

EU27 Chemicals Business- Monthly Briefings



1 Dec-2022

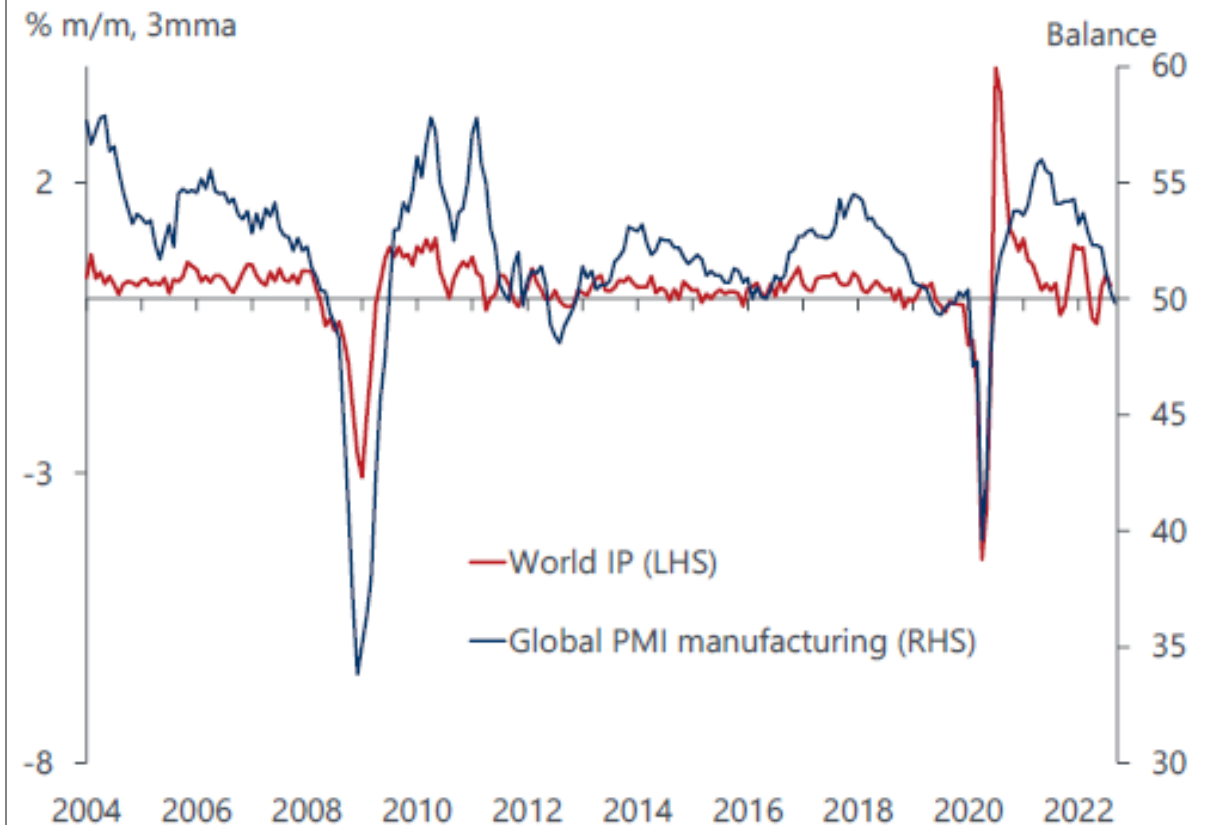
Dr Moncef Hadhri
Economic Affairs
mha@cefic.be



The Global PMI index crossed the threshold of 50 for the first time since mid-2020

- The latest global manufacturing flash PMI reading has, after months of deterioration and for the first time since mid-2020, crossed the threshold of 50 that signals contraction in manufacturing.
- The weakened global consumer demand environment is beginning to make itself evident in various indicators, including the demand for global air travel and the global light vehicle selling rate, which fell m/m for the first time since January and April respectively.
- The PMI readings for major European economies uniformly worsened in the latest readings, indicating a weak environment going forward.

World: Industrial production & PMI



Source : Oxford Economics/Haver Analytics/IHS Markit

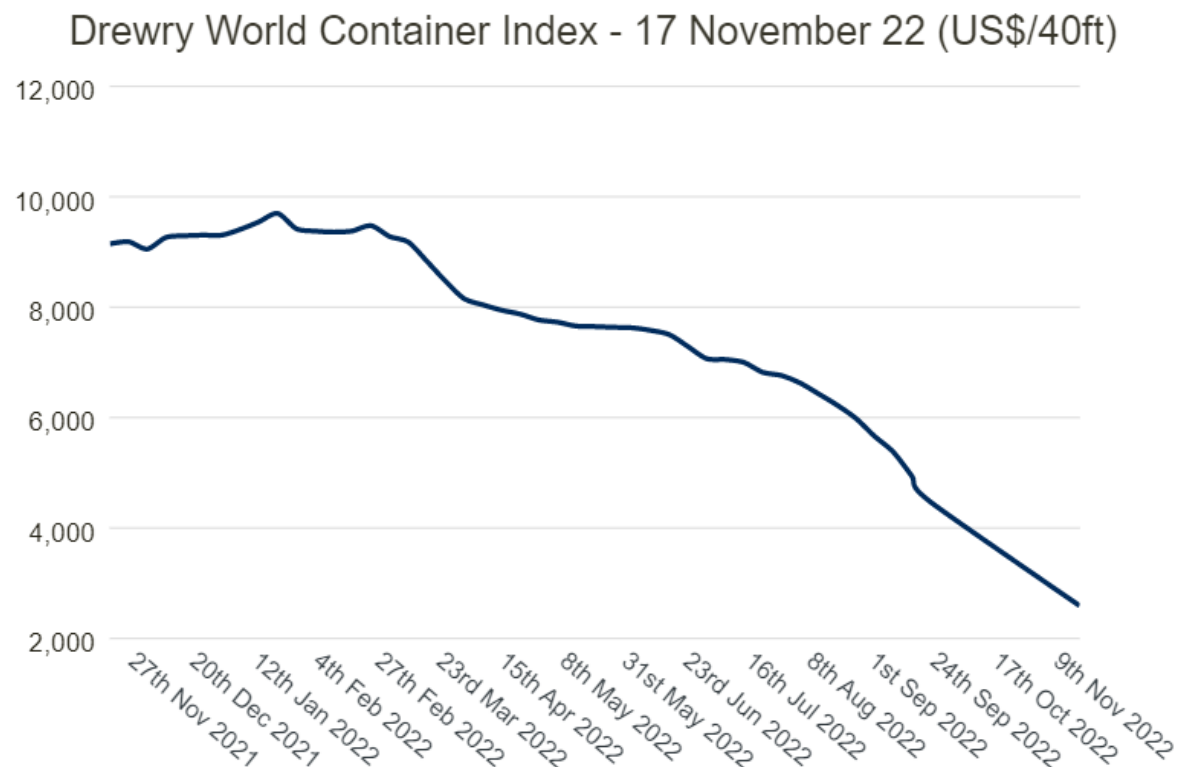


Drewry's World Container Index dropped significantly

Spot freight rates by major route

Our assessment across eight major East-West trades:

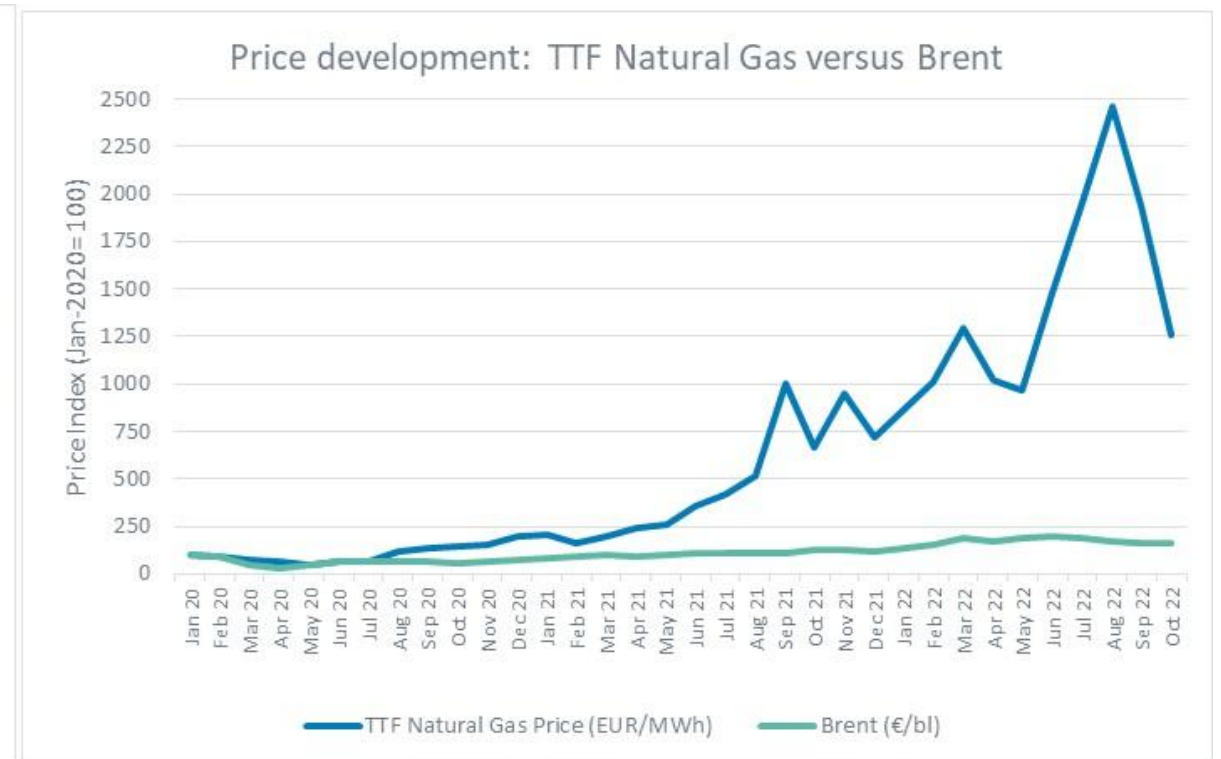
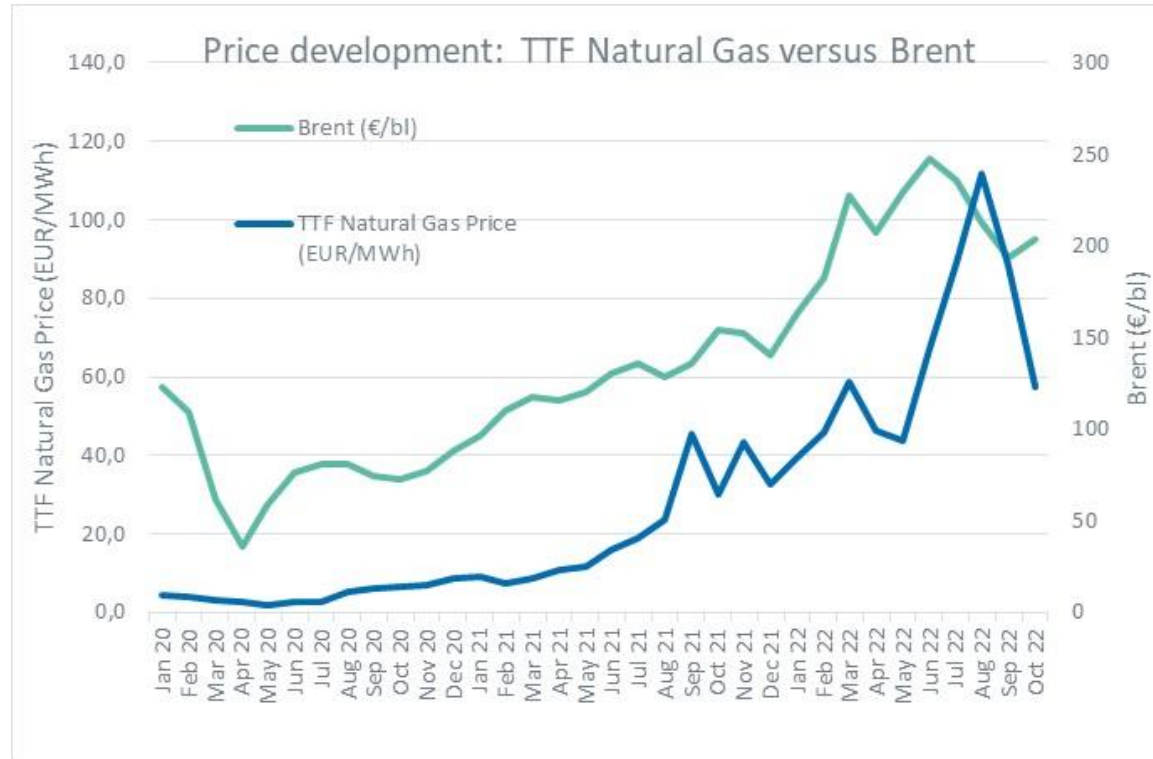
Route	3-Nov-22	10-Nov-22	17-Nov-22	Weekly change (%)	Annual change (%)
Composite Index	\$3,050	\$2,773	\$2,591	-7% ▼	-72% ▼
Shanghai - Rotterdam	\$3,684	\$3,126	\$2,687	-14% ▼	-80% ▼
Rotterdam - Shanghai	\$876	\$867	\$840	-3% ▼	-47% ▼
Shanghai - Genoa	\$4,087	\$3,494	\$3,404	-3% ▼	-73% ▼
Shanghai - Los Angeles	\$2,364	\$2,262	\$2,130	-6% ▼	-79% ▼
Los Angeles - Shanghai	\$1,165	\$1,186	\$1,184	0%	-7% ▼
Shanghai - New York	\$5,694	\$5,351	\$5,045	-6% ▼	-62% ▼
New York - Rotterdam	\$1,318	\$1,318	\$1,322	0%	11% ▲
Rotterdam - New York	\$7,426	\$7,336	\$7,363	0%	17% ▲



The composite index decreased by 7% this week, the 38th consecutive weekly decrease, and has dropped by 72% when compared with the same week last year.



Natural gas fell by 35% in Oct 2022 but still far above 2021's levels



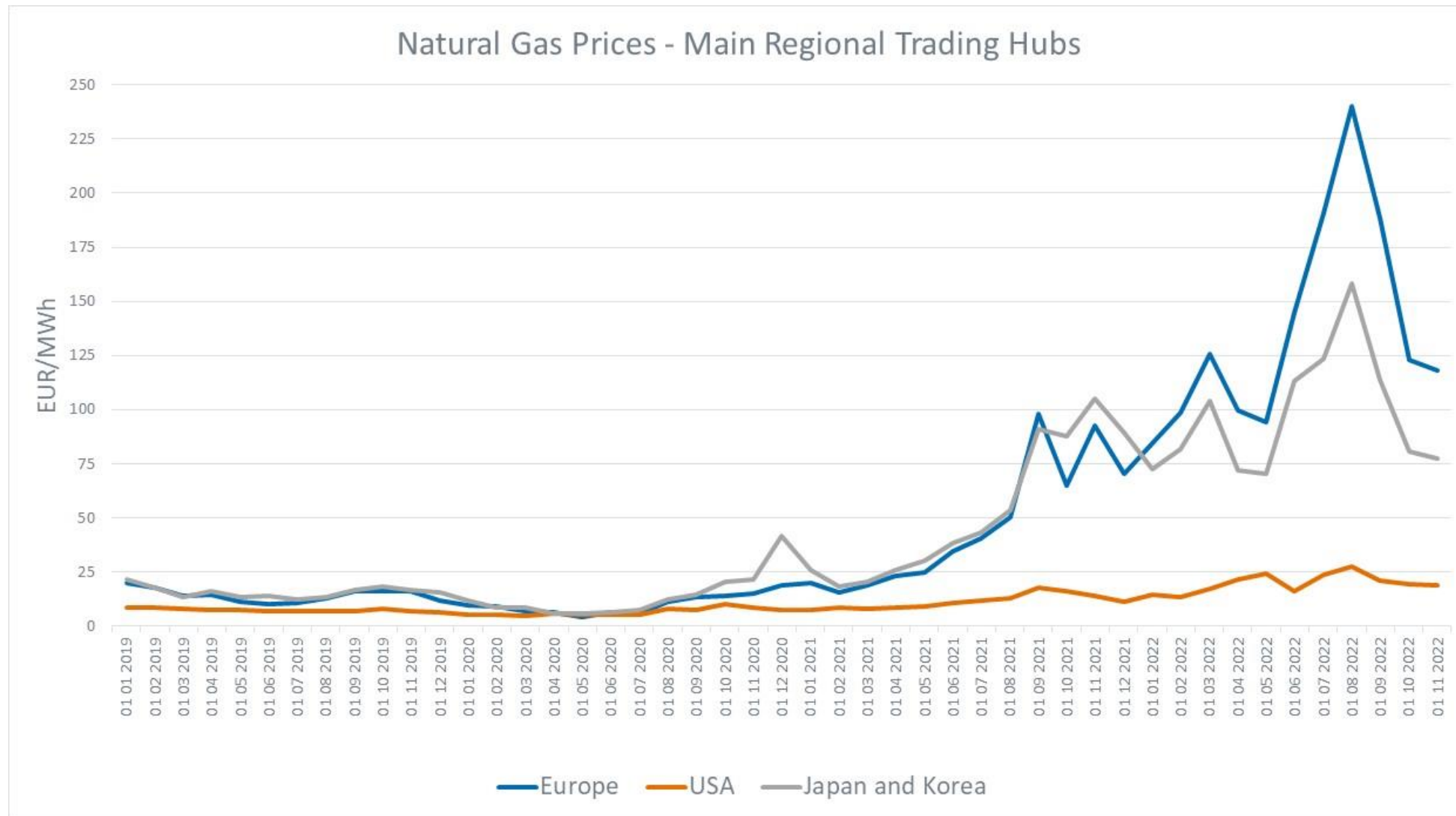
	Natural gas price (€/MBTU)	Brent (€/bl)	Naphta (€)
Jan-Oct 21	39,1	58,2	498,9
Jan-Oct 22	139,0	98,2	761,2
Change	3,6	1,7	1,5

	Natural gas price (€/MBTU)	Brent (€/bl)	Naphta (€)
Jan 20	9,8	57,3	481
Oct 22	123,0	95,0	681
Change	12,6	1,7	1,4



