les entreprises du médicament

French pharmaceutical industry

Key data 2020

KEY FIGURES OF THE PHARMACEUTIC

€60 Billion

Revenue (ex-factory price excluding taxes) generated in France by pharmaceutical companies in 2019, including 50% for export.

4.5 Mds€

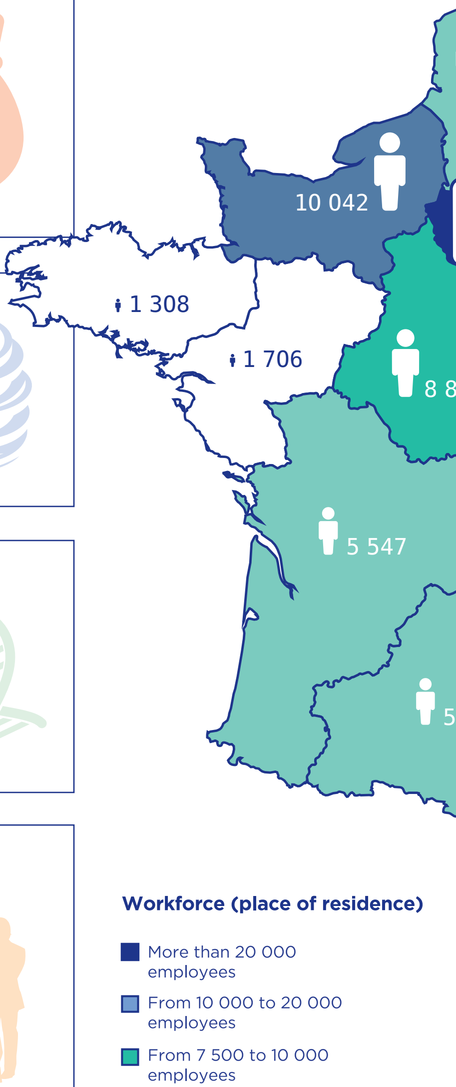
Pharmaceutical companies' investment in research and development on the French territory in 2015.

9.8%

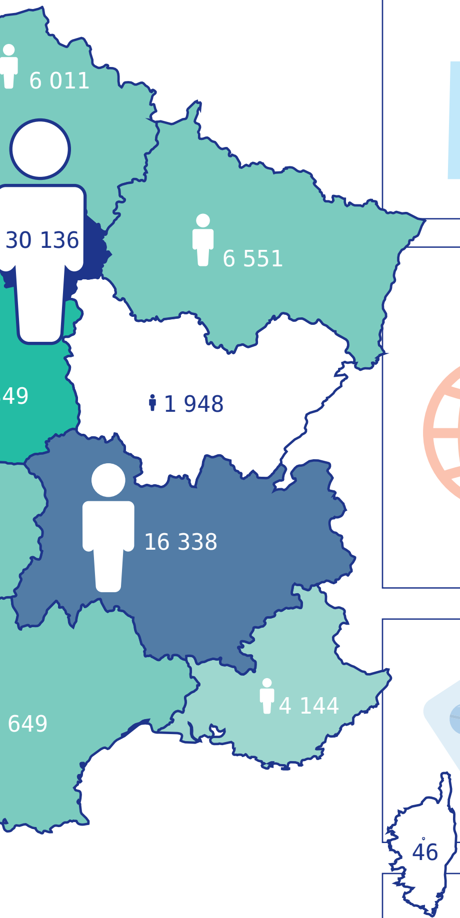
Pharmaceutical companies' investment in research and development on the French territory in 2015, as a percentage of revenue.

98,528 people

Workforce directly employed by pharmaceutical companies in France as of 31st December 2018.



CAL INDUSTRY



From 5 000 to 7 500 employees

From 2 000 to 5 000 employees

Less than 2000 employees

73.5%
Of pharmaceutical expense are covered by French social security.

