

The Economic Bulletin

**THE MEDICINES MARKET
IN SPAIN**

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Market evolution

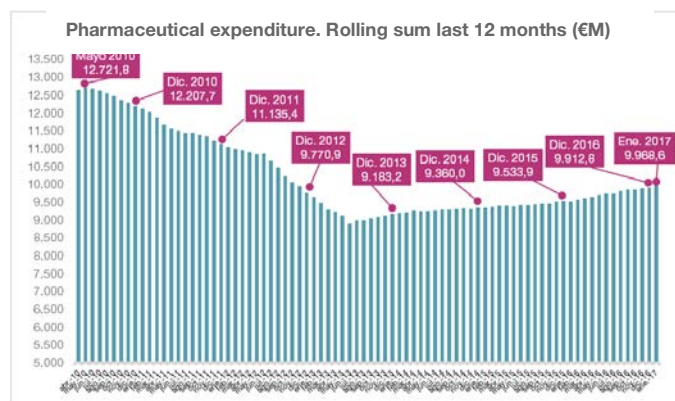
Public Pharmaceutical Expenditure (pharmacies)

	Feb. 2016- Ene. 2017	Feb. 2015- Ene. 2016	% var. 2017/16
Exp. (€ Mill.) *	9.968,6	9.526,8	4,6%
Prescrip. (Millions)	906,5	878,6	3,2%
Av. Exp. per. prescription (€) *	11,00	10,84	1,4%

*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 +4.6%, compared to the registered expenditure figure of January 2016. This variation in expenditure is due to a rise in the number of prescriptions of +3.2% and an increase in average price of prescriptions of +1.4%.

The expenditure accumulated over a 12-month period was recorded last January at -2,753M€, lower than the recorded high in May 2010 (-21.6% lower), as shown in the chart below.



Fuente: Farmaindustria a partir de MSSSI

It highlights the impact that the greatest number of working days¹ (which are the effective billing dates in pharmacies) is having on the demand for prescriptions, which has been occurring for many months in 2016 and has been repeated in January 2017.

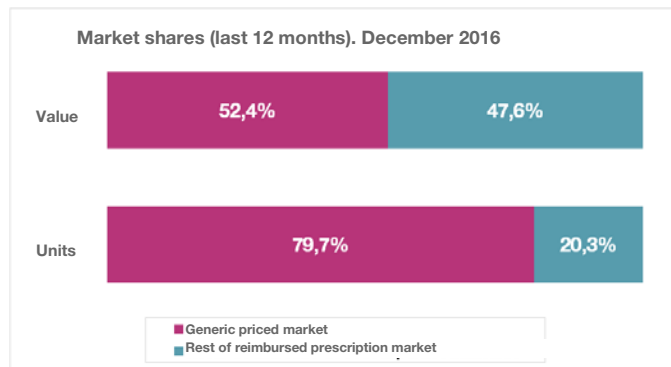
The annual growth of the prescriptions invoiced in January (January 2017 versus January 2016) was +6.7%. However, if the number of prescriptions invoiced in January 2017 is divided by the number of working days of this month (thus obtaining the number of prescriptions invoiced per working day) and compared with the same ratio for January 2016, it is observed that the annual growth of the number of prescriptions per working day was +2.4%, compared with +6.7% that was recorded in absolute values.

It should not be forgotten that the difference of one day of billing, in one month, is equal to over 4% of prescriptions.

Likewise, the moderation that has begun to occur in the growth rate of the average expenditure per prescription, after the entry into force of the last Reference Price Order, should also be noted. Thus, the average expenditure per prescription has gone from growing at annual rates that surpassed

+2% in various months of 2016, to growing less than +1% per year in more recent months. A certain continuity of this tendency is expected throughout 2017.

On the other hand, and based on information from IMS, in December 2016 the Market for all Generic Drug Prices reached 79.7% of the total prescription market financed in units in Spain and 52.4% of said market in values.



Source: Farmaindustria estimates from IMS

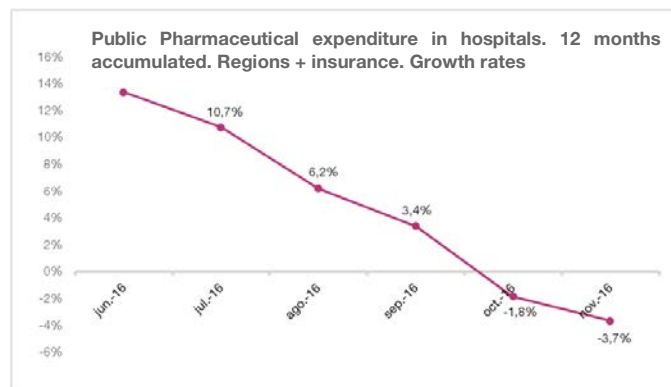
Note: prescription market net from rebates established in RDLs 8/2010 and 9/2011

