

Chemical Quarterly Report (CQR)

Quarterly Summary; 9th July 2020



Contact:

Dr Moncef HADHRI, Economic Affairs, mha@cefic.be

Press contact, Maria Linkova-Nijs; mln@cefic.be

The EU chemical industry's output decreased after the first months of the COVID19 pandemic

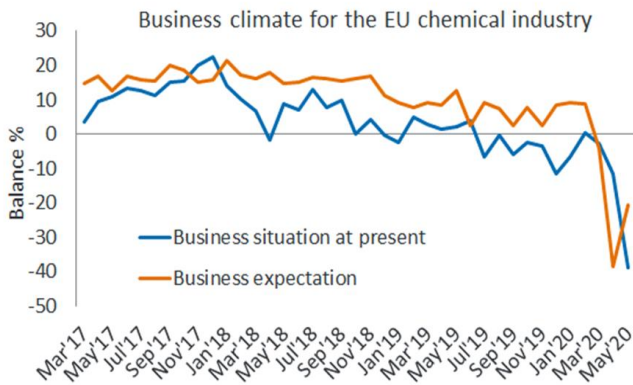
- Chemical output in the EU from January-April 2020 dropped by 3.4% compared to the previous year's level (January-April 2019), following the COVID19 outbreak in Europe.
- It is too early to establish the exact impact of the pandemic on the chemical output for 2020; the forecast will depend on the length and severity of the COVID19 crisis. In the best-case scenario, output is expected to start to grow modestly in 2021, unless a second wave of pandemic hits the EU in the second half of 2020. In the latter case, output is likely to register a second drop in 2021. In both cases, many quarters of growth will be needed to reach the pre-COVID19 output levels.
- While overall production has declined, some sectors of the chemical industry providing for essential supply chains during the COVID19 outbreak have remained stable or posted growth in the first half of 2020, particularly those producing essential supplies such as disinfectants, diagnostic tests, ventilators, protective masks, gloves and gowns, as well as Intensive Care Unit medicines.

Marco Mensink, Cefic Director General: *"We see the transition to a climate-neutral economy a key driver of the economic recovery after the crisis is over. Climate-neutral and circular economy solutions developed by the EU chemical industry should play an important role in the post-COVID19 economic recovery.*

At the same time, it is clear that a significant decline in manufacturing activity and loss of revenue is likely to affect the pace and ability of many companies to invest into technologies to further reduce their emissions. This makes the need for a coherent policy framework to support European investments into these technologies all the more critical and timely. The post-crisis recovery could be an opportunity to prioritise investments into innovative Green Deal solutions, such as e-crackers, chemical recycling, hydrogen, CCS and CCU infrastructure"

Report

The EU chemical business climate deteriorated significantly in April



Source: Eurostat and Cefic Analysis, June 2020

The business climate for EU chemicals deteriorated significantly in March, followed by a negative trend in April, showing both the negative mood and high level of uncertainty related to Covid-19. In April, production expectations for the months ahead were below the levels of the Great Financial Recession (GFR) of 2009. The current business situation and export order books show a similar development. Employment expectations also declined dramatically. May data showed a slight upturn compared to April. The climate within the chemical sector is in line with the EU manufacturing sector, far below the long-term average and close to the GFR of 2009.

EU manufacturing output: 10.9% below the previous year's level (Jan-April 2019)

EU manufacturing output was down 10.9% during the first four months of 2020, compared to the same period of 2019 (Jan-April 2020 vs Jan-April 2019).

Beginning in March 2020, nearly all European countries restricted social and economic activities to a differing degree, leading to shutdowns of production activities and weaker demand in many chemical customer industries. However,

the picture varies as customer industries are impacted by the health crisis to a different extent. Demand and production of pharmaceuticals and care chemicals, such as soap, detergents and disinfectants increased.

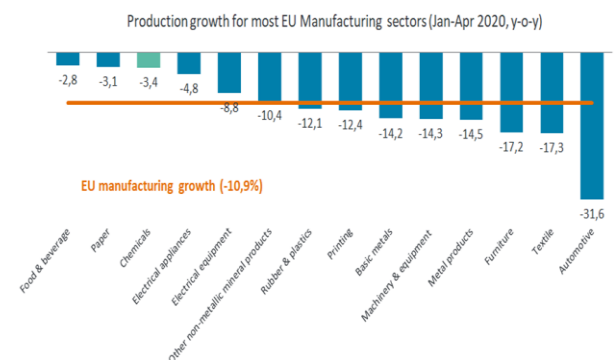
EU manufacturing output: growth broken down by sector

