

EU27 Chemical Industry: Latest Developments

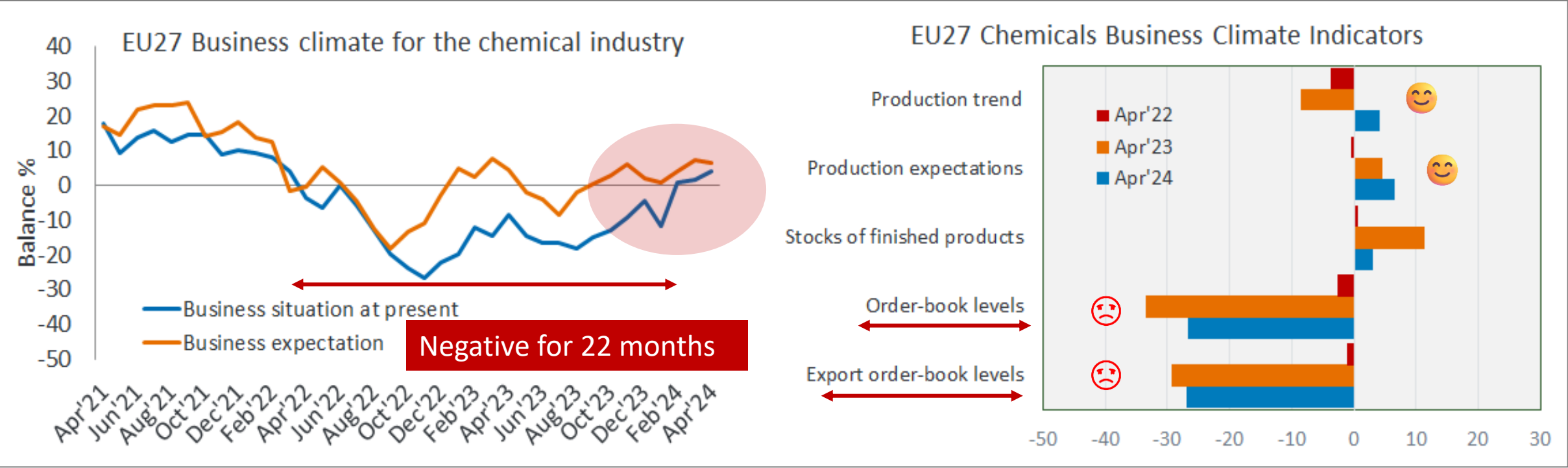


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EU27 chemicals business slightly improves

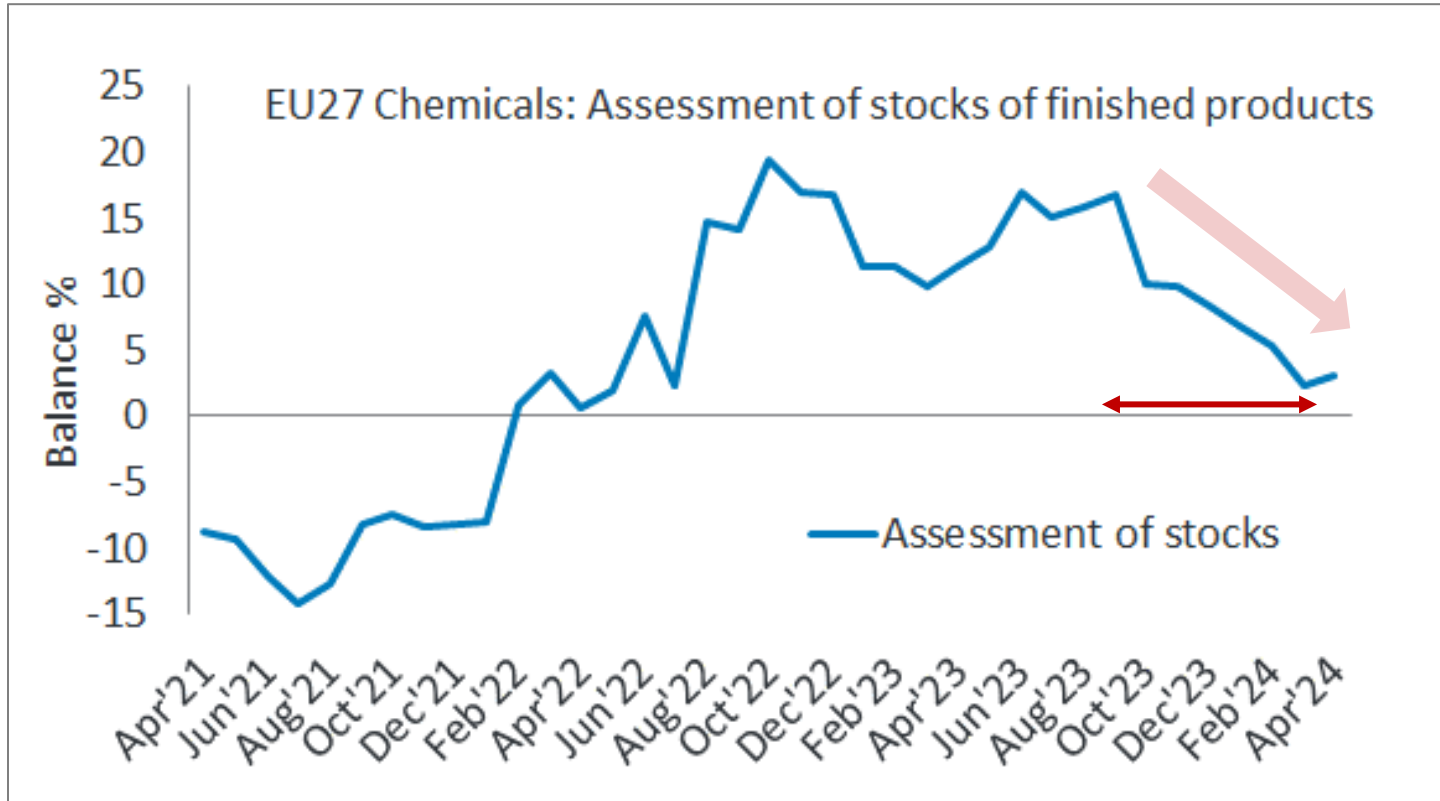


EU27 chemicals situation at present increased for the third time in row in April-24. It was in the negative territory for more than 20 months and started to be for the first time in the positive digit since Feb-2024



Source: EU Commission business and consumer survey results: Answers obtained from the surveys are aggregated in the form of balances, constructed as the difference between the percentages of respondents giving positive and negative replies.

