

The Economic Bulletin

**THE PHARMACEUTICAL
MARKET IN SPAIN**

Number 114

Market evolution

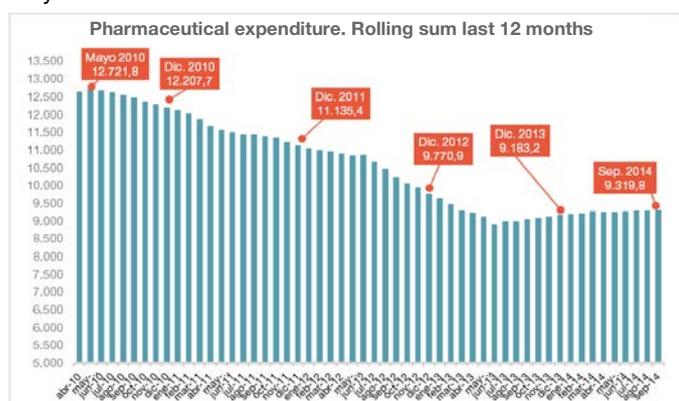
Public Pharmaceutical Expenditure (pharmacies)

	Oct. 2013- Sep. 2014	Oct. 2012- Sep. 2013	% var. 2014/13
Exp. (€ Mill.) *	9.319,8	9.059,9	2,87%
Prescrip. (Millions)	865,8	848,8	2,00%
Av. Exp. per. prescription (€) *	10,76	10,67	0,85%

*VAT included

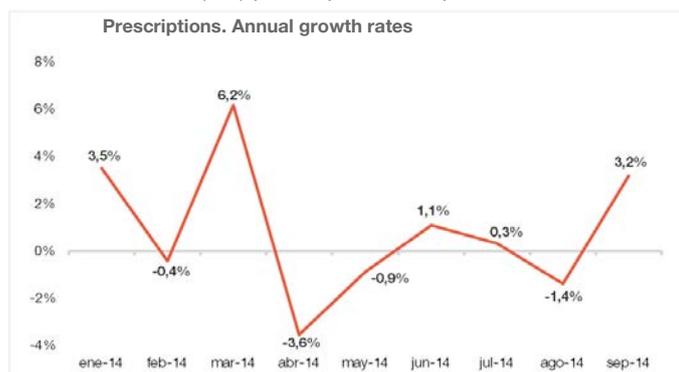
Data from the Ministry of Health, Social Services and Equality shows that in September, public pharmaceutical expenditure at pharmacies experienced a growth of +2.9% compared to the same month the previous year. This variation in expenditure is due to an increase in the number of prescriptions (+2%) and an increase in the average price of prescriptions (+0.9%).

The accumulated expenditure in the 12-month period to September 2014 was -3,402M€ lower than the recorded high in May 2010.



Source: MoH

It should be noted that the annual growth rate figure for the demand on prescriptions in September -as shown in the following chart- reflects an increase of +3.2%; it appears as the biggest spike in the last 6 months, breaking the trend of moderate demand on (NH) prescriptions in Spain.

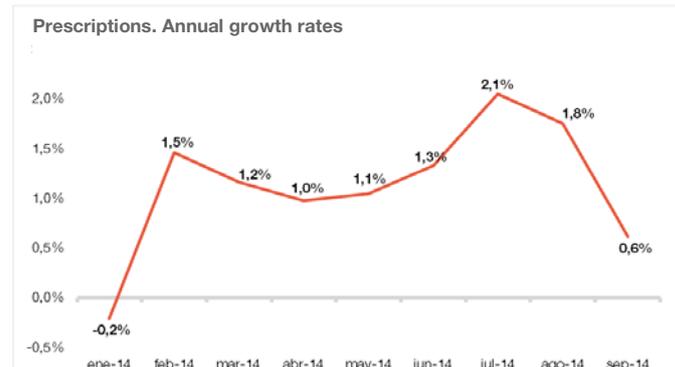


As mentioned in our previous Bulletin, the main reason behind this increase is the fact that, due to calendar dates, September had one more working day than September 2013, and this has a certain impact on the series of demand of prescriptions. In fact, if we corrected the number of working days in September, the growth of the demand on prescriptions would be a lot lower.