5th
French ranking in the global pharmaceutical market in 2019.

3.1% French share of the global pharmaceutical market in 2019.

4th
French ranking in pharmaceutical production within the EU.

€488
Average consumption of medicines per capita in 2018.

THE FRENCH MARKET IN TERMS OF SALES

In 2019, sales of pharmaceutical products totalled €60 billion, 50% of which were export sales.

- Sales through retail pharmacies totalled €21.2 billion, reflecting year-on-year growth of 1.9% in 2019. Sales increased during the year, but volumes reduced. The reason for this trend is the shift from hospital dispensed medicines to retail pharmacy dispensing.
- The market for non-reimbursable medicines fell significantly by 6.3%, with unit sales down by 3.1% on 2018.
- The gross growth figure for the hospital pharmacy sector in 2019 was 3.9%. After a year of contraction as a result of medicinal products dispensing moving away from hospitals to retail pharmacies, growth in 2019 was driven by the introduction of innovative products, and especially those drugs on the supplementary list, sales of which were up by 15.4%.

In France, the annual Social Security Finance Act (LFSS) continues to restrict sales growth, despite the fact that its purpose is to strike a fair balance between health insurance expenditure and income around four main areas of budget allocation. Pharmaceutical expenditure is regulated under the terms of a framework agreement between the French State and the pharmaceutical industry. This agreement sets out the methods governing negotiation of prices for reimbursable medicines by the Economic Committee for Health Products (CEPS) on behalf of the State and the pharmaceutical industry, represented by Leem.

In addition to this framework agreement, central government has also increased the number of regulatory tools that fall outside the scope of the agreement. These include price cuts, good practice guidelines, remuneration based on the achievement of public health targets, supervision of hospital prescriptions, controls on volumes, etc.

Lastly, the LFSS also defines the amount of expenditure on pharmaceuticals set as part of preparing the health insurance budget. If this budget is exceeded, all manufacturers will be subject to additional taxation on the basis of their individual annual sales.

THE GLOBAL MARKET

Pharmaceutical sales worldwide in 2019 totalled €1,106 billion, reflecting year-on-year growth of 5%. Europe's share of this global market continues to decline.

The USA remains the largest market, accounting for 47.5% of all sales worldwide, far ahead of the markets of Europe, Japan and emerging countries.

France ranks at N°. 5 in the world, and the European N°. 2 (with 3.1% of worldwide sales) behind Germany.

EXPORTS AND IMPORTS

In 2019, the export market grew at a much higher rate than in previous years. French exports of pharmaceutical products were up 11% on the previous year at €30 billion. The majority (59.4%) of the pharmaceutical products exported by France go to other European countries.

In 2019, France imported pharmaceutical products valued at 18.3 billion, a figure 5.3% above that for 2018. The majority of these imports came from Germany (16.4%), the USA (15.2%), Ireland (14.5%) and Switzerland (10.4%).

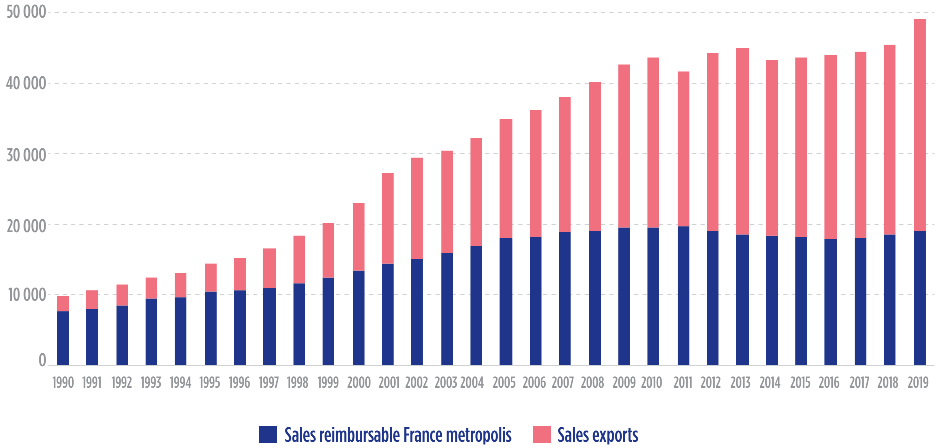
The year saw a sharp increase in the proportion of pharmaceutical products imported from the USA (+24%) and Ireland (+26%) at the expense of Germany (-5%) and Switzerland (-19%).

