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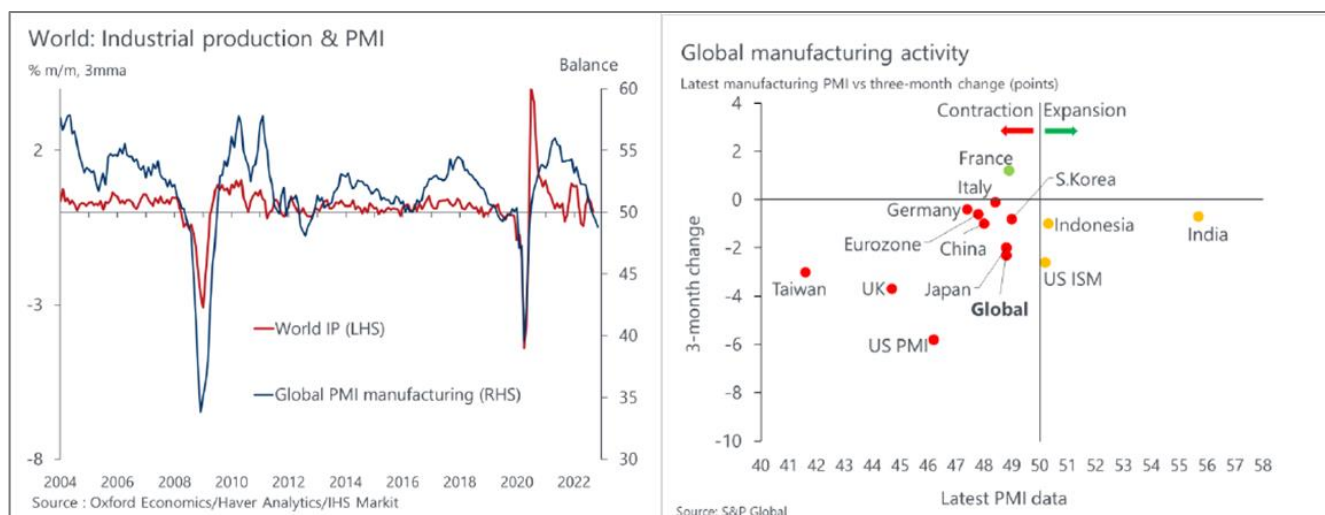
Decreasing energy prices provide short relief, followed by strong decline in chemicals demand, still sentiment is up.

Key findings:

✓ **Industrial production contracted in major economies across the world**

As high inflation and interest rates put downward pressure on economic growth, the latest data readings show a contraction in industrial production in the major economies across the world. In November 2022, the global manufacturing PMI deteriorated further, decreasing from 49.4 to 48.8. Industrial production in Asia continues to be weak. As softening global goods demand is weighing on exports; India, Japan, Malaysia South Korea, Taiwan, and Thailand are posting declines in the latest reported data. European recession and weak China are expected to drive Q4 contraction. (Source: Oxford Economics Monthly Industry Briefing/Global Industry-Dec 2022).

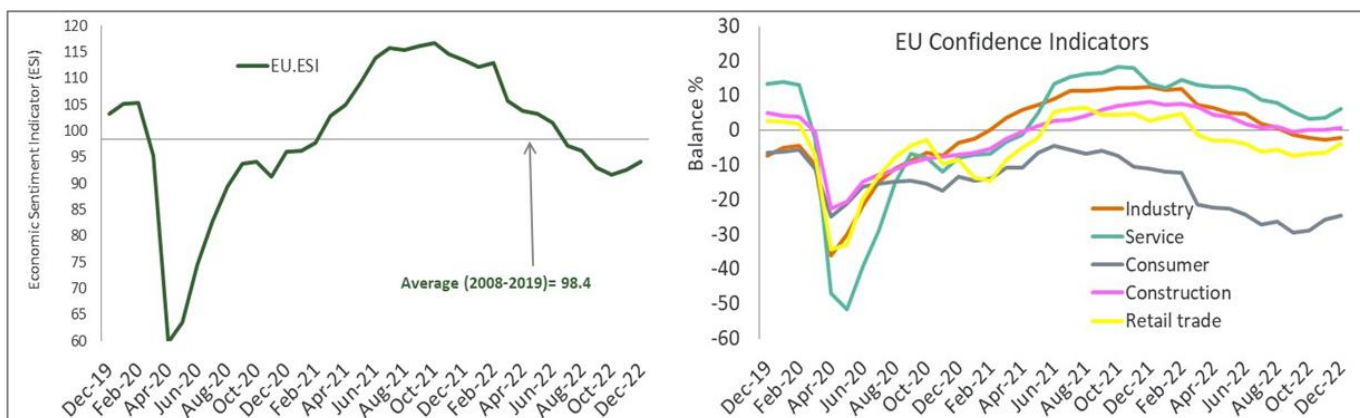
However, the latest data on the purchasing managers index for the euro area showed a third straight month of improvement in manufacturing, with the January reading rising a full point to 48.8. While that's still under 50 — the dividing line between expansion and contraction — the index has crept higher for three straight months. Europe's factories are kicking off the year, seeming to operate on the outlook that the slowdown in activity will not last long. (Source Bloomberg, Jan-2023).



