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Ongoing weak demand, export improvement, but low chemical business confidence

✓ *Summary*

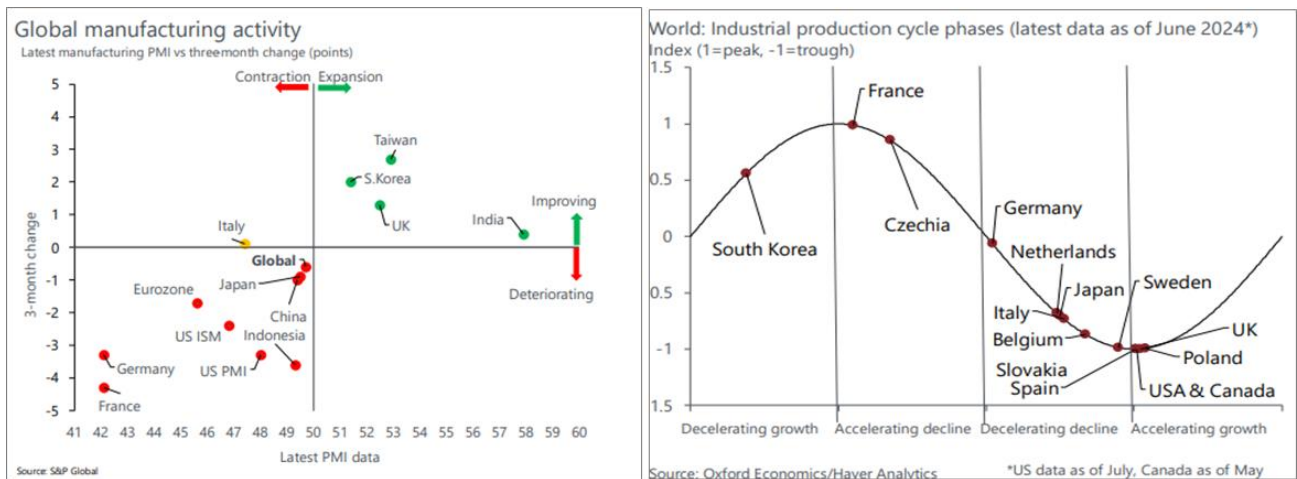
To date, the following trends can be seen for 2024:

- Oil prices were 3.8% higher than the previous year (Jan-Aug).
- European natural gas prices were 3.9 times higher than in the USA (Jan-Aug)
- EU27 chemical prices were 5.7% lower than the previous year (Jan-July).
- Chemical output was 3.6% higher than the previous year (Jan – July).
- Chemical production growth was uneven across EU27 countries over the same period (Jan-Jul 2024), with Germany, Belgium, and Spain seeing moderate increases, while Greece and Poland experienced double-digit growth.
- The volume of chemical exports rose by 8% in the first half of 2024 compared to the same period last year. The biggest increases in exports outside the EU27 are attributable to Morocco (basic inorganics), UK (petrochemicals) and Turkey (polymers).
- The volume of chemical imports rose by 3% in the first half of 2024 compared to the same period last year. The three largest increases in EU27 imports are attributable to UK (petrochemicals), Turkey (petrochemicals), Morocco (basic inorganics).
- Global chemical production grew by 6.1%, driven largely by China (Jan-July 2024), vs 2.7% last year (same period).

The weak demand and declining business confidence continue to challenge the EU27 chemical industry. Energy is still more expensive than before the crisis and not competitive on a global scale. In spite of a production increase and a significant export improvement, the competitiveness of the sector in Europe remains well below pre-crisis levels.

✓ **Worldwide industrial growth still sluggish**

According to Oxford Economics Monthly Industry (August 2024), global industrial output shrank by 0.1% in June. The global manufacturing purchasing managers index (PMI) fell to 49.7 in July. This is the first time since December 2023 that it falls below the 50 mark. Eurozone manufacturing PMIs continue to be bleak, while the UK remains the exception: the UK manufacturing PMI rose to 52.5. This is in line with production as UK output has slowly risen after bottoming out in October 2023. There are some commonalities with the Eurozone but the UK appears to be ahead in the recovery of machinery and fabricated metals production, which is still searching for a bottom in Europe.

