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The bad and the good

Could the tide be turning?

We know we are operating in a new economic frontier, when bad news actually passes for good news. A recently released IMS report states that the value of the global pharmaceutical market is expected to grow 2.5% to 3.5% on a constant-dollar basis in 2009, two percentage points lower than indicated last October, as deterioration in the global economic environment continues to affect market demand. But, IMS industry analysts state that while our sector will feel the impact of the economic climate, it will be to a lesser extent than many other industries through 2010, when a rebound is expected. So, we have that going for us. These market conclusions are drawn from the latest release of IMS Market Prognosis, a series of strategic market forecasting publications that incorporate updated macroeconomic indicators provided by the Economist Intelligence Unit. The updated forecast predicts global pharmaceutical sales exceeding $750 billion for the year, down from the $820-plus billion forecast in October 2008, reflecting both the lower growth rate and currency exchange fluctuations.

According to Murray Aitken, senior VP, Healthcare Insight, at IMS, there is a clear correlation between demand for medicines and key macroeconomic variables such as GDP, consumer spending, and government expenditures.

Furthermore, he and other industry pundits acknowledge that while the pharmaceutical industry is not recession-proof, it is insulated to a greater extent than other industries where spending is more discretionary. The pharmaceutical market is expected to rebound as the global economy recovers, but the patent expirations in 2011 and 2012, which the industry has been talking about for years, or so it seems, will have the predicted impact, curbing sales growth to 3% to 6% through 2013 (CAGR).

Thanks to analysis from IMS, here are some additional key market dynamics:

• The U.S. pharmaceutical market is expected to contract in 2009. Pharmaceutical sales in the United States will decline by 1% to 2% in 2009, a historic low. While growth will return during parts of the forecast period, the overall five-year CAGR will be essentially flat.

• As the cost of medication shifts increasingly to patients, consumers are being forced to make difficult decisions about starting or continuing treatment. Federal policies may bolster demand for medicines over the forecast period. (See "Obamaceuticals" in our digital edition for more information about proposed healthcare reform policies.)

• A new world order is apparent as pharmerging markets grow collectively at a 13% to 16% pace through 2013. The seven pharmerging markets will contribute more than half of global market growth in 2009 and sustain an average 40% contribution through 2013. China, which is currently the sixth-largest pharmaceutical market, will become the third largest by 2011. (More on China and other pharmerging markets to come in future issues.)

So, as we close the books on the first half of 2009, it's time to gear up for the second half of 2009 and prepare for a hopeful rebound in 2010.