

Chemical Quarterly Report (CQR)

Quarterly Summary; 26th November 2020



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Latest data reveals the recovery of the EU chemical output is slowing down

- *Chemical output in the EU27 dropped by 4.4% from January to September 2020 compared to the previous year's level (Jan-Sept 2019), and the EU27 manufacturing output was down 10.6% compared to the same period of last year, both following the COVID-19 outbreak in Europe.*
- *Country data shows that among the largest European countries, France and Italy are the most impacted by the crisis in Europe whereas production assessment in Poland reached the same level as last year.*
- *On a global level, the chemical output declined by 1.8% in the first three quarters of 2020 compared to the same period of 2019. The EU27 chemical exports outside the EU27 area is €6.6 billion below the previous year's level (Jan-Aug 2019, -5.5%).*

Marco Mensink, Cefic Director General: *While we were encouraged to see signs of recovery following the COVID-19 outbreak in May, early signs indicate this recovery is now slowing down. As widely recognised, the second wave of COVID-19 is serious and will likewise impact the chemical business in the upcoming months. This underpins the need for rapid approval and implementation of the EU Economic Recovery Plan, that needs to be firmly embedded in the EU Industrial Strategy and the Green Deal agenda. Only this will ensure that the recovery funding achieves an industrial transformation that will be sustainable and contributes to a resilient economy over time.*

Report

Key messages: Chemical output in the EU27 dropped by 4.4% from January to September 2020 compared to the previous year's level (Jan-Sept 2019), following the COVID-19 outbreak in Europe. Output in Q2-2020 (bottom) reported a drop of 8.7% compared to Q1-2020, followed by a significant increase (+6.1%) in Q3-2020 compared to the previous quarter of the same year.

Early signs indicate that the recovery which started in May this year, is now slowing down. As commonly recognised, the second wave of COVID-19 is serious, and will likewise impact the chemical business in the coming months.

The length and severity of the second wave are the key parameters to be followed to further assess the impact of COVID-19 to the business landscape the upcoming months.

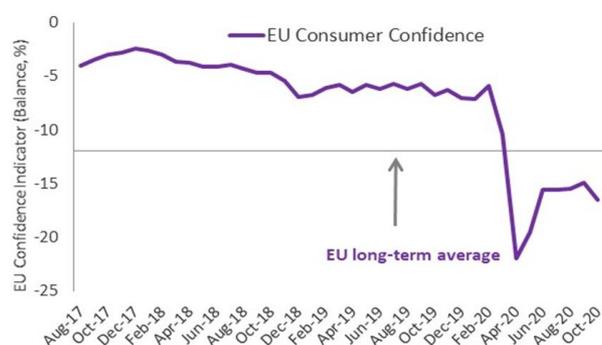
The latest data shows that global chemical output declined by 1.8% in the first three quarters of 2020 compared to the same period of 2019. China is still the main driver contributing to the global growth.

China continued to perform well, and production curve has already experienced the V-shape. In September 2020, the Chinese production index booked the fifth consecutive increase, and output level was the highest one since ever. Time will tell us if the experience from the first wave of the pandemic will ensure better management of the pandemic second wave.

EU27 consumer confidence slipped

Business survey data at the EU27 level shows that the ESI (Economic Sentiment Indicator) index remained unchanged (October versus September). The ESI's stagnation reflected weaker confidence in services and, more so, among consumers, which was counterbalanced by a continued recovery of industry, retail trade and construction confidence.

Chart : EU consumer confidence index



Source: Eurostat Business & Consumer Survey, Nov 2020

As shown in the chart above, consumer confidence (-1.6) slipped as households reported growing concerns about the expected general economic situation and their expected financial situation, which were matched by more cautious intentions to make major purchases. Consumers' views on their past financial situation, by contrast, improved moderately.

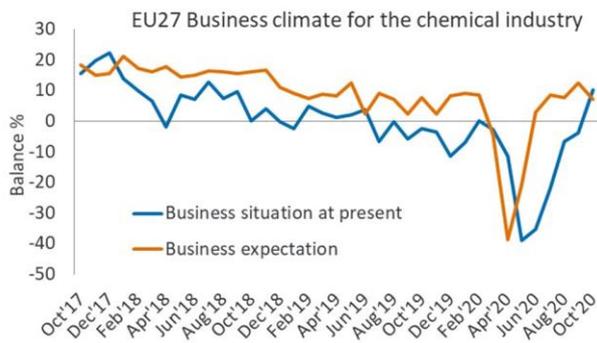
EU27 chemicals confidence continued its upward trend for the sixth consecutive month.