Destocking in chemicals is coming to an end

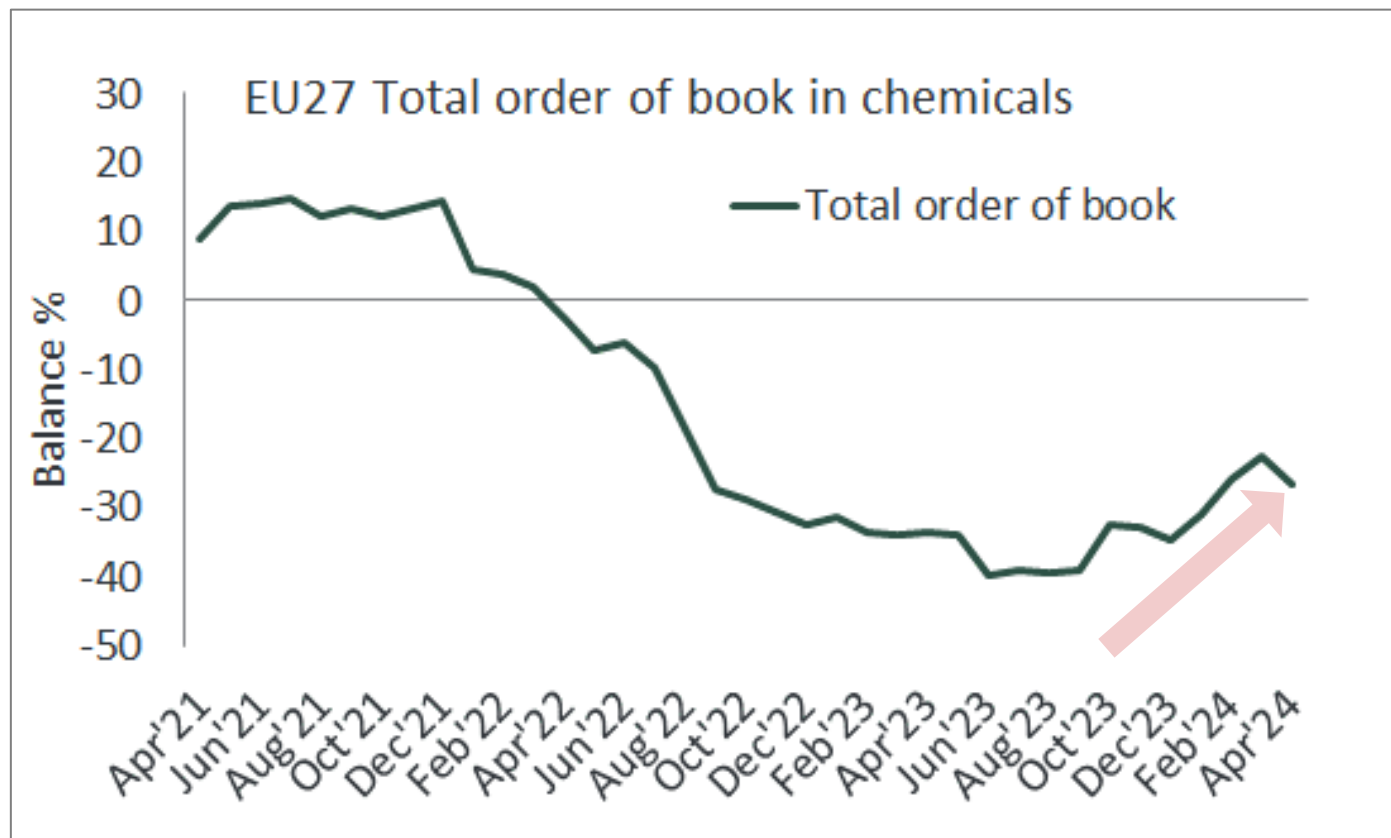


As expected, the ongoing destocking trend is coming to the end. A significant reduction of assessment of stock of finished products was observed from Sep-2023 until March 2024. Data reported a decline of the level of stock for the six consecutive months. We see in April-24 the first upturn in the stock level after six time decline in row.



Source: EU Commission business and consumer survey results: Answers obtained from the surveys are aggregated in the form of balances, constructed as the difference between the percentages of respondents giving positive and negative replies.

