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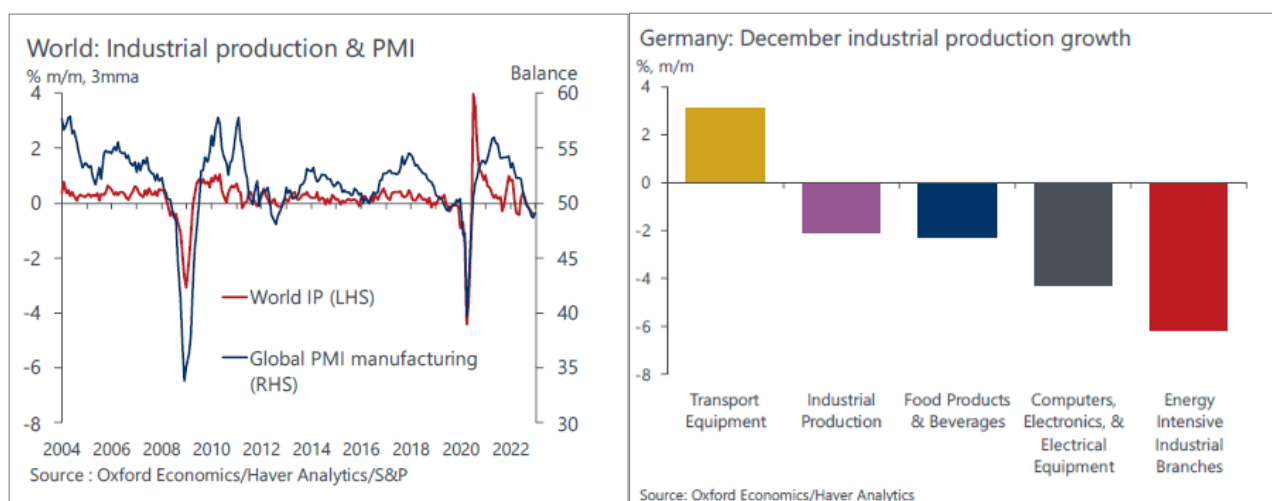
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2022 ends on a weak note for the chemicals industry in Europe, and EU27 chemicals industry confidence lost steam in February 2023

Key findings:

- ✓ **Global industrial production contracted for a third consecutive month in December 2022**
 According to Oxford Economics Monthly Report (February 2023), December 2022 recorded a contraction in the global industrial production for the third consecutive month. This trend of industrial weakness is expected to continue during the beginning of 2023. China closed 2022 with a substantial slowdown in industrial production. While experts are forecasting a return to more typical growth rates in 2023, particularly in Q2 and Q3, they do not expect that the economic reopening will substantially change the industrial picture. Much of the economic boost from reopening should be concentrated in the service sector and the weak global economic outlook will depress demand for Chinese goods exports.

