

## IMS Health Predicts 5 to 6 Percent Growth for Global Pharmaceutical Market in 2008, According to Annual Forecast

### ***Key Dynamics Shaping Market:***

- ***Drug treatment costs decline in major therapy areas***
- ***Shift in growth from top seven markets to emerging markets, and from primary care to specialty care***
- ***Increased uncertainty over safety, pricing and market access, and intellectual property issues***

**NORWALK, CONN, Nov. 1, 2007** – The global pharmaceutical market is expected to grow at a 5 - 6 percent pace next year, compared with 6 - 7 percent in 2007, according to IMS Health's 2008 Global Pharmaceutical Market and Therapy Forecast released today. The forecast, the leading annual industry indicator of market dynamics and therapy performance, predicts global pharmaceutical sales to expand to US\$735 - 745 billion next year.

"In several respects, 2008 marks an important inflection point for the global pharmaceutical market," says Murray Aitken, senior vice president, Healthcare Insight, IMS. "For the first time, the seven largest markets will contribute just half of overall pharmaceutical market growth, while seven emerging markets will contribute nearly 25 percent of growth worldwide. And, as the impact of established pharmaceuticals losing patent protection accelerates, we will see a decline for the first time in the size of the \$370 - 380 billion audited market for primary care-driven drugs. In the coming year, biopharmaceutical and generics companies will more aggressively adjust their business models to manage through these inflections, capturing new opportunities in this changing market environment."

In 2008, IMS expects drug treatment costs to decline in several major therapy areas where leading products have lost or will lose patent protection, and as generic drugs capture significant market share. These include lipid regulators, calcium channel blockers, selective serotonin reuptake inhibitors, osteoporosis therapies and proton pump inhibitors. The decline is most significant in the U.S. market – where treatment costs per day have

declined 20 - 40 percent in 2007 in therapy areas impacted by the loss of market exclusivity for Norvasc®, Zocor® and Zoloft®.

“These treatment cost declines are expected to continue through next year,” said Aitken, who noted that in the case of osteoporosis therapies and proton pump inhibitors, expected entry of generics competition for Fosamax® and Protonix® will likely result in 10 - 25 percent reductions in drug treatment costs in these classes in 2008.

In its 2008 forecast, IMS identifies the following key market dynamics:

- **Growth contribution from top seven markets falls.** In the U.S. and the five largest European markets, sales growth in 2008 is expected to range from 4 - 5 percent. This marks a historic low for the U.S. Japan market growth is forecast to grow 1 - 2 percent next year, down from the 4 - 5 percent pace expected in 2007. Key factors limiting growth in these markets include: a leveling off of growth from the introduction of the Medicare Part D prescription drug benefit in the U.S.; patent expiration of branded products, and an associated increase in the use of lower-cost generics; increased pressure from payers to control costs and limit access to certain treatments; and heightened safety scrutiny and healthcare legislation that is slowing, and in some cases halting, the introduction of new medicines.
- **“Pharmerging” market growth accelerates.** The seven “pharmerging” markets of China, Brazil, Mexico, South Korea, India, Turkey and Russia are expected to grow 12 - 13 percent next year, to \$85 - 90 billion. In these markets, there is significantly greater access both to generic and innovative new medicines as primary care improves and becomes more available in rural areas, and as private health insurance becomes more commonly held. Ongoing economic growth in the developing world will continue to shift the focus away from infectious diseases and toward cardiovascular, diabetes and other chronic illnesses.
- **Wave of genericization continues.** Drugs with approximately \$20 billion in annual sales will face patent expiry in 2008, similar to levels seen over the past two years. Leading products such as Risperdal®, Fosamax®, Topomax®, Lamictal® and Depakote® are expected to lose market exclusivity in one or more major markets around the world next year. This will help drive growth of generics by 14 - 15 percent next year, to more than \$70 billion. In

2008, more than two-thirds of all prescriptions written in the U.S. are expected to be for generics. New government contracting initiatives in Germany, and educational programs in Japan, Spain and Italy, will drive greater generics use in those markets. Also, generics competition within the biotech sector will rise as the biosimilar epoetin alfa is marketed across Europe.

