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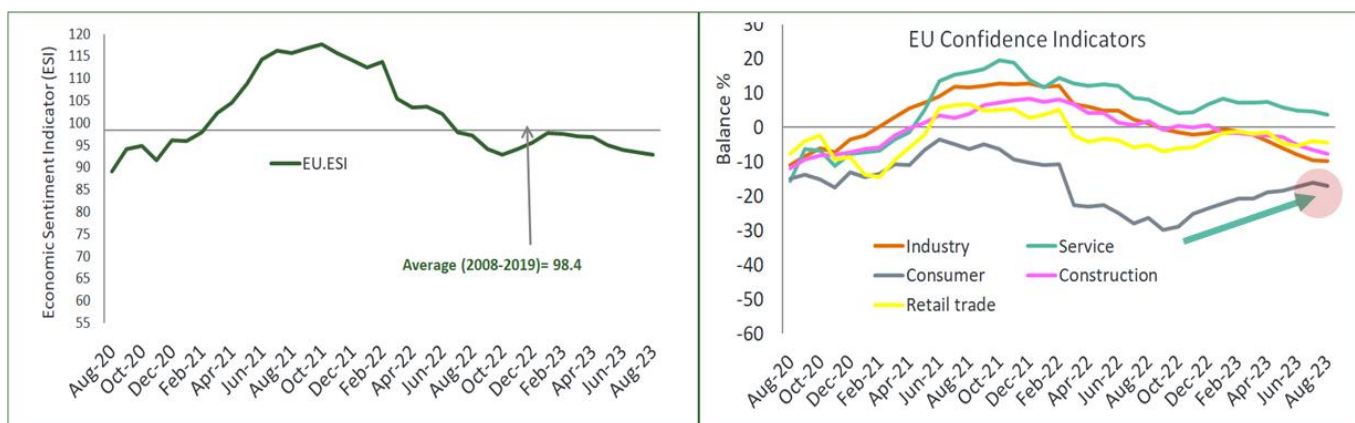
Dr Moncef HADHRI, Economic Affairs, mha@cefic.be

Media contact: Maria LINKOVA-NJIS, mln@cefic.be

EU27 chemicals production continues to decline

✓ **In Aug-23, EU27 consumer confidence recorded the first decline since Sep-22**

In August 2023, the Economic Sentiment Indicator (ESI) continued to decline in the EU27 area. The decrease of the ESI in August was due to lower confidence among consumers, as well as services, retail trade and construction managers. Confidence in industry recorded only a minor slippage. Amongst the largest EU economies, the ESI deteriorated in France, Germany and Italy, while it improved in Spain and Poland. Sentiment in the Netherlands remained virtually unchanged. Consumer confidence recorded the first decline since September last year, as survey respondents got more pessimistic about their household's future financial situation and the expected general economic situation in their country. Consumers' intentions to make major purchases, as well as the assessments of their past financial situation remained broadly unchanged (source: business and consumer survey results for August 2023).

