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## Demand in chemicals remains weak

**Key findings:****✓ Global industrial production contracted again in January 2023**

According to Oxford Economics Monthly Report (March 2023), global industrial production contracted again in January. A 0.4% decline was recorded, which adds on the trend of shallow yet negative monthly readings (see left chart). However, the global manufacturing Purchasing Managers Index (PMI) provides some hope that the tide is turning. This turn indicates that global industrial production is likely heading again towards upward growth.



Source: Oxford Economics Monthly Industry Briefing (March 2023)

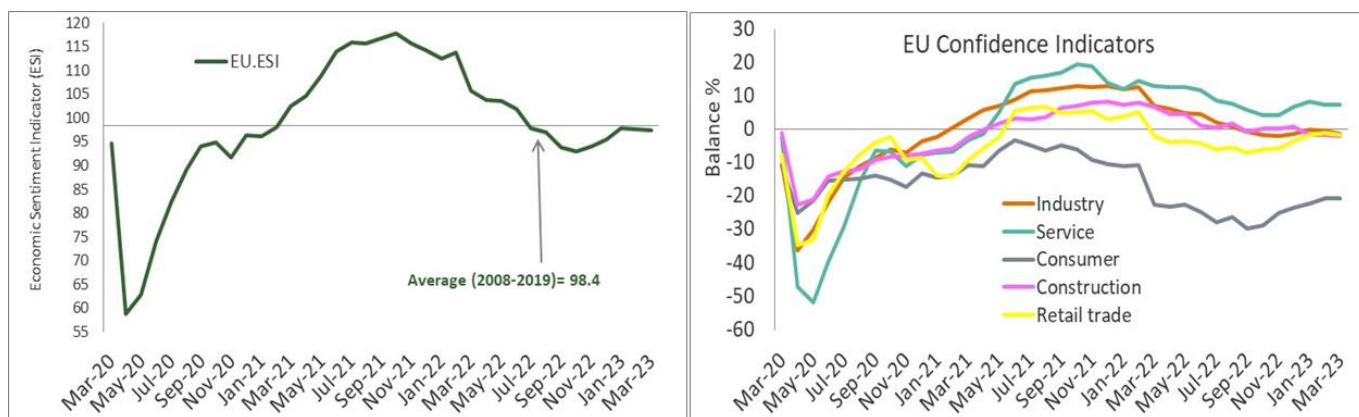
While economic experts are more optimistic on growth prospects after China's economic reopening, so far there is little sign of a corresponding boost to industrial production (see right chart). January and February monthly industrial value-added growth came in quite weak, recording less than +0.5%. Nonetheless, the monthly manufacturing PMI data shows a strong recovery, going up over 5 points (from 47 in December 2022 to 52.6 in February 2023). This suggests that in the months to come we should expect some degree of positive pick-up in industry (source: Oxford Economics Monthly Industry Briefing/Global Industry-March 2023).

**✓ The EU27 Economic Sentiment Indicator declined marginally in March 2023**

In March 2023, the Economic Sentiment Indicator (ESI) declined marginally in the EU27 area. The Employment Expectations Indicator (EEI) came in marginally lower too. The ESI's downward trend in March was the result of slightly lower confidence in industry, in retail trade and in construction. The Economic Sentiment in services and among consumers remained virtually unchanged.

