

The Impact of the COVID-19 Pandemic on Global Pharmaceutical Growth

Follow-up based on Q1 2020 data

In April, IQVIA Market Prognosis published an article summarizing its perspective on the potential impact of COVID-19 on global pharma markets. In this follow-up article, the team reviews the market dynamics in Q1 2020 and the implications for future growth prospects.

The impact of the fast-spreading coronavirus disease (COVID-19) pandemic on pharmaceutical markets worldwide is gradually becoming clearer, and as countries emerge from the peak of the 'first wave' of COVID-19, it appears that the pandemic has affected markets in a broadly similar manner. Here, we explore some of the common dynamics observed in Q1 2020 across 14 global markets that comprise more than 80% of the global pharmaceutical market by value. These include the **US, Japan, Canada, the EU5 (Germany, Spain, France, Italy, the UK)** and **BRICTM** countries (**Brazil, Russia, India, China, Turkey and Mexico**). More importantly, we briefly highlight how those dynamics have shaped the latest pharmaceutical market growth projections released by IQVIA Market Prognosis.*

Strong volume growth in the retail pharmacy sector prior to lockdowns



In the **EU5** markets, stockpiling and panic-buying were at the forefront of COVID-19 associated dynamics prior to the lockdown measures being imposed in Q1 2020. This boosted retail sector volume growth in all five markets, with monthly growth reaching over 30%, 23% and 20% in **Germany, Spain** and the **UK**, respectively in March 2020 vs. March 2019 (measured in standard units). This was also the case in **Italy** and **France**, although growth spikes were slightly lower in these markets.

Stockpiling was not only triggered by wholesalers' concerns regarding possible disruption in the pharmaceutical supply chain but was also a reflection of a surge in patient demand for certain pharmaceutical products. Panic-buying was observed for chronic disease therapies, and in some countries, such as France, the extension of chronic disease prescriptions was permitted for high-risk patients to encourage these patients to remain at home in order to minimize risk of infection. In parallel, OTC products also witnessed a significant increase in demand, even leading to shortages in some markets, such as the **UK** and **Spain**, where basic pain relief products were difficult to find as lockdown was implemented.

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* Source: IQVIA Market Prognosis June 2020 publication

However, the growth witnessed in Q1, and during the few weeks that preceded the lockdowns, was offset by a sharp volume decline during the lockdown phase in the **EU5**, particularly in April. The basecase forecast assumes a net negative impact on pharmaceutical sales in 2020 in the **EU5**, with the possibility of a second wave of infections in the latter half of the year running the risk of further deceleration in growth in the downside forecast scenario*.

Similar retail sector dynamics were observed in the **BRICTM** countries where pharmaceutical volume growth accelerated in Q1 in all markets with the exception of **China**. In **Brazil, Russia** and **Mexico**, the surge in demand for medicines to alleviate COVID-19 symptoms was most pronounced in March 2020, with increases of 39%, 31% and 13%, respectively, when compared to March 2019. In **China**, where the pandemic started and where strict lockdowns were initiated earlier than in other **BRICTM** countries, some dispensing of chronic treatments shifted from hospital to retail pharmacies; however, the level of retail pharmacy sales did not compensate for the overall slowdown witnessed in hospital sales. **China's** retail sector volume growth was negative, registering a 9% decline in Q1 2020 over Q1 2019, and a 10% decline in March 2020 over March 2019.

The retail sector dynamics in **Canada** and the **US** were consistent with those described above for the **EU5** and **BRICTM** countries, with both countries experiencing stockpiling, issuing of long-term scripts, and spikes in procurement during Q1. In contrast, **Japan's** retail sector volume recorded a moderate decline in both Q1 and March 2020 when compared to the same time-period in 2019. This was partly due to a decline in patient visits/consultations, thereby slowing down pharmaceutical expenditure in the retail sector (**Japan's** retail sector covers sales of ethical and OTC drugs through retail pharmacies, GP clinics and drugstores).

As in the **EU5** countries, the strong volume growth witnessed in Q1 in the **BRICTM** countries (excluding **China**), **Canada** and the **US**, was offset by a decline in volume during each country's subsequent lockdown phase. Importantly, the economic recession is expected to suppress pharmaceutical growth potential over the longer term in markets such as the **US** and **Russia**,

where private funds underpin a significant proportion of healthcare costs. As such, the implications of the COVID-19 pandemic are expected to be negative for pharmaceutical sales in **BRICTM** as well as developed markets, which is reflected in a downward revision of the retail sector growth prognosis for 2020*. In the downside scenarios, the forecast assumptions include a longer, protracted negative impact of the economy in high out-of-pocket spending markets.