The trade balance for French pharmaceutical products ended 2019 with a surplus of €9.7 billion, reflecting a 25% increase on 2018.

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

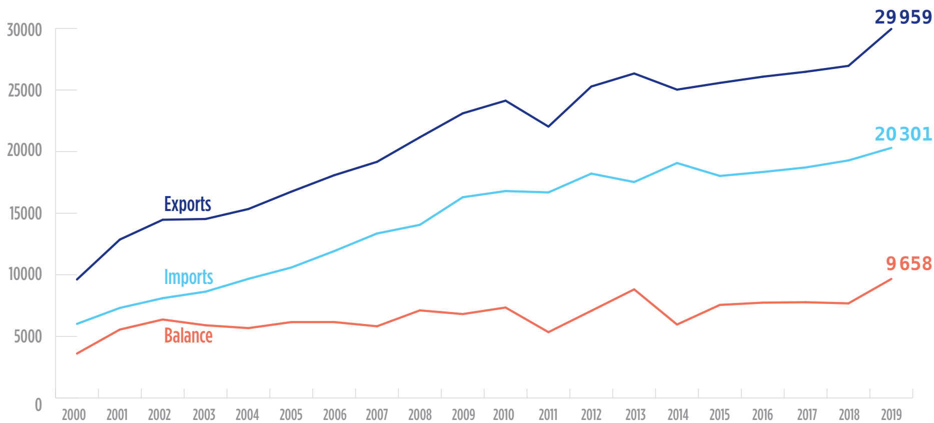


As a result, pharmaceutical products made the fourth-largest contribution to France's balance of trade in 2019.

2 TREND IN FRENCH EXPORTS AND IMPORTS OF MEDICINES

(in Millions of Euros)

Source : Customs statistics



THE FRENCH PHARMACEUTICALS MARKET

JOBS

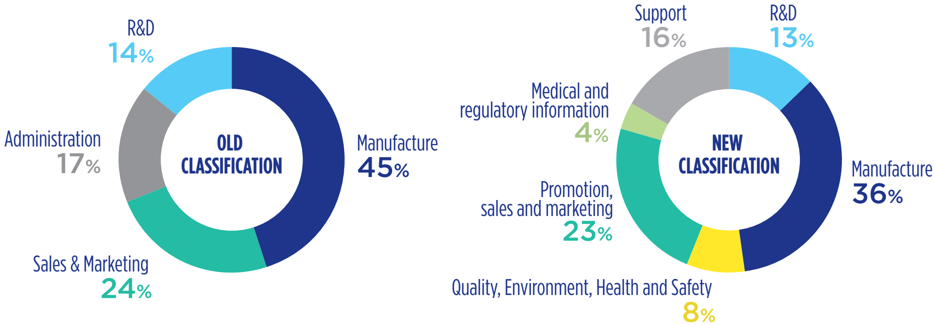
The overall trend in pharmaceutical industry employee numbers has remained virtually unchanged since 2014. In 2018, pharmaceutical companies based in France employed 98,528 people.
The total number of pharmaceutical industry jobs remains slightly less positive (-0.2%) than for all industry sectors, which saw a 0.3% rise in employment during 2018. The pharmaceutical industry is a major employer of women, who account for 57% of all jobs.