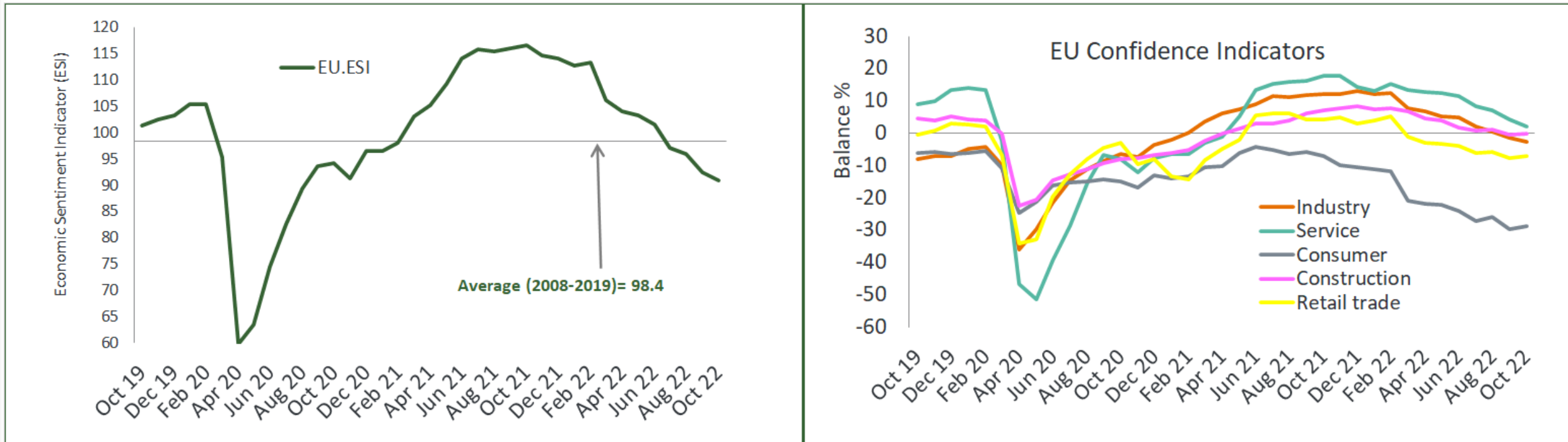
Source: INSEE Oil

Natural gas prices in Europe still 6.2 time higher than in the US



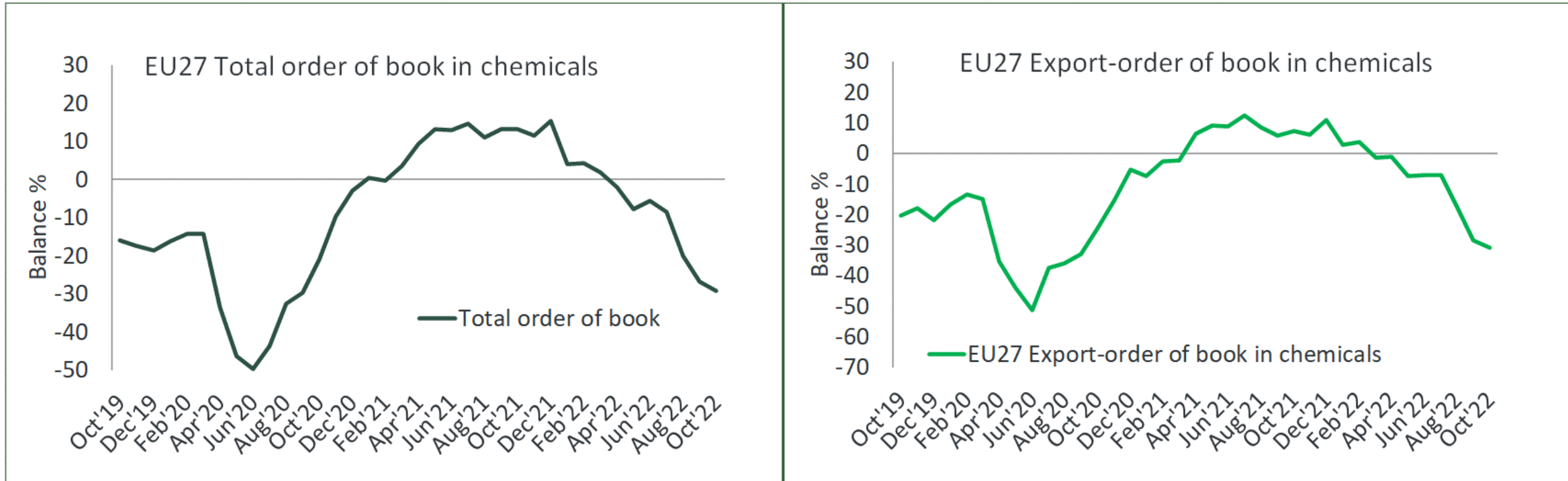
Source: <https://www.investing.com/commodities/ice-dutch-ttf-gas-c1-futures-historical-data>
<https://www.investing.com/commodities/natural-gas-historical-data>

The EU27 Economic Sentiment keeps dropping, reaching its lowest level since August 2020



The ESI's decrease in October resulted from marked deteriorations in services and manufacturing confidence, only partly offset by slight improvements in retail trade and consumer confidence. Confidence in construction remained broadly stable.

Managers' appraisals of new orders declined significantly for the fifth time in a row

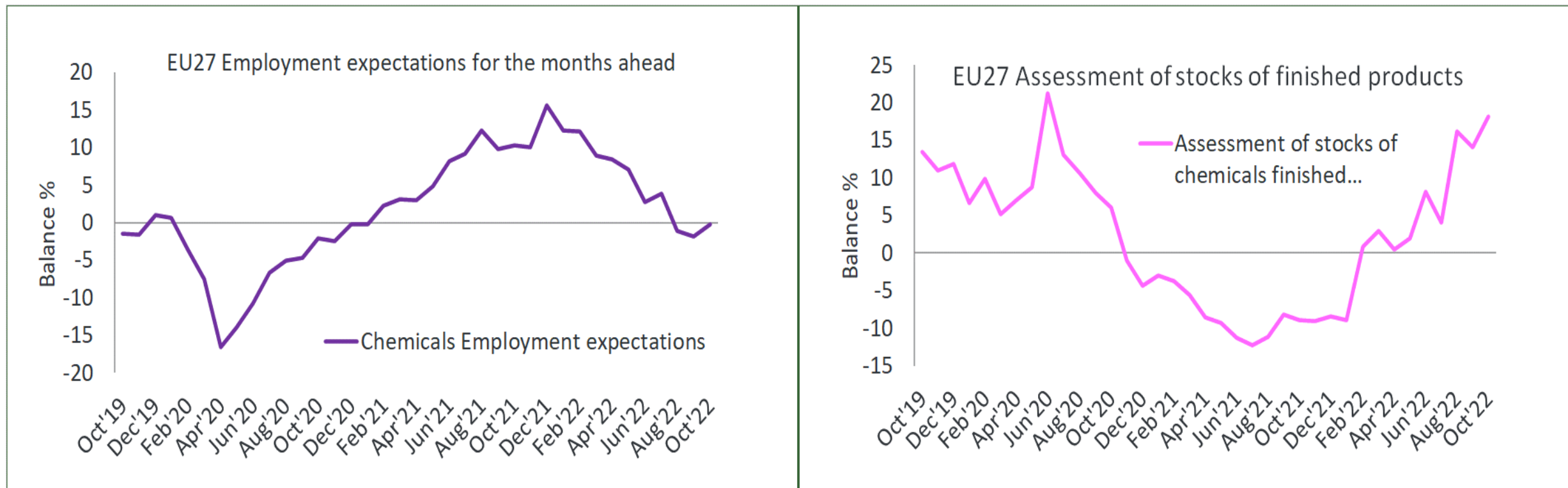


The estimated number of months' production assured by orders on hand increased to a very high level of 5.3 months (EU Commission quarterly survey results, Oct-2022).



Source: Eurostat and Cefic Analysis Oct 2022

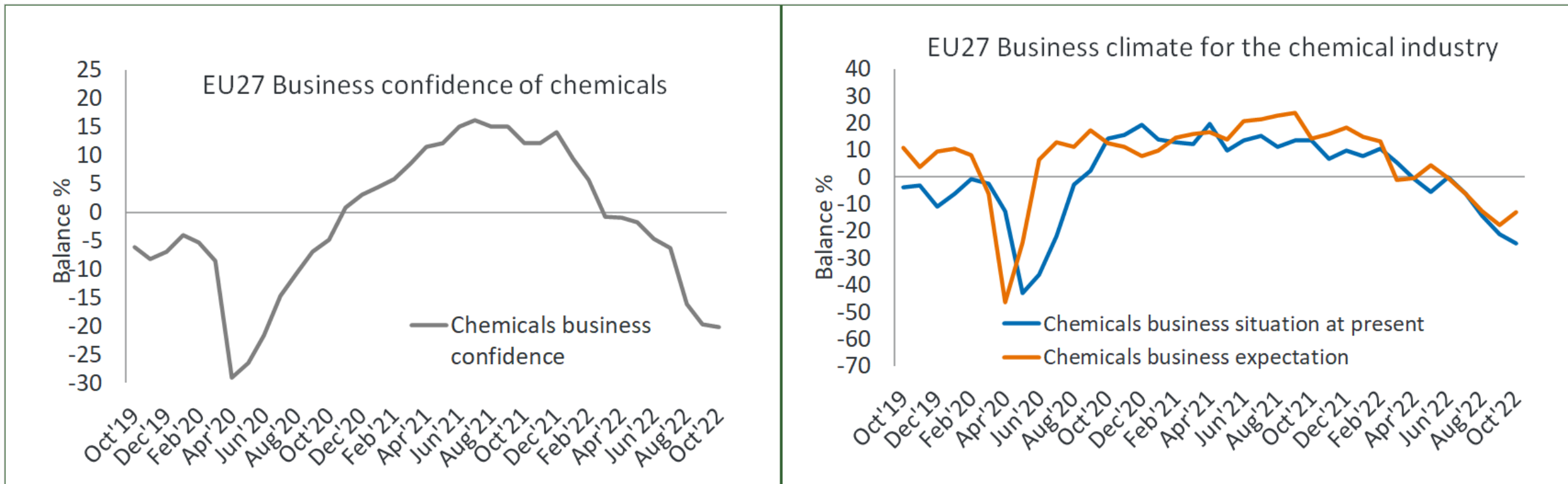
EU27 employment expectations and the stocks of finished products picked up slightly



The share of managers identifying shortage of labour force as a factor limiting production decreased in October to 25.9% of all industry managers (EU Commission quarterly survey results, Oct-2022).