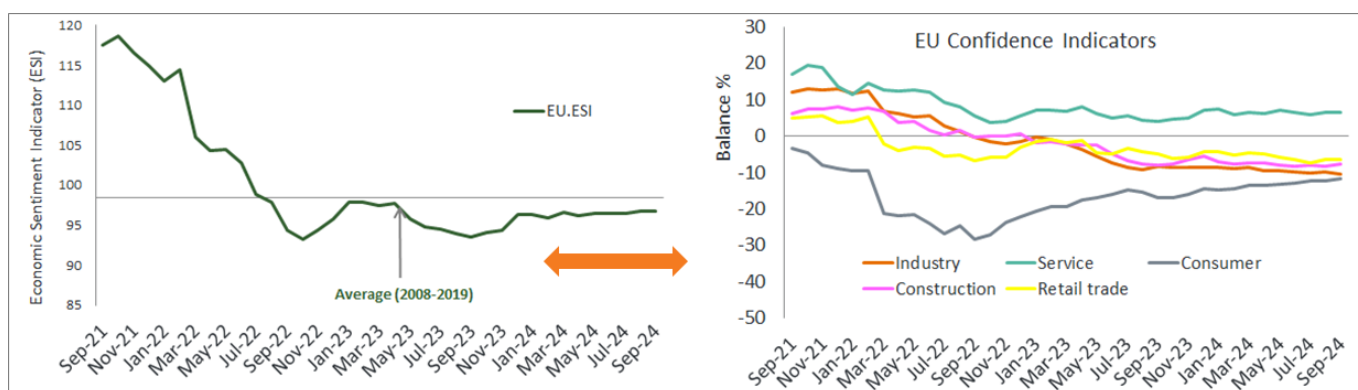


Source: Oxford Economics Monthly Report (August 2024)

Industrial growth in China declined by 5.3% in July 2024 compared to June of the same year. Economic experts from Oxford economics expect that this weakening of Chinese growth will continue: export growth, which helped boost EU industry in the first half of the year, will likely slowdown in the coming months (source: Oxford Economics Monthly Industry Briefing/Global Industry-August 2024).

✓ Economic sentiment indicator (ESI) remained stable in the EU27 area

According to the latest EU Commission business and consumer survey, in September 2024, the Economic Sentiment Indicator (ESI) remained broadly stable in both the EU and the euro area, but it continues to score below the reference value. The steadiness of the ESI in the EU resulted from improved confidence in construction and among consumers, offset by a decrease in industry. Confidence in services and retail trade remained broadly stable. For the largest EU economies, the ESI worsened markedly in France and Germany, while it improved significantly in Poland, Spain, Italy and, more moderately, in the Netherlands (Source: EU Commission business and consumer survey results, September 2024).

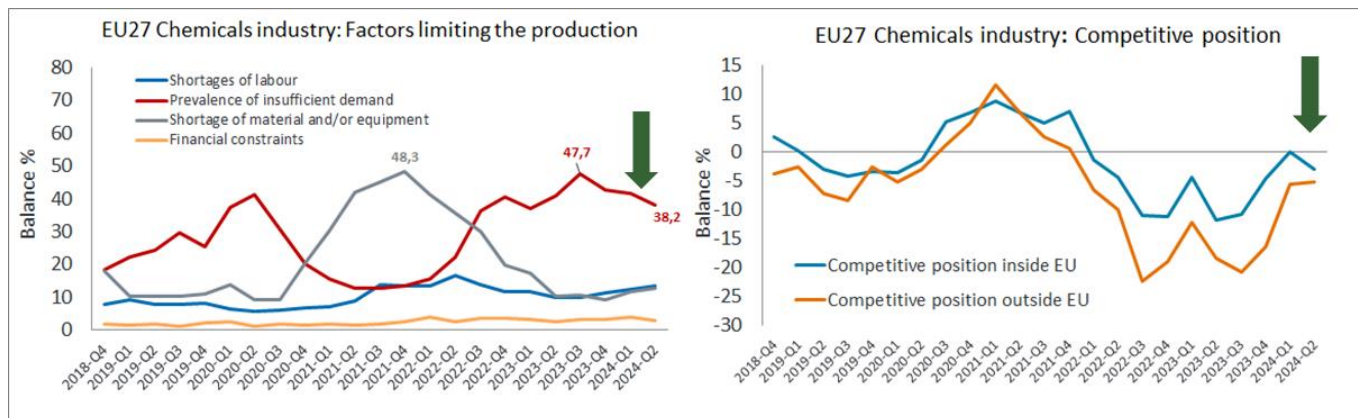


Source: EU27 commission business and consumer survey and Cefic analysis (2024)

