
French pharmaceutical industry

Key data 2019

KEY FIGURES OF THE PHARMACEUTICAL

➔ **€55.9 Billion**

Revenue (expressed as manufacturer's price before tax) generated in France by pharmaceutical companies in 2018.



➔ **€4.5 Billion**

Amount invested in France by pharmaceutical companies in research and development in 2015.



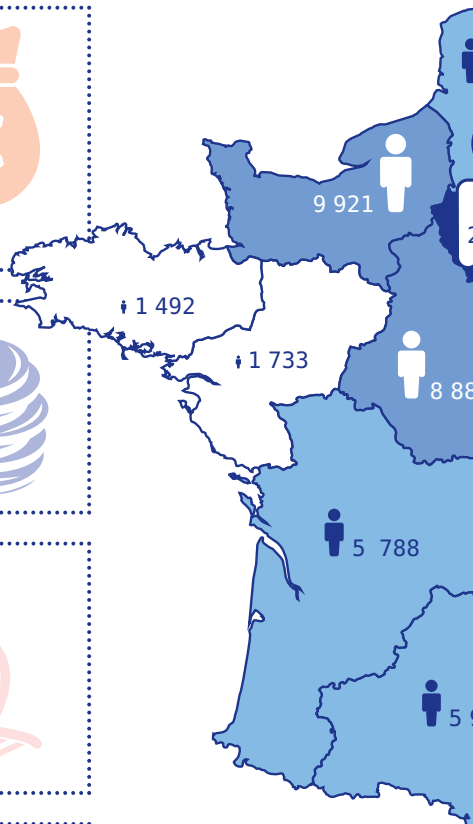
➔ **9.8%**

Share of revenue generated by pharmaceutical companies invested in research and development in 2015.



➔ **98,694 people**

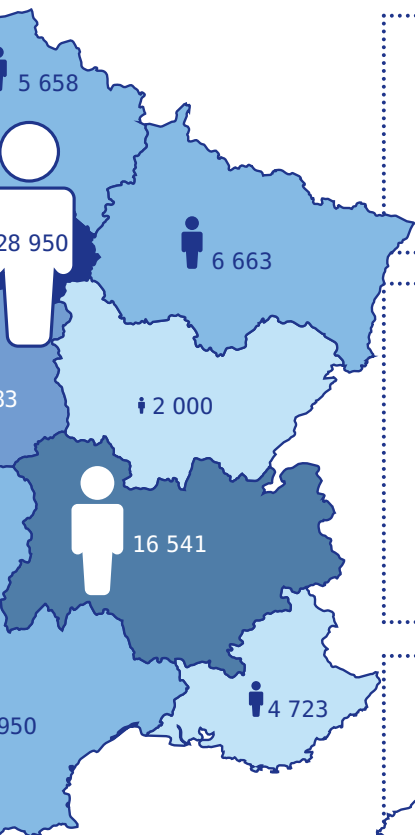
Workforce directly employed by pharmaceutical companies in France as at 31st December 2017.



Workforce (place of residence)

- More than 20 000 employees
- From 10 000 to 20 000 employees
- From 7 500 to 10 000 employees

PHARMACEUTICAL INDUSTRY



- From 5 000 to 7 500 employees
- From 2 000 to 5 000 employees
- Less than 2000 employees



➔ **19,109 people**

Research and development workforce in pharmaceutical companies in 2015. 50% of them are researchers.



➔ **€ 7.7 Billion**

Trade surplus (exports - imports) in medicines in 2018, versus €6.8 Billion in 2017. France's balance of trade stands at €-59.9 Billion.



➔ **€ 487**

Average consumption of medicines per year per capita in 2017.



➔ **3.3%**

France's share of the global pharmaceutical market in 2018, versus 5.5% in 2007.



SALES

In 2018, sales of reimbursable and non-reimbursable medicinal products in retail pharmacies totalled €20.8 billion (at the pre-tax manufacturer price), reflecting a 2.4% increase on 2017. Net sales of reimbursable medicinal products for 2018 totalled €22,765 million, reflecting a decrease of 1.6%, taking it to a level lower than that last seen in 2009 (€23,090 million).