Following the historical slump in March and April, the recovery of the Chemicals Confidence Indicator (CCI) continued in October 2020 for the sixth consecutive month. Chemicals business situation at present (blue curve) continued to improve in October 2020. Chemical production expectations for the months ahead (orange curve), registered a small drop in Oct-2020.

While the production assessment has more than recovered from the steep fall incurred after the outbreak of the COVID-19 pandemic, the export orders assessment is still ailing significantly below its historical average.

The business climate data shows that the recovery of the EU chemical industry which started in May this year is slowing down.

Chart: Business Climate for the EU27 Chemical sector



Source: Eurostat and Cefic Analysis, Nov 2020

EU27 manufacturing output: 10.6% below the previous year's level (Jan-Sep 2019)

EU27 manufacturing output was down 10.6% during the first three quarters of 2020, compared to the same period of 2019.

Chart: Output growth for EU key manufacturing sectors

EU27 output growth by sector	Production growth in %		(2015=100)		growth in %
	2018	2019	Jan-Sep-2019	Jan-Sep-2020	Jan-Sep (20/19)
Automotive	-0,1	-6,6	103,8	74,5	-28,2
Basic metals	0,3	-4,9	100,6	85,0	-15,5
Textile	-1,7	-3,9	99,4	85,1	-14,4
Machinery & equipme	3,2	-1,2	110,3	95,0	-13,9
Printing	-1,6	-3,0	93,9	81,0	-13,7
Metal products	1,8	-1,9	109,2	94,6	-13,4
Furniture	-0,3	-0,7	106,1	94,1	-11,3
Rubber & plastics	0,4	-1,1	107,7	95,8	-11,1
Electrical equipment	2,3	-3,6	106,9	97,8	-8,5
Other non-metallic mi	1,6	0,0	109,2	101,1	-7,5
Paper	0,9	-1,5	102,6	97,6	-4,9
Electrical appliances	-1,6	-1,9	101,5	96,8	-4,6
Chemicals	-0,5	-1,0	101,4	96,9	-4,4
Food & beverage	1,0	1,5	105,0	102,3	-2,6
Manufacturing	1,5	-1,0	106,9	95,6	-10,6
Construction	2,3	2,8	110,7	104,2	-5,9

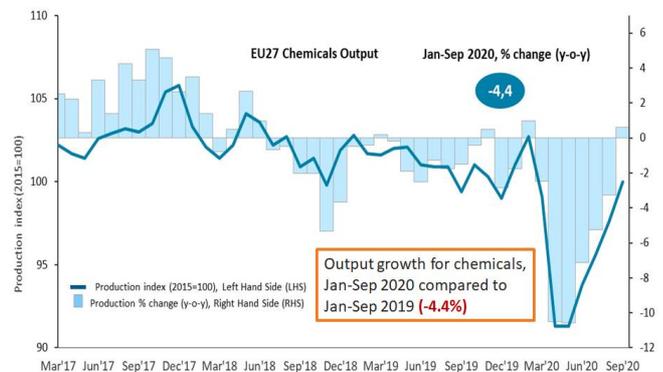
Source: Eurostat and Cefic Analysis, Nov 2020

Sectoral data shows that among the largest EU27 manufacturing sectors, automotive is most impacted by the crisis compared to the other European sectors: Production of automotive lost more than 28% of its original level reached in the first three quarters of 2019, followed by basic metals with a drop of about 15.5%.

Electrical appliances and chemicals sectors registered a decrease of about 4.5% during the same period. Finally, food and beverage sector is the least impacted by the crisis compared to the other sectors with a drop of 2.6%.

EU27 chemical production: 4.4% below the previous year's level (Jan-Sep 2019)

Chart: Output growth for EU27 chemical sector



Source: Eurostat and Cefic Analysis, Nov 2020

Output was 4.4% below the previous year's level (Jan-Sep-2020 versus Jan-Sep-2019).

France and Italy suffered the most whereas Poland the less

Country data shows that among the largest European countries, France and Italy are most impacted by the crisis compared to the other European countries. Their productions were at least 10% below the previous year's level, followed by Spain, Belgium and Portugal with a drop of about 4.0%.

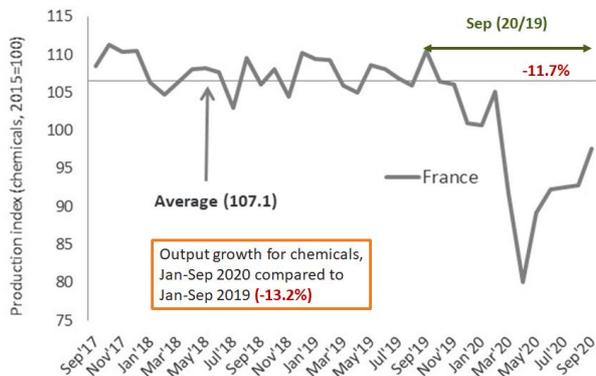
Our monthly analysis shows that in September 2020, production level in Spain was far above the level of September 2019 (+5.1%). Production assessment in Poland shows a similar result during the same period. Belgium reported fewer positive changes (+3.5%).

