Q4 2009 Update
Tracking the Effect of the Economic Crisis on Pharmaceutical Consumption, Expenditures and Unit Prices

Executive Summary

The WHO, in collaboration with IMS, has put in place a programme to track the impact of the global economic crisis on the consumption of medicines globally. This is the fourth quarterly report. Indicators track volume, expenditure and price changes, enabling consumption to be monitored over time while taking into account seasonal changes. These indicators are used to understand changes in total volume and the consumption of acute and chronic disease medicines and originator and generic molecules.

Many of the signs first seen in Q1 continue through Q4 2009. Growth or decline are not related to income category or geographical region but tend to reflect wider issues in the economy of particular countries. Eastern Europe shows signs of vulnerability but it is not yet clear whether the declines seen in the Baltic States will spread to other countries in the area. Recovery may have started in some of the worst affected Baltic States. Countries audited by IMS in the Eastern Mediterranean region appear to show substantial growth overall.

Background

The WHO, in collaboration with IMS, has put in place a programme to track the impact of the global economic crisis on the consumption of medicines globally. This is the fourth quarterly report. It contains pharmaceutical consumption information from 82 countries worldwide. The results, when presented at a regional level, reflect only the data from these 82 countries. In high-income and upper middle-income countries, the data represent consumption or sales in both the public and private sectors (where they exist), while in many lower income countries, the majority of the information relates to the private sector exclusively. Four broad areas have been examined – total volume, consumption of acute or chronic medicines, use of branded or non-branded medicines, total sales and average price per unit of volume. More detail on the methodology can be found at www.who.int/medicines/areas/policy/imsreport/en/index.html.
Objective

The objective is to generate indices that track consumption, expenditure and the price of pharmaceuticals country by country on a global basis each quarter. The indices track the latest available time periods and compare that with data from previous quarters and with Q1 2008. Q1 2008 is designated as the last quarter before the global recession began to impact economies.

Results 2007-Q4 2009

Global Volume Consumption Index Highlights 2007 – Q4 2009

Volume growth remains particularly strong in China, Lebanon and Tunisia, and indeed largely throughout the Eastern Mediterranean region. Growth in the retail sector in Lebanon appears to be driven by increasing use of generics, fears of a flu epidemic and contraction in the government sector. In Tunisia growth has been driven by the wider implementation of health insurance. This now covers more than 85% of the population. Growth in the Philippines has been strong but in the last quarter of 2009 seems to have settled. The results of a household survey carried out in 2009 in the Philippines indicated that relatively common responses to the crisis were self-medication, a shift to government health centres and hospitals or use of herbal medications\(^1\) and this may now be being reflected in the IMS audits.

The Baltic States continue to show signs of vulnerability, although for the first time since the beginning of these reports, volumes seen in Estonia in Q4 2009 were slightly above that of the previous year, even if still lower than Q1 2008. Lithuania may also be showing similar signs of recovery but Latvia is still declining both on a yearly basis and against the levels seen in Q1 2008. According to recent data published on the impact if the crisis on budget policy in Central and Eastern Europe the change in GDP level forecast for 2010 from October 2007 to April 2009 was greatest in Latvia.\(^2\) Ukraine has now shown substantial declines for the last three quarters. Interpretation of the data in Russia has been complicated by buying patterns. At the beginning of 2009 hospitals stocked up in anticipation of price rises meaning that volumes later in the year are lower than might be expected. In the retail sector the last quarter of 2009 saw fears of a flu pandemic drive up volumes in November although this stabilised very quickly. In comparative terms however the last quarter appears higher than last year as the last quarter in 2008 was the start of a process of stock changes put in place by a number of pharmacies. Overall the public sector does appear to have been affected by the economic crisis but not perhaps as much as the private sector. In contrast volumes in South Africa’s public sector continue to show growth, in part due to the roll out in the
public sector of HIV and TB treatments and a reduction in the number of privately insured, employer funded people. Growth in the public sectors in Mexico, Uruguay and Brazil seems to have settled, at least relative to Q4 2008.
Global Volume Consumption Index: Acute and Chronic Medicines

Strong volume growth tends to be associated with growth in both acute and chronic medicines and this is certainly the case in China and Tunisia, although in Lebanon growth appears to come to a larger extent from chronic medicines. The declines seen in the Baltic States are also the product of a reduction in both acute and chronic medicines, although in Latvia and Lithuania acute medicines appear to be more affected. In Malaysia the return to growth over the previous year appears to have more to do with the acute medicines sector.

NB Where data presented by WHO Region, the data represent only those countries and channels where information is collected by IMS. Regional trend calculated as weighted average. The Europe Region figures are depressed slightly by the fact that IMS no longer collect data from Israel.
Global Volume Consumption Index: Original and Licensed Brands versus Other Brands and Unbranded Pharmaceuticals

Analysis of any correlation between usage of originator and licensed medicines and branded or unbranded (generic) medicines and volume declines is difficult due to the fact that this categorisation is not available in IMS’s data for most of the Eastern Europe countries most affected by the economic crisis or indeed one or two of the higher growth countries. By and large growth or declines appears to be associated with both sectors. The hypothesis that consumption would shift from originator and licensed medicines to branded or unbranded (generic) medicines in times of economic crisis has not therefore been confirmed.

Global Pharmaceutical Expenditure Index

Volume growth is matched by expenditure increases in China and the Eastern Mediterranean. The Ukraine has shown consistent expenditure growth despite volume declines. In Estonia, expenditure appears to variable on a quarterly basis reflecting perhaps changes in data collection, exchange rates and the economic crisis. Latvia and also perhaps Lithuania match volume decline to expenditure decline. High income countries generally remain flat in both expenditure and volume terms outside of the Eastern Mediterranean region.
Global Price per Standard Unit Index

Venezuela and the Ukraine are the countries with the highest growth in average price per SU, with very different effects. Venezuela’s growth in total expenditure is the highest across all of the IMS audited countries, this being combined with substantial volume growth. In contrast as we have seen Ukraine has seen substantial volume decline. Very few countries have seen the average price per SU decline. For those countries affected by the economic crisis, increases may be due to a change in the product mix, notably a move away from some of the cheaper, over the counter medicines such as vitamins.

New Zealand and the Netherlands have shown declines in previous quarters but both
appear to be levelling out. The reduction in prices of reimbursed drugs in Croatia instituted in March 2009 can also be seen in the IMS audits and further reductions are expected in May 2010.⁴

Conclusion

In most countries, particularly high-income countries, the economic crisis appears to have had little or no impact. Where it can be seen, the impact is specific to particular countries rather than regions.

The Baltic States together with the Ukraine appear to be those countries that have been most affected by the economic crisis.

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3 Personal communication, IMS local office
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