

Health sector footprint – Summary 17.2.2021

ETLA

Lääketeollisuus
Pharma Industry Finland

Background

- Finnish public finances and society at large face particular challenges in the aftermath of the global pandemic.
- The challenge is multiplied by the sustainability deficit that has been persistently deteriorated with the population aging and the dependency ratio showing a negative trend.
- Moreover, many traditional sectors employing a lot of competent people and generating tax revenue are at a turning point; either their business no longer matches current demands or they need to move the production outside Finland to remain competitive.
- There is an urgent need for new growth sectors; Finland must see that the country's operating environment is internationally attractive, the competent people have career opportunities and country receives increasing volumes of international investments.

The health sector enables growth in Finland

- The sector generates research and innovation to support Finnish health and wellbeing, offers high-productivity jobs to top experts and generates significant value added and tax revenues for the country. The sector also views Finland as an interesting and attractive operating environment for future investments.
- These are some of the results of ETLA's (Etila Economic Research) survey focusing on the health sector footprint in Finnish society.
- At the same time, the outcome of the report highlights the reasons Finland should invest in becoming an attractive operating environment, not only for future health sector research but also for productive investments.

Health sector footprint - Summary of main findings

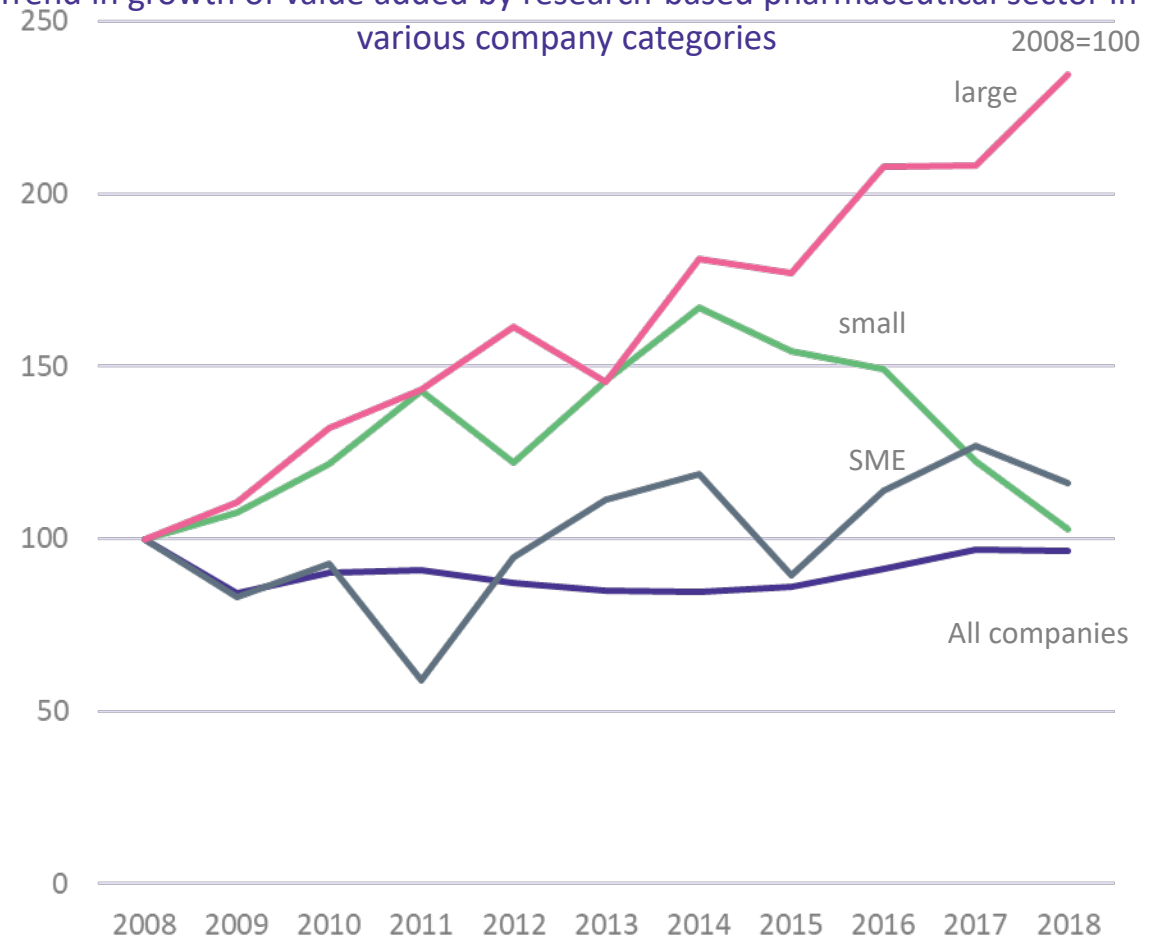
- Successful companies generate growing value added for Finland's GDP while, at the same time, employing an increasing number of highly educated people.
- So far, Finland has provided a very solid basis of growth for health sector companies. Prospering companies also present attractive acquisition potential, as evidenced in the increasing consolidation of the market.
- The real labour unit costs are competitive. Salaries paid to top experts are competitive, reducing the risk of the best people seeking jobs abroad.
- The growth of the research-based pharmaceutical industry is mostly generated by large companies. In the field of health technology, medium-sized companies grow fastest while the SMEs have also started to grow.
- Research-based pharmaceutical sector comprises all pharmaceutical companies (both originator companies and generics producers) as well as service and research companies. The sector does not include pharmacies or wholesalers.

Value added of research-based pharmaceutical sector contributes to GDP growth

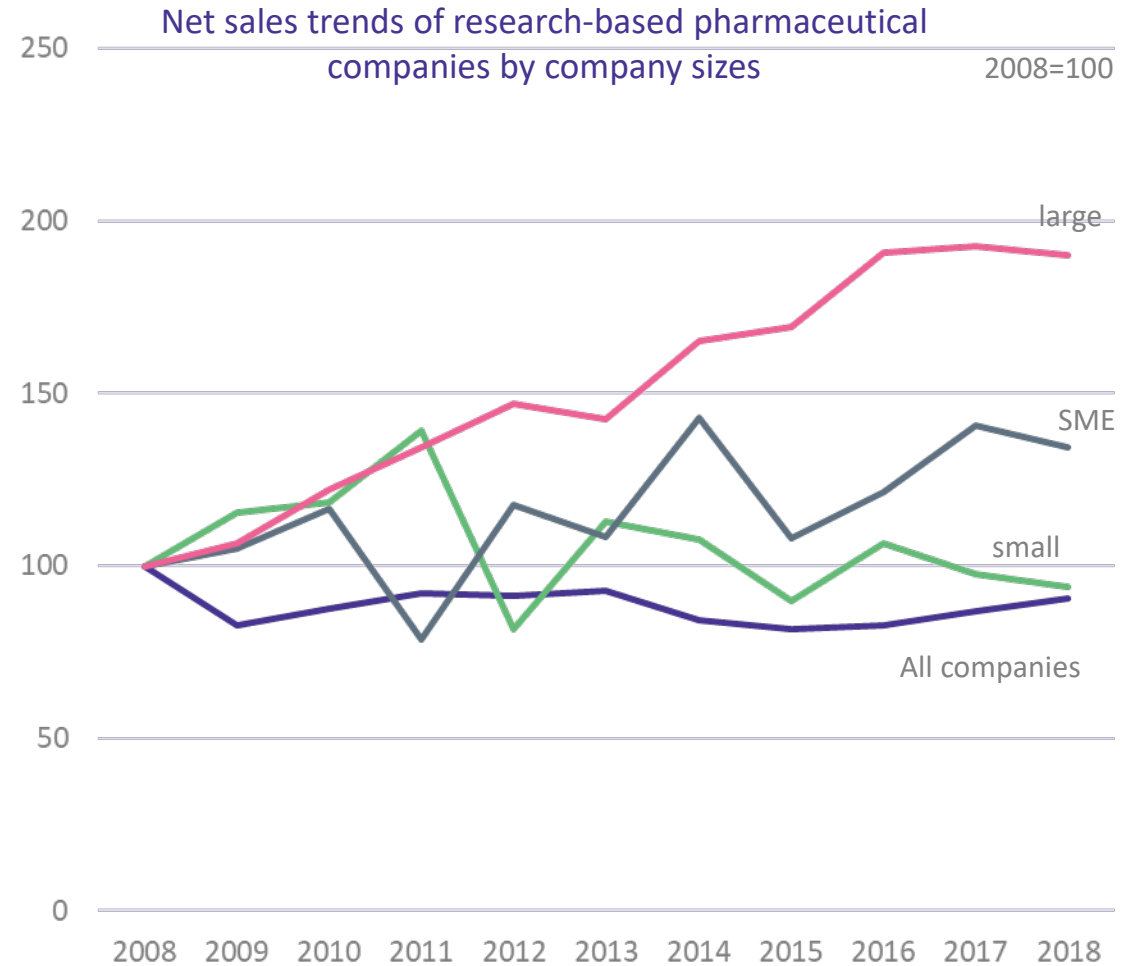
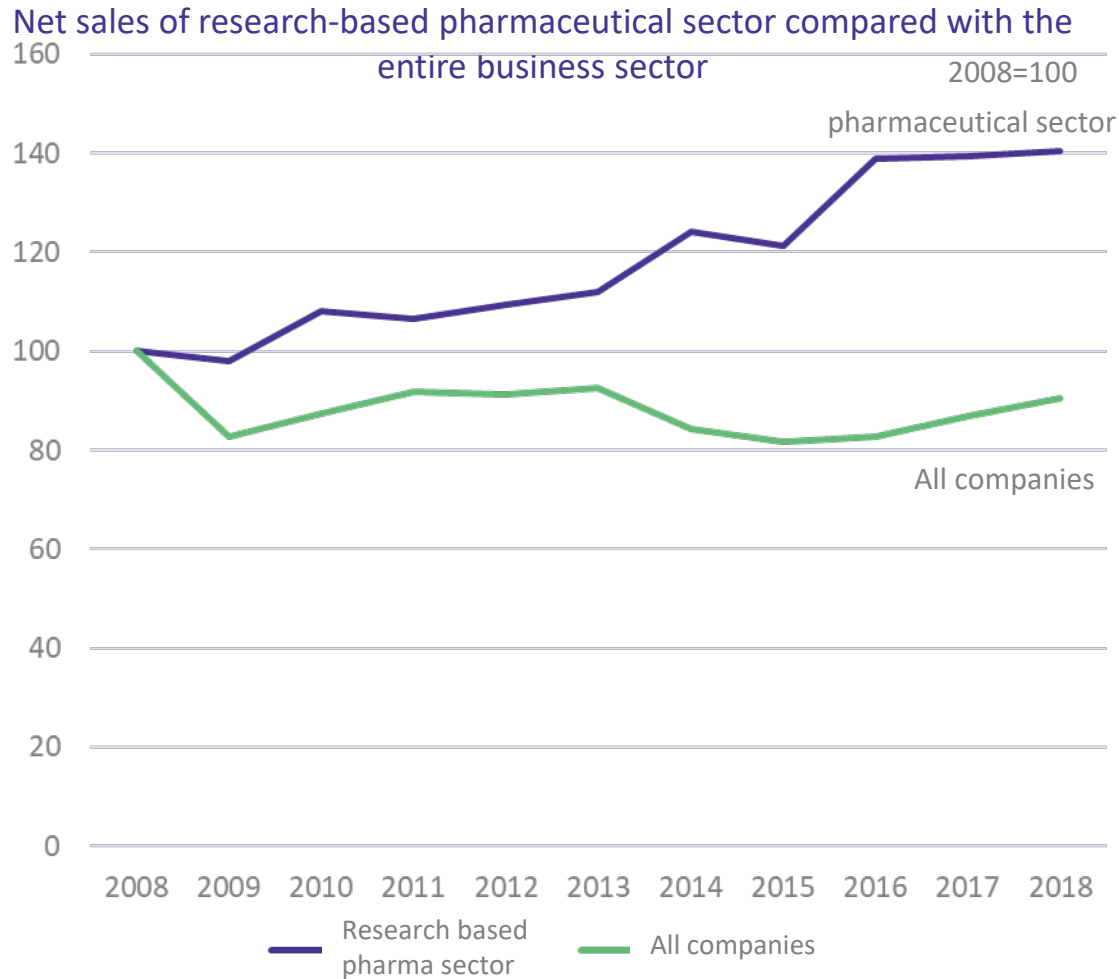
Growth of value added by research-based pharmaceutical sector compared with the entire business sector



