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HEALTHCARE

Trump's MFN policy is reshaping global pharma, not prices

The Trump Administration this week announced nine new most-favoured nation (MFN) deals with mid-sized pharma companies. As the MFN model continues to expand, its implications for the industry are becoming increasingly clear: the US is attracting investment and Europe is losing out. The benefits for American patients, however, are far less certain

The recent most-favoured nation deals are not likely to result in lower prices for US patients, but will bring investment into the US

The US consumer is yet to see a significant drop in medicine prices

The nine new agreements expand the MFN framework to 26 manufacturers, which, according to the White House, covers around 89% of the branded drug market. However, this does not materially alter our core view that the direct impact on branded pharmaceutical margins will remain limited.

We have consistently argued that MFN pricing, which links US drug prices to those paid in other developed markets, does not necessarily trigger broad-based price cuts in the US for three

reasons:

- First, price cuts for current drugs only apply to Medicaid, which makes up just 10% of the US market.
- Second, MFN only applies to new launches and manufacturers can partly manage the reference price by delaying or limiting launches in lower-priced markets.
- Third, it is likely that pricing agreements will exclude medicines that are used exclusively for rare diseases.

Given that the US is responsible for roughly 50% of revenues and often around two-thirds of branded pharma profits, companies have an incentive to delay launches in other markets. The incentive to delay a lower-priced European launch will be strongest for medicines whose revenues depend primarily on maintaining a high price, rather than on generating large volumes at a lower price.

The impact of MFN on prices is therefore manageable for the industry. It is no wonder, then, that we have seen many branded pharma companies raise guidance over the past year, signalling that these agreements generally protect profitability.

But the policy will attract manufacturing to the US

While the direct pricing impact of MFN may be limited, the policy is likely to further accelerate the shift of pharmaceutical manufacturing to the United States. Tariffs and pricing pressures are a powerful incentive to localise production because the US market is so profitable. The nine latest signatories committed at least $19.6bn in US manufacturing investment, bringing total announced industry commitments since tariffs and MFN to nearly $670bn.

More broadly, both Republicans and Democrats increasingly view pharmaceuticals and biotechnology as strategic industries critical to national security, meaning that policies that strengthen US control of biopharma supply chains will likely be structural rather than just a Trump-era phenomenon.

Europe faces an access issue and lacks a coherent response

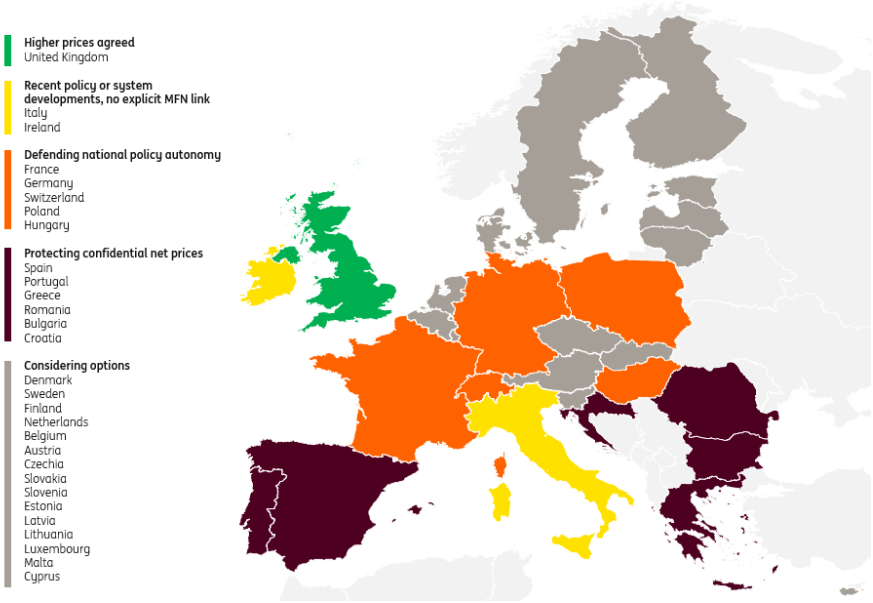
For countries used as pricing benchmarks, MFN means an increasing access challenge. As US prices are elevated, medicine launches in reference countries may be delayed. Through the first four months of 2026, we have seen a decline of 25% in drug applications at the European Medicines Agency compared to the same period last year. Europe, therefore, faces an increasing access issue, which is bad news for European patients.

European policymakers have so far offered a limited and uncoordinated response. Many governments seem to want to ignore the issue, while only the UK has increased its prices for new innovative therapies and Ireland and Italy have recently enacted reforms, though without an explicit link to MFN.

The unwillingness of many European governments to address this issue is understandable given fiscal pressure from increased healthcare and social security spending due to ageing populations and increased defence spending. However, we believe upward price pressure from the American government and the industry will not go away.

