CBI MARKET SURVEY

THE PHARMACEUTICAL PRODUCTS MARKET IN AUSTRIA

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Introduction
This CBI market survey gives exporters in developing countries information on some main developments in the pharmaceutical products market in Austria. The information is complementary to the information provided in the CBI market survey 'The pharmaceutical products market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo.

1 Market description: consumption and production

Data concerning consumption and production of pharmaceutical products in Austria are derived from the European Federation of Pharmaceutical Industries and Associations (EFPIA). The latest report from this organisation (The Pharmaceutical Industry in Figures, 2009 Edition) provides data as of 2007. Data for previous years are derived from previous editions of this report. Please note that data for both consumption and production of pharmaceutical products are given at ex-factory prices.

Consumption
Austria was the twelfth largest pharmaceutical market in the EU in 2007, accounting for approximately 1.9% of the EU pharmaceutical market (slightly smaller than the Swedish market). Germany and France, the largest pharmaceutical markets in the EU, individually accounted for 18% of the EU market. Between 2003 and 2007, Austria's consumption of pharmaceutical products increased by an annual average rate of 6.2%, amounting to € 2.7 billion in 2007. Austria's pharmaceutical consumption increased at a lower rate than the average EU pharmaceutical consumption, which grew by an annual average rate of 7.3% in the review period.

Please, note that data on consumption of specific pharmaceutical products are fragmented and cannot be presented in a structured manner. Additional information can be found under the section 'Trends in consumption'.

Generic medicines
In 2007, Austria's market for generic medicines was estimated at approximately € 512 million, and accounted for approximately 1.9% of the total EU generic medicines market. Between 2005 and 2007, Austria's generic medicines market increased at an annual average rate of 26%. Approximately 19% of Austria's pharmaceutical market in 2007 consisted of generic medicines (at ex-factory prices). This is a slightly higher share than the EU average of 16%, but still considered low compared to countries such as Germany, where the share of generic medicines reaches 30% of the total pharmaceutical market. One of the reasons for the relatively low market share of generics in Austria is that generic substitution by pharmacists is not allowed, and doctors are not permitted to prescribe by Internatonal Nonproprietary Name (INN) - the active ingredient name – but always have to use the brand name or the generic product name (Pharmaceutical Pricing and Reimbursement Information - PPRI, 2008).

Trends in consumption
- **Ageing population:** One of the main factors shaping pharmaceutical consumption in Austria is the country's ageing population. It is estimated that, in 2009, the Austrian population aged over 65 years old account for 18% of the total population (CIA Factbook, 2009), whereas health-care expenditure accounts for approximately 10% of Austria's GPD.

Because of an elderly population, more expensive pharmaceutical products, such as oncologics and antidiabetics, are consumed in greater amounts.

- **Top-selling active ingredients:** In 2007, the best-selling pharmaceutical products in Austria (by active ingredient, in terms of value) were Pantoprazol (a pump inhibitor used in the treatment of erosion and ulceration of the oesophagus), Alendronic acid (a bisphosphonate product used for osteoporosis and other bone diseases) and Simvastatin (belongs to the class of statins, used to control elevated levels of cholesterol and to prevent cardiovascular diseases) (PPRI, 2008).
- **Common prescription products:** It is estimated that the pharmaceutical products which were more commonly consumed in Austria in 2007 were products for high blood pressure, for heart complaints and products for circulation problems (Statistics Austria, 2008). Cardiovascular drugs are market leaders both in terms of value and volume. In 2008, cardiovascular drugs had a 20.3% market share in terms of value and 30.6% by volume (US Commercial Service, 2009).
- **Common non-prescription products:** The non-prescription pharmaceutical products in Austria most commonly consumed in 2007 were painkillers, followed by pharmaceutical products against colds (Statistics Austria, 2008).

For more information on trends in pharmaceutical products, please refer to the CBI survey 'The pharmaceutical products market in the EU'.