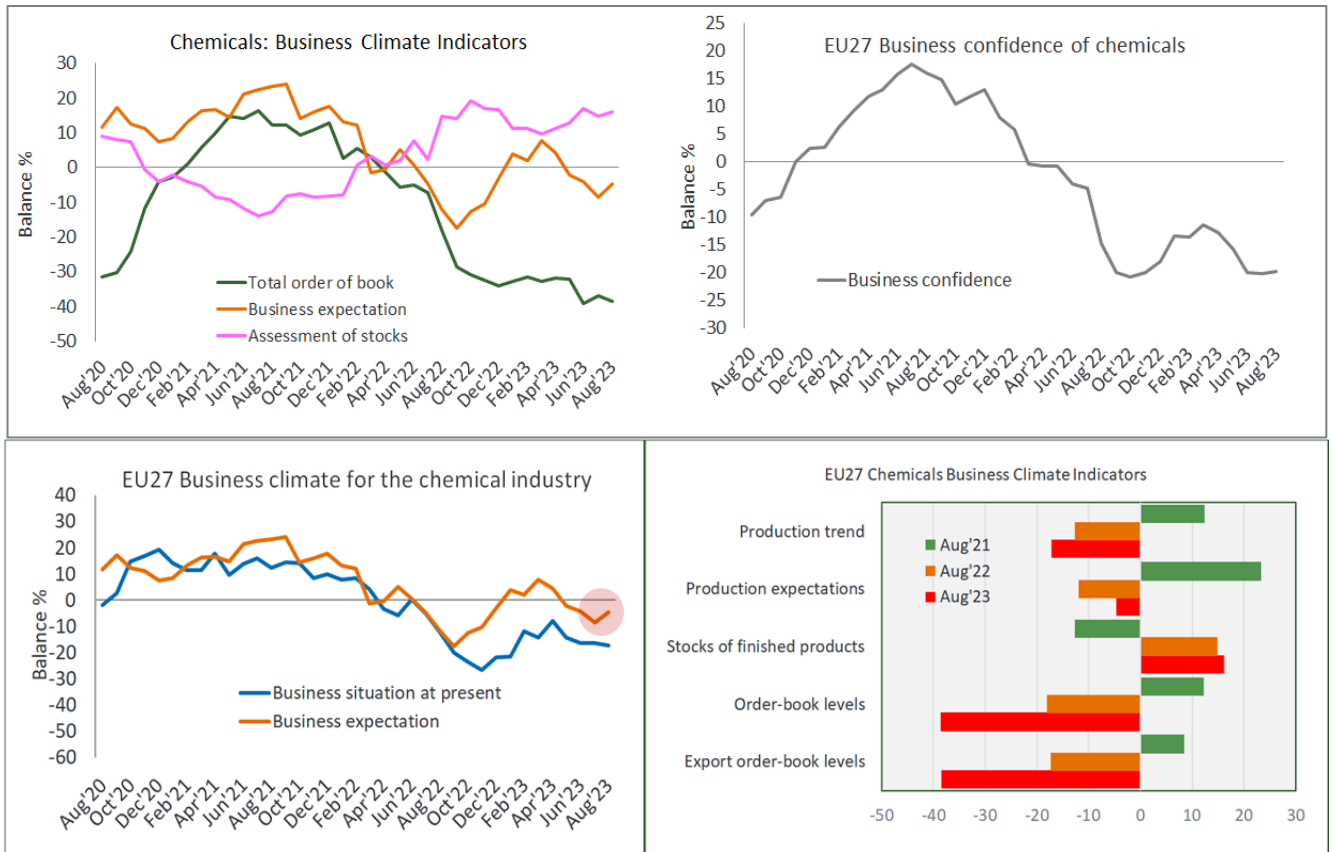


Source: EU Commission business and consumer survey and Cefic Analysis (2023)

✓ **In Aug-23, EU27 chemicals confidence held up slightly after four months of marked declines**

In August 2023, the EU27 chemicals Industry confidence held up slightly after four months of marked declines. While managers' views on the current level of overall order books continued deteriorating and their assessments of the stocks of finished products increased slightly, managers' production expectations improved. The managers' assessments of the current level of overall order books were slightly lower in August 2023 compared to the previous month, and are still far below the 2021 pre-crisis levels. The stocks of finished products increased slightly in August 2023, they are anyway assessed as too large/above normal. Currently, the business situation remains stable but it is not satisfactory as the chemicals business climate continues to show persistent issues. The lack of chemicals demand is still weighing on the chemicals business mood (source: EU business and consumer survey, August 2023).