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

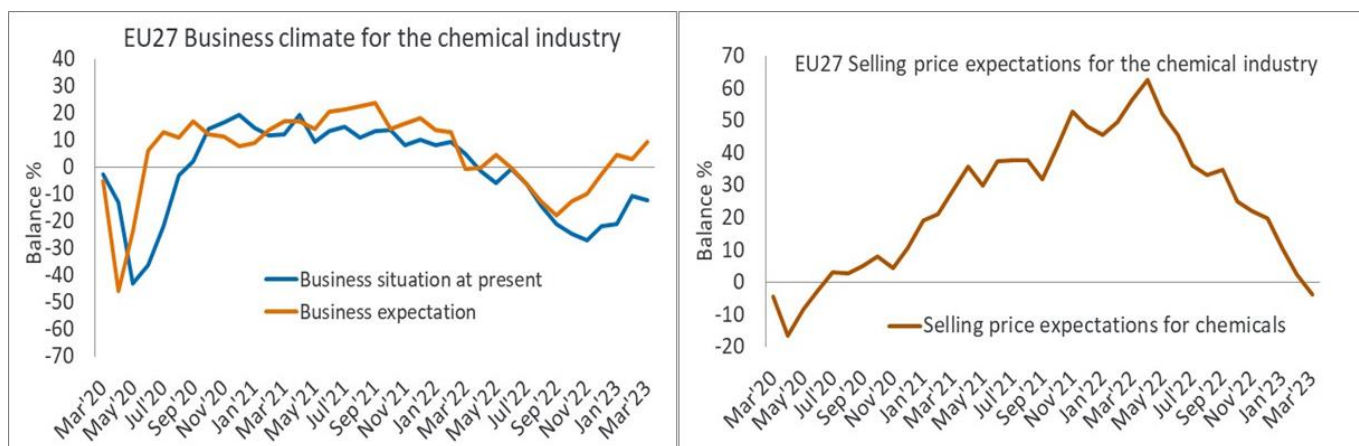
Amongst the largest EU economies, the ESI increased in Italy, the Netherlands and France, while it remained broadly unchanged in Poland, Spain and Germany (source: business and consumer survey results for March-2023).



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

✓ **Production expectations for chemicals improved, but no increase in demand yet**

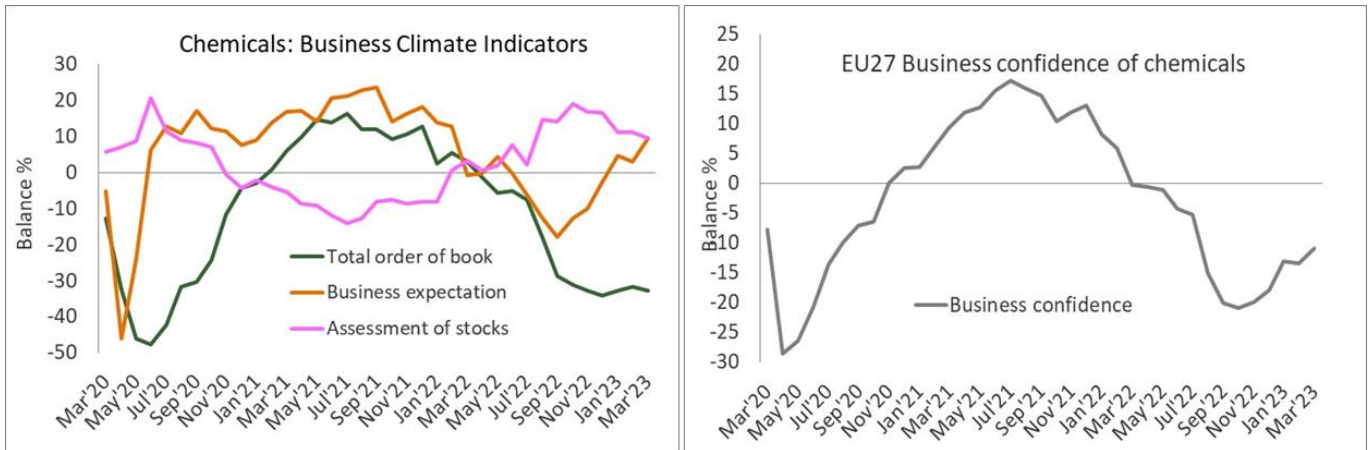
Manager’s expectation for the EU27 chemicals industry continues its positive trend since February. The general mood of the chemicals industry has slightly improved, however no corresponding increase in demand has been recorded yet. Data continues to confirm persistent worries about the weak level of chemicals demand in Europe. When looking at prices, the selling price expectations of the EU27 chemicals industry decreased significantly in March 2023. A similar development on selling prices occurred in industry, construction and, to a lesser extent, in services and retail trade.