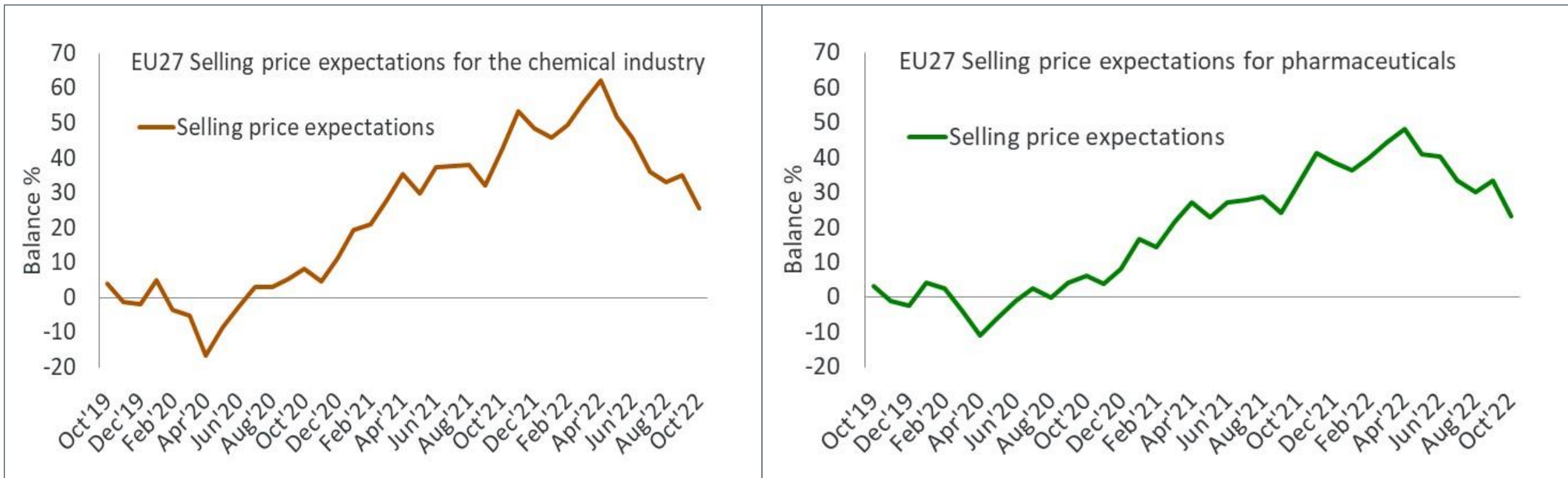
EU27 business confidence on chemicals decreased for the eighth month since March 2022



Industry confidence decreased for the eighth month as managers' assessments of the current level of overall order books worsened markedly and the stocks of finished products picked up. By contrast, managers' production expectations for the next three months improved somewhat.



EU27 selling price expectations rose further in all surveyed business sectors except industry

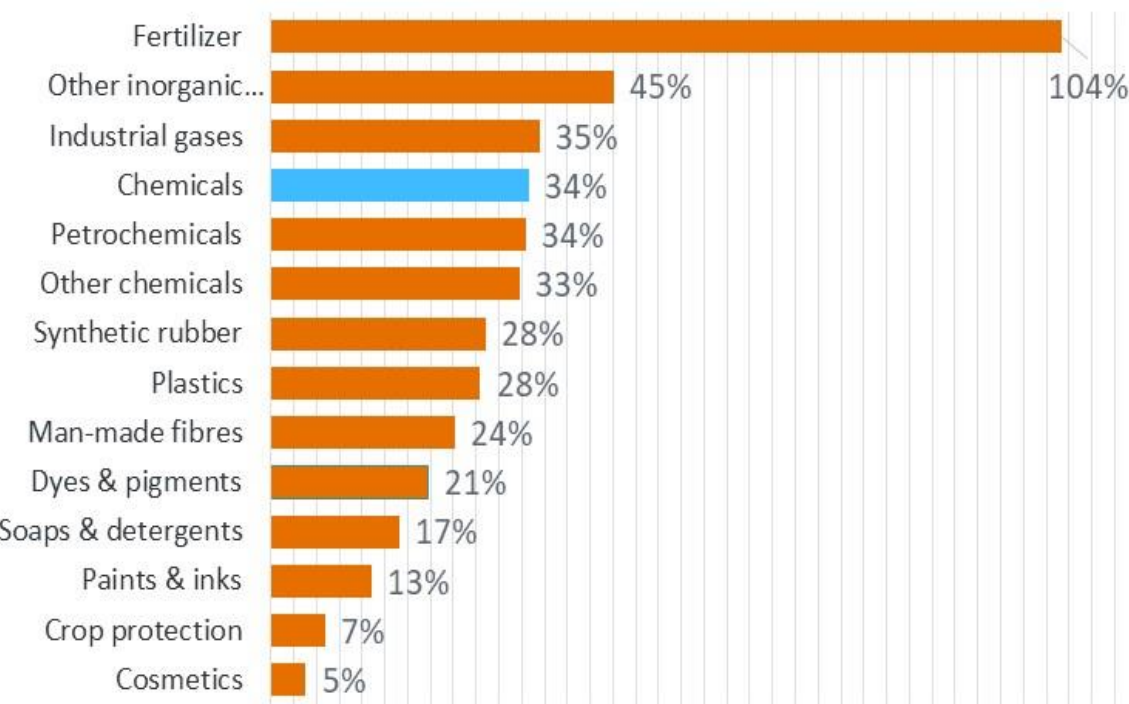


Selling price expectations rose further in all surveyed business sectors except industry, where the indicator declined somewhat. Consumer price expectations edged down but remained at a high level. Consumers' perceptions of price developments over the past twelve months reached another all-time high.

