

Key Economic Indicators

(April – June 2015)



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This bulletin has been prepared by the research staff of the Health Economics Observatory at IOBE, with the contribution of SfEE's Data Monitoring working group.

1. Latest Developments – Major Actions

MoH: Towards a new pharmaceutical policy



- + Abolishment of 5€ entry fee to NHS.
- + Wholesaler margin return to EOPYY from direct sales to retail pharmacies for all products (GG869/19.05.15).
- + Establishment of min prescribing targets to increase generic penetration. (GG11117/11.06.15).
- + New reimbursement list including all new products (GG1267/28.06.2015).
- + Reduction of patients' participation (GG1043/4.6.2015 & GG1078/9.6.2015)
- + Press conference announcing changes in pharmaceutical policy:
 - o Single, greater volume rebate for Retail products incorporating all current rebates
 - o Single, greater volume rebate for L.3816 drugs
 - o Negotiations Committee enactment
 - o Re-pricing / corrections of past mistakes if below 3-lowest

SFEE: Issues for immediate resolution



- + Redefine target for public pharmaceutical expenditure with a separate provision for the uninsured citizens.
- + Cap on rebates & clawback not to exceed the respective in 2014, given that the target remains the same.
- + Extension of offsetting eligibility for all outstanding debts of the state (Hospitals & EOPYY).
- + Repayment schedule for all outstanding debts to resolve lack of liquidity in the market.
- + Prompt re-pricing.
- + Establish the legislative framework under which Negotiations Committee of EOPYY will work.

2. Economic Environment

The Euro Area economy: Stronger growth prospects for 2015

- ✚ According to the recent forecast by the European Commission, the sharp decline in oil prices and the ample monetary stimulus by ECB & central banks will accelerate the Euro Area growth in 2015.
- ✚ Lower oil prices have already raised households' disposable income and boosted retail trade.
- ✚ The energy costs of businesses have decreased and the positive impact on investment is expected to materialize this year
- ✚ The cost of capital is declining due to the asset purchase program of the ECB.



- ✚ The € depreciation strengthens competitiveness and accordingly exports.
- ✚ Gradual structural changes in the labor market during the previous years' contribute to employment growth.
- ✚ Projected growth of 1.5% in the Euro Area, instead of a previously expected 1.0%.



The Greek economy: Growth slowdown in Q1'15 vs. Q3'-Q4' 2014

- ✚ Based on the provisional ELSTAT data for Q1'15, GDP increased by 0.4% y-o-y, at a lower rate than H2 2014.
- ✚ The growth slowdown is mainly owed to the deterioration of the external sector balance: exports grew by 1.3% y-o-y in Q1'15, whereas imports were 10.3% higher.

- ✚ The external deficit of the Greek economy increased.
- ✚ Significant investment expansion, of 27.6% y-o-y, though it is partially fueled by a carryover effect from investment activity in Q4'14.
- ✚ Consumption expanded by 1.0%, as much as in 2014, and supported the imports increase.

Table 1. Main Macroeconomic figures GRE vs. ROW (% changes)

	2013	2014	2015	2016
GDP (% change)				
Greece	-3.9	0.8	0.5	2.9
Euro Area	-0.4	0.9	1.5	1.9
Emerging - Developing Europe*	2.9	2.8	2.9	3.2
EU-28	0.0	1.4	1.8	2.1
Global Economy	3.3	3.4	3.5	3.9
Inflation (%)				
Greece	-0.9	-1.4	-1.5	0.8
Euro Area	1.4	0.4	0.1	1.5
Emerging - Developing Europe*	4.2	3.8	2.7	-
EU-28	1.5	0.6	0.1	1.5
Global Economy	-	-	-	-
Unemployment (% of labour force)				
Greece	27.5	26.5	25.6	23.2
Euro Area	12.0	11.6	11.0	10.5
Emerging - Developing Europe	-	-	-	-
EU-28	10.9	10.2	9.6	9.2
Global Economy	-	-	-	-
Budget Balance (% of GDP)				
Greece	-12.2	-3.5	-2.1	-2.2
Euro Area	-2.9	-2.4	-2.0	-1.7
Emerging-Developing Europe**	-1.5	-1.6	-2.9	-2.0
EU-28	-3.2	-2.9	-2.5	-2.0
Global Economy**	-3.2	-3.3	-3.4	-2.9

Sources: European Economic Forecast, spring 2015, European Commission, May 2015;* World Economic Outlook, IMF, April 2015; **Fiscal Monitor, IMF, April 2015

Table 2: Main GDP components Greece – Quarterly National Accounts (2010 volumes)

Year/ Quarter	GDP		Final Consumption		Investment		Exports		Imports	
	bn. €	Annual rate of change	bn. €	Annual rate of change	bn. €	Annual rate of change	bn. €	Annual rate of change	bn. €	Annual rate of change
2007	251.2	3.4%	218.4	3.8%	64.0	10.8%	56.4	9.7%	88.7	13.7%
2008	250.1	-0.4%	222.2	1.7%	59.5	-7.1%	58.4	3.5%	90.6	2.2%
2009	239.2	-4.4%	221.6	-0.3%	43.0	-27.7%	47.8	-18.1%	73.3	-19.2%
2010	226.4	-5.3%	207.5	-6.4%	38.4	-10.7%	49.8	4.3%	69.3	-5.5%
2011	206.3	-8.9%	187.4	-9.7%	32.1	-16.5%	50.3	1.0%	63.9	-7.8%
2012	192.7	-6.6%	173.8	-7.2%	25.4	-20.9%	50.8	1.0%	57.9	-9.4%
2013	185.0	-4.0%	168.3	-3.2%	21.2	-16.5%	51.6	1.5%	56.2	-2.9%
2014	186.3	0.7%	168.4	0.9%	20.7	-2.2%	56.1	8.7%	60.3	7.4%
Q1 2015	46.5	0.4%	42.7	1.0%	6.3	27.6%	13.9	1.3%	15.8	10.3%

