

Life Sciences & Diagnostic Tools

Pharma layoffs up in 2023, but still below average

Industry Overview

We still see consumable weakness as destocking driven

In August 2023, we published a note ([Find our 8/18 report here](#)) on pharmaceutical industry employment trends, asking if the slowdown in demand for consumables seen by many Life Sciences Tools (LST) companies could be due in part to lower customer headcount dynamics. That is, were there fewer people in the lab using less products? At that time, although layoffs across the broader pharma sector had increased y/y, they were still well below historical levels. As such, we concluded that weaker demand for consumables was more likely due to inventory destocking than lower headcount. Since our initial note, several biopharma companies have announced cost cutting measures. Most notably, Pfizer (PFE) announced a multi-year \$3.5bn cost-realignment program, of which \$1bn was realized in 2023. In this follow up note, we look to see if pharma layoffs accelerated at the end of 2023. According to the latest data from Challenger, Gray & Christmas, while layoffs in 2023 across the broader pharmaceutical industry (includes data from pharmaceutical and biotechnology companies developing drugs, as well as drug manufacturing organizations, pharmaceutical distribution companies, and drug testing labs) were at the highest level since 2018 (Exhibit 1), they were still below both the GFC and pre-pandemic periods. The average of layoffs in 2011-2019 (i.e., after the GFC and before COVID) was ~15.4k/year vs. 2023's 12.9k. Overall, we continue to see lower demand for lab consumables as largely due to destocking issues vs. lower headcount. That said, we will continue to monitor headcount trends as there still could be some impact to 2024 as more cost actions roll through.

Biopharma end-market in transition, but still healthy

As discussed in our companion piece ([see note here](#)), the biopharmaceutical end-market is in a state of flux. In 2023, biotech funding remained anemic, and after a period of heavy investment during the pandemic, many pharma companies pulled back on buying analytical instruments and lab equipment. In addition, pharma companies are still grappling with the uncertainty of the Inflation Reduction Act (IRA), which has led to some pipeline reprioritization. Overall, while we continue to expect muted pharma demand in 2024 (especially in the first half of the year), we believe that this end-market remains intact in the long term.

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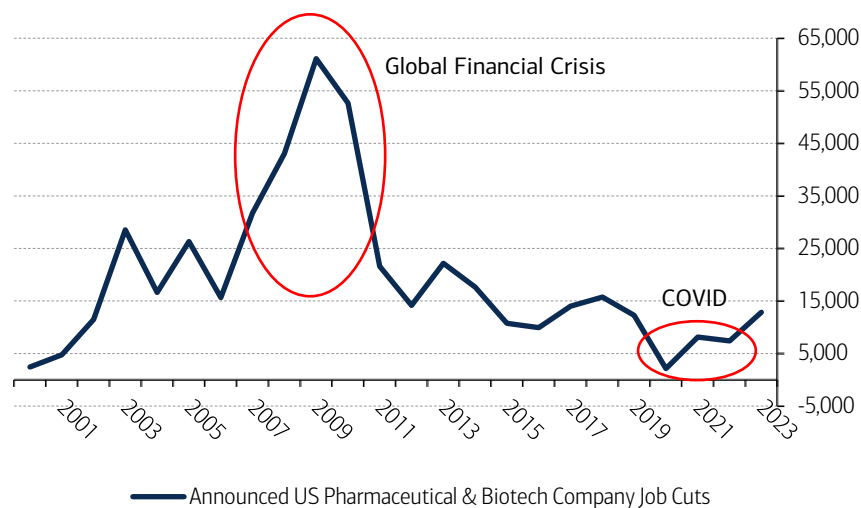
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Additional information

Exhibit 1: US Pharma job cuts remain well-below historical levels

While the latest US pharma and biotech job cuts have been pronounced, they remain well below historical levels



Source: Challenger, Gray & Christmas, Inc., BofA Global Research

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