For greater accuracy and to better represent pharmaceutical industry professions, job categories have been revised. The new classification is now divided into 6 families of professions. The QEHS (Quality, Environment, Health and Safety) and Medical and Regulatory Information families have been added, each containing between four and nine specialist areas identifying a total of 125 distinct professions.

Production remains the most important family, accounting for 36% of the total workforce in 2018, despite the fact that its contribution to total employment is now lower following the introduction of the QEHS family.

3 COMPARISON BETWEEN THE OLD AND NEW CLASSIFICATIONS REGARDING THE NUMBER OF EMPLOYEES IN EACH FAMILY OF PROFESSIONS

Source : Leem, all employees, workforce calculations for 2017 and a survey in which job titles from both classifications were used



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 pharmaceutical 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 : : Ministery of Research – most recent data published in March 2019

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

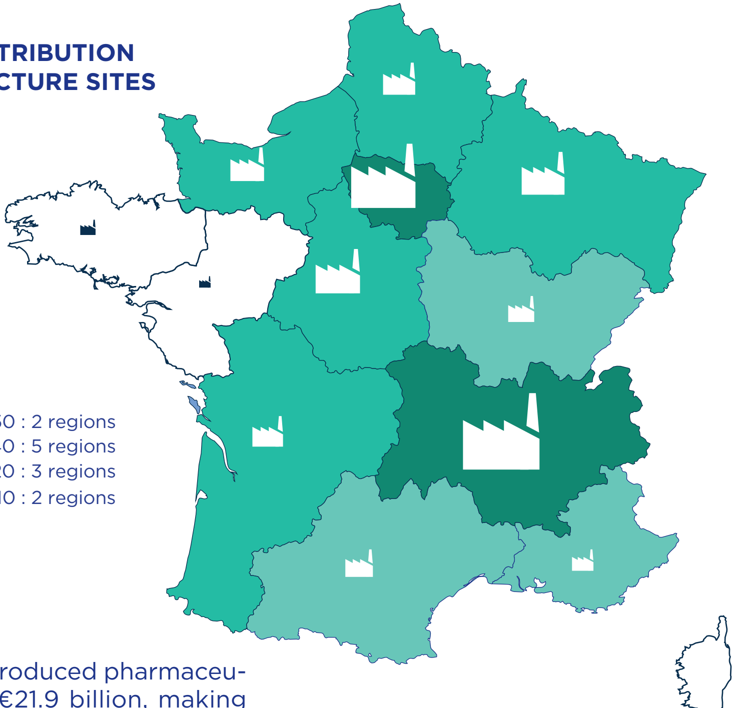
* Total revenue = revenue in France + export revenue of surveyed companies. / ** Subcontracts.

In 2018, around 17,500 people were employed in research and development by pharmaceutical companies in France.

MANUFACTURE

The French pharmaceutical industry is a technology-based, innovative, safe and densely populated industry with 271 facilities staffed by individuals with high levels of technological and logistical expertise. In France, 32 of these facilities specialise in the manufacture of biological substances for human or animal health.