Production

In 2007, Austria was the eleventh largest producer of pharmaceutical products in the EU, accounting for approximately 1.4% of total EU production. The largest producer in the EU in 2007 was France, which accounted for 21% of the total production. Austria's production increased by an annual average rate of 14% between 2003 and 2007, amounting to € 2.2 billion in 2007. The increase in Austria's production was much higher than the average increase in the EU production, which grew at an annual average rate of 3.5% in the review period.

In 2007, there were approximately 220 pharmaceutical companies based in Austria. The Austrian pharmaceutical industry is characterised by small and medium-sized companies and subsidiaries of multinationals. Only approximately 10% of Austria's pharmaceutical industry consists of large companies, the major ones being Baxter, Boehringer Ingelheim and Biochemie. Other market leaders are Glaxo Smith Kline, Sanofi-Aventis, Janssen & Cilag Pharma and Merck, Sharp & Dohme. The nine largest pharmaceutical manufacturers were responsible for 84% of the total industry turnover (Espicom, 2007).

Please note that data concerning the production of specific product groups in Austria are not available.

In addition to its production, Austria's pharmaceutical industry Research and Development (R&D) in 2007 was estimated at € 433 million, accounting for approximately 1.9% of total EU pharmaceutical industry R&D. The UK, which had the leading pharmaceutical industry R&D, accounted for a share of 29% of total EU R&D.

Leading pharmaceutical companies in Austria:

- Baxter - http://www.baxter.at
- Boehringer Ingelheim - http://www.boehringer-ingelheim.at
- Biochemie, which is part of Sandoz - http://www.sandoz.at

Austria's generic medicines industry mostly consists of foreign companies, such as:

- Novartis - http://www.novartis.at
- Bayer - http://www.bayer.at
- Roche Austria - http://www.roche.at

Trends in production

- **Research centres:** Vienna has established itself as a pharmaceutical research location in the last few years, due to the presence of a high level of university education. Since 1998, when the German pharmaceutical company Boehringer Ingelheim set up the Research Institute for Molecular Pathology in Vienna, pharmaceutical research has been fostered. Nowadays, Viennese researchers are responsible for a few of the blockbuster pharmaceutical products developed by the world's largest pharmaceutical companies (USA/Austria Chamber of Commerce, 2007).
- **Red biotechnology:** Biotechnology is considered to be one of the most promising economic branches in Austria. Red biotechnology, which concerns the development of vaccines and new pharmaceutical agents, is one of Austria's leading industries. The red biotechnology industry currently consists of around 100 companies, and approximately 75% of all established companies involved in the biotech industry are based in Vienna (Austrian Chamber of Commerce, 2008).

For more information on trends in pharmaceutical products, please refer to the CBI survey 'The pharmaceutical products market in the EU'.

Opportunities and threats

+/- The consumption of pharmaceutical products in Austria is increasing at significant rates, but the share of generic medicines in the total pharmaceutical market remains limited.

\+ Due to Austria's cost-containment policies involving the health-care sector, however, it is possible that a rise in the consumption of generic medicines will take place, which will provide more opportunities for exporters of pharmaceutical products in developing countries.

+/- Because of higher costs due to an ageing population, Austria could provide opportunities for developing countries. However, it is likely that a large share of the products used are non-generic pharmaceuticals, which are of less importance to developing country suppliers.

Exporters should take into account that the same trend can be an opportunity for one exporter and a threat to another. Please, review these opportunities and threats according to your own situation. Chapter 7 of the CBI market survey 'The pharmaceutical products market in the EU' presents an example of an analysis of whether a trend/development is an opportunity or a threat.

2 Trade channels for market entry

The trade structure for pharmaceutical products across the EU is mostly similar, but reveals slight variations according to the diverse pharmaceutical and healthcare systems existent in each country. These variations hardly affect an exporter's market approach, since they are related to the way pharmaceutical products are domestically dispensed to the end-consumer. Some of the specific characteristics of the Austrian pharmaceutical trade channels and trends therein are outlined below:

