

**Contact:**

Dr Moncef HADHRI, Economic Affairs, [mha@cefic.be](mailto:mha@cefic.be)

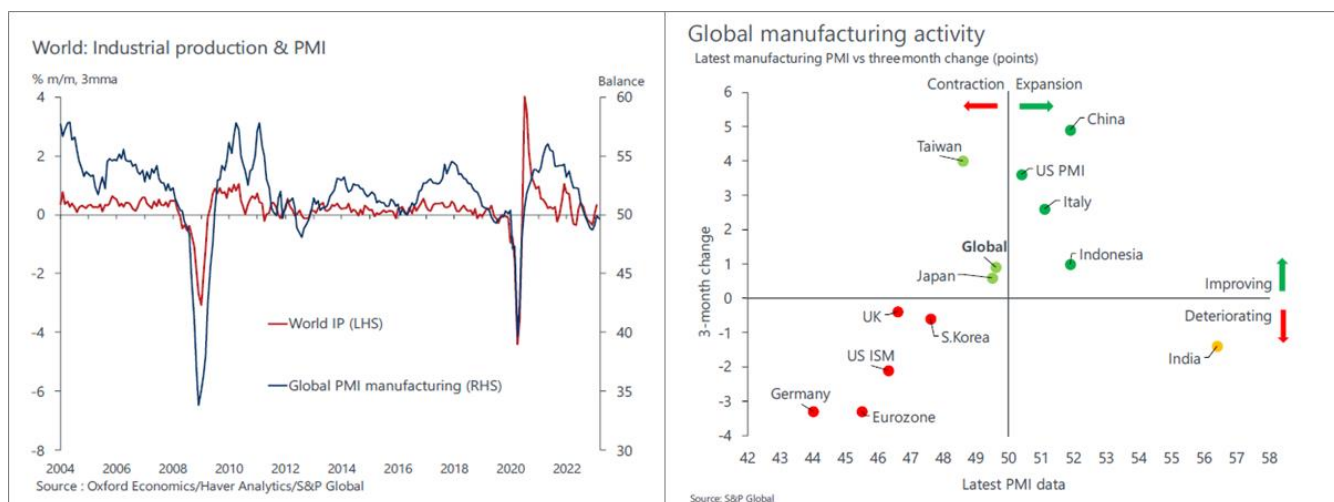
Media contact: Elisa TODESCO, [eto@cefic.be](mailto:eto@cefic.be)

## EU chemicals business: a weak start in 2023

**Key findings:**

✓ **Global industrial production grew by 1.0% in February 2023**

According to the Oxford Economics Monthly Report (April 2023), global industrial production grew by 1.0% in February 2023. After a data revision for January, this marks the first time there have been two consecutive months of growth since September 2022 and the strongest month-on-month growth rate since June 2022. In March, the global manufacturing Purchasing Managers Index (PMI) slipped slightly to 49.6, but it still remains close to the 50 mark. The 50 mark separates contraction from growth (see left chart). Industrial production in the US grew by 0.4% in March 2023. However, this growth was driven mostly by utilities, while the output of the manufacturing and extraction sectors shrank. In Q1 2023, the monthly output of industry and manufacturing recovered from the low levels recorded in December 2022, but it is still low in comparison to the overall levels recorded in the second half of 2022.