Pharmaceutical Volume Growth by Sector (SU**)

	RETAIL SU GROWTH MAR 2020 VS. MAR 2019	HOSPITAL SU GROWTH MAR 2020 VS. MAR 2019
FRANCE	++	-
GERMANY	+++	++
ITALY	++	+
SPAIN	+++	-
UK	+++	-
BRAZIL	+++	N/A
RUSSIA	+++	+++
INDIA	+	+
CHINA	--	---
MEXICO	+	N/A
TURKEY	+	++
JAPAN	-	-
USA	++	++
CANADA	+++	+++

Scale

---	<20%	--	-10-20%	-	<10%
+++	>20%	++	10-20%	+	<10%

** Standard Units equate the number of milliliters of liquid preparations to the standard solid dosage of one tablet, therefore making solid and liquid preparations comparable.

* Source: IQVIA Market Prognosis June 2020 publication

Weaker growth in the hospital sector



The majority of the negative impact of the pandemic on pharmaceutical market growth is observed in the hospital sector, which registered either a decline in or stagnant volume levels in the **EU5** countries, with the exception of **Germany**.

German hospital volume growth peaked in March 2020, registering double-digits, showing that Germany's healthcare system had a remarkable capacity to cope with the urgent demand for COVID-19 treatment alongside the normal therapeutic demand. Steps taken by the German government meant hospitals were far from being overloaded and in fact had patients from France and Italy flown in for treatment. Q1 2020 hospital sector volume growth in **Italy** was also higher than the growth in the same period last year, which was driven largely by unplanned procurement of medicines when the extent of demand was unclear, and as the crisis unfolded for **Italy** to subsequently become the first COVID-19 epicentre in Europe.

As hospitals did not experience the stockpiling trends seen in the retail sector, overall hospital sector volume growth in the **EU5** is expected to decelerate in 2020. This may be partially offset as healthcare providers begin to clear the patient backlog accumulated when treatment was postponed during lockdown, but this is unlikely to lift forecasts dramatically in 2020 due to limited hospital capacity, for example in countries such as the **UK**. Hospital sector volume growth in 2021 in the **EU5** countries is expected to be higher than previous projections as patient backlogs continue to be treated. That said, a possible second wave of COVID-19 infections in Q3/Q4 2020, as modelled in the downside forecast scenario*, would result in a renewed negative impact on hospital sector growth and prolong the time taken for the market to recover.

Q1 2020 hospital sector trends in the **BRICTM** countries showed a greater degree of variation than in the retail sector, and less uniformity than in the **EU5** countries. For example, **India** and **Turkey's** hospital sector volume growth spiked in February and March 2020, respectively, with both countries registering double-digit volume growth compared to the same month in the previous year. However, in **India**, volume demand began slowing from March, as elective surgeries were delayed and outpatient departments were closed, and hospitals began to focus on the treatment of COVID-19 patients. With most COVID-19 patients treated in the public sector, the private sector is expected to suffer from a sharp decline in patient numbers,

with volume growth expected to slow accordingly. Similarly, in **Turkey**, volume growth slowed from April as non-essential treatments were postponed to free up capacity for COVID-19 patients; with the downside forecast assuming recovery could be delayed to 2021 if a second outbreak occurs.

Meanwhile, **China** and **Russia** experienced significant variability in hospital sector volume growth projections during Q1. In **Russia**, changes within the state-funded market led to greater access to innovative treatments and a trend towards the purchase of larger packs of certain medicines by hospitals. This caused >50% rise in hospital sector volume growth in Q1 2020 vs. Q1 2019. However, hospital sector demand plummeted for non-urgent treatments towards the end of **March** and in **April**, as COVID-19 cases began to surge. Volume demand in **China's** hospital sector witnessed a sharp decline in Q1, falling by 18.2% compared to Q1 2019. This was largely due to the closure of many hospital services at the height of the outbreak in February and March, and culminated in a sharp volume decline of 28.1% in March 2020, compared to March 2019. While patient access gradually improved from April as hospital services reopened, ongoing concerns about COVID-19 transmission has led to a slower recovery in patient flow to hospitals than expected earlier in the year.

In **Canada**, in anticipation of emergency measures, hospital sector pharmaceutical demand rose to 28% in March 2020 vs March 2019. In the **US**, a peak in demand (reaching 10% in March 2020) was expected to be followed by a sharp decline in April-May as clinic and hospital visits dropped significantly. Furthermore, the economic recession is expected to dampen volume growth across all channels until early 2021. Consumption trends in **Japan's** institutional market were partially influenced by drug price revisions implemented in April 2020; hospitals stalled on drug purchases prior to price cuts, but ramped it up in April (post-price revision). Nevertheless, new prescriptions are expected to be impacted by the pandemic over the short-term as patient visits decline, creating a patient backlog for 2021.