Source: Quarterly National Accounts, ELSTAT, May 2015

Table 3: Main Macroeconomic figures (Greece)

	2013	2014	2015	2016
<i>Annual percentage changes</i>				
Gross Domestic Product	- 3.9	0.8	0.5	2.9
Private Consumption	- 2.0	1.3	0.6	2.4
Public Consumption	- 6.5	-0.9	-0.6	-0.3
Gross Fixed Capital Formation	-9.5	2.7	-3.1	7.2
Exports of Goods and Services	2.1	9.0	4.1	5.1
Imports of Goods and Services	- 1.6	7.4	2.0	3.6
Employment	- 3.8	0.7	0.5	2.9
Compensation of employees / head	- 7.1	-1.6	0.1	1.7
Real Unit Labour Cost	- 4.9	1.0	1.4	1.0
Harmonized Index of Consumer Prices	- 0.9	-1.4	-1.5	0.8
<i>Contribution to real GDP change</i>				
Domestic Demand	-3.9	1.0	-0.1	2.4
Net Exports	1.1	0.2	0.6	0.5
Inventories	-1.1	-0.5	0.0	0.0
<i>GDP percentage</i>				
General Government Balance	-12.2	-3.5	-2.1	-2.2
Current Account Balance	-2.3	-2.2	-1.6	-1.3
General Government Debt	174.9	177.1	180.2	173.5
<i>Percentage</i>				
Unemployment (% of civilian labor force)	27.5	26.5	25.6	23.2

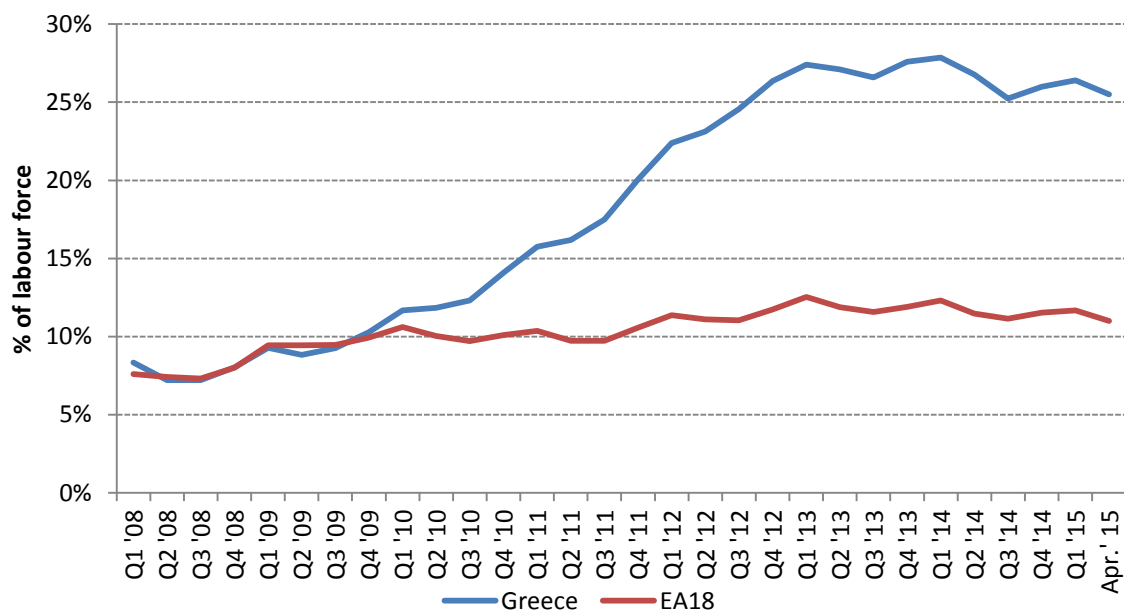
Source: European Economic Forecast, spring 2015, European Commission, May 2015

Unemployment contracts in Greece in April following similar trends in the Euro area

- ✚ The rate of non-seasonally adjusted unemployment decreased to 26.2% during the first four months of 2015, from 27.7% during the same period last year.
- ✚ During the same period, on average almost 68 thousand people re-entered the labor market.
- ✚ The non-seasonally adjusted unemployment rate contracted in the Euro area during Jan to April to 11.5%, compared to 12.2% last year.
- ✚ The political turmoil is expected to affect unemployment significantly over the next months.



