

The Economic Bulletin

THE PHARMACEUTICAL MARKET IN SPAIN

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Market evolution

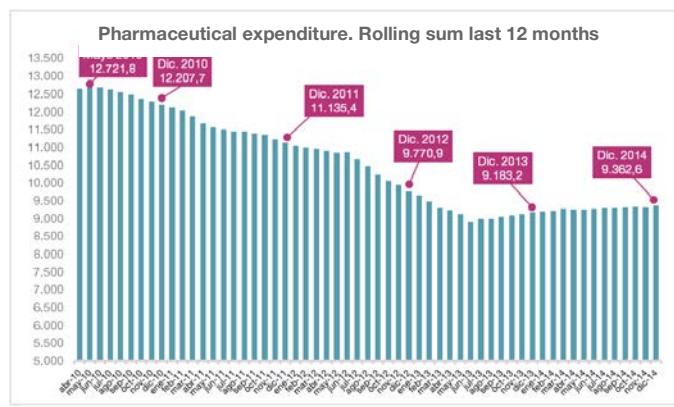
Public Pharmaceutical Expenditure (pharmacies)

	Ene. 2014- Dic. 2014	Ene. 2013- Dic. 2013	% var. 2014/13
Exp. (€ Mill.) *	9.362,6	9.183,2	1,95%
Prescr. (Millions)	868,7	859,6	1,06%
Av. Exp. per. prescription (€) *	10,78	10,68	0,88%

*VAT included

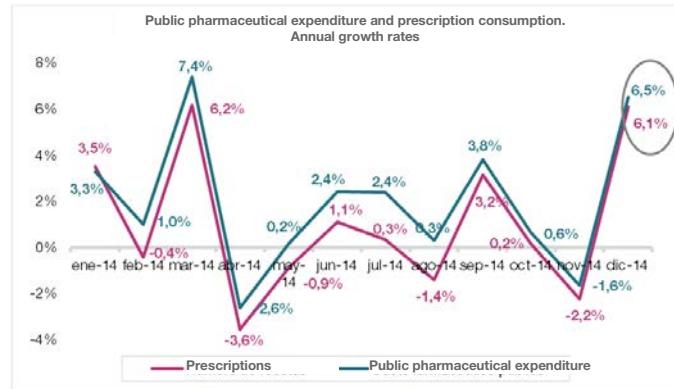
Data from the Ministry of Health, Social Services and Equality shows that in December, public pharmaceutical expenditure at pharmacies experienced a growth of +1.95% compared to the same month in 2013. This variation in expenditure is due to an increase in the number of prescriptions (+1.06%) and an increase in the average price of prescriptions (+0.88%).

The accumulated expenditure in the 12-month period to December 2014 was -3,359M€ lower than the recorded high in May 2010.



Fuente: MSSSI

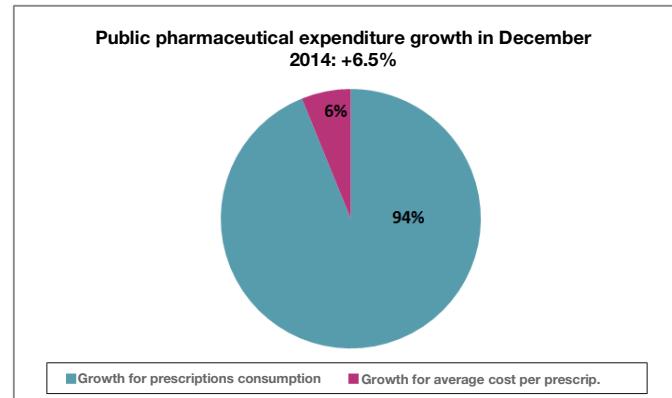
The monthly figure of December has been surprisingly high. As shown in the following chart, there is an annual growth rate of +6.6% in expenditure and +6.1% in prescriptions; it is the highest figure in 2014, except for March, which was under the seasonal influence because Easter week fell in March.



The reason behind December's data can be found researching two facts: i) in the first place, there was one extra working day in December 2014 compared to Dec. 2013, and ii) the "end of the year" effect that could have seen invoicing left to the very last moment.

