The Economic Bulletin

THE PHARMACEUTICAL MARKET IN SPAIN

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farmaindustria

Market evolution

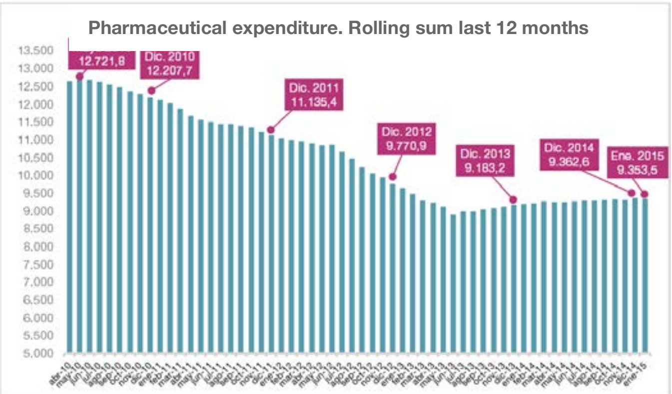
Public Pharmaceutical Expenditure (pharmacies)

	Feb. 2014- Ene. 2015	Feb. 2013- Ene. 2014	% var. 2015/14
Exp. (€ Mill.) *	9.353,5	9.209,3	1,56%
Prescrip. (Millions)	868,8	862,6	0,72%
Av. Exp. per. prescription (€) *	10,77	10,68	0,84%

*VAT included

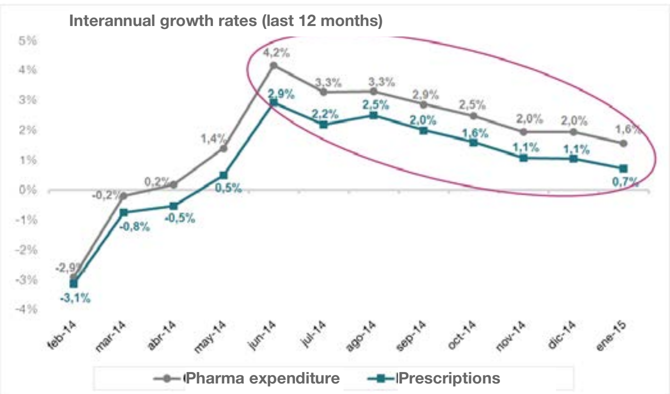
Data from the Ministry of Health, Social Services and Equality shows that in January, public pharmaceutical expenditure at pharmacies experienced a growth of +1.56% compared to the same month in 2014. This variation in expenditure is due to an increase in the number of prescriptions (+0.72%) and an increase in the average price of prescriptions (+0.84%).

The accumulated expenditure in the 12-month period to January 2015 was -3,368M€ lower than the recorded high in May 2010.



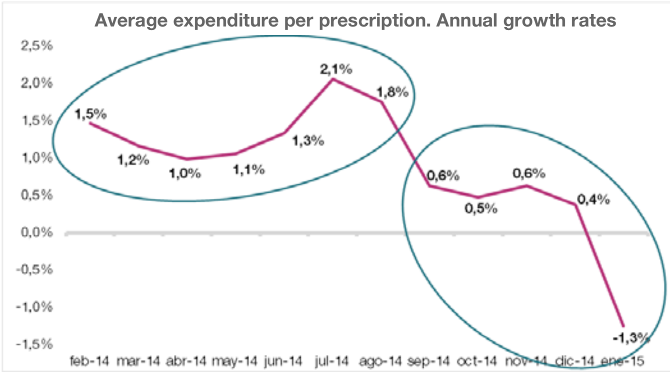
Fuente: MSSSI

Both prescription demand and spending continue their downward trend after the recuperation in July 2014. This is due to statistical effects disappearing that were related to measures laid out in R.D. law 16/2012, i.e. mainly the introduction of co-payment for pensioners and the de-listing of 417 medicines for minor health problems. In our bulletin number 113, September 2014, you can read about this in more detail. It is foreseeable that the growth rate of accumulated expenditure in the 12-month period will carry on with this downward trend during the first half of the year and, it will probably fall below 1% by the end of the year.