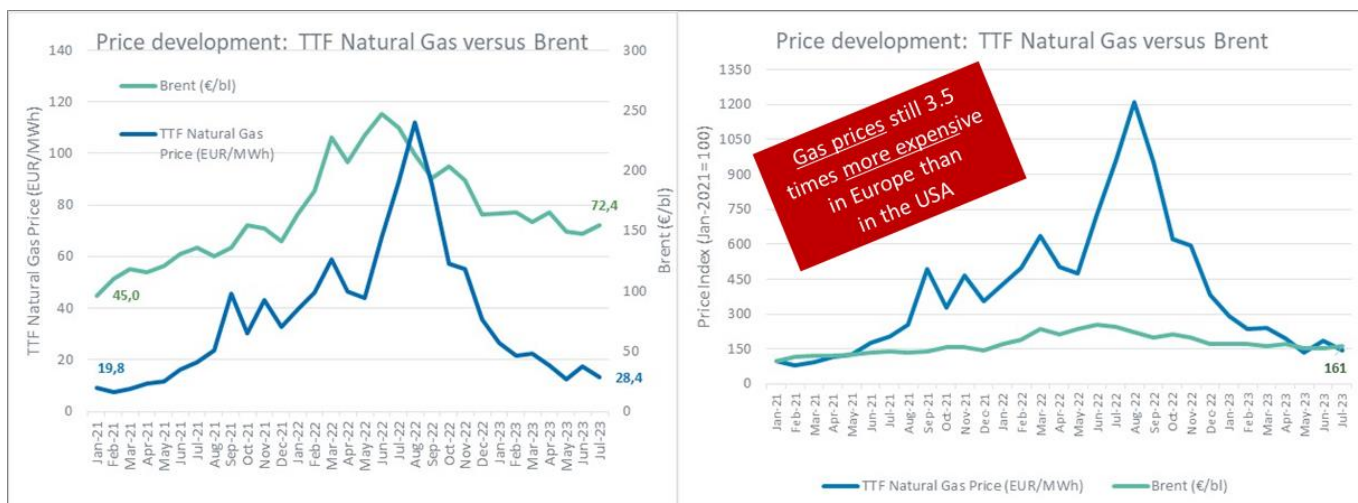
¹ Unless specified, chemical industry excludes pharmaceuticals.



Source: EU Commission business and consumer survey and Cefic Analysis (2023)

✓ **In August 2023, European gas prices were 85% lower than in 2022 but remain 60% above their average 2015-19 levels**

In August 2023, the natural gas prices in Europe, amounted in nominal terms to 35.0 (EUR/MWh), 85% below the 2022's level (239.9 EUR/MWh). Gas prices were also 30% below 2021's levels. The gas prices in Europe are still on 3.5 times higher than the ones paid in the USA (35.0 vs 9.9 EUR/MWh). European gas prices have eased significantly but remain 60% above their average 2015-19 levels.