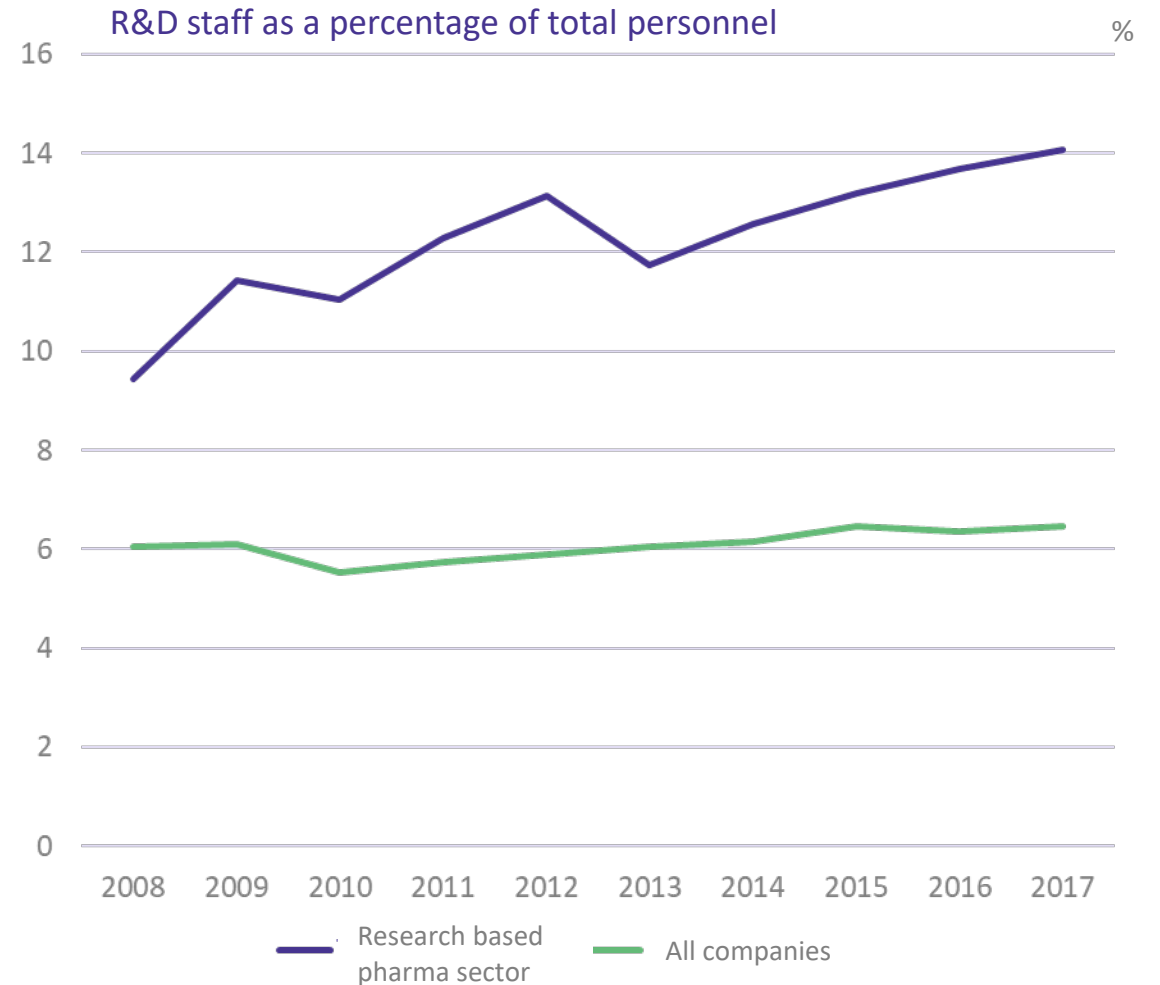
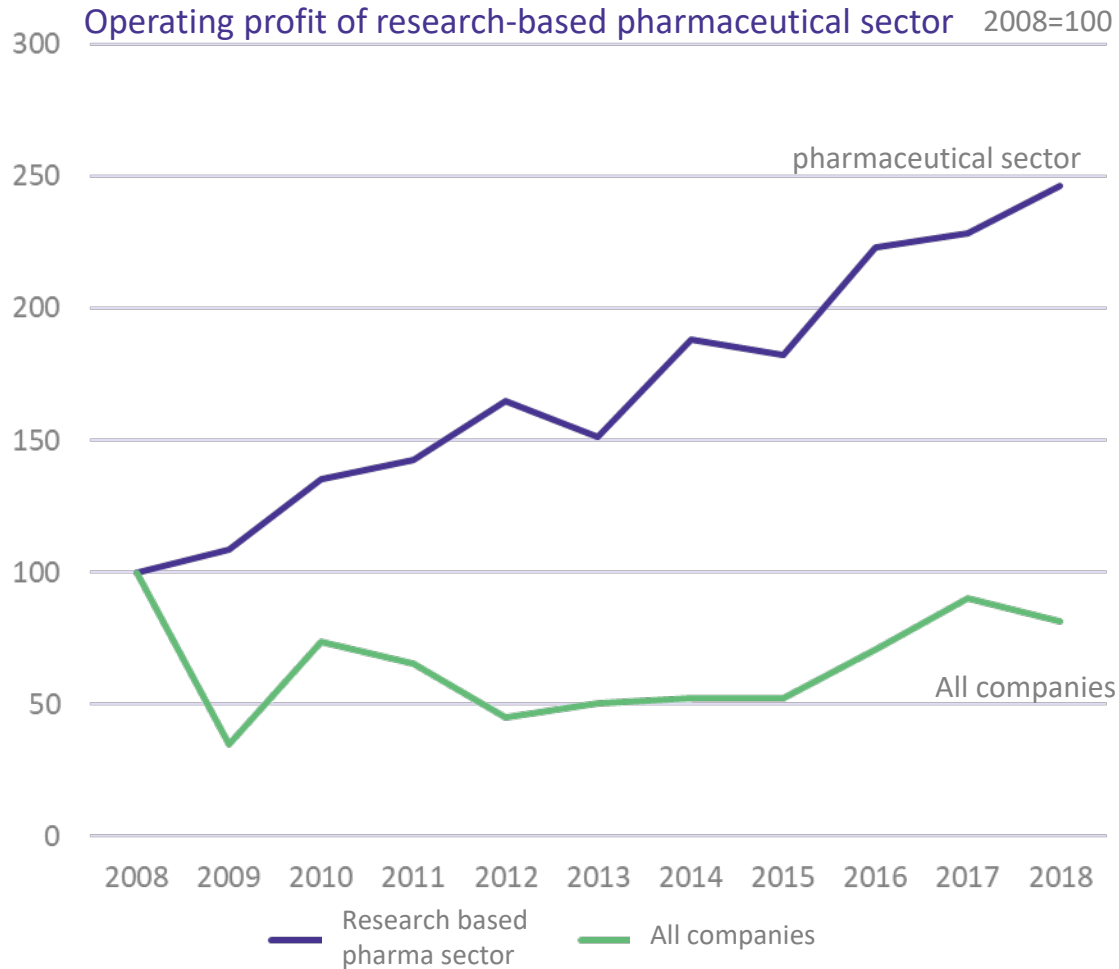
Trend in growth of value added by research-based pharmaceutical sector in various company categories