5 FRANCE DISTRIBUTION OF MANUFACTURE SITES



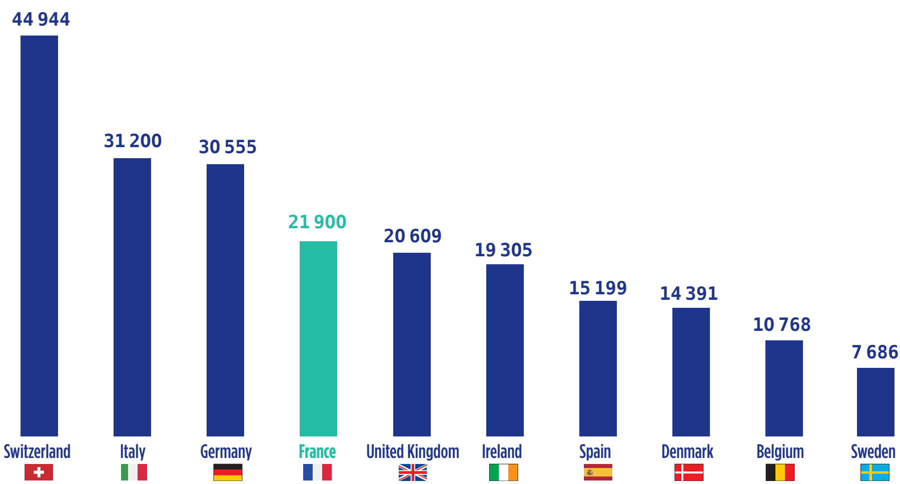
Distribution

- From 40 to 50 : 2 regions
- From 20 to 40 : 5 regions
- From 10 to 20 : 3 regions
- Less than 10 : 2 regions

In 2019, France produced pharmaceuticals valued at €21.9 billion, making it the European N°.4 pharmaceutical manufacturing country. The majority of products manufactured in France can accurately be described as mature products. In fact, only 25 of the 130 new molecules licensed in Europe between 2016 and 2019 are produced in France.