Assessment of overall order books showed gradual improvement until March-2024

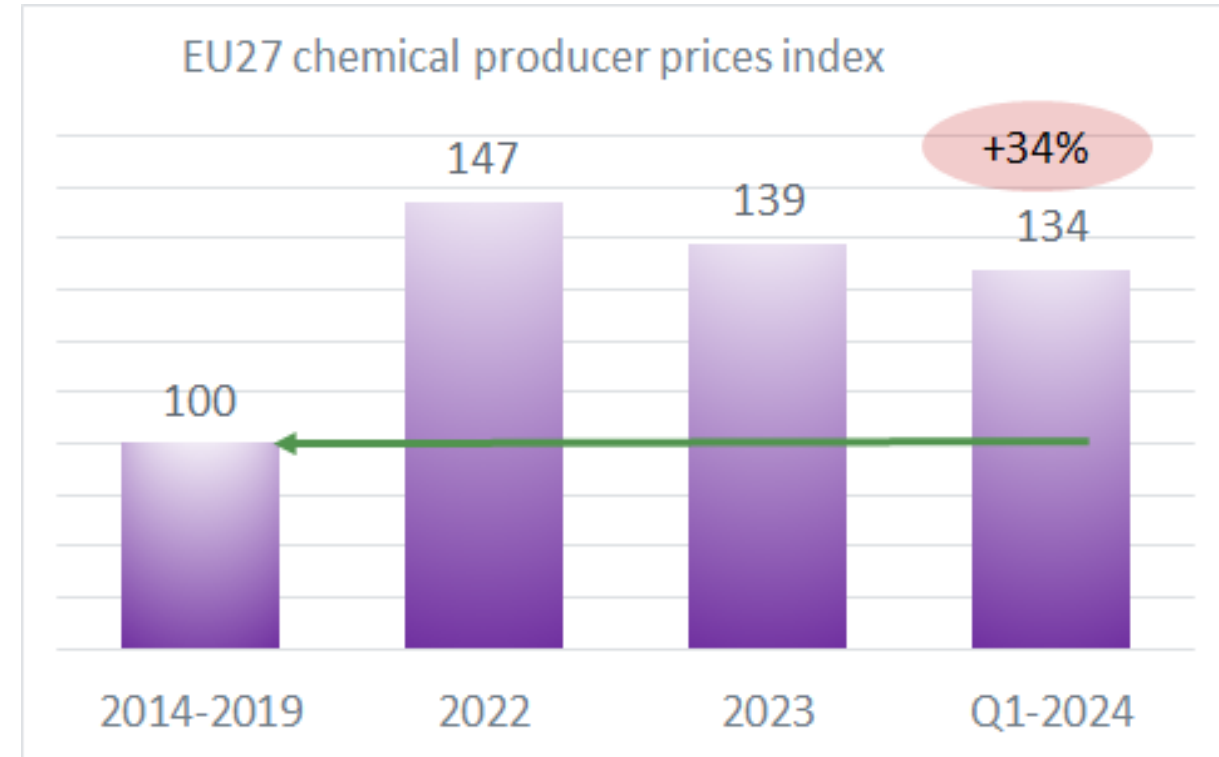
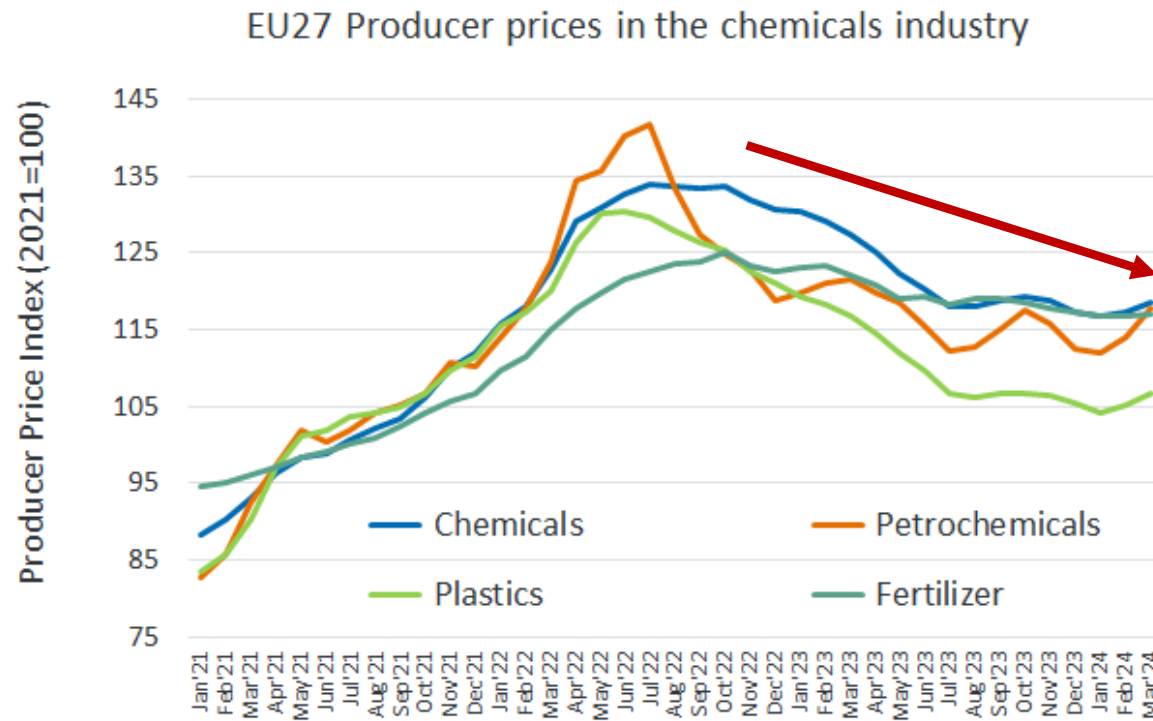


The managers' opinion on the current level of overall order books continued to move into the right direction and showed a gradual improvement until March-24. The indicator on export-order of books is also showing some encouraging signs until March-24. Data in April shows a slight downturn. It is too early to say that demand is gradually back to the normal level.



Source: EU Commission business and consumer survey results: Answers obtained from the surveys are aggregated in the form of balances, constructed as the difference between the percentages of respondents giving positive and negative replies.

