

Contact:

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

Media contact: Ellen MULDER, emu@cefic.be

Industry in dire straits

✓ Summary

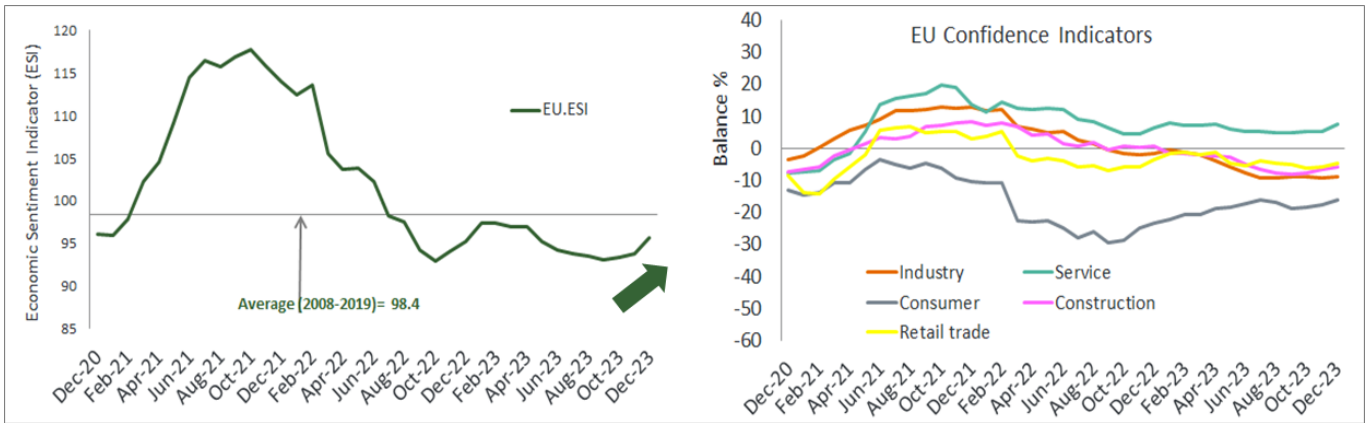
- *The end of 2023 confirmed the trend set throughout the year: weakened confidence levels in the EU economy, shrinking sales and production has been 8.7% below the previous year's level for the first 11 months. Stress factors, such as higher energy costs and a lack in demand, are heavily impacting competitiveness of the chemicals industry in Europe. Chinese imports are hitting EU producers which we fear is only the beginning as the Chinese oversupply will be exported and Europe is a key destination.*
- *There are some hints of recovery for chemicals sub-sectors. November 2023 data shows that EU27 chemical production was about 1% above the 2022 level. It is too early to confirm if this upturn will be stable. 2024 is expected to bring some faster growth, but the improvement will be gradual.*

1. Comparing confidence levels

✓ EU27 industry confidence remained broadly unchanged

Overall, in December 2023, the Economic Sentiment Indicator (ESI) increased in the EU. Amongst the largest EU economies, the ESI improved in Italy, Spain and Germany, while it eased in the Netherlands and, to a lesser extent, in France. Sentiment remained broadly stable in Poland. The improved ESI was driven by higher confidence among consumers and managers in retail trade, services, and construction, while confidence in industry remained broadly unchanged for the fifth consecutive month. While managers' assessments of the current level of overall order books continued the decline observed since May 2023, fewer managers considered the stocks of finished products as too high/above normal and their production expectations remained virtually unchanged. Data shows that the assessments of export order books worsened (source: EU27 business and consumer survey, Dec. 2023)