6 EUROPEAN PHARMACEUTICAL MANUFACTURE (in Millions of Euros)

Source : EFPIA

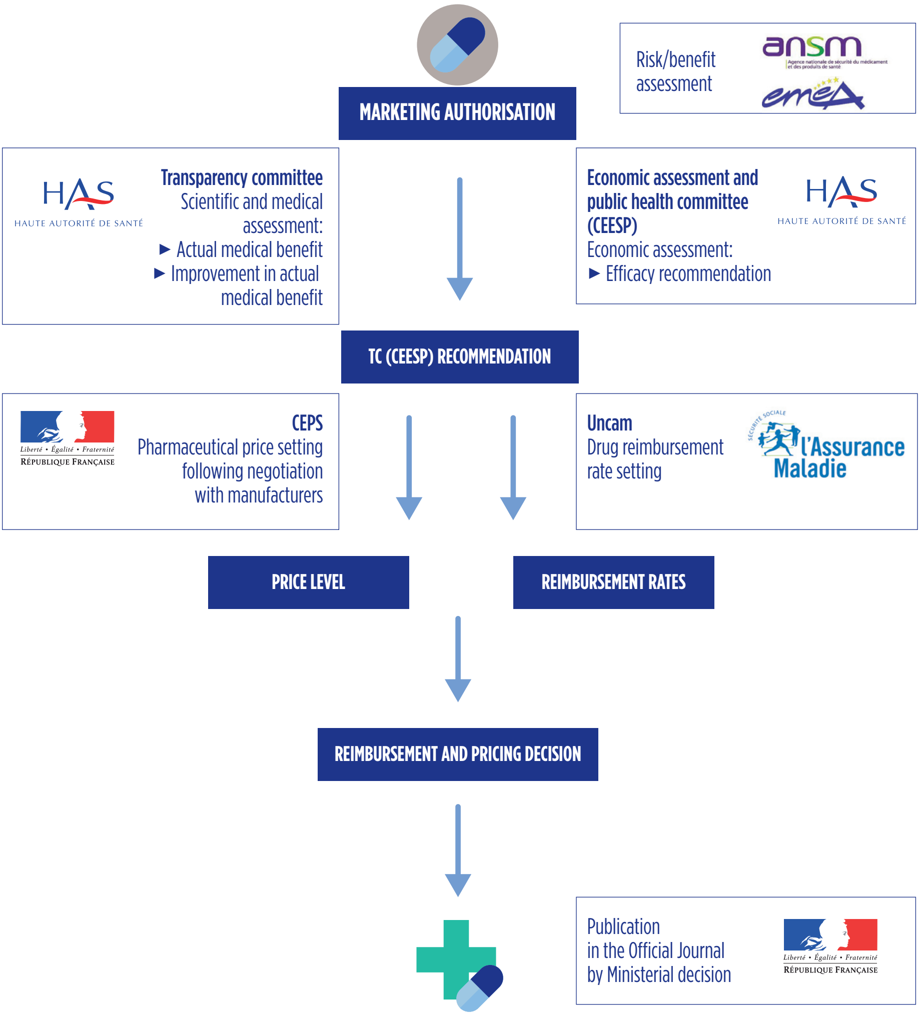


ACCESS

In the French market, a great deal of time elapses between a pharmaceutical product being granted marketing authorisation and a decision being reached regarding its reimbursement and pricing.

7 ACCÈS AU MARCHÉ D’UN MÉDICAMENT EN FRANCE : DE L’AUTORISATION DE MISE SUR LE MARCHÉ À LA DÉCISION DE REMBOURSEMENT ET DE PRIX

