

The Economic Bulletin

THE PHARMACEUTICAL
MARKET IN SPAIN

Issue 119

Market evolution

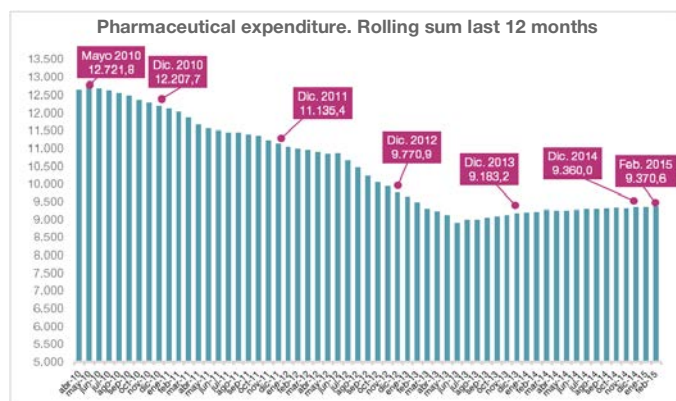
Public Pharmaceutical Expenditure (pharmacies)

	Mar. 2014- Feb. 2015	Mar. 2013- Feb. 2014	% var. 2015/14
Exp. (€ Mill.) *	9.370,6	9.216,8	1,67%
Prescrip. (Millions)	871,3	862,3	1,04%
Av. Exp. per. prescription (€) *	10,75	10,69	0,62%

*VAT included

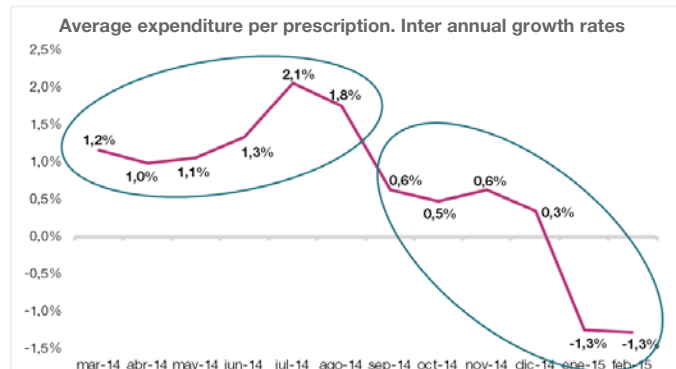
Data from the Ministry of Health, Social Services and Equality shows that in February, public pharmaceutical expenditure at pharmacies experienced a growth of +1.67% compared to the same month in 2014. This variation in expenditure is due to an increase in the number of prescriptions (+1.04%) and an increase in the average price of prescriptions (+0.62%).

The accumulated expenditure in the 12-month period to February 2015 was -3,351M€ lower than the recorded high in May 2010.



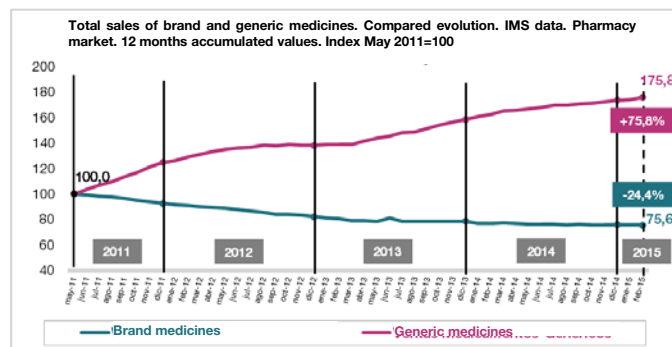
Fuente: MSSSI

Average expenditure per prescription continues to register low annual growth rates. In fact, February registered a fall of -1.3% which was a repetition of January, which, as we mentioned in our previous bulletin, contrasts with the annual growths higher than +1% registered in the average expenditure per prescription series in terms of expenditure before the Price Reference Order became effective in September 2014.



On the other hand, the duality in the Spanish pharmaceutical market remains a constant fact, given that behavioral disparities are being produced from the different segments that compose the prescription medicines market.