However, none of the available indicators show that this one-off increase on prescription demand in December indicates a change in performance trends in this variable for 2015; growth is forecast to be below +1% at the end of the year.

As shown in the following chart, the increase in prescription demand implies 94% of total growth in December, while growth on average expenditure per prescription contributes 6% of the total growth.



Source: Farmaindustria + MoH

Finally, data from the IMS covering 2014 shows that the whole of the medicines market with generic prices reached 78.3% of the total prescription market in units in Spain, and 47.9% of said market value.



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

Trends in public pharmaceutical spending in NHS prescriptions during 2014

Over the last 5 years, 2014 has been the first one where public pharmaceutical expenditure has increased very slightly in NH prescriptions. After four consecutive years of falls (2010-2013), where spending was reduced by almost -30% since its all time high in May 2010, a small annual growth of +2% has been registered in 2014.

If we compare pharmaceutical spending at the end of 2014 (9,326M€) with the all time high of 12,721.8M€ in May 2010, we can verify that the reduction of the market during this period has been -3,359M€, a -26.4%. This refers to 2014, where the State has spent 3,359M€ less on public pharmaceutical expenditure through NH prescriptions than it did in May 2010 (on an annualised basis).

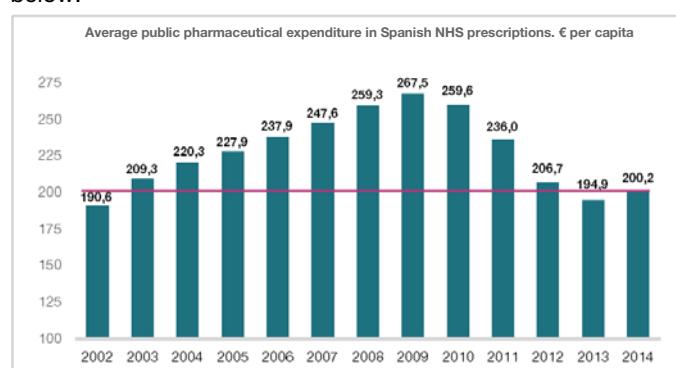
In turn, the reduction in pharmaceutical spending has come about as a consequence of falls in the two main variables: i) average expenditure per prescription, and ii) the number of prescriptions invoiced.

The average spending per prescription in 2014 was 10.78€, this is -2.64€ less than that registered in May 2010; a fall of -19.8%, thus each prescription in 2014 has cost the State 2.64€ less than it did in 2010.

On the other hand, the total amount of NH prescriptions invoiced over the whole of 2014 has been 868.7 M€, while the record high reached 984.3 M€ in June 2012. This means that in 2014, the number of NH prescriptions invoiced in Spain has been reduced by -115.6 million euro since its record high in June 2012 (a fall of -11.7%).

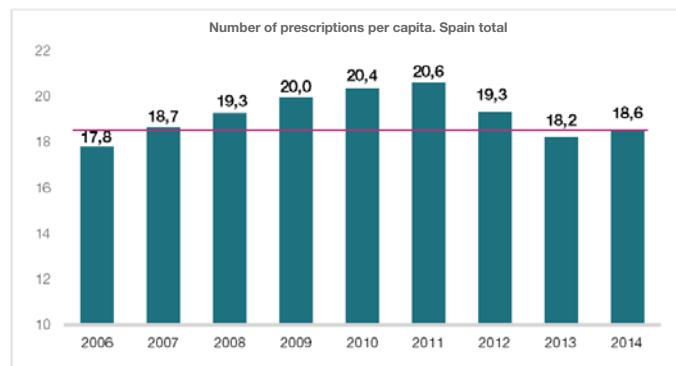
When analysing public pharmaceutical expenditure in terms of per capita, we can see that in 2014, the figure reached 200.2€ per habitant and year¹.

Although this figure has increased slightly in 2014 with regard to 2013, expenditure per capita remains at levels lower than those in 2003, as happened in 2013, reflected in the chart below.



Source: Farmaindustria + MoH + INE

In a similar fashion, the demand on prescriptions per capita in 2014 has been 18.6 prescriptions/per habitant and year, slightly higher than that of 2013, however, it is still very similar to that of 2007, as shown in the chart below.

