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Improving outlook for EU chemicals

Chemicals output ▲3.7%, Chemicals producer prices ▲5.3%, Chemicals sales ▲8.2%,
Domestic sales ▲8.1%, Exports ▲8.5%, Imports ▲7.2%, Consumption ▲7.9%,
Trade surplus ▲11.4%, Employment ▲1.1%, Capacity utilisation ▲3.2%,

❖ **World economic climate stays satisfactory**

According to the ifo World Economic Survey (WES, III-2017), the ifo World Economic Climate remains good in the third quarter of this year. Experts assessed the current economic situation far more positively than in April, but were slightly less optimistic about the months ahead. The world economy is expected to continue to recover at a slightly slower pace in the second half of 2017. ▲

❖ **Euro area economic climate reaches its highest level since autumn 2000**

According to the ifo world Economic Survey (WES, Nov-2017), the ifo Economic Climate Indicator for the euro area hit a new high this quarter. It rose from 35.2 points to 37.0 balance points in the fourth quarter of 2017, reaching its highest level since autumn 2000. The current economic situation was assessed as significantly better, but economic expectations clouded over slightly. Experts in nearly all of the major countries assessed their current business situation as better. The upturn in the euro area will continue in the months ahead, but is expected to lose impetus somewhat. ▲

❖ **Chemicals business climate improving**

According to EU Commission Business Survey data, the chemical business situation at present became more favourable in the third quarter of 2017 compared to the previous quarter of the same year. Prospects for the coming months and total order-book levels of chemicals were, however, less positive. All in all, the chemicals business climate remained satisfactory, improving slightly in Q3-2017. Last but not least, chemicals confidence is still above the long-term average. ▲

❖ **Chemicals output up by 3.7% during first eight months of 2017 (y-o-y)**

Production in the EU chemicals sector grew 3.7% from January to August 2017 compared to the same period of 2016. Output rose in most chemicals sub-sectors. Production in crop protection, basic inorganics, dyes and pigments, polymers, and consumer chemicals increased significantly. Less market output growth for specialties was recorded. Chemicals output is (2.0%) below the first quarter of 2008. ▲

❖ **Chemicals prices surge 5.3% during first eight months of 2017**

Producer prices were above the previous year's level. In the EU chemicals sector, producer prices grew 5.3% from January to August 2017 compared to the same period of 2016. Most chemicals sectors posted growth on prices. Petrochemicals saw strong price changes, while paints and crop protection recorded a price increase of about 1%. Consumer chemicals prices edged up by just 0.6%. Figures also show a drop in chemicals prices by 1.1% in July-Aug 2017 compared to May-June of the same year (p-o-p). ▲

❖ **Capacity utilisation at high level, 3% above long-term average**

Capacity utilisation reached the value of 83.8% in Q3-2017, — 3% above the long-term average, and above average for the sixth consecutive time. EU capacity is close to its peak level over the years (2008-2017). The situation varies considerably from one EU country to another. The UK, Spain and Austria are below their peak level. The situation is better in Italy, Germany, France, and Netherlands, where only 2-3% of additional capacity is needed to catch up. Belgium posted the highest capacity level in Europe in Q3-2017. Poland has already reached its peak level. ▲

posted a value of €306.9 billion during the first seven months, up from €283.7 bn generated during the same period of 2016. Total sales were 8.2 percent higher than one year earlier. ▲

❖ **Employment improves significantly**

There was an employment increase in Q2-2017 by