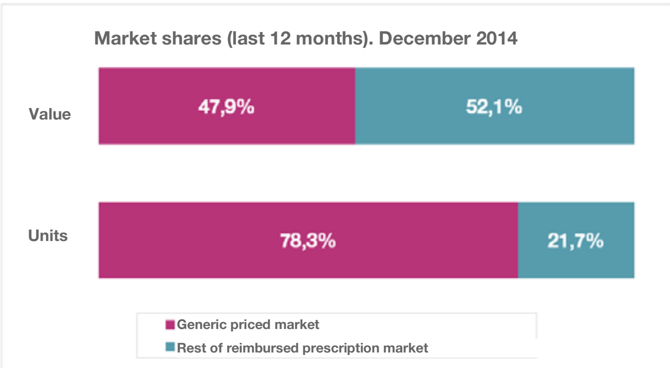


Where average expenditure evolution per prescription is concerned, when analising the performance of the annual rate series, (year on year), we can clearly appreciate the effects of the Reference price system's revision that took place in September 2014.

As shown in the following chart, between January and August 2014 the evolution of expenditure per prescription registered an annual growth of above +1%, meanwhile from September (when the Reference Price Order came into force), annual growth rates were around the +0.5%, and in January 2015, this data has been a negative one of -1.3%. It is foreseeable that this trend will carry on during the first half of 2015.



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

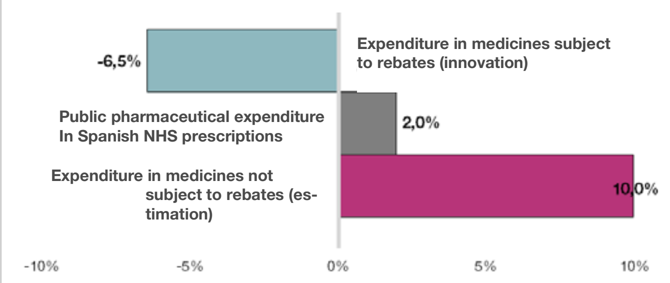
The different segments of pharmaceutical expenditure have evolved in a very imbalanced way in 2014.

After four years of downturn, 2014 has been the first year in which we have seen positive public pharmaceutical growth in Spain.

However, this growth hasn't been experienced in all segments of the market in the same manner. Expenditure on generics and on medicines subject to rebates (innovative products) are the "heads and tails" of public pharmaceutical expenditure in Spain, as a whole, for 2014.

As reflected in the following chart, global public pharmaceutical spending in NH prescriptions closed the year with an increase of 2%. Spendings on medicines subject to rebates of 4%, 7.5% and 15% (mainly innovative medicines with no generic competitor) suffered a drop of almost -6.5%, and it is estimated that spendings on the rest of the medicines (basically those subject to the RPS) experienced an increase of around +10% en 2014.

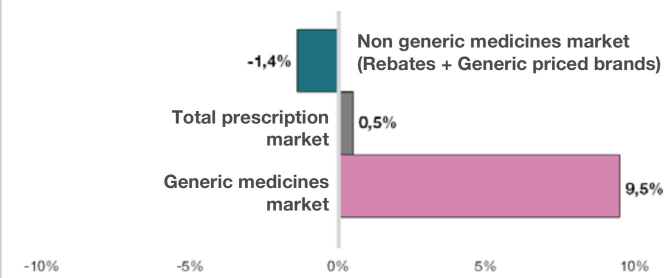
Evolution of public pharmaceutical expenditure in the retail market, plus submarkets (affected per rebates or not). 2014



Source: MoH and Farmaindustria estimations

If we assess the prescription medicines market as a whole (both the public market and private), the IMS data shows that 2014 registered a positive growth of +0.5%. However, as shown in the following chart, while generic medicines grew by +9.5%, the rest of the prescription medicines market (mainly formed by brand medicines, with or without patent protection) fell by -1.4% in value in 2014.

Evolution of the total of prescription market and generic and non generic sub markets. 2014.



Source: Farmaindustria estimations from IMS data

These charts reflect the duality the Spanish pharmaceutical market is immersed in, with important sales growths in generic medicines and hefty falls in sales of patented medicines. This situation has marked a general trend in 2014 and 2015 is not expected to be very different, according to leading analysts in this sector.