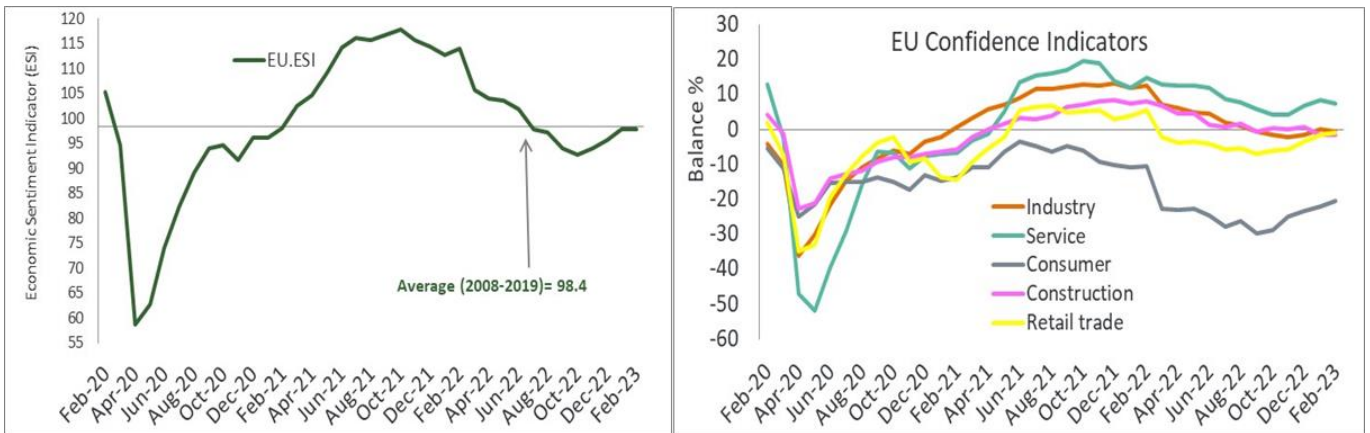


Source: Oxford Economics Monthly Industry Briefing

In December 2022, industrial production in the EU27 area contracted, after having shown some growth in November. This decrease can be attributed in large part to Germany, where industrial production shrank by 2.1%. This contraction was largely driven by a contraction of the energy-intensive sectors, which recorded a 6.2% decline. The drastic decline in energy-intensive sectors, coupled with smaller declines in non-energy intensive sectors, offset the growth recorded in the transportation equipment sector. (source: Oxford Economics Monthly Industry Briefing/Global Industry-Feb 2023).

- ✓ **The recovery of EU27 Economic Sentiment came to a halt in February 2023**
 In February 2023, the recovery of the EU27 Economic Sentiment Indicator (ESI), which showed a positive trend since November 2022, came to a halt. The flat outcome for the ESI in February was

the result of lower confidence in industry and services, offset by increasing confidence in retail trade and among consumers. Sentiment in construction remained stable. Amongst the largest EU economies, the ESI decreased in Spain and France, while it increased in the Netherlands and stayed broadly flat in Germany, Italy and Poland (source: business and consumer survey results for Feb-2023).

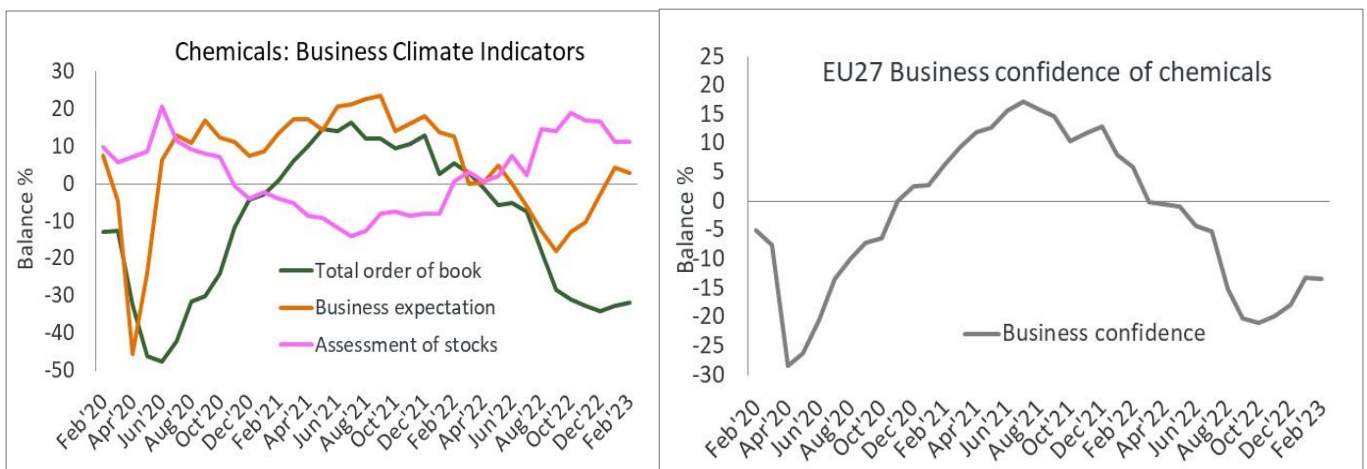


Source: EU Commission business and consumer survey and Cefic Analysis (2023)

✓ **EU27 chemicals industry confidence lost steam in February 2023**

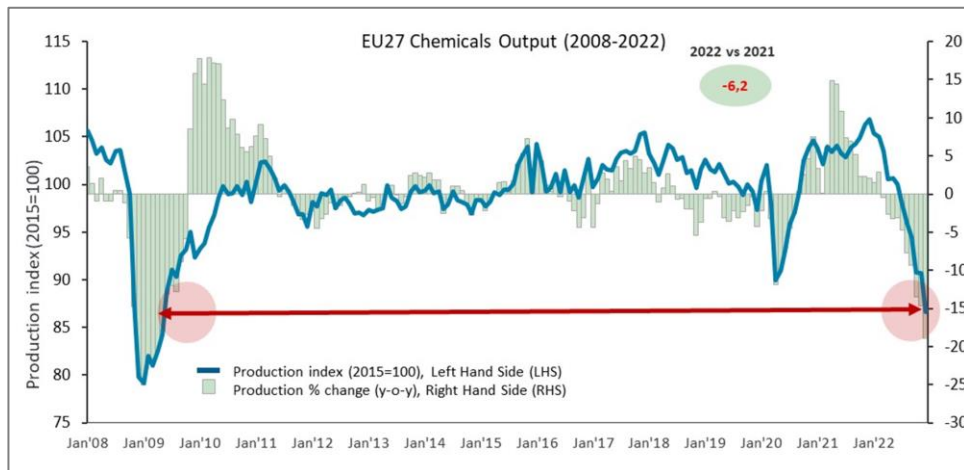
After two months of recovery, the confidence of the EU27 chemicals industry lost steam in February, due to a setback in managers' production expectations and their assessment of export order books deteriorated. Meanwhile, managers' assessments of the current level of overall order books and stocks of finished products remains broadly stable and we notice a surge in managers' appraisals of past production.