While some **BRICTM** markets, as well as **Canada** and the **US**, experienced an upward trend in hospital sector volume growth in Q1 2020 vs. Q1 2019, this is assumed to not yet reflect the effect of the subsequent lockdowns implemented in each country. Taking this into consideration, the net impact is expected to be negative in 2020, which is reflected in the downward revision of the prognosis for hospital sector growth in the **BRICTM** countries, **Japan**, **Canada** and the **US**.

* Source: IQVIA Market Prognosis June 2020 publication

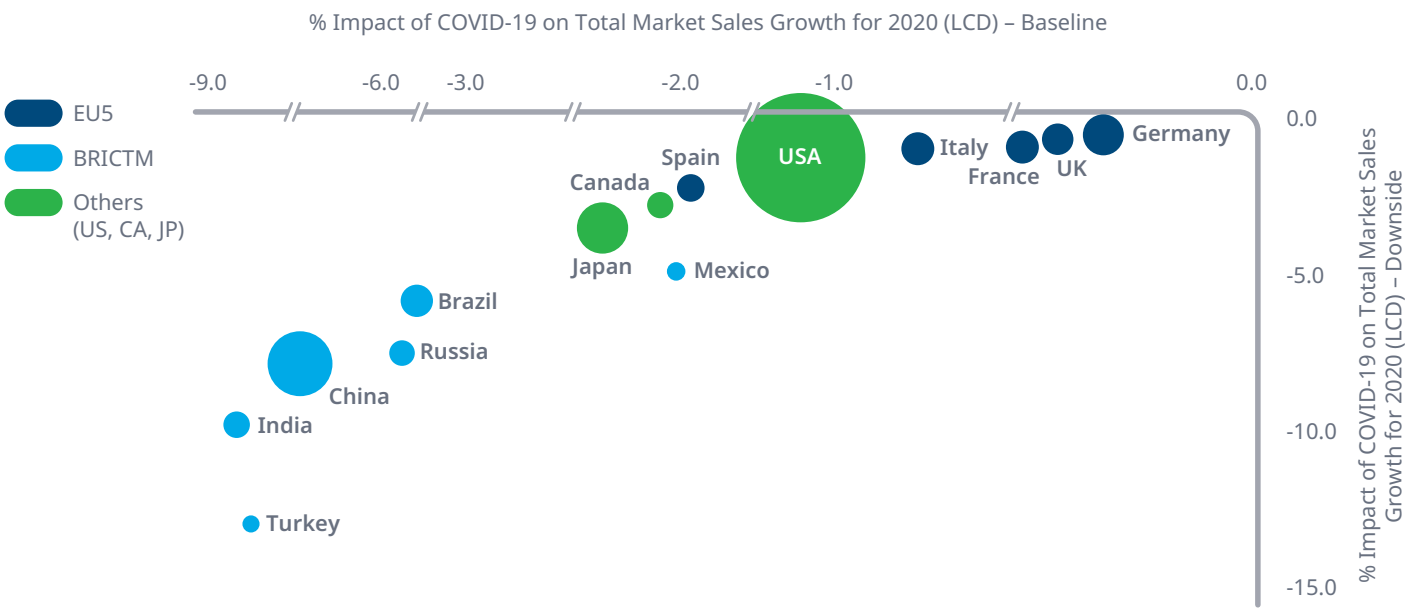
Conclusion



Many of the effects of the COVID-19 pandemic on economies and healthcare systems worldwide are still playing out and there remains a high level of unpredictability over the evolution of the pandemic over the forecast period. As such, the potential impacts on pharmaceutical consumption are complex, multifaceted and difficult to predict. These caveats should be borne in mind when

considering the assumptions made above regarding the market outlook, along with the possibility that the situation may change very rapidly. To this end, the COVID-19 pandemic's course of progression will be continually monitored in 2020, and any notable changes will be re-evaluated and incorporated in the September 2020 publication of Market Prognosis.

Market Prognosis Interim Forecast for 14 Key Markets



Bubble size: Total Market Forecast Sales 2020 (LCD)
 % Impacts depicted on X and Y axes show the difference between 2020 market growth *excluding the COVID impact* (derived from Market Prognosis March publication) vs. market growth in the base case and downside forecast scenarios (based on June publication)
 Source: IQVIA Market Prognosis June 2020 publication

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