- Pharmaceutical products are delivered from the manufacturers, to approximately 35 Austrian **wholesalers**, of which eight are full-line wholesalers (i.e. provide a full assortment of pharmaceutical products). In general, the system at wholesale level is a multi-channel one. After the wholesaler, pharmaceutical products are mainly sold through pharmacies or branch pharmacies, which practise under the supervision of a community pharmacy. Pharmaceutical wholesalers deliver to pharmacies three times a day. In the case of emergencies, immediate delivery is also possible (PPRI, 2008).
- The three **leading pharmaceutical wholesalers** in Austria account for a market share of nearly 80%. They are indicated below:
    - Herba Chemosan Apotheker-AG - http://www.herba-chemosan.at
    - Kwizda GmbH - http://www.kwizda.co.at
    - Phoenix Arzneiwarengroßhandlung GmbH - http://www.myphoenix.at

  Pharmaceutical wholesalers are represented by the Association of Austrian Pharmaceutical

Wholesalers (ARGE Pharmazeutika) – http://www.argepgh.at

- Although wholesalers are the main suppliers of pharmaceutical products to pharmacies, an estimated 5.8% of the deliveries in 2007 was made directly **from the domestic manufacturer to the pharmacy** (European Pharmaceutical Distribution Fact book, 2009).
- Approximately 69% of the pharmaceutical products in Austria is sold through **pharmacies**, and the remaining 31% is sold through **hospitals** (EFPIA, 2008). Drugstores only sell a very limited range of products, which mostly consists of dietary supplements (PPRI, 2008).
- **Distance selling** (e.g. Internet) and teleshopping of prescription pharmaceutical products are not allowed in Austria. The distance selling of non-prescription products within Austria is also prohibited (Association of European Self-Medication Industry - AESGP, 2009).
- Regarding **parallel trade**, this practice is not significant in Austria, since ex-factory prices are relatively low, and there are no incentives for doctors, patients or pharmacists to use this alternative channel (PPRI, 2008).

Please, refer to the CBI survey 'The pharmaceutical products market in the EU' for further information on EU pharmaceutical trade channels.

Price structure

In Austria, price control is used only for reimbursable pharmaceutical products. Pharmaceuticals included in the Reimbursement Code (EKO) have to be priced either at the EU average price, as established by the Pricing Committee (PK), or below this price. The EU average price serves as a maximum price, and is calculated by external price referencing. Prices at both the ex-factory level and wholesaler level are used in this process.

Generic medicines

The price of generic medicines is set in the following manner: the first generic medicine to be available should be at least 48% below the price of the original product of which the patent has expired. Each subsequent (bioequivalent) generic product which is launched should have a pre-determined price difference to the previously included generic (e.g. the second follower needs to reduce its price by 15% compared to the first follower).

Different prices apply throughout the various trade channels. The margins applied to pharmaceutical products in Austria can be expressed in the following manner:

- Wholesaler: between 8.3% and 14.9% for non-reimbursable products; between 6.5% and 13.4% for reimbursable products.
- Pharmacist: between 11.1% and 35.5% for non-reimbursable products; between 3.8% and 25.1% for reimbursable products. If a pharmaceutical product is not reimbursed by the State, an additional margin of 15% is added as a private sales mark-up.
- State (Value Added Tax - VAT): a reduced VAT of 10% is applicable to pharmaceutical products (the standard VAT rate is 20%).

For further information on price structure of pharmaceutical products in Austria, please refer to: http://ppri.oebig.at/Downloads/Results/Austria_PPRI_2008.pdf

3 Trade: imports and exports

Imports

In 2008, Austria was the tenth largest importer of pharmaceutical products in the EU, accounting for 2.2% of total EU imports (slightly smaller than Greece's pharmaceutical imports). Between 2004 and 2008, Austria's imports increased by an annual average rate of 10% in value and 13% in volume, amounting to € 2.4 billion or 48 thousand tonnes in 2008. The majority of Austria's imports (83%, in terms of value) was sourced in EU countries. Imports from EU countries increased by an annual average rate of 12% in terms of value between 2004 and 2008. Germany, which accounted for 48% of imports in 2008, was the leading supplier of pharmaceutical products to Austria. Other important EU suppliers of pharmaceutical products to Austria in 2008 were The Netherlands (9.2%) and the UK (5.5%). Switzerland, the leading non-EU supplier, accounted for 13% of total Austrian imports in 2008.