Europe's response to MFN has been mostly wait-and-see

EU27 + the UK and Switzerland classified according to their response to MFN



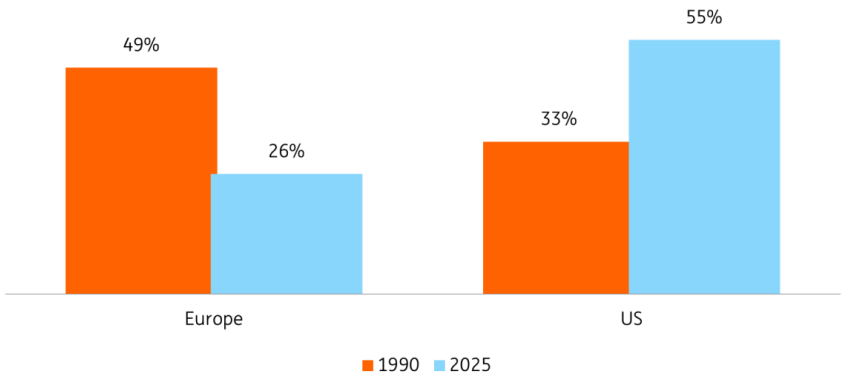
Source: ING

Increasing prices is not enough to fix Europe's competitiveness issue

This means that Europe needs a more coordinated response, not just because of MFN, but also because of the EU's ambition to make Europe the most attractive place in the world for life sciences. In fact, the continent is losing ground to both the US and China: Europe saw its share of global clinical trials decrease from roughly 35% in 2009 to roughly 20% in 2024, and its share of global private R&D has declined significantly since 1990, while the share of the US has more than doubled.

European share of R&D spending has declined rapidly

European and American biopharmaceutical R&D spending as a percentage of global spending in 1990 and 2025



Source: ITIF; ING

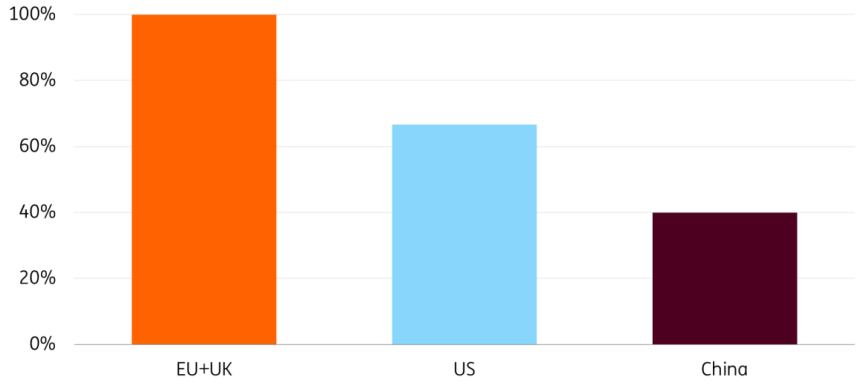
The structural issue at the heart of this decline is not a result of MFN; the policy merely exposes and may intensify longstanding weaknesses in the continent's life-sciences model. In contrast to what many in the industry say, this competitiveness issue is not simply a result of price, but rather of the continent's institutional setup.

Although the EU is technically one market, health policy is still a national policy domain. This means that Europe has a common medicine authority, but still has 27 different Health Technology Assessment (HTA) frameworks, 27 different pricing regimes, and it lacks a common capital market, which means that European biotechs tend to be funded by US venture capital and private equity funds as they mature.

These biotechs then tend to launch in the US because they have to deal with only one regulator and can enter a market of 300 million people and command a higher price, which is why Europe faces a problem commercialising its science. Europe therefore risks losing appeal both as a launch market and as a destination for future pharmaceutical investment, despite the sector's substantial economic contribution.

Europe's scientists are top-notch

Number of citations in top pharma journals as a percentage of 'leader'



Source: ING estimates based on Coface and NIH

The European Commission has correctly identified many of these challenges through initiatives such as the Pharmaceutical Package and the Biotech Act. However, progress at the national level remains lacklustre. As a result, increasing drug prices alone would do little to reverse Europe's declining attractiveness unless accompanied by broader reforms that improve market access, funding, regulatory alignment and the ability to commercialise innovation at scale.

MFN boosts US investment, hurts Europe and offers little relief to drug prices

While the White House presents the latest agreements as a major win for patients and public budgets, the impact on drug spending may be more limited than the headlines imply. MFN savings are likely to be concentrated in specific medicines rather than translating into a broad reduction in pharmaceutical expenditure.

The more significant consequence will be for investment flows: the policy strengthens incentives to locate production and investment in the United States.

As Europe still needs to formulate a coherent response, the region risks becoming a less attractive launch market for innovative medicines and could gradually lose out on future pharmaceutical investment, clinical development activity and manufacturing capacity.

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