- The reimbursables market saw sales rise by 3.3% between 2017 and 2018, while volumes fell back by 1.2%. The growth in sales was driven primarily by the transfer during the year of oncology and hepatitis C drugs from hospital pharmacies to retail pharmacies.

- The non-reimbursables market contracted by 4.3% to €2 billion, while unit sales fell by 3.8% compared with 2017.

The hospital market contracted for the first time during the year, falling 8.7% in 2018. Two factors explain this sharp decline:

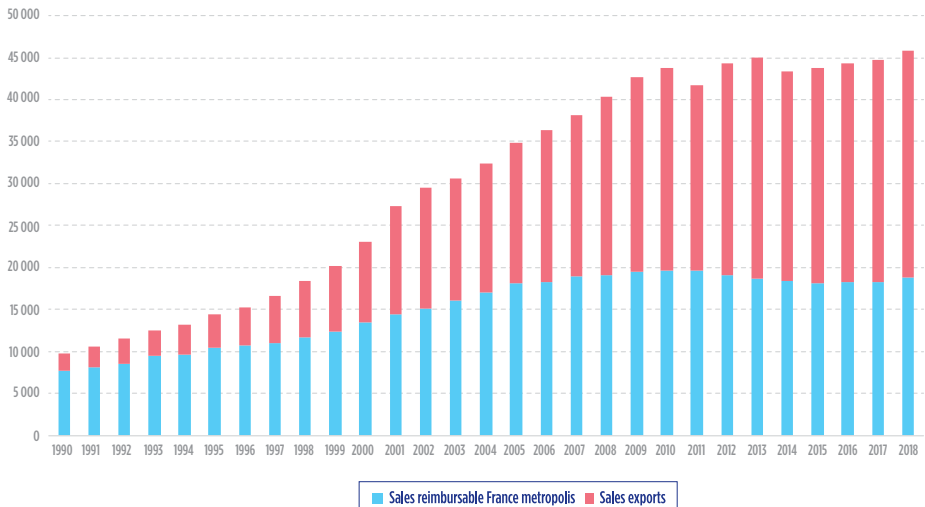
- The transfer of hepatitis C and certain oncology products to retail pharmacies.
- The increasing proportion of biosimilars in hospital prescriptions. Sales of biosimilars rose by 78% in 2018, largely as a result of particular biosimilars for hospital use.

Exports of medicinal products were down by 1.8% to an overall total of €27 billion.

1. CHANGING TRENDS IN REVENUE FROM MEDICINES

(Manufacturer's prices before tax and in Millions of Euros)

Source : Leem according to Gers (Group for the Development and Production of Statistics) and customs statistics





EXPORTS AND IMPORTS

French exports of medicinal products were up compared with 2017. Exports totalled €27 billion, reflecting growth of 1.8% over the previous year. Having declined very significantly in 2014, export sales rose above the 2013 level of €26.3 billion.

In 2018, France imported €19.3 billion worth of medicinal products; 3.1% more than in 2017. These imports came mainly from Germany (17.6%), Switzerland (13.1%), Belgium (13%), the United States (12.4%) and Ireland (9.6%).

France's overall trade balance for 2018 was €59.9 billion in deficit, reflecting a further deterioration of €2 billion following the very significant decline of €13 billion

reported in 2016. The increasing price of energy driven by recovery in oil prices was the main reason for this deterioration

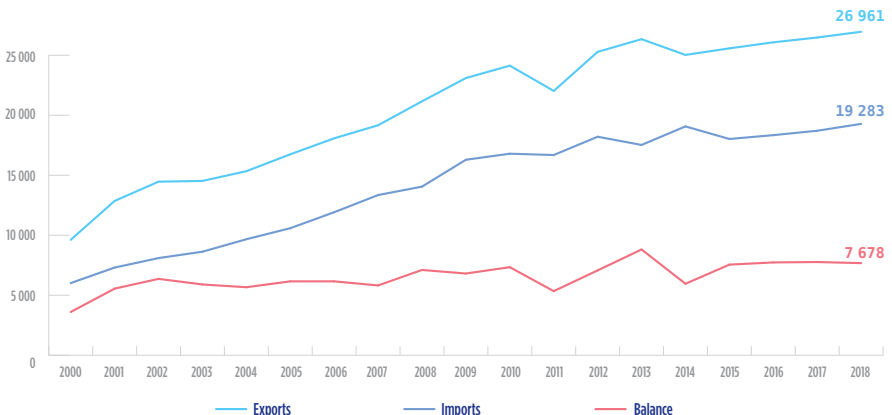
Exports of pharmaceuticals accounted for 6.3% of all French exports, behind aircraft/aerospace (12%) and automotive industry products (7.4%). Pharmaceuticals accounted for 4.6% of all French imports, behind - notably - automotive industry products (8.1%) and aircraft/aerospace (5.4%).