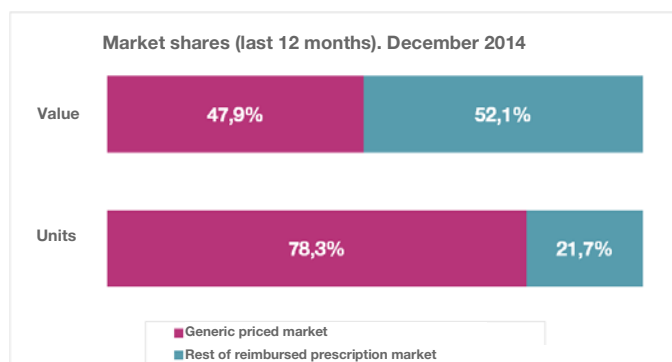
Consequently, sales in generic drugs are evolving with great success, while the submarket of brand medicines is suffering continual falls in its turnover.



Source: Farmaindustria from MoH

As seen in the above chart, while the generic medicines market has grown by more than +75% in accumulated terms in Spain over the last four years¹, the brand market has fallen by almost -25%. In this same period, the market of all prescription drugs in Spain fell by -15.2%. In other words, the fall in the Spanish pharmaceutical market due to a big drop in brand medicine sales (-24.4%) and a large increase in generics sales (+75.8%).

Finally, data from the IMS for 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 pharmaceutical market is leader in production of hi-tech goods

The National Institute of Statistics (INE) has recently published its report on Hi Tech indicators offering data corresponding to 2013².

Said report includes a series of data of great interest from a double perspective: i) sectorial and ii) products.

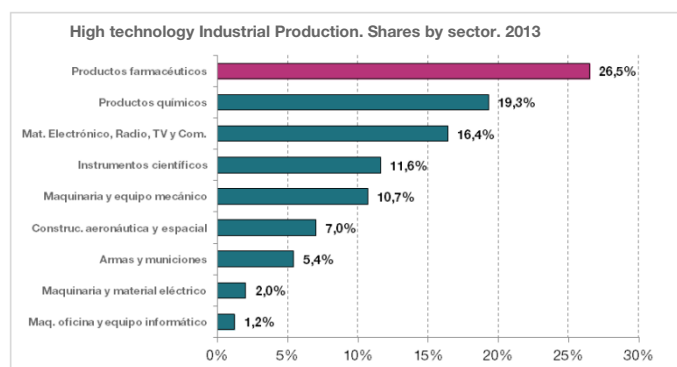
The study carried out on production of Hi Tech goods from the products point of view is based on the construction of indicators that reflect the technological content of the goods being produced and exported by a country or by an industrial sector.

¹ The value that is taken as the index base (100) is May 2011, since it constitutes the first sales data depicting a 12 months accumulation and incorporating the complete effect of pharmaceutical expenditure containment measures included in Royal Decree Law 4/2010, first one of the four RDLs which have brought on the fall of Spanish pharmaceutical expenditure during recent years.

² Available at: <http://www.ine.es/jaxi/menu.do?type=pcaxis&path=%2Ft14/p197&file=inebase&L=0>

This approach allows us to analyse the competitive and commercial situation of a country -or industrial sector- in international hi-tech markets, characterised for having strong growth on the demand side worldwide; this implies great trade opportunities and develops the industrial fabric of our country.

Results published by the National Institute of Statistics (INE) reveal the relevance of the pharmaceutical industry in the production of hi-tech goods in Spain. In fact, as shown in the following chart, the production of medicines holds first position.



Fuente: INE. Indicadores de Alta Tecnología. 2013

As you can appreciate, pharma products represent almost 27% of the total industrial production of hi tech goods in Spain; a particularly relevant point if you take into account the pharma industry's share is only 2% of the Spanish industrial sectors' production, which clearly shows its high technological component.

Where foreign trade is concerned, pharma products are not only the 5th most exported product from Spain -as you can read in the following article in this bulletin-, but pharma products are also the second most exported product in hi tech with a quota share of 21% of national total exports.