Figure 1: Unemployment in Greece and Euro area (Non-seasonally adjusted)

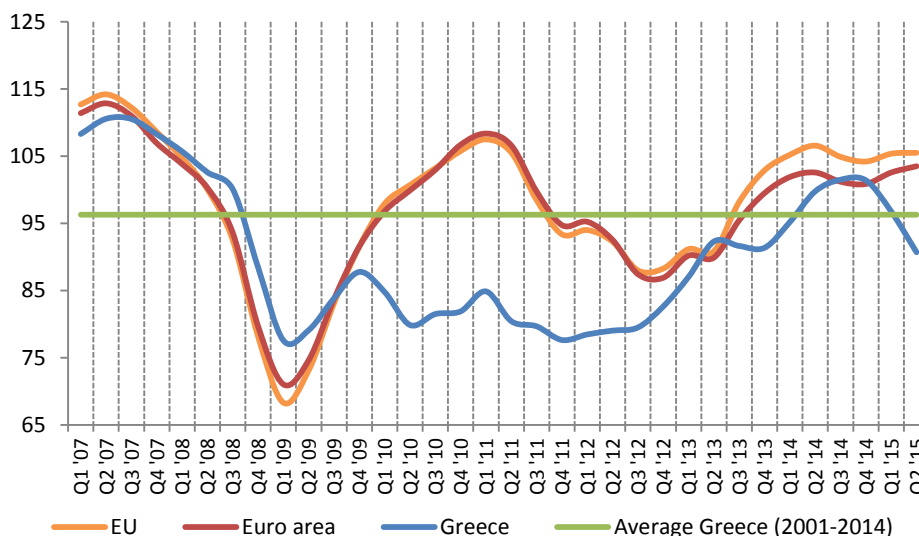


Sources: ELSTAT, Eurostat

Economic Sentiment Indicator* contracts further during Q2'15

- Absence of an agreement with the Institutions clearly affected the economic sentiment in Greece, which decreased to 90.7 units during the Q2 '15, from 96.8 units during Q1 '15.
- Decline driven mostly by the worsening of consumer confidence. Moderate decline of business expectations in all economic sectors.
- The relevant index in the EU28 decreased to 105.5 units (from 105.4 in Q1 '15), but was marginally higher in the Euro area (103.5 from 102.6 during Q1 '15).

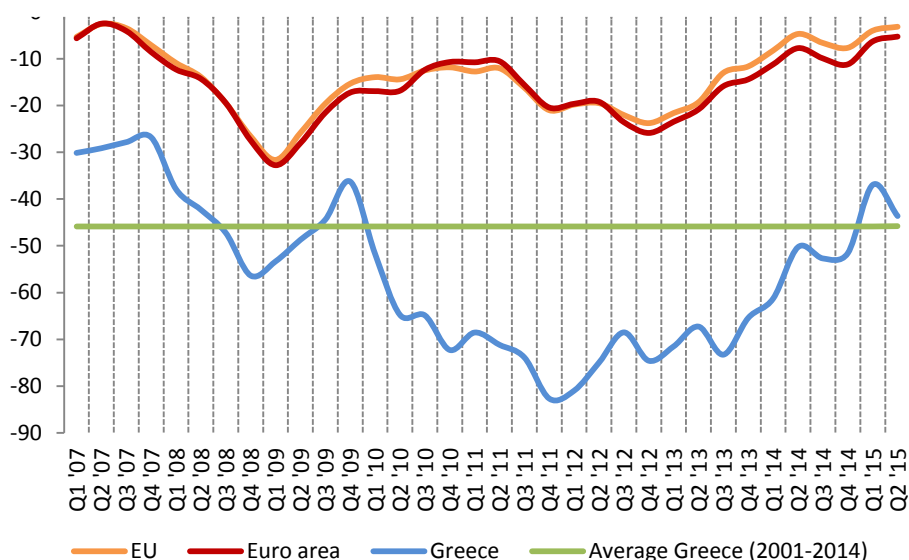
Figure 2: Economic climate Indicator, Greece vs. Euro Area



Consumer Confidence Indicator – affected by the continuous uncertainty

- CCI decreased during Q2 '15 with respect to Q1 '15, denoting decline of more ambitious expectations right after the January elections (-43.6 from -37.6 units in the first quarter of 2015).
- Nonetheless, consumers were less pessimistic than the same period in 2014 (-50.3).
- Expectations regarding both the households' and the country's economic condition within the next year, deteriorated in Q2 '15.

Figure 3: Consumer Confidence Indicator, Greece vs. Euro Area



* The Economic Sentiment Indicator is a composite indicator, comprising sectoral expectations indicators in Industry, Services, Construction, Retail trade sectors and Consumer Confidence indicator. The index is evaluated on a monthly basis for DG ECFIN, European Commission by IOBE

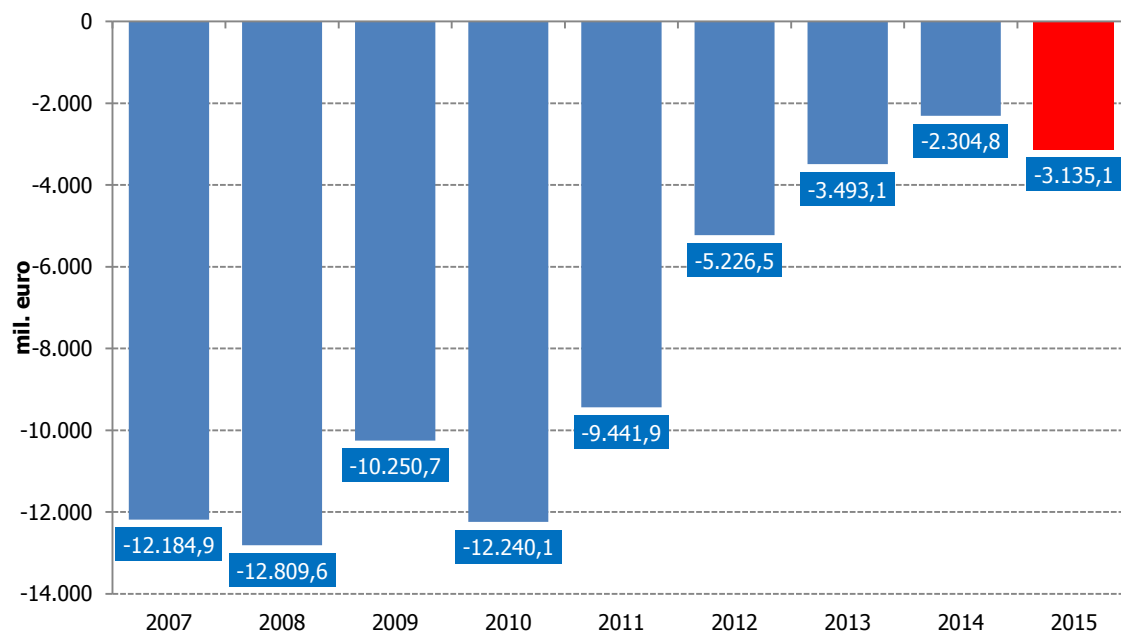
Sources: IOBE - DG ECFIN, European Commission