In February 2023, the EU27 chemicals industry's selling price expectations decreased significantly. A similar development on selling prices is observed in manufacturing, construction and, to a lesser extent, in services and retail trade. The confidence of EU27 consumers kept recovering, improving for the fifth month in a row. Consumers are more positive about the past financial situation of their household, as well as about their future financial situation.



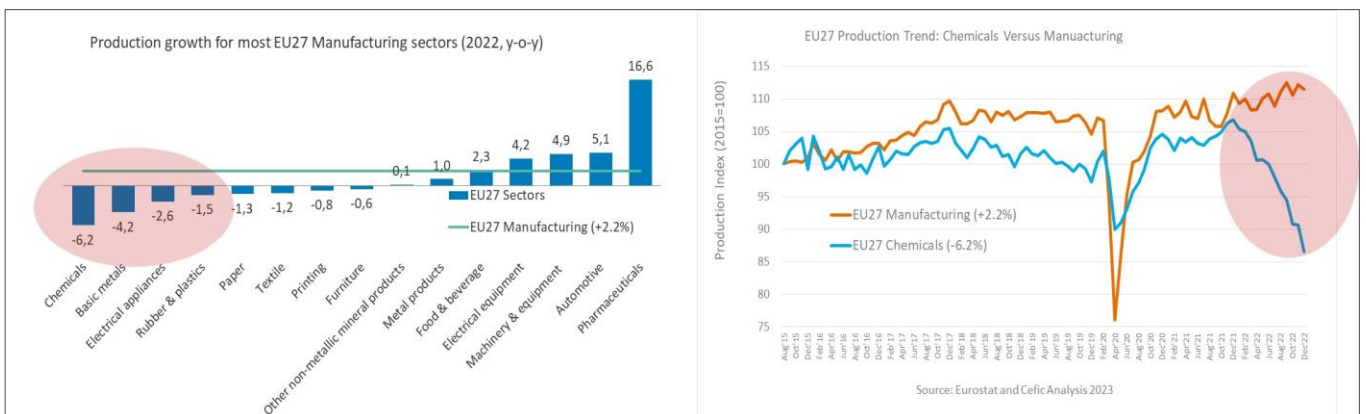
Source: EU Commission business and consumer survey and Cefic Analysis (2023)

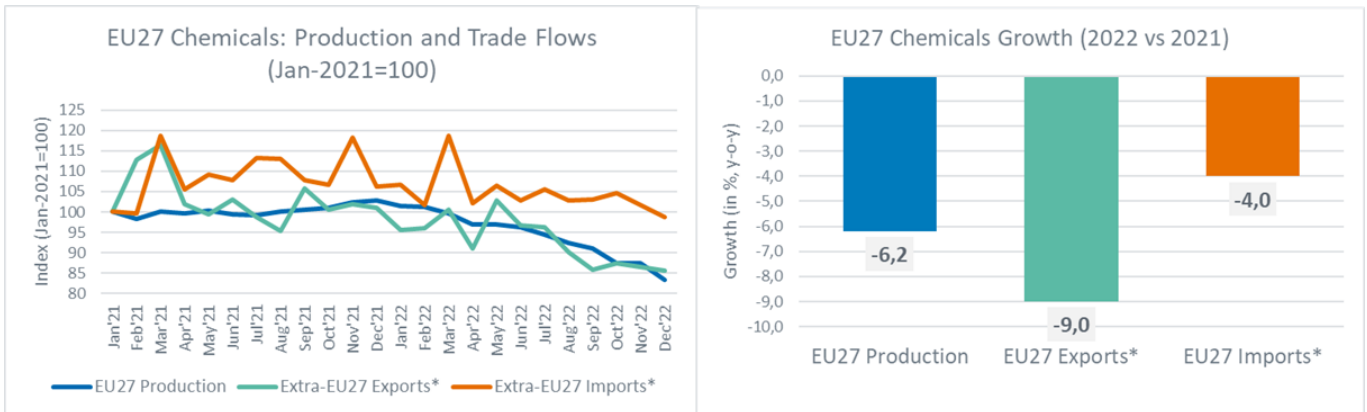
✓ **In December 2022, the EU27 chemicals output reached the lowest level since May 2009**
 In December 2022, the EU 27 chemicals production contracted for the seventh consecutive month, reaching the lowest level of output since June 2009. The chemical sector ended 2022 on a weak note, and a 6.2% drop in output (compared to 2021) was recorded. This is the second-largest output decline since 1995, second only to 2009, when production dropped by 12.1% compared to 2008. The situation of EU27 chemicals business today is very close to the situation recorded around the time of the 2008 financial crisis.