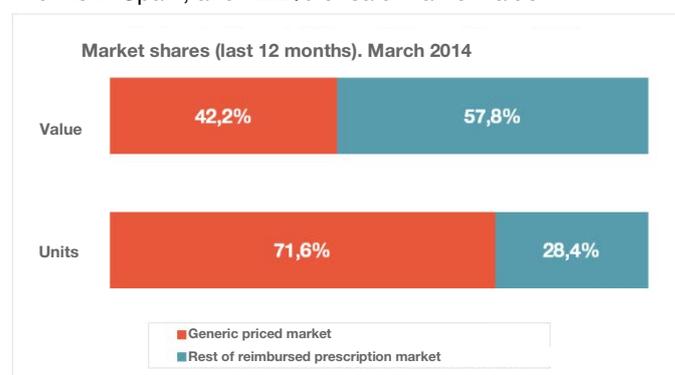
On the other hand, average expenditure per prescription has begun to show knock on effects from the latest Reference Price Order since it came into force in September.

Likewise, as shown in the following chart, an annual increase of 0.06% in September means it is the lowest average growth rate thus far in 2014, apart from January.

We expect that in the following months, a moderate growth rhythm will continue in this variable.



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.

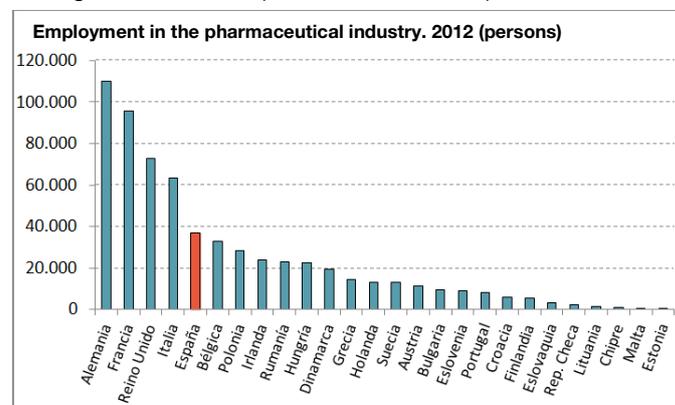


Source: Farmaindustria estimates from IMS

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

Despite the fall in the domestic market, Spain still holds one of the top positions in pharmaceutical employment and production ranking in the EU.

Spain holds 5th position in the EU where pharmaceutical industry employment is concerned, with a total of 36,713 workers registered in 2012. (See the below chart.)

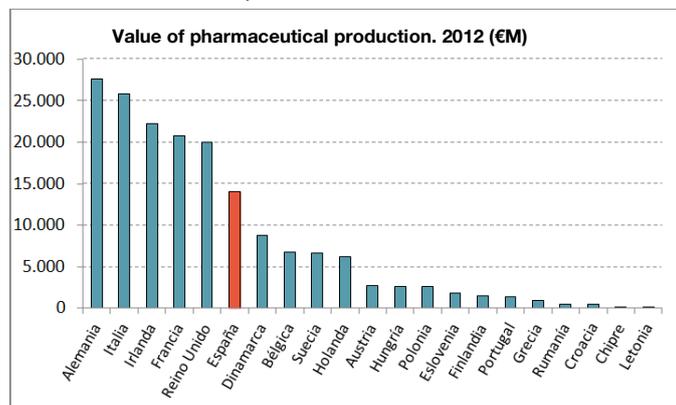


Source: :FPPIA, "The pharmaceutical industry in figures. Key data 2014".

In terms of employment generated by the pharma industry, Spain is positioned behind Germany, France, United Kingdom and Italy.

Spain had held this 5th position for many years, however, the situation has worsened over the last few years compared to other EU countries; total employed people in the pharma industry in Spain has slipped from a 6.4% in 2010 to 5.9% in 2012.

Where pharmaceutical production value is concerned, Spain holds 6th position in the EU (worth 14.000 M€ in 2012) and is positioned behind the four countries previously mentioned, plus Ireland, which has a pharma production of 22,000M€ and is ranked third in Europe.



Fuente: EFPIA, "The pharmaceutical industry in figures. Key data 2014".

In the production field, Spain's positioning has deteriorated too; it has slipped in European rating from 8.5% in 2010 to 8.1% in 2012.

The only macroeconomic indicator where Spain has improved in the last 3-years has been in pharmaceutical foreign trade, where our country's exports have increased from 3.8% in 2010 to 4.1% in 2012.