Current Account Balance (Jan. – Apr. 2015):

✚ Current Account Deficit of €3.1 billion during the Jan. – Apr. 2015 period.

✚ Deficit expansion by 36.0% compared to the same period, last year.

Figure 4: Current Account Balance, Jan. – Apr. 2007-2015

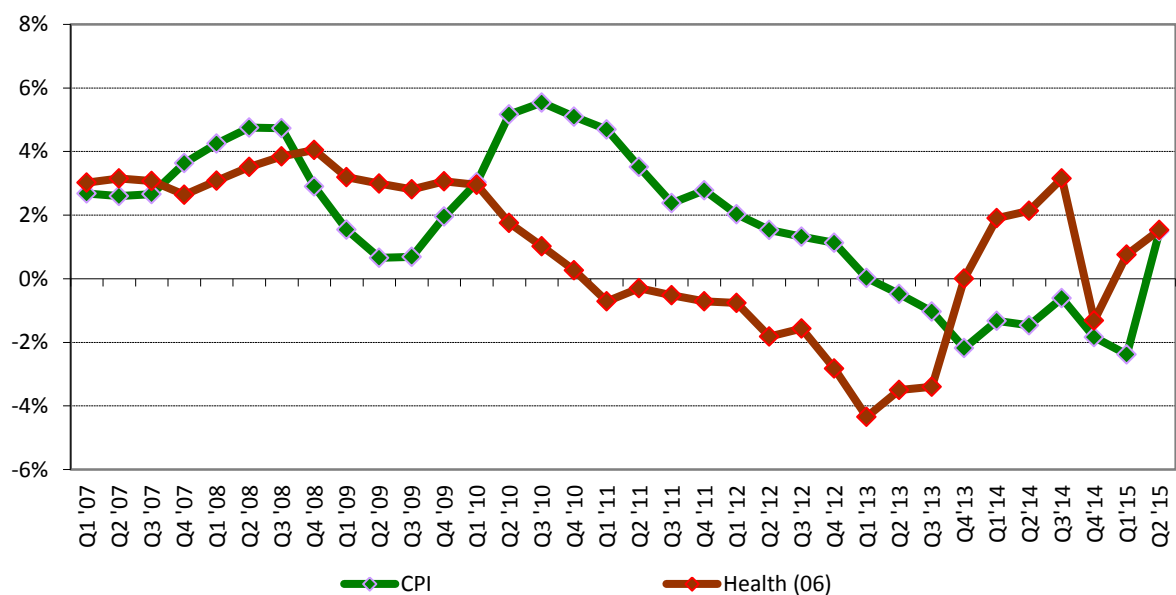


Source: Bank of Greece

Consumer Price Index (Q2 '15)

- CPI increased by 1.5 % y-o-y during the second quarter of 2015, against a decrease of 2.4% during the first quarter of 2015 and a similar reduction of 1.5% during the same period of 2014.
- During the same period, the Health prices index increased by 2.1% y-o-y, after a 1.5% increase in the first quarter of 2015.

Figure 5: Consumer price index, % change over the same period of the previous year