In the same period, pharmaceuticals ranked as the Number 4 industry sector (excluding military equipment) in terms of trade surplus generated.

2. TREND IN FRENCH EXPORTS AND IMPORTS OF MEDICINES

(in Millions of Euros)

Source : Customs statistics



With 98,694 people employed*, pharmaceutical industry employment levels were unchanged from 2017.

The workforce seems to have stabilised over the last four years after a period of significant decline in employee numbers: 10,000 jobs lost between 2007 and 2014.

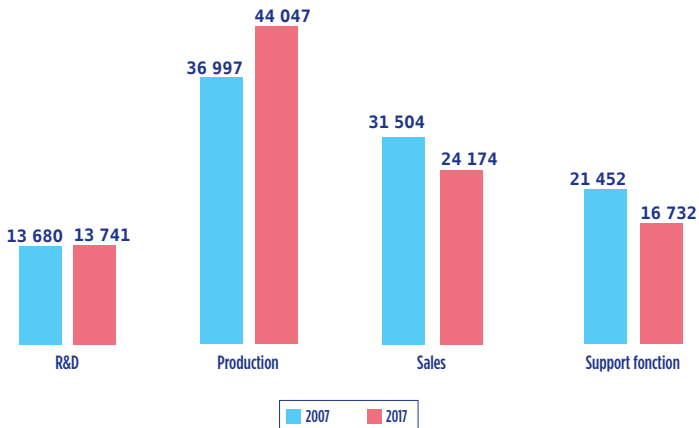
The proportion of employees working in R&D remains high in pharmaceutical companies. Nevertheless, research and development jobs remain precarious, since the employees concerned are concentrated in a small number of companies, and the trend towards developing external research partnerships and transferring R&D functions to countries with more appeal – par-

ticularly in terms of market access – is on the increase.

The increasing complexity of scientific disciplines, the development of new fields of research (molecular biology, genomics, proteomics, etc.), more demanding quality standards and regulations, technological developments, the globalisation of business and intensified competition are together increasing the level of qualification required of pharmaceutical industry employees, and driving demand for new emerging skills.

So, for example, specialists in quality, regulatory controls, pharmacovigilance, medical information, maintenance and health data are in increasing demand.

3. EVOLUTION OF THE NUMBER OF EMPLOYEES BY PROFESSIONAL GROUP BETWEEN 2007 AND 2017



(*)?



RESEARCH AND DEVELOPMENT

The pharmaceutical industry is one of the most research-intensive of any economic sector. Although its total research budget is lower in absolute terms than that of the automotive and aircraft/aerospace industries, it represented 9.8% of total pharma-

ceutical company revenue in 2015, compared with just 4.8% for the automotive industry. It totals approximately €4.5 billion, of which €47 million comes from public funding, i.e. 1% of the overall R&D commitment.

4. BREAKDOWN OF RESEARCH AND DEVELOPMENT INVESTMENT IN 2017 BY PHARMACEUTICAL COMPANIES IN FRANCE

Source : Ministry of Research - most recent data published in February 2018

	R&D spending in € Million	Breakdown	As % of total revenue*
Domestic spending	3 023	67,9%	6,6%
<i>Fundamental research</i>	308	6,9%	0,7%
<i>Applied research</i>	1 346	30,2%	3,0%
<i>Experimental development</i>	1 369	30,8%	3,0%
External spending**	1 428	32,1%	3,1%
Total budget	4 451	100,0%	9,8%
<i>Public funding</i>	47		

* Total revenue = revenue in France + export revenue of surveyed companies. / ** Subcontracts.

