

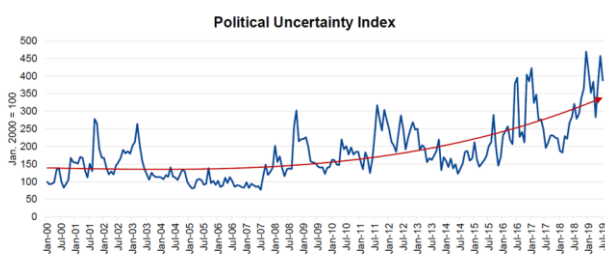
EU chemical production slows down due to global economic uncertainty and escalating trade wars

- Rising protectionism all over the world is negatively impacting industrial and economic activity
- Results for the main customers of the EU chemical industry - automotive and electrical appliance sector - are in decline. Lack of growth in other manufacturing industries also contributes to weaker demand in chemicals
- Regulatory uncertainty over Brexit and escalating trade wars between the US and its key partners are weakening investor confidence
- Cefic is not expecting any surges in chemical production growth in 2019. If there is no further escalation of global trade conflicts, demand for chemicals may grow slightly in 2020.

Marco Mensink, Cefic Director General: **“The ability to trade freely across borders is one of the major prerequisites for chemical industry growth. We see first-hand how trade wars are disrupting investment strategies. And this comes at a time when the industry has to make important decisions on how to undertake a lower-carbon energy transformation”**

Annex

Global Economic and Political uncertainty continued to rise ▲

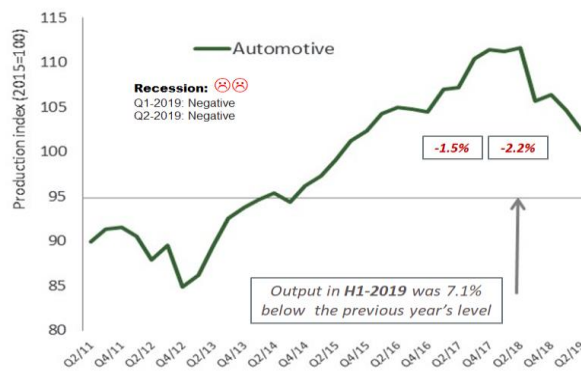


Quelle: Stanford University Northwestern University, University of Chicago. https://www.policyuncertainty.com/global_monthly.html

According to the GEPU index, economic and political uncertainty in the world reached the highest level since January 2000. The economic and business climate is deeply affected by ongoing trade wars, conflicts between the USA and China and Brexit.

EU Automotive Output in H1 2019 dropped by 7% ▼

Production and employment expectations for the automotive industry remain negative for 2019. Data for new orders in recent months and export expectations show no sign of improvement.



Source: Eurostat and Cefic Analysis 2019

EU construction down in Q2-2019 ▼

The construction sector continued to grow throughout Q1 2019. Less encouraging signs were observed in Q2-2019 as a result of declining activity in most EU manufacturing sectors. Overall output in H1-2019 was still 3.7% above 2018.

Industrial growth in Europe remains weak ▼

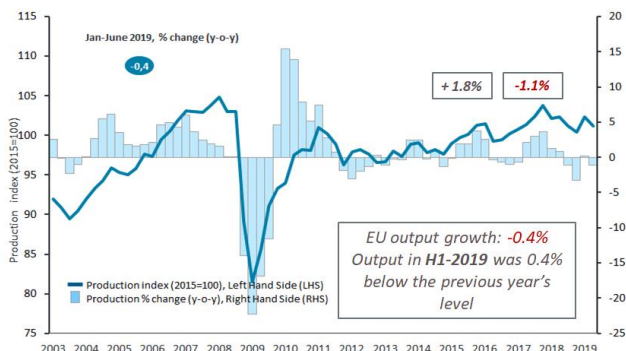
	2017	2018	Q2-2019	
			Vs Q2-2018	Vs Q1-2019
Food & beverage	2,0	0,9	1,8	-0,2
Automotive	4,3	-0,2	-8,3	-2,2
Basic metals	3,4	0,1	-2,9	-1,6
Rubber & plastics	4,5	0,4	-0,7	-1,7
Machinery & equipment	3,5	3,3	-1,5	-2,2
Electrical equipment	5,1	2,7	-2,9	-1,3
Textile	3,2	-0,7	-2,5	-1,3
Metal products	4,7	1,7	-0,9	-1,9
Electrical appliances	4,3	1,9	-1,8	-2,3
Paper	3,0	0,8	-0,8	-0,9
Printing	-1,2	-1,5	-1,8	-0,3
Manufacturing	3,5	1,5	-0,8	-0,8
Construction	4,4	1,8	2,7	-0,9

EU industrial output growth broken down by sector (in %)
Source: Eurostat and Cefic Analysis 2019

Apart from the food and beverage and construction sectors, all key industrial sectors posted a significant decline in Q2 2019 compared to 2018. As a result, demand for the EU chemicals industry remained weak.

▼ Lack of growth in other manufacturing industries leads to weaker demand in chemicals

Chemicals output remains 0.4% below the 2018 level. EU chemicals production posted a modest increase of 1.8% in Q1 2019 compared to Q4 2018. After a good start in Q1, output dropped by 1.1% in Q2.



Source: Eurostat and Cefic Analysis 2019

Sharp decline in confidence for chemicals ▼

The sharp decline in **industry confidence** has resulted from managers having markedly more pessimistic views on all three components - production expectations, current levels of overall order books and stocks of finished products. Manager assessments of the past production and export order books have also deteriorated (source: European Commission services, business and consumer survey results, September 2019).

Chemicals sales remained unchanged

Total sales (domestic and exports) in the EU chemicals business in H1 2019 posted a value of €287.1 billion, slightly down from €287.2 billion in H1 2018. Sales revenues in Q2 were 1.1% down compared to Q1.

Chemicals exports rise by €1.6 billion ▲

EU chemicals exports outside the EU reached €83.4 billion through H1 2019, up from €81.8 billion during H1 2018. EU chemicals exports to the USA reached the value of €16.7 billion in H1 2019, slightly up from €16.6 billion in H1 2018 (+0.3%).

Chemicals imports up €4.2 billion ▲

EU chemicals imports rose by €4.2 billion through H1 2019 compared to 2018. In particular, EU imports from the USA grew 13.2% in H1 2019 compared to H1 2018, mainly in petrochemicals and polymers. EU imports of petrochemicals from China rose significantly as well.

Chemicals surplus down €2.6 billion ▼

The net trade surplus was €21.5 billion in H1 2019, down from €24.1 billion during H1 2018. EU chemicals registered a trade deficit with Japan, China, India and South Korea. The EU chemicals surplus with the USA went down from €4.7 billion to €3.2 billion. This represents 32% (in value) down compared to the 2018 level.