EU27 chemicals prices: 34% above the pre-crisis levels



The current selling prices (Q1-2024) of the EU27 chemical industry are at least 30% above the pre-crisis level (2014-2019). EU27 chemicals selling prices in Q1-2024 were 8.8% below 2023 levels



2024 shows a weak start for most EU27 sectors

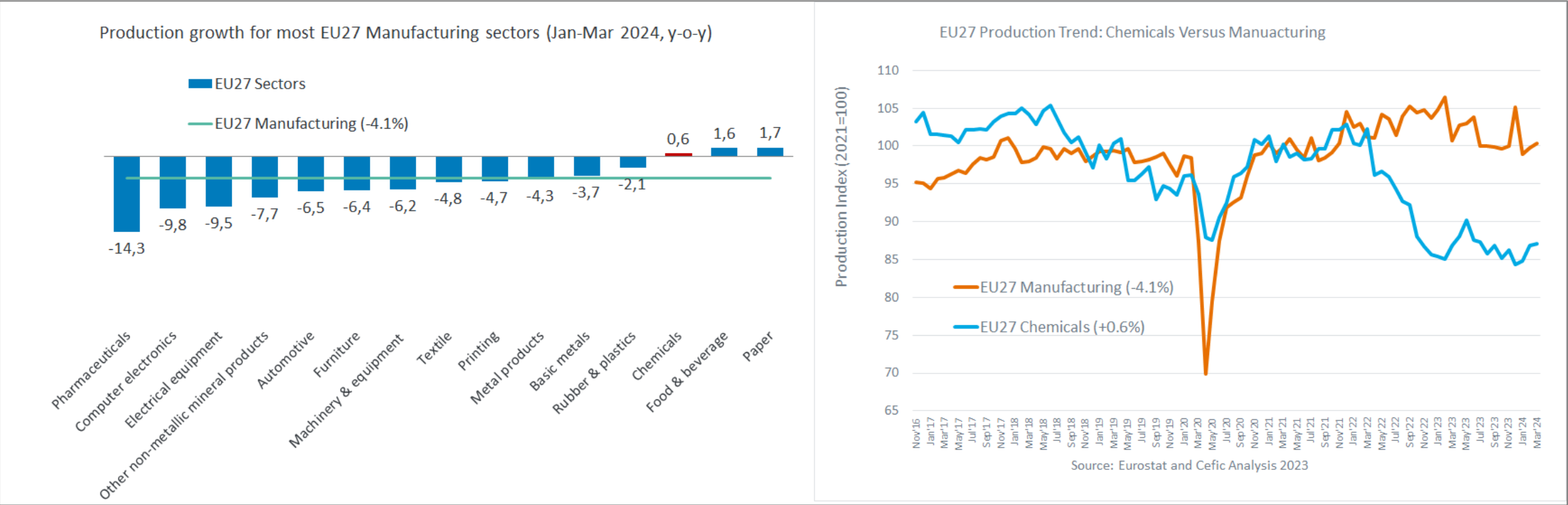
EU27 output growth by sector	Production growth in %		Production index (2021=100)		Production growth (2024) in %
	2022	2023	Jan-Mar-23	Jan-Mar-24	Jan-Mar 2024 (y-o-y)
Pharmaceuticals	-4,2	3,4	140,5	120,5	-14,3
Computer electronics	-0,8	-9,9	105,7	95,3	-9,8
Electrical equipment	1,0	0,6	109,1	98,7	-9,5
Other non-metallic mineral products	-1,5	-11,7	93,6	86,3	-7,7
Automotive	5,1	11,3	118,6	111,0	-6,5
Furniture	-2,6	-7,8	94,3	88,2	-6,4
Machinery & equipment	2,3	-1,4	108,6	101,8	-6,2
Textile	0,1	-7,0	93,9	89,4	-4,8
Printing	-1,3	-9,5	90,2	86,0	-4,7
Metal products	-0,6	-2,3	99,6	95,3	-4,3
Basic metals	4,9	-4,9	91,7	88,3	-3,7
Rubber & plastics	4,2	-4,3	95,1	93,1	-2,1
Chemicals	-5,8	-8,2	85,8	86,3	0,6
Food & beverage	16,6	-1,3	101,0	102,6	1,6
Paper	-1,2	-9,8	90,3	91,8	1,7
Manufacturing	2,2	-1,4	104,0	99,7	-4,1
Construction	2,7	-0,2	105,2	104,0	-1,2



EU27 chemical production is impacted by the high energy costs. 2022 and 2023 reported a severe output decline of more than 6%, and 2024 is still showing a weak start, and has not yet shown strong signs of a recovery. In 2024 the European chemicals production grew by 0.6% in Q1-2024 vs Q1-2023. Europe must act urgently and find solutions to its structural energy problem. Policies adding costs on top intended to boost transformation could speed up EU deindustrialisation and boost import dependencies.