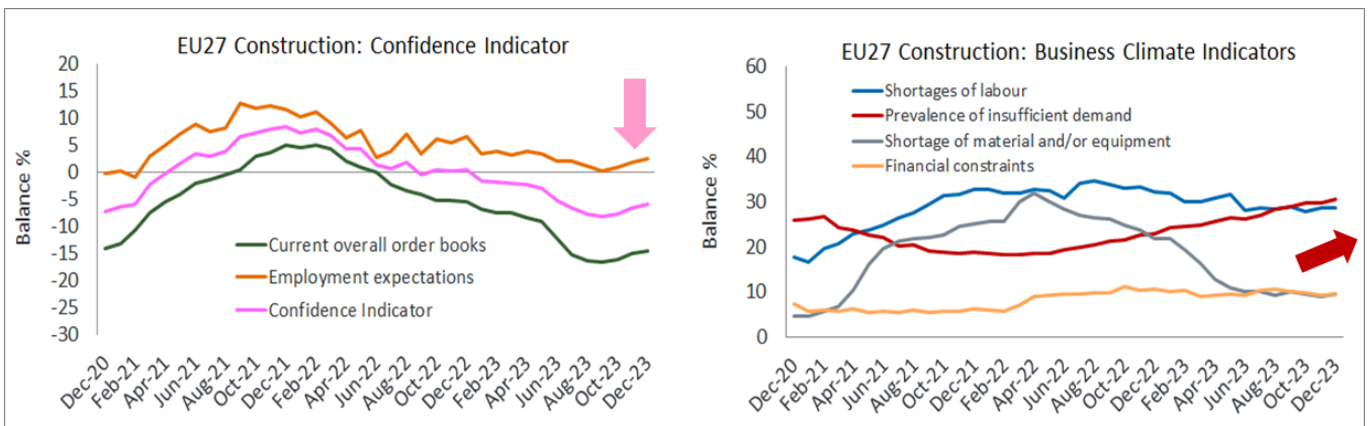
¹ Unless specified, chemical industry excludes pharmaceuticals.



Source: EU27 commission business and consumer survey and cefic analysis (2024)

✓ **EU27 construction activity is still facing an insufficient demand**

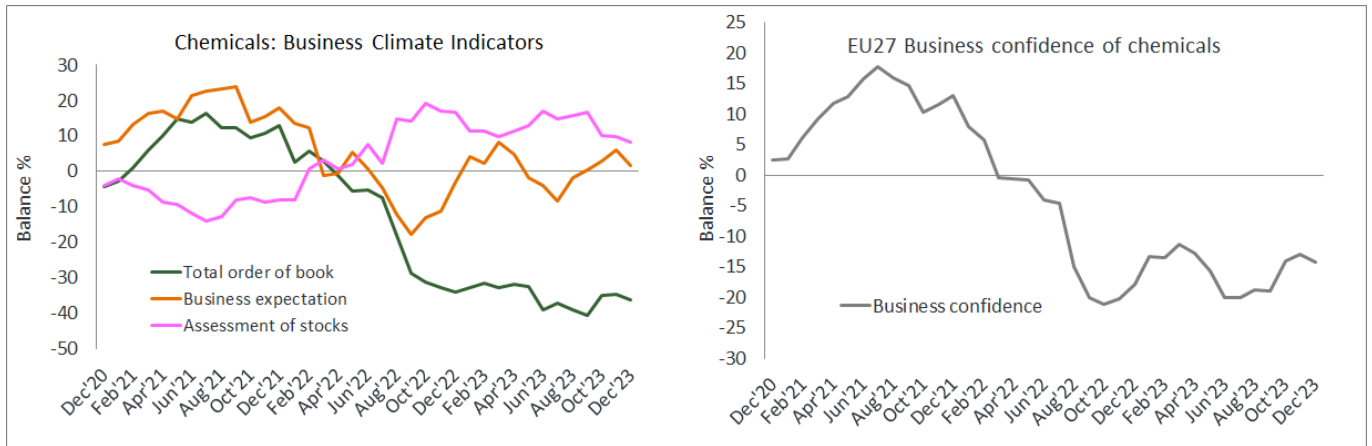
Construction confidence strengthened for the third month in a row. However, insufficient demand remained the factor most often indicated by builders as limiting construction activity, followed by labour shortages. Material/equipment shortages increased slightly, while financial constraints remained broadly stable (source: EU27 business and consumer survey results for Dec. 2023).



Source: Eurostat and Cefic Analysis (2024)

✓ **EU27 chemicals confidence slightly weakened**

The latest economic survey shows a slight decline in confidence in the EU27 chemical industry. In December 2023, chemicals production expectations went down for the first time four months of consecutive improvements. However, it continues to remain in positive digits for the fourth consecutive month. The assessments of the stocks of finished products decreased slightly. The managers' opinion on the current level of overall order books shows no improvement. The chemicals confidence indicator is still at a low level and no sign of strong recovery is observed yet.

