

The Economic Bulletin

**THE MEDICINES MARKET
IN SPAIN**

No. 121

Market evolution

Public Pharmaceutical Expenditure (pharmacies)

	May. 2014- Abr. 2015	May. 2013- Abr. 2014	% var. 2015/14
Exp. (€ Mill.) *	9.409,6	9.250,2	1,72%
Prescrio. (Millions)	875,3	864,1	1,30%
Av. Exp. per. prescription (€) *	10,75	10,70	0,42%

*VAT included

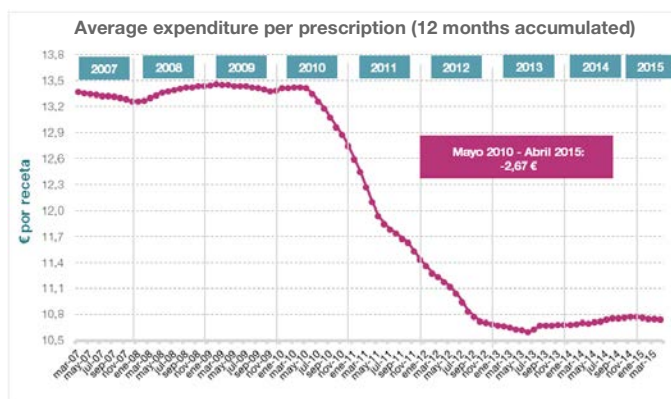
Data from the Ministry of Health, Social Services and Equality shows that in April, public pharmaceutical expenditure at pharmacies experienced a growth of +1.7% compared to the same month in 2014. This variation in expenditure is due to an increase in the number of prescriptions (+1.3%) and an increase in the average price of prescriptions (+0.4%).

The accumulated expenditure in the 12-month period to April 2015 was -3,312M€ lower than the recorded high in May 2010 (a -26.1% lower).



Source: MoH

In this bulletin we would like to draw your attention to the evolution of the average price per prescription in recent years, thus explain the contribution of this variable on the reduction of pharmaceutical expenditure, shown in the above chart, and also to work out possible future trends.

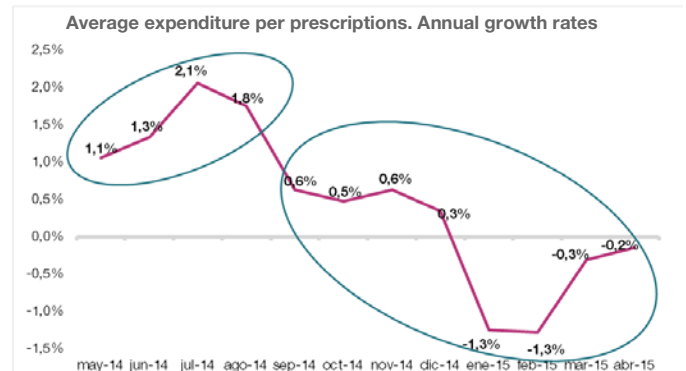


Source: Farmaindustria from MoH info

As seen in the above chart, before the RD laws 4/2010 and 8/2010 became effective, the average cost ranged from 13.20€ to 13.50€ per prescription, however, from May 2010, the average cost per prescription began a substantial downturn, reaching a minimum of 10.60€ in June 2013.

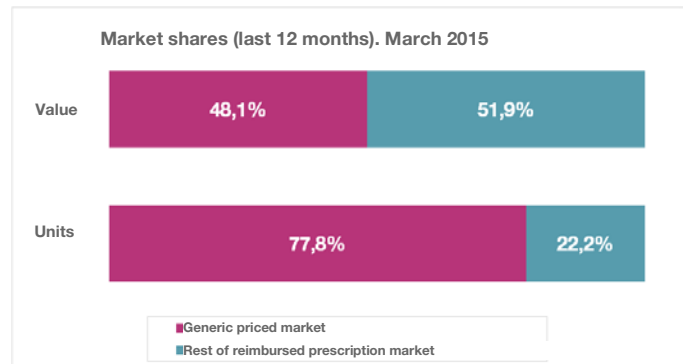
From then on, the average cost per prescription begins to recuperate slightly until January 2015, when it experiences a small fall.

This recent trend in average expenditure per prescription can be clearly seen in the following chart which verifies how the growth rate slowed down after the RP Order came into force in September 2014, and how said rate is in negative terms since January 2015.



Actually, the average cost per prescription is 10.75€, which means it has suffered a fall of -2.7€ (20%) in the last five-years between May 2010 and April 2015 and at today's date, this data draws a parallel to those levels registered mid 1999 (16 years ago). In turn, all the forecasts indicate a more pronounced fall in the average cost per prescription, especially from the start of the new reference price order, which will most probably come into force at the end of 2015.

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

The Spanish pharma market is heading towards moderation up until 2018 - contrasting with a trend of generalised growth

In previous Bulletins we have analysed the impact different pharmaceutical policy measures have had on Spain in depth since 2010; they have brought about four years of falls in public pharma expenditure in our country (2010-2013).

This trend came to a halt in 2014 when pharma expenditure grew by +1.9%. Notwithstanding, a recent publication by

distinguished analysts of the sector from the IMS consulting firm have dampened expectations of this positive trend.

