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Chemical growth returning closer to pre-COVID19 levels but challenging times remain for industry

Introduction:

The January-June 2021 data indicates that the chemical output is returning to the pre-COVID19 pandemic levels due to the 12.9% increase in manufacturing output in EU27 during the first half of 2021. At the same time, a lot of challenges lie ahead as the EU chemical sector is expected to undergo a 'double twin transition' to meet the European Green Deal goals, which includes going climate-neutral, circular, digital, while anticipating the reform of the EU chemicals regulatory framework as announced by the Chemicals Strategy for Sustainability.

Cefic has welcomed the European Commission's 'Fit for 55' package in July this year as a crucial step for European industry and European society to lead the global race to climate neutrality by 2050. The climate and energy policy reform is an opportunity to safeguard the chemical sector's key role for the Green Deal industrial transformation by applying a sector-specific approach. Such an approach would provide business cases for electrification of industrial installations and encourage investments in the green technologies our sector is developing, such as e-crackers, hydrogen, carbon capture and storage (CCS) and carbon capture and utilization (CCU) infrastructure and other new technologies contributing to climate action.

Key findings:

- ***EU27 chemical business climate, results of the first 8 months of 2021:*** *The chemical industry confidence decreased in August compared to July of 2021. After hitting a record high in July, industry confidence cooled slightly. Chemicals' assessments of the current level of order books eased from their peak levels while managers' production expectations edged up again in August 2021.*
- ***EU27 chemical output, results of the first 6 months of 2021:*** *Output in the EU27 chemicals sector increased by 7.5% in 2021 compared to the previous year's level (Jan-June-2020). Following the COVID-19 outbreak EU27 manufacturing output was up 12.9% during the first half of 2021, compared to the same period of 2020.*
- ***EU27 chemical sales and exports, results of the first 6 months of 2021:*** *In 2020, total sales in the EU27 chemical business posted a value of €499.1 billion in 2020, 6.4% below the previous year's level. Sales in the EU27 chemicals sector increased by 16.8% in 2021 compared to the previous year's level (Jan-June-2020). Extra-EU27 exports posted a value of €94.8 billion in the first six months of 2021, up from €85.2 billion during the same period of 2020 (+11.2%).*

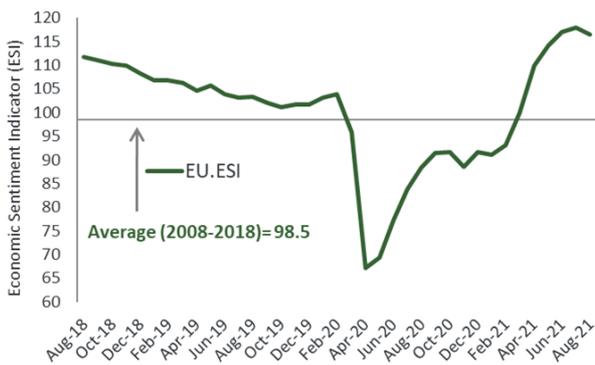
- **EU27 manufacturing production loss due to pandemic, results of the 6 months of 2021:** The EU27 manufacturing sector as a whole has lost 5.7% of its production due to pandemic. The highest loss of production was attributable to automotive (-19.9%), followed by printing (-13.1%), and machinery and equipment (-9.3%).

Report

The ESI remains at a high level in the EU27

Results of the first 8 months of 2021: According to EU Commission Business Survey, in August 2021, the Economic Sentiment Indicator (ESI) decreased slightly from July's value (118.0 vs. 116.5). The ESI scores markedly above its long-term average and pre-pandemic level. Coming down from an all-time high in July, the ESI remains at a high level in the EU27

EU Economic Sentiment Indicator (ESI)



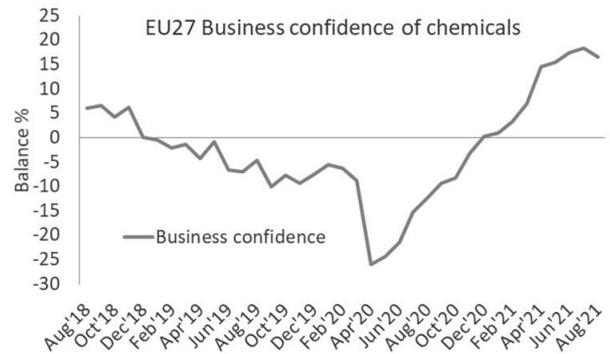
In the EU, the ESI was dampened in August by a dip in confidence in services, industry and among consumers, while confidence picked up again in construction and remained virtually unchanged in retail trade.

Amongst the largest EU economies, the ESI fell sharply in France (-4.5) and in the Netherlands (-3.0), and to a lesser extent, in Italy (-1.9), Poland (-1.7) and Spain (-1.2). Sentiment in Germany (-0.3) was virtually unchanged.