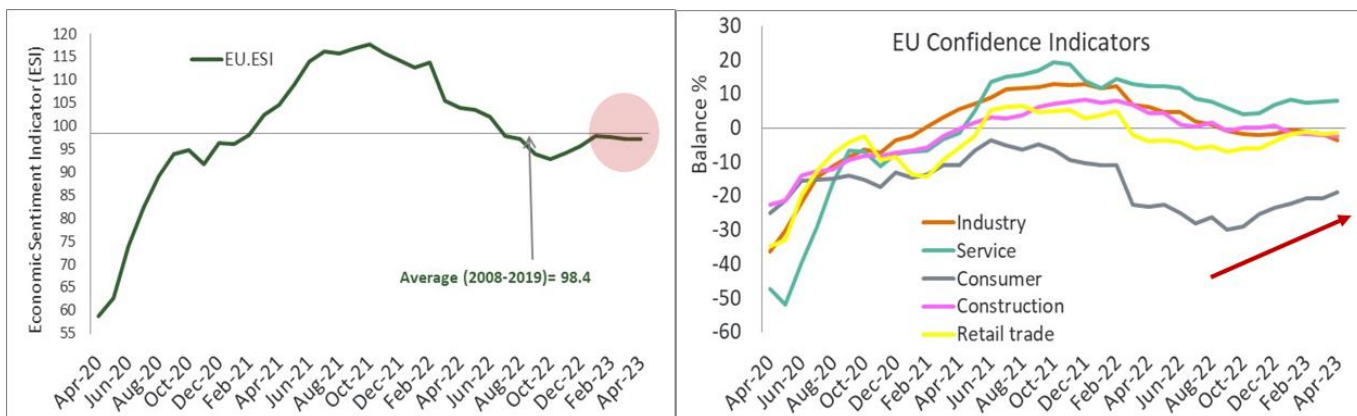
Source: Oxford Economics Monthly Industry Briefing (April 2023)

Industrial performance in the Asia-Pacific region was mixed. Japan has seen improvement in its PMI. Following a large fall in January, Japan’s production grew again in February and March, and this brought production back to December levels. The growth of the Chinese industry disappointed again in March, matching the weak February monthly growth of 0.1% as the domestic recovery continues to be largely service-based (source: Oxford Economics Monthly Industry Briefing/Global Industry-April 2023).

<sup>1</sup> Unless specified, chemical industry excludes pharmaceuticals.

✓ **Consumer confidence continued the recovery from its all-time low in September 2022**

In April 2023, the Economic Sentiment Indicator (ESI) in the EU27 area remained broadly unchanged compared to March 2023. This is the third month in which the indicator remains largely flat. The Employment Expectations Indicator (EEI), by contrast, decreased in comparison to March. The flat reading of the ESI mainly resulted from a combination of markedly higher confidence among consumers and significantly lower confidence among industry managers. While confidence in services and retail trade also edged up, confidence in the construction sector remained broadly unchanged. Amongst the largest EU economies, the ESI improved in Spain and, to a lesser extent, in Poland and Germany. While sentiment edged up also in Italy, it deteriorated in the Netherlands and, particularly, in France.