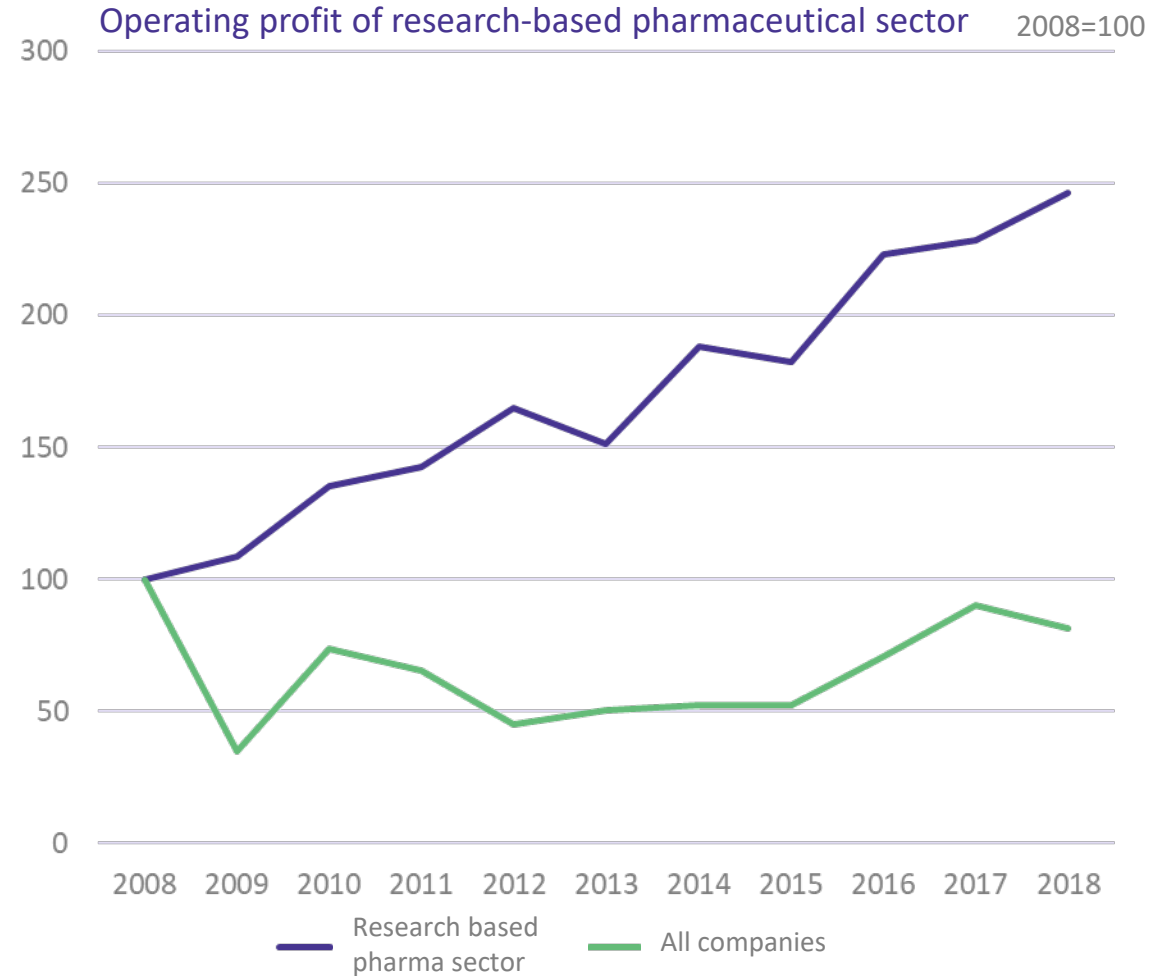
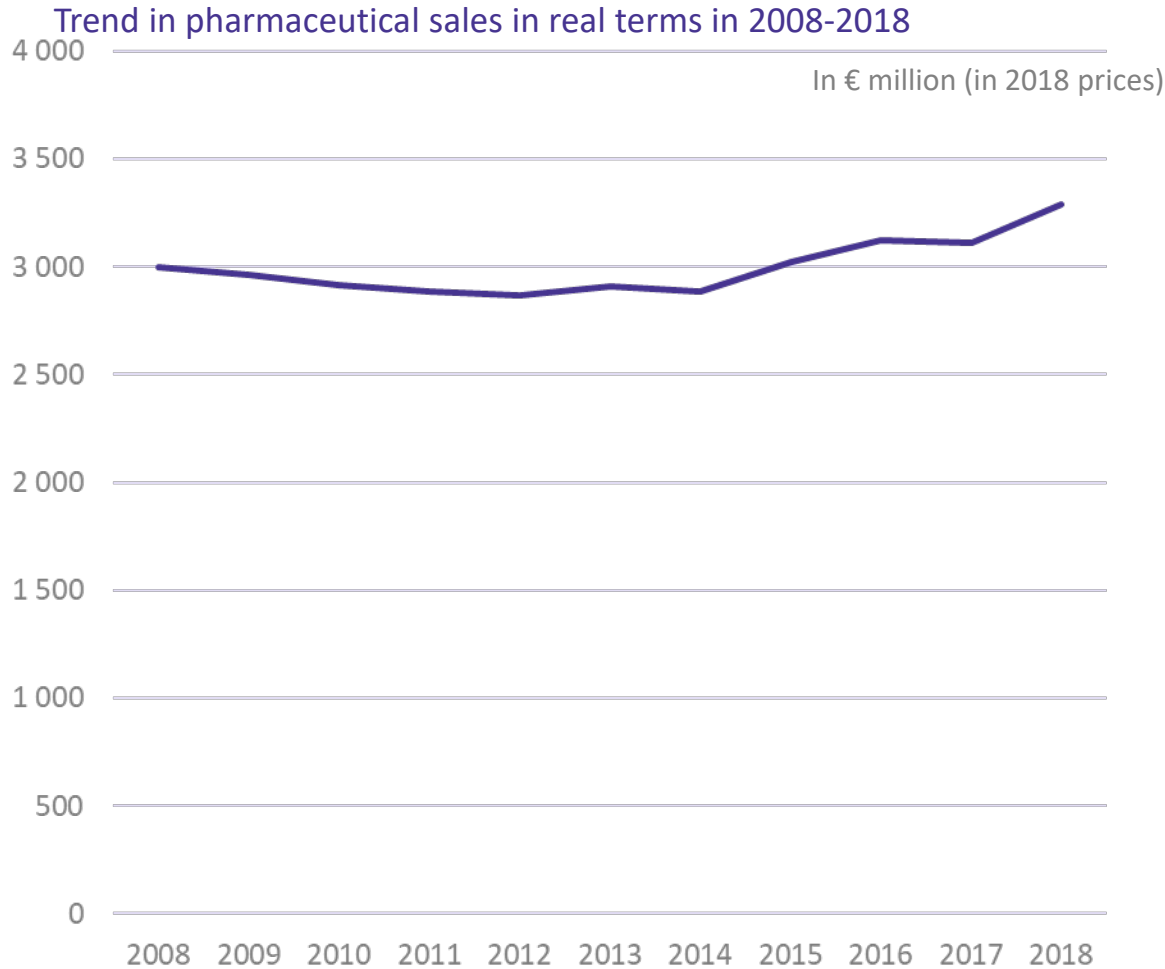
Net sales trend in various research-based pharmaceutical company sizes



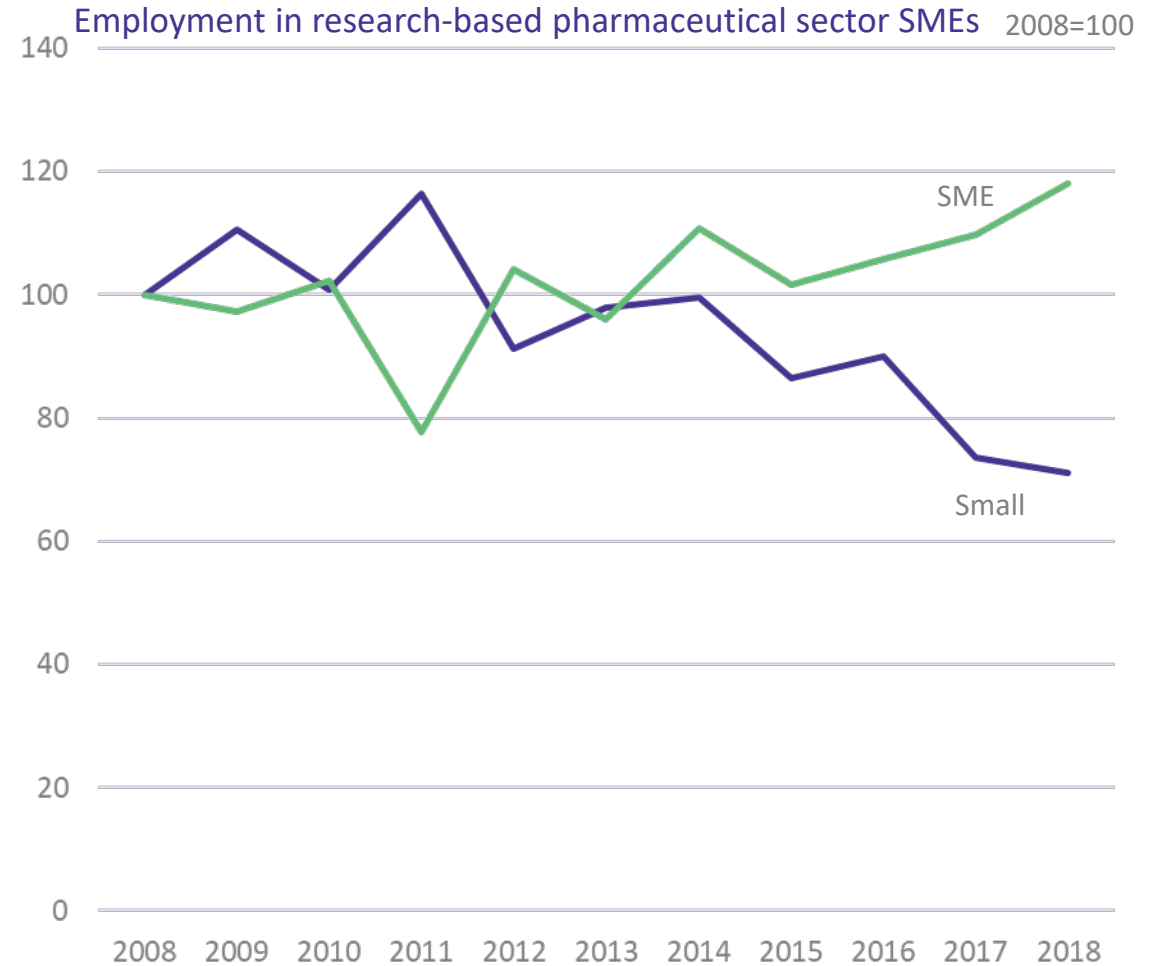
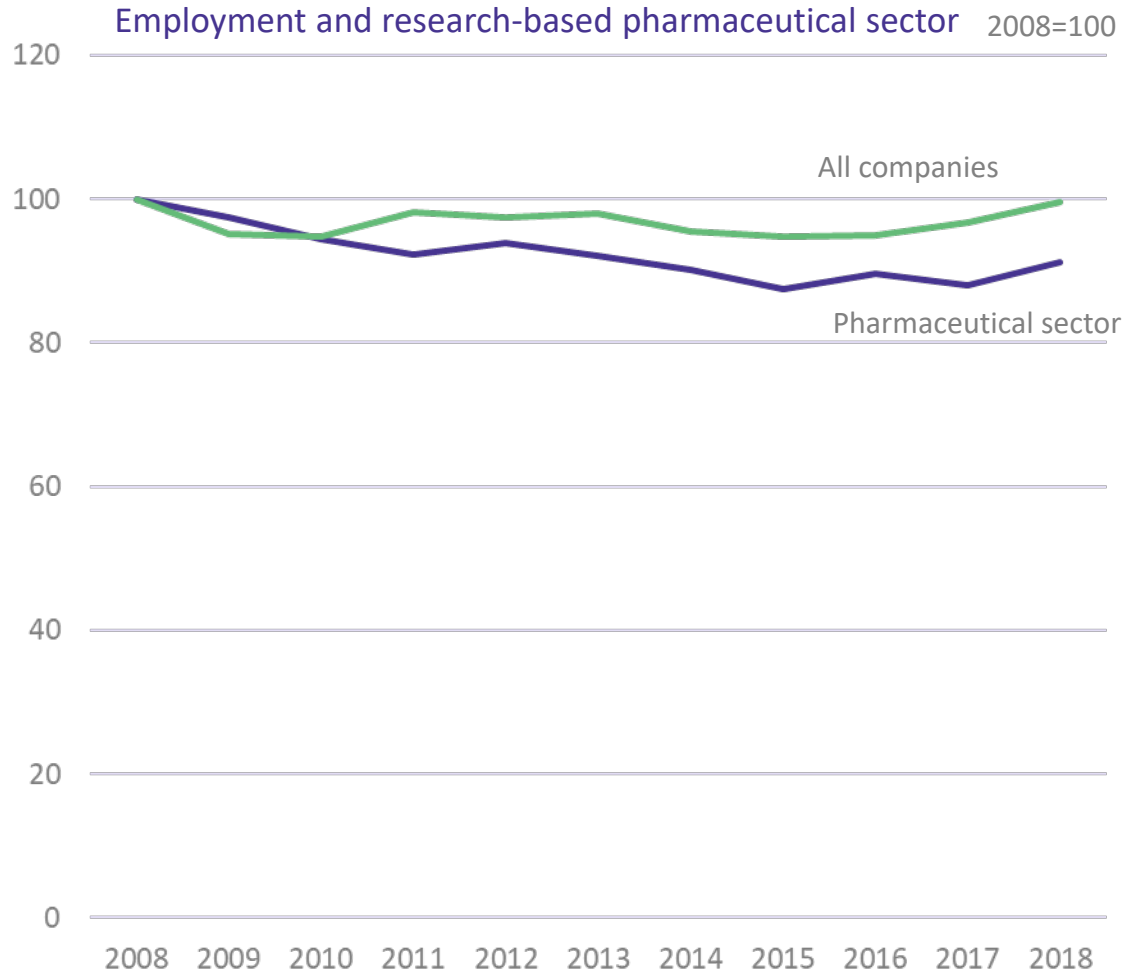
Research-based pharmaceutical sector benefits Finnish economy