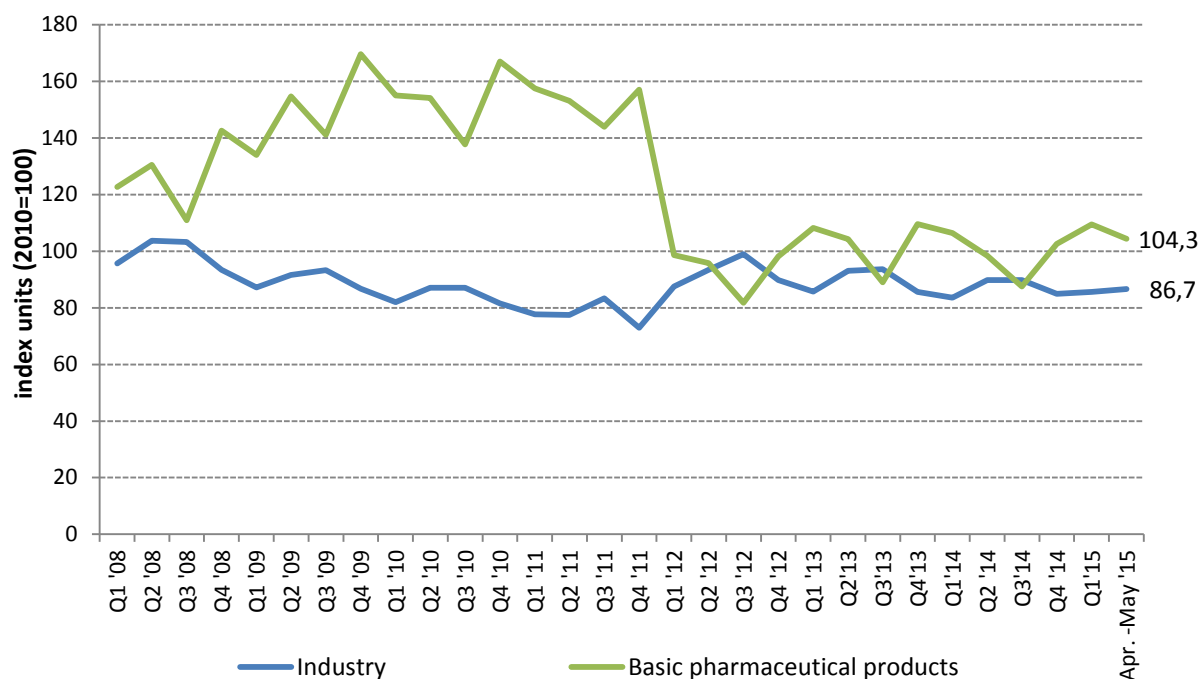


Source: ELSTAT

Industrial Production (April – May 2015):

- ✚ The overall industrial production index contracted by 1.2% during the April-May period, against a sharper decrease of 2.4% during the same period, last year.
- ✚ The production of basic pharmaceutical products increased by 3.8% y-o-y, recovering from a marginal contraction of 1.3% last year.

Figure 6: Industrial Production Index



Source: ELSTAT

Retail Trade

- Retail trade volume has decreased significantly since the crisis' outburst.
- Trade of pharmaceutical products and cosmetics follows the same trend, exhibiting losses of 35% during the period 2007-2014.

Figure 7: Retail trade and Pharmaceutical products 2006 - 2014, annual averages

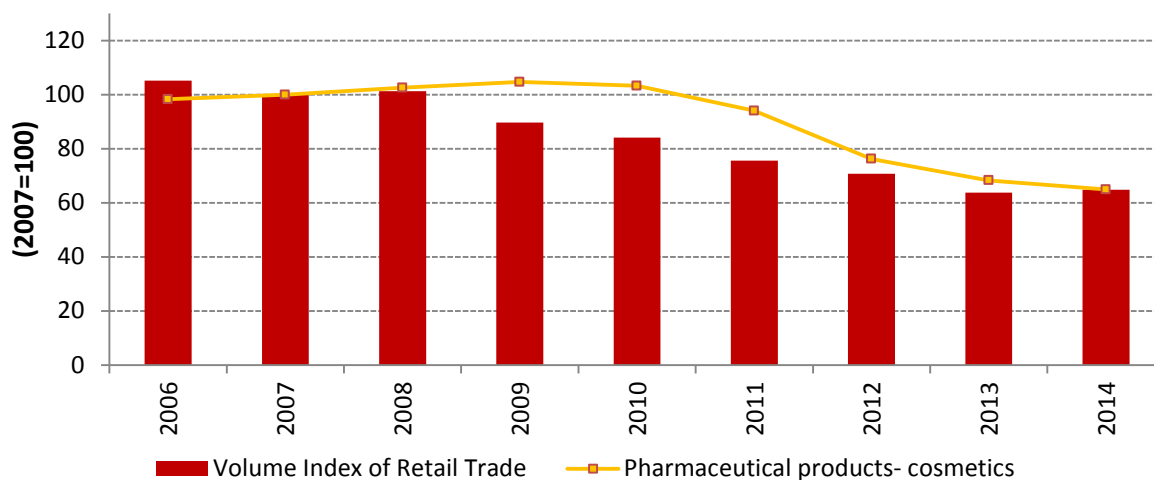
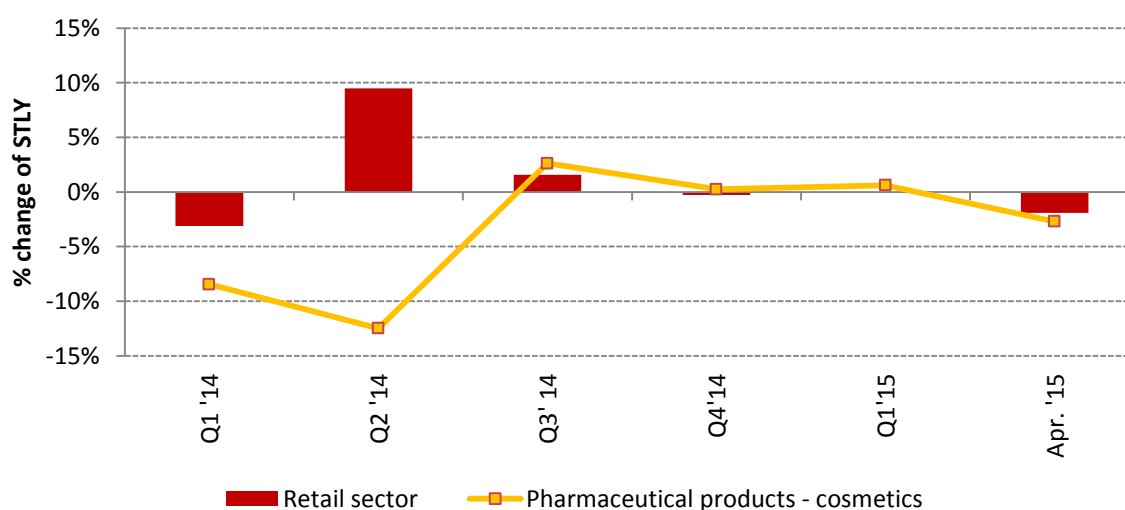


Figure 8: Retail trade & Pharmaceuticals, y-o-y % change

- Increase of the retail trade volume by 0.6% during the first four months of 2015 against the same period last year.
- During the same period, the pharma-products* volume index contracted by 1.9%. y-o-y.