✓ **EU27 Economic Sentiment rose for the second time since October 2022**

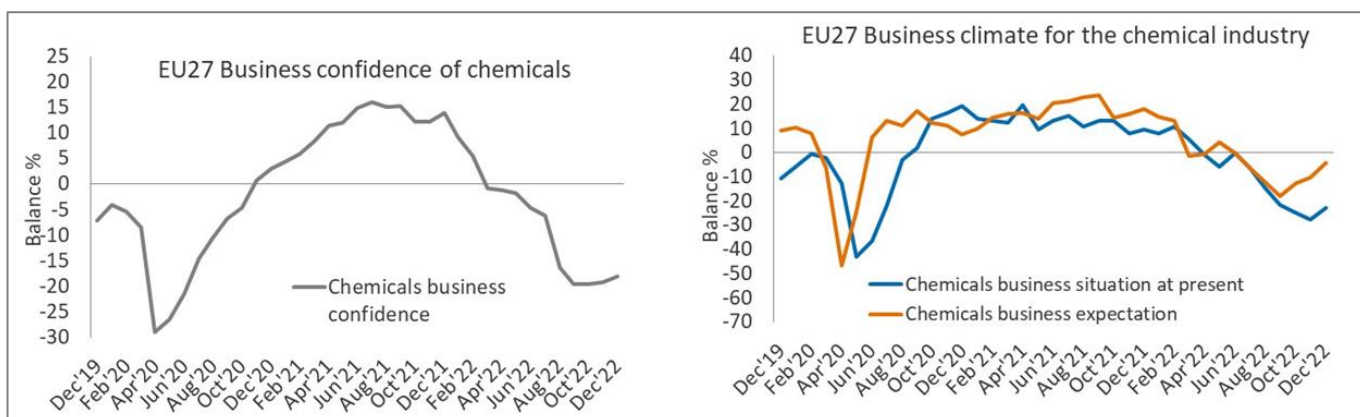
In December 2022, the Economic Sentiment Indicator (ESI) rose for the second time in both the EU27 and the euro area. However, it remained below long-term average. The Employment Expectations Indicator (EEI) remained broadly stable, well above long-term average. In the EU27 area, the increase in the ESI in December was driven by upturns in all surveyed sectors, and

particularly in retail trade, in services, and among consumers. When looking at the largest EU27 economies, the ESI increased in Germany, Spain, the Netherlands, Italy and Poland. Meanwhile, it eased again in France. (Source: business and consumer survey results for January 2023)



✓ **Chemicals business confidence picked up for the second consecutive month**

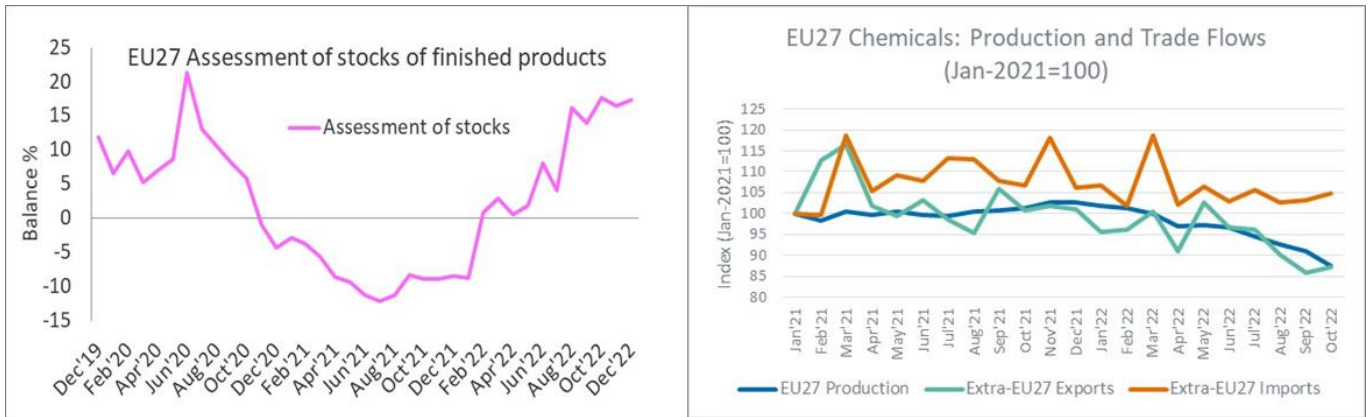
Industry confidence picked up slightly for the second time since February, driven by a strong uplift in the production expectations of managers. However, this was partly offset by a further slight deterioration in managers' assessments of the current level of overall order books and piling up of stocks of finished products. Consumers' confidence kept recovering. Consumers were more positive about the future financial situation of their household and about the future general economic situation. On the other hand, views on the past financial situation of consumers' household's and intentions to make major purchases has somewhat deteriorated. (Source: business and consumer survey results for January 2023)