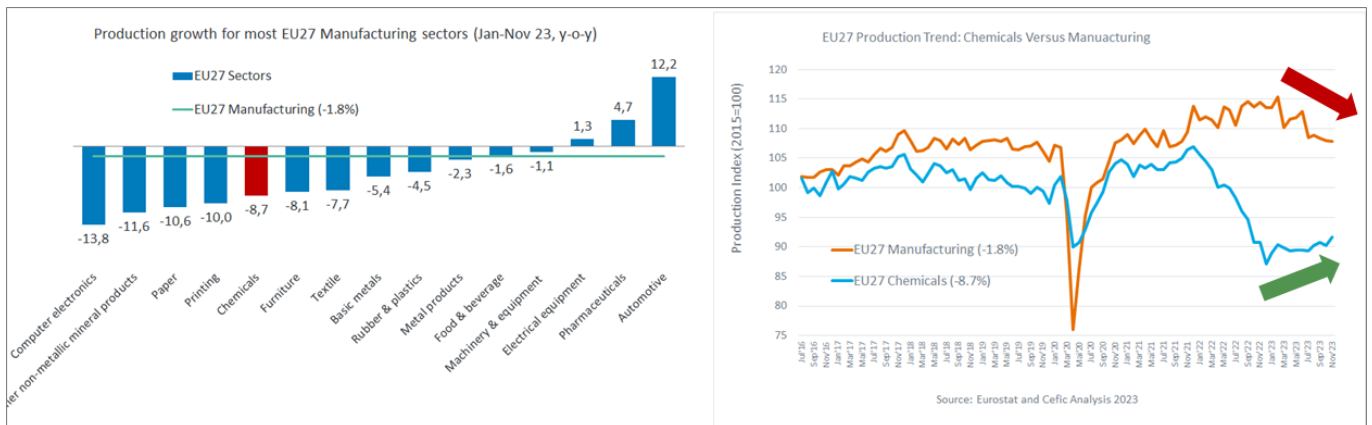


Source: EU27 commission business and consumer survey and cefic analysis (2024)

2. EU27 production not yet promising

✓ EU27 manufacturing production: 2023 was 1.8% below 2022

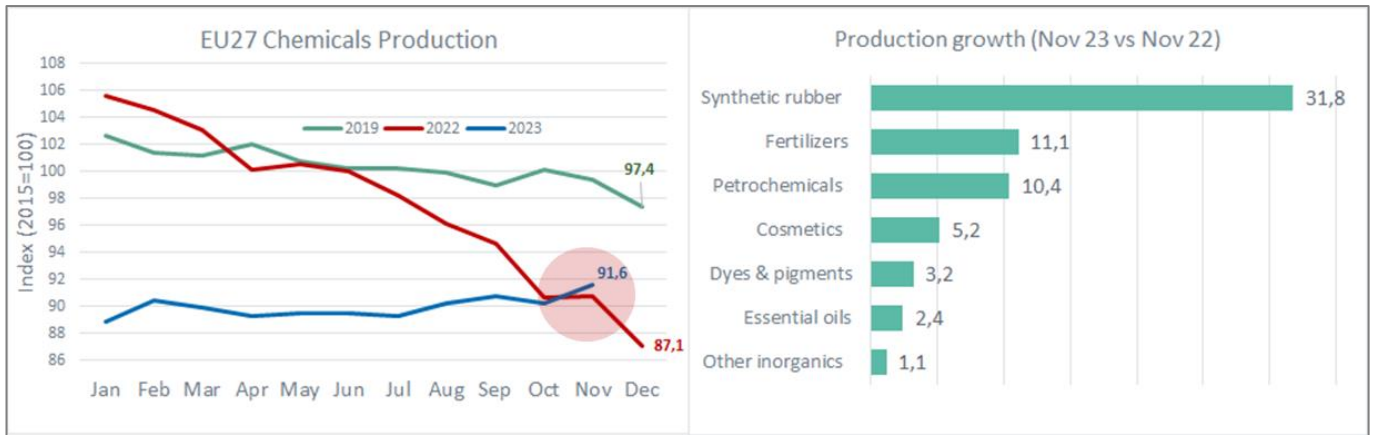
2023 output of EU27 manufacturing was significantly lower in comparison to the same period of the previous year (-1.8%). Sectors such as electrical equipment, pharmaceuticals and automotive have contributed to limit the effects of the energy crisis on the EU27 manufacturing sector as a whole. With 8.7% decline, the EU27 chemical industry reported in 2023 (Jan-Nov) the fifth-largest drop in production. Capacity utilisation in the EU27 chemical industry is still significantly below last year's level. The European chemical industry is still losing competitiveness on global chemical markets due to high regional energy and feedstock costs.



