**Friday, Feb. 23, 2024 / The Ozempic economy**

**[HALF SECOND OF SILENCE]**

**[BILLBOARD]**

*<OZEMPIC INSTRUMENTAL>*

NOEL: Almost certainly, you know someone who’s on one of the big weight-loss drugs, Ozempic, Wegovy - or someone who would like to be.

NOEL: But probably you haven’t thought a TON about the company that makes them, Novo Nordisk.

NOEL: Company’s *based* in Denmark but just bought a big manufacturing site in New Jersey, a hundred plus acres in North Carolina, another huge plant in Indiana, one in Italy, another in Belgium.

NOEL: This is not normal guys, this is the kind of expansion you can do if you’ve created the airplane or the iPhone or the next wonder drug.

*<OOOOH OOOH OOH OZEMPIC>*

NOEL: Novo Nordisk is reshaping the Danish economy, it is bigger than that country’s ENTIRE Gross Domestic Product, and today on Today, Explained we’ll hear an argument that it could …. reshape the American economy, too.

**[THEME]**

NOEL: [Oh hey] It’s Today, Explained. I’m Noel King. For a long time, Denmark's biggest company was shipping giant and recent Red Sea wilding victim MAERSK. And then came Ozempic and Wegovy made by Denmark’ s own Novo Nordisk. If you feel like one day you were hearing about Ozempic everywhere, same same for Michael Thykier who covers economics for the Danish newspaper Politiken:

MICHAEL: It came about very quickly, I think. And I think most people have that impression that suddenly it was, all over, on top of every conversation, especially in Denmark.

NOEL: Did it permeate the pop culture there?

MICHAEL: I think it did, but but I think that that came from the US actually.

SCORING BEGINS – Disco infernal

NOEL: <<laughs>>

MICHAEL: Yeah. Yeah.<<laughs>>

*<CLIP> WATCH WHAT HAPPENS LIVE:*

*Andy Cohen: Dolo you look THIN!*

*Dolores Catania: mm hmm…thank you.*

*Andy Cohen: Ozempi?*

*Dolores Catania: Yup!*

*<<laughter>>*

*<CLIP> JIMMY KIMMEL: When I look around the room, I can’t help but wonder… is Ozempic right for me?*

*<<laughter>>*

*<CLIP> LATE SHOW WITH STEPHEN COLBERT: Plus if you tell your family you were on Ozempic… they’ll know you didn’t lose the weight the old fashioned way…. cocaine.*

MICHAEL: Elon Musk was tweeting about, that he was on Wegov. Obviously we get a lot of pop culture from America. So, yeah, we got it that way. Let me say.. tell ya that.

SCORING OUT

NOEL: Okay, so you guys export the groundbreaking medication, and the United States exports the culture trash. Tell me about the company that makes Ozempic and Wegovy.

MICHAEL: Novo Nordisk is worth about $530 billion at the moment.

NOEL: OOOF

MICHAEL: totally staggering numbers. It's, in the top 20, most valuable companies in the world right now.

*<CLIP> WFFA: Novo Nordisk is Europe’s most valuable company. It takes the top spot away from luxury goods giant LVMH which sells Louis Vuitton handbags and Hennessy cognac.*

MICHAEL: And for a small country like Denmark, that is, like a huge thing and something that I don't think any economist or analyst would have expected just like five years ago.

*<CLIP> TLDR BUSINESS: Novo’s market capitalization has surged from about 100 billion dollars in 2020 to a high of 461 billion dollars earlier this month. Bigger than Denmark’s entire GDP.*

MICHAEL: Novo Nordisk has more than doubled its market value in the last three years.

NOEL: Wow. Wow.

MICHAEL: So it was a big it was a big company in in Danish terms, but it was nowhere near the top of the world when we look at market value.

NOEL: What does Denmark's economy look like in this height of Ozempic kind of age?

MICHAEL: A good way to just to describe that is just to referring to an interview I did with a top analyst in the the Danish National Bank, a few months ago. He said that basically if it wasn't for Denmark's pharmaceutical industry, and by that, he really means Novo Nordisk, because they are by far the biggest, the Danish economy wouldn't have seen any growth last year.

