

The Economic Bulletin

**THE PHARMACEUTICAL
MARKET IN SPAIN**

Number 120

Market evolution

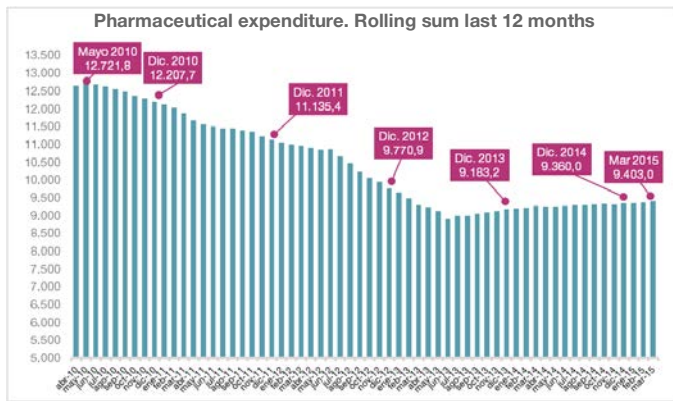
Public Pharmaceutical Expenditure (pharmacies)

	Abr. 2014- Mar. 2015	Abr. 2013- Mar. 2014	% var. 2015/14
Exp. (€ Mill.) *	9.403,0	9.271,3	1,42%
Prescrip. (Millions)	874,6	866,8	0,90%
Av. Exp. per. prescription (€) *	10,75	10,70	0,52%

*VAT included

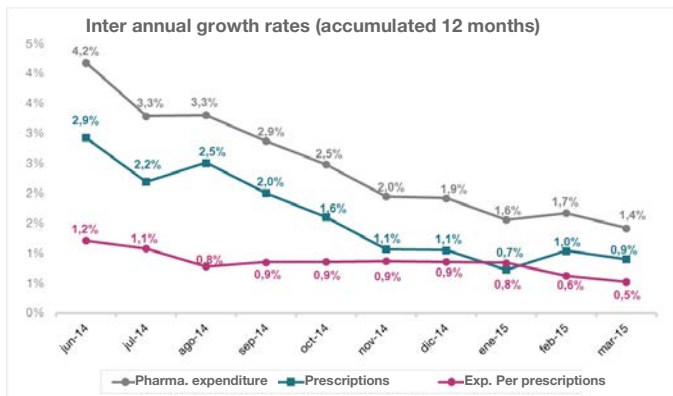
Data from the Ministry of Health, Social Services and Equality shows that in March, public pharmaceutical expenditure at pharmacies experienced a growth of +1.4% compared to the same month in 2014. This variation in expenditure is due to an increase in the number of prescriptions (+0.9%) and an increase in the average price of prescriptions (+0.5%).

The accumulated expenditure in the 12-month period to March 2015 was -3,319M€ lower than the recorded high in May 2010 (a -26.1% lower).



Fuente: MSSSI

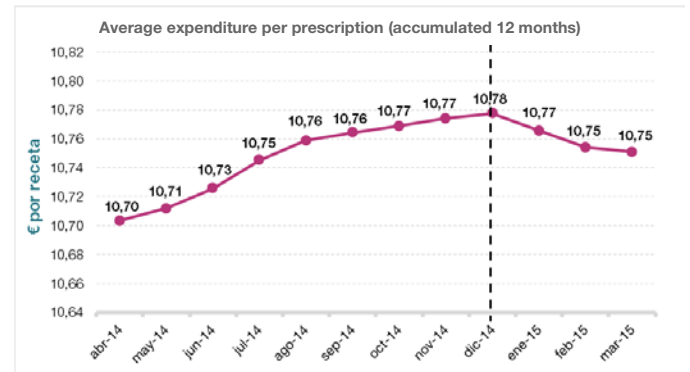
In growth rates for the series expenditure, prescriptions and average expenditure per prescription accumulated to 12 months continue to reflect a downward trend. This is verified in the following chart between June 2014 and March 2015: i) prescription demand has gone from a growth that reached +2.9% to a +0.9%; ii) the growth rate on average expenditure per prescription has dropped from +1.2% to a +0.5%, and iii) public pharmaceutical expenditure reflects a reduction in growth rate in this period (accumulated to 12-months) from +4.2% to 1.4%.



The series of average expenditure per prescription in absolute terms illustrates this trend clearly.