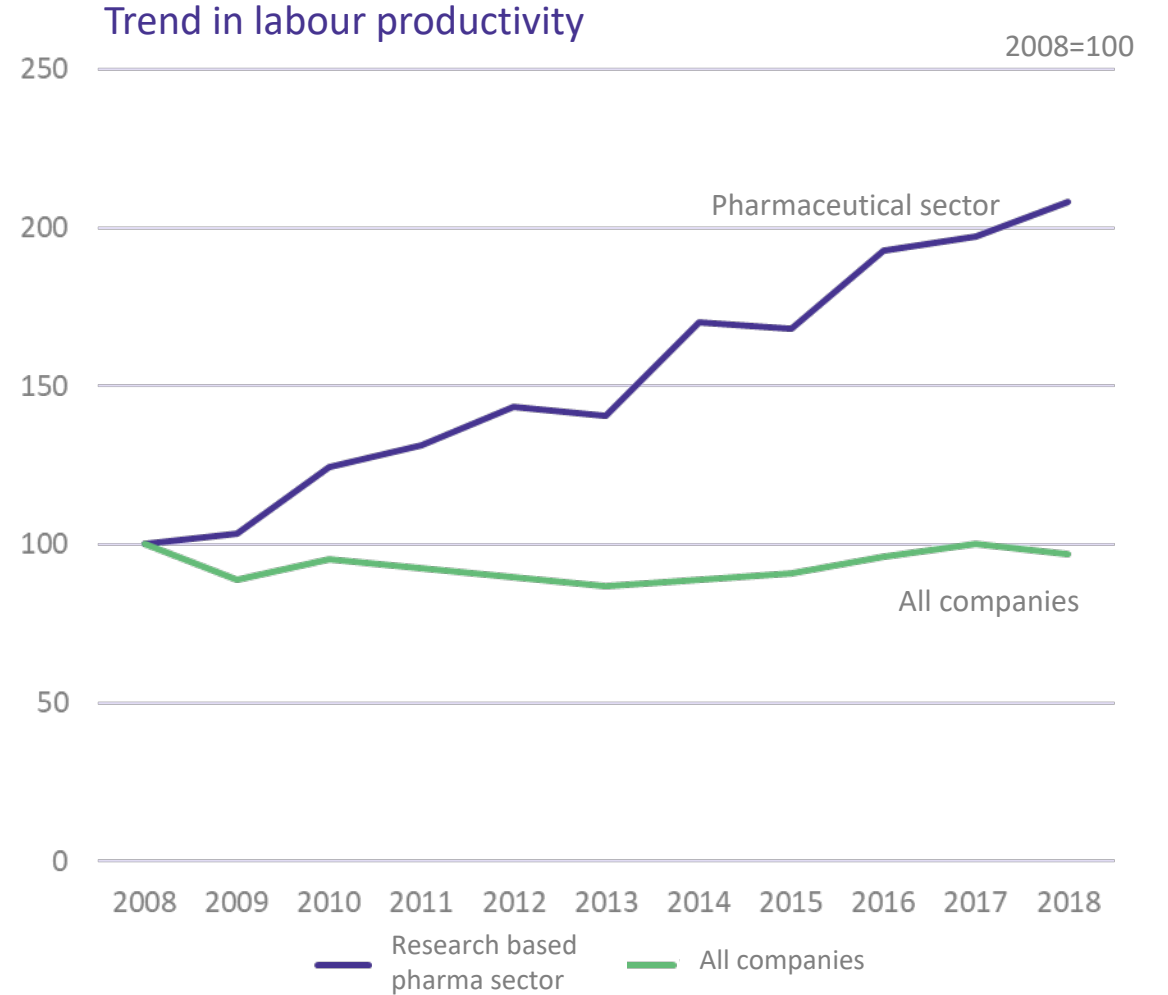
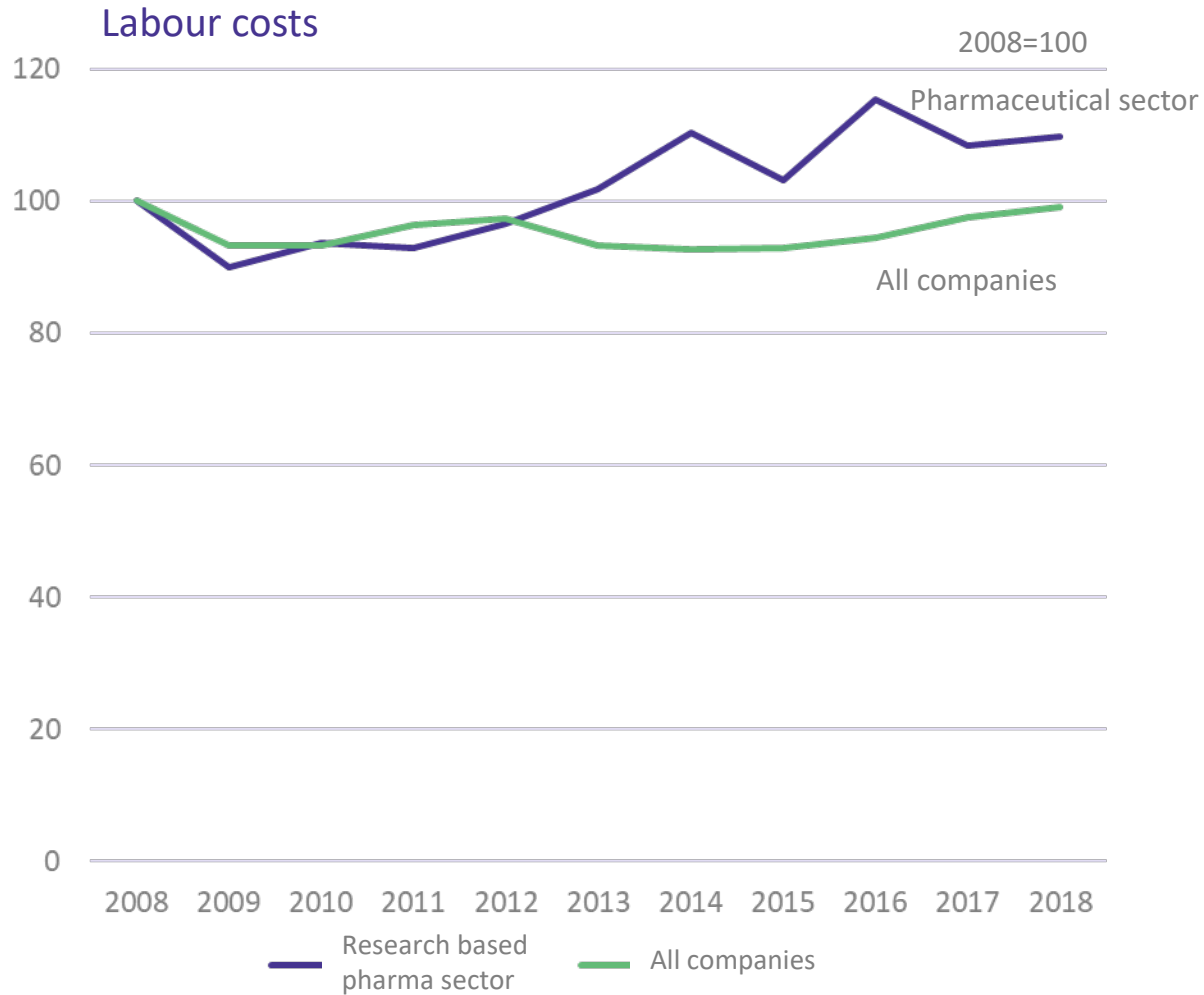
Increase in operating profit indicates productivity