*<CLIP> TLDR BUSINESS: If you strip out the pharmaceutical sector which is now dominated by Novo, the Danish economy actually shrank by naught point three percent.*

MICHAEL: We have seen countries close to us in Europe, where the economy has not looked great at all for the last year or so. So it makes a huge difference for Danish economy, at the moment. And, you know, on top of that, Novo Nordisk is by far the largest tax payer in this country, and it also is contributing a lot to Danish education, to Danish science. So it plays a huge role in the Danish economy these years.

NOEL: Do you see those changes?

MICHAEL: Do the average Dane feel that the country is becoming richer? Maybe they don't, but they can see that in certain parts of the country where Novo Nordisk has its largest activity, Novo Nordisk is completely reshaping these parts of the country. I myself grew up in in a quite small town where Novo Nordisk has its largest factory, and they have invested hundreds of millions of dollars into that small town for the last couple of years. When I go back to visit my mom who lives in Kalundborg, when you drive into the city now, there is like huge factories.

*<CLIP> INVEST IN DENMARK: Located just one hour drive from the capital city of Copenhagen, you will find the industrial cluster of Kalundborg, home to the world’s largest insulin manufacturing plant where Novo Nordisk employ around 3,500 staff.*

MICHAEL: For a lot of years where you would see young people when they go to high school or gone to college, they would move away from the city, there would really been not many reasons for them to return. I think that has changed a lot.

SCORING IN LKY LKY, 1970’s GEN GLAM, APM

MICHAEL: When you get closer to the city, you can see buildings, you can see huge cranes. A lot of trucks are driving past you. When you go there in the afternoon, a lot of cars that people are commuting to Kalundborg. And that is a huge difference from, from what you saw before.

*<CLIP> Professionshøjskolen Absalon:*

*Otila Marc: There are so many jobs already for engineers. That’s the good part about having the education here in Kalundborg… is because we have all these companies, so we are surrounded so it’s so easy to get a job afterwards!*

MICHAEL: This has become a city that is um thriving. People are suddenly speaking English at the bakery and, and the and that they are demanding, you know, like international schools and even in, in the suburbs. So it has brought about a lot of change.

SCORING OUT

NOEL: Do you know the concept of resource curse?

MICHAEL: Let me in on that.

NOEL: That is when an economy becomes over…it becomes over dependent on one thing. So you will see this in the Middle East, with a country that only has oil.

MICHAEL: ok

NOEL: Yea.

MICHAEL: Absolutely.

NOEL: Does anyone ever say, what if we become too dependent on Wegovy and Ozempic? What if we’re an Ozempic economy in ten years, and then… bap bap bap?

MICHAEL: Some economists stress that there is a risk to countries who are significantly dependent on just one or a few companies. And one example of that is, a country very close to us is Finland, who in the 2000, the early 2000s heavily dependent on their biggest company at the time, Nokia, the cellphone manufacturer, as I'm sure you know.

<<NOKIA RINGTONE>>

MICHAEL: But, when Apple and other producers overtook Nokia…

<<ORIGINAL IPHONE RINGTONE>>

MICHAEL: in the late 2000s, the Finnish economy stagnated for almost ten years.

<<SAD NOKIA RINGTONE>>

MICHAEL: Most economists does not consider this as an as a very imminent threat to Novo Nordisk, but more as a thing worth thinking about and the reason for Novo Nordisk and Danish businesses to stay frontrunners on pharmaceutical issues, but also other high technology businesses.

NOEL: This has me wondering about your predictions for this drug because so many people want it and so many people could be helped by it. It seems to me that there is no end to just how big Wegovy and Ozempic could be. What are your predictions for what this might mean in in five years? In ten years for your country's economy and for its people?

MICHAEL: The market for weight loss drugs, if you ask most analysts, is you know, like huge.

