

# Weak pound doesn't mean higher prices

What effect do exchange rates have on generics prices in the marketplace? UK companies in particular will have experienced a whole host of conflicting factors, especially if they are part of a multinational group that buys its active pharmaceutical ingredients (APIs) in dollars, is based in Germany or another part of the eurozone, prices its products on a pan-European basis, chooses the euro as its trading currency, or a combination of all four.

With the help of WaveData, we looked at historical trends in generics prices available to independent pharmacists and dispensing doctors and compared these with fluctuations in the £ sterling to € euro exchange rate over the same period.

At first, the prices of some products seemed to be closely correlated with movements in the £/€ exchange rate. This was something of a surprise, given the complexity of the different factors. However, when we showed the graphs to David Gill, Hikma UK's former commercial director – and now running his own business-development consultancy Quantock Pharma specialising in market entries – he was not sure there was any connection between price and exchange rate. It seemed more likely, he said, that the pricing trends were seasonal, while also reflecting the number of generics players, the length of their supply chain, and their dominance in the individual product marketplaces.

Take citalopram for instance. As Figure 1 shows, there were price spikes towards the end of the calendar year and again in the spring at the end of the financial year of many local wholesalers. Firms were raising their prices to get a year-end lift, carried through to the start of the new financial year. But with 18 to 20 players and fierce competition, price rises were not sustainable; only a major player pulling out of the market enabled price hikes above the commodity level.

Prices for doxazosin in Figure 2 would seem to follow the recent increase in the value of the euro relative to sterling, but Gill points out that the high in March 2009 was directly attributable to market shortages of the equivalent brand.

The market for trihexyphenidyl, in contrast, is relatively small and only has a few players (see Figure 3). "The spikes in the average prices of trihexyphenidyl are purely down to lifecycle management," says Gill, who explains that price rises reflect the ability of the small number of players to respond quickly to changing market opportunities.

Although relatively difficult to make, metformin has 20 or more licence holders or suppliers, according to Gill, which accounts for the commodity price level of little more than £0.20 (US\$0.32) for 28-tablet packs of metformin 500mg (see Figure 4). "These suppliers are barely covering their costs," notes Gill.

He acknowledges that a £ sterling/€ euro exchange is probably involved "somewhere along the way", and he agrees this could put an added pressure on costs, forcing some players to drop out of the market and thereby allowing the remaining players to raise their prices.

An improved exchange rate might make the reluctant players return, but a more compelling reason would be the better market prices, he maintains. "While it may seem that there is a strong correlation between average price and exchange rate, I can't agree that it is a major factor," Gill concludes.

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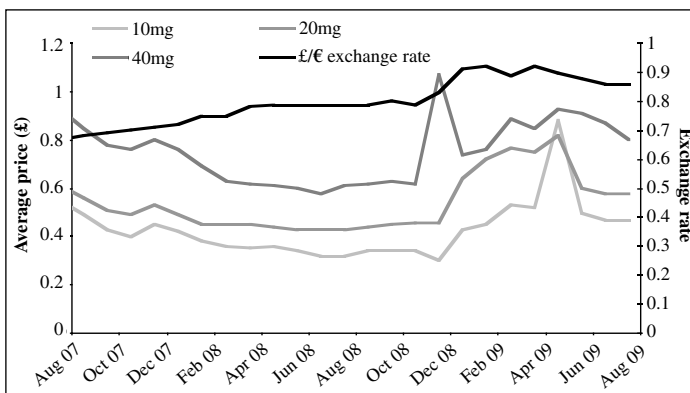


Figure 1: Average recent prices of 28-tablet packs of citalopram in three strengths, compared with the £sterling to €euro exchange rate (Source – WaveData)

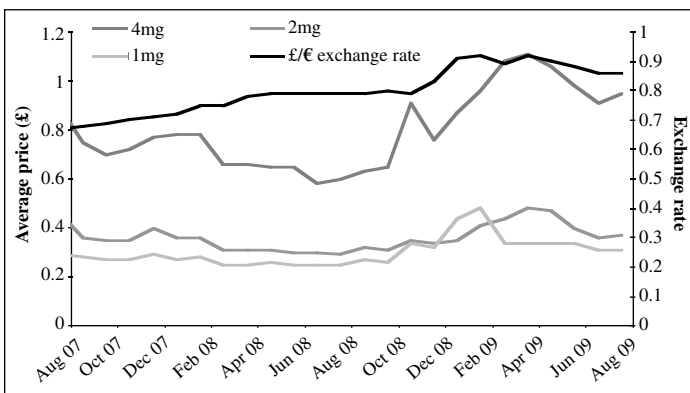


Figure 2: Average recent prices of 28-tablet packs of doxazosin in three strengths, compared with the £sterling to €euro exchange rate (Source – WaveData)

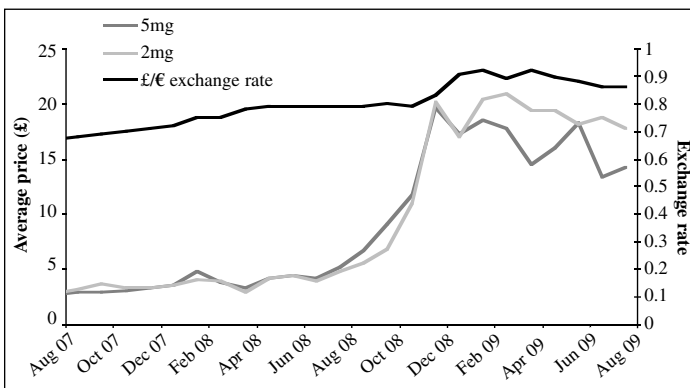


Figure 3: Average recent prices of 100-tablet packs of two strengths of trihexyphenidyl, compared with the £sterling to €euro exchange rate (Source – WaveData)

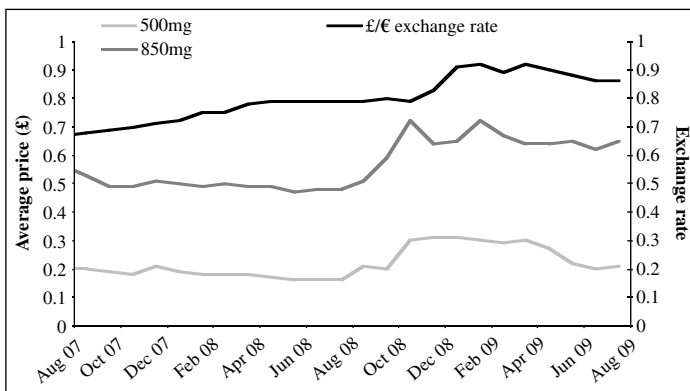


Figure 4: Average recent prices of packs of metformin tablets: 28 x 500mg and 56 x 850mg, compared with the £sterling to €euro exchange rate (Source – WaveData)