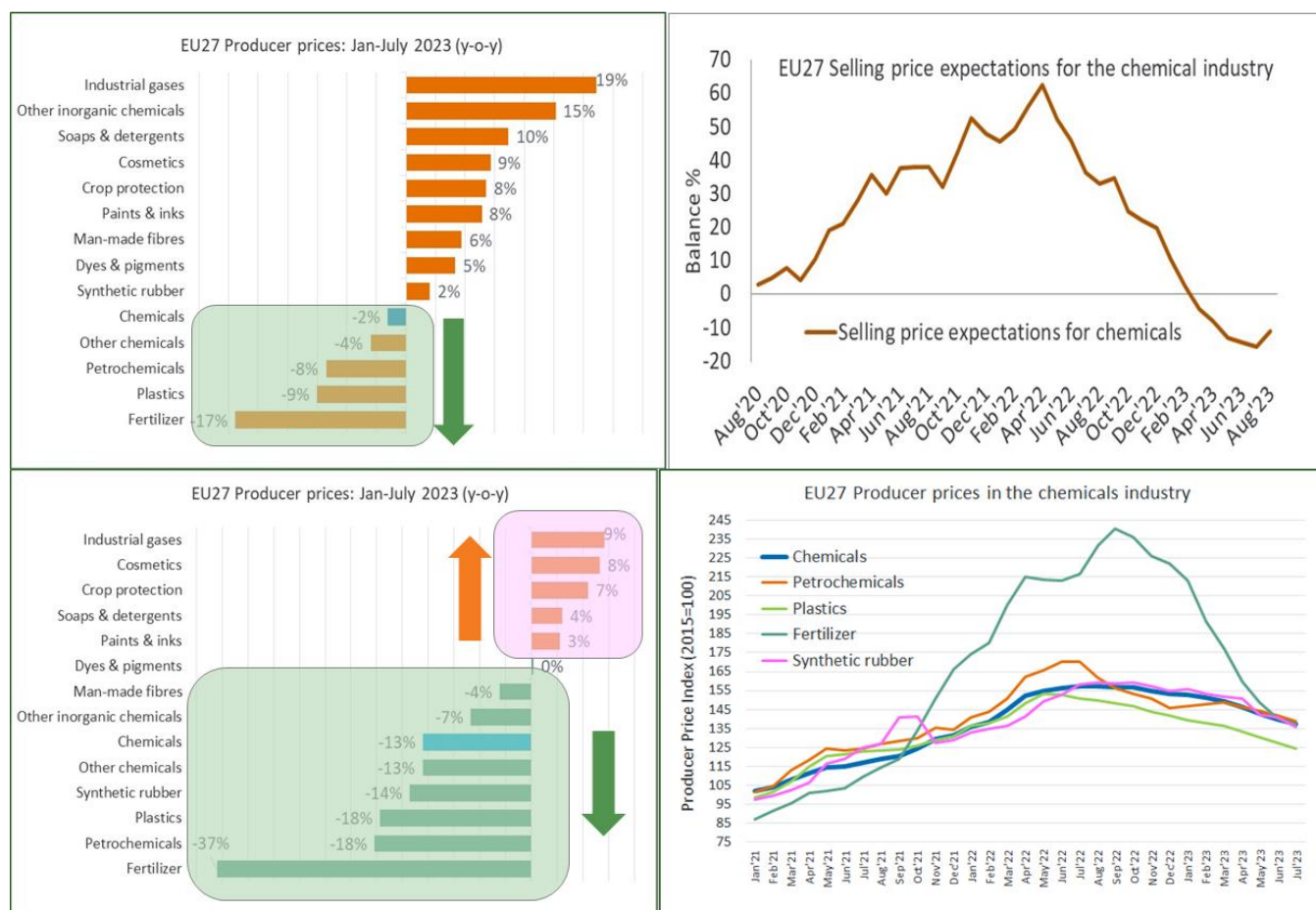


Source: <https://www.investing.com/commodities/ice-dutch-ttf-gas-c1-futures-historical-data> & Cefic Analysis (2023)

According to INSEE Monthly Report (July 2023), oil prices in euros bounced back in July 2023 (+4.9% compared to June 2023). Imported commodity prices in euros (excluding energy) edged down, driven by those of industrial raw materials. Food commodity prices, meanwhile, were virtually stable. In July 2023, the price of North Sea crude oil (Brent) in dollars strongly picked up (+7.0% compared to June 2023), averaging \$80.1 a barrel. In euros, the rebound was less pronounced, due to the appreciation of the euro against the dollar over the period. The energy price shock of March-2022 continued to put European producers under significant pressure and falling demand in key end-use sectors is also impacting the chemicals producers' ability to pass on cost increases.

✓ **In July 2023, EU27 chemical selling prices were 13% lower than in 2022**

In July 2023, EU27 chemical selling prices were about 13% lower than the ones from July 2022. Sectors such as fertilizers (-37%), plastics (-18%) and petrochemicals (-18%) continued to see selling price declines in the double-digit range. In the first seven months of 2023, the EU27 chemical selling prices were down by 2% compared to the same period of 2022. According to the results of the EU business and consumer survey (August 2023), the fast decline of selling price expectations since autumn last year came to a halt in services and retail trade. In industry and construction, selling price expectations even edged up. Similarly, consumers' price expectations for the next twelve months rebounded in August.

