The Pharmaceutical Industry
in Germany

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The Pharmaceutical Industry and the Economy

Even in times of crisis, the pharmaceutical industry is stable. Apart from the significant innovative power of the pharmaceutical companies, this is due to the medical needs of society. With a gross added value of more than EUR 100,000 per employee, the pharmaceutical industry provides a significant asset for Germany’s national economy: Hardly any other industry provides such a high gross added value.

The pharmaceutical sector is considered one of the industry branches with the best future prospects. The production of pharmaceutical products in Germany continued to increase in 2008, with more than half of all products still being exported. The number of employees in research and development also continued to rise despite a slight decrease in overall employment. This demonstrates the great potential of Germany as a research location, and the companies continue to invest: With capital spending worth EUR 1.53 billion for new production and research facilities, the pharmaceutical industry achieved another peak value in 2008.

The Future-oriented Pharmaceutical Industry

After “medical, measuring and control technology,” the pharmaceutical industry has the best future prospects out of 35 analyzed German industries. It strongly benefits from expected technological and societal changes and has one of the best growth and development prospects. In this respect, the above-average industry focus on R&D also has a positive effect.

Developments in employment also shows that the pharmaceutical industry is already benefiting from this change: Contrary to the prevailing trend, the number of jobs even increased by 8.5 percent in Germany from 2003 to 2008. Particularly negative, however, is the regulatory framework, which significantly hinders the pharmaceutical industry. Economy.
Production of Pharmaceutical Products in Germany

In 2008, Germany produced pharmaceuticals worth EUR 27.1 billion, a 3.5 percent increase over the previous year. Contrary to many other products, the production of pharmaceuticals is impacted much less by the economic situation than by government intervention to regulate the health care sector. Regulations regarding pricing and prescription restrictions predominantly limit domestic demand. Particularly drastic legislation has subsequently resulted in small or even negative growth rates in production, which was last observed in 2003 and 2004. The share of pharmaceutical production in overall industrial production has been stagnant at two percent for years.

Production in Europe, Japan and the USA

In an international comparison, Germany has only barely been able to maintain its position as a production location for pharmaceutical products. Eight percent of the overall pharmaceutical production from Europe, Japan and the USA, worth EUR 352 billion in 2007, came from Germany. In 1990, this share was still
at nine percent. Compared to Japan and the United States, the countries of the Euro zone have benefited from the strength of their currency over the past five years. Especially medium-sized European countries such as Ireland, Austria, Belgium and Switzerland (as a non-Euro country) have expanded their pharmaceutical production.

**Export Ratio of the Pharmaceutical Companies in Germany**

Due to various types of regulations, the domestic pharmaceutical market has lost its significance for the German pharmaceutical companies in the long term. In contrast, international sales have become more and more important. The export ratio has increased from about 36 percent in 1995 to more than 56 percent. In a
ranking of production locations, Germany still ranks fourth after the United States, Japan and France.

Export Ratio of the Pharmaceutical Companies in Germany

Employees of the vfa Member Companies
Number in thousands

In 2008, the number of employees in the vfa member companies decreased to about 88,000, which corresponds to a 4.1 percent reduction compared to the previous year. In contrast, the number of employees in research and development increased (by 0.2 percent to 17,100). This shows Germany’s excellent potential as a research location. In particular, research-based pharmaceutical companies depend on the qualified workers they find in Germany.
The Pharmaceutical Industry

Thanks also to new pharmaceuticals, people in Germany are living longer and longer. Health care expenditures as a share of gross domestic product remains stable at just below 11 percent and is therefore in the upper medium range when compared internationally. The share of expenses for pharmaceuticals also remains constant at under two percent of the gross domestic product, even though more and more people depend on pharmaceuticals with increasing age. The share of pharmaceutical expenditures in overall health care spending has remained unchanged at 15 percent for years.

Germany ranks in the middle segment in Europe in this respect as well. This shows that pharmaceutical expenses are predominantly controlled by the growing demand and do not represent a risk for the overall financing of the German health care system.

Over the past eight years, sales in the global pharmaceutical market have more than doubled. The United States is still in the lead, reaching the highest per-capita sales in the market as well. In Germany, pharmaceutical spending is only about half as high. In Germany, legal regulations still prevent patients from benefiting quickly and sufficiently from pharmaceutical innovations after their marketing authorization: In 2007, only six percent of pharmaceutical expenditures were made for innovative pharmaceuticals launched during the past five years. This brings Germany to the bottom of the table in Europe.
The dominant factor in the dynamics of the pharmaceutical market continues to be medical and therapeutic needs: Not only were increases recorded for serious and life-threatening diseases such as cancer, rheumatoid arthritis and multiple sclerosis but also for widespread conditions such as cardiovascular diseases or diabetes as well as in preventive medicine with the first vaccine against one type of cancer, the human papillomavirus (the trigger of cervical cancer).

**Per-capita Sales of Pharmaceuticals**

With regard to per-capita sales (sales in the pharmacy market at manufacturer prices), Germany ranks in the middle of an international comparison. When comparing European countries, Germany lies behind France and Switzerland. Also in non-European industrial nations such as the USA, Japan and Canada, per-capita sales are higher than in Germany.

**Number of Pharmaceuticals in Germany**

The number of pharmaceuticals is decreasing over the long term. The well-known German drug directory known as the “Rote Liste” currently includes 8,778 product listings, including many rarely used pharmaceuticals. Based on evaluations made by statutory health insurance, 90 percent of physicians’ prescriptions are for only 2,000 pharmaceuticals. The number of available pharmaceuticals is often represented imprecisely. For example, if not just the individual product but all of its dosage forms and concentrations are counted separately, one may arrive at numbers of 40,000 pharmaceuticals or more. However, this method of counting is not customary in other countries and is therefore inappropriate for the purpose of comparisons.