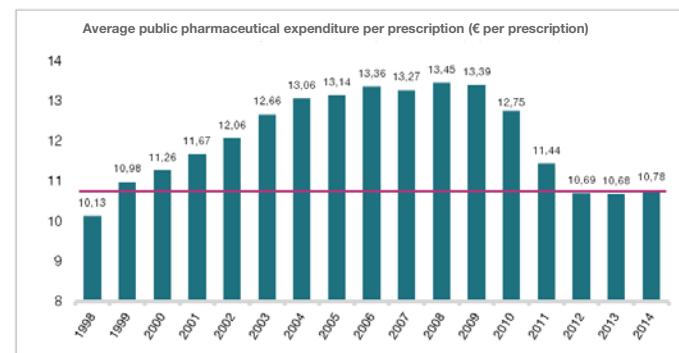


Source: Farmaindustria + MoH + INE

Prescription demand is very much correlated to the elderly, i.e. 65-years +. It is precisely this age group that naturally needs more prescriptions.

In this sense, we are drawn to the fact that the average prescription demand in 2014 is of similar levels to those for 2007, in spite of the aging population during that period. In fact, the number of elderly in Spain in 2007 was 7.53 million, while in 2014, the elderly have exceeded 8.44 M, almost a million more. There is no doubt that the introduction of the co-payment system for pensioners is -to a large extent- responsible for this lower demand.

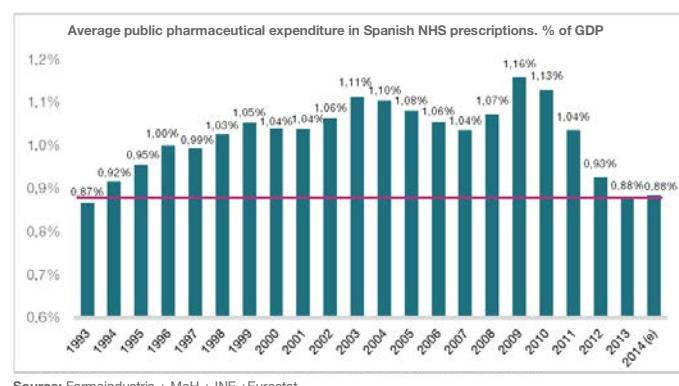
On the other hand, as shown in the chart below, the average spending per prescription in 2014 has barely increased by 10 cents of a euro compared with the average spending in 2013.



Source: Farmaindustria + MoH

With an average spending of 10.78€ per prescription, this matches the lower reaching levels registered in 1999 -15 years ago- and it is very likely that if there hadn't been a delay in updating Reference Price System until September 2014, the average price per prescription would have hardly grown last year, not even by the above-mentioned 10 cents.

Finally, we believe it useful to analyse public pharmaceutical expenditure in NHS prescriptions in 2014 in GDP terms. This is one of the most important ratios to assess economic sustainability of public pharmaceutical expenditure in the medium term.



Source: Farmaindustria + MoH + INE + Eurostat

As shown in the chart above, the ratio of public pharmaceutical spending on NH prescriptions hasn't changed in 2014 and in fact remains at a standstill at 0.88% GDP², the same thing happened in 2013; a ratio as low as this hasn't been registered since 1993, 21 years ago.

In turn, performance forecasts in both variables (PIB and pharmaceutical spending) indicate that this ratio won't change significantly in the medium term, and whatever change that may occur would be one of a greater reduction in the ratio public pharmaceutical spending over GDP in Spain.

By way of summary, a slight growth of 1.95% in 2014 has changed the continued trend of reduction which public pharmaceutical expenditure in Spain has been immersed in since 2010. However, the forecasts indicate stagnation in the short and medium term with annual expenditure growths of less than 1%, or even possible falls in the coming years.

¹ This figure is obtained by dividing public pharma expenditure in NH prescriptions of 2014 (9,362.6M€) between the whole of the Spanish population at 1st January 2014, according to data from INE estadística del Padrón Continuo del INE (46,77 million people).

² This figure is obtained by dividing public pharma expenditure in NH prescriptions of 2014 (9,362.6M€) between the preliminary Spanish GDP in 2014, recently published by the INE in its National quarterly Accounts: 1.058.469 millions €.