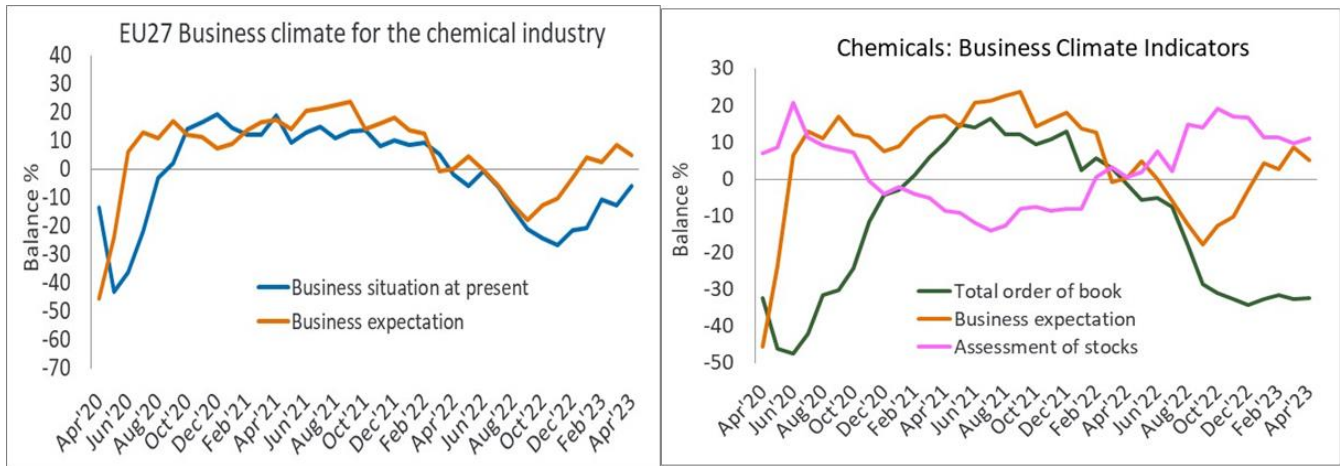


Source: EU Commission business and consumer survey and Cefic Analysis (2023)

Consumer confidence continued the recovery from its all-time low in September 2022, fuelled by improvements in all components, notably consumers' views on their household's past financial situation and the future financial situation. The expected general economic situation in the countries of the consumers and their intentions to make major purchases also played a role (source: business and consumer survey results for May 2023).

✓ **EU chemical industry confidence remains low**

Since Sep-2022, the selling price expectations of the EU27 chemicals industry have continued to decrease. Selling price expectations continued descending in all surveyed business sectors; for what concerns industry, the selling price expectations were almost back to their long-term average. The significant reduction in the cost of energy should in theory ensure recovery of the chemical business. Unfortunately, manager's expectation for the EU27 chemicals industry deteriorated in April 2023 after the significant improvement in March 2023. The EU27 Chemicals industry confidence has lost steam since February 2023.