The role of developing countries in supplying pharmaceutical products to Austria is rather small. In 2008, imports sourced in DCs accounted for 1.2% of Austria's total imports. Nonetheless, imports from developing countries increased by an annual average rate of 54% between 2004 and 2008. India was by far the leading DC supplier in 2008. Imports sourced in India increased at an exceptional annual average rate of 129% during the review period.

In 2008, Austria's imports of pharmaceutical products consisted of packed pharmaceutical products (95%) and non-packed pharmaceutical products (5%).

Exports

In 2008, Austria was the tenth largest EU exporter, accounting for 1.7% of total EU pharmaceutical exports. Austria's exports increased by an annual average rate of 17% in value and 16% in volume between 2004 and 2008, amounting to € 2.2 billion or 61 thousand tonnes in 2008. Approximately 54% of Austria's exports was destined for EU countries, and another 27% to non-EU countries, excluding DCs. Russia, the leading recipient, accounted for 18% of Austrian exports. Germany (17%) and Belgium (7.6%) were the main recipient countries in the EU in 2008. Developing countries accounted for a share of 19% of total Austrian exports.

In 2008, Austria's exports of pharmaceutical products consisted of packed pharmaceutical products (98%) and non-packed pharmaceutical products (2%).

Opportunities and threats

+/- Even though Austria's pharmaceutical imports increased rapidly in the review period, they remain relatively small. Moreover, exports are almost as big as the imports and, as such, the country can also act as a competitor in other EU markets, especially in Central European countries.

\- Austria's pharmaceutical imports from developing countries are limited. Moreover, imports from developing countries are dominated by India. This country will be a strong competitor to other DCs.

\+ Nonetheless, imports from developing countries are increasing at fast rates, which could signify opportunities for developing country exporters.

Exporters should take into account that the same trend can be an opportunity for one exporter and a threat to another. Please, review these opportunities and threats according to your own situation. Chapter 7 of the CBI market survey 'The pharmaceutical products market in the EU' presents an example of an analysis of whether a trend/development is an opportunity or a threat.

Useful sources

- EU Expanding Exports Helpdesk - http://exporthelp.europa.eu
- Eurostat – official statistical office of the EU - http://epp.eurostat.ec.europa.eu
- Understanding eurostat: Quick guide to easy comext
http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513.pdf

4 Price developments

Pricing systems vary in the individual EU countries, thus this is also the case for price developments. The main price development observed in Austria in recent years is the following:

- Because of an ageing population and increasing intake of expensive pharmaceutical products, pressure is placed on Austria's national health system. Broad discussions concerning the affordability of pharmaceutical products are taking place in Austria, including the media and patients. Future developments are still unclear, but a draft proposal has suggested the introduction of a price-reference system (to restrict the prices of pharmaceutical products) and wider use of generic medicines (PPRI, 2008).

Useful sources
- ITC market news service (MNS) - http://www.intracen.org
- PPRI – Pharmaceutical Pricing and reimbursement Information - http://ppri.oebig.at

5 Market access requirements

As a manufacturer in a developing country preparing to access Austria, you should be aware of the market access requirements of your trading partners and the Austrian government.
For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select 'Pharmaceutical products' and 'Austria' in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packit.htm

Information on tariffs and quota can be found at http://exporthelp.europa.eu

6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from http://www.cbi.eu/marketinfo - go to search publications. For more information on doing business in Austria, visit the following websites:

Trade associations
- The Association of the Austrian Chemical Industry (FCIO) - http://www.fcio.at
- The Austrian Pharmaceutical Industries Association (Pharmig) - http://www.pharmig.at
- The Austrian Chamber of Pharmacists (ÖAK) - http://www.apotheker.or.at (website in German only)

Trade press
- Pharmig Info - http://www.pharmig.at
- Forum der forschenden pharmazeutischen Industrie (FOPI) - http://www.fopi.at

Trade fairs
- Austropharm - http://www.austropharm.at - a trade fair for pharmaceutical products which takes place every 2 years in Salzburg. The next event will be held 23-25 April 2010.

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