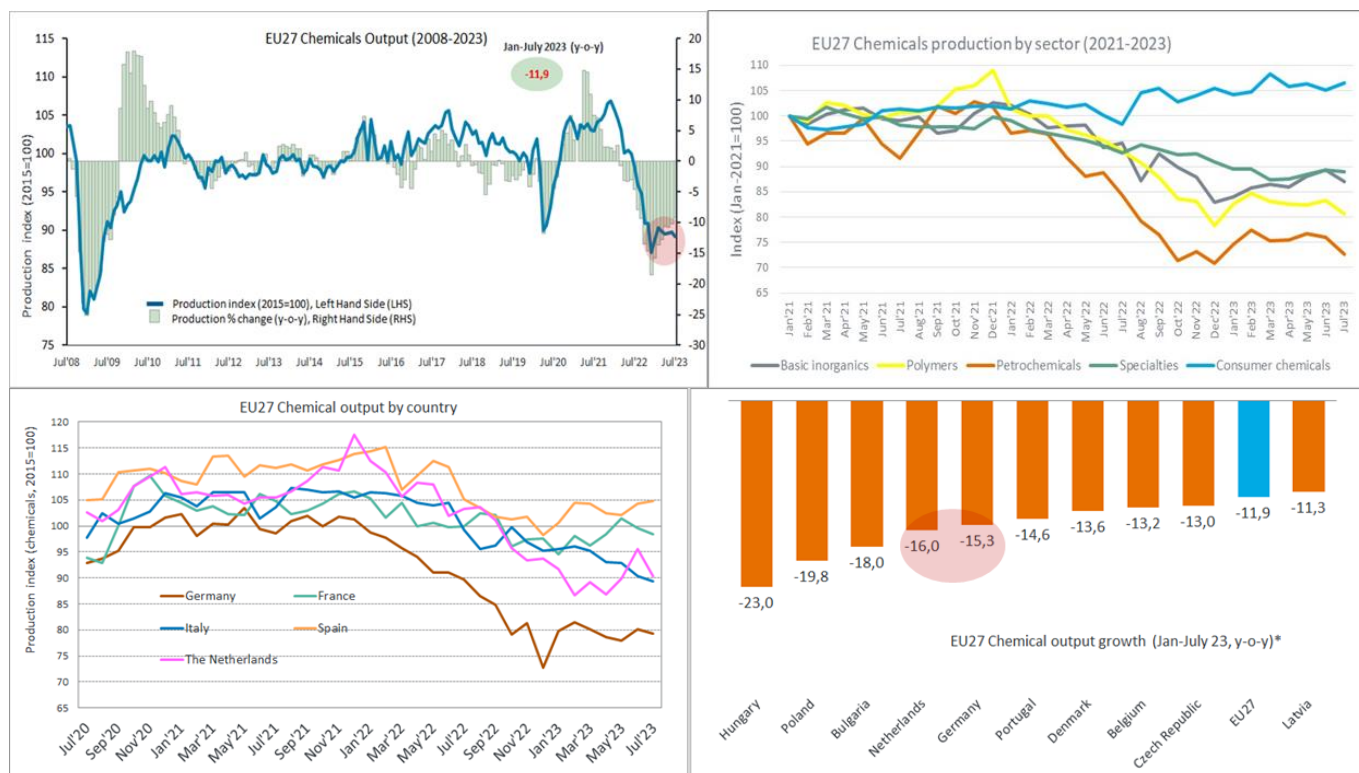


Source: Eurostat and Cefic Analysis (2023)