Research-based pharmaceutical company has growing need for top experts

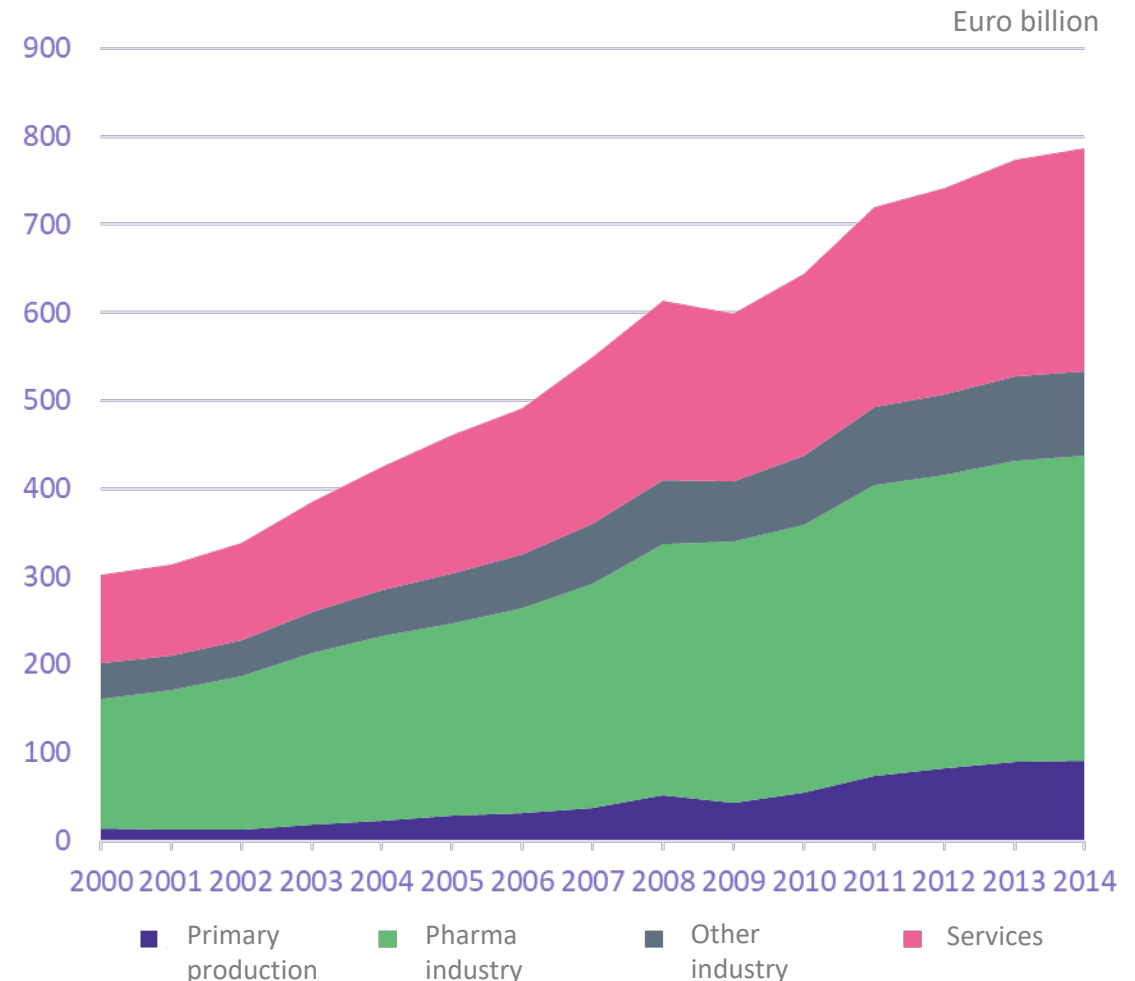


Research-based pharmaceutical sector is exceptionally profitable



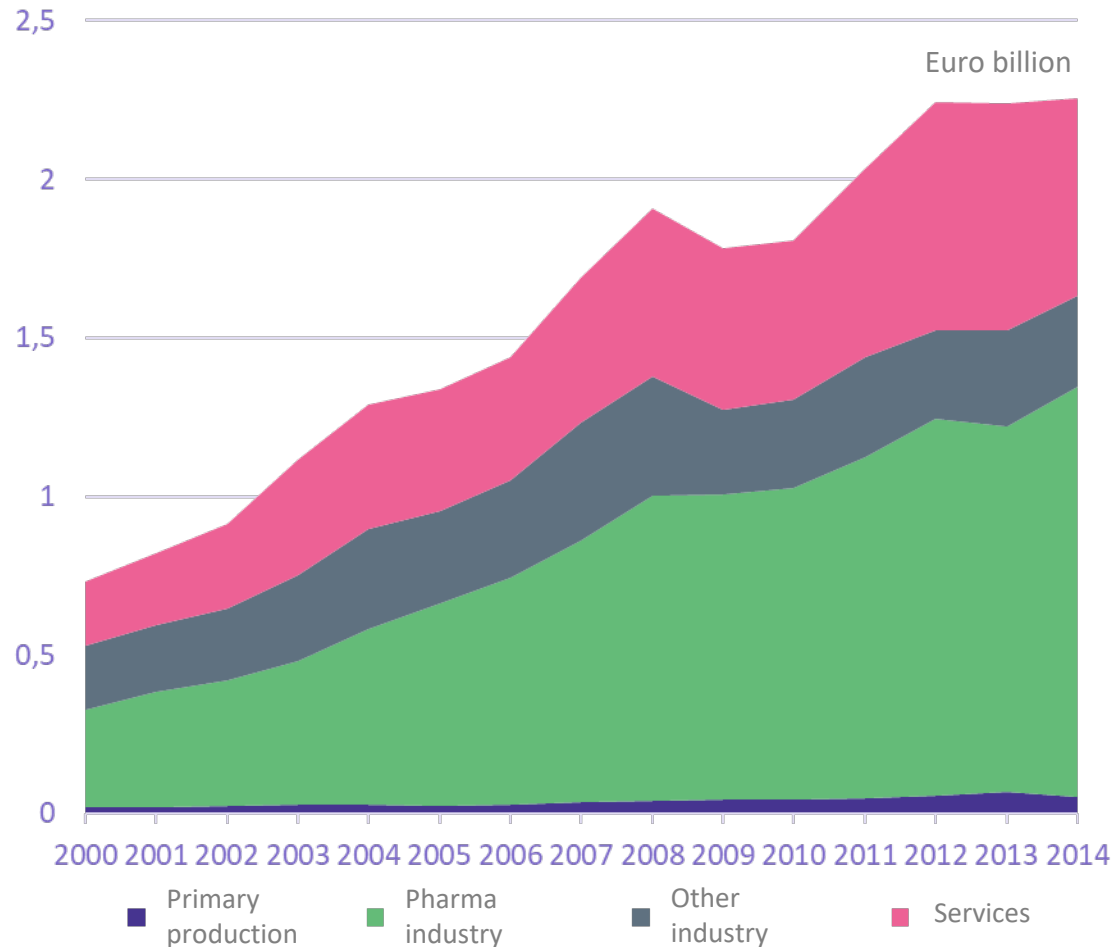
Value added of global pharmaceutical industry is growing

- The aggregate value added generated by the global pharmaceutical industry grew from 300 billion to almost 800 billion (+160%)
- The pharmaceutical industry's share of all value added grew from 170 billion to 420 billion (+130%)
- In 2000-2014, both the Finland-based pharmaceutical industry and the entire Finnish industry accounted for a growing share of the global value chain.
- Although Finland's pharmaceutical industry is relatively small, the growth has been consistent and probably reflects the competitiveness of the sector.