	Production growth in %		Production index (2015=100)		Production growth in %	
	2018	2019	Jan-Apr-2019	Jan-Apr-2020	Jan-Apr-20/Q4-19	Jan-Apr (20/19)
EU key sectors						
Food & beverage	1,0	1,5	105,6	102,6	-1,9	-2,8
Automotive	-0,1	-6,6	104,7	71,6	-27,1	-31,6
Basic metals	0,3	-4,9	102,0	87,5	-8,3	-14,2
Rubber & plastics	0,4	-1,1	108,7	95,5	-10,0	-12,1
Machinery & equipment	3,2	-1,2	111,4	95,5	-11,6	-14,3
Electrical equipment	2,3	-3,6	107,7	98,3	-6,2	-8,8
Textile	-1,7	-3,9	100,4	83,0	-13,2	-17,3
Metal products	1,8	-1,9	110,6	94,6	-11,0	-14,5
Electrical appliances	-1,6	-1,9	101,8	96,9	-4,4	-4,8
Paper	0,9	-1,5	103,3	100,0	-1,3	-3,1
Printing	-1,6	-3,0	93,9	82,3	-10,1	-12,4
Other non-metallic mine	1,6	0,0	110,5	99,0	-8,8	-10,4
Furniture	-0,3	-0,7	105,6	87,4	-17,3	-17,2
Chemicals	-0,5	-1,0	102,2	98,8	-1,3	-3,4
Manufacturing	1,5	-1,0	107,4	95,7	-9,2	-10,9
Construction	2,3	2,8	111,1	108,5	-1,5	-2,3

Source: Eurostat and Cefic Analysis, June 2020

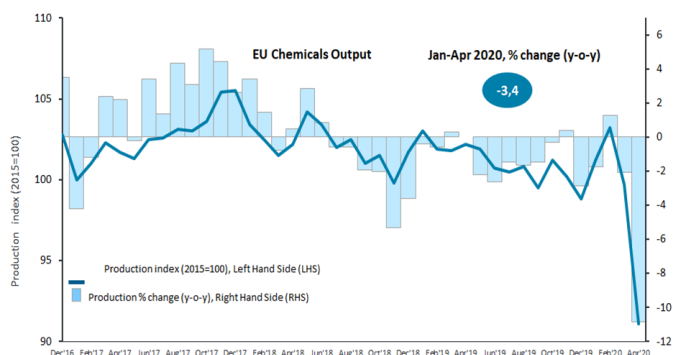
Demand and production of agricultural goods, food and beverages remained stable despite some friction in the supply chains. On the contrary, demand for durable consumer goods, investment goods, construction materials and automobiles sharply declined.

Car manufacturing hit hard by the pandemic



Source: Eurostat and Cefic Analysis, June 2020

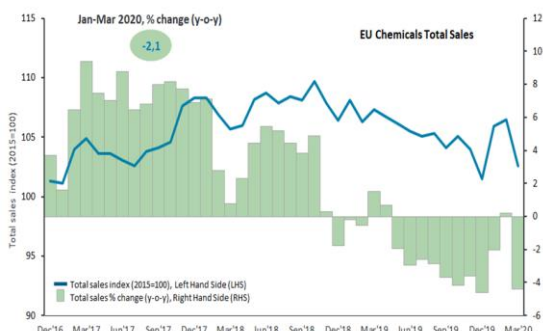
EU chemical production: 3.4% below the previous year's level (Jan-April 2019)



Source: Eurostat and Cefic Analysis, June 2020

Output was 3.4% below the previous year's level (Jan-Apr-2020 versus Jan-April-2019), but the total impact of COVID19 on the industry is still to be determined. Country data shows that Italy and France are most impacted by the crisis compared to the other European countries: their levels were at least 10% below the previous year's level (Jan-April 2019), followed by Belgium with a drop of more than 8%. The Netherlands and Spain registered a decrease of about 5% during the same period. Germany, meanwhile, remained relatively at the same level of last year (-0.6%). The UK reported similar changes (-5.3%). EU producer prices were 3.1% below Q1-2019's level. Total sales (domestic and exports) in the EU chemical business posted a value of €129.6 billion for the first three months of 2020, 2.1% below the previous year's level (Q1-2019).

EU chemical sales: 2.1% below the previous year's level (Jan-Mar 2019)



Source: Eurostat and Cefic Analysis, June 2020

EU chemical exports: 3.7% above the previous year's level (Jan-Mar 2019)

EU chemical exports outside the EU area reached the value of €46.7 billion in the first quarter of 2020, up from €45.1 billion in the first quarter of 2019. EU chemical exports to the USA rose by €1.7 billion. EU chemical exports to China amounted to €3.7 billion, slightly up from the 2019 level (+1.9%).

EU chemical exports: 1.7 billion above the previous year's level (Jan-Mar 2019)

Extra-EU exports (Delta, 'euro million)	Basic inorganics	Petrochemicals	Polymers	Specialty chemicals	Consumer chemicals	Chemicals
USA	-74	2115	4	-340	40	1727
Russia	21	32	19	99	26	197
China	39	-264	135	48	105	68
Japan	6	29	-6	16	-5	37
India	21	10	19	6	-10	36
Brazil	-21	7	1	24	-11	-5
Middle East	35	45	-3	-64	-51	-37
Africa	10	-147	12	-20	-13	-138
South Korea	-140	7	-13	-40	-2	-188
Rest of Europe*	7	-178	-291	58	-8	-421
Extra-EU	-56	1910	-157	-122	79	1652

Source: Eurostat and Cefic Analysis, June 2020

EU chemical output expected to decrease in the 1st half of 2020

The outlook remains highly uncertain as demand for chemicals will largely depend on the future course of the pandemic, restriction measures taken by authorities and pace of recovery of downstream industries - major users of chemicals (e.g. construction, car manufacturing.)