# The Economic Bulletin

## THE MEDICINES MARKET IN SPAIN

Nº 124

farmaindustria

# Market evolution

**Public Pharmaceutical Expenditure (pharmacies)**

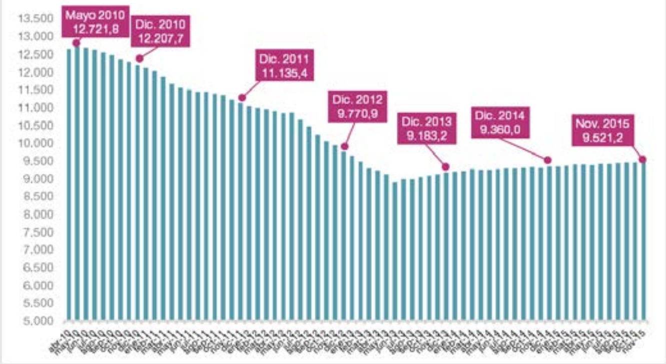
| | Dic. 2014-Nov. 2015 | Dic. 2013-Nov. 2014 | % var. 2015/14 |
|---|---|---|---|
| Exp. (€ Mill.) * | 9.521,2 | 9.311,0 | 2,26% |
| Prescrip. (Millions) | 881,5 | 864,3 | 1,99% |
| Av. Exp. per. prescription (€) * | 10,80 | 10,77 | 0,26% |

*VAT included

Data from the Ministry of Health, Social Services and Equality shows that in November, public pharmaceutical expenditure at pharmacies experienced a growth of +2.26% compared to the same month in 2014. This variation in expenditure is due to a rise in the number of prescriptions (+1.99%) and an increase in the average price of prescriptions (+0.26%).

The accumulated expenditure in the 12-month period to November 2015 was -3,201M€ lower than the recorded high in May 2010 (a -25.2% lower); see the below chart.

Pharmaceutical expenditure. Rolling sum last 12 months




Fuente: MSSSI

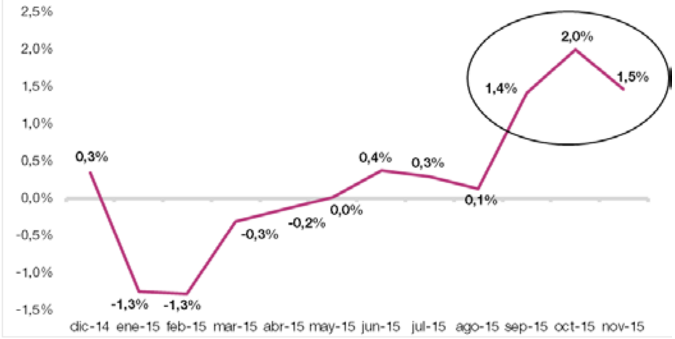
November registered an increase in the growth rate of public pharmaceutical expenditure over the 12-month period; from a +1.6% in October to a +2.2% registered in November.

Said increase is attributed to circumstantial causes and it is foreseeable that in December, values close to +1.7% /1.8% will be reflected - as has happened during the other months of 2015. These circumstantial causes mainly boil down to two factors, firstly, November 2015 had one extra working day than November 2014 and this positively influences the demand side of prescriptions; in fact, if we corrected the number of working days, the annual increase on the demand of prescriptions in November 2015 would have been +0.7%, instead of the +4.8% which is actually the registered figure. Secondly, the PRO (Price Referencing Order) came into force in September of 2014 -where expenditure is concerned-, however in 2015 the PRO didn't actually come into force until December. This fact is key in explaining the upturn in the average expenditure rate during the recent months.

Therefore, -where expenditure effects are concerned- with the PRO in force in September 2014, those months (September, October and November) included the price cuts brought about by said PRO and this influenced the average growth rate in a significant way.

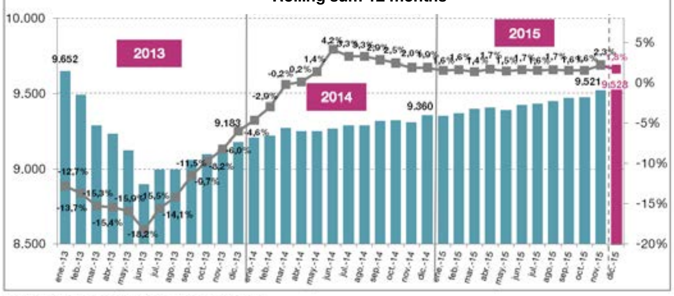
On the other hand, September, October and November 2015 haven't included the depressed prices of the PRO 2015, given that it will came into force –where expenditure is concerned- in December, thus reflecting in a growth rate noticeably higher than that registered in the previous months, as shown in the following chart.

