

Chemicals Quarterly Report (CQR)

Quarterly Summary; **28th January 2020**



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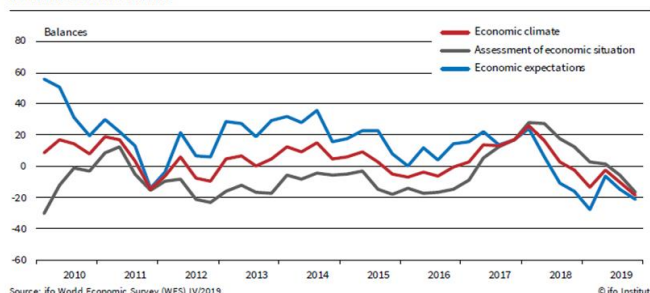
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EU chemical production slightly declined in 2019

Key messages: In line with recent developments of key customer sectors, the European chemical production declined by 1% in 2019 compared to 2018. Political and economic uncertainty is still affecting most chemical producers globally. However, the recent 'phase one' trade agreement between the USA and China could bring some degree of stabilisation.

The ifo World Economic Climate worsened again in Q4-2019

ifo World Economic Climate



ifo World Economic Climate (Balances)

Quarter/Year	IV/2017	I/2018	II/2018	III/2018	IV/2018	I/2019	II/2019	III/2019	IV/2019
Climate	17.1	26.0	16.5	2.9	-2.2	-13.1	-2.4	-10.1	-18.8
Situation	17.2	28.3	27.4	17.5	12.2	2.6	1.4	-5.4	-16.4
Expectations	16.9	23.9	6.1	-10.6	-15.7	-27.7	-6.1	-14.7	-21.1

Source: ifo World Economic Survey (WES) for Q4-2019

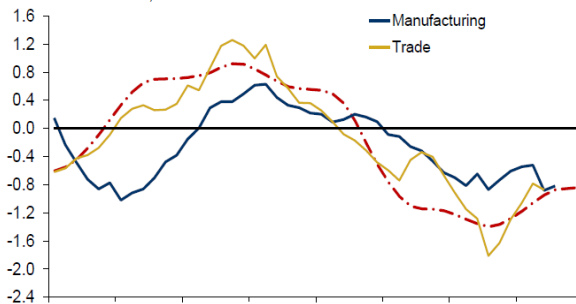
According to the latest ifo World Economic Survey (Q4-2019), the world economic climate has worsened again. Both the assessment of the current situation and expectations dropped significantly as the global economy continued to cool. The economic climate deteriorated in nearly all regions, but most especially in emerging markets in Asia.

Global manufacturing continues to bump along the bottom of its current cycle

As stated in the Oxford Economics MIB (Monthly Industry Briefings) report (Dec 2019), "global manufacturing continues to bump along the bottom of its current cycle according to recent forward-looking indicators.

Global Industrial Momentum

Standardised values, 6 month



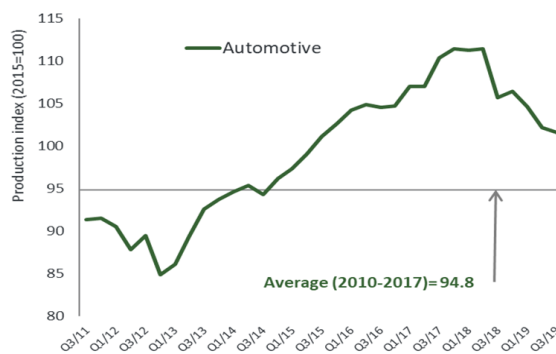
Source: Oxford Economics/Haver Analytics

Note: Sub-sector series are a weighted average of the US, EU exc UK, UK, China, Japan, Taiwan, South Korea, India and Turkey.

Source: Oxford Economics/Monthly Industry Briefings/Global Industry/ December 2019.

The OECD global manufacturing confidence indicator, which gives a two-month lead on expected industrial production and global trade volumes, is still casting some doubt on the timing and magnitude of an upturn".

EU automotive: 6.3% below the previous year's level (Jan-Nov 2018)



Output was 4.0% down in Q3-2019 compared to the previous years' level, and 0.6% down compared to Q2-2019

Source: Eurostat and Cefic Analysis January 2020

Generally speaking, no sign of stabilisation or improvement was observed in the EU automotive business in 2019. Output continued to decline for the third consecutive quarter of last year. The automotive sector posted a decrease in output of 8.4% in Q2-2019, compared to Q2-2018. With a 4.0% decrease, Q3-2019 showed fewer spectacular results. All in all, output was 6.3% below the previous year's level (Jan-Nov-2018).

Some analysts still expect a gradual recovery in the automotive sector in Europe.

EU manufacturing production: 0.8% below the previous year's level (Jan-Nov 2018)

Industrial growth in the EU area remained weak. Apart from "food and beverage" and "construction", all key industrial sectors posted a significant decline in Q3-2019, compared to Q3-2018. One exception was the construction business, which was still positive but started to lose momentum in Q3-2019.