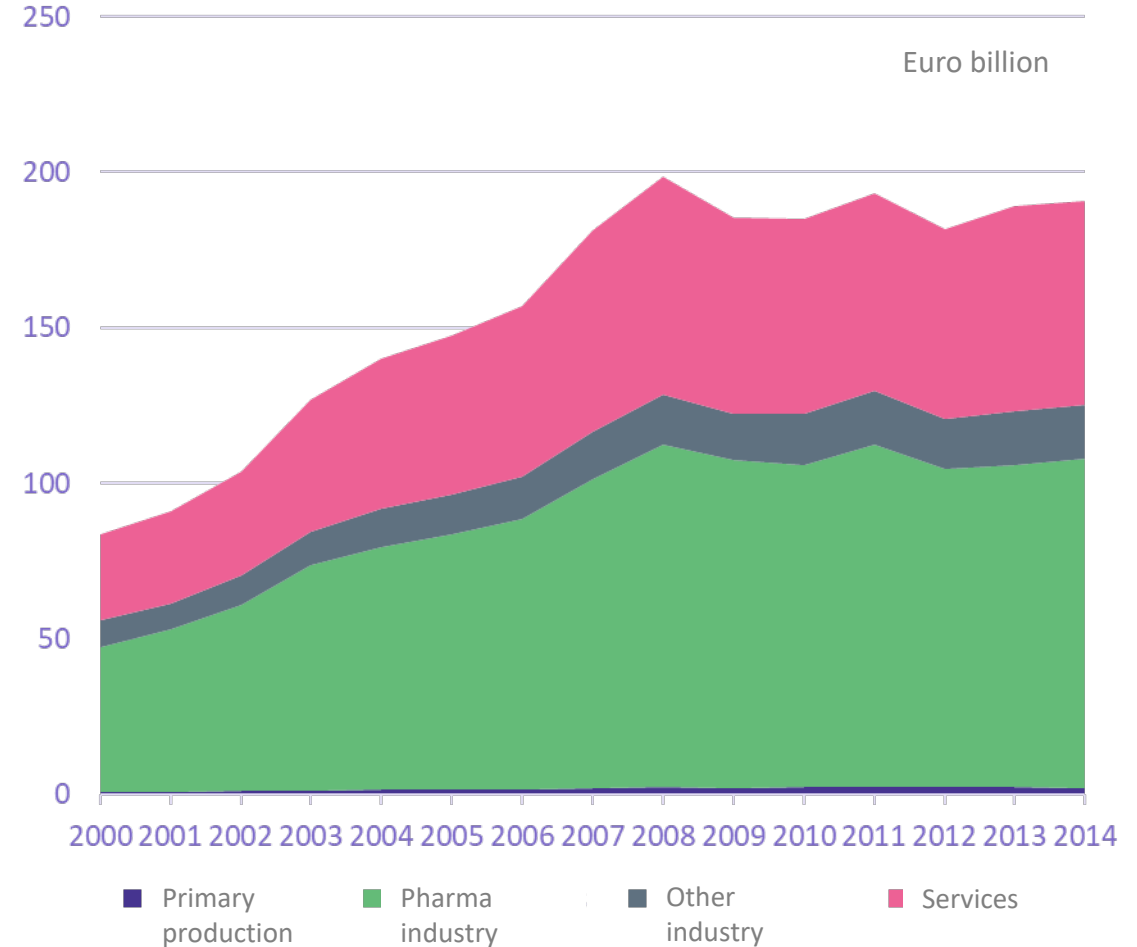


Value added of Finnish pharmaceutical industry is growing while growth in EU has stagnated.

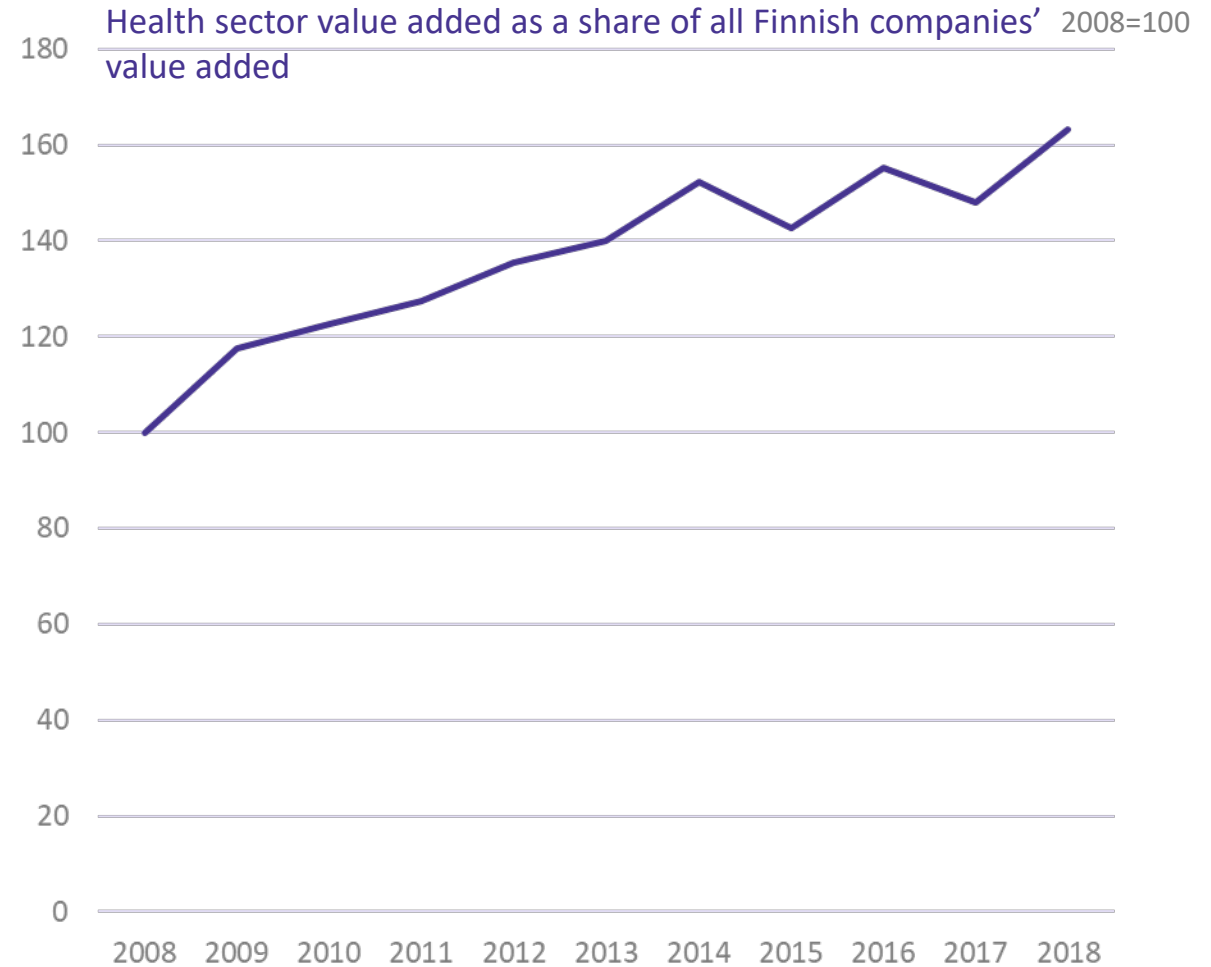
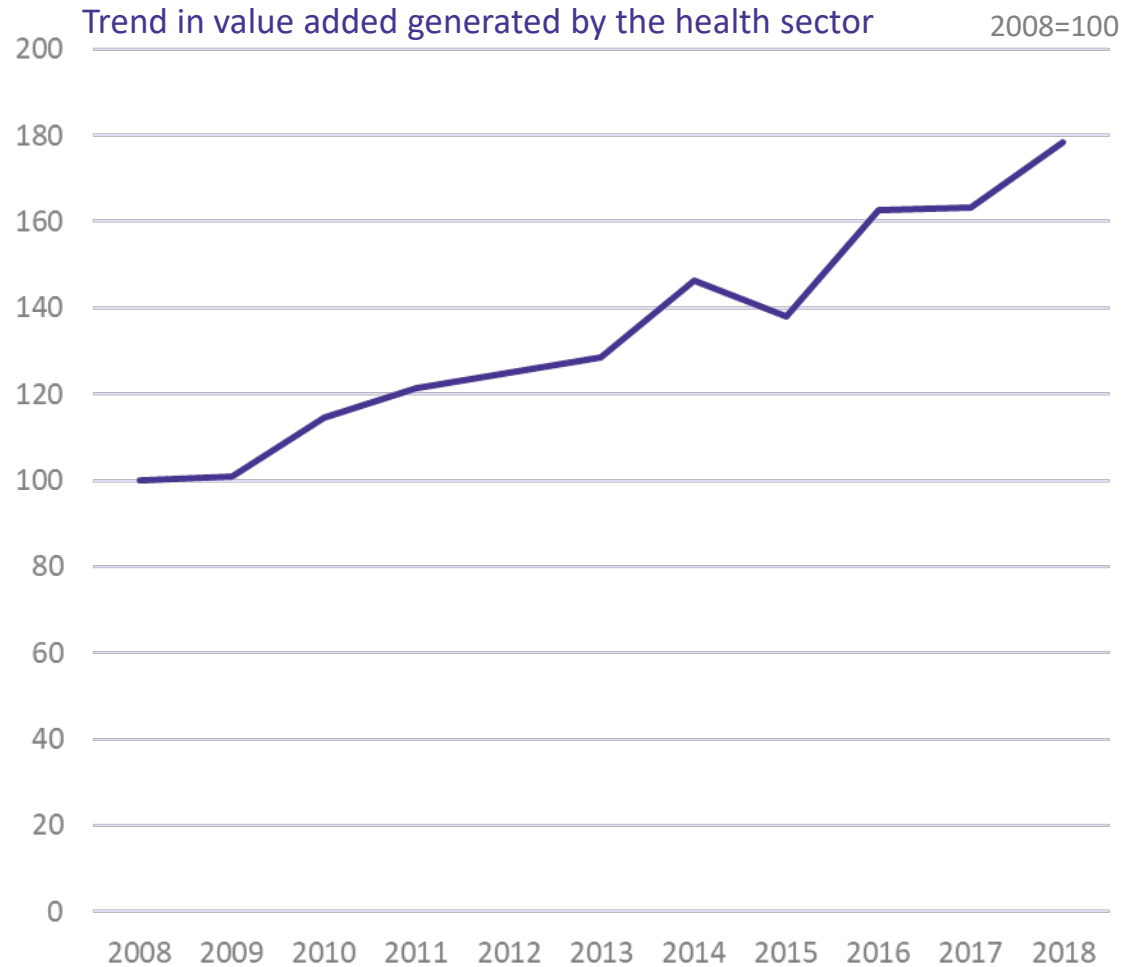
The value added generated by Finnish pharmaceutical industry grew by over 300%



