

CBI MARKET SURVEY

THE PHARMACEUTICAL PRODUCTS MARKET IN HUNGARY

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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 Hungary. 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 of pharmaceutical products in Hungary 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 are given at ex-factory prices.

Consumption

Hungary was the thirteenth largest EU market for pharmaceutical products in 2007, accounting for 1.4% of the total EU market (slightly larger than the Irish market). Germany and France, the largest pharmaceutical markets in the EU, individually accounted for 18% of the EU market. Between 2004 and 2007, Hungary's pharmaceutical consumption increased at an annual average rate of 7.8%, amounting to € 1.9 billion in 2007. Hungary's pharmaceutical consumption in the review period increased at a rate comparable to the total EU consumption, which grew at an annual rate of 7.3%.

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

Generic medicines

EFPIA does not report an up-to-date figure concerning Hungary's generic medicines market but, according to PMR Publications, generics accounted for around 50% of the country's pharmaceutical market in 2006 (in terms of value, at the consumer level). Generic substitution is allowed in Hungary, provided that physicians do not forbid it when prescribing the pharmaceutical product. In fact, the rate of generic prescribing is increasing steadily in Hungary, mainly geared by the Health Insurance Fund's desire to rationalise and restrain pharmaceutical expenditure (Pharmaceutical Pricing and Reimbursement Information - PPRI, 2007).

Trends in consumption

- **Pathologies profile:** The main causes of mortality in Hungary are acute myocardial infarction and other heart diseases. Malignant neoplasms of the trachea, bronchus and lung are also common causes of death, as well as diseases of the liver (PPRI, 2007).
- **Demographic aspects:** The low birth rate in Hungary, coupled with the growing life expectancy, has resulted in a rapidly ageing population. Consequently, there will be fewer and fewer working individuals to support the country's ageing society, thus putting pressure on the social welfare system, especially regarding healthcare (PPRI, 2007).
- **Non-prescription market:** According to AESGP (2009), some of the main pharmaceutical products found in Hungary's National Institute of Pharmacy's (OGYI) list of non-prescription

products allowed for out-of-pharmacy sale are: paracetamol, ibuprofen, ascorbic acid, acetylsalicylic acid and dexpanthenol.

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

Production

EFPIA does not provide data on Hungary's production of pharmaceutical products.

Hungary has one of the most advanced pharmaceutical industries in the Central and East European region. The country has a strong tradition of pharmaceutical manufacturing and has always maintained a relatively high level of pharmaceutical consumption.

Pharmaceutical production in Hungary is strongly focused on generic medicines. Privatisation of the main pharmaceutical companies took place in the period 1991-1996, starting with the company Chinoin (now part of Sanofi-Aventis). Foreign investors own around 63% of the largest domestic manufacturer Gedeon Richter, and Egis is largely controlled by the French company Servier. Gedeon Richter is set to become the largest pharmaceutical company in Central & Eastern Europe if plans to acquire Poland's leading generics firm, Polpharma, are realized (Espicom, 2008).

The leading manufacturer in the Hungarian non-prescription healthcare industry is Sanofi-Aventis - <http://www.sanofi-aventis.hu>. Other leading pharmaceutical companies in Hungary are:

- Novartis - <http://www.novartis.hu>
- Bayer Hungária - <http://www.bayerhungaria.hu>
- Teva Magyarország Rt - <http://www.teva.hu>
- Béres Rt - <http://www.beres.hu>
- Gedeon Richter - <http://www.richter.hu>
- Egis - <http://www.egis.hu>

Trends in production

- **R&D:** Together with the Czech Republic, Hungary is becoming one of the most popular hot spots for pharmaceutical research in Central and Eastern Europe. The country has many universities and research institutes which focus on life sciences. In addition, local and multinational biotechnology companies, such as Baxter, have started to target the Hungarian potential (Frost and Sullivan, 2007).
- **Pharma Economic Act:** Since the enforcement of the Pharma Economic Act in January 2007, however, manufacturers based in Hungary have experienced profit loss. Whereas Gedeon Richter's profits fell by 28% in 2007, Egis' net income had a drop of 51%. The Act implemented reduced reimbursement rates, price cuts and raised tax implications, which have further discouraged companies to invest in the country (Espicom, 2009).

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

Opportunities and threats

- + Hungary is one of the largest pharmaceutical markets in Central and Eastern Europe, showing signs of increase in recent years.
- + Hungary offers a fairly generic-friendly environment, having specific policies stimulating the prescription and dispensing of generic medicines.
- Hungary's pharmaceutical industry is one of the most advanced in the Central and East European region. Local and foreign pharmaceutical producers, including producers of generic medicines, are consolidated in this market, and are a definite threat to exporters who aim at accessing the Hungarian market.

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 Hungarian pharmaceutical trade channels and trends therein are outlined below:

- The **pharmaceutical wholesale** in Hungary is organised in a multi-channel system. Some of the most important wholesalers are:
 - Phoenix Pharma - <http://www.phoenixpharma.net/phoenix> (41% of the market)
 - Hungaropharma - <http://www.hungaropharma.hu> (37% of the market)
 - TevaMagyarország Zrt. - <http://www.teva.hu> (15% of the market)
 - Medimpex - <http://www.medimpexuk.com>
- Besides these companies, there are approximately 8 to 10 small wholesaler companies, but most of them do not provide a full range of pharmaceuticals. **Pharmaceutical wholesalers** are represented by the Hungarian Association of Pharmaceutical Wholesalers (HAPW) - <http://www.php-gynsz.hu>
- Until 2005, **distance-selling** (e.g. via the Internet) of pharmaceutical products in Hungary was prohibited. Nowadays, Internet sales of non-prescription pharmaceutical products (by pharmacies, upon the supervision of a pharmacist) are allowed.
- According to the Hungarian Chamber of Pharmacists (MGYK), **parallel imports** do not play a significant role in the country's pharmaceutical market.