EU27 manufacturing output in 2024: 4.1% below 2023 level



Bright spots in the German chemical business

Chemical business indicators in Germany

1st quarter 2024

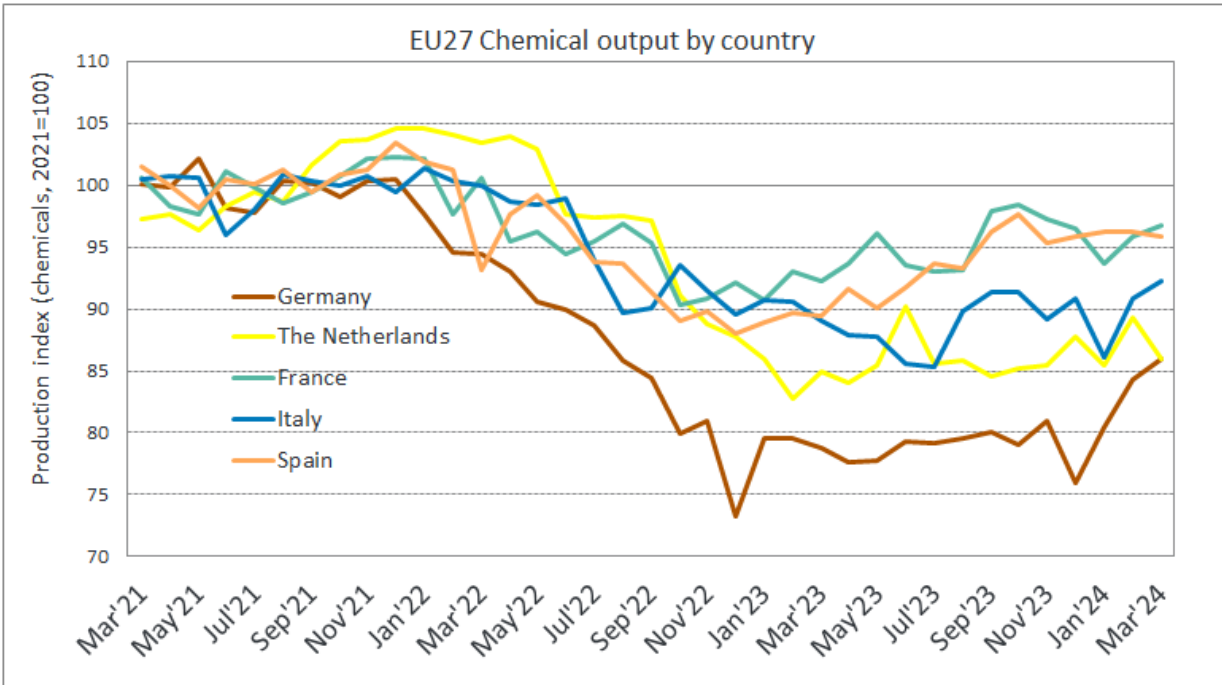
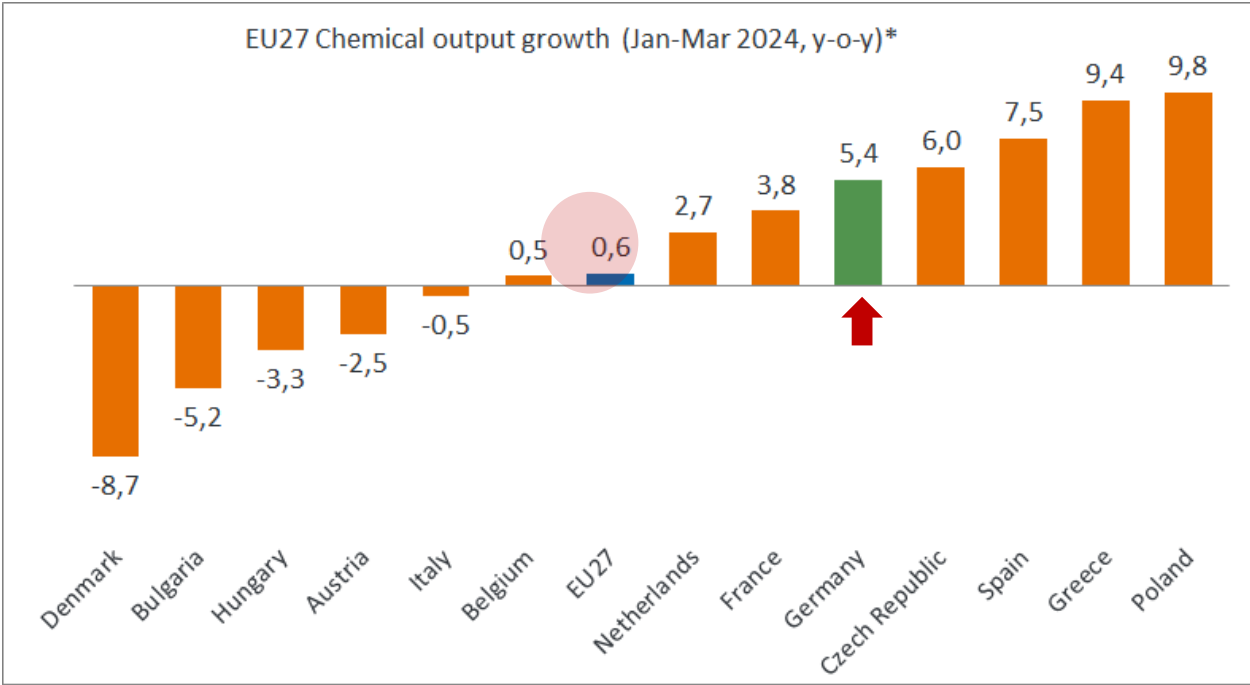
	changes in percent against	
	previous qarter	previous year
Production	+ 6.5	+ 4.4
excluding pharma	+ 6.3	+ 5.4
Producer prices	- 0.7	- 5.6
Sales	+ 1.8	- 4.0
domestic sales	- 1.3	- 9.3
foreign sales	+ 3.6	- 0.7
capacity utilisation in percent	quarter 4/2023	quarter 1/2024
chemicals (incl. Pharma)	+ 77.2	+ 78.1