- **Patient use of innovative specialty products expands.** IMS anticipates up to 29 innovative new medicines will be launched in 2008 – 80 percent of which will be primarily prescribed by specialists. These include four new oncology drugs for treating melanoma, prostate cancer and acute myeloid leukemia. Products used in the treatment of oncology are expected to exceed \$45 billion in value in 2008, contributing nearly 17 percent of audited market growth. Overall growth in the audited specialty-driven market is forecast to grow to \$295 - 305 billion, reflecting 14 – 15 percent growth next year.
- **Increased use of evidence supporting the value of medicines.** Pharmaceutical companies, governments and other payers are using more sophisticated economic analyses to understand the impact of pharmacotherapies on healthcare budgets worldwide. Health Technology Assessment bodies at a national and regional level are growing in scope and influence across Europe. In the U.S., The Centers for Medicare & Medicaid Services (CMS) is expected to more aggressively seek demonstrable proof that it is receiving “value for money” from Medicare Part D and other government-funded programs. IMS also expects an increased willingness by payers and drug manufacturers to enter into “payment for results” arrangements, especially in the area of oncology.
- **Safety issues increase level of uncertainty.** Throughout 2008, IMS expects both more independent meta-analysis of broadly used drugs, and a move toward risk assessment based not only on scientific evidence, but also the views of legislators and juries. In the U.S., the FDA has established a Risk Communication Committee, a new arm designed to improve risk communication to the public. The FDA will make critical decisions in 2008 around post-marketing surveillance approaches in light of the provisions of the Food and Drug Administration Amendments Act (FDAAA) of 2007, designed to enhance the agency’s ability to safeguard and advance

public health. IMS anticipates more limited claims for newly approved medicines, the application of more “black box” warnings on labels, more clinical evidence required by regulators, and slower approvals. Overall, this raises the level of uncertainty faced by companies, as well as their ability to make products available to patients.

- **Intellectual property rights challenged on multiple fronts.** Intellectual property issues under review in 2008 potentially could have significant long-term effects on patent-holders. The issue of compulsory licensing by nations, court rulings on composition of matter and process patents, granting of patents in India, enforcement of IP rights in China, and reform of patent laws in the U.S. and Europe will all play out to some extent over the course of the year. Each of these areas adds uncertainty about the fundamental model underpinning the R&D-based pharmaceutical industry.

### **Implications for Pharmaceutical, Biotech and Generics Manufacturers**

“These indicators paint the stark reality of a marketplace in transition,” said Aitken. “The actions being taken by companies to reinvent themselves will need to continue at an accelerated pace. Today, commercial strategies and tactics are being re-assessed to better align with future opportunities, while portfolio strategies are being adjusted to capture growth in emerging markets and reflect shifts in product values. In this market environment, building relationships directly with patients as they become better educated and take a more active role in their own healthcare also is essential. And, the industry must continue engaging the broader healthcare community in a rational and positive dialogue about the delivery of higher-quality healthcare to patients at lower cost.”

### **About the IMS 2008 Global Pharmaceutical Market and Therapy Forecast**

The 2008 forecast for market and therapy performance is based on extensive analyses by IMS consulting and forecasting experts. It uses IMS Market Prognosis, a strategic market forecasting publication, and IMS Therapy Forecaster, a unique forecasting system based on detailed quantitative and qualitative methodologies. Combined, these two tools deliver the most accurate and statistically robust insight into pharmaceutical and healthcare trends in the world’s largest and most important emerging markets.

The forecasts take full account of key issues impacting the pharmaceutical and healthcare industries. Additional factors that may affect overall growth include major safety events resulting in product withdrawal or prescribing restrictions; shifts in regulatory approval standards from their current levels; the application of sudden cuts to drug spending levels; and public health crises. Growth is measured in constant dollars to avoid the influence of currency exchange rates; sales are calculated at the ex-manufacturer level.

### **About IMS**

Operating in more than 100 countries, IMS Health (NYSE: RX) is the world's leading provider of market intelligence to the pharmaceutical and healthcare industries. With \$2.0 billion in 2006 revenue and more than 50 years of industry experience, IMS offers leading-edge market intelligence products and services that are integral to clients' day-to-day operations, including portfolio optimization capabilities; launch and brand management solutions; sales force effectiveness innovations; managed care and consumer health offerings; and consulting and services solutions that improve ROI and the delivery of quality healthcare worldwide. Additional information is available at <http://www.imshealth.com>.

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