Source: Eurostat and Cefic Analysis (2023),

The EU27 chemicals sector is still the largest energy consumer in Europe, and this partially explains why the chemicals sector was most impacted by high energy costs. The other energy-intensive sectors recorded less dramatic damage. Overall in 2022, growth in EU27 manufacturing (+2.2%) was driven by four sectors: electrical equipment, machinery and equipment, automotive, and pharmaceuticals.

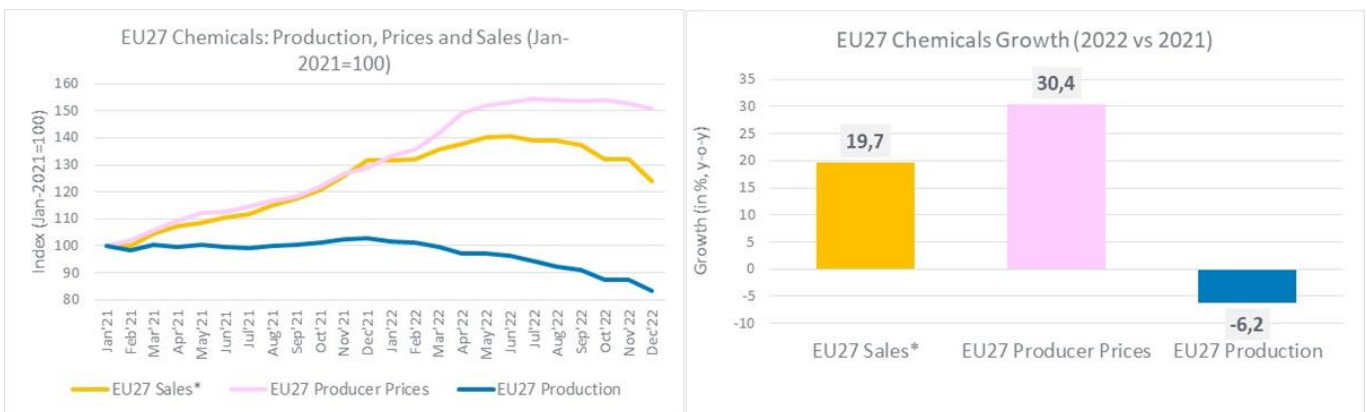




Source: Eurostat and Cefic Analysis (2023), *Dec-22 estimated

✓ **EU27 chemicals sales growth seems spectacular, but it is only price driven**

With about 20%, sales values in 2022 were far above 2021's levels. This could give the wrong impression that the chemicals sector in Europe is outperforming. In reality, when analysing monthly sales, data shows a rapid loss of momentum between June and November 2022 (latest data available). Sales value of November 2022 approached the pre-energy crisis level (February 2022). The recorded upward in sales is mainly driven by the increase in selling prices of chemicals in 2022 compared to 2021 (+30%). However, December 2022 was not a good month for most manufacturing sectors in Europe anyhow.



Source: Eurostat and Cefic Analysis (2023), *Dec22 estimated

On the trade side, exports volumes in 2022 (-9%) contracted more severely than imports volumes (-4%) and the competitiveness of the sector is still vulnerable. When looking at the value terms, the EU27 trade flows show that since August 2022 exports values exceeded imports values for four consecutive months. The 2022 trade balance of the EU27 chemicals industry with non-EU27 area ends on a negative note, recording a cumulative trade deficit of more than €320 million (Jan-Nov 2022). For comparison, in 2021 a cumulative trade surplus of €36 billion was recorded. However, there is some reason to believe, that the economic recovery of China and the continuous decrease of energy prices (recorded for both crude oil and natural gas) are supportive to stimulate the recovery of the European economy in the mid-term, and particularly for the energy intensive sectors. (Source: Eurostat and Cefic analysis 2023).