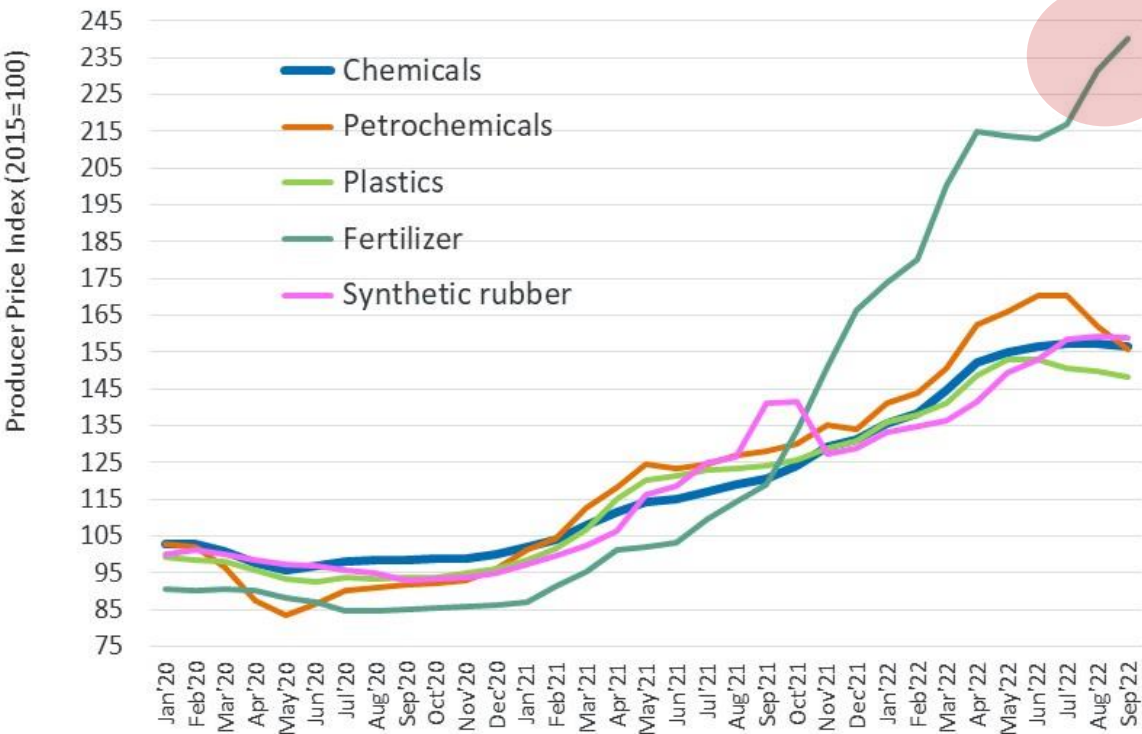


EU27 chemical selling prices far above historical levels

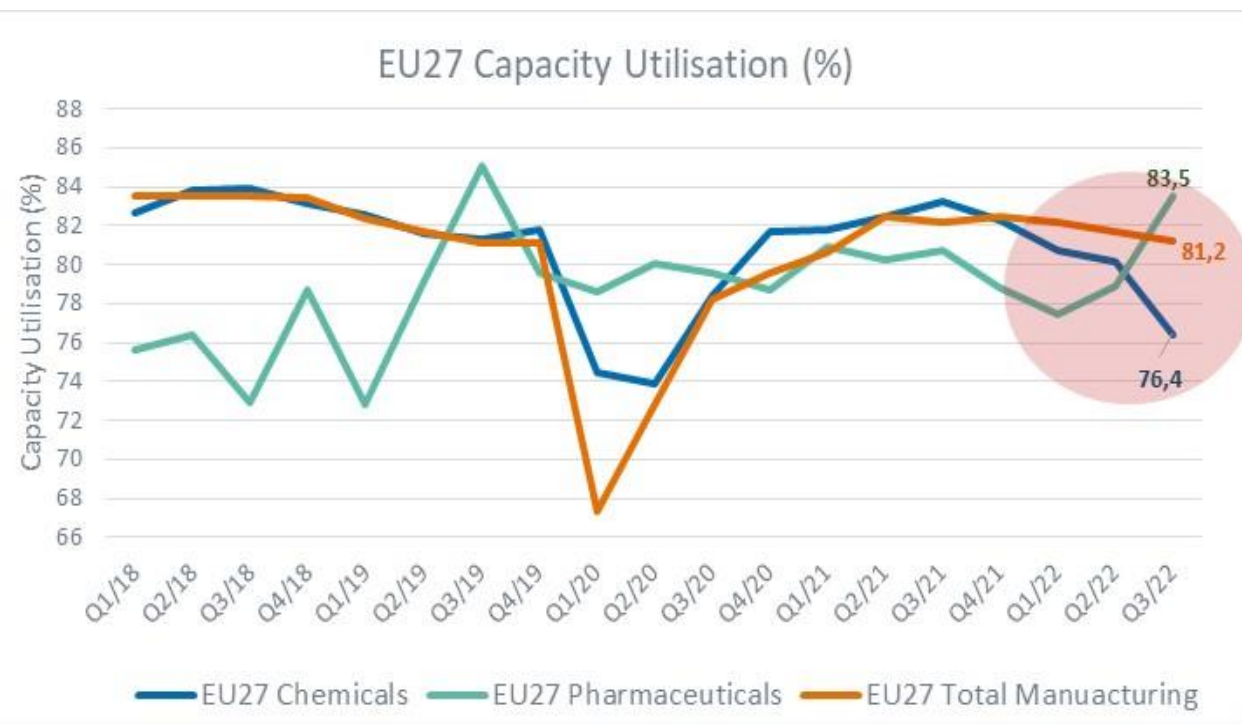
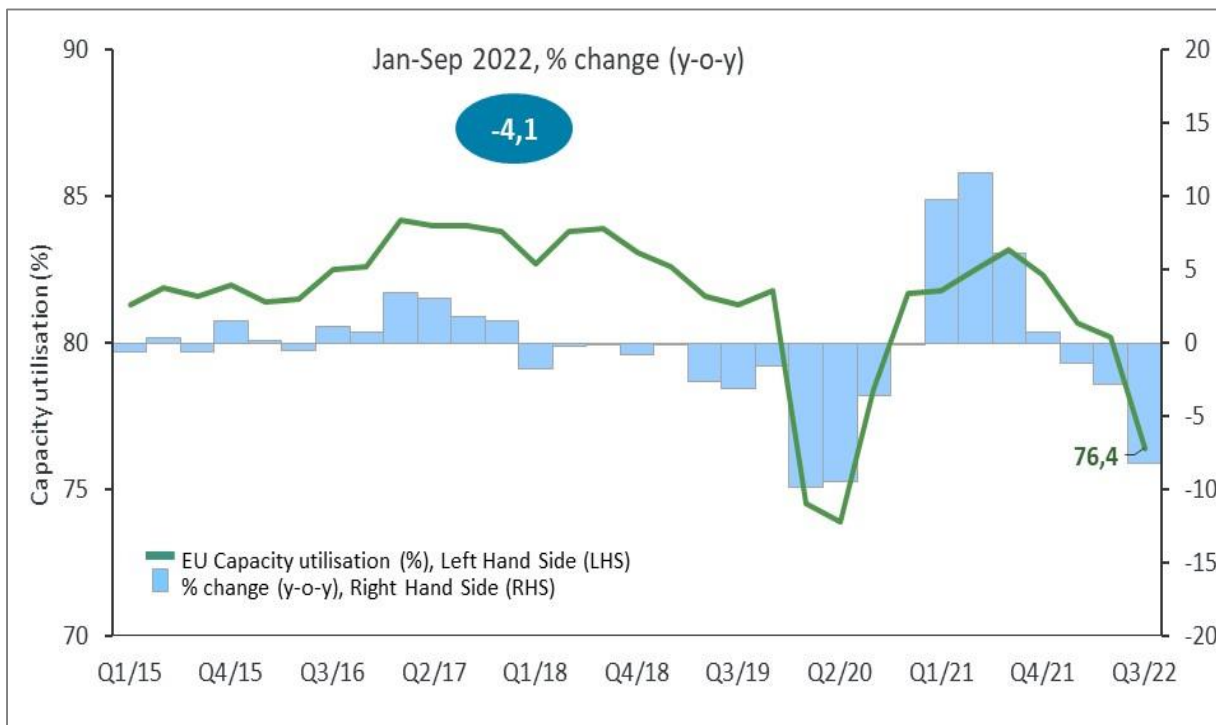
EU27 Producer prices: Jan-Sep 2022 (y-o-y)



EU27 Producer prices in the chemicals industry



Capacity utilization declined more strongly in chemicals than in manufacturing

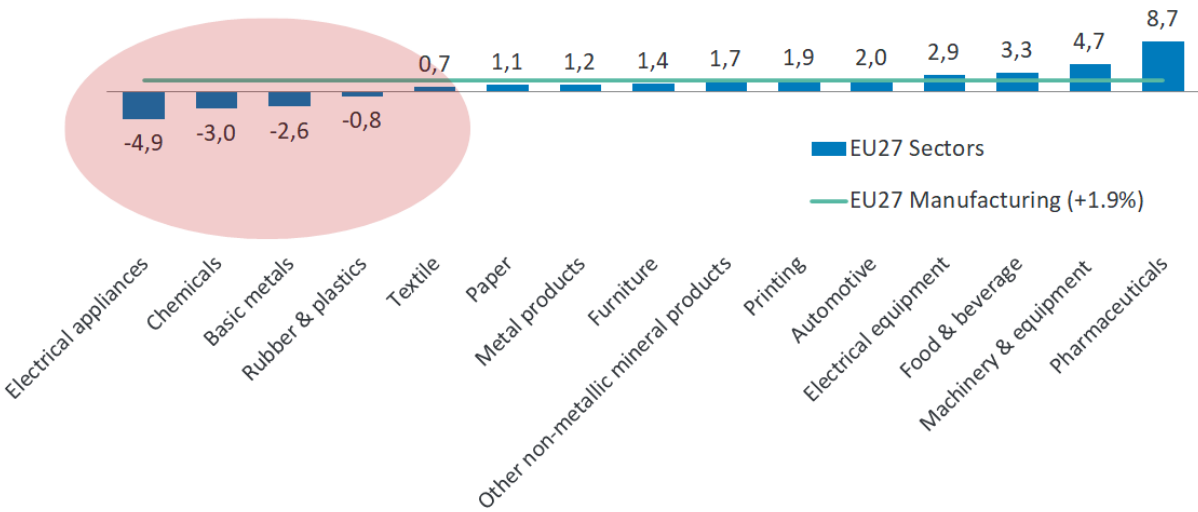


In October 2022, the estimated capacity utilisation rate in the EU industry sector decreased but still at a relatively high level (81.2%). Capacity utilization in chemicals is far below its long-term average (81.6%).

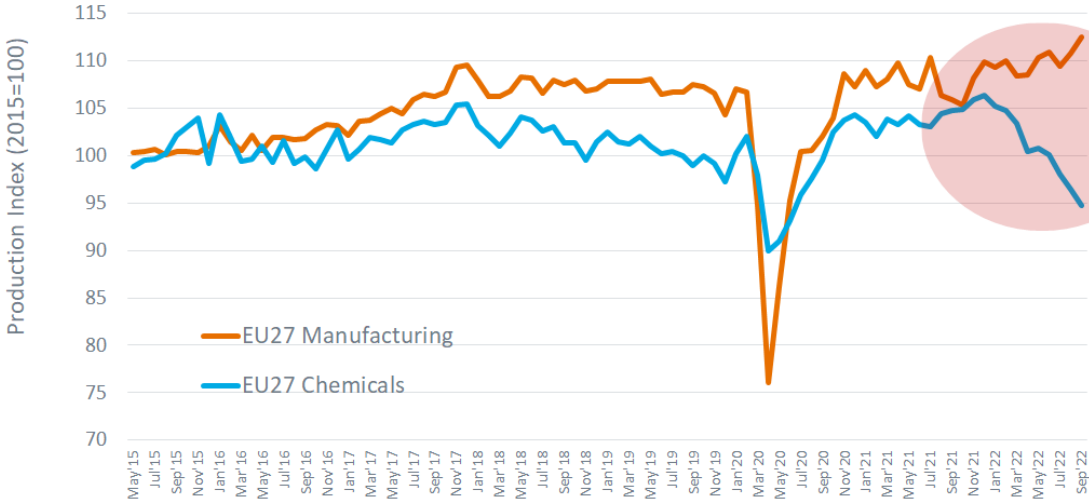


Decoupling of EU27 chemicals from manufacturing

Production growth for most EU27 Manufacturing sectors (Jan-Sep 2022, y-o-y)



EU27 Production Trend: Chemicals Versus Manufacturing



Source: Eurostat and Cefic Analysis 2022

While remaining at a relatively high level, the percentage of industry managers quoting shortage of material and/or equipment as a factor limiting production decreased to 40.0% (EU Commission quarterly survey results, Oct-2022).