SCORING IN OZEMPIC THEME

*MATHIAS: The market potential is, I would say, almost unlimited. And the demand outlook is incredible. And the biggest problem right now for Novo Nordisk is producing enough, they cannot meet demand.*

SCORING BUMP

MICHAEL: It's quite difficult to get your head around what would this mean for Danish economy. What do how large can Novo Nordisk become? But also what what do these drugs mean for our perception of what obesity is? Would would we at some point get where it get to where almost everyone is taking some kind of medication to control your weight? And who's going to be selling that… is that Novo Nordisk? It might be.

COMING UP: Michael Thykier (TOO-kyair) of Politiken newspaper in Denmark. Coming up, a man who says Ozempi could prove to be a bigger economic driver than Artificial Intelligence. And yes, he’s serious.

**[BREAK]**

**[BUMPER]**

*<CLIP> ANDY COHEN: Ozempi???*

NOEL: It’s *Today, Explained*, we’re back. People taking these GLP-1 agonists they’re called, like Ozempi, eat less than they did before taking them. Some people also say they drink less, they SHOP less, they don’t want to smoke. A notable thing about a consumer economy such as ours is that it requires people to consume. And so some companies have experienced a bit of a freakout. Josh Barro who writes the Very Serious substack has covered this.

JOSH: I write mostly about politics and the economy. And so obviously that's extremely broad and can encompass, you know, almost everything is part of the economy. And then I also write about interesting industries especially that may have larger economic effects. And I think that's where Ozempic comes in.

NOEL: Okay, so last summer I saw you tweeted, ten years from now it'll be obvious GLP-1 drugs were a way bigger deal than AI. Okay, so you're saying Ozempic is going to be a bigger deal than ChatGTP, GPT and the end of the world and everything? That's a major thing to say. Can you make the case?

JOSH: Well, sure. So first of all, I think AI and software more broadly have generally been oversold in terms of their economic effects. And I think that, GLP-1 drugs are a really important advance because being overweight is so common, a majority of U.S. adults are overweight. And so I think these are drugs that are ultimately, that they're going to be appropriate for more than half of American adults. And I think people are going to have good results from them. And in the long run, they're not going to be prohibitively expensive and difficult to obtain like they have been in the last few years. So I think that it's going to be a really widely used medical intervention that is going to have a lot of positive effects for people.

NOEL: And so for someone who says who's listening to this and says, yeah, that's actually really great. Like half of all people potentially could get this drug, make the case that this is a big deal for the economy for for people who that might slide past.

JOSH: Well, so I think it's in, in a, in a few ways. One is that, being overweight, and especially being obese is a significant medical risk factor. And that has costs. It has costs in terms of medical care that people need because of conditions that are related to that, whether that's heart disease or diabetes or even joint problems. And then it also causes an increase in risk of disability. And that, you know, that obviously is a human problem, but it's also an economic problem and means that people can't work in the way that they once did. Either that they, you know, they can't work as many hours or they can't work as long into their lives. And so because I think it will reduce the disability rate, I think that that will show up in productivity. And then it's also going to change the way people consume.

SCORING IN Blue Baby, APM

JOSH: There's been this sort of weird fixation in a lot of the press coverage on things that people might consume less of.

*<CLIP> YAHOO FINANCE: Switching gears here, Wal-Mart seeing a slight pull back of shoppers. The company’s US CEO has told Bloomberg that they’ve seen an impact on shopping demand from customers taking the diabetes drug Ozempic.*

JOSH: And, and that might be true on some micro levels. And there are specific businesses that you might be in where this this drug is probably bad for you. But the thing is that people, if you know, if they're not going out and spending their money on Doritos, they still have that money. And in fact, maybe they have a little bit more money because they're a little bit more productive. And then they can go out and find other new things to spend that money on. And so basically, if you're not in an industry that has specifically negative effects on consumption demand from Ozempic, you should tend to be thinking of that as an industry where there will be positive effects. People will have more money around, more time around to spend on on your product.

SCORING OUT

JOSH: Weight loss is a huge source of frustration for people. It is widely desired. People who are overweight they want to lose weight, but most things don't work well.

