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Slight improvement but orders remain below expectations and energy costs continue to weigh

✓ Summary

- After a 20-month spell in negative territory, the EU27 chemicals production increased for the third month in a row in April 2024. Yet, changes for the better remain bleak: with 0.6% production growth in Q1 2024 versus Q1 2023, it remains a weak start for the European chemical industry. Considering current levels, EU27 chemicals production would need to grow by 18% to reach the pre-COVID levels.
- Latest analysis shows that the German chemical industry started 2024 better than expected, reaching its highest output level since July 2022.
- Gas prices are at least 50% above the pre-COVID levels (2014-2019), feedstock costs remain high, and so do trade dependency levels.
- The Industry is still suffering from a lack of orders and uncompetitive energy costs, and these factors will continue to weigh on the expected recovery for the European chemicals industry.

✓ EU27 chemical production in Q1-2024: 0.6% above Q1-2023

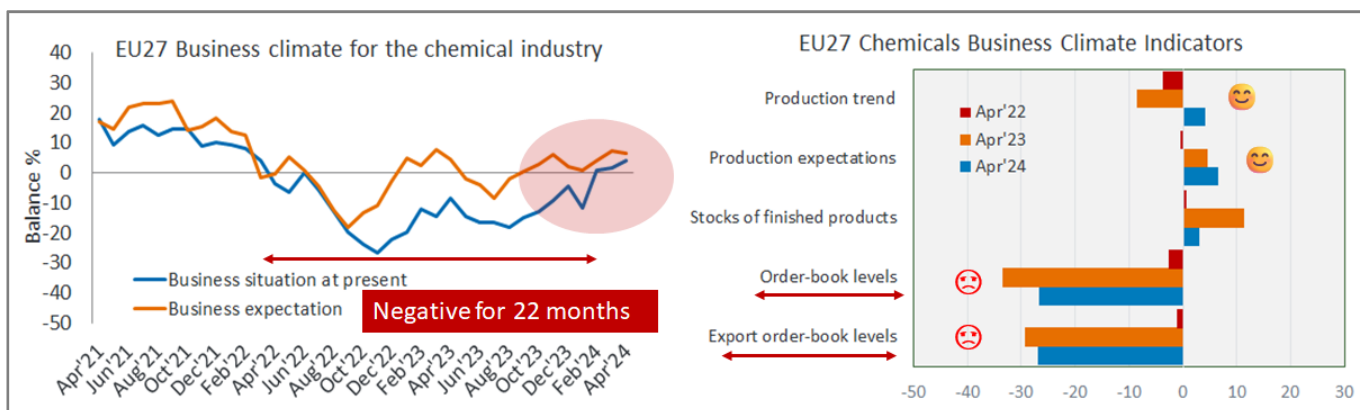
The EU27 chemical production saw an increase in February 2024 and March 2024. As such, 2024 output was above 2023 levels for two consecutive months. In Q1-2024, chemicals production was 0.6% above Q1-2023's levels, and 1.2% above Q4-2023's levels. The slight increase in chemical volumes throughout the first three months of 2024 (+0.6%, y-o-y) must be analysed with a lot of caution, it could be linked to a short-term restocking. It must not be perceived as good start of stabilised demand and ongoing recovery. There are still no solid signs of a sustained recovery in demand for chemical products. In addition, structural problems, such as a lack of orders and high costs, continue to weigh on the expected recovery.

✓ EU27 chemicals business climate slightly improved in 2024

The EU27 chemicals production increased for the third time in a row in April 2024. After a 20-month spell in the negative territory, it moved to positive digits for the first time in February 2024. The ongoing destocking trend is coming to the end. We see in April 2024 the first upturn in the stock level after six declines in a row. The managers' opinion on the current level of overall order books continued to move into the right direction and showed a gradual improvement until March 2024. The indicator

¹ Unless specified, chemical industry excludes pharmaceuticals.