✓ **In July 2023, EU27 chemical production were 9% lower than in 2022**

EU27 Chemicals production in the first seven months of 2023 was 11.9% lower compared to the same period of 2022. The results of this first seven months of the year continued to be disappointing

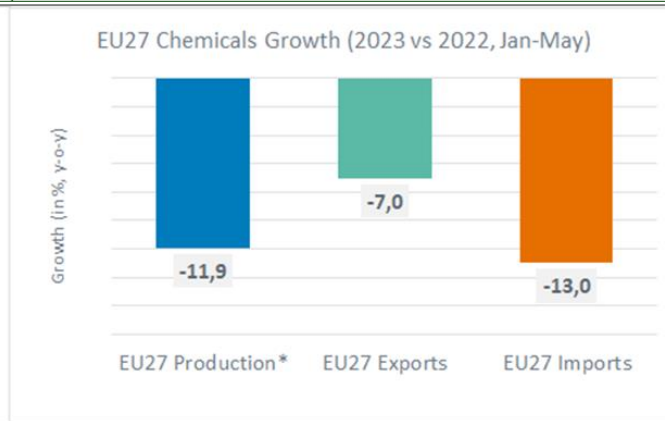
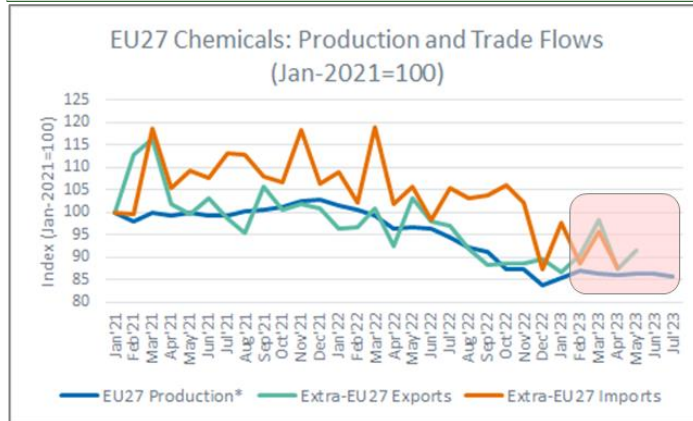
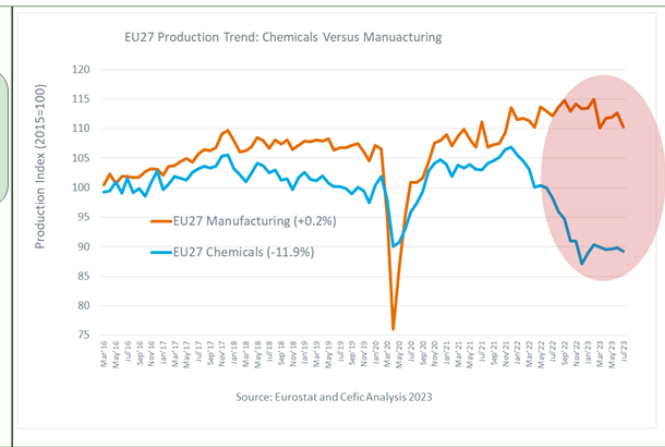
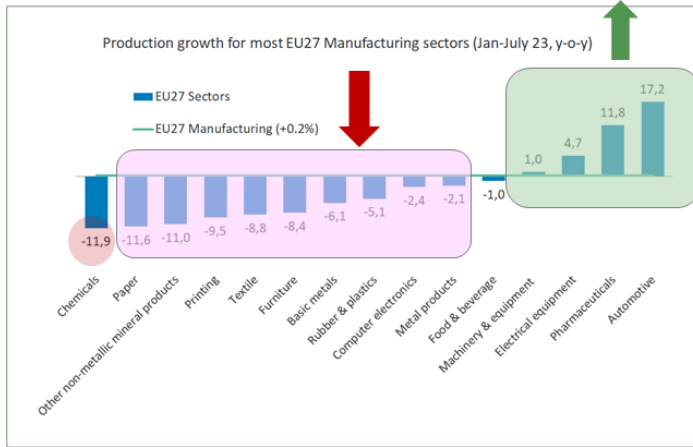
for most countries, as the spillover effect of the 2022 energy crisis are severely impacting most business sectors in Europe in 2023. The country analysis shows that Poland, Netherlands and Germany were amongst the EU countries most impacted by the energy crisis, and they are now recording a production decline of over 15%. With about 20% drop, Poland registered the highest decline amongst the largest economies in Europe. Looking at specific sectors of the chemicals business, basic chemicals sectors continued to see a double-digit decline. 2023 output of petrochemicals was roughly 18% lower in comparison to the same period of the previous year. A marked downturn was recorded for polymers (-15.2%) and basic inorganics (-11.4%) as well. The drop in the production of specialty chemicals was comparatively moderate (-7.5%). Last but not least, consumer chemicals (covers soaps and detergents and cosmetics) still doing well compared to the other chemicals sub-sectors.