With +1.6%, Germany showed less spectacular improvement. Finally, production level in France (-11.7%) and Italy (-6.7%) are still significantly below previous year's level and far below its long-term average. The Netherlands and Germany registered a decrease of about 5.0% during the same period.

Germany reported a drop of 3.6%, followed by UK where output declined by 1.7% in the first three quarters of 2020 compared to the same period of

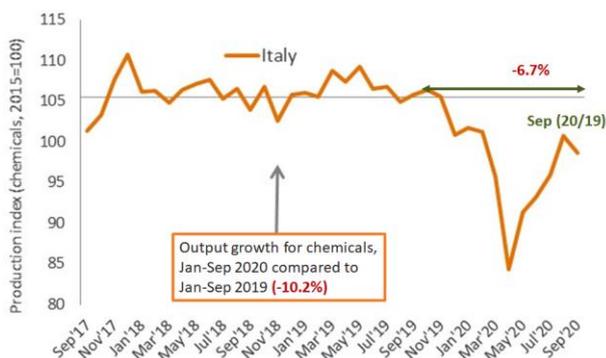
2019. Finally, output in Poland registered no changes during the same period.

France: 13.2% below the previous year's level



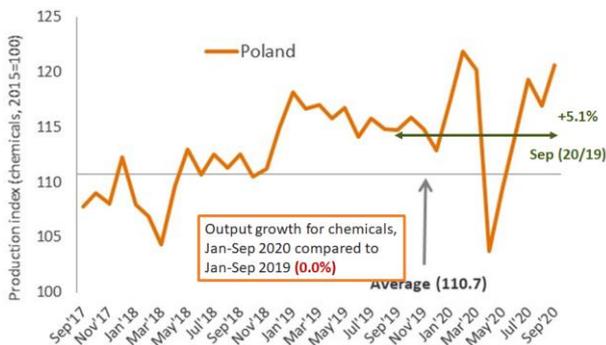
Source: Eurostat and Cefic Analysis, Nov 2020

Italy: 10.2% below the previous year's level



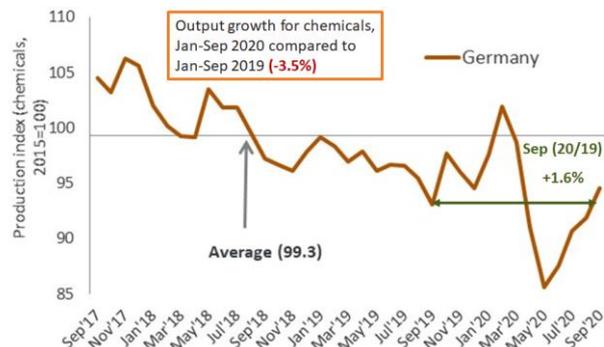
Source: Eurostat and Cefic Analysis, Nov 2020

Poland: Output at the same level as the previous year



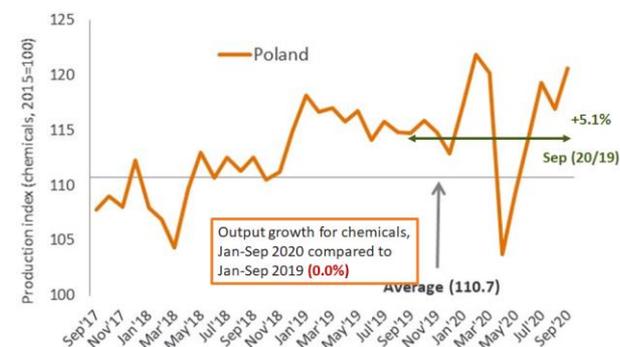
Source: Eurostat and Cefic Analysis, Nov 2020

Germany: 3.5% below the previous year's level



Source: Eurostat and Cefic Analysis, Nov 2020

Poland: Output at the same level as the previous year



Source: Eurostat and Cefic Analysis, Nov 2020

EU27 Sales: €31.5 billion below the previous year's level (Jan-Aug 2019, -9.0%)

EU27 producer prices were 5.0% below the first nine months level of 2019. Total sales (domestic and exports) in the EU27 chemical business posted a value of €318.2 billion for the first eight months of 2020, 9.0% below the previous year's level. The weak domestic demand in Europe and the deterioration of trade business environment are impacting negatively total sales. Capacity utilisation is still 7.7% below the previous year's level.