Chemicals Industry confidence cooled slightly

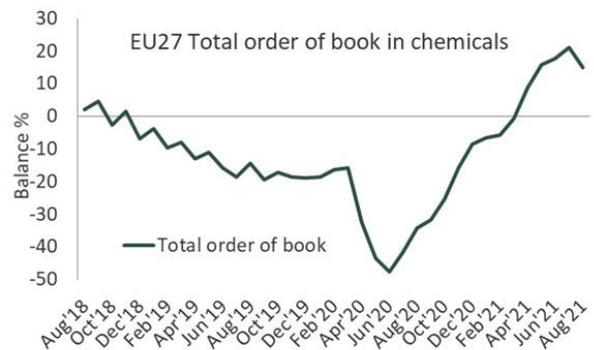
The chemical industry confidence decreased in August compared to July of 2021. As shown

below, after hitting a record high in July, industry confidence cooled slightly.

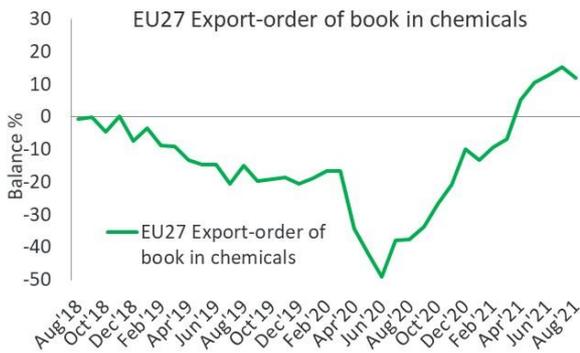


Chemicals assessments of the current level of order books eased from their peak levels

After hitting a record high in July, the total order books cooled slightly in August.

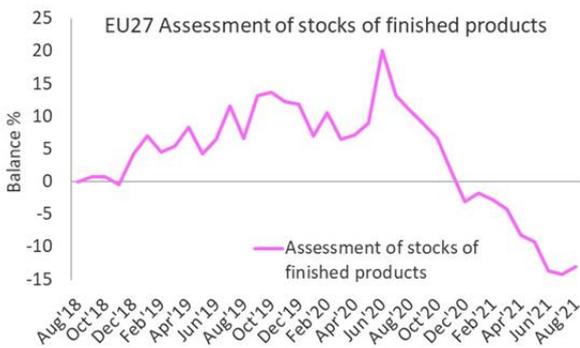


Data on export-order book showed a similar trend during the same period.

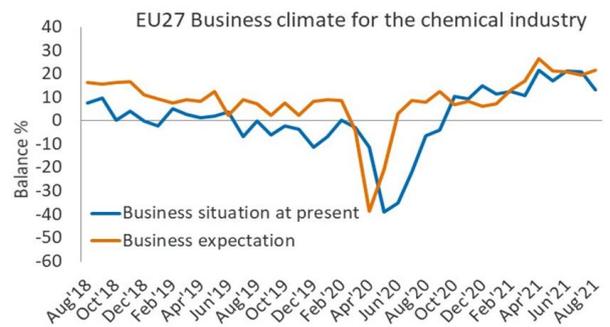


Selling price expectations firmed further in industry, retail trade and construction, reaching new maxima in all three sectors, while decreasing slightly in services. Consumer price expectations rose.

Chemicals Stocks is still approaching historical low levels



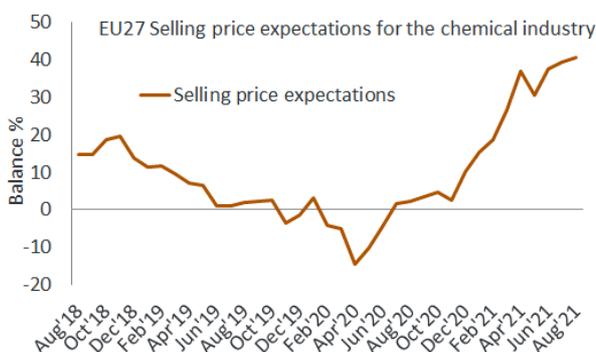
Chemicals: Managers' production expectations edged up again



Chemical selling price expectations continue to increase

The chemical business selling price expectations continue to increase. This is in line with the overall economic sectors.

Manager's appraisals of past production saw a more marked downward correction (blue curve).



EU27 Manufacturing: Output 12.9% above 2020's level

Results of the first 6 months of 2021: In June 2021, output in the EU27 manufacturing sector was 11.4% above the level of June of 2020.