Source: Eurostat and Cefic Analysis (2024)

✓ For the first time, 2023 output is higher than in 2022 (Nov-23 vs Nov-22)

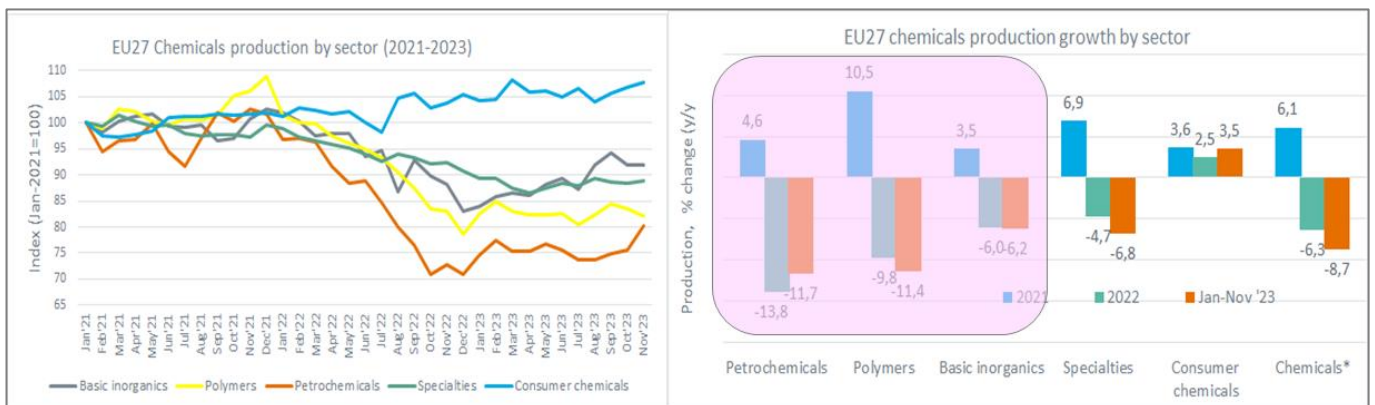
The EU27 chemical production saw a slight increase of 1.6% in November 2023 compared to October 2023. November 2023 data shows that EU27 chemical production was about 1% above 2022's level for the first time. It is too early to confirm if this upturn will be stable or not.



Source: Eurostat and Cefic Analysis (2024)

✓ **EU27 basic chemicals sectors continued to report a double-digit decline**

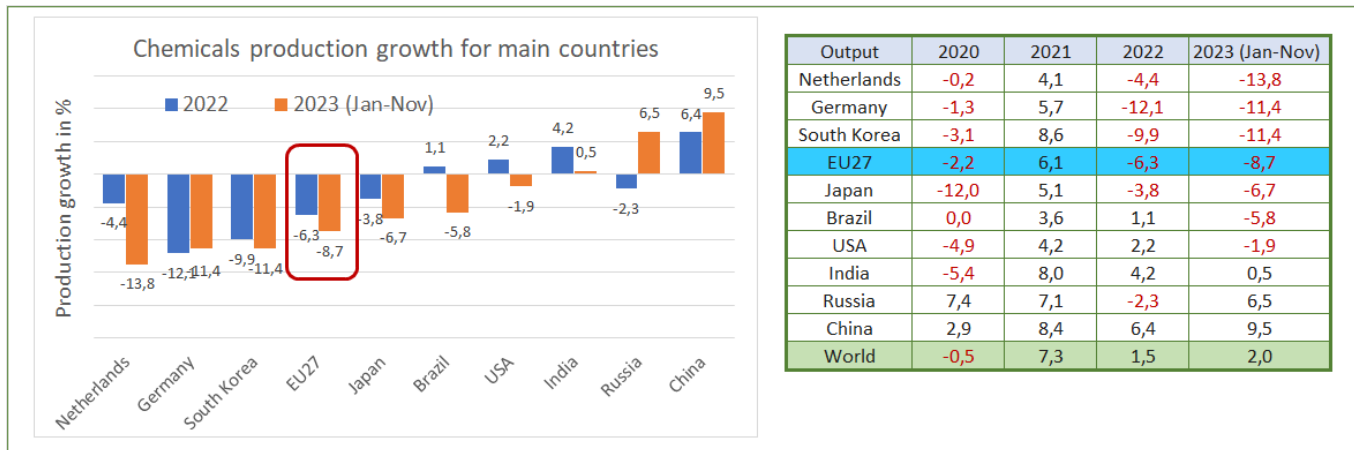
Focusing on the broader chemicals sectors, basic chemicals sectors continued to report a double-digit decline. 2023 output of petrochemicals was 11.7% lower compared to the same period last year. A marked downturn was recorded for polymers (-11.4%). The drop in the production of basic inorganics and specialty chemicals were moderate (less than 7%). With 3.5% growth, consumers chemicals (soaps, detergents and cosmetics) are still doing well compared to the other chemicals sub-sectors. All in all, chemicals production declined by 8.7% for the first eleven months of 2023 compared to the same period of 2022.