Sources: Destatis, ifo, VCI

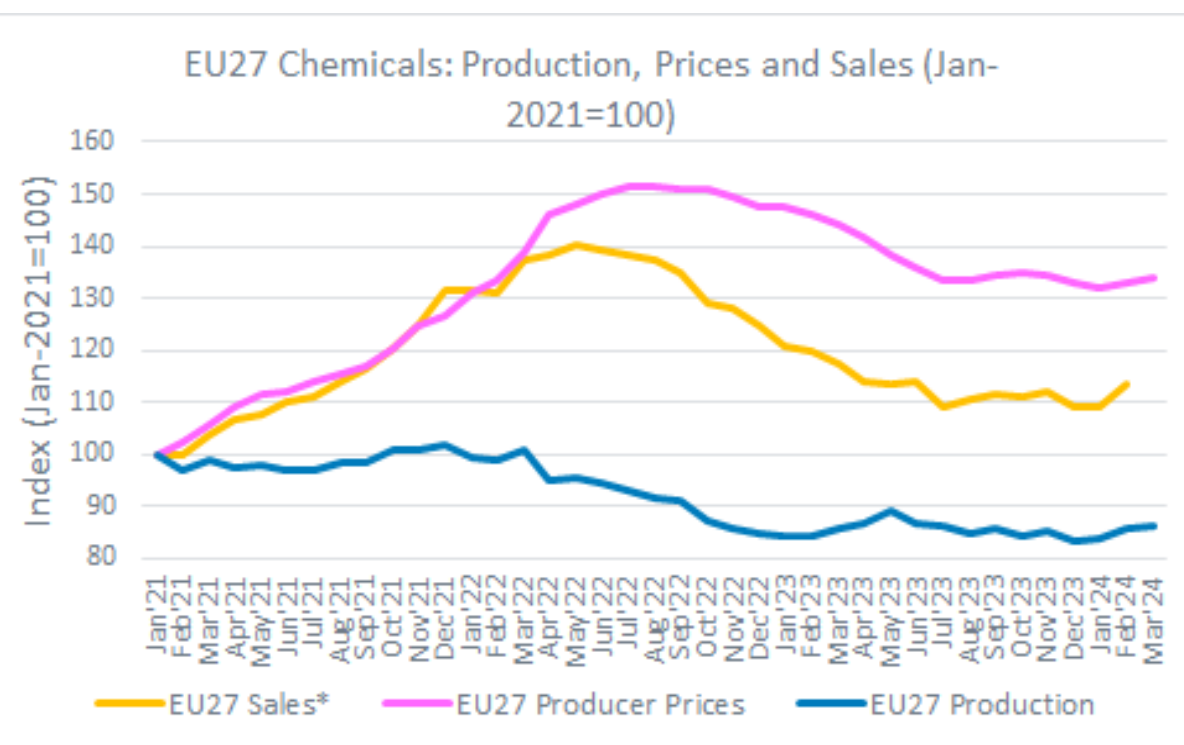
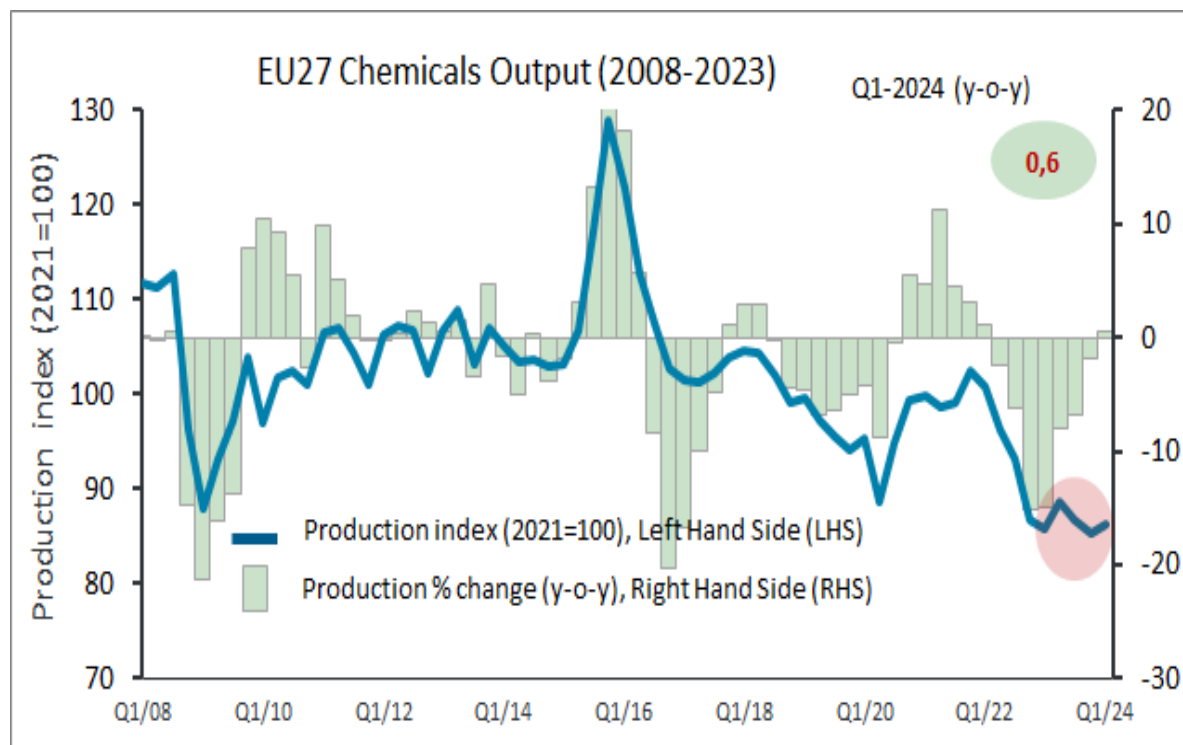
“The German chemical industry started the new year better than expected. The order situation improved thanks to empty inventories at customer industries and an increase in demand from outside Europe. Production and sales increased compared to the previous quarter. The Structural problems in Germany are slowing down development. A lack of orders and cost problems continue to depress the mood among companies”.



