IMS Health Forecasts 4.5 – 5.5 Percent Growth for Global Pharmaceutical Market in 2009, Exceeding $820 Billion

Key Dynamics Shaping Market:
- Robust, double-digit growth in ‘pharmerging’ markets
- Increased focus on specialty-driven therapies
- Leveling of U.S. growth at 1 – 2 percent
- Worldwide economic volatility

Norwalk, CT, October 29, 2008 – The global pharmaceutical market is expected to grow 4.5 - 5.5 percent next year, a pace similar to 2008, according to the IMS Global Pharmaceutical and Therapy Forecast™ released today by IMS Health (NYSE: RX). The forecast, the leading annual industry indicator of market dynamics and therapy performance, predicts global pharmaceutical sales to surpass $820 billion in 2009, reflecting sustained double-digit growth in key emerging countries tempered by a slower pace in more established markets. This includes the U.S., where growth is expected to be in the 1 - 2 percent range for both 2008 and 2009.
“In many respects, 2009 will reflect the new shape of the global pharmaceutical market, the result of market factors that have gained momentum over the past several years,” said Murray Aitken, senior vice president, Healthcare Insight, IMS. “Pharmaceutical growth next year will hold steady at 2008 levels. The market will continue to contend with a number of forces – among them, the shift in growth from developed countries to emerging ones, specialist-driven products playing a larger role, blockbuster drugs losing patent protection, and the rising influence of regulators and payers on healthcare decisions. Layered on top is the uncertainty in the global economic environment and its effect on demand.”

In its 2009 forecast, IMS identifies the following key market dynamics:

- **Slowing Growth in Mature Markets.** This year, the U.S. pharmaceutical market, the world’s largest, is forecast to grow 1 - 2 percent to $287 - $297 billion, down from the 2 - 3 percent rate expected earlier this year. Contributing to the slower growth is less-than-expected demand for recently introduced products, as well as the economic climate, which appears to be having an impact on doctor visits and pharmaceutical sales.

In 2009, the expected 1 - 2 percent growth rate in the U.S. will result in sales of $292 - $302 billion, and reflects the impact of continuing patent expirations, fewer new product launches and a tighter economy. The top five E.U. countries (France, Germany, Italy, Spain and the United Kingdom) are forecast to grow 3 - 4 percent next year, reaching sales of $162 - $172 billion. In Europe, growth driven by the continued aging of the region’s population and rising demand for preventive care will be tempered by the increased impact of health technology assessments, the use of contracting by payers as a means to control costs, and the decentralization of government healthcare budgets. Japan, the world’s second-largest market, is expected to
see higher growth of 4 - 5 percent, reaching $84 - $88 billion. Approvals of new anti-cancer agents, disease prevention programs, and the absence of the Japan government’s biennial price cuts all will contribute to stronger growth. Government efforts to promote the use of generics will have only a modest impact on the Japan market in 2009.

- **Rapid Expansion of “Pharmerging” Markets.** The pharmerging markets of China, Brazil, India, South Korea, Mexico, Turkey and Russia are forecast to grow at a combined 14 - 15 percent pace to $105 - $115 billion. Along with the pharmaceutical industry’s increased focus on these high-growth markets, these countries are benefiting from greater government spending on healthcare and broader public and private healthcare funding – which is driving greater access to, and demand for, innovative medicines.

- **An Emphasis on Specialist-Driven Markets.** Products mainly prescribed by specialists are forecast to grow 8 - 9 percent in 2009 and are expected to contribute 67 percent of total market growth. Biologics are forecast to grow at an 11 - 12 percent pace, while oncology products will achieve 15 - 16 percent growth, and HIV therapies 13 - 14 percent growth. In contrast, products generally prescribed by primary care physicians are expected to grow 2 - 3 percent, due to the loss of patent exclusivity for several blockbusters and fewer significant product launches.

- **Fewer Products Winning Regulatory Approval.** New product approvals remain at historically low levels, with only 25 to 30 new chemical entities slated for launch in 2009. In addition, many of these are specialist-driven and niche products with relatively limited market potential. Expected launches for 2009 include four or five potential blockbusters for treating acute coronary syndrome, diabetes, rheumatoid arthritis and meningitis.

- **An Economic Slowdown, Most Pronounced in the U.S.** Economic conditions will be a complicating factor impacting the worldwide pharmaceutical market in 2009. In the U.S., the correlation between
economic factors and pharmaceutical growth is stronger in the current slowdown than in previous downturns, given the continued shift of drug-related costs to patients. IMS estimates that in 2009, the downturn will effectively reduce growth in the U.S. by 2 - 3 percentage points. Other markets with large out-of-pocket spending requirements – including Brazil, India and Russia – also are likely to be affected by economic changes.

- **Generics Market Continues to Evolve.** An additional $24 billion of branded products, including anti-epileptics, proton pump inhibitors and antivirals, will lose their market exclusivity in the top eight markets in 2009. This will contribute to generics sales of more than $68 billion next year, and a 5 - 7 percent growth rate – similar to 2008 and lower than the levels experienced in 2006 and 2007. The decline is being driven by growth slowdowns in the U.S. and U.K., where many competitors in large therapy areas are creating a fierce price war and cutting margins for generics manufacturers. Other countries are striving to increase the use of generics through various government efforts.

- **Intensified Involvement of Payers and Health Technology Assessors.** In 2009, growth across the leading European markets will be affected by payer actions, which include increased rebating and contracting in Germany, expansion of regional formularies in Italy, a five percent decrease in branded prices in the U.K., a 10 percent price reduction on a number of brands in France, and the expansion of the reference pricing system in Spain. Meanwhile, the impact of Heath Technology Assessors will be felt in Germany by reimbursement limitations for new drugs not determined to be cost effective. And in the U.K., the pharmaceutical market may be affected by any policy change that allows patients to buy additional treatments not offered by the National Health Service.

A number of events may occur in 2009 that also could have a long-term impact on the pharmaceutical market. These include the uptake of biosimilars in
human growth hormones and erythropoietins in Europe, the adoption of generics in Japan, the use of contracting strategies across the E.U., the deregulation of the pharmacy sector in Europe, and the potential for healthcare policy changes in the U.S. following the November presidential election.

Added Aitken, “Biopharmaceutical companies can still find avenues of growth by focusing on emerging markets, specialist-driven products and biologics, by uncovering pockets of unmet need and underutilization in primary care markets, by demonstrating the superior value of their medicines, and by re-invigorating their established brands. The growth is not where it used to be, and it may not be as easy to come by, but it is out there. The key to success in this new environment will be in adapting the pharmaceutical industry’s commercial models to accommodate these new developments.”

About the IMS 2009 Global Pharmaceutical Market and Therapy Forecast

The 2009 forecast of 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 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; public health crises; and a deterioration in economic conditions. Growth is measured in constant dollars to avoid the influence of currency exchange rates; sales are calculated at the ex-manufacturer level. Market Prognosis forecasts use an econometric model including forecasts for economic indicators such as Gross Domestic Product (GDP), Consumer Expenditure (CEP), and the Consumer Price Index (CPI) from the Economist Intelligence Unit. As the basis for the forecast model, changes in these indicators will impact forecasted pharmaceutical performance.
About IMS

Operating in more than 100 countries, IMS Health is the world’s leading provider of market intelligence to the pharmaceutical and healthcare industries. With $2.2 billion in 2007 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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