✓ **The level of chemicals stock is close to the level recorded during the covid crisis**

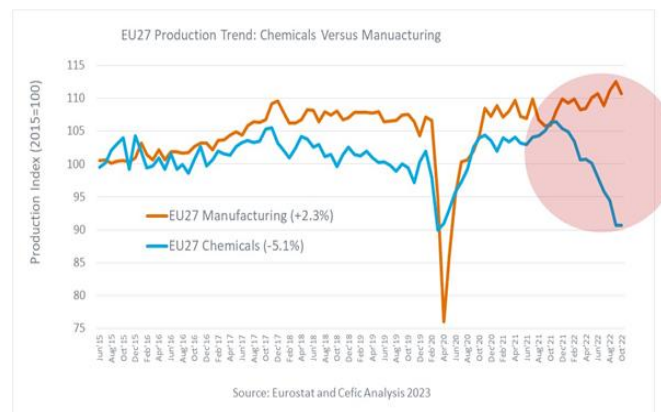
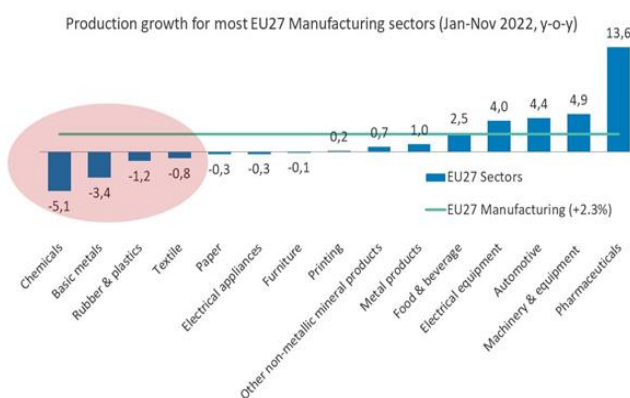
The level of stocks of the EU27 chemicals sector is perceived by chemicals managers as too high compared to the normal levels. Data on managers' assessments of stocks of finished chemicals products indicate a second wave of increasing stockpiles during the last 10 months of 2022. The chemicals output in Nov-2022 was 12% below March's level. A similar trend is observed on the trade side. The EU27 external trade environment for chemicals witnessed a rapid loss of momentum between March and September 2022. The European recession and the weak development of China were the two key drivers behind the negative trend of exports and imports (in volume terms). When looking at the value terms, the EU27 trade flows shows that, after import

value exceeded export value since March, since August 2022 exports values exceeded imports values again. The latest data available on trade (Jan-Oct) still highlight a trade deficit of about €1.7 billion in 2022 compared to the same period of 2021. The energy crisis impacted the chemical production and trade activities in 2022. The latest significant reduction in the cost of energy and the positive development of production expectation of managers should keep ensuring a solid recovery of our business during the coming months. So far, the mood of the business climate has not yet been reflected in increases on the demand side.



✓ **Chemicals most impacted but the latest decreasing of energy prices will help**

Over the first 11 months of 2022, chemicals output declined, and the level of production was 5.1% below 2021 levels (Jan-Nov). The chart below (on the right side) shows a decoupling of chemicals sector from the whole manufacturing sector. This is mostly due to high energy costs, which continue to impact the chemical sector. Four key sectors drove up the EU27 manufacturing production growth throughout the first eleven months of 2022: electrical equipment grew by 4% in 2022 compared to 2021 (Jan-Nov); automotive did slightly better growing 4.4% during the same period. Machinery and equipment grew by 4.9% in 2022 in comparison to 2021. Finally pharmaceuticals outperformed all other manufacturing sectors, recording an output that was 13.6% above 2021's levels. Generally, the EU27 manufacturing output grew by 2.3% in 2022. (Source: Eurostat and Cefic analysis January 2023)



✓ **Oil prices declined significantly in December 2022**

In December 2022, the price of oil in euros dropped significantly (-14.8% after -5.5% in November). The prices in euros of imported raw materials (excluding energy) edged down. In December 2022, the price of North Sea crude oil (Brent) in dollars fell sharply (-11.4% after -2.1% in November) to an average of \$81.0 per barrel. In euro terms, the decline was more marked, due to the appreciation of the euro against the dollar. (Source INSEE Monthly Report, 23th of January 2023)