* The results of the survey are based on the temporary turnover of 183 pharma and cosmetics firms, deflated by the Harmonised Consumer Price (HCP) index.

Real Effective Exchange Rate

✚ Real effective exchange rates (REER) are depicted in the table below for the period January 2014 – JANUARY 2015 as derived by Eurostat.

✚ The REER (or, equivalently, the "Relative price and cost indicators") aims to assess a country's (or currency area's) price or cost competitiveness relative to its principal competitors in international markets. It corresponds to the NEER deflated by nominal unit labor costs (total economy) and consumer prices (CPI/HICP).

Table 9: Exchange rate fluctuation (REER) June 2014 / June 2015*

CURRENCY/TIME	BGN	CZK	DKK	UK £	HRK	HUF	LTL	PLN	RON	SEK	US dollar	CHF
June 2014	1.96	27.45	7.46	0.80	7.58	305.87	3.45	4.14	4.39	9.09	1.36	1.22
July 2014	1.96	27.46	7.46	0.79	7.61	309.81	3.45	4.14	4.41	9.23	1.37	1.22
Aug 2014	1.96	27.82	7.46	0.80	7.63	313.91	3.45	4.19	4.43	9.19	1.36	1.21
Sept 2014	1.96	27.60	7.44	0.79	7.62	313.20	3.45	4.19	4.41	9.19	1.29	1.21
Oct 2014	1.96	27.59	7.44	0.79	7.66	307.85	3.45	4.21	4.42	9.18	1.27	1.21
Nov 2014	1.96	27.67	7.44	0.79	7.67	306.89	3.45	4.21	4.43	9.24	1.25	1.20
Dec 2014	1.96	27.64	7.44	0.79	7.67	310.83	3.45	4.22	4.46	9.40	1.23	1.20
Jan 2015	1.96	27.90	7.44	0.77	7.69	316.50	3.45	4.28	4.49	9.42	1.16	1.09
Feb 2015	1.96	27.61	7.45	0.74	7.71	306.88	3.45	4.18	4.43	9.49	1.14	1.06
March 2015	1.96	27.38	7.46	0.72	7.65	303.45	3.45	4.13	4.43	9.25	1.08	1.06
April 2015	1.96	27.44	7.47	0.72	7.59	299.43	3.45	4.02	4.42	9.33	1.08	1.04
May 2015	1.96	27.40	7.46	0.72	7.56	306.33	3.45	4.08	4.45	9.30	1.11	1.04
June 2015	1.96	27.31	7.46	0.72	7.57	311.96	3.45	4.16	4.48	9.27	1.12	1.05

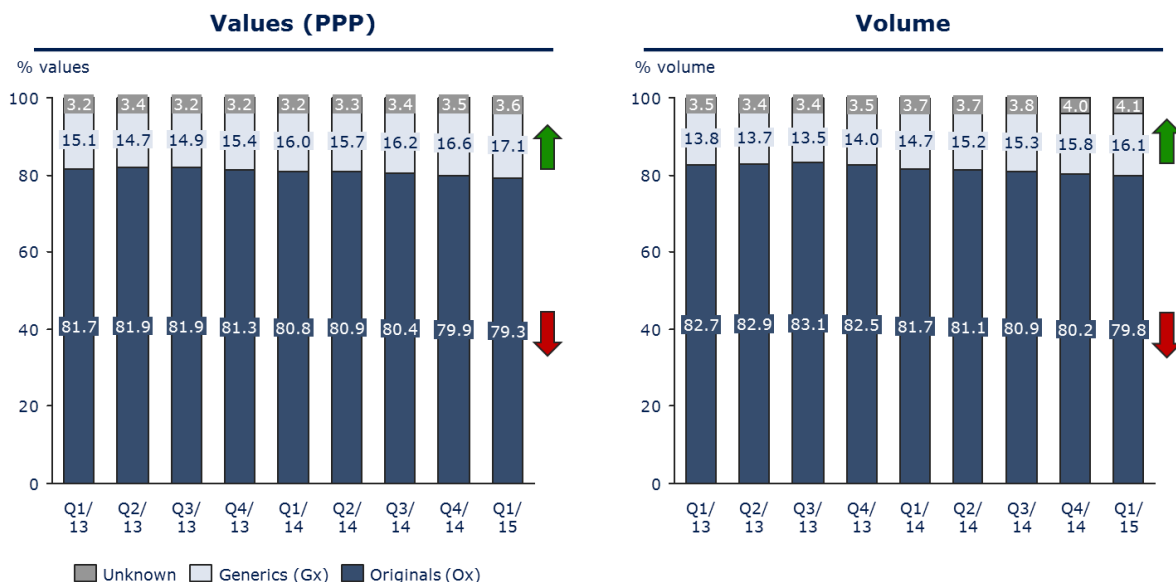
*Source of data: Eurostat

**BGN: Bulgarian lev; CZK: Czech koruna; DKK: Danish krone; UK £: Pound sterling; HRK: Croatian kuna; HUF: Hungarian forint; LTL: Lithuanian litas; PLN: Polish zloty; RON: Romanian leu; SEK: Swedish krona; CHF: Swiss frank