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

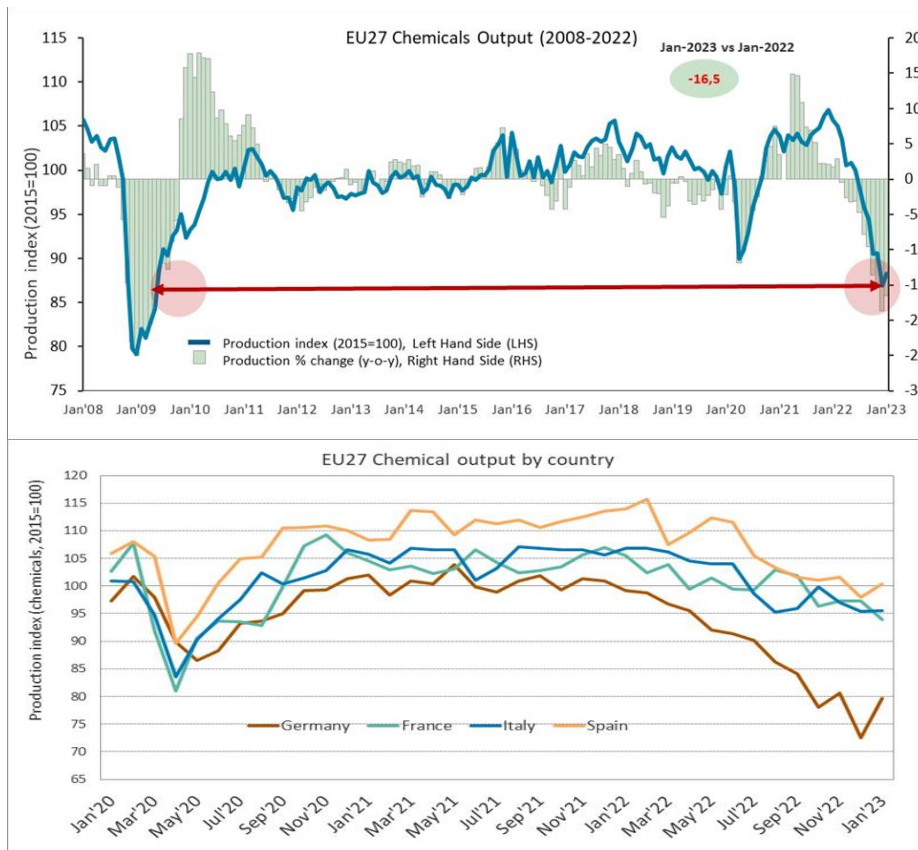
✓ **Improved industry confidence in March 2023 is offset by weak demand within and outside EU27**

The decline in the level of stocks of finished products, together with a strong improvement in chemicals business expectation, improved significantly the confidence of the EU27 chemicals industry for March 2023. However, managers’ assessment of order books deteriorated due to weak demand within and outside the EU27 area. This is in line with the data on consumer demand, which shows that consumer confidence came to a halt since consumers were less positive about the general economic situation in their country.