EU27 Chemicals and durables demand impacted most by energy crisis

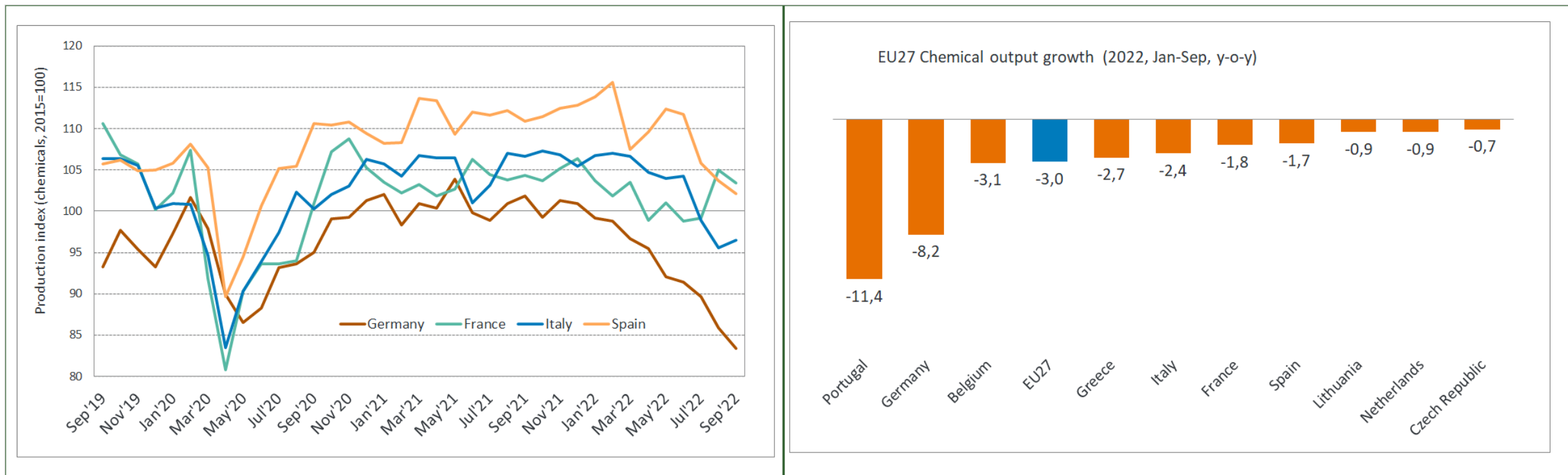


	Production growth in %		Production index (2015=100)			Production growth in %	
	2020	2021	Jan-Sep 2020	Jan-Sep 2021	Jan-Sep 2022	Jan-Sep (22/20)	Jan-Sep (22/21)
EU27 output growth by sector							
Pharmaceuticals	7,3	16,7	130,8	155,8	169,3	29,5	8,7
Machinery & equipment	-12,2	12,1	95,0	107,5	112,6	18,6	4,7
Food & beverage	-2,7	3,7	102,1	105,5	109,0	6,7	3,3
Electrical equipment	-5,5	12,8	98,0	114,0	117,3	19,7	2,9
Automotive	-19,1	1,0	78,0	85,3	87,0	11,6	2,0
Printing	-13,7	5,2	79,8	84,0	85,6	7,2	1,9
Other non-metallic mineral products	-5,0	10,5	101,4	113,8	115,7	14,1	1,7
Furniture	-7,5	10,7	94,6	108,1	109,6	15,9	1,4
Metal products	-10,4	11,8	94,6	108,8	110,1	16,4	1,2
Paper	-3,9	6,0	97,4	103,4	104,5	7,4	1,1
Textile	-10,9	9,1	85,9	95,8	96,5	12,3	0,7
Rubber & plastics	-7,4	8,7	96,1	108,0	107,1	11,4	-0,8
Basic metals	-11,7	11,6	85,4	98,2	95,6	12,0	-2,6
Chemicals	-2,2	6,1	96,4	103,6	100,5	4,2	-3,0
Electrical appliances	4,4	19,6	103,1	135,0	128,4	24,6	-4,9
Manufacturing	-7,5	8,9	96,6	107,9	110,0	13,9	1,9
Construction	-4,6	4,3	104,7	110,2	114,0	8,9	3,4

The share of construction managers indicating insufficient demand and financial constraints as factors limiting their building activity increased to 25.1% and 8.1% respectively (EU Commission quarterly survey results, Oct-2022).

