

The Economic Bulletin

THE PHARMACEUTICAL MARKET IN
SPAIN

Number 110, June 2014

Market evolution

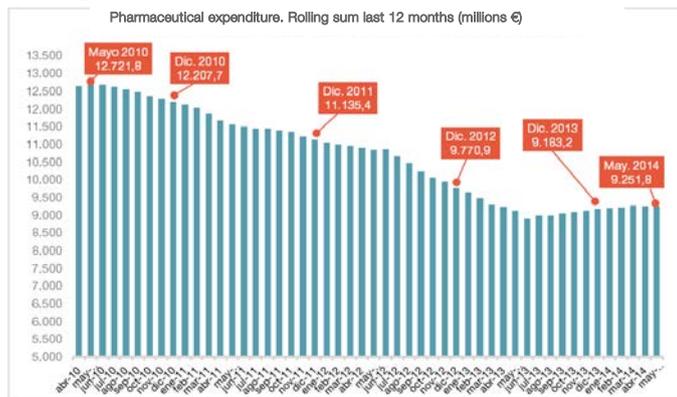
Public Pharmaceutical Expenditure (pharmacies)

	Jun. 2013- May. 2014	Jun. 2012- May. 2013	% var. 2014/13
Exp. (€ Mill.) *	9.251,8	9.124,3	1,40%
Prescrip. (Millions)	863,5	859,3	0,49%
Av. Exp. per. prescription (€) *	10,71	10,62	0,91%

*VAT included

Data from the Ministry of Health, Social Services and Equality shows that in May, public pharmaceutical expenditure at pharmacies experienced a growth of +1.4% compared to the same month the previous year. The variation in expenditure is due to an increase in the number of prescriptions (+0.5%) and a slight increase in the average price of prescriptions (+0.9%).

The accumulated expenditure in the 12-month period to May 2014 was -3,470M€ lower than the recorded high in May 2010 (see the below chart); and practically the same difference as that registered in April.



Source: MoH

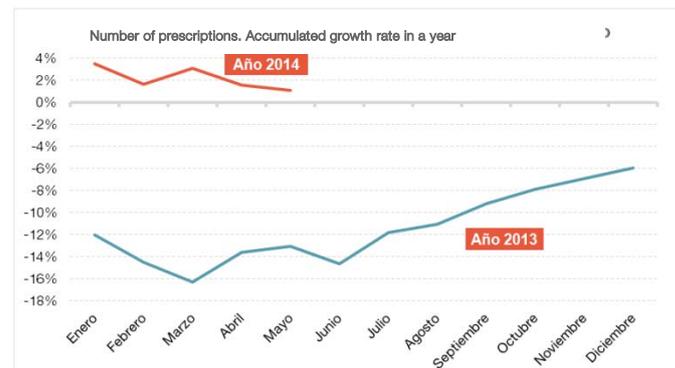
Public pharmaceutical expenditure for May confirms the trend of a settled market, with a negative rate on prescription demand and a slight positive increase in average expenditure, although we do expect this to fall when the new Order of Reference Pricing comes into force. However, as shown in the following chart, average expenditure per prescription has shown very little change for around 2-years now –since mid 2012- where it lingered between 10.6 and 10.7 Euros per prescription.



Fuente: Farmaindustria a partir de información de MSSSI

On the other hand, demand on prescriptions -measured in an accumulated annual growth rate- maintained a growth trend from March to December 2013 (see the blue line in following chart), but this has trumped in 2014.

The general trend this year is one of decline. As reflected in the red line below, it goes from +3.50% in January to 1.08% registered in May (with the exception of the peak in March due to Easter week); a statistical season effect, explained fully in the last bulletin.

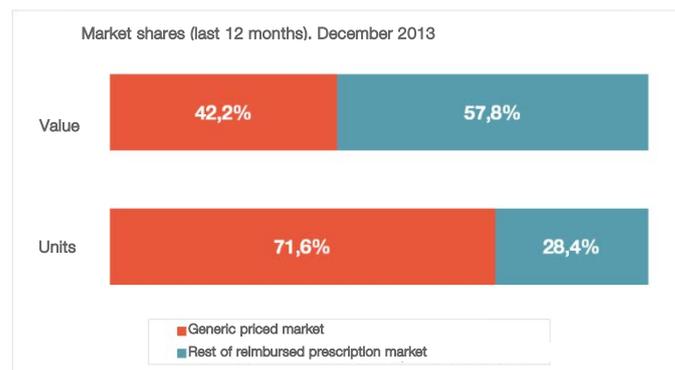


Source: Farmaindustria + MoH

It is worth pointing out that the annual public pharmaceutical expenditure growth rate will experience a noticeable increase in June. The reason behind this is purely statistical, even though the growth has increased ever so slightly with respect to June 2013 (but even if it had lessened), the growth rate to 12 months will reach a yearly high, close to or even higher than 4%, and the reason being is the fall of -23% registered in pharma expenditure in June 2013; a fall so steep that has caused a knock on effect on the series but it will phase out in the coming months.

From July, we foresee a continued fall in the pharma expenditure's variation rate. This will be particularly noticeable during that very same month, as it will be affected by the opposite effect of July 2013, which registered an annual growth of +13.7%.

Finally, data from the IMS covering the 12-month period ending March 2014 shows the whole of the medicines market with generic prices reached 71.6% of the total prescription market in units in Spain, and 42.2% of said market value.