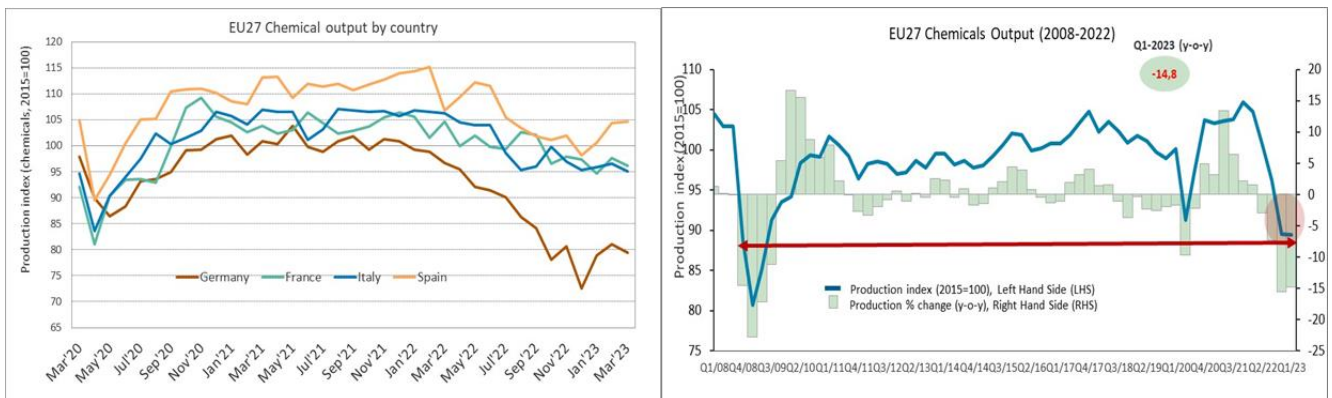


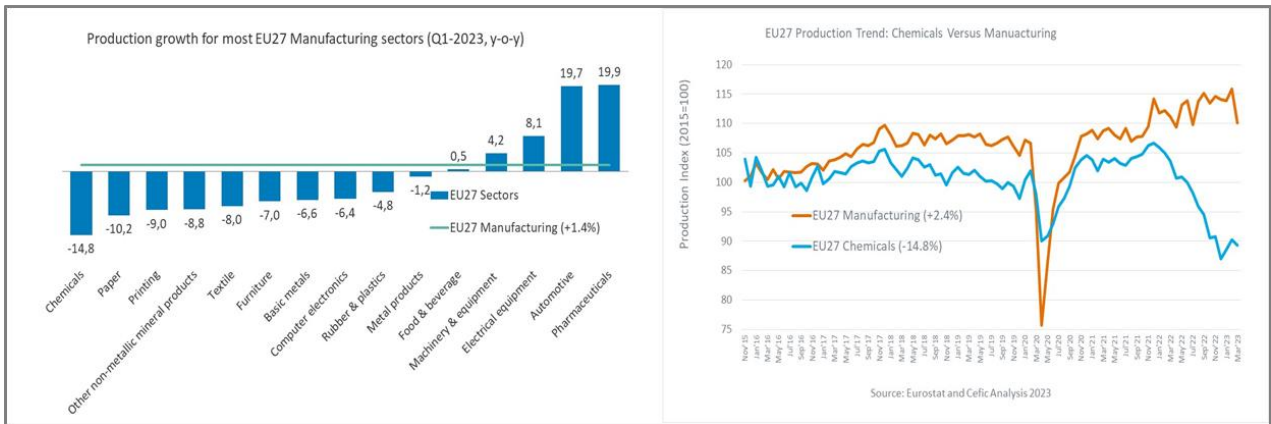
Source: EU Commission business and consumer survey and Cefic Analysis (2023)

The chemicals industry confidence weakened, as managers' production expectations deteriorated and the stocks of finished products were increasingly assessed as too large/above normal. The assessments of the current level of overall order books slightly increased but remained unsatisfactory.

✓ **Further drop in chemicals production after two consecutive months of positive growth**

In March 2023, further drop in the EU27 chemicals industry's production was recorded after two consecutive months of positive growth. EU27 chemical sector ends Q1-2023 on a weak note: output growth in Q1-2023 was disappointing and demand for chemical products remains weak. The bottom has hopefully been reached, but there is no quick recovery in sight. The rapid downturn in the German chemical industry overall slowed in the first quarter of 2023. Amongst the largest EU economies, Germany, Belgium and Spain turned to positive growth in Q1-23 compared to Q4-22.





Source: Eurostat and Cefic Analysis (2023)

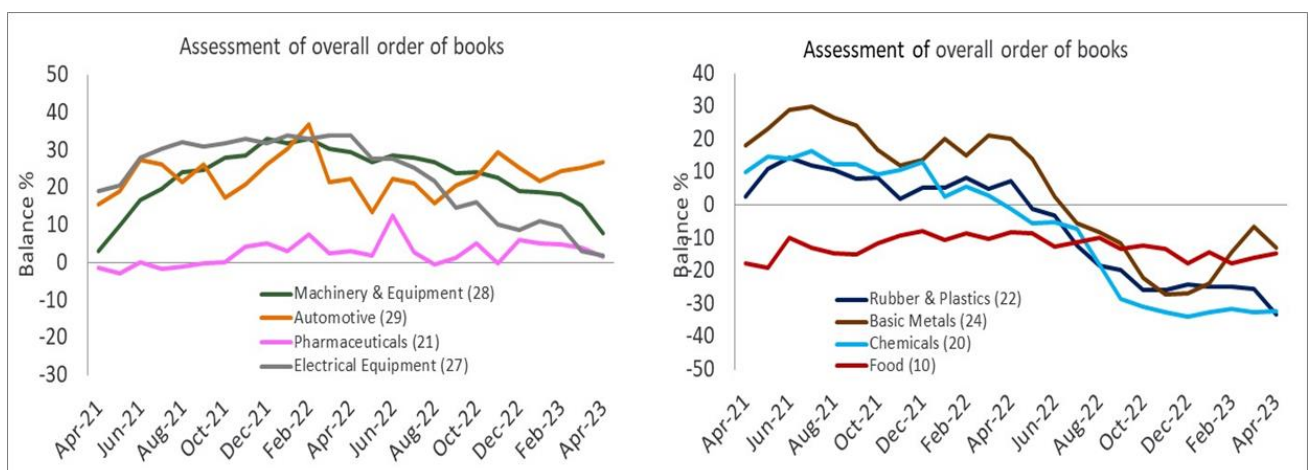
Since early 2022, a decoupling of EU27 chemicals from manufacturing has been recorded. In Q1-2023, the output of the EU27 chemicals was about 15% below the level of Q1-2022; in contrast, during the same period (Q1 2023 vs Q1 2022), the EU27 manufacturing grew by 1.4%.