✓ Factors limiting production

The percentage of chemicals managers reporting insufficient demand as limiting factor to chemicals production went down from 41.5% in Q1-2024 to 38.2% in Q2-2024, but it remains the main limiting factor. The percentage of financial constraints as limiting factor decreased moderately, but remains low. Data on "shortage of labour" and "shortage of material or equipment" show an increase of more than 1.0 point in Q2-2024 compared to Q1-2024.

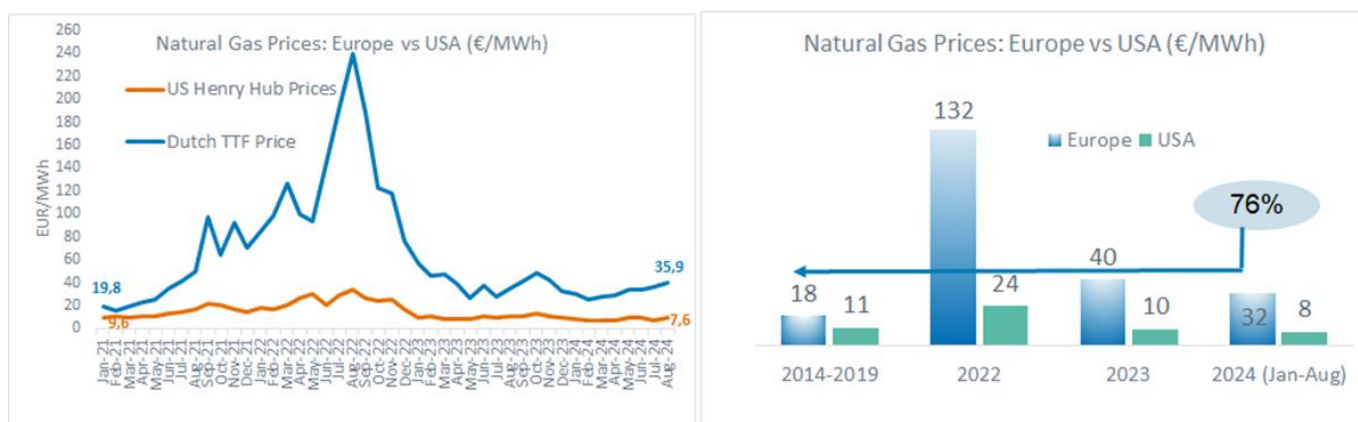
Last but not least, according to the EU Commission survey, the competitive positions of the EU27 chemicals companies (inside and outside the EU27 area) shows a gradual improvement since Q3-2023, but still well below 2021 levels.



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

✓ European gas prices in 2024 (Jan-Aug): 76% above the pre-crisis levels

Energy costs are the Achilles' heel of the European chemical industry, especially when compared to the United States and the Middle East. This, along with high feedstock costs, is causing the European industry to further weaken its competitive position in global chemical markets. The current gas prices in the EU (January – August 2024) are 76% above the pre-crisis level (2014-2019). Compared to the USA, the gas price in Europe (August 2024) is 4.3 times higher, leaving Europe at a competitive disadvantage.