Source: Eurostat and Cefic Analysis (2023)

✓ **EU27 chemicals reported the largest output decline in 2023 among key business sectors**

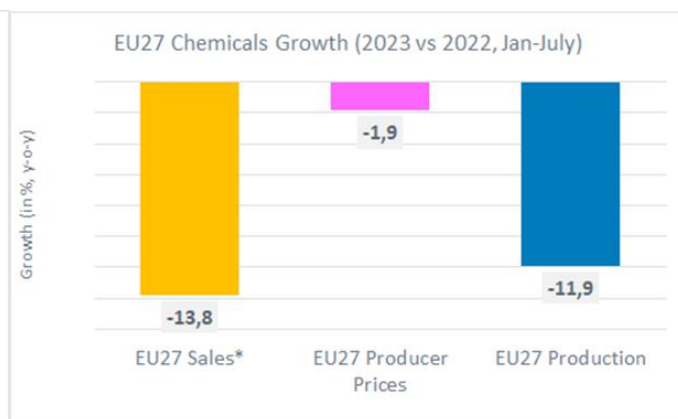
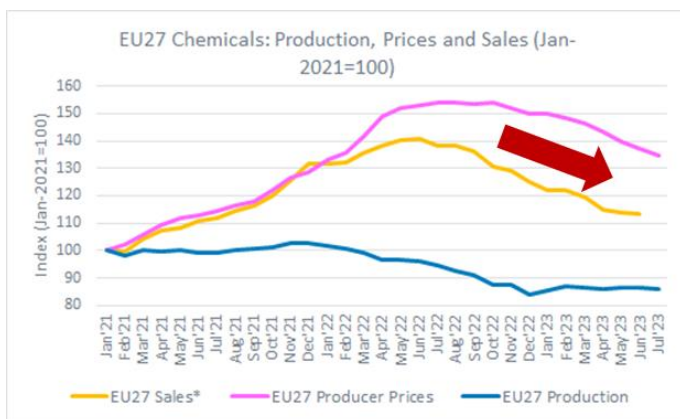
The EU27 chemicals industry continued its downward trend in July 2023. Both domestic and export demand remained very weak in both volume and value terms. In the first seven months of 2023 chemicals production declined sharply in comparison to the previous year (-11.9%). Sectors such as electrical equipment (+4.7%), pharmaceuticals (+11.8%) and automotive (17.2%) have contributed to limit the effects of the energy crisis on the EU27 manufacturing sector as a whole (+0.2%). With 74%, The capacity utilisation level is approaching similar levels as seen in the first Covid lockdown in 2020. The European chemical industry is losing competitiveness on global chemical markets due to high regional energy and feedstock costs.