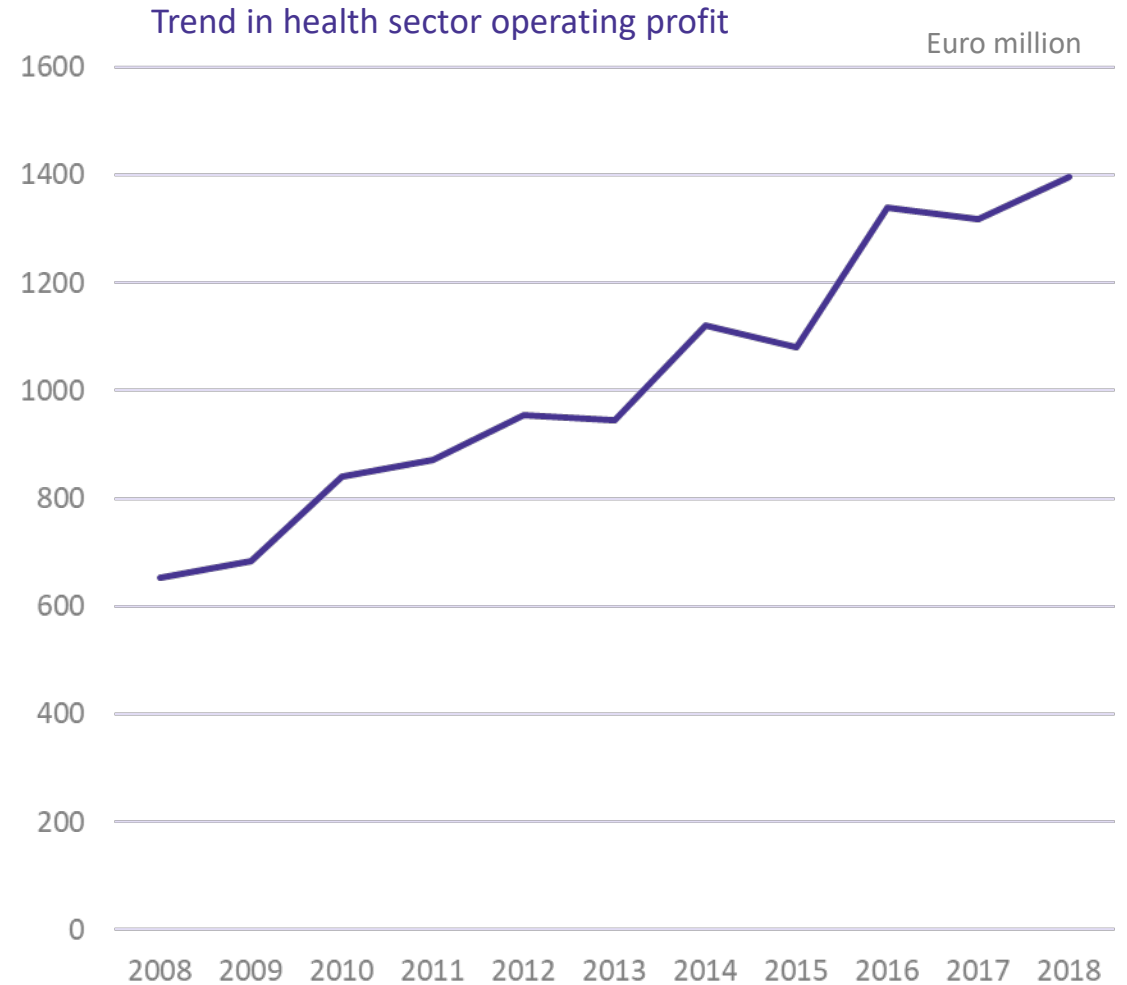
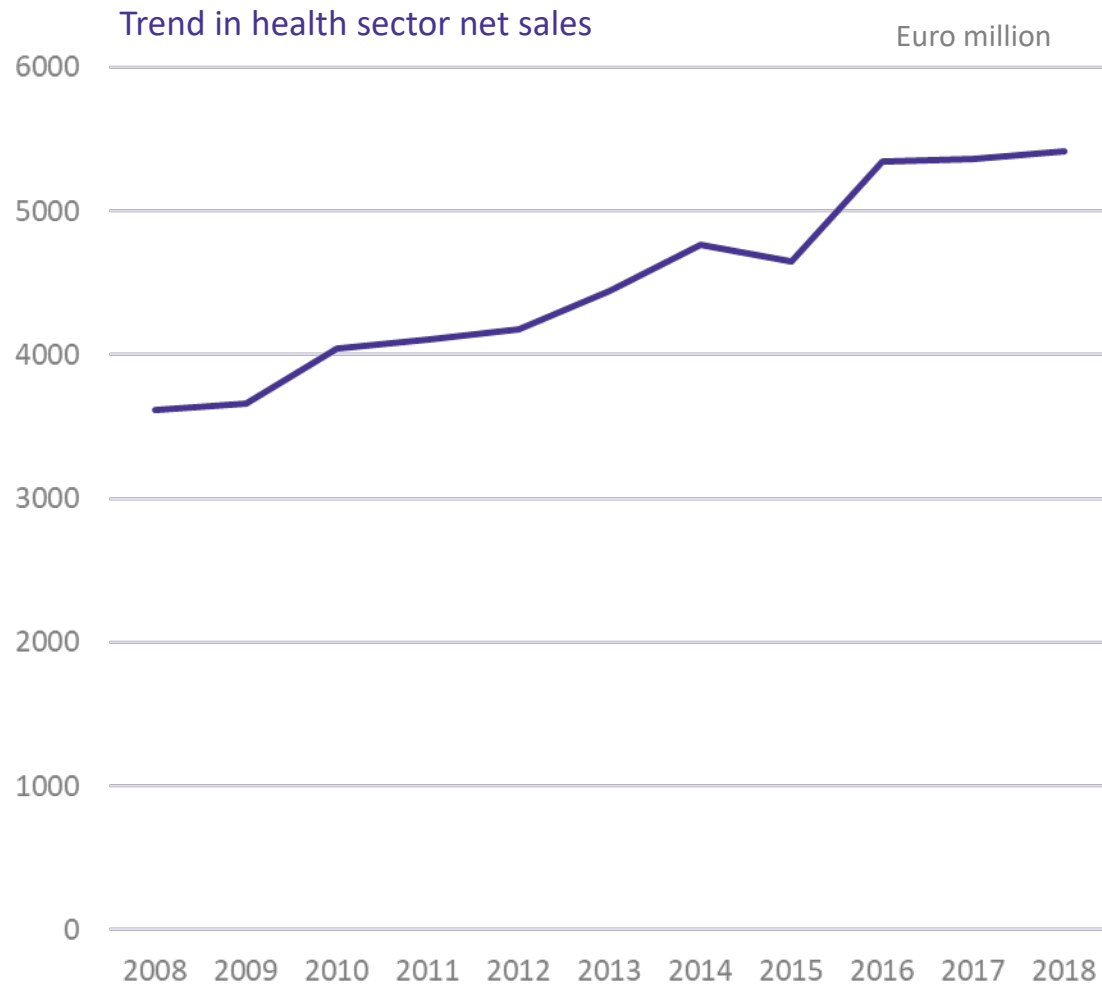
Value added generated by the EU in global pharmaceutical industry



