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Chemicals output in most EU countries dropped significantly in March 2022; supply chain disruptions, labour shortages, and rising energy prices are expected to continue negatively affecting the sector in 2022

Key findings:

- ✓ ***Economic Sentiment and Employment Expectations further down in the EU***
In April 2022, the Economic Sentiment Indicator (ESI) declined in both the EU and the euro. In the EU, the ESI's decrease in April was driven by worsening confidence in industry, retail trade, construction, and among consumers, while the confidence indicator remained unchanged in services. Amongst the largest EU economies, the ESI fell markedly in Spain and to a lesser extent in France. Confidence remained broadly stable in Germany, the Netherlands and Poland, while it improved in Italy. The Employment Expectations Indicator decreased further in April. The decline was due to worsened employment plans for the next three months in all four business sectors (i.e. industry, services, retail trade and construction). Consumers' unemployment expectations, which are not included in the headline indicator, remained broadly unchanged. (Source: EU Business and Consumer Survey)
- ✓ ***The European Commission's Economic Uncertainty Indicator (EUI) declined slightly in April.***
While uncertainty continued to rise sharply in construction, reaching its highest level since May 2020, it remained broadly stable in retail trade and among consumers and declined somewhat in industry and services. Uncertainty is still surrounding the economic climate and remained at a high level. The economic sentiment indicator was further down. Selling price expectations in Europe rose to new unprecedented levels in all surveyed business sectors (Source: EU Business and Consumer Survey).
- ✓ ***Business of chemicals continue to show a weak development during the first quarter of 2022.***
Assessments of total chemicals order books and current business situation continue to decline. The positive sales trend is coming to an end and the beginning of 2022 shows a flat path. Chemicals output dropped significantly in March in most EU countries and trade data shows more import pressure while exports figures show a weakening of our trade position during the first two months of 2022.
- ✓ ***The pressure on global supply chains continue to impact markets*** such as the automotive sector which continues to struggle with shortages of semiconductor chips. Input and labour shortages continue to worsen across Europe, with the CEE economies being the most affected. Shortages of equipment continues to be a key factor having shot up and remaining at an elevated level. Europe and North America will likely endure relatively higher levels of disruption with the former also impacted by supply disruptions caused by the Russia-Ukraine war. The energy price shock have put European producers under significant pressure and falling demand in key end-use sectors will limit

producers' ability to pass on cost increases. Moreover, new supply chain uncertainty has arisen due to more lockdowns in China. (Source Oxford Economics)

- ✓ **EU27 chemical output declined by 0.7% in 2022 (Q1) compared to 2021 (Q4).**
In the EU27 area, chemicals production declined by 0.7% in January-March 2022 compared to October-December 2021. The dip was broad-based, with most subsectors showing weaknesses as compared to the last three months of 2021. Petrochemicals (3.0%) and Polymers (1.9%) showed more pronounced dip compared to the other subsectors. Overall, the output in the EU27 chemicals sector currently remains 1.5% above the 2021's levels (Jan-March-2021).

- ✓ **Energy cost and supply-chain disruptions weighing on outlook.** *The ongoing spikes in energy prices and the persistency in the supply-chain disruptions continue to pose a bigger downside risk in the near-term for growth for Q2 2022.*