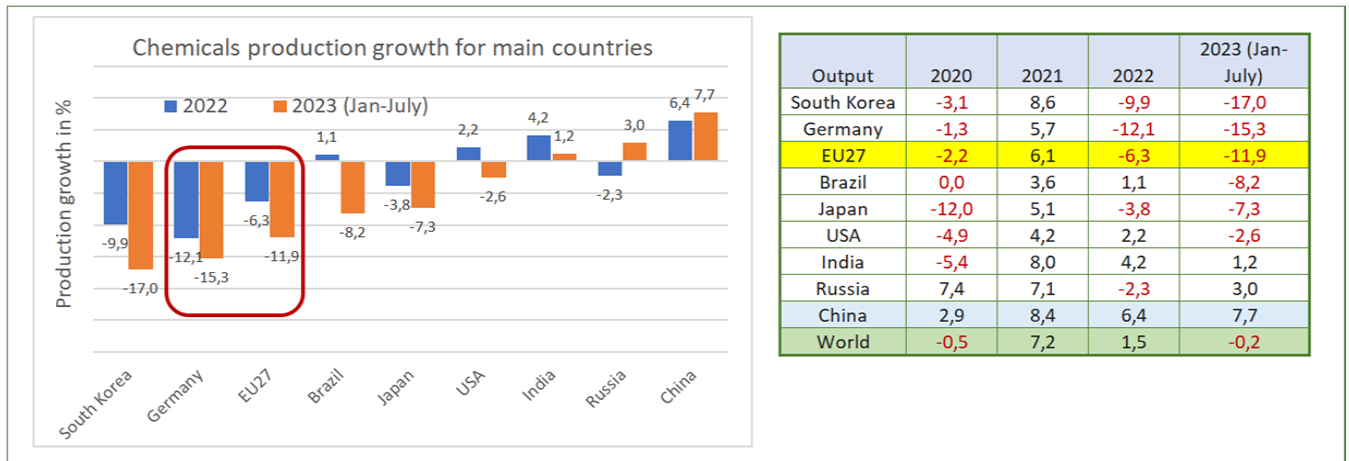


Source: Eurostat and Cefic Analysis (2023)

✓ **Output, prices and sales continued the downward trend in 2023**

The EU27 chemicals sales decline in 2023 (-13.8%) comes with a persistently difficult earnings situation for companies. At €339 bn, sales in the chemicals industry for the first six months of 2023 are far below the levels recorded during the same period last year. The global economic and business environment is not helping the European chemicals companies to resist better to the crisis. The elevated interest rates, tighter lending conditions and persistent inflationary pressures continued to weigh on goods producing industries that chemical firms sell to.





Output	2020	2021	2022	2023 (Jan-July)
South Korea	-3,1	8,6	-9,9	-17,0
Germany	-1,3	5,7	-12,1	-15,3
EU27	-2,2	6,1	-6,3	-11,9
Brazil	0,0	3,6	1,1	-8,2
Japan	-12,0	5,1	-3,8	-7,3
USA	-4,9	4,2	2,2	-2,6
India	-5,4	8,0	4,2	1,2
Russia	7,4	7,1	-2,3	3,0
China	2,9	8,4	6,4	7,7
World	-0,5	7,2	1,5	-0,2

Source: Eurostat and Cefic Analysis (2023)

According to several business reports, the global construction sector is still suffering from increasing interest rates, high construction costs and overall economic weakness. In Europe, companies expect further deterioration. High prices for energy and raw materials, falling demand and an increasing shortage of skilled workers are slowing down construction activity. In China, the Chinese real estate climate index fell for the third consecutive month in July, to a new all-time low of 93.78. This is likely to worsen in the near-term. (source: VCI report Sep 2023, and Oxford Economics Monthly Report, August 2023).

Globally speaking, there are also signs of increasing weakness in demand in the automotive industry. Not good news for chemistry as a supplier to the construction and automotive industries. In view of the weak business situation of industry generally, the output of EU27 chemicals industry is expected to decline significantly in the year 2023, and the expected recovery announced for 2024 will be probably postponed.