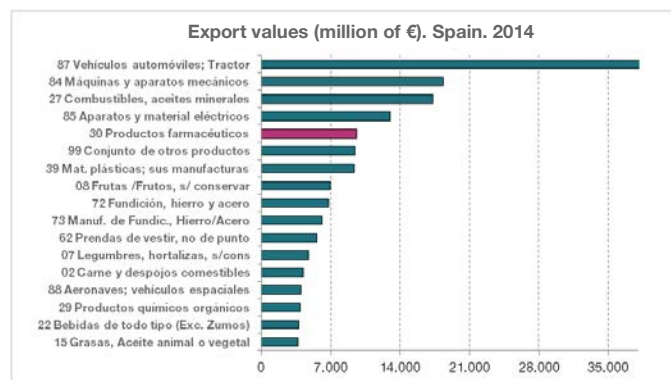
This data is especially important given that exports of this type of product are more difficult to substitute and their contribution to trade balance is usually more stable over time.

Ultimately, if, as the experts have pointed out, the intensive technology sectors should lead a new growth model in our country, one that is more solid and sustainable and less dependent on the economic climate, the pharma industry seems to be one of the hi tech sectors that can most contribute to this economic model change, both in terms of production and in foreign trade.

Medicines, the 5th most exported product from Spain in 2014.

The Secretary of State for Foreign Trade has published Spanish export data for 2014 (although it is still provisional data) by categories of products, as identified the Integrated Tariff of the European Communities (TARIC).³

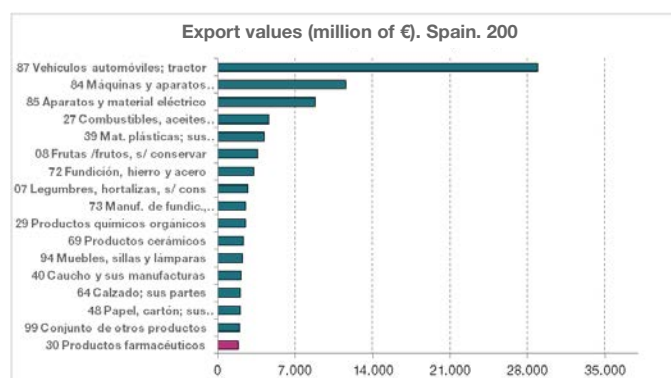
According to this data (shown in the following chart), in 2014 exported pharmaceutical products from Spain would have held 5th position in the ranking of products most exported in terms of value, ranking just behind exports of i) motor vehicles, ii) machinery and mechanical apparatus; iii) combustibles and mineral oils, and iv) apparatus and electronic material



Fuente: Farmaindustria, a partir de datos de Secretaría de Estado de Comercio (TARIC)

Although in reality, exports of medicines hold 5th place in the Spanish ranking of exports, this has not always been the traditional position held by this product. As shown in the chart below, in 2000, medicine exports from Spain held 17th place, which implies an advance of 12 positions in 14 years.

Respectively, while in 2000, exports of pharmaceutical products (TARIC classification) accounted for less than 1.5% of the total Spanish exports; in 2014, this percentage had reached 4%, which gives us an idea of the quantum leap the pharmaceutical industrial market has made in competitiveness.



Fuente: Farmaindustria, a partir de datos de Secretaría de Estado de Comercio (TARIC)


In fact, whereas the whole of the Spanish exports has multiplied its value by 1.9% between 2000 and 2014 (it did not manage to double itself), the value of pharma products from Spain has multiplied by more than five-fold in the same period.

In terms of average annual growth rate, where the total Spanish exports has grown at an average annual rate of +4.8% between 2000 and 2014, exports of pharma products from Spain have grown at an average annual rate of +12.5% during the same period.

In an increasingly global economy, where trade fluctuations dictate growth opportunities in general for countries in the medium term, it is important to highlight the role Spain can play with an industrial pharmaceutical sector as dynamic -in terms of foreign trade and competitiveness- in international markets, so much so that it has been able to multiply its volume in exports by more than five-fold in the last 15 years.

³ For more information on this classification, see: http://ec.europa.eu/taxation_customs/dds2/taric/taric_consultation.jsp?Lang=es



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