Germany reached the highest output level since July-2022



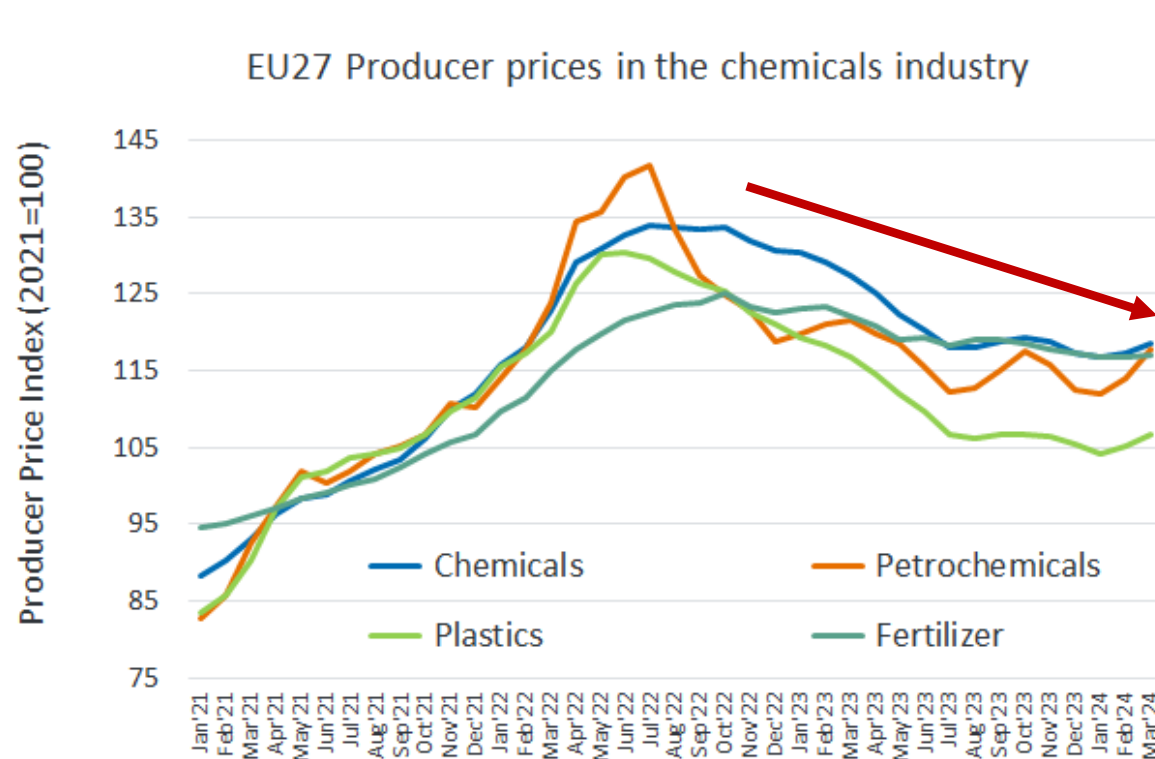
EU27 chemicals output in Q1-2024: 0.6% above Q1-2023



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 probably linked to a short-term restocking. It must not be perceived as good start of stabilised demand and ongoing recovery.



EU27 chemicals prices (2024): 34% above the pre-crisis levels



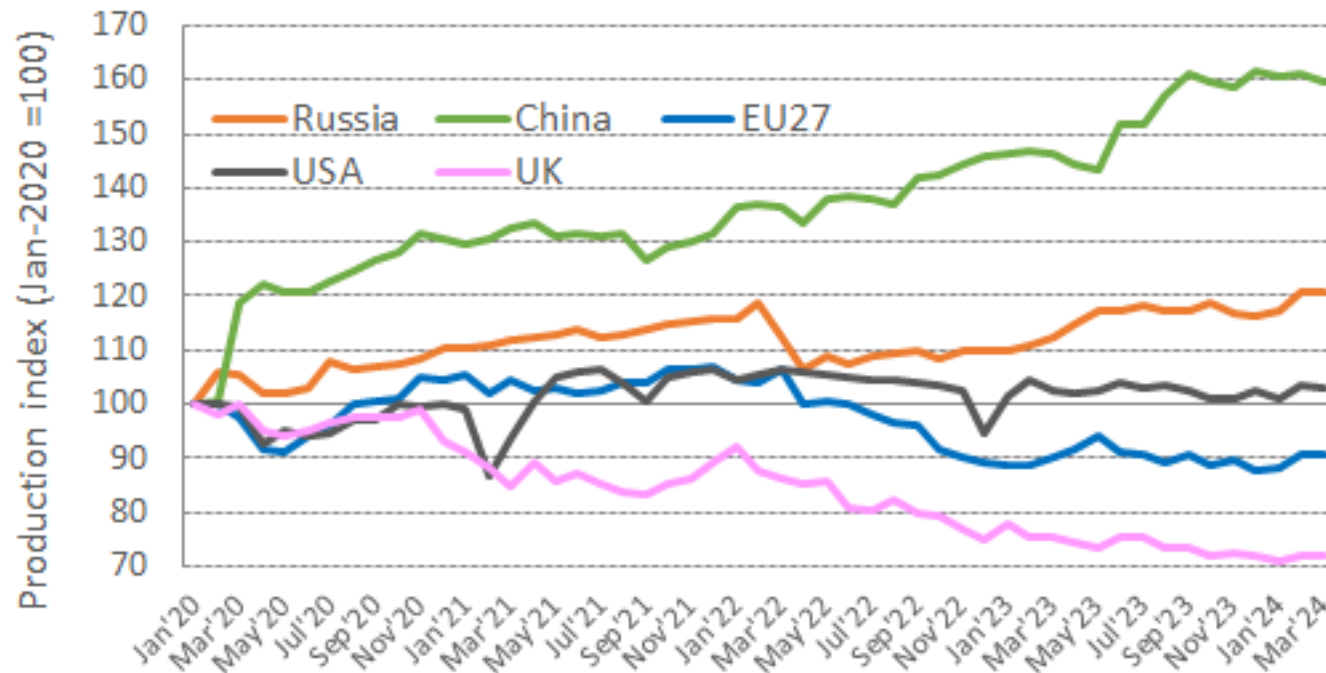
EU27 Chemicals Producer Prices Index (2021=100)	Q1-23	Q1-24	Changes
Fertilizer	168	120	-29%
Other inorganic chemicals	173	139	-20%
Plastics	118	105	-11%
Industrial gases	151	137	-9%
Man-made fibres	129	117	-9%
Chemicals	129	118	-8,8%
Other chemicals	126	116	-7,6%
Petrochemicals	121	115	-5%
Dyes & pigments	125	119	-5%
Crop protection	115	113	-1%
Paints & inks	119	119	0%