Pharmaceutical Market

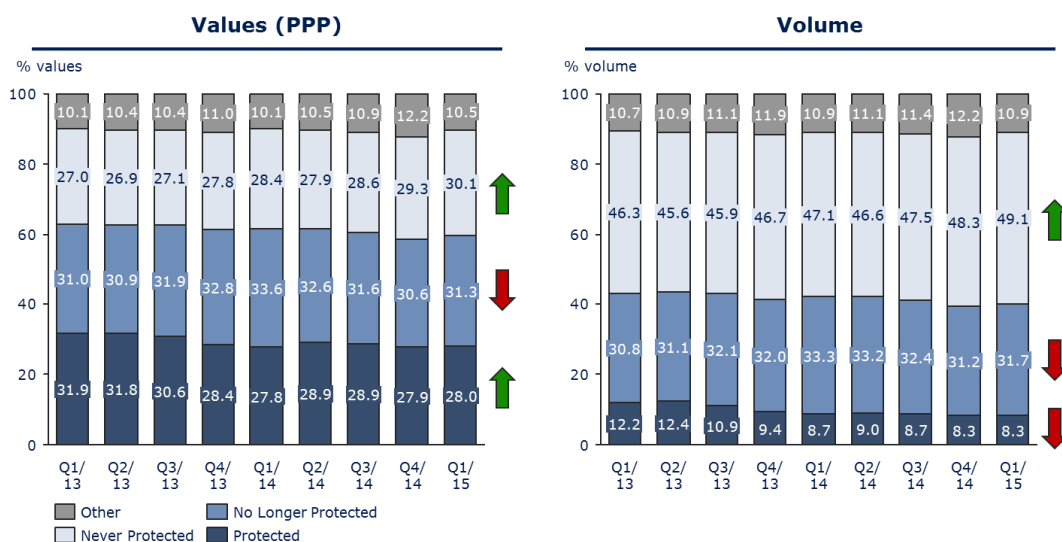
Market Share in Values (PPP) & Volume by product type (Q1 '13- Q1 '15)

- ✚ Originals' market share decreased by 1.5 ppts in value and 1.9 ppts in volume vs. STLY
- ✚ Market share does not include L.3816 products
- ✚ Classification is based on **EOF status** (originals vs. generic)



Market Share in Values (PPP) & Volume by patent status (Q1 '13- Q1 '15)

- ✚ No longer protected products the only loser in value m.s.
- ✚ Never protected products the only winner in volume m.s. vs. STLY
- ✚ Classification is based on **MIDAS**



Source: IMS Market report Q1 2015

Outstanding state debts to pharmaceutical companies as of 31.05.2015

- On 31.05.2015, the total amount of the state's debt towards SFEE's member- companies was €1.083 million (Figure 9).
- EOPYY has settled 49% of outstanding debts for 2014 (Figure 10).
- In contrast, outstanding debts for 2015 have not yet started (~2%). (Figure 11).
- Pharmaceutical industry is the only stakeholder that has fallen back in payments for over 1 year.
- On the horizontal axis, monthly update from our member companies data is shown as of date of collection.
- Sums reported here include data from member-companies of SFEE (detailed & aggregate data).