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

Price structure

Price decisions in Hungary are independent from reimbursement decisions. Price-setting is done through international price benchmarking (i.e. the ex-factory prices of a pharmaceutical product cannot be higher than the lowest price of products containing the same active substance in the average of the European Economic Area). Price control is applied to all pharmaceutical products.

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

- Wholesaler: ranges from 5% to 12%; average margin in 2008 was 6.13%. Since 2004, a fixed amount of HUF 850 (approx. € 3.50) was set as a maximum wholesale margin, if the wholesale price of a product exceeds HUF 5,000 (approx. € 20).
- Pharmacist: ranges from 17% to 26%; average margin in 2008 was 15.56%.
- State (Value Added Tax - VAT): a reduced VAT of 5% is applicable to pharmaceutical products (the standard VAT rate is 20%)

Generic medicines

The first generic price must be 70% lower than the price of its corresponding originator product.

For further information on price structure of pharmaceutical products in Hungary, please refer to: http://ppri.oebig.at/Downloads/Results/Hungary_PPRI_2007.pdf

3 Trade: imports and exports

Imports

In 2008, Hungary was the fifteenth largest importer of pharmaceutical products in the EU, accounting for 1.5% of total EU imports (slightly larger than Portugal's pharmaceutical imports). Between 2004 and 2008, Hungary's imports increased by an annual average rate of 16% in value and 2.9% in volume, amounting to € 1.6 billion or 44 thousand tonnes in 2008. The majority of Hungary's imports (85%, in terms of value) was sourced in other EU member countries. Imports from EU countries increased at an annual average rate of 19% in terms of value between 2004 and 2008. France, which accounted for a 28% imports share in 2008, was the leading supplier of pharmaceutical products to Hungary. Other important EU suppliers were Belgium (21%) and Germany (10%). Imports sourced in extra-EU countries accounted for 11% of total Hungarian imports in 2008.

The role of developing countries in supplying pharmaceutical products to Hungary is small, but it is significant when compared to other EU countries. In 2008, imports sourced in DCs accounted for 3.6% of Hungary's total imports, which was higher than the EU average of 0.8%. Moreover, imports from developing countries increased by a strong annual average rate of 33% between 2004 and 2008. India was by far the main DC supplier in 2008, and imports from India increased strongly, at an annual average rate of 52% in the review period.

In 2008, Hungary's imports of pharmaceutical products consisted of packed pharmaceutical products (99%) and non-packed pharmaceutical products (1%).

Exports

In 2008, Hungary was the twelfth largest EU exporter, accounting for approximately 1.3% of total EU exports. Hungary's exports increased by a significant annual average rate of 30% in value and 25% in volume between 2004 and 2008, amounting to € 1.7 billion or 27 thousand tonnes in 2008. Approximately 54% of Hungary's exports was destined for other EU member countries, and another 23% to non-EU countries, excluding DCs. Russia, the leading destination, accounted for 22% of Hungarian exports, followed by Romania (15%) and France (8.7%). DCs accounted for a share of 22% of total Hungarian exports.

In 2008, Hungary's exports of pharmaceutical products consisted of packed pharmaceutical products (99%) and non-packed pharmaceutical products (1%).

Opportunities and threats

- +/- Even though imports increased rapidly in the review period, Hungarian imports of pharmaceutical products are relatively small.
- + Imports from developing countries are relatively large. Moreover, imports from developing countries are increasing at a higher rate than overall imports, and are increasing in both value and volume.
- Imports are heavily dominated by India. This country will be a strong competitor to any other DC 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 Hungary in recent years is the following:

- Since January 2007, manufacturers of non-prescription pharmaceutical products have been allowed to determine prices freely. However, if a manufacturer wants to include its product in one of the reimbursement lists of the Hungarian government, the Social Insurance Fund will most probably try to obtain a lower price for the product concerned (Association of European Self-Medication Industry - AESGP, 2009).

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 Hungary, you should be aware of the market access requirements of your trading partners and the Hungarian government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select 'pharmaceutical products' and 'Hungary' 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 Hungary, visit the following websites:

Trade associations

- The Hungarian Pharmaceutical Manufacturers Association (MAGYOSZ) - <http://www.magyosz.org>
- Association of Innovative Pharmaceutical Manufacturers (AIPM) - <http://www.igy.hu>
- The Hungarian Chamber of Pharmacists - <http://www.mgyk.hu> (website in Hungarian only)

Trade press

- The National Institute of Pharmacies (OGYI) - <http://www.ogyi.hu>
- PharmaNet - <http://www.pharmanet.hu> (website in Hungarian only)
- The online healthcare magazine WebOrvos - <http://www.weborvos.hu> (website in Hungarian only)

Trade fairs

- Spa & Wellness - <http://www.hungaromed.hu> – the health and lifestyle exhibition. The most recent event took place in Budapest, November 2009. The next event's date has not yet been determined.
- Pharmtech Congress CEE, February 2010 in Budapest – annual international congress of manufacturers and suppliers of pharmaceutical equipment & services - <http://www.pharmtechcongress.com>

This survey was compiled for CBI by ProFound – Advisers In Development
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