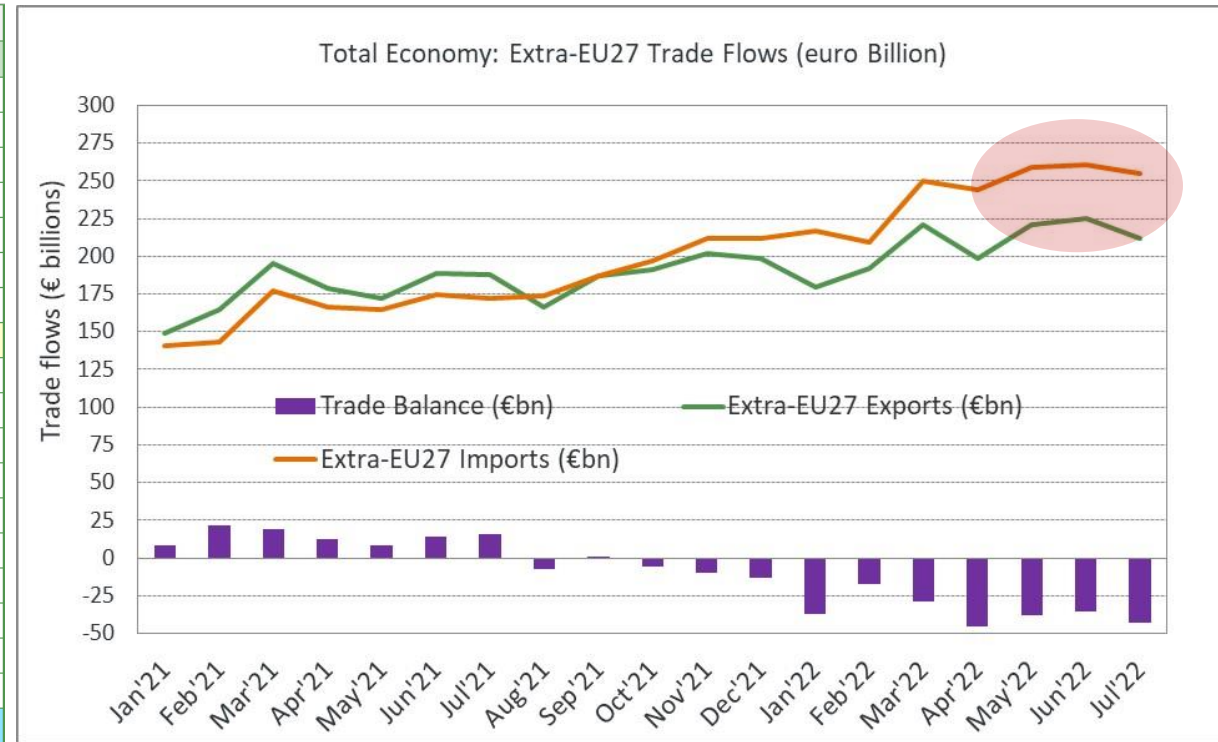


Chemicals output impacted for most EU27 countries

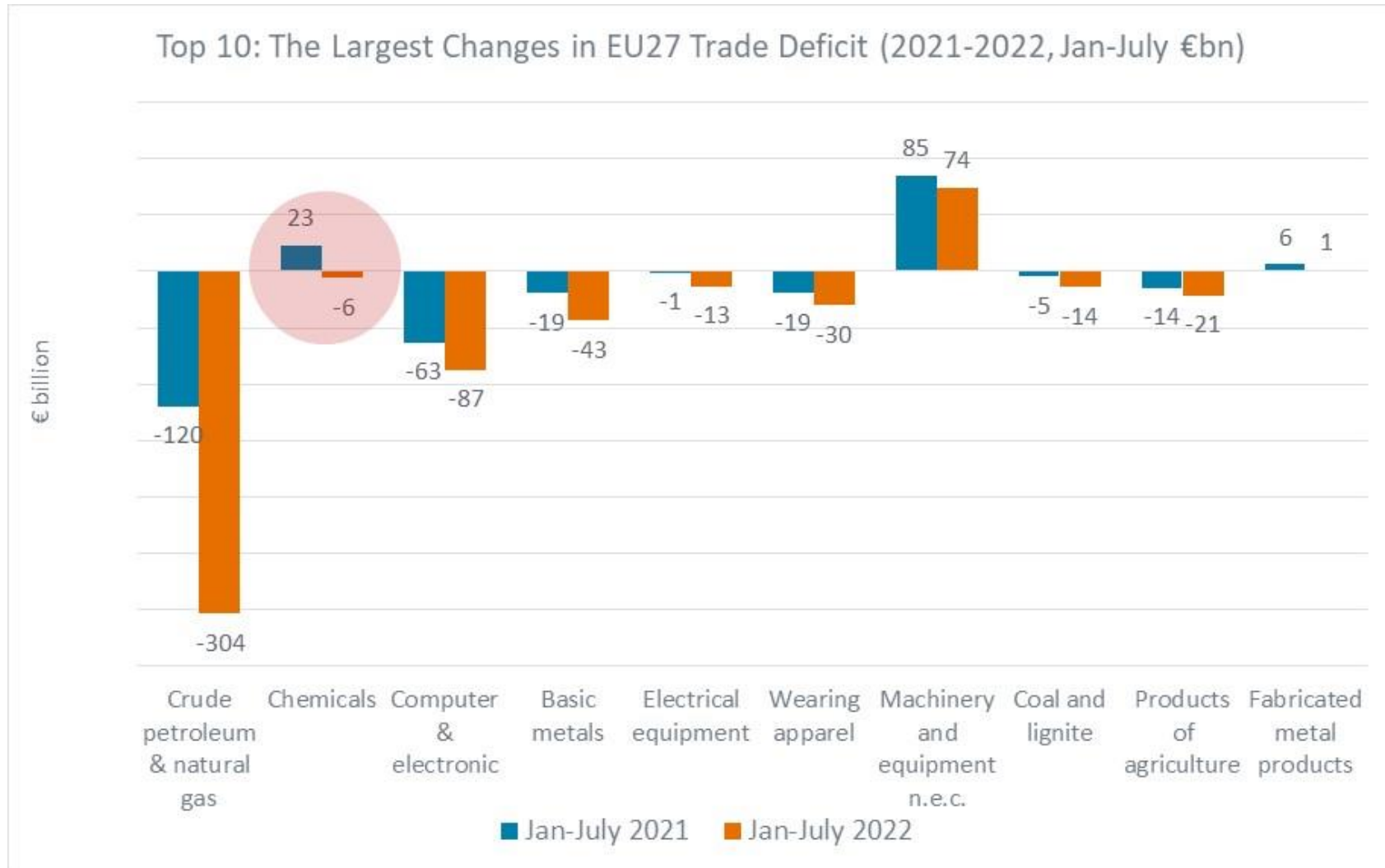


European Economy racks up record trade deficit of €245 bn

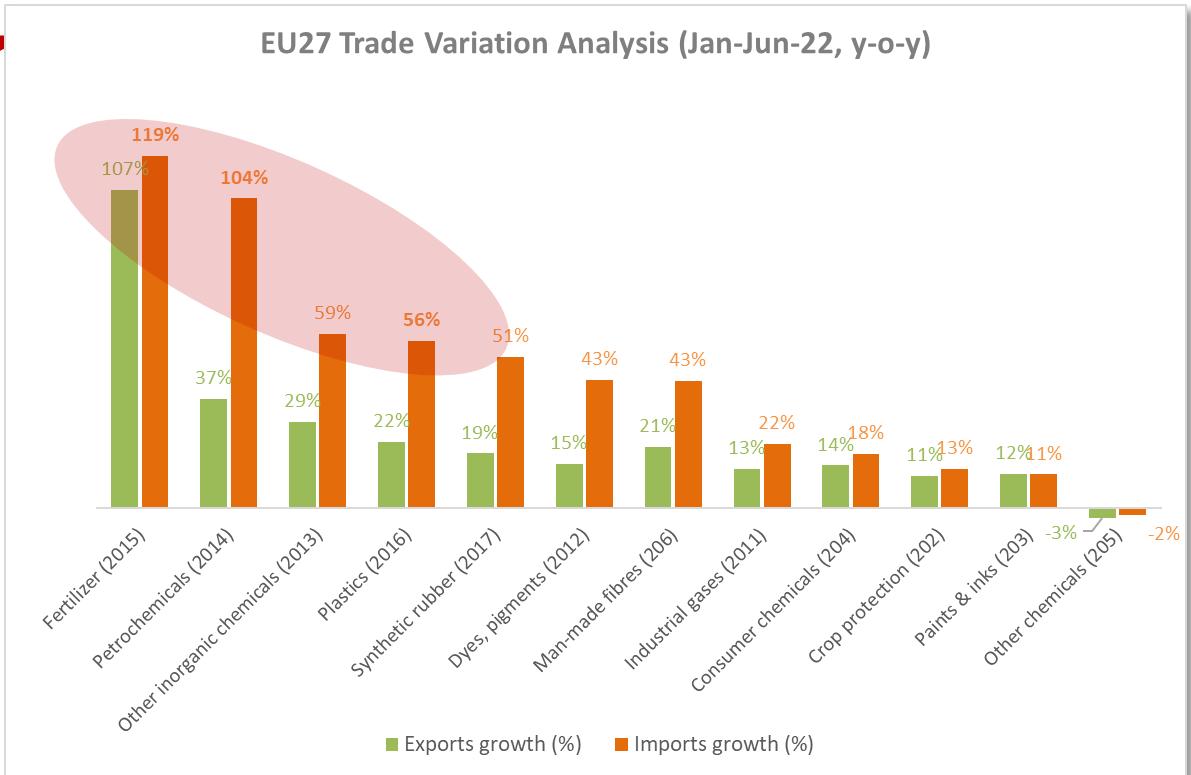
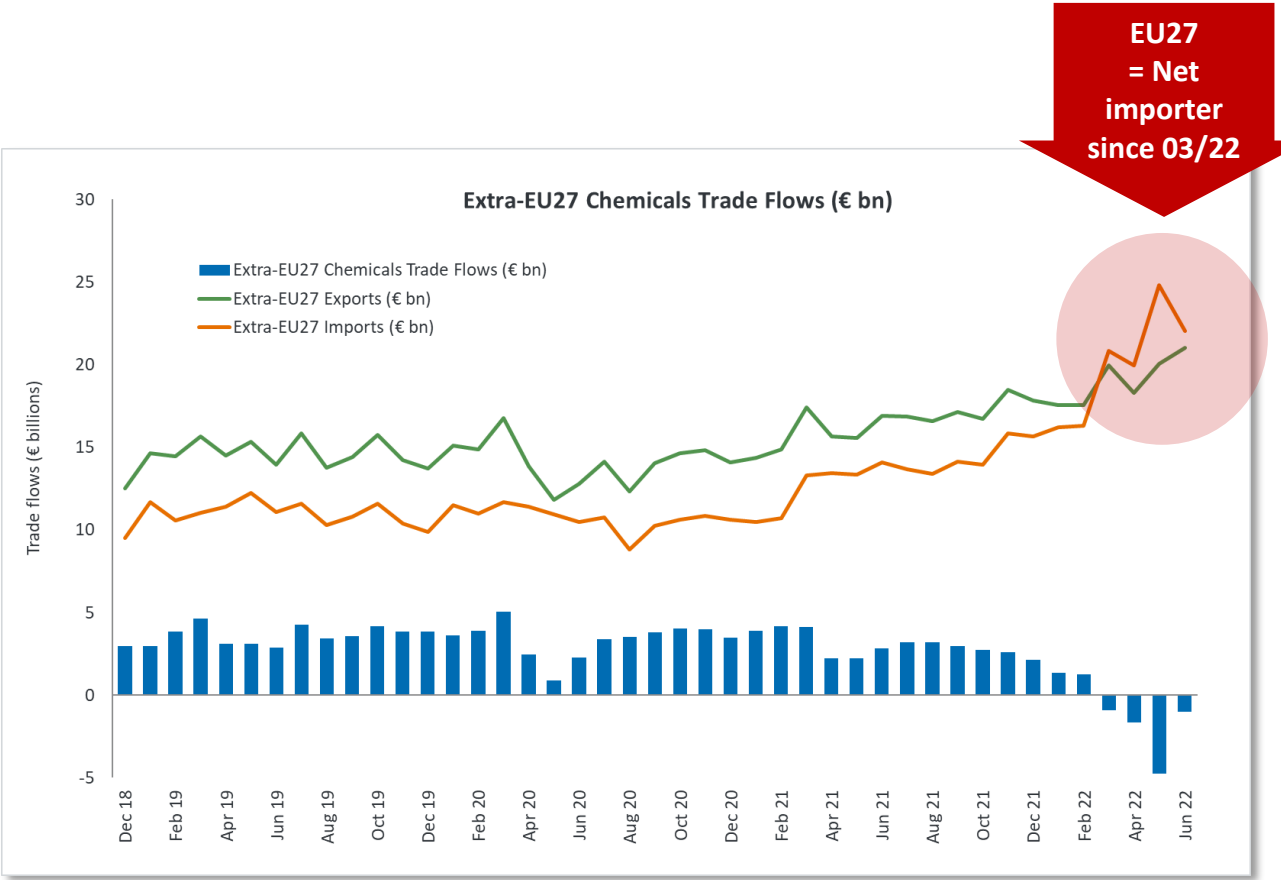
Extra-EU27 Trade Balance (Jan-July, €bn)			2021	2022	Delta
	Total	Imports shar	99	-245	-344
1	01 - Products of agriculture, hunting and related services	2,6%	-14,2	-21,3	-7,1
2	02 - Products of forestry, logging and related services	0,0%	0,9	0,7	-0,3
3	03 - Fish and other fishing products; aquaculture products; sup	0,3%	-3,3	-4,2	-0,9
4	05 - Coal and lignite	0,9%	-4,5	-14,1	-9,6
5	06 - Crude petroleum and natural gas	18,0%	-119,5	-304,2	-184,6
6	07 - Metal ores	1,1%	-15,5	-15,2	0,3
7	08 - Other mining and quarrying products	0,5%	0,0	-1,1	-1,1
8	Total Manufacturing (C10-C32)	70,5%	246,1	152,5	-93,7
9	10 - Food products	3,2%	26,7	23,7	-3,0
10	11 - Beverages	0,3%	16,5	17,8	1,4
11	12 - Tobacco products	0,0%	2,5	2,5	0,0
12	13 - Textiles	1,2%	-5,7	-7,4	-1,6
13	14 - Wearing apparel	3,2%	-18,9	-30,3	-11,3
14	15 - Leather and related products	1,3%	2,8	-0,4	-3,2
15	16 - Wood and of products of wood and cork, except furniture;	0,6%	5,7	5,7	0,0
16	17 - Paper and paper products	0,6%	11,4	11,0	-0,3
17	18 - Printing and recording services	0,0%	0,0	0,0	0,0
18	19 - Coke and refined petroleum products	3,8%	6,6	15,1	8,5
19	20 - Chemicals and chemical products	8,2%	22,6	-6,0	-28,6
20	21 - Basic pharmaceutical products and pharmaceutical prepar	4,6%	68,4	92,1	23,6
21	22 - Rubber and plastics products	2,1%	2,4	1,9	-0,5
22	23 - Other non-metallic mineral products	0,8%	5,8	4,8	-1,1
23	24 - Basic metals	5,9%	-19,3	-43,3	-24,0
24	25 - Fabricated metal products, except machinery and equipme	2,2%	6,2	1,2	-4,9
25	26 - Computer, electronic and optical products	11,5%	-63,3	-87,4	-24,1
26	27 - Electrical equipment	4,9%	-0,8	-13,2	-12,5
27	28 - Machinery and equipment n.e.c.	5,7%	84,7	73,9	-10,9
28	29 -Automotive	3,7%	73,8	81,2	7,4
29	30 - Other transport equipment	2,9%	16,5	12,2	-4,2
30	31 - Furniture	0,9%	-0,2	-1,6	-1,4
31	32 - Other manufactured goods	2,9%	1,8	-1,0	-2,8



The largest decline in trade balance in European economy



A strong deficit in EU27 chemicals since March 2022

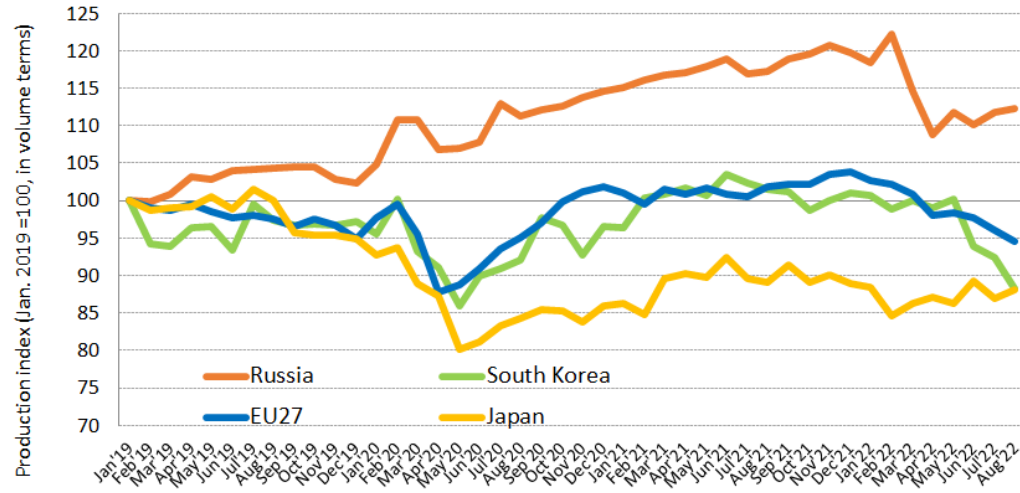


Managers' export volume expectations decreased compared to July, and assessments of their competitive position on non-EU markets over the past three months worsened markedly (EU Commission quarterly survey results, Oct-2022).