Figure 9: Outstanding State Debts up until 31.05.2015

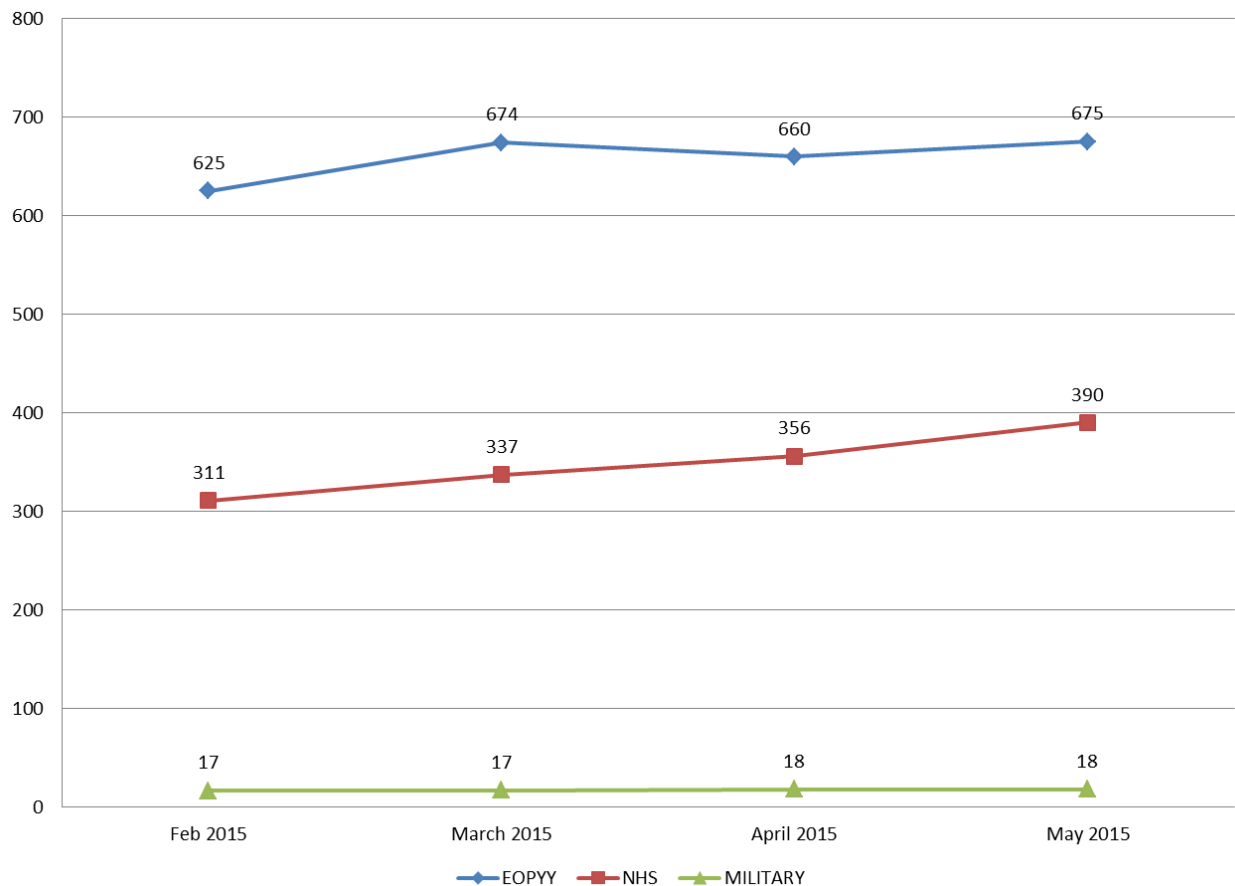


Figure 10: Outstanding State Debts for 2014 invoices only

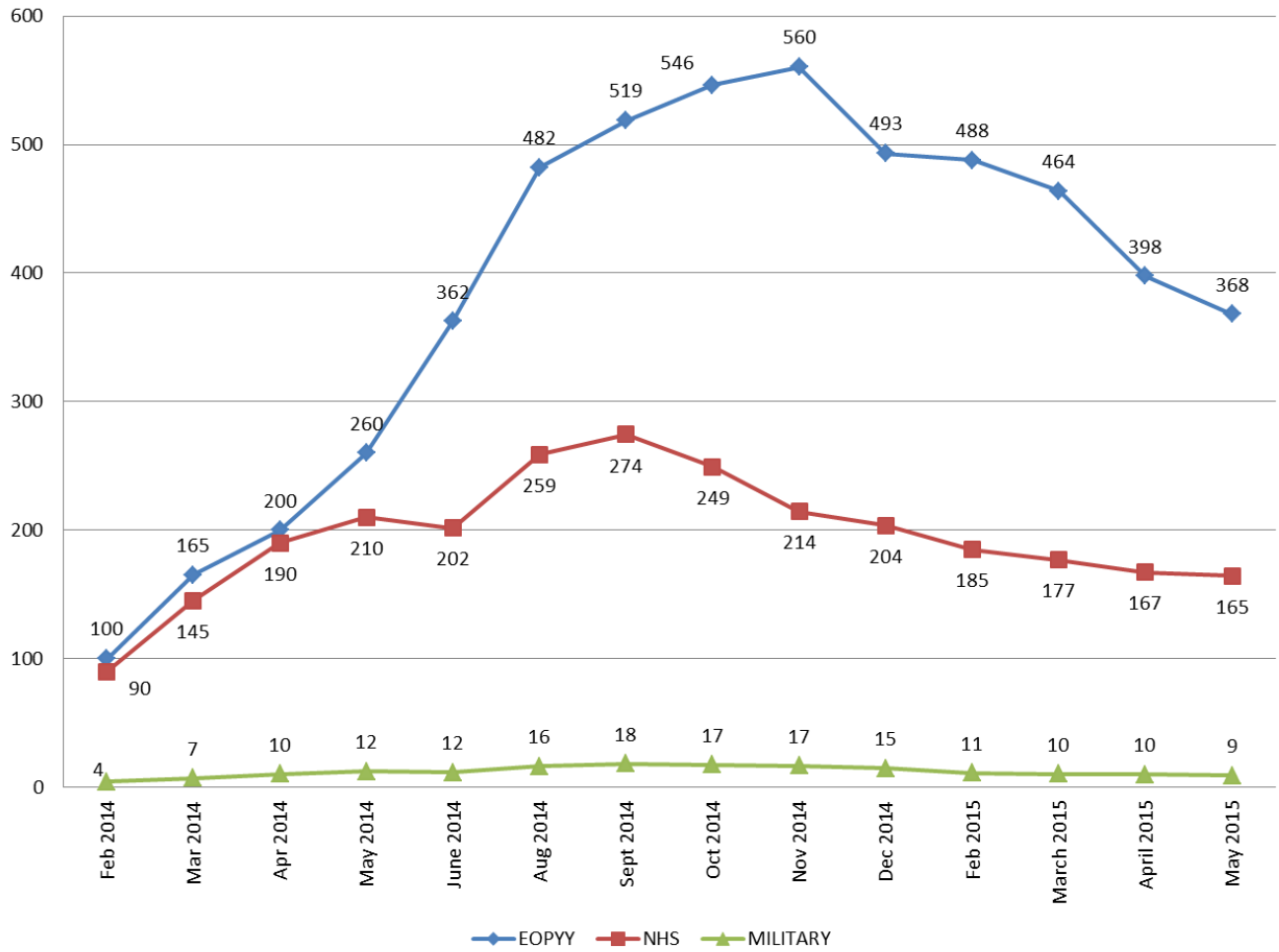


Figure 11: Outstanding State Debts for 2015 invoices only