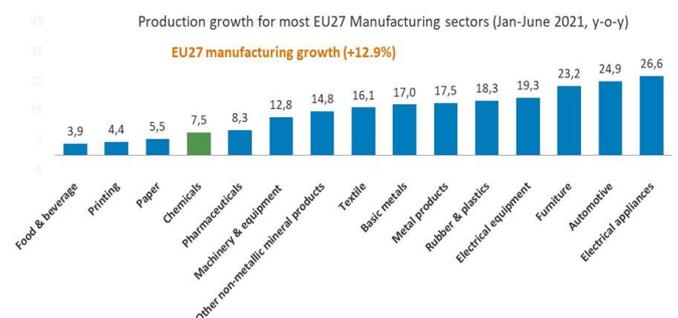


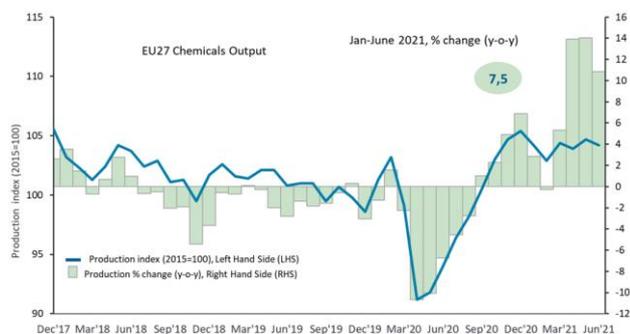
Table: Output growth for EU27 key manufacturing sectors

EU27 output growth by sector	Production growth in %		Production index (2015=100)		
	2019	2020	Jan-June-2020	Jan-June-2021	Jan-June (21/20)
Food & beverage	1,5	-2,9	101,2	105,2	3,9
Automotive	-6,6	-21,4	68,2	85,2	24,9
Basic metals	-4,9	-11,7	83,9	98,2	17,0
Rubber & plastics	-1,1	-7,4	92,9	109,8	18,3
Machinery & equipment	-1,2	-12,2	93,8	105,8	12,8
Electrical equipment	-3,6	-5,5	96,2	114,8	19,3
Textile	-3,9	-10,9	82,0	95,2	16,1
Metal products	-1,9	-10,4	92,2	108,3	17,5
Electrical appliances	-1,9	0,1	98,1	124,2	26,6
Paper	-1,5	-4,0	97,6	102,9	5,5
Printing	-3,0	-13,7	78,8	82,2	4,4
Other non-metallic mineral produ	0,0	-5,0	98,3	112,9	14,8
Furniture	-0,7	-7,5	87,8	108,2	23,2
Pharmaceuticals	10,2	5,7	131,0	141,9	8,3
Chemicals	-1,0	-1,8	96,8	104,1	7,5
Manufacturing	-1,0	-8,2	93,7	105,8	12,9
Construction	2,8	-4,7	102,8	111,2	8,1

Following the COVID-19 outbreak EU27 manufacturing output was up 12.9% during the first half of 2021, compared to the same period of 2020. Sectoral data shows that the impact of the crisis varies between sectors; Automotive and printing are the sectors most impacted by the crisis in 2020. Automotive and electrical appliances' sector recovered more quickly than the other sectors during the first half of this year.

EU27 Chemicals Output, 7.5% above 2020's level

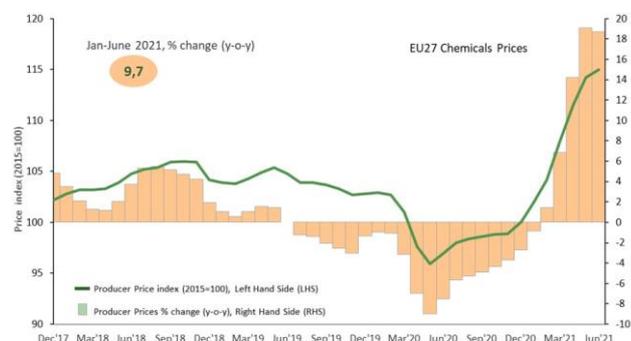
Results of the first 6 months of 2021: Output in the EU27 chemicals sector increased by 7.5% in 2021 compared to the previous year's level (Jan-June-2020), and 2.2% above 2019's level (pre-Covid, Jan-June 2019). In June 2021, output in the EU27 chemicals sector was 11% above the 2020's level.



EU27 chemicals prices, 9.7% above 2020's level

Results of the first 6 months of 2021: In 2020, producer prices in the EU27 chemical business

were 4.6% below 2019's level. Prices in the EU27 chemicals sector increased by 9.7% in 2021 compared to the previous year's level (Jan-June-2020)

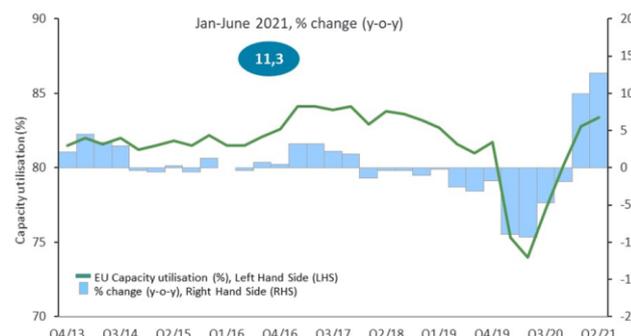


EU27 Chemicals sales, 16.8% above 2020's level

Results of the first 6 months of 2021: In 2020, total sales in the EU27 chemical business posted a value of €499.1 billion in 2020, 6.4% below the previous year's level. Sales in the EU27 chemicals sector increased by 16.8% in 2021 compared to the previous year's level (Jan-June-2020).