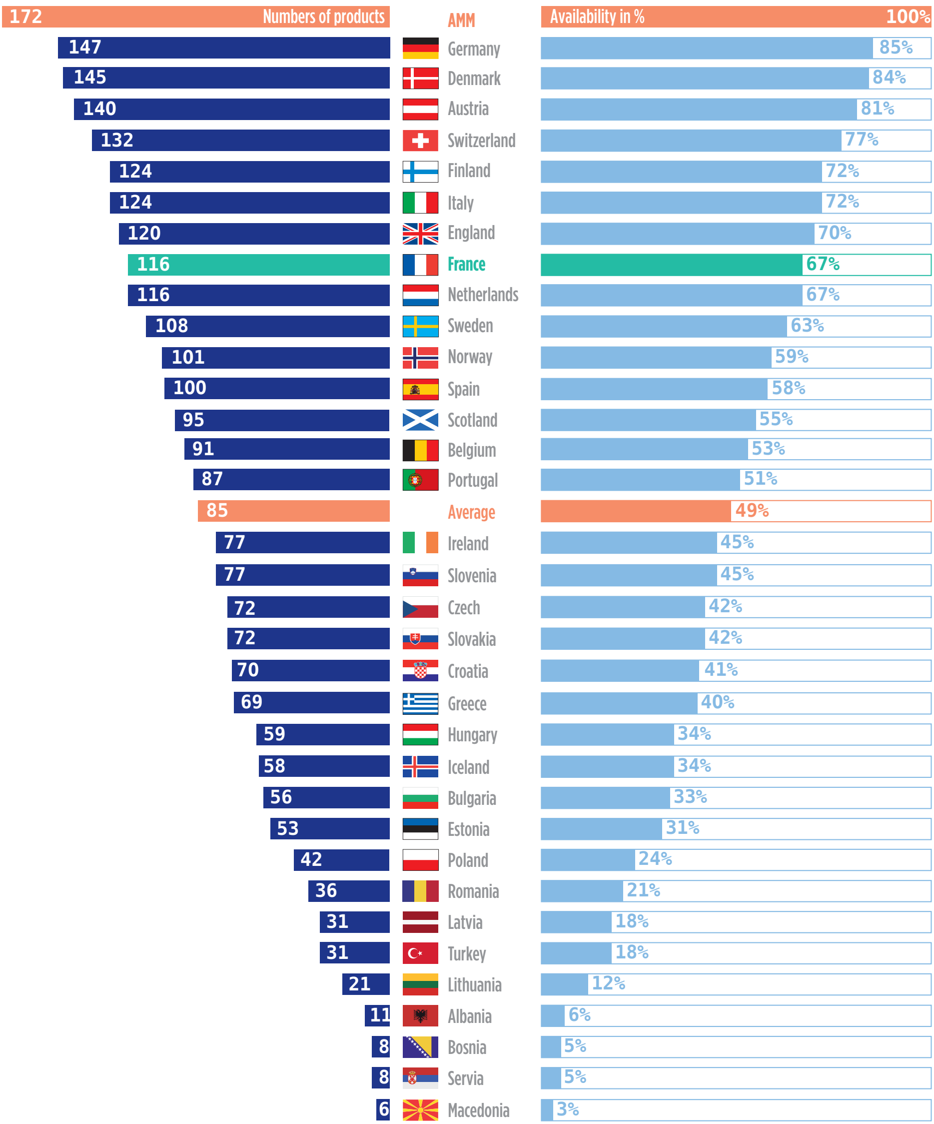
Source : Leem, AEC Partners



If we look at the availability of new products authorised by the European Medicines Agency (EMA) between 2015 and 2018, it is clear that French patients have access to 67% of these products, i.e. 116 out of 172 authorised.

8 EUROPEAN AVAILABILITY OF NEW PRODUCTS

Source : Patients W.A.I.T Indicator – EFPIA – Juin 2020



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 90% of the population) bears no relation to the proportion of expenditure it attracts: in 2019, medicines represented 16.5% of expenditure, but contributed arount 50% of the economies required by the National Healthcare Spending Target (ONDAM). The imbalance of this ratio has remained constant for a number years.

Although the 2020 increase in the National Healthcare Spending Target (ONDAM) was set at 2.3% in the Social Security Finance Bill (PLFSS), healthcare stakeholders were required to make savings of around €4.2 billion; a level close to that of previous years.

9 GENERAL HEALTH INDURANCE BENEFITS IN 2019

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

	Benefits in 2019 (in € Billions)	**Growth 2018-2019**	**AAGR* 2009-2019**
Payments to public and private hospitals	85 890	5,8%	2,5%
Private fees	20 128	6,2%	2,6%
Including self-employed doctors	*16 344*	*5,6%*	
Including dentists	*2 899*	*3,8%*	
Medical auxiliaries	10 388	9,0%	5,5%
Health products	26 277	4,0%	
*Including medicines ** *	*20 271*	*2,5%*	*1,3%*
Including medical devices	*6 005*	*9,1%*	
Other ambulatory care	14 506	3,2%	
Including labs	*2 832*	*1,9%*	
Including travel costs for patients	*3 777*	*2,0%*	
Including benefits in cash	*7 897*	*7,9%*	
Other	3 279	14,5%	
Total general health	**160 468**	**5,7%**	**2,8%**

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

CONSUMPTION: DISTRIBUTION AND FUNDING

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 healthcare-related expenditure by public and private funding sources).

Medical care and goods to the total value of €203.5 billion were consumed in France during 2018, which is equivalent to €3,037 per head of population.

On this basis, consumption rose by 1.5% compared with 2017. Across the population, the consumption of medicines and other pharmaceutical products averaged €488 per head of population in 2018. This average conceals a very significant variation, since the highest consumers are the elderly and the seriously ill.

10 BREAKDOWN OF CONSUMPTION OF HEALTHCARE AND MEDICAL GOODS IN 2018

Source : National health accounts published in September 2017

	Total consumption (in M€)	**Consumption per person** (in €)
Hospital care and medical wards	94 502	1411
Ambulatory care	55 016	821
Physicians, dentists and midwives	*32 570*	*486*
Medical auxiliaries, analysis, spas and other care	*22 447*	*335*
Patient transport	5 117	76
Drugs*	32 689	488
Other medical goods**	16 142	241
Consumption of medical goods and care	**203466**	**3037**

* Including other pharmaceutical products, blood products, magistral formulas, special fees to dispensing chemists, but excluding hospital medicines.
** Optical products, prostheses, ortheses, vehicles for the physically disabled, minor equipment and dressings.

The consumption of pharmaceuticals, as measured in standard units per head of population, has fallen by 16% in France since 2004, compared with an increase in Germany and stable levels of consumption in the other Top 5 European countries.

More than 78% of medical treatments and products are funded by the social security system, but only 73.5% of pharmaceuticals.

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