*<CLIP> NUTRISYSTEM COMMERCIAL: Lose 10 lbs and 5 inches overall in your first month!*

*<CLIP> JENNY CRAIG COMMERCIAL: You won’t just lose, you’ll win! 1-800-94-Jenny…*

*<CLIP> WEIGHT WATCHERS COMMERCIAL:*

*Oprah Winfrey: I lost 26 lbs and I have eaten bread every single day.*

JOSH: And people bang their heads against the wall and they end up feeling bad about themselves. And they spend tremendous amounts of time and money, on things that in a, in an often futile pursuit, of weight loss. And if you instead have this intervention that works quite well, and requires much less effort on the part of the consumer that frees up time and money again to go spend on, on other things.

NOEL: Okay, so Business and Wall Street are paying attention to Ozempic. Business and Wall Street are not the same thing, but I want you to kind of untangle those two for us. What has that looked like so far? Is it entirely hand-wringing? Who's looking at the optimistic side of this and saying, oh, guys, all this money could be good?

JOSH: Yeah. Well, I mean, so obviously the first answer is the drug companies that make these drugs, that they, you know, this is a tremendous business for them. And we're just seeing, you know, a small part of the addressable market here. And of course, it's, you know, weight loss is one of the major indications for these. They're also they, they are diabetes treatments and there is, as you know, diabetes is a tremendous problem. And that is also a huge market. And so, you know, you you see Novo Nordisk, Eli Lilly, potentially Pfizer, which has a drug in the pipeline, you know, they're going to make a lot of money off this. And the the prices that people are seeing right now are eye watering list prices over $1,000 a month. The effective pricing for Wegovy seems to have come down this year. Zepbound, which is the, Eli Lilly competitor to Wegovy, that's going to be pricing at approximately $550 a month for people whose insurance is not paying for it. And so, you know, if the Pfizer drug comes onto the market and as Eli Lilly and Novo Nordisk ramp up production, I think there will be price competition that pushes those prices down somewhat further. But the market is very big. So those drug companies are obviously going to make a lot of money from that. I mentioned the junk food thing. You also see, you know, Wall Street analysts have been interested in asking questions about this on earnings calls.

*<CLIP> DARDEN EARNINGS CALL: You know, I'm wondering your perspective on GLP-1 drugs and the impact on restaurant demand…maybe Darden’s restaurant demand.. I’m not going to ask your average BMI for your customers… but any perspective… I know it’s something that’s on investors’ minds so I figured I’d ask….*

JOSH: There was a discussion that United Airlines might save millions of dollars a year, because of passengers being lighter and therefore taking less fuel to carry them.

*<CLIP> One study done by the Jefferies Financial Group found that if the average airline passenger lost 10lbs, it could dramatically impact how much fuel planes need to fly equating to 80 million dollars in savings in annual fuel costs per airline.*

JOSH: So, you know, it's it's sort of an interesting fact that you'll have a, you know, millions of dollars in fuel savings a year, but it's not that large relative to the overall cost of of running an airline. I think part of the reason that you've had this fixation on the negative economic effects is that it's very easy to identify, you know, Doritos and products like that where you'll have the decline in consumption. And basically you're likely to see the increase in basically every other category. So it's not necessarily going to be a large increase. You're not going to look at the income statement of a company and say these profits were due to Ozempic, but you should see a broad-based improvement in the areas where people are going and spending their time and their money that they used to spend on other things on those.

NOEL: Just this morning, I was reading a story in Fortune Europe. The CEO of Novo Nordisk says that scared CEOs are calling him to, like, just discuss.

JOSH: <<laughs>>

NOEL: And he didn't… he wouldn't tell Fortune who it was.

JOSH: Right.

NOEL: And so they speculate that it's a lot of like potentially fast food companies, basically companies that deal with what we put in our mouths.

JOSH: Right.

NOEL: But like, what you're saying sounds so sensible to me. And I try hard to think of CEOs as sensible people who like game things out.

JOSH: Right.

NOEL: Why do you think they seem so shook?