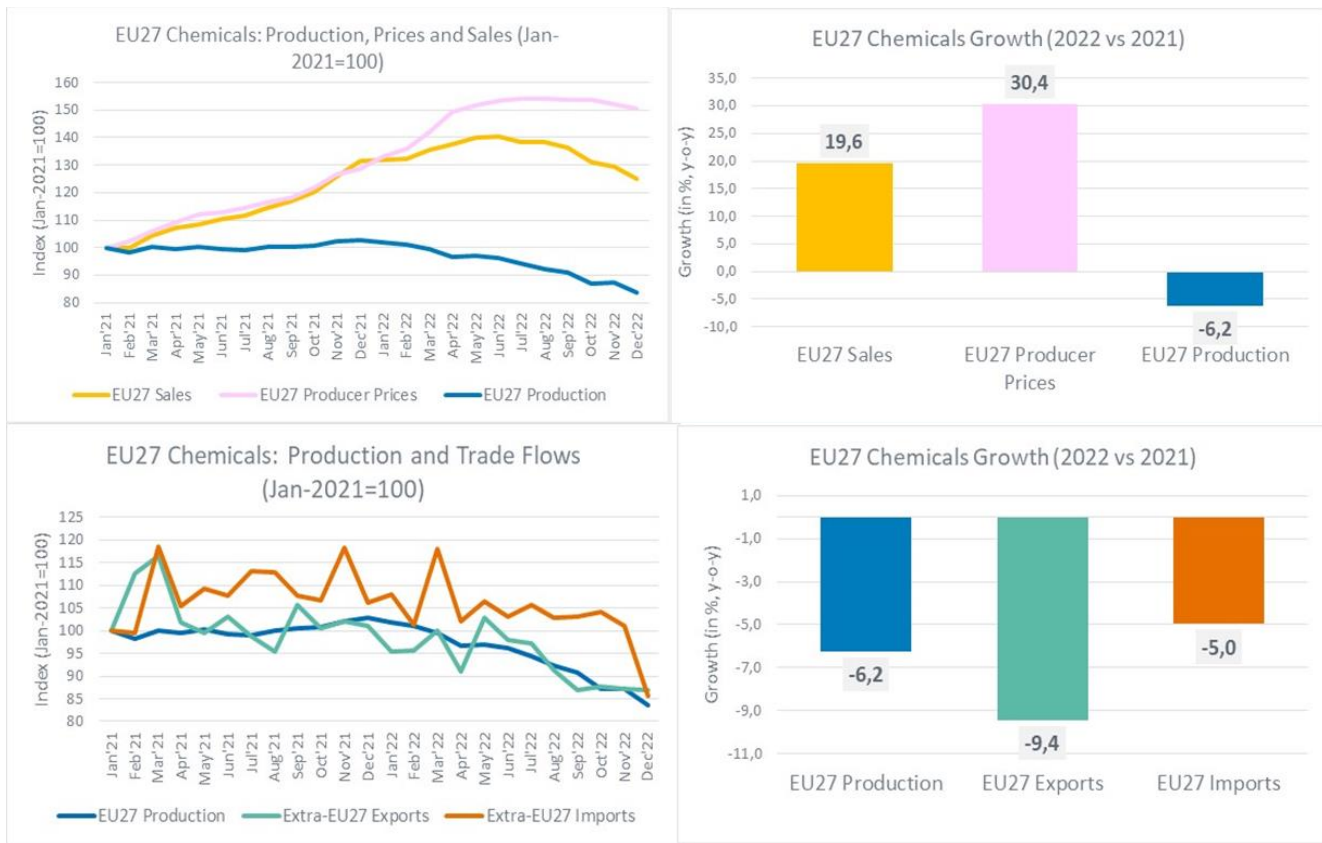
Source: EU Commission business and consumer survey and Cefic Analysis (2023)

- ✓ **Promising start of the year 2023: chemicals production growth turned to positive in January 2023**  
 The EU27 chemicals production contracted in December 2022 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 was recorded. January data shows output was growing by 1.6% compared to December 2022. This trend is not yet sustainable and we hope see stronger positive development over the coming months of 2023. January was also a strong month for Germany where output grew by about 10% compared to December 2022. Despite this strong growth, Germany's output in March 2023 is still far below the output recorded in March 2022.



Source: Eurostat and Cefic Analysis (2023)

- ✓ **Sales decreased for the sixth consecutive time and were 5% below 2021 levels**  
EU27 chemicals sales decreased for the sixth consecutive time since June 2022, and sales in December 2022 were 5% below the previous year's level (Dec-2021). However, an increase in selling prices of chemicals (+30% in 2022 vs. 2021), helped to close 2022 on a positive note, with a positive growth of about 20% in the EU27 chemicals sales compared to 2021.  
 While aggregated data for the full 2022 give a positive overview, it is important to point out that the second half of 2022 showed a rapid loss of momentum for both prices and sales.



Source: Eurostat and Cefic Analysis (2023)

On the trade side, export volumes in 2022 (-9%) contracted more severely than import volumes (-5%) and the competitiveness of the sector is still at risk. Data for the full year 2022 is now available. When looking at the value terms, the EU27 trade flows show that since August 2022 export values exceeded import values for five consecutive months. The 2022 trade balance of the EU27 chemicals industry with non-EU27 area ends with a weak surplus of €2.6 billion, far below the trade surplus generated in 2021 (€36 billion) (Source: Eurostat and Cefic analysis 2023).