✓ **Energy prices still 5 times more expensive in Europe than in the USA**

On average, oil prices amounted to 76.1 (€/bl) in 2023 (Jan-Apr), 17% down from 2022 (Jan-Apr). The natural gas prices amounted in 2023 (Jan-Apr) to 47.7 (EUR/MWh), 47% below the Q1-2022's level (102.2, EUR/MWh). A deep decline in gas prices is confirmed since Aug-22, but is still 5 times higher than in the USA. Electricity and gas are still much more expensive than before the crisis and not competitive in a global comparison (source: <https://www.investing.com/commodities>).

✓ **Demand is still weak in most business sectors**

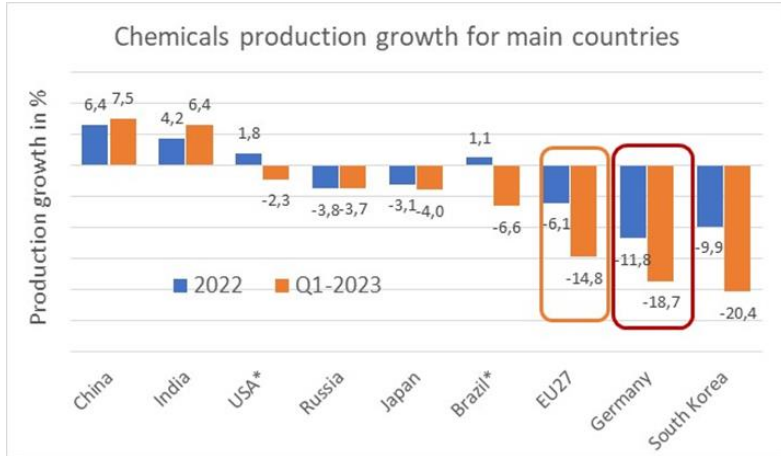
The current level of EU27 overall order books remains unsatisfactory for most business sectors. In many countries, it seems that the supply shortages for the chemicals industry are being solved so that full order books can be worked off. But new business is still lower than expected and the demand for chemical products remains weak. Since last year, Europe has been facing weak demand and the issue still remains unsolved.



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

✓ **EU27 chemicals industry lost steam in 2022, and no sign of recovery in Q1-2023**

Selling prices decreased for the eighth consecutive time since July 2022. Still, in Q1 2023 the prices of chemical products are 8% higher in comparison to Q1 2022, and 46% higher than in Q1 2021. Nevertheless, the EU27 chemicals sales are 9% below the previous year's level (Q1-2022), and sales fell in almost all sectors. Persistently high production costs put a strain on chemicals business.



Output	2020	2021	2022	Q1-2023
China	2,9	8,4	6,4	7,5
India	-5,4	8,0	4,2	6,4
USA*	-4,9	0,9	1,8	-2,3
Russia	7,4	7,1	-3,8	-3,7
Japan	-12,5	3,8	-3,1	-4,0
Brazil*	0,0	3,6	1,1	-6,6
EU27	-2,2	6,1	-6,1	-14,8
Germany	-1,4	5,7	-11,8	-18,7
South Korea	-3,1	8,6	-9,9	-20,4
World*	-0,6	7,2	0,9	-0,8

Electricity and gas are still more expensive than before the crisis and not competitive in a global comparison. Many chemical companies are running out of orders, as the economy is not yet in a global upturn. Demand is weak. Incoming orders decline as downstream industry in Europe remains weak. Ultimately, competitiveness problems are leading to weaker external demand and increasing import pressure. The outcome from the economic reopening of China and the continuous decrease of energy prices are needed.