Average expenditure per prescription. Annual growth rates




Once these circumstantial factors that affected the demand side of prescriptions and the average expenditure in the previous months have been corrected, it is probable that in December, the peak experienced in November will be corrected and the year will probably end with a figure of around +1.8%

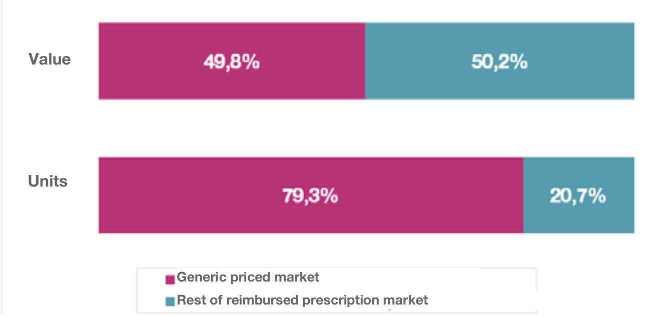
Public pharmaceutical expenditure in SNS prescriptions. Rolling sum 12 months




Fuente: MSSSI. Previsiones, Farmaindustria

Finally, data from the IMS for September 2015 shows that the whole of the medicines market with generic prices reached 79.3% of the total prescription market in units in Spain, and 49.8% of said market value.

Market shares (last 12 months). September 2015

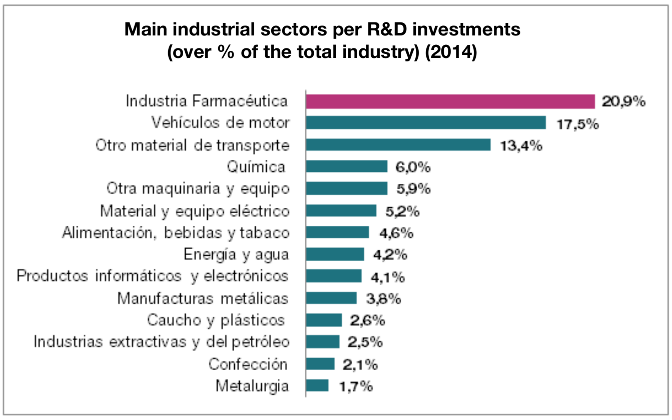



Source: Farmaindustria estimates from IMS
Note: prescription market net from rebates established in RDLs 8/2010 and 9/2011

# The pharmaceutical industry positions as leader in R&D in the industrial sector

Recently, the National Institute for Statistics (INE) has published results on R&D activities and also its survey conducted on Innovation in Companies for 2014. Both statistics allow us to recognise the research efforts realised by the different sectors in Spain.

The results, published by INE show that in 2014 the whole of the Spanish industry invested 4,557 M€ in research and development activities (R&D). Specifically the pharma industry invested a total of 953 M€ in R&D activities 2014 and this volume of investment is equivalent to 20.9% of all R&D carried out by the whole of the Spanish industry which positions the industrial sector as leader in R&D as shown in the following chart.




**Fuente:** Farmaindustria a partir de INE (Encuesta sobre innovación en las empresas)

Expenditure in R&D in the Spanish pharma industry in 2014 grew by 7.7% over the 2013 figure. This growth rate is the greatest seen in Spanish R&D pharmaceuticals since 2006.

In turn, given the fall in the whole of the industrial sectors' R&D in 2014 (-0.5%), the pharmaceutical industry's R&D influence –on the whole of the Spanish industry's R&D- which has risen from 19.3% in 2013 to 20.9% in 2014.

According to INE data, this percentage is especially relevant if you bear in mind that turnover of pharmaceutical companies only reached 2.4% of the whole of the Spanish industry.

In turn, the leadership of the pharmaceutical industry is not limited only to volume of resources invested in R&D activities; the pharmaceutical industry also atributes to generating employment in this field with 4.496 proffesionals working full time in 2014. Furthermore, two-thirds of these jobs are held by women, which means that, in reality, 28% of the total researchers employed in the whole of the Spanish industry work for pharmaceutical companies.