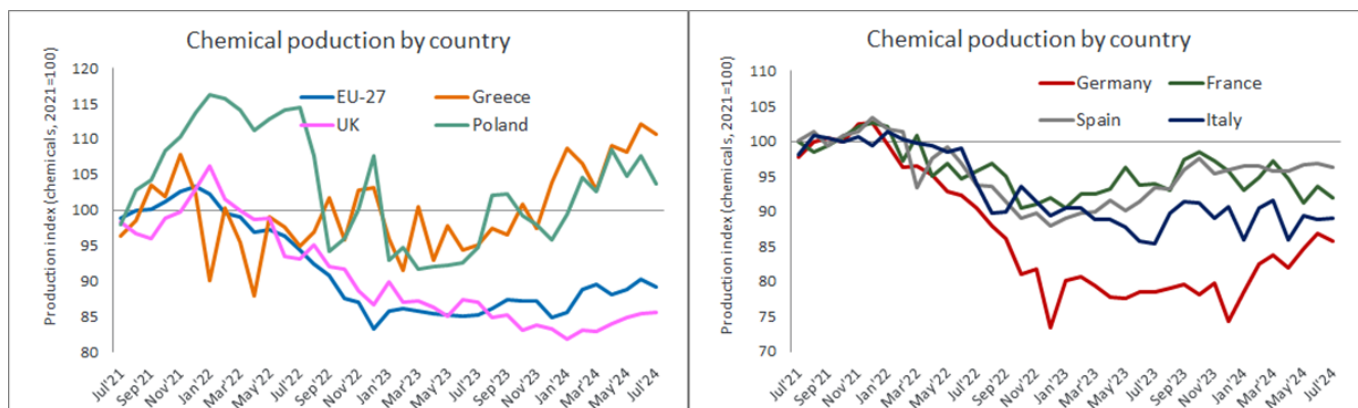


Source: ICE Dutch TTF Natural Gas Futures - Investing.com and "National de la Statistique et Etudes Economiques" (INSEE)

✓ Main EU27 countries showed better chemical production results in 2024 (Jan – July)

The leading EU27 countries experienced improved chemical production during the first seven months of 2024 compared to the same period of 2023. Germany saw its production increase by 5.7% in 2024 (January – July). Spain benefitted from a 6.2% increase, while Belgium' 4.2% growth exceeded the overall EU27 growth rate. The Netherlands registered a rise of 2.3%. France and Italy posted a modest increase of less than 1%. Greece and Poland reported an increase of more than 10%. In comparison to EU27, the UK continues to improve since January 2024 but remained below the 2023 levels and below EU27. Although chemical output in the biggest EU27 economies began 2024 stronger than anticipated, the 3.6% year-on-year growth seen across the EU27 in the first seven months of 2024

should be viewed cautiously. Challenges such as weak demand and high energy costs continue to weigh on European chemical companies.

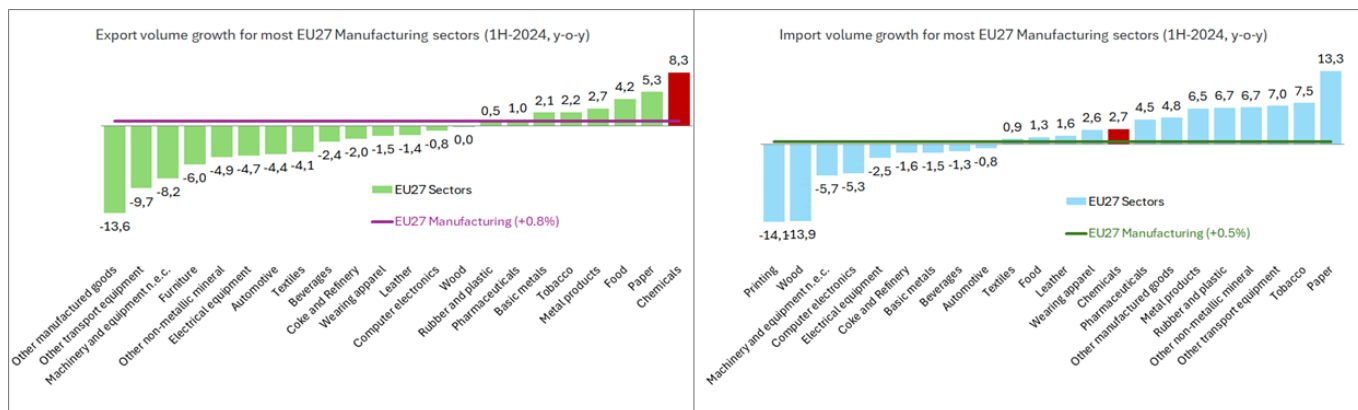


Source: Eurostat and Cefic analysis (2024)

✓ EU27 chemicals trade (volume) up by 5.4% in 2024 (Jan-June)

When comparing the first half of 2024 with the same period in 2023:

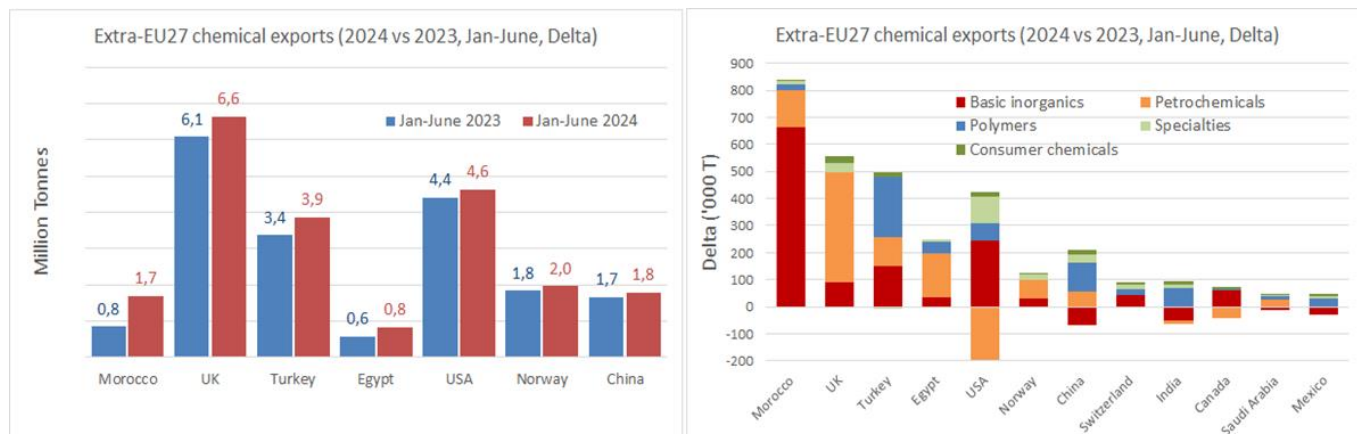
- Imports: EU27 chemical imports reached the volume of 47.8 MT (million tonnes), slightly up from 46.3 MT.
- The whole EU27 manufacturing sector (across sectors) shows an import growth of 0.5%. Chemicals accounts for 19.5% of extra-EU27 manufacturing imports.
- The sectoral analysis reveals that there are some sectors which showed a significant import growth of more than 4.5% in 2024. These include Pharmaceuticals (+4.5%), metal products (+6.5%), rubber and plastics (6.7%).



Source: Eurostat and Cefic analysis (2024)

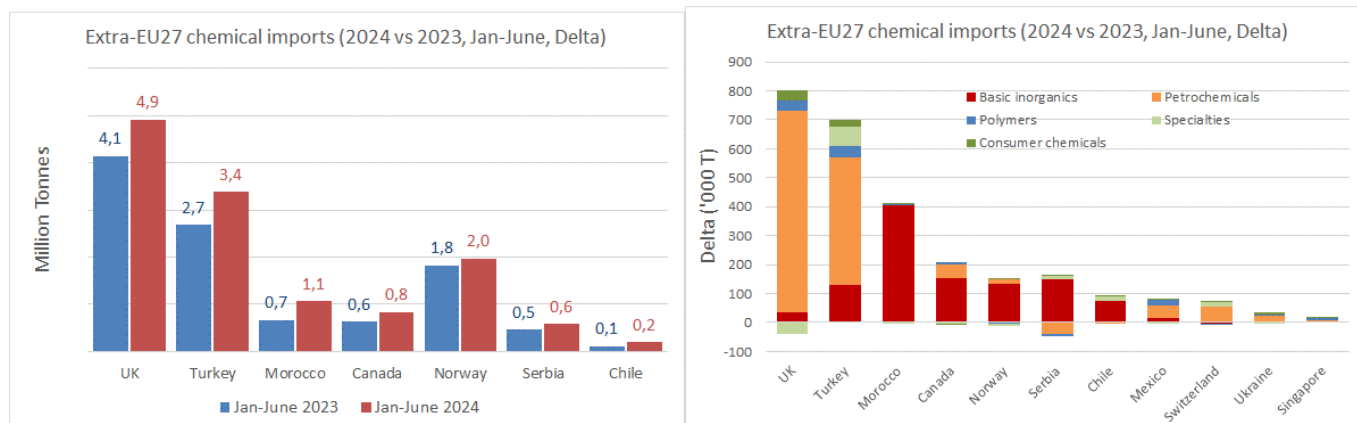
- On the export side, the EU27 chemicals industry achieved the volume of 46.8 MT (million tonnes), up from 43.4 MT.
- Chemicals accounts for 18.9% of extra-EU27 manufacturing exports.
- Chemicals reported the largest export growth among the EU27 manufacturing sectors. The whole EU27 manufacturing sector shows an increase of exports of 0.8%.