Global chemical production: 1.8% below the previous year's level (Jan-Sep 2019)

Global chemical output declined by 1.8% in the first three quarters of 2020 compared to the same period of 2019. Output in China was 0.7% above the previous year's level (Jan-Sep 2019). The weak trend of key customer sectors globally slowed the growth of chemicals in all countries.

Japan (-10.4%) and India (-9.4%) were most affected than the others.

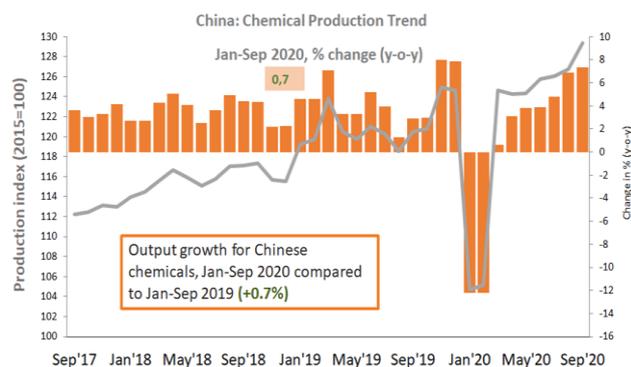
Table: Output growth for key chemical producing countries

Chemical output by country	Production growth		Production index (2015=100)		Production growth
	2018	2019	Jan-Sep 2019	Jan-Sep 2020	Jan-Sep (20/19)
China	3,6	4,6	120,4	121,2	0,7
India	2,3	1,2	107,1	97,0	-9,4
Japan	1,4	-0,6	108,4	97,3	-10,3
South Korea	2,3	-2,5	108,7	104,6	-3,8
UK	1,4	-0,7	97,4	96,3	-1,2
EU27	-0,5	-1,1	101,4	96,9	-4,4
USA	4,1	-0,1	108,0	103,2	-4,5
Latin America	-0,8	-1,4	95,9	93,7	-2,3
World	2,8	2,1	112,7	110,6	-1,8

Source: Cefic Chemdata International, Nov 2020

USA and the EU27 reported similar negative changes of about 4.5% during the same period. Apart from China, production levels in all producing countries still below their long-term averages and below the pre-crisis levels. China is still an exception; output has already experienced the V-shape and production level in September was the highest one since ever. In September 2020, production index booked the fifth consecutive increase, and output level was the highest one since ever.

Chart: Chemicals Output in China



Source: Cefic Chemdata International

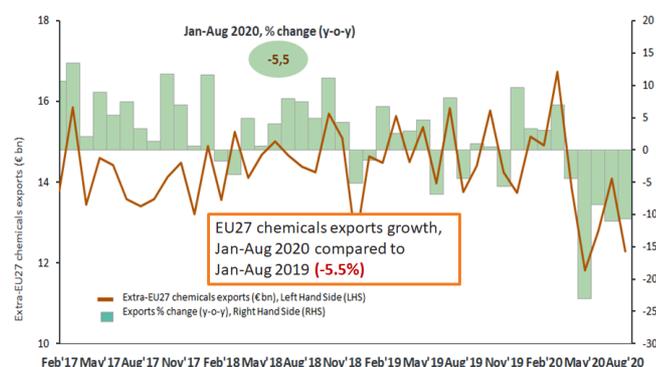
EU27 Exports: €6.6 billion below the previous year's level (Jan-Aug 2019, -5.5%)

EU27 chemical exports outside the EU27 area reached the value of €111.7 billion in the first eight months of 2020, down from €118.2 billion during the same period of 2019 (-5.5%). EU27 chemical exports to the USA rose in

petrochemicals by €2.7 billion. However, the analysis shows a significant decrease of EU27 exports to the USA in specialty chemicals and consumer chemicals during the same period.

EU27 chemical exports to China amounted to about €10 billion, up from 2019's level (+5.7%). All in all, extra-EU27 data on June and July showed two consecutive increases in extra-EU27 chemical exports, followed by a drop of about 13% in August.

Chart : Extra-EU27 chemical exports



Source: Eurostat and Cefic Analysis, Nov 2020

EU27 Imports: €3.5 billion below the previous year's level (Jan-Aug 2019, -3.9%)

EU27 chemical imports outside the EU27 area reached the value of €86.4 billion in the first eight months of 2020, down from €89.9 billion during the same period of the previous year (-3.9%). EU27 chemical imports from China amounted to €10.4 billion, slightly up from the 2019 level (+2.8%).