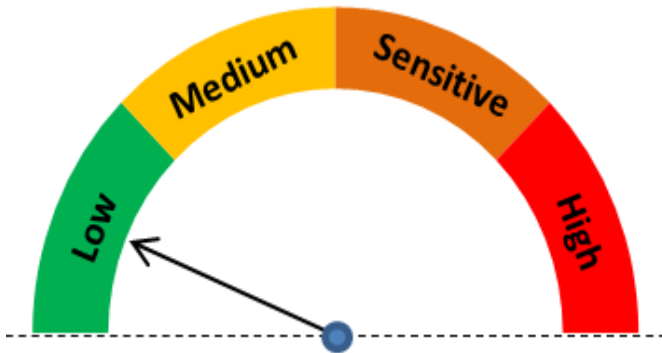




## Sector Risk Rating



## What to Watch?

- Stronger growth rates in North America and Asia than European regions
- Generic medicines eating away at patented drugs market shares
- New drug launches in the US market on a rise

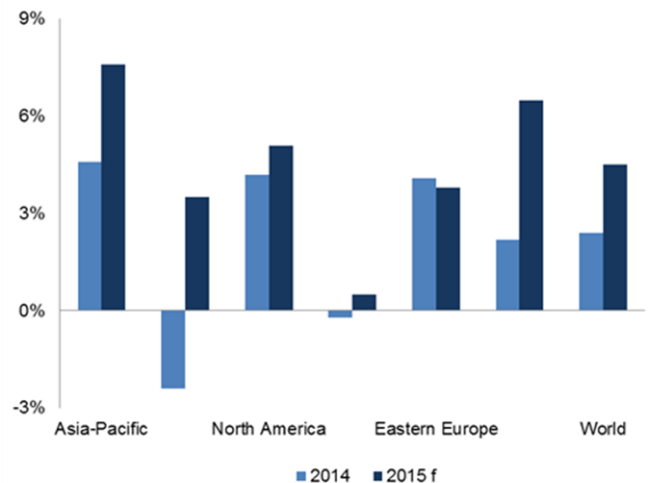
## Global Health Spending per head Expected to Rise +4.5% in 2015

While global health spending are on the rise, the prescription drug market is surprisingly lagging behind. Of course, cheaper generics have been providing a boost to pharmaceuticals. However, worldwide prescription drug sales have suffered from persistent downward pressures on prices, exacerbated by the ongoing depreciation of key currencies against the USD.

Currently estimated at USD750bn in 2014, we expect the global prescription drug market to dwindle to USD740bn in 2015.

However, the pharmaceutical outlook remains bright in the long run due to: (i) the Affordable Care Act enabling ten million more U.S. citizens to benefit from health coverage; (ii) rapid growth in emerging markets, allowing them to implement universal health coverage systems and improve overall access to healthcare; (iii) drugmakers' efforts to focus increasingly on their core business of R&D, which has started bearing fruit through recent successes (e.g. the Sovaldi drug).

Health spending per head evolution  
(% growth in USD)



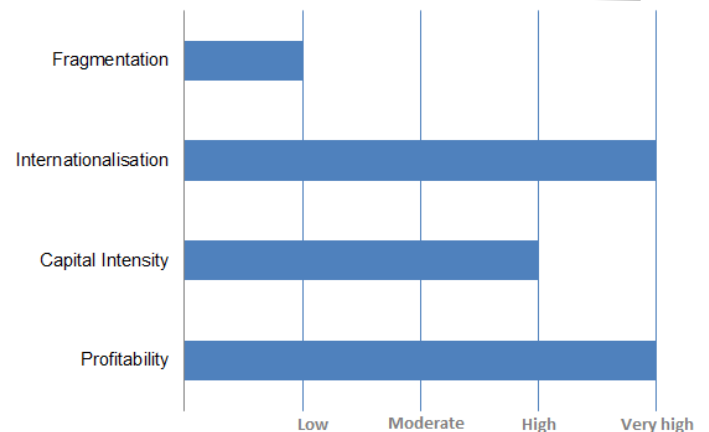
Sources: WHO, the Economist, Euler Hermes

Sector Value:  
**426bn**  
 USD

## Key Players

Country	Role	Sector Risk
<b>United States</b>	#1 producer #1 importer	●
<b>Japan</b>	#2 producer	●
<b>Germany</b>	#3 producer	●

## ID Card



## Strengths

- New market opportunities thanks to rising middle class in emerging markets
- Spending in the market is not very sensitive to economic ups and downs
- Drug sales fueled by rising demography and ageing population

## Weaknesses

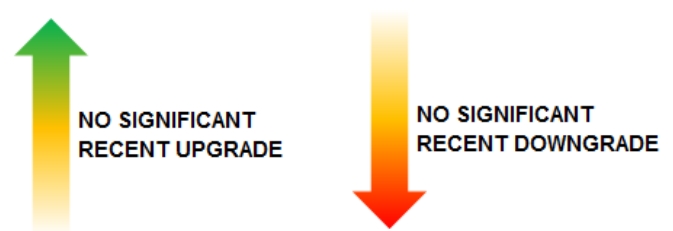
- Downward pressures on (new) drug prices by public health insurance systems, in Western Europe especially
- Strict healthcare laws and regulations

## Subsectors Insights

**Prescription branded drugs:** Patents expiration put a part of their sales at risk as competitors can manufacture them at lower cost.

**Generics:** Market growth potential stemming from patent expiries of branded drugs.

## Recent Sector Risk Changes



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