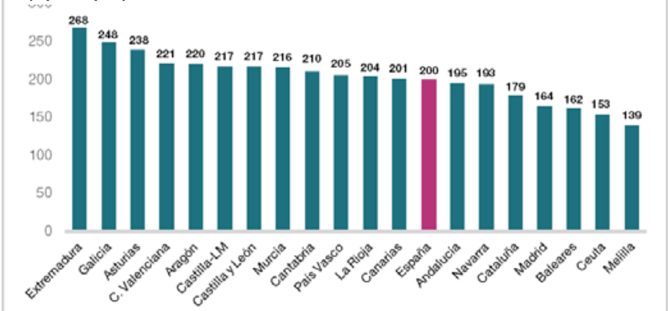
The autonomous regions' pharmaceutical market in 2014

Public pharmaceutical spending in the autonomous regions has grown moderately in all of them in 2014, with the exceptions of Valencia (-0.2%), the Basque Country (-3.8%) and Galicia (-1.6%).

In terms of per capita, growth in public pharma expenditure has caused the average spending to increase by 5€ per person per year, from 195€ per capita in 2013, to 200€ in 2014.

As shown in the following chart, dispersion of public pharma expenditure per capita goes from a high of 268€ in the Extremadura region, to a lower 162€ per capita in the Balearic Islands (without taking into account the enclaves of Ceuta and Melilla). We must highlight the fact that dispersion of public pharma expenditure per capita has reduced in Spain in 2014, given that the coefficient of variation[1] has gone from 16.5% in 2013, to 15.7% in 2014 (o from 13.2% in 2013, to 12.7% in 2014 if we exclude Ceuta and Melilla from the analysis).

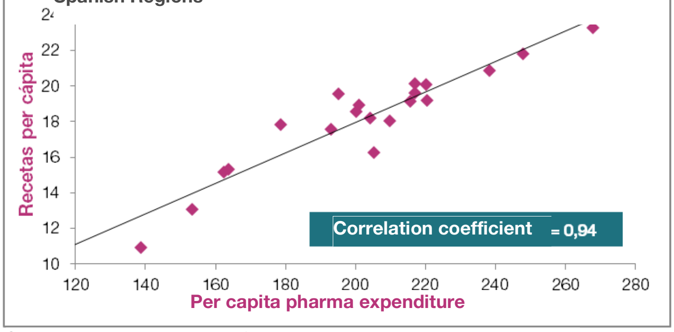
Public pharmaceutical expenditure in Spanish NHS prescriptions. 2014 (€ per capita)



Source: Farmaindustria analysis from MoH and INE data

The correlation between public pharma expenditure per capita and prescription demand per capita is almost perfect (coefficient correlation of +0.94), as reflected in the following chart.

Relation between per capita public pharmaceutical expenditure and per capita prescriptions consumption. 2014. Data from Spanish Regions

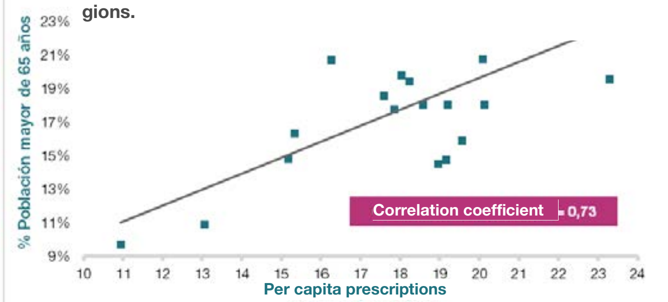


Source: Farmaindustria analysis from MoH and INE data

This indicates that the main variables which explain the differences in expenditure per capita between the autonomous regions and those variables that explain inter-regional differences in prescription demand per capita are fundamentally common.

In fact, one of the most important variables is the degree of elderly within its autonomous region that can cause differences among regions where pharma spending per capita o prescription demand per capita are concerned.

Relations between the share of 65+ year old population and per capita prescription consumption. 2014. Data from Regions.



Source: Farmaindustria analysis from MoH and INE data

As shown in the previous chart, the correlation between the elderly of 65+ years and prescription demand is positive and high (+0.73), which indicates that one of the main factors for the differences between autonomous regions in terms of pharma expenditure per capita or prescription demand per capita, are inter-regional structural differences like the percentage of the elderly population, and not so much a variation in average expenditure or the demand of innovative medicines.

[1] The coefficient of variation is defined as the coefficient between the standard variation of a variable and its average, the bigger the value, the bigger heterogeneity exists in the series' values.

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