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

In the OECD, market penetration growth of generics is the quickest in Spain

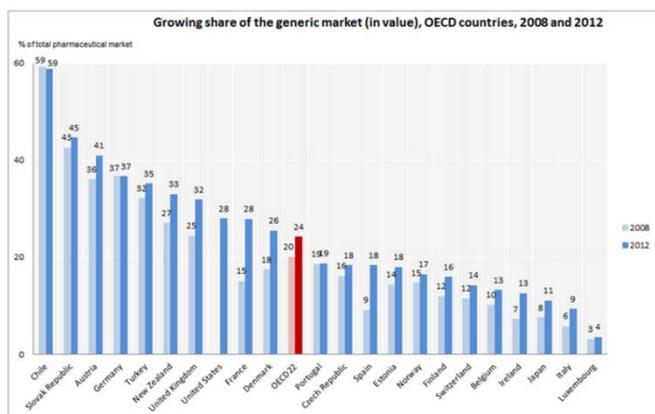
The OCED has just published results on the entry of generic medicines at an international level and have highlighted the fact that Spain is the country with the quickest entry growth of generic medicines to the market during 2008-2012, which doubled in fact, from 9% to 18% in market share value. Currently this market share could be around 20%.

As shown in the chart below, 1) there are countries with generic entry shares noticeably higher than ours like the UK with 32% share or Germany with a 37% share ii) there are countries like Portugal with 19% or Norway with 17%, similar to ours, and iii) there are countries too with slower entry rates than ours like Belgium or Ireland, or Italy with a share of 9%.

<http://www.oecd.org/centrodemexico/medios/elgastoensaludempiezaaumentaperoneuropasiguesiendodeficienteafirmalaoocde.htm>

This fact indicates that there isn't a unique model nor an appropriate reference as far as market share "objective" is concerned for generic medicines; not even amongst countries of the same economic and geographic environment.

Fuente: OECD Health Statistics 2014



Nevertheless, in the mentions to the market share of generic medicines, there is usually an underlying implicit reference to the largest (or smallest) capacity to generate savings on expenditure depending on the largest (or smallest) entry of generics registered.

This is only partly true, what is really relevant to the capacity effects of generating savings is not the market share of generics, but rather the market share of all the medicines that have a generic price, whether they are in fact generics or brand medicines with prices reduced to those of generics.

In Spain, as a consequence of the price regulations on those medicines whose patents have expired, but are to be financed by the state, their price needs to be in-line with that of the corresponding generic, and this is carried out by almost 100% of branded medicines with generic equivalents in Spain, thus there are brand and generic medicines with the same price.

Therefore, where savings are concerned, what is really relevant is not the market share % of generics, but the share of all the medicines that have a generic price. As you can see from the first article in this Bulletin, in Spain, the market share of all these products is above 40% and in units is goes over 70%.

In countries where generics and brands indicate very different prices, then it does make sense to talk about the market share of generics as a reference of savings. However, this is not the case for Spain. If we don't mention the contribution the brand medicines with generic prices make towards sustainability, then it would not be fair in our opinion.

The European Commission considers the pharm industry's competitiveness imperative to maintain, given its contributions towards economic growth

In previous editions of this Bulletin, we have highlighted the pharma industry's contribution to the national economy because of its exceptional characteristics in terms of i) Leadership in R&D, ii) it requires and generates highly qualified staff iii) it is highly productive and iv) it is internationally competitive etc.

Now, in a report made public recently on the pharma industry, the European Commission endorses the economic contribution made by the pharma sector.¹

This report is based on the efforts made by the Commission to find ways to contribute economic growth to the EU and to promote competitiveness, continuing from its press release dated 10th October 2012 announcing its intention to boost a strategic policy to strengthen competitiveness in the European Pharma Industry.²

The Commission's report contains a wide summary of the main contributions from the pharma industry to the European economy in terms of production, R&D, employment, productivity and contribution to the external sector and they confirm that the pharma industry is one of the cornerstones of the knowledge based economy and it is an absolute must to keep up its competitiveness.

Notwithstanding, the report recognises that actually, the lack of security which impairs this industry, i.e. the uncertainty of its market evolution and budgetary restrictions are affecting the development of its potential in a negative way.

The Commission's document identifies a series of factors for the pharma market's future growth, such as, i) an aging population, ii) the risk of global epidemics, iii) global warming health related challenges, iv) the growing resistance to antimicrobials, v) the spreading of chronic diseases and what was a terminal disease which is now chronic or vi) the emerging phenomenon of personalized medicines.

However, the report also identifies a series of challenges that work against the above, i) Public admin. budgetary restrictions, ii) general policies to cut pharmaceutical costs, iii) the rising costs of pharma research, iv) the deficiencies in the intellectual property regulations, o v) foreign trade barriers of pharmaceutical products, amongst others.

In light of the magnitude of these obstacles to develop the pharma industry's potential, the EC manifests its commitment to promote and implement policies that would incentivize the shaping up of a European pharmaceutical industry to be sustainable and competitive and that allows, by opening up, to improve access of innovative medicines to patients.

¹ Commission Staff Working Document.- Pharmaceutical Industry: A Strategic sector for the European Economy. Disponible en: http://ec.europa.eu/enterprise/sectors/healthcare/files/docs/pharmastrategy_en.pdf.

² Comisión Europea.- Comunicación de la Comisión al Parlamento Europeo, al Consejo, al Comité Económico y Social Europeo y al Comité de las Regiones. (pp. 19-20) Disponible en: <http://eur-lex.europa.eu/legal-content/ES/TXT/PDF/?uri=CELEX:52012DC0582&from=EN>.

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