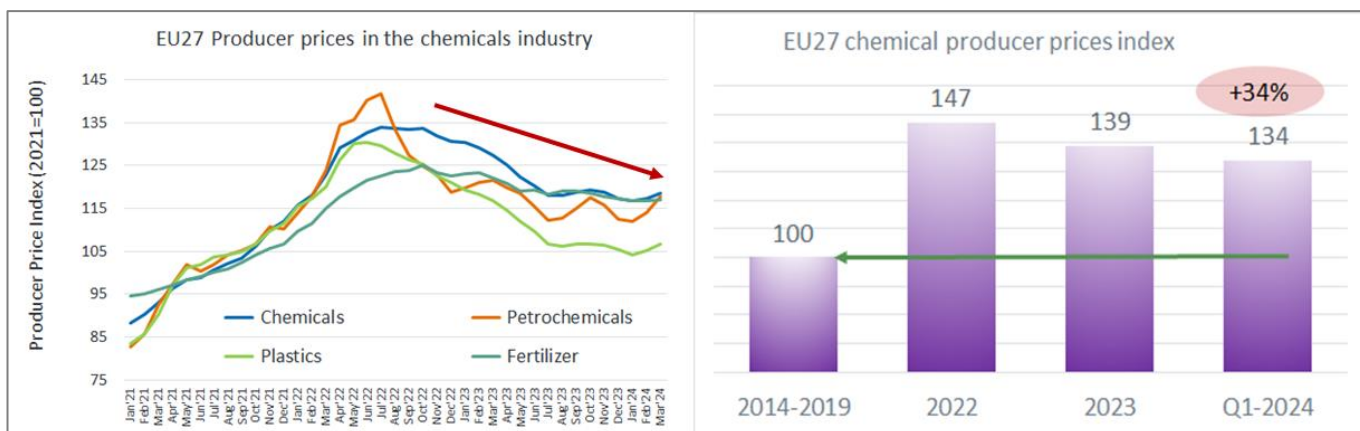
on export-order of books showed some encouraging signs until March 2024, and followed by a slight downturn in April 2024. It is too early to say that demand is gradually back to the normal level.



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

✓ EU27 chemicals prices are still far above pre-COVID levels (2014-2019)

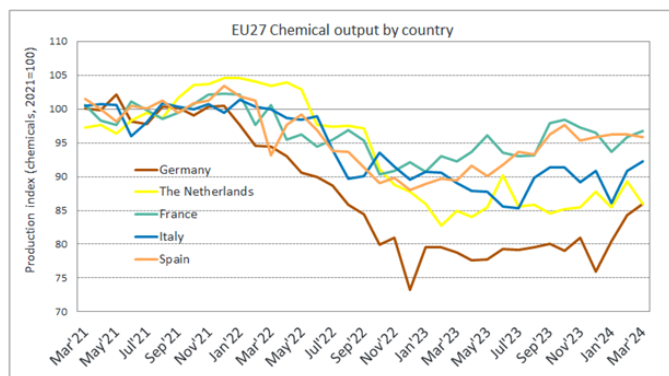
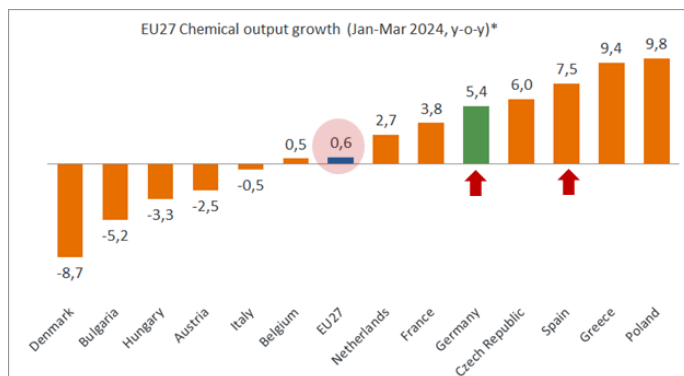
The current selling prices (Q1-2024) of the EU27 chemical industry are at least 30% above the pre-crisis level. The US chemicals selling prices in Q1-2024 were 27% higher than in the pre-crisis levels. However, EU27 chemicals selling prices in Q1-2024 were 8.8% below 2023 levels. Data analysis shows that prices of fertilisers and “Other inorganic chemicals” dropped significantly by more than 20% in Q1-2024 compared to Q1-2023. Plastics, industrial gases and man-made fibres reported a less pronounced decline in the range of 9-10%. The other sub-sectors registered a very modest decline, below the average of 8.8% during the same period.