Health sector value added and GDP are growing

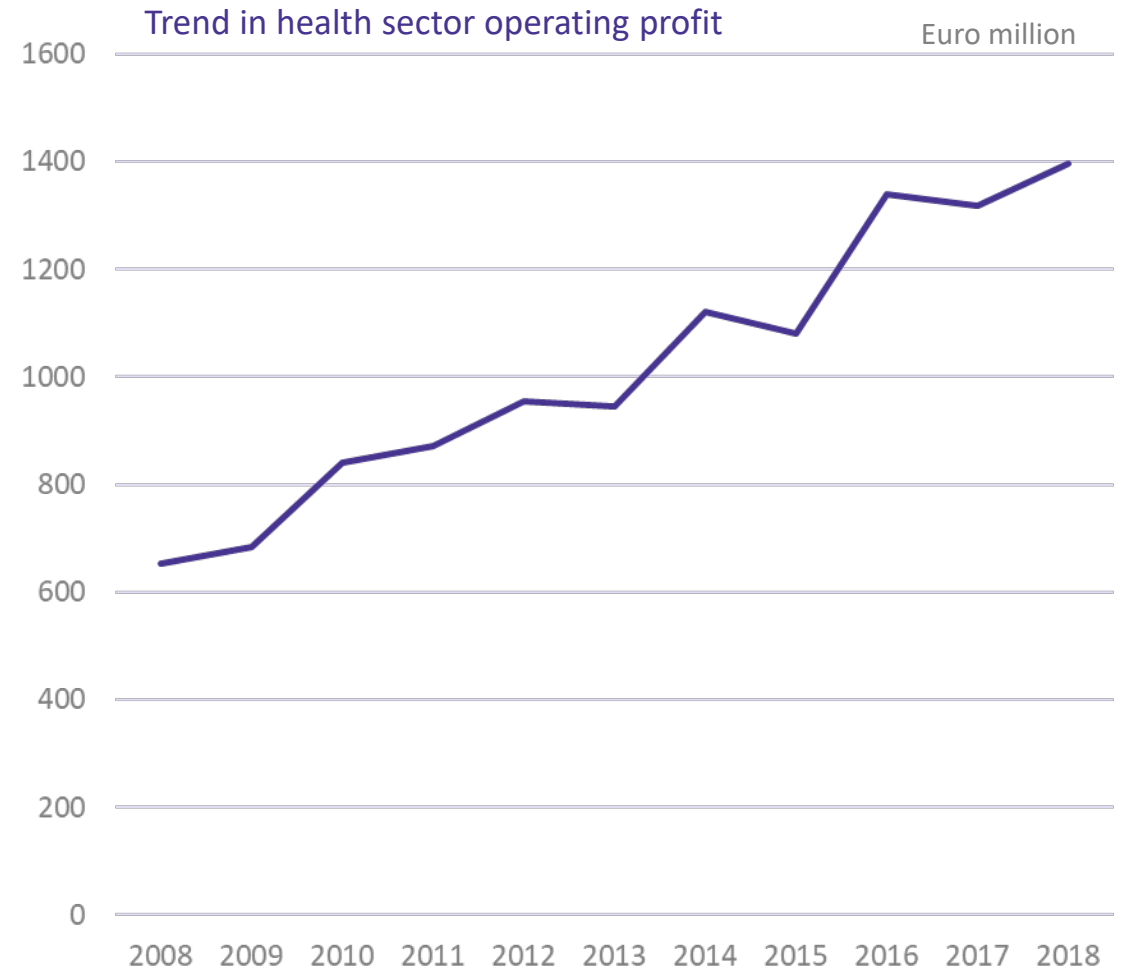


Health sector ecosystem is growing

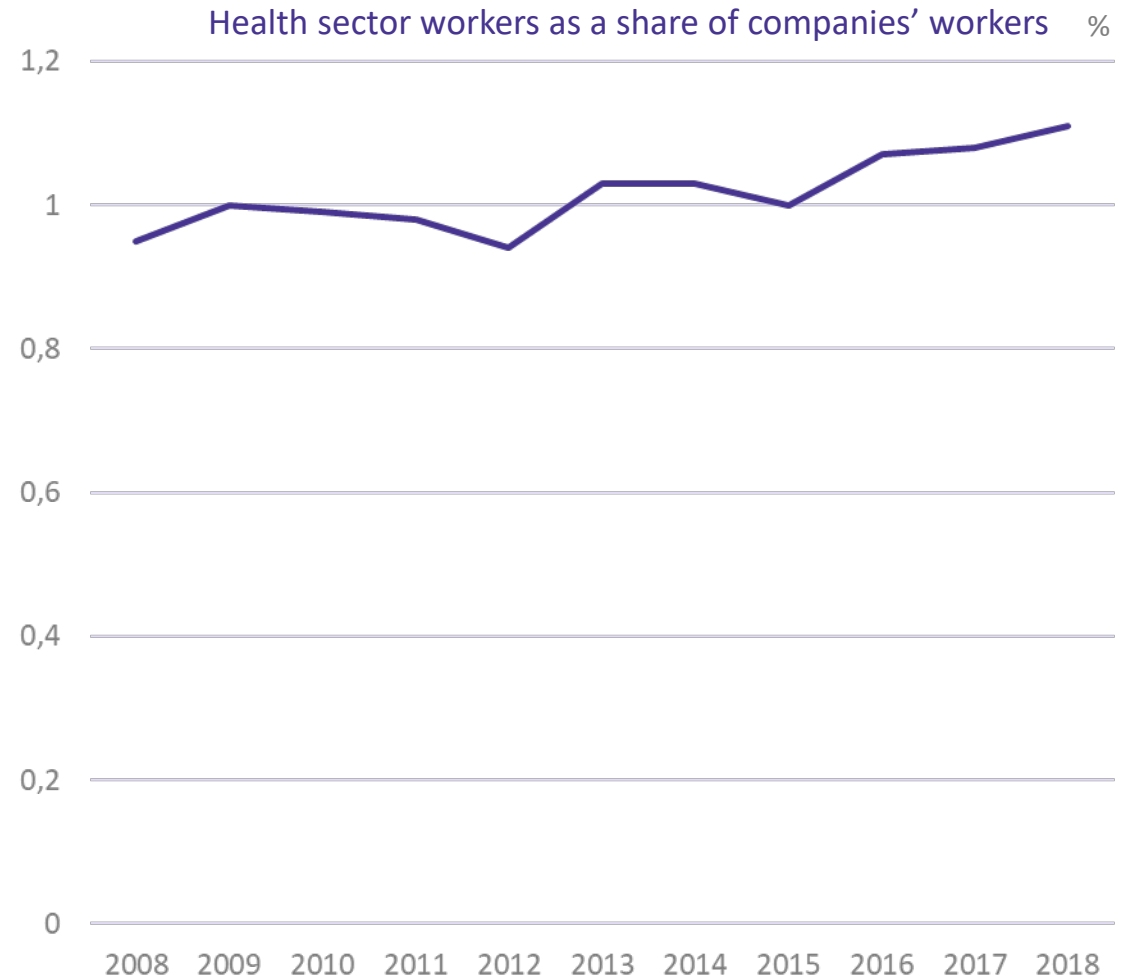
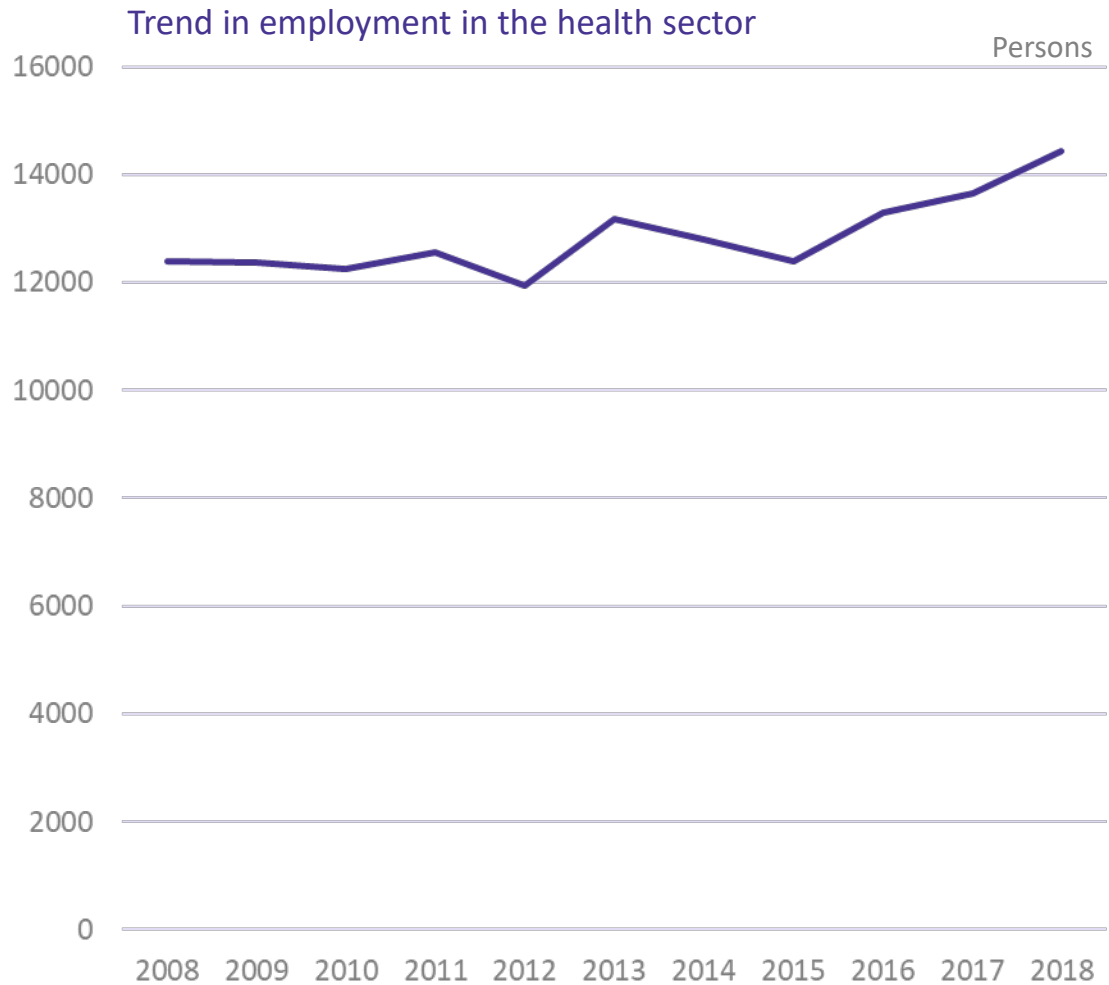


Operating profit of the health sector ecosystem is increasing

- Finland provides a good environment for companies to grow.
- Growing companies have the opportunity to employ and invest.



Health sector employs more and more highly educated people



How the survey was done

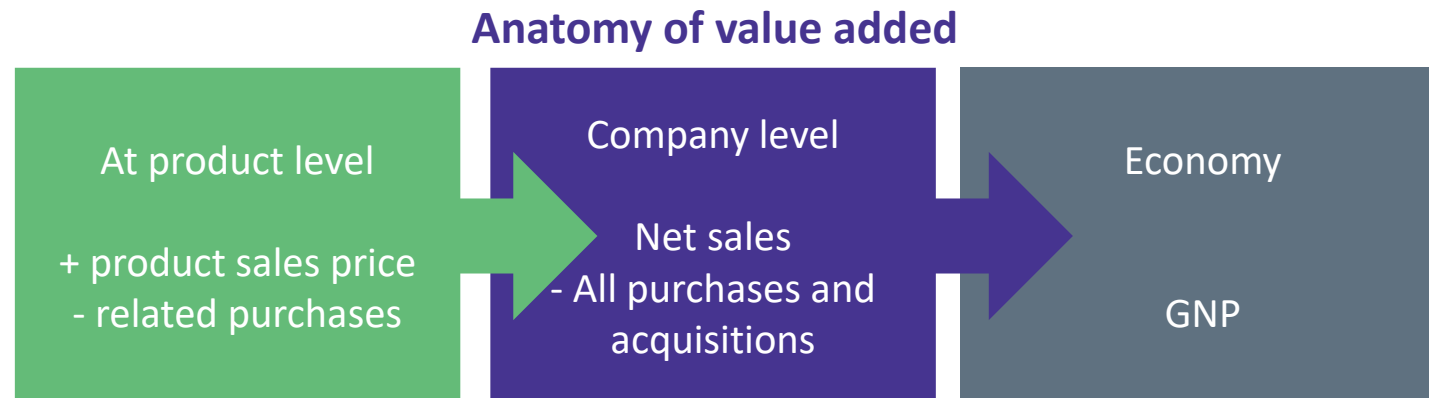
- Pharma Industry Finland PIF wanted to study the impact of the health sector on the Finnish economy, measured with the traditional indicators used in economics.
- In 2020, ETLA performed the survey ordered by PIF, and focused on the economic footprint of the health sector.
- The main outcomes of the survey are predominantly based on Statistics Finland's corporate data.
- The study was backed by a steering group representing key stakeholders, where combined expertise was used extensively.

Main objects of study defined

- The survey brings together economic indicators of research-based pharmaceutical and health technology sectors.
- In addition to pharmaceutical companies, the research-based pharmaceutical sector also includes service companies (CRO companies) and small-scale research companies.
- The material comprises **research-based pharmaceutical sector** manufacturers, developers as well as support companies that provide services or analytics for the sector.
 - At the year's end 2018, there were 114 companies in Finland meeting the research-based pharmaceutical sector criteria.
- The material also comprises **health technology companies**, whose end product is a healthcare device or solution, which has been awarded a CE marking, irrespective of whether it is a device, software product or gene technology product.
 - At the year's end 2018, there were 240 companies in Finland meeting the health technology sector criteria.

Key concepts

- **Net sales** are generated by the products or services sold by the company.
- **Operating profit** is based on international accounting and is calculated by deducting company operative expenses (profit before interest and taxes, appropriations and taxes) from the **net sales**.
- **Value added** is generated in business operations through labour costs and profits and depreciations. Value added is calculated roughly by deducting goods and service purchases from the net sales - it is the value generated by the company in GNP terms.
- **Labour productivity** is the added value or return, in real terms, per the number of those employed (value added divided by hours of work used).
- Company size was determined by the number of personnel and the net sales / balance





For further information:

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