral anti contraceptive pills...". It includes all expenses taken on board by Spanish households for non-financed medicines (be it prescription or advertised medicines) and likewise, copayments of those medicines that are covered by public financing.

In per capita terms, the expenditure on the above products implied costs of 80.47€ per habitant in 2013, a 0.75% of the total expenditure in Spanish households last year.

It's important to highlight here that this expenditure already includes the effects of the new pharmaceutical co-pay structure laid down in R.D. law 16/2012, which became effective in July 2012.

In comparative terms, private expenditure on pharmaceutical products is similar to that spent on landline phones (84.42€ per capita) or on recreational services and sports (76.78 €) and it is well below the average spent on the following in Spanish households: i) bread (119.28 €); ii) tobacco (143.05 € per capita); iii) mobile phones (161.16 €); iv) eating out at restaurants (221.87 € per capita), or v) drinks at bars and cafes (442.65 € per habitant /year).

The survey doesn't give us the breakdown of pharma products bought by gender, age, job, income, type of household etc.

The maximum breakdown for the information that concerns us is classified by 3 digits and comes under the subgroup "medicines and other pharmaceutical products, apparatus and therapeutic material".

Within this subgroup, are other items like: i) glasses, prescription glasses and contact lenses, ii) hearing aids, iii) apparatus and orthopaedic footwear, iv) cervical collars, v) wheelchairs, vi) crutches and walking frames, vii) dental prosthetics, false teeth, viii) condoms or diaphragms, ix) thermometers, plasters, bandages, gauze, knee and ankle supports and alcohol; x) contact lenses liquids, etc.

The expenditure in this subgroup "medicines and other pharmaceutical products, apparatus and therapeutic material" registered 7,271 million euro in 2013, which means expenditure on none "pharmaceutical products" of 3,558 million€ (77.09 € per capita), which is similar to the private pharmaceutical products expenses (3,713 millions €, or 80.47 € per capita). That is to say, the subgroup is divided by almost 50% between pharmaceutical products and the rest of the items in this subgroup.

Taking all these considerations into account, we can verify that:

- While expenditure on these products in Spanish households reaches 1.47% of the total expenditure, in cases where the main breadwinner is a retired person, then this percentage increases to 1.99%.

On the other hand, in households where the main breadwinner is unemployed, the percentage is the lowest, registering a 1.17% of its total expenditure.

- In large municipalities/ boroughs, (>100,000 habitants), expenditure on these products represents a 1.52% of household expenditure, however, in smaller municipalities (<10,000 habitants) this percentage drops somewhat to 1.32%.
- By segmenting households by incomes, we obtain a relatively uniform distribution in all categories starting from 1,000 € net monthly income, with expense percentages on these products from between (1.20% to 1.65%). Surprisingly, at the lowest end of the earnings scale, with net monthly incomes of up to 499 €, a 0.98% of their outgoings is spent on these products. In the next band up with higher earnings of between 500€ and 999 € net income per month, a 1.98% of their outgoings is spent on these products.

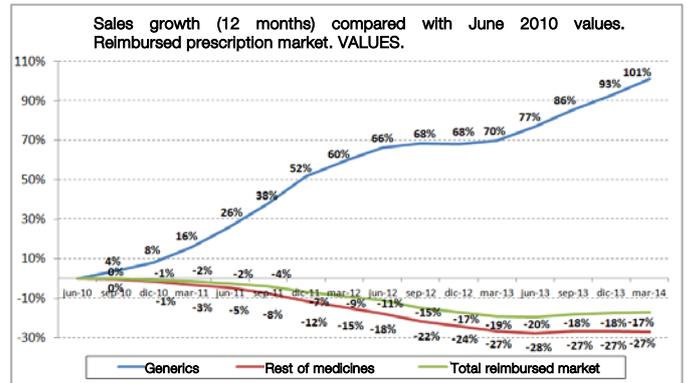
Given the lack of breakdown information here, it's not possible to reach conclusions on expenditure /medicines/ type of household. However, the fact that the aggregated level of expenditure on medicines represents around 50% of the total in this subgroup, this could be a suitable reference. This could mean that expenditure on private medicines -which implies 0.75% of the total average household expenses- very rarely goes beyond 1%.

From June 2010, generics have doubled their value in Spain, while non-generic medicines have decreased by -27%

In previous bulletins we have studied the differential impacts cost containment measures have been having on the pharmaceutical market since June 2010 and on the different seg-

ments of the Spanish pharma market, especially those contained in R.D. laws 8/2010, 9/2011 and 16/2012.

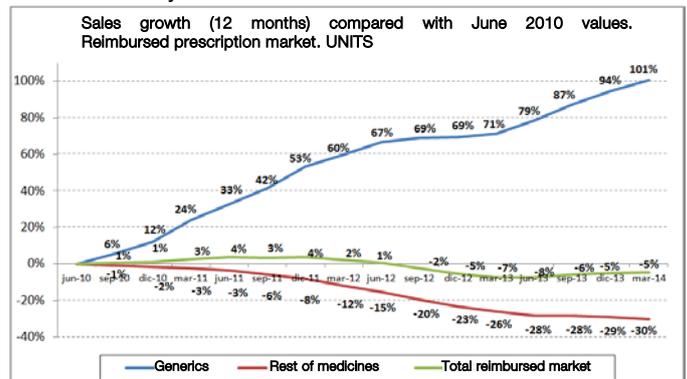
Even though the impact of these measures on the global prescriptions market has been very significant, it is the non-generic market (brand medicines) that has suffered the consequences the most.



Source: Farmaindustria from IMS data

As shown in the above chart and taking as a reference those prescriptions financed by the State at June 2010 (immediately before the main measures of R.D. law 8/2010 became effective), the breakdown reflects the evolution of the different financed drugs. The brand medicines fell by -27%, while the whole of the prescription market fell by -17% from June 2010 to March 2014, whereas during the same period, generic sales increased by +101%.

When analysing the situation in terms of units sold, the evolution is also very similar to the above.



Source: Farmaindustria from IMS data

Although the adjustment to the total financed prescription market has been less in terms of units sold (unit sales were -5% lower in March 2014 than June 2010), the performance of the two segments has been similar to sales by value.

While generic units of medicines have increased between June 2010 and March 2014 by 101%, the brand medicines by units fell by -30% over the same period.

As we can see, the drop in brand units has been a process that started way before the new co-payment system came into place. In fact, in June 2012 (the month prior to it becoming effective), brand medicines by units had already fallen by -15% compared to sales registered in June 2010.

The generic medicines market dynamism prevents it from being affected by the crisis, where as the brand medicine market is immersed in it.

The low penetration rates to innovations, the delays in marketing new drugs, the regulatory discrimination favoring the dispensation of generics in cases of prescription by active ingredient and the same price applied to its corresponding brand medicine are some of the reasons why innovations are in this particular situation.

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