Finally, it should be said that R&D expenditure carried out by the Spanish pharmaceutical industry is important, not only in terms of volume of resources invested, but also where results are obtain from said investments, given that the pharma industry is, together with aerospace, the industrial sector that offers the greater number of companies that have applied for at least one patent during 2012-2014; among the innovative companies, a 20.9%.

Ultimately, and as reflected in the abovementioned data, the pharma industry shapes as a key sector for the Spanish economy, ideal for boosting a productive model based on innovation and knowledge that will allow the growth of our economy to be more stable and long lasting.

## Public pharmaceutical expenditure in Spain is -25% lower than in the average Euro zone country.

Data published regularly by the OECD constitutes the main source of reference for any international comparative analysis were figures on healthcare or pharmaceutical expenditure are concerned.

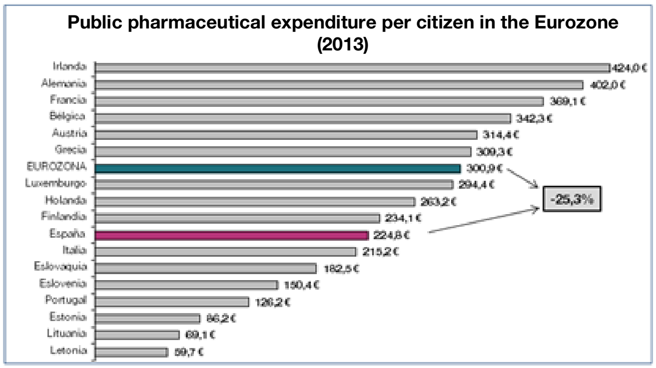
The OECDE uses official information from National Healthcare Authorities and recompiles said information using common methodology for all countries, so that identical criteria of inclusion and exclusion of the different concepts of expenditure are used for all countries.

In this fashion, statistics worked on by the OECD offer the fundamental advantage of allowing comparisons between countries with the main magnitudes of healthcare and pharmaceutical expenditure, without large methodological bias.

However, the need to compile these figures in each country makes the OECD's publications of results have an offset temporary delay of approximately 2-years.

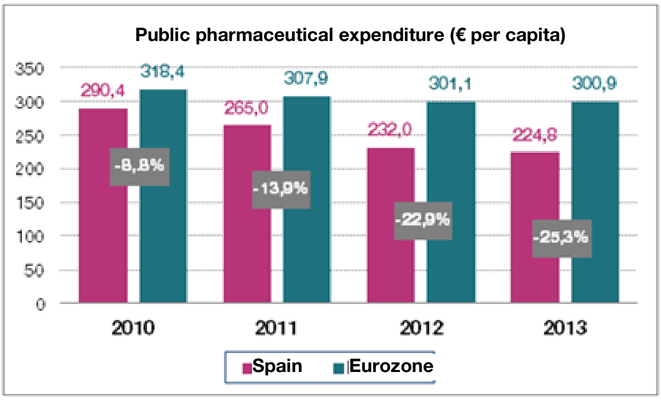
Therefore, in reality, the latest available figures from OECD on public pharmaceutical expenditure correspond to 2013 and we shall have to wait until mid-2016 to access the first wave of data corresponding to 2014.

With the actual available information and expressing public pharmaceutical expenditure data [1] for those countries in the Euro zone in per capita terms, we can see that public pharmaceutical expenditure in Spain is -25.3% lower than the average in the Euro zone, ranking in the lower band, as shown in the chart below.




**Nota:** Los datos de Irlanda y Luxemburgo corresponden al ejercicio 2012
**Fuente:** Farmaindustria a partir de OCDE Stat Extracts

In turn, 2013 was the third year running where the negative differential has increased in public pharmaceutical expenditure per capita between Spain and the average Euro zone country, please see the following chart.




**Fuente:** Farmaindustria a partir de OCDE Stat Extracts

The above figures show that the cost containment measures on public healthcare in Spain since 2010 (mainly RDL4/2010, 8/2010, 9/2011 y 16/2012) have provoked a drop in public pharmaceutical expenditure in our country on a larger scale than in other Euro zone countries during the same period of time.

[1] Pharmaceutical expenditure in pharmacies is used as a reference which is the data facilitated by the OECD for the whole of the countries in the Euro zone. The following countries were not included: Cyprus and Malta given that the OECD have not published figures on these countries.

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