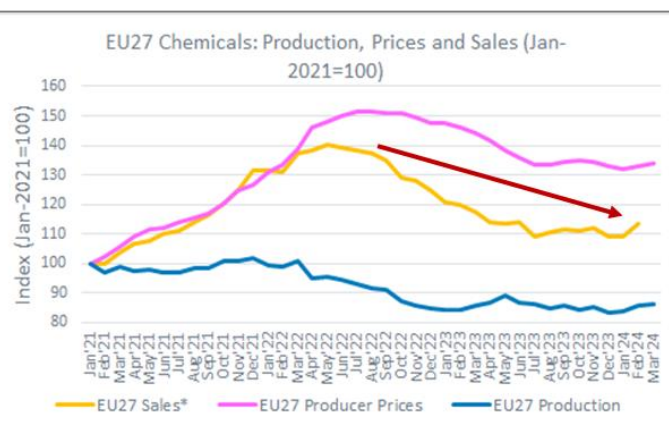
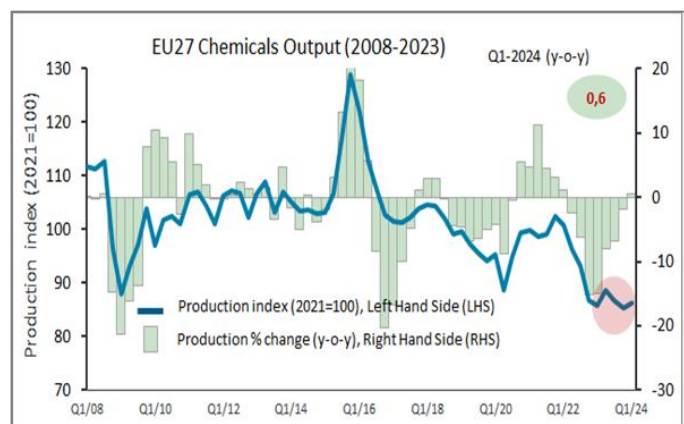
Source: Eurostat and Cefic analysis (2024)

✓ Bright spots in the German chemical industry

The recovery of the German chemical industry has been awaited for a very long time. The data analysis shows that Germany reached the highest output level since July 2022, as highlighted in VCI's latest report, “The German chemical industry started the new year better than expected. The order situation improved thanks to empty inventories at customer industries and an increase in demand from outside Europe. Production and sales increased compared to the previous quarter. Structural problems in Germany are slowing down development. A lack of orders and cost problems continue to depress the mood among companies” (Source: VCI Report Quarterly Report 1.2024). Europe also needs a strong boost to export to other markets such as Asia and the USA.



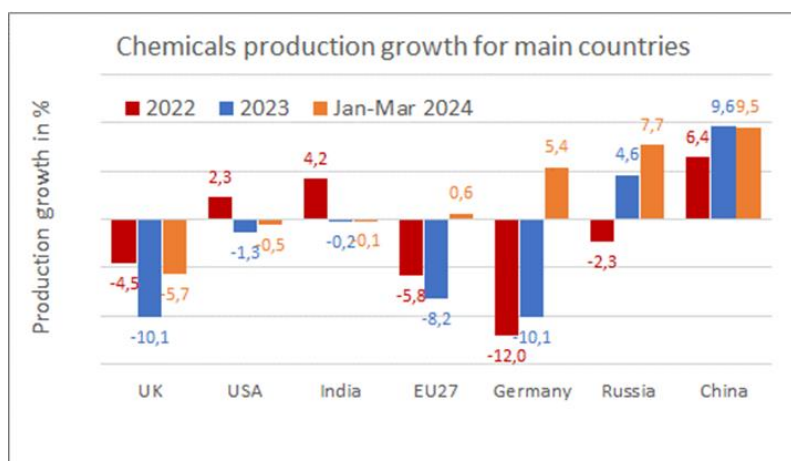
Source: Eurostat and Cefic analysis (2024)



Source: Eurostat and Cefic analysis (2024)

✓ Global chemicals production, up by 5.8% in Q1-2024 vs Q1-2023

China continues to report a high level of chemical production. However, chemical companies are not talking about a higher customer demand trend in China. Most analysts are cautious in interpreting the increased chemical production in China as a positive sign. There is a risk that it is the opposite with Chinese companies intending to increase their capacity by exporting more, which would impact global competitiveness. Weak global demand from key downstream sectors and persistently high energy costs are expected to continue to weigh on the sectors prospects into 2024-2025.



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

Source: Eurostat and Cefic analysis (2024)