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2015 life sciences outlook
Germany

Germany is the world's fourth largest pharmaceutical market, after the U.S., Japan and France. The country had estimated sales of $36.6 billion in 2013, and the market is expected to grow by 4.5 percent annually (in local currency terms),[1] to $43.3 billion in 2018.[2] Population aging, the increasing prevalence of age- and lifestyle-related chronic diseases, and a widening range of products are expected to boost consumer demand for pharmaceuticals. However, Germany's strict product price controls will continue to exert downward pressure on pharmaceutical spending in the next few years. The era of traditional high-price/low-innovation strategies is over; government reforms that took effect in 2011 require drug manufacturers to prove the additional benefits of new medicines and then negotiate the reimbursement price with authorities. In addition, a mandatory rebate scheme was only supposed to last until the end of 2013, but in March 2014 they were extended until 2017.[3]

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Germany's pharmaceutical market = $36.6 billion in 2013

Growth rate = 4.5 percent (in local currency terms) annually in 2014-2018

There are also concerns that the Russia/Ukraine crisis and the effect of current and potential sanctions may place economic stress on European Union countries (many of which are still recovering from the Eurozone crisis). That stress may constrain future health insure contributions and hence care spending and lead to even more stringent pharmaceutical price controls.

In terms of pharmaceutical production, Germany is the second-largest market in Europe, after Switzerland.[4] Although German life sciences companies generally sat out several recent rounds of sector consolidation, some are now considering M&A as a way to offset the growth of generics, replenish their product pipelines with innovative formulations, and extend into new geographic and demographic markets. One downside of this approach: The larger the resulting company, the harder it can be to move into product and geographic markets that may require different development and commercialization models.

To operate successfully in Germany's cost-conscious health care market, life sciences companies will need to focus on developing (or acquiring) solutions that address both biological illness and real-world care challenges; consider adopting innovative market access models; and solve the problem of unsustainable pricing (extremely high-priced innovations) that will likely elicit a defensive response from payors and health care systems.

1 *I Industry Report, Healthcare: France,* The Economist Intelligence Unit, June 2014
2 *Industry Report, Healthcare: Germany,* The Economist Intelligence Unit, June 2014
3 Ibid
4 Ibid

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