Public pharmaceutical expenditure (hospitals)

Mill. €*	Nov. 2016	Nov. 2015	% var. 2016/15
Monthly expenditure	582,7	563,7	3,4%
Yearly accumulated expenditure	5.692,1	5.987,4	-4,9%
last 12 months expenditure	6.321,2	6.561,3	-3,7%

* Gasto Farmacéutico Público Hospitalario Total (CCAA + Mutualidades). Datos provisionales

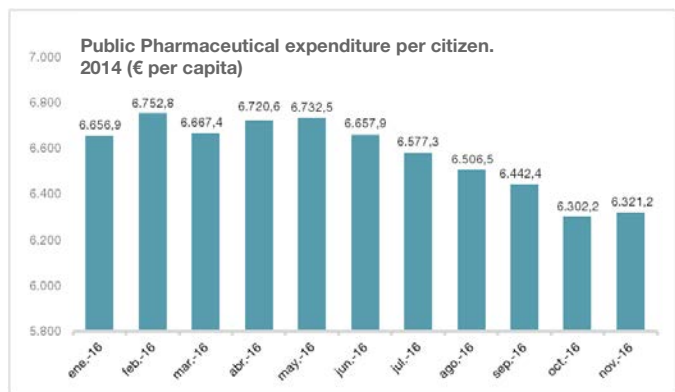
The latest data published by the Ministry of Finance and Public Administration for November 2016 shows a decline of -3.7% in public hospital pharmacy expenditure, accumulated over a 12-month period.



Fuente: Farmaindustria a partir de MINHAFIP (datos provisionales)

As shown in the graph below, pharmaceutical expenditure accumulated over the 12-month period and recorded in November 2016, is lower than the record high registered in February 2016 at -432M€ (-6.4% lower).

¹ Monday to Saturday except bank holidays

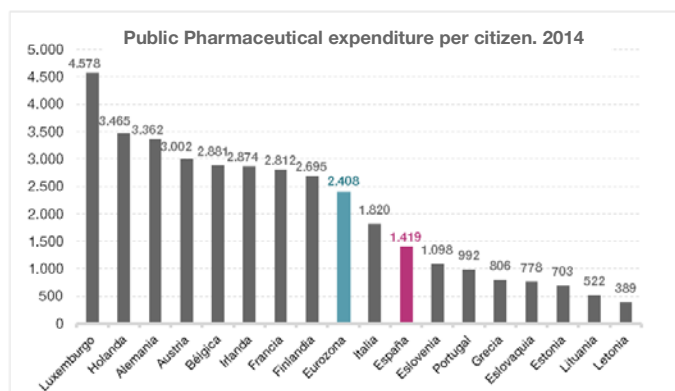


Fuente: Farmindustria a partir de MINHAFP (datos provisionales)

Although the one-off expenditure for November 2016 was (exceptionally) somewhat higher than in 2015, the rates of variation in both accumulated expenditure in the year and in 12-month moving average expenditure, are negative and are expected to continue to be so during the next few months.

Spain is amongst the European countries with the lowest public health expenditure per capita

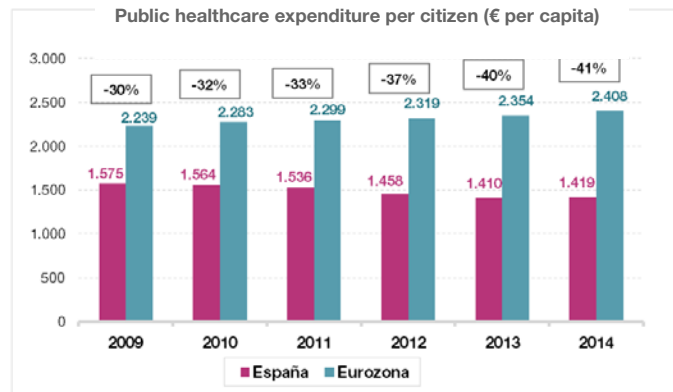
The OECD has recently published an update on 2014 international health and pharmaceutical expenditure data. The following chart shows the situation in the different countries of the Eurozone² in terms of public health expenditure per capita in 2014.



Fuente: Farmindustria a partir de OCDE Stat Extracts (update October 2016)

As can be seen, in 2014 Spain's public health expenditure was much lower than the Eurozone average (-41% lower) and the differences with other European countries, which should be our healthcare models like Italy, France, Belgium or Germany, are very important.