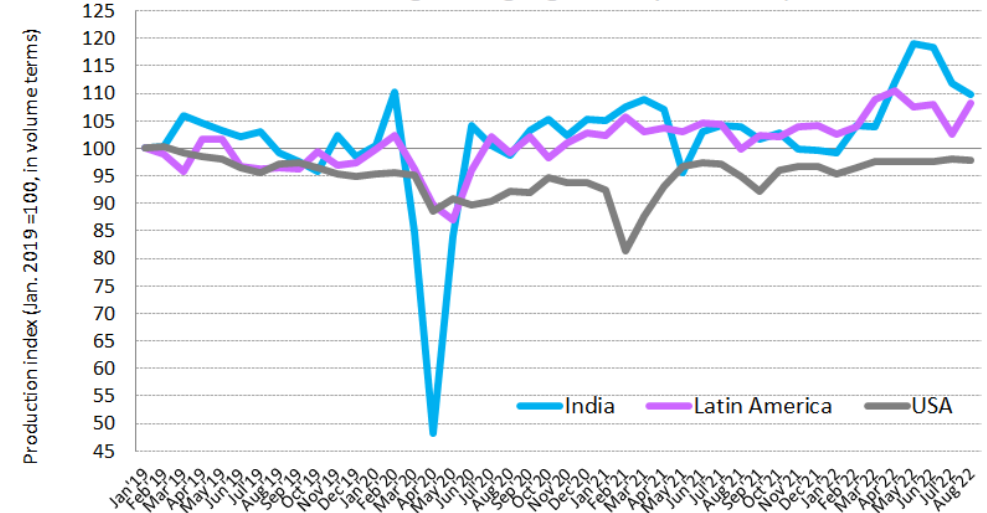


Uneven impact of energy crisis on countries

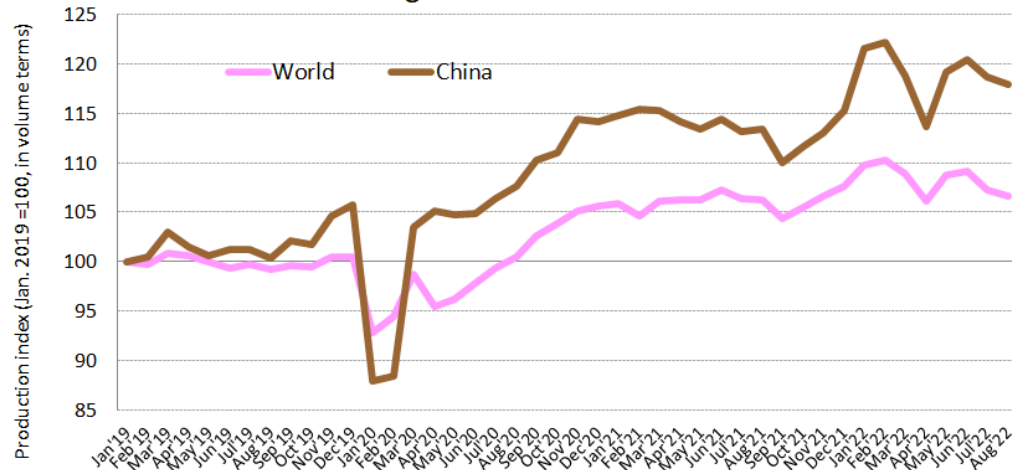
Countries deeply impacted by the energy crisis



Countries still growing significantly in 2022 (more than +3%)



China driving the Global Chemical Production

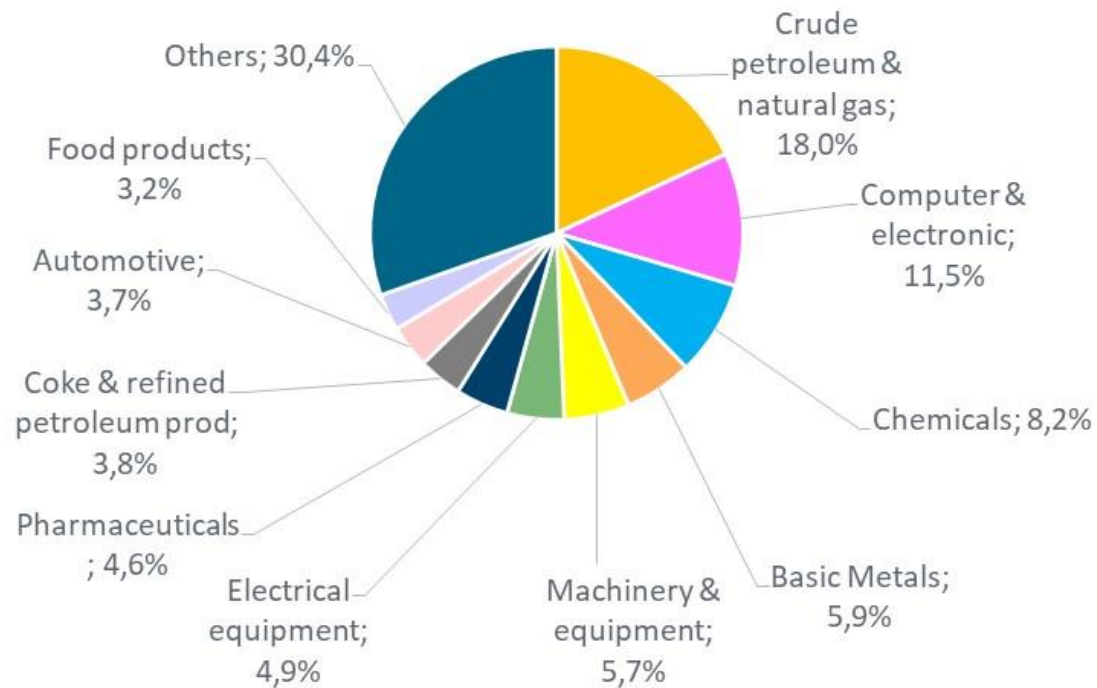


	2021 (Jan-Aug)	2022 (Jan-Aug)	Changes
South Korea	100,9	96,7	-4,2%
Russia	117,0	113,7	-2,8%
EU27	101,0	98,8	-2,1%
Japan	89,0	87,1	-2,1%
World	106,1	108,4	2,1%
Latin America	103,3	106,5	3,1%
China	114,3	119,1	4,2%
USA	92,6	97,3	5,0%
India	104,4	109,8	5,2%

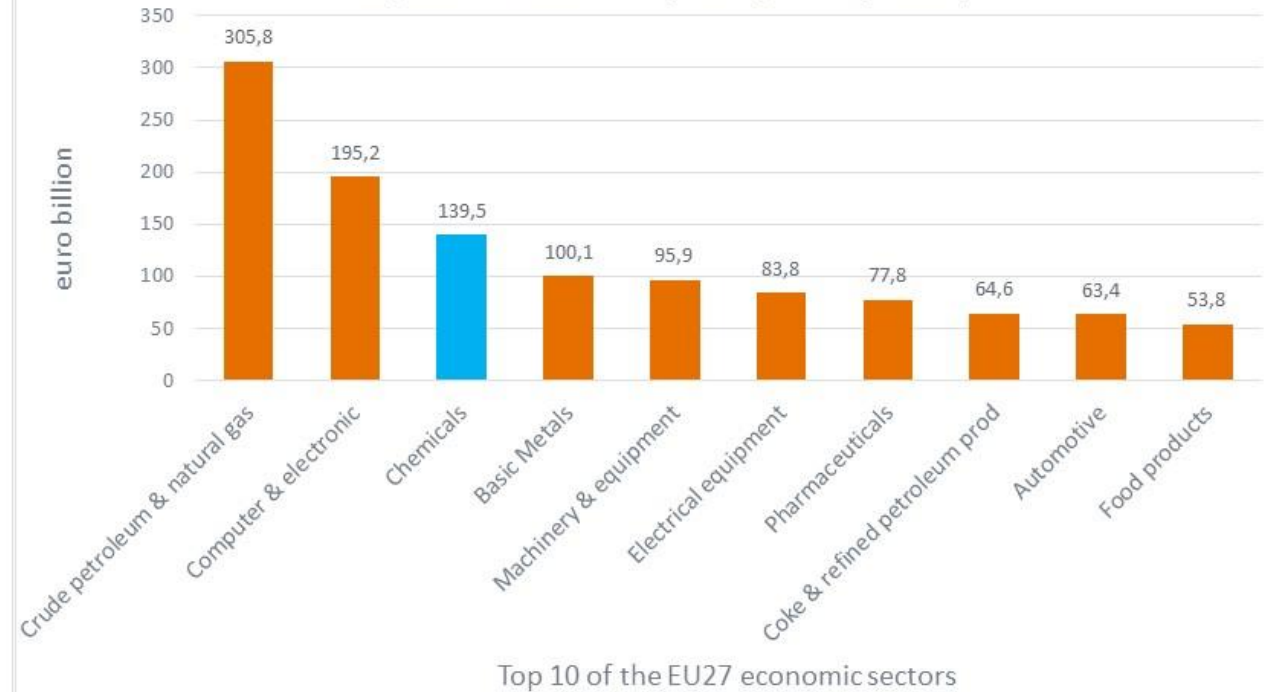


With 8%, chemicals is the third largest import sector of the European economy (€139.5 bn, Jan-July 2022)

Top10: Extra-EU27 imports (Jan-July 2022)



Top10: Extra-EU27 imports (Jan-July 2022)



With 57%, chemicals shows the second largest-import growth in the EU27 manufacturing sector (2022, Jan-July)