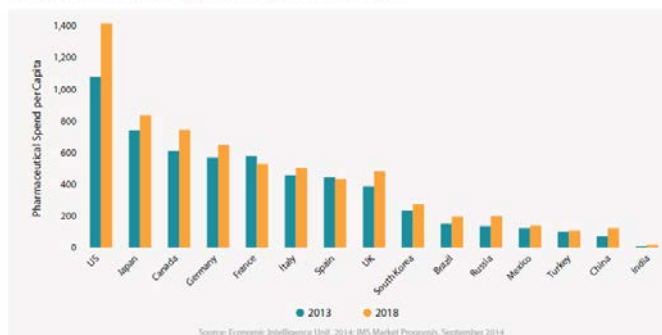
The IMS *Institute for Healthcare Informatics* carries out an annual report in which, with homogenized data at an international level, studies: i) recent evolution of the pharma markets in different countries, and ii) evolution forecasts in said markets in the short and medium term. In the latest issue of this report¹ IMS analyses the performance of the main global pharmaceutical markets during 2009-2013, and presents the evolution forecasts for the period 2014-2018².

With regard to 2009-2013, the annual average accumulative growth rate of the global pharma market in said period was +5,2%, with a variation between countries: +19,0% of annual yearly growth in the Chinese market, and +0,3% and -0,7% registered in Spain and France respectively; the latter two countries' pharma markets registered the worst evolution in this time period.³

Where future forecasts are concerned, the IMS estimates that the world pharma market will grow by an annual average rate of +4% and +7% in the period 2014-2018, with: annual average growth higher than +10% in the emerging countries (Brazil, Russia, India and China); ii) important accumulative annual growth in USA (between +5% and +8), and iii) a much more moderate annual growth in the five main European countries (between +1% and +4%), with two countries specifically, Spain and France, that according to IMS could register negative growth rates.

Consequently, in per capita terms, the report simulates the distribution of pharma expenditure in the countries included in the study in 2013 and in 2018, as shown in the following chart.

Pharmaceutical spending per capita, 2013 versus 2018

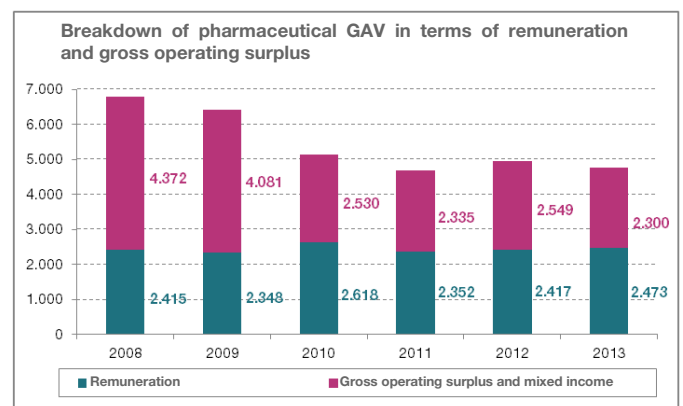


As a consequence, the poor evolution perspectives of Spain's pharma market makes clear i) the importance of the adjustment carried out in our pharma market in recent years, not only from the domestic perspective, but also at an international level, and ii) the structural and permanent character of the pharmaceutical policy measures adopted in recent years reflects Spain and France as the only countries where total pharma expenditure per habitant is lower in 2018 than in 2013.

The fall in Gross Value Added of the pharmaceutical industry has concentrated in the gross operating surplus

In our previous bulletin "[Economic Bulletin 120](#)" we gave data on National Accounts that revealed a substantial fall in the pharmaceutical industry's activities' GVA during 2008-2013 in Spain: a fall in GVA of almost -30%, which converts to -2,000 M€ in that period. In the same bulletin, we also mentioned that the fall in GVA concentrated in the Gross operating surplus, and not so much in the Gross Employees Remuneration.

In this bulletin, we are studying how both components of the pharmaceutical GVA have evolved in 2008-2013.⁴



Source: Farmaindustria from Spanish National Statistics

As you can appreciate, the GVA total pharmaceutical contraction between 2008 and 2013 is brought about by the substantial fall in the Gross Operating Surplus (property and business income + capital consumption) and mixed income (autonomous workers for the household sector, which is not really relevant in this industrial activity).

This GVA component went from generating 4,372 M€ in 2008 to contributing only 2,300 M€ to GVA in 2013; this implies a fall of -2,072 M € (almost -50%).

The National Institute of Statistics' data from their survey conducted on Industrial companies is very much in line with the above figures, given that under the heading "personnel costs" in the pharmaceutical industry, which is very similar to "Gross Employees Remuneration" went from 2,288 M€ in 2008 to 2,138 M € en 2013 and included expenditure in the following items: i) wages and salaries ii) indemnity payouts, iii) social security/national insurance paid by the Co. and iv) other personnel costs.

As a consequence, the fall in pharmaceutical industrial GVA has brought about regulatory measures in recent years which have primarily affected not only employment income, but to a larger degree, capital income.


¹ IMS *Institute for Healthcare Informatics*. *Global Outlook for Medicines through 2018*. November 2014.


² Perspectives obtained from *IMS Market Prognosis*. September 2014.

³ Data offered is not comparable with public pharmaceutical expenditure, given that the report that was analysed valued official Ex-Manufacturers Price data, without reductions in discounts or rebates and furthermore, both the public and the private markets are considered, and both through the pharmacy and hospital channels.

⁴ A third component of GVA are the so called "other net taxes on production", however in the case of the pharmaceutical Industry, it is so slight that during the years the studies were carried out, its contribution to GVA did not exceeded 0.6%.

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