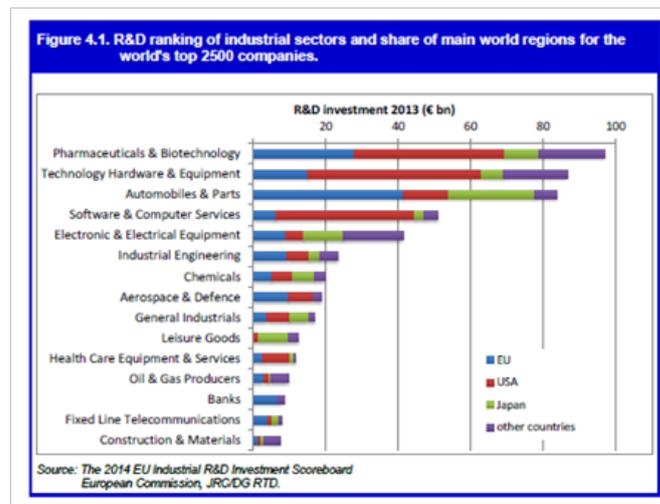
This rise in the market share of Spain's pharmaceutical exports has come about mainly as a consequence of the fall in the domestic market in Spain.

The pharmaceutical industry is world leader within the industrial sector for its investment and intensity in R&D

The European Commission has recently published the findings of its study in *The 2014 EU Industrial R&D Investment Scoreboard*,¹ which analysed R&D in 2013 of 2,500 companies that most invest in R&D worldwide, and that represent more than 90% of the total investment in R&D from the industry across the globe.

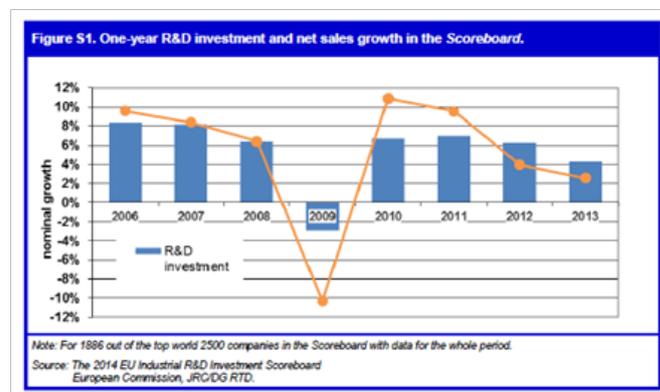
In this report, a geographical and sectorial analysis of investments was conducted on these companies, of which 804 were located in the USA (32%); 633 in the European Union (25%); 387 in Japan (15%) 199 in China (8%) and 477 in other parts of the world (19%).

As with the Spanish case (see Bulletin 111), the breakdown of the analysis by economic sectors proved that the pharmaceutical sector ranks top in global industry in terms of spendings on R&D. The volume of R&D expenditure was close to 100,000 M€ in 2013 which means 18% of the total investment in R&D in that year; this can be seen in the following chart, taken from the above-mentioned report.



The pharmaceutical industry is not only world leader for its volume of resources allocated to R&D in absolute terms, but also in relative terms. If we select intensity in R&D²; leader within the pharma sector, the expenditure ratio in R&D on volume of net sales takes up 14.4% on a worldwide scale and is therefore even more striking. Other sectors that come after Pharmaceuticals (in R&D investment ranking) are Software and Computer Services with a ratio of 10.4%, and Technology Hardware and Equipment with a ratio of 8.0%.

Furthermore, the report clearly shows the strong correlation between the evolution of expenditure in R&D of all the industrial sectors and the variation of their net sales; please see the following chart.



This correlation between sales and expenditure in R&D is also addressed with particular detail in our Bulletin 113 with regard to the pharmaceutical industry based in Spain. Therefore it is important to find a balance between the containment measures made on public pharmaceutical expenditure (which have a noticeable impact on the innovative pharmaceutical laboratories) and the development of potential investments, the sector which most invests in R&D, not only in Spain, but also in Europe and on a worldwide scale.

¹ Available at <http://iri.jrc.ec.europa.eu/scoreboard14.html>

² Intensity in R+D of an economic sector is defined by the ratio between its spending on R&D and the next sales of said sector.

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