In 2017, around 14,000 people were employed in research and development by

pharmaceutical companies in France.



ECONOMIC ENVIRONMENT AND SOCIAL WELFARE ACCOUNTS

The rise in French GDP slowed to 1.5% during 2018. Many factors influenced this slowdown: the plateauing of household gross disposable income (and therefore purchasing power) and the shortfall in skilled labour at a time when unemployment remains high, corporate margins remain static, and government debt is approaching 100% of GDP. This trend seems likely to continue in 2019, with GDP growth estimated at 1.3%; a level slightly above the European average.

Published by the Ministry of Social Affairs and Health in March 2019, the results for the general health insurance scheme show an improvement in the health deficit, which fell from €4.9 billion in 2017 to €700 million in 2018. The overall balance of the general health insurance scheme would show a surplus of of €0.5 billion (excluding the Old Age Welfare Fund), due to revenue rising faster than expenditure. In this context, only the healthcare component remains in deficit.

Although the 2019 increase in the National Healthcare Spending Target (ONDAM) was set at 2.5% in the Social Security Finance Bill (PLFSS), healthcare stakeholders were required to make savings of around €3.8 billion; a level close to that of previous years. Medicinal products are expected to contribute 48% of these savings (€1.8 billion), with a further €960 million coming from price cuts.

5. MACROECONOMIC FORECASTS OF THE FRENCH ECONOMY FOR 2018-2019

(rate of volume change, unless otherwise indicated)

Sources : Insee, COE-Rexecode, LFSS 2018

FRENCH ECONOMY	2015	2016	2017	2018	2019*
GDP and its components (% change)					
GDP	1,2	1,1	2,3	1,5	1,3
Household consumption	1,3	2,1	1,1	0,8	1,8
Productive Investment	2,7	3,4	4,7	2,9	1,7
Exports	6,0	1,9	4,7	3,0	2,8
Imports	6,4	4,2	4,1	1,2	3,5
GDP by value					
Amount (€ Billion)	2 181	2 229	2 248	2 282	2 311
Consumer prices**					
Including tobacco	0,0	0,2	1,0	1,9	1,4
Savings rate (% of disposable income)					
	14,5	14,0	14,2	14,7	15,1
Private payroll					
Changes in value	1,7	2,0	3,1	3,0	2,3
Unemployment (as defined by the ILB)					
Rate (%)	10,1	9,8	9,0	8,8	8,7
General government (% of GDP)					
Government deficit***	-3,6	-3,5	-2,7	-2,8	-3,5
Government debt***	95,6	99,0	98,5	98,7	99,3
Compulsory contributions	44,4	44,6	45,3	45,0	43,7
International environment					
GDP of the European Union (at 28)	2,2	2,0	2,6	2,1	1,2
GDP in the Euro area	2,0	1,8	2,4	1,8	1,0

* Forecasts. / ** Yearly average. / *** According to the Maastricht Treaty norms.



CONSUMPTION

The annual national healthcare accounts measure the individual items that together constitute the total value of medical goods and services consumed, as well as ongoing health-related expenditure (total health-care-related expenditure by public and private funding sources).

Medical care and goods to the total value of €199.3 billion were consumed in France during 2017, which is equivalent to €2,977 per head of population.

On this basis, consumption rose by 1.3 % compared with 2016. Across the population, the consumption of medicines and other pharmaceutical products averaged €487 per head of population in 2017. This average conceals a very significant variation, since the highest consumers are the elderly and the seriously ill.

6. BREAKDOWN OF CONSUMPTION OF HEALTHCARE AND MEDICAL GOODS IN 2017

Source: national health accounts published in September 2017

	Total consumption (in M€)	Consumption per person (in €)
Hospital care and medical wards	92 848	1 387
Ambulatory care	53 430	798
<i>Physicians, dentists and midwives</i>	32 402	484
<i>Medical auxiliaries, analysis, spas and other care</i>	21 027	314
Patient transport	4 972	74
Drugs*	32 592	487
Other medical goods**	15 504	232
Consumption of medical goods and care	199 346	2 977

* Including other pharmaceutical products, blood products, magistral formulas, special fees to dispensing chemists, but excluding hospital medicines.