In turn, this situation has worsened over time. Thus, if one analyzes the time pattern of public health expenditure per capita in Spain and the Eurozone, one can verify the deterioration of the relative position of Spain with respect to other countries in the Eurozone.



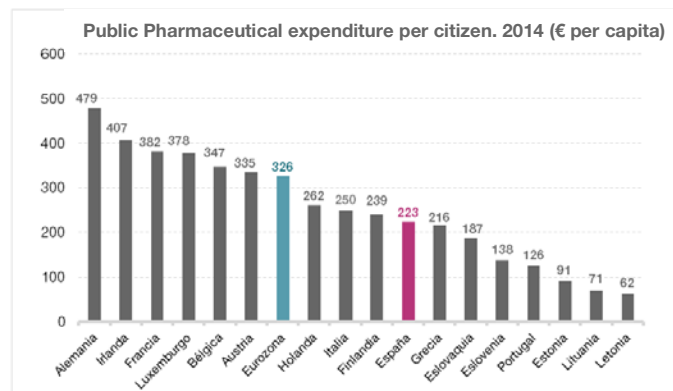
Fuente: Farmindustria a partir de OCDE Stat Extracts (update October 2016)

Spanish public health expenditure per capita fell by -10% between 2009 and 2014 (from €1,575, to €1,419 per capita) and went from being -30% below the average of the Eurozone countries in 2009, to being -41% below the average in 2014. In fact, while public health expenditure in the Eurozone did not stop growing in the period 2009-2014 (although it did so at a slower pace than in previous stages), in Spain, spending fell continuously between 2009 and 2013 and only in 2014 is there a slight recovery.

Once the hardest phase of the economic and fiscal crisis of the Spanish state has passed, it is necessary to return to a path of convergence with the rest of the countries of the Eurozone in terms of public health expenditure per capita.

Spain separates from the Eurozone average in public pharmaceutical expenditure per capita

As mentioned in the previous article, the OECD has also updated international data on public pharmaceutical expenditure in pharmacy offices. The following chart shows the distribution of Eurozone countries according to their level of public pharmaceutical expenditure per capita in 2014.³

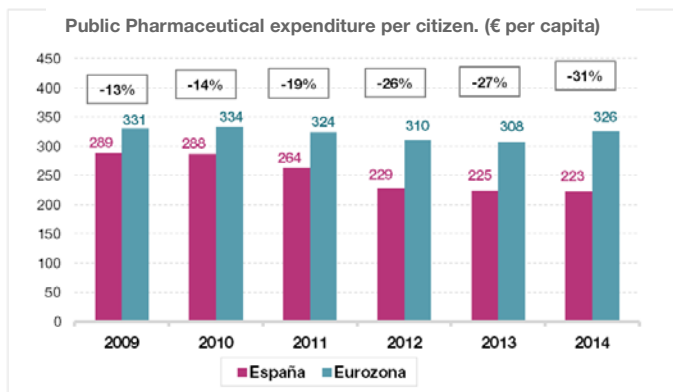


Fuente: Farmindustria a partir de OCDE Stat Extracts (update October 2016)

As shown in the graph above, Spain, with a public pharmaceutical expenditure of €223 per capita (down 31% from the average of the countries of the Eurozone), is again in the positions of tail of the distribution of European countries, with a per capita public pharmaceutical expenditure similar to that of Greece, and very far from countries like Italy or France.

² Only Eurozone countries are included to avoid biases due to exchange rate fluctuations. No data available for Cyprus or Malta

³ See note 2





Fuente: Farmaindustria a partir de OCDE Stat Extracts (update October 2016)

At the same time, as with health expenditure, Spain's negative differential in public pharmaceutical expenditure relative to the Eurozone average has worsened significantly in recent years, and has gone from -13% in 2009, to -31% from 2014 referred to above. In addition, in this case, the Spanish public per capita pharmaceutical expenditure has not stopped falling throughout the analyzed period and in 2014 is -23% lower than in 2009, while the average per capita expenditure of the Eurozone began its recovery in 2014 and is already very similar to that of 2009 (only -2% lower).

This deterioration in the differential of public pharmaceutical expenditure per capita between Spain and the Eurozone average clearly illustrates the relative importance of the adjustment of pharmaceutical expenditure in the overall adjustment of Spanish public health expenditure. Thus, according to the OECD data, from -10% that public health expenditure per capita was reduced in Spain between 2009 and 2014, pharmaceutical spending fell by -23% and non-pharmaceutical health expenditure by -7%.

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