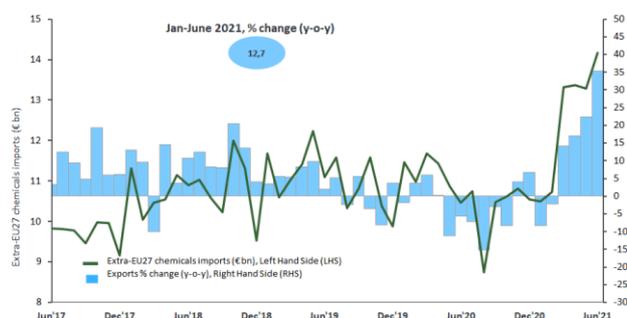


Chemical Capacity: 2021, 11.3% above 2020's level



Chemical imports: 2021, 12.7% above 2020's level

Results of the first 6 months of 2021: Extra-EU27 imports posted a value of €75.4 billion in the first six months of 2021, up from €66.9 billion during the same period of 2020 (+12.7%).

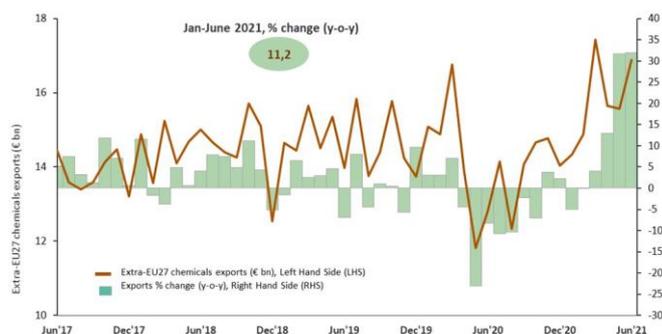


Chemical consumption: 2021, 17.6% above 2020's level

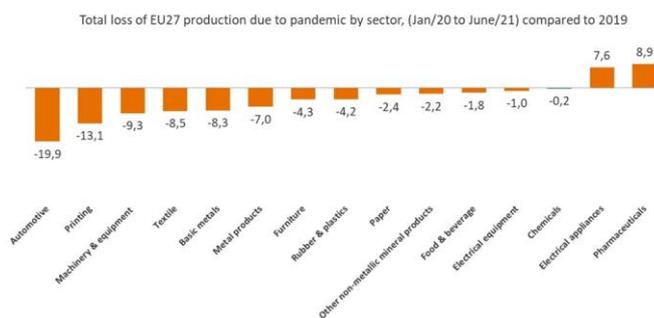


Chemical exports: 2021, 11.2% above 2020's level

Results of the first 6 months of 2021: Extra-EU27 exports posted a value of €94.8 billion in the first six months of 2021, up from €85.2 billion during the same period of 2020 (+11.2%).



Manufacturing has lost 5.7% of Production due to pandemic



Results of the first 6 months of 2021: The EU27 manufacturing sector as a whole has lost 5.7% of its production due to pandemic. The highest loss of production was attributable to automotive (-19.9%), followed by printing (-13.1%), and machinery and equipment (-9.3%).

Global Chemicals: Output 10.3% above 2020's level (Jan-June)

Results of the first 6 months of 2021: China is still the main driver contributing to the global output changes. China continues to grow significantly, the EU27 recovered well while USA (-1.9%) still below the previous year's level (Jan-June).

The chemical industry still has been affected in North America by the negative effects of the winter storms in the Gulf of Mexico - especially for basic chemical plants.

Table: Output growth for key chemical producing countries

Chemical output by country	Production growth		Production index (2015=100)		Production growth (21/20)
	2019	2020	Jan-June-2020	Jan-June-2021	
China	4,6	2,9	118,2	136,8	15,7
India	1,2	-5,4	93,4	110,0	17,7
Japan	-0,6	-12,5	95,7	97,2	1,6
South Korea	-1,4	-2,9	105,8	115,3	9,0
EU27	-1,2	-1,8	96,8	104,1	7,5
USA	-5,6	-3,5	90,5	88,8	-1,9
Latin America	-1,2	-0,1	94,9	103,8	9,4
World	1,4	-0,1	106,7	117,7	10,3