- ✓ **Morocco and UK contributed largely to additional EU27 chemicals exports in 2024 (Jan-June)**
EU27 chemical exports increased by 3.5 MT from the first half of 2023 to the same period in 2024. A deeper analysis by country and sub-sectors shows that EU27 exports to Morocco, UK, Turkey, Egypt and the USA contributed largely to these additional exports in 2024. The top 3 biggest increases in exports outside the EU27 are attributable to Morocco (basic inorganics), UK (petrochemicals), and Turkey (polymers).



Source: Eurostat and Cefic analysis 2024

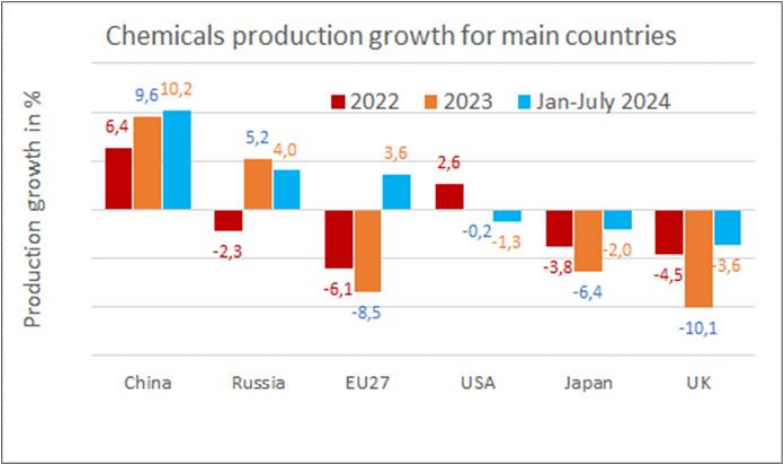
- ✓ **UK and Turkey contributed largely to the increase in EU27 chemicals imports in 2024 (Jan-June)**
EU27 chemical imports increased by 1.5 MT from the first half of 2023 to the same period in 2024. A deeper analysis broken down by country and sectors shows that EU27 imports from UK, Turkey, Morocco, Canada and Norway contributed largely to these additional imports in 2024. The top 3 being the UK (petrochemicals), Turkey (petrochemicals), and Morocco (basic inorganics).



Source: Eurostat and Cefic analysis 2024

- ✓ **Global chemicals production, up by 6.1% in 2024 (Jan – July)**
The chemical output in 2024 shows a notable recovery for several major economies compared to the previous year: China continued its strong production growth in spite of a demand growing *ca.* twice less, rising from 9.6% in 2023 to 10.2% in the first seven months of 2024. Germany, which saw significant declines in 2022 and 2023 (-10.3% and -12.1% respectively), rebounded with 5.7% growth in 2024 (January – July). The EU27 region also reversed its negative trend, improving from -8.5% in 2023 to 3.6% in 2024. Brazil, India, and South Korea showed modest growth in 2024 after experiencing either stagnation or decline in 2023. The USA saw a slight decline in 2024 (January – July) after

maintaining relatively stable outputs in 2023. Japan experienced a decline of 2.0% in in 2024 (Jan–July) after two years of strong economic recession (2022-2023). The UK continued to struggle, with chemical output dropping further to -3.6% in 2024 (January – July), following sharp declines in the previous years. Overall, global chemical output increased from 2.7% in 2023 to 6.1% in 2024 (January – July), reflecting a broader industry recovery.



Source: Eurostat and Cefic analysis (2024)

Output	2021	2022	2023	Jan-July 2024
China	8,4	6,4	9,6	10,2
Germany	5,7	-10,3	-12,1	5,7
Russia	7,1	-2,3	5,2	4,0
EU27	6,0	-6,1	-8,5	3,6
Brazil	3,6	1,1	-6,0	1,2
India	8,0	4,2	-0,2	1,2
South Korea	8,5	-9,9	-9,6	1,1
USA	4,2	2,6	-0,2	-1,3
Japan	5,0	-3,8	-6,4	-2,0
UK	-10,9	-4,5	-10,1	-3,6
World	7,3	1,5	2,7	6,1