Source: Eurostat and Cefic Analysis (2024)

✓ **China is still at the highest level of chemical production ever (+9.5%)**

The table below shows the latest development for key chemicals producing countries in the world. As highlighted below, China is still reporting the highest chemical production ever. Chemical production in China seems to be improving month-by-month since June 2023. Chemicals output, in China was 9.5% above the previous year's level (Jan-Nov). On the EU27 side, the chemical industry is losing competitiveness on global chemical markets due to high regional energy and feedstock costs. Production and trade activity are significantly declining and are below 2022's levels. Global chemical production will grow by about 2% in 2023. 2024 growth is expected to be below the structural growth of 3.5%.



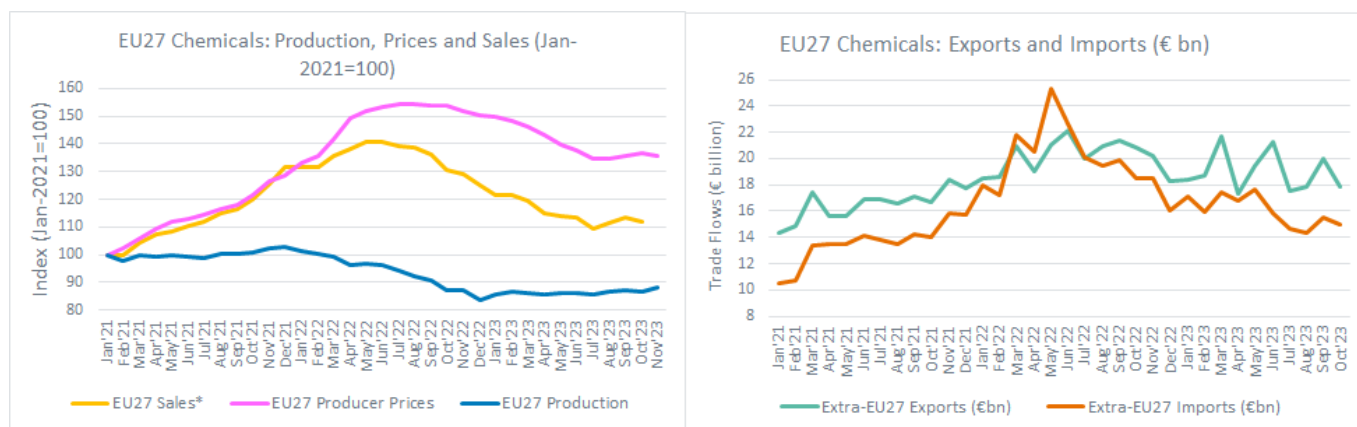
Source: Eurostat and Cefic Analysis (2024)

China and key emerging countries will continue to play a key role on global demand. It is already clear that 2023 has been on the decidedly weaker side for global industry. 2024 is expected to bring some faster growth, but the improvement will be gradual.

3. Shrinking sales

✓ **EU27 chemical sales: 2023 was 15.5% below 2022 (Jan-Oct)**

At €553 bn, sales in the EU27 chemical industry for the first ten months of 2023 are below the levels recorded during the same period last year (-15.5%). The global economic and business environment is still uncertain for the European chemicals companies. Monthly data on sales shows a decline of the EU27 chemicals sales in October 2023 by 1% compared to September 2023. Sales level in October 2023 were 14.3% below the previous year's level.



Source: Eurostat and Cefic Analysis (2024)