The current selling prices (Q1-2024) of the EU27 chemical industry are at least 30% above the pre-crisis level (2014-2019). The US chemicals selling prices in Q1-2024 were 27% higher than in the pre-crisis levels. EU27 chemicals selling prices in Q1-2024 were 8.8% below 2023 levels



China continue to report a high level of chemical production

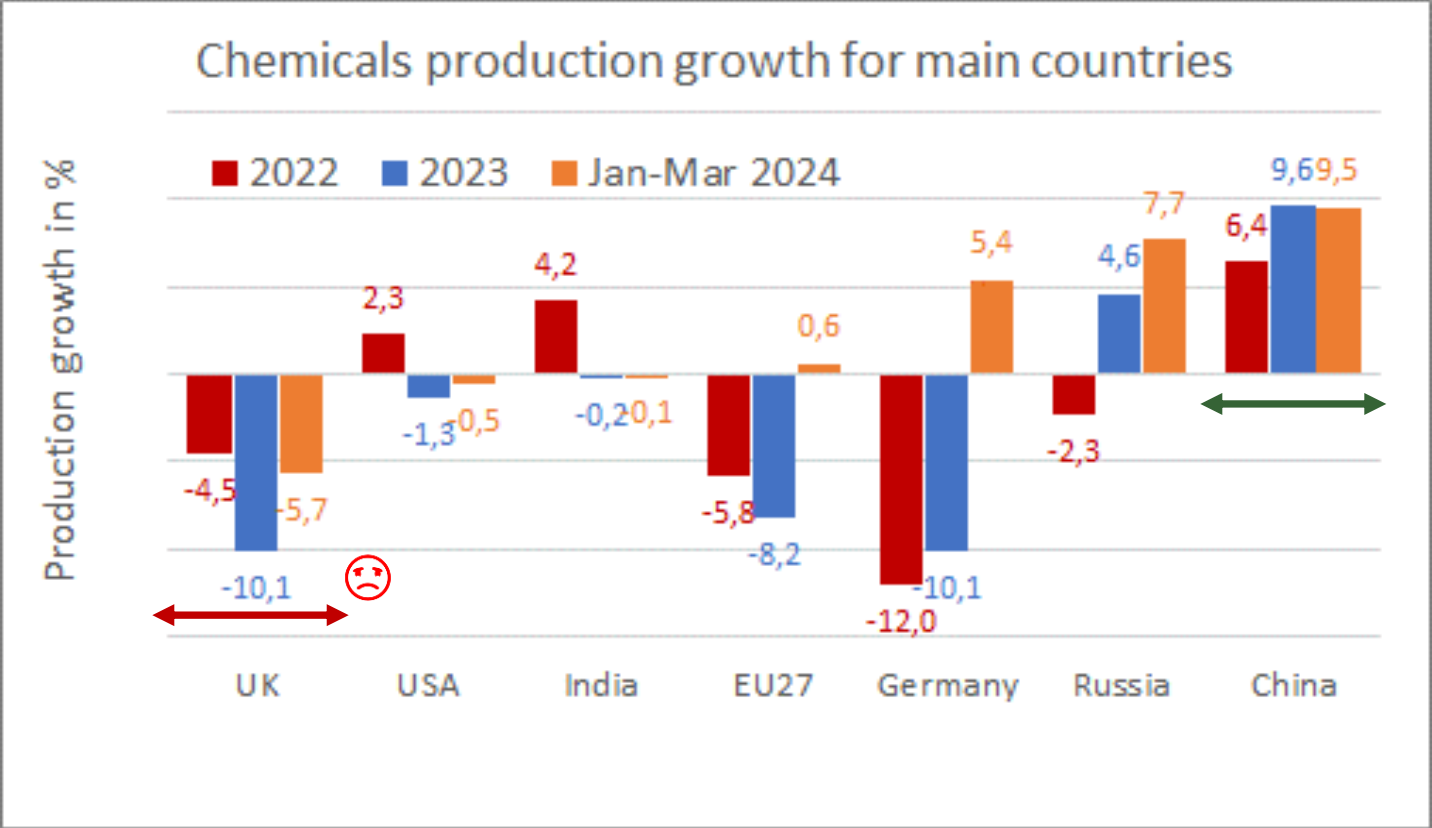
Chemicals Production trend for main countries



Chemical production in China seems to be improving month by month since March-23 and continue to report a high level of chemical production. However, chemical companies are not talking about a better customer demand trend in China yet. 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 utilisation by exporting more, which would impact global competitiveness.



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



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

China continue to report a high level of chemical production in March '24. China and key emerging countries will continue to play a key role in global demand. Weak global demand from key downstream sectors and persistently high energy costs will continue to weigh on the sectors prospects into 2024.

Outlook

- The EU27 chemicals production grew by 0.6% in Q1-2024 vs Q1-2023.
- 2022 and 2023 showed an output decline of more than 14%.
- Changes for the better still depend on gas prices, high feedstock costs, and high trade dependency levels.
- Latest analysis shows that the German chemical industry started the new year 2024 better than expected. Germany reached the highest output level since July-2022, and the slight recovery of German chemistry has been waited for a very long time.
- However, Europe is still suffering from the lack of orders and uncompetitive energy costs, and these factors will continue to weigh on the expected recovery for the European chemicals industry.