** Optical products, prostheses, orthoses, vehicles for the physically disabled, minor equipment and dressings.



HEALTHCARE SYSTEM

The current social security system was introduced by the French government ordinances of 4 and 19 October 1945. In France, the term 'social security' encompasses all statutory social welfare schemes (sickness, old age and family support), which together protect beneficiaries against almost all the risks of everyday life, regardless of age, income and state of health. It also covers occupational accidents. Reviewed and revised in 1967, 1996 and 2004, these ordinances establish the principle under which social security institutions are managed by organisations representing both employees and employers. In reality, and even more so since the so-called 'Douste-Blazy' reform of 2004, the social welfare system – including health insurance – is supervised by the French state.

More than 60% of the social security budget is funded from employer and employee contributions made on a full-salary

basis. The balance is funded through taxation, and chiefly via the CSG (Contribution Sociale Généralisée, or General Social Contribution), which is calculated on the basis of total earned and unearned income, the social debt repayment contribution (RDS), and various other taxes and levies which account for an increasing proportion of this funding.

The contribution made by medicines to healthcare economies (in the form of reimbursement for medicines provided through retail or hospital pharmacies as a proportion of all services provided as general health insurance benefits to around 86% of the population) bears no relation to the proportion of expenditure it attracts: in 2018, medicines represented 16.3% of expenditure, but contributed 43% of the economies required by the National Healthcare Spending Target (ONDAM). The imbalance of this ratio has remained constant for a number years.

7. GENERAL HEALTH INSURANCE BENEFITS IN 2018

Source : CNAMTS (1st and 2nd column), Leem (3rd column)

	Benefits in 2018 (in € Billions)	Growth 2017-2018	AAGR* 2007-2018
Payments to public and private hospitals	82 802	2,0%	2,6%
Private fees	19 466	2,7%	2,5%
<i>Including self-employed doctors</i>	15 589	2,4%	
<i>Including dentists</i>	2 822	1,0%	
Medical auxiliaries	9 978	4,7%	5,7%
Health products	25 726	1,8%	
<i>Including medicines**</i>	20 010	1,2%	1,3%
<i>Including medical devices</i>	5 716	3,8%	
Other ambulatory care	14 253	1,4%	
<i>Including labs</i>	2 781	0,1%	
<i>Including travel costs for patients</i>	3 826	3,3%	
<i>Including benefits in cash</i>	7 646	4,5%	
Other	3 206	11,9%	
Total general health	155 431	2,3%	2,9%

* Average Annual Growth Rate. / ** Including the onward sale of medicines by hospitals and medicines for exceptional use.

2018 AT A GLANCE

- 17 January** The *Cartographie de la bioproduction en France* (Map of Bio Production in France) is published by Leem in association with AEC Partners.
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- 22 March** Second Symposium hosted by the Proper Use of Drugs Collective and bringing together key industry stakeholders around this cause.
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- 12 April** Leem hosts a regional meeting at Delpharm in Dijon to discuss the appeal of the Burgundy-Franche-Comté region for the health sector, and the integration of therapeutic innovations into the care pathway at regional level.
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- 20 May** The 20th Leem-Organisation Internationale de la Francophonie meeting is held in Geneva, and focuses on combating and preventing resistance to anti-infective agents.
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- 29 May** The start of Paris Healthcare Week: Leem and many pharmaceutical companies coordinate the drug company village over the three days of the event.
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- 9-10 July** Launch of the 8th Strategic Council for the Healthcare Industries (CSIS) with the French President and Prime Minister.
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- 14 September** The third PharmaCité conference packed with presentations and discussions around the following question: What will our healthcare look like in 2030?
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- 12 November** Presentation to ISPOR* of the two posters produced by Leem: *Prix et coûts des anti-cancéreux à l'hôpital en France* (the price and cost of hospital cancer treatments in France) and *Analyse de l'impact des baisses de prix en France sur le chiffre d'affaires à l'international* (An analysis of how price cuts in France impact international sales).
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- 13 November** Publication of the 8th *Observatoire sociétal du médicament* conducted by Ipsos on behalf of Leem.
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- 5 December** Publication of the 9th Appeal of France for Clinical Research survey.
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