JOSH: Well, I think first of all, it's it's uncertainty. And, you know, people, they they know their business. They have a view on their customers. Their customers are about to change in some way. I mean, I don't know what it's like to run a fine dining restaurant in New York right now where because, you know, the market penetration for these drugs is not that high yet. But if you have, you know, certain settings with, you know, especially affluent customers who might be who might be trendsetters in certain areas, you might be seeing a lot of your customer base on this. Are they sending back way more food than they used to, on their plates uneaten? So I'm sure I'm sure you're starting to see some industries, where you're actually starting to see critical mass with customers. And the customers are different. And even if in the long run it's going to be an opportunity, they have to figure out how to capitalize on that opportunity. And that's challenging. There's also a specific matter in the United States, which is that employers pay for health care expenses. Right now, the drugs are very expensive. And they are sometimes being covered by insurance, even though they're very often not being covered by insurance. And that's a really large expenditure for whoever is the payer. And so that could be a private company if you have someone with, with private health insurance. In the long run, this is also going to be an issue for the U.S government and therefore for taxpayers. There's currently a law that says that Medicare is not allowed to pay for weight loss drugs . But I certainly expect there to be significant political pressure around that because there are lots of people on Medicare for whom these drugs would be very appropriate for weight loss. And so when that pressure is brought to bear, at some point Medicare is going to be paying some price for that. And that's going to fall on taxpayers. And so there is, you know, especially in that transition before the prices have come down as far as they will. And before we're fully feeling those positive economic effects, you know, someone is going to be paying those costs that are accruing to Novo Nordisk and Eli Lilly, as profits. And that's that that's a negative factor for, for people who might be payers, which obviously includes corporations.

NOEL: Josh, you yourself are taking Wegovy. Tell me about what your experience has been like.

JOSH: I've been on it for, about five months now. I've lost 24 pounds and it's been it's been great.

SCORING IN, SHU MU, BMC

JOSH: It's really changed my relationship to food. The amazing thing to me is not that I've lost the weight, but how easy it has been for me to lose the weight. It causes you to just simply desire food less. I still enjoy food; food is something that is very interesting to me but if you put a plate in front of me I can be like that’s fantastic and can eat a few bites and then once I’m not hungry anymore I stop. And that was always the thing that was difficult for me. I was always really cynical about these, like, food influencers with six pack abs, and I'd see people like they bake these, these decadent cakes and then they, you know, they don't look like they've ever eaten a cake in their life. And I always thought this, this was basically fake, and now I now I can understand what it must be like inside their brains because they can they can make this cake and they can have a small slice of the cake, and then they've had enough. And that it really is possible to be wired like that. And now it seems like with this drug that I am wired like that, and I'm really happy about it.

SCORING OUT

NOEL: Has Wegovy anything for your personal economy, the way you spend money, invest money?

JOSH: At least my personal experience is I spend a lot of time thinking about my weight, and I spend a lot of money, and a lot of and a lot of effort, you know, on exercise and, you know, trying to focus on a diet and that sort of thing and being relieved of that just, you know, sort of gives me more bandwidth to spend on other things. I think that's one of the most exciting parts of this. And one of the effects that that isn't getting as much attention initially. So I think that was a positive effect for me, I wasn't a compulsive shopper. That's another thing that's been showing up as a, as a discussion of, oh, this is going to be bad for retailers because there won't be compulsive shopping. Again, those people, they still have that money. If they're still working, they're going to want to consume on something, maybe something that makes them happier than whatever they would have impulse bought.

SCORING IN – Pop design, APM

JOSH: But ultimately, I think, you know, our economy works better if people are making considered spending decisions on things that will actually make them happy. So if that's another shift that the drug is is causing at the margin, I think that's that's likely to be to be good for individuals and should even show up as a, as a better functioning economy overall.

NOEL: Josh Barro. Very Serious substack.

A year or so into the Ozempic revolution there is now a truth universally acknowledged, that some people with larger bodies don’t want to lose weight - they don’t care for BS peer pressure, they like the skin they’re in. What they WOULD like is a world that doesn’t penalize them for being fat. We’re gonna explore that MONDAY on Today, Explained.

NOEL: This episode was produced by Victoria Chamberlin and edited by Jolie Myers. It was fact-checked by Kim Eggleston and engineered by Rob Byers. Thank you to economist mah-THY-us DAH-lah-raph SHRPAY-uhl

I’m Noel King. It’s Today, Explained.

**[10 SECONDS OF SILENCE]**