Consequently, the following chart shows that the beginning of 2015 has brought a fall in the average expenditure per prescription and this fall will continue throughout the year, and

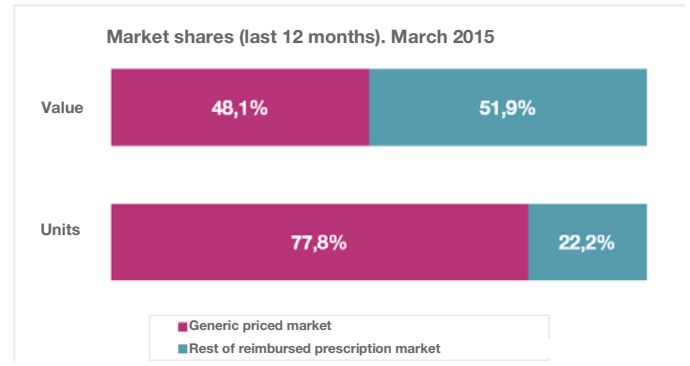
most probably the average price per prescription will reach values close to or even lower than 10.70 € at the end of 2015.



Short-term expectations are of a slight change in the market trend (in values accumulated to 12-months). Hence, we expect: i) a more pronounced fall in the growth rate of average expenditure per prescription, which might go into negative rates at the beginning of the summer; ii) a slight increase in the growth rate of prescription demand reaching values close to +1.5% in the last quarter of 2015, and iii) a certain slowing down of the decreasing growth rate of pharmaceutical expenditure.

In the medium term, the new reference price order is expected to take effect in the last quarter of 2015 which will make public pharmaceutical expenditure grow below +1% by the end of the year.

Finally, data from the IMS for March 2015 shows that the whole of the medicines market with generic prices reached 77.8% of the total prescription market in units in Spain, and 48.1% of said market value.



Source: Farmaindustria estimates from IMS

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

Average expenditure and prescription demand are entering a standstill phase.

After several years of intense market falls, and also falls in public pharmaceutical expenditure in Spain, 2014 experienced a +1.9% increase in expenditure; this was the first year of positive growth over the last 5-years period.

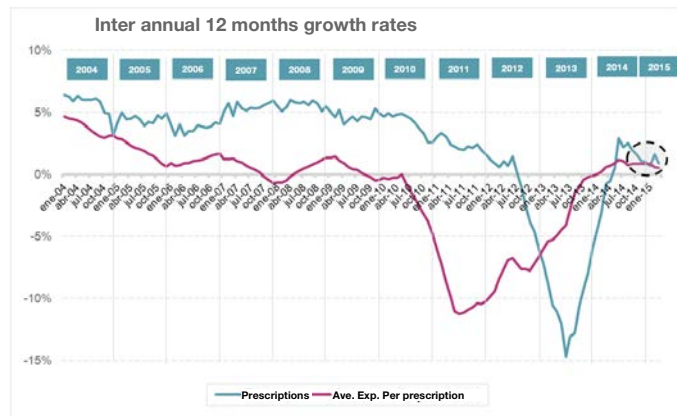
However, specialised analysts in this sector do not predict such an optimistic picture in the short and medium term with regards to the pharmaceutical market evolution in Spain.

Respectively, the IMS's report *Market Prognosis* anticipated annual market growth in pharmacies in Spain of between +0.4% and +1.0% over the period 2015-2019.

If these forecasts are applied to public pharmaceutical expenditure, we would begin 2020 with an expenditure volume

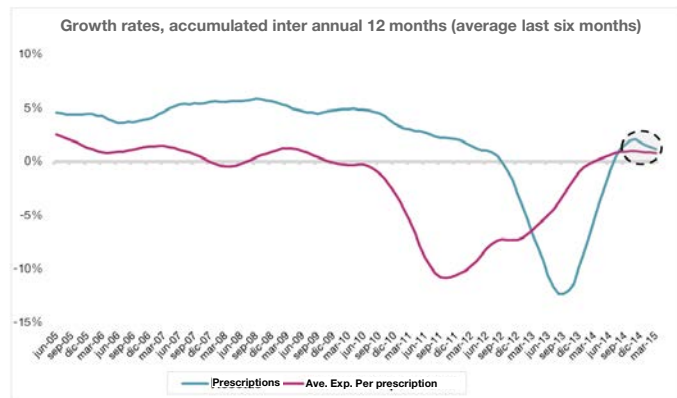
barely surpassing 9,700 M€, placing us at similar levels to those of 2005, (15 years on).

If we carry out a historical analysis on the expenditure series (growth rates accumulated to 12-months) separated in two components, i) the number of prescriptions and ii) the average cost per prescription, we can verify and see just after the “V” effect, how the Real Decree laws 4/2010, 8/2010, 9/2011 and 16/2012 have affected these series; the standstill in both variables seems to stem from the times where new behavioral tendencies are experienced, as shown in our chart below.



Source: Farmaindustria + MoH

Even smoothing down the series to eliminate economic fluctuations that could veil the true trends in the medium term (in this particular example, calculating the mobile average of each observation in the last 6 months the growth rate accumulated to 12-months), we can see that the standstill, not only in prescription demand but also in average expenditure per prescription are, at this moment, the most plausible hypothesis.



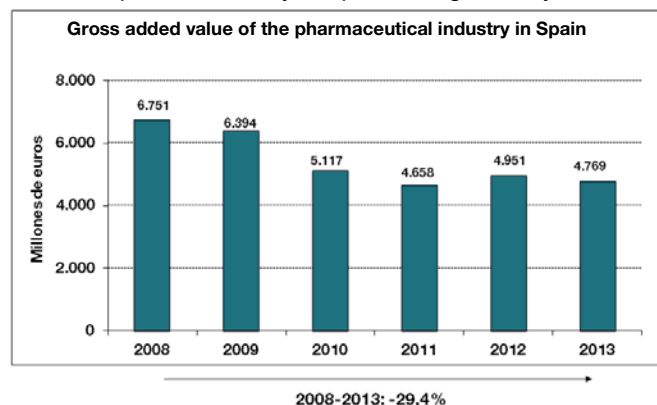
Source: Farmaindustria + MoH

Real data and forecasts from Analysts show that once the economic statistic effects are absorbed from the measures established by the Ministry of Health (since 2010), the change in pharmaceutical expenditure trends turn the standstill into a reality. Consequently, it doesn't seem plausible to contemplate an arena of expenditure evolution that would be close to the growth rates forecasted for the Spanish economy in the coming years (exceeding +3.5%); rather, available evidence suggests public pharma expenditure will grow well below the economy in the next few years.

The pharmaceutical industry gross value added has lost 2,000 million euros en 5 años

The National Institute of Statistics (INE) has published GAV figures; broken-down by activities and among them is the

pharmaceutical industry. In the following chart we can see the GAV of the pharma industry in Spain during recent years.



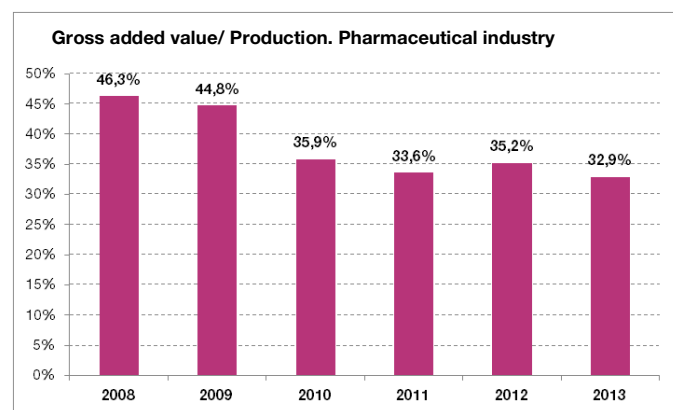
Source: INE. Spanish National Accounts. Detailed results 1995-2013

As reflected in the chart above, the deterioration of GAV in the pharmaceutical industry in Spain has been very noticeable. It contributed €7,000 M€ directly to Spanish GDP in 2008 dropping to then less than 5,000 M€ in 2013 (latest data available).

In terms of income, GAV is distributed mainly among: i) gross salary; ii) production related tax, and iii) gross operating surplus and mixed income. In this regard, it is important to emphasize that the reduction of GAV in the pharmaceutical industry registered between 2008 - 2013 has been concentrated in the gross operating surplus, and not on the income nor production related tax.

This decline of GAV in the pharma industry is closely linked to the knock-on impact the regulatory measures have had since they were introduced in Spain in 2010. They have brought about a fall in the domestic market and a loss of GAV pharmaceutical, There has been no way to compensate this, not even with the strong increase in exports of medicines registered in Spain.

In fact, as shown in the following chart, the percentage that represents GAV over the value of Spanish pharma production has reduced noticeably from a 46.3% in 2008, to a 32.9% in 2013; the lowest ever recorded since 1995 - the year the series started to be published for the first time by the National Institute of Statistics.




Source: INE. Spanish National Accounts 2012 base. Aggregated by activity

The deterioration of the GVA/Production ratio on the pharma industry occurred between 2008-2013 (almost -30%); it is the most felt drop by an industrial sector during this current crisis and is a good example of how the regulatory measures have affected a parameter -so relevant for a sector- as the percentage of its production that translates directly in GVA and therefore doesn't transfer to other productive sectors by means of acquisitions and intermediate consumption.

farmaindustria

 C/María de Molina 54, 7^a
28006 - Madrid

 Telephone: 0034+ 91 515 93 50

 farmaindustria@farmaindustria.es

 facebook.com/farmaindustria

 [@farmaindustria](https://twitter.com/farmaindustria)

 [googleplus](https://googleplus.com/farmaindustria)

 <http://www.farmaindustria.es/>