EU industrial output growth by sector (in %)

EU Output growth	2017	2018	Q3-2019		2019 (Jan-Sep)
			Vs Q3-2018	Vs Q2-2019	
Food & beverage	1,9	0,9	1,3	0,0	1,8
Automotive	4,2	-0,3	-4,0	-0,6	-6,2
Basic metals	3,8	0,0	-5,8	-2,3	-4,0
Rubber & plastics	4,1	0,1	-1,6	-0,6	-0,8
Machinery & equipment	6,2	3,2	-2,0	-0,3	-0,9
Electrical equipment	4,3	1,9	-3,8	-1,3	-2,8
Textile	2,2	-1,2	-2,9	-0,6	-3,0
Metal products	4,7	1,5	-2,6	-1,1	-1,1
Electrical appliances	5,4	3,2	-4,2	3,5	-2,1
Paper	2,8	0,8	-1,9	-0,7	-1,2
Printing	-1,5	-1,9	-2,5	-0,4	-2,0
Other non-metallic mineral prod	4,0	1,0	-2,0	-0,8	-0,1
Furniture	2,0	0,1	0,5	-0,4	-0,5
Manufacturing	3,4	1,6	-1,4	-0,6	-0,6
Construction	4,0	1,7	1,8	0,2	3,1

Source: Eurostat and Cefic Analysis January 2020

Global chemicals: 2.0% above the previous year's level (Jan-Nov 2018)

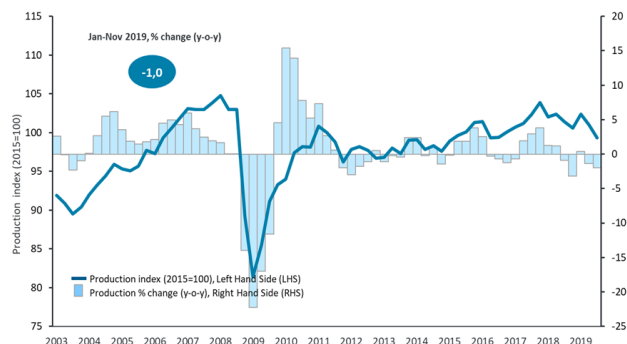
	2017	2018	Q3-2019		2019 (Jan-Nov)
			Vs Q3-2018	Vs Q2-2019	
China	3,8	3,6	2,8	-0,4	4,3
EU	2,0	-0,4	-2,0	-1,6	-1,0
North America	3,8	4,2	-1,6	-0,3	-0,2
Latin America	-0,1	-1,0	-3,2	-1,2	-1,4
South Korea	3,5	2,3	-1,9	3,4	-3,3
India	0,1	2,3	0,4	-0,1	4,4
Russia	4,9	3,0	5,7	-1,5	4,4
Brazil	1,1	-0,3	-5,0	-2,1	-1,4
World	3,6	2,8	1,6	0,2	2,0

Source: Cefic Chemdata International, January 2020

The global chemical industry continued to lose momentum. Output grew 1.6% in Q3-2019 compared to Q3-2018, and 0.2% compared to Q2-2019. Political and economic uncertainty has negatively affected the global chemical trend in 2019, apart from China, where growth is still solid. Output in China was 4.3% above the previous year's level (Jan-Nov 2018). The weak trend of key customer sectors globally slowed the growth of chemicals.

EU chemical production: 1.0% below the previous year's level (Jan-Nov 2018)

Business confidence in the EU chemical industry remained broadly unchanged at the end of 2019. Production expectations for the coming months show a slight increase, while the current business situation is starting to stabilise. As shown in the chart, the good start to 2019 was really an exception. As expected, and in line with the EU manufacturing sector, output in EU chemicals continued its negative trend during the rest of the year.



Output was 2.0% down in Q3-2019 compared to the previous years' level, and 1.6% down compared to Q2-2019

Source: Eurostat and Cefic Analysis January 2020

EU chemical sales: 1.7% below the previous year's level (Jan-Oct 2018)

Total sales (domestic and exports) in the EU chemical business posted a value of €472.4 billion for the first ten months of 2019, slightly down from €480.7 billion during the same period of last year. In Q3-2019, sales revenues were 3.5% down compared to the previous year's level, and 1.5% down compared to Q2-2019.

EU chemical exports: 2.6% above the previous year's level (Jan-Oct 2018)

EU chemical exports outside the EU area reached the value of €139.5 billion for the first ten months of 2019, up from €135.9 billion for the same period of the previous year. EU exports to the USA rose by €2.2 billion, mainly in specialty chemicals and petrochemicals. However, the analysis shows a significant decrease of EU exports in polymers during the same period.

EU chemical imports: 4.9% above the previous year's level (Jan-Oct 2018)

EU chemical imports rose by €4.8 billion for the first ten months of 2019. Imports outside the EU area reached the value of €102.8 billion from Jan-Oct 2019, up from €98.0 billion for the same period of the previous year (4.9%). Petrochemicals (€1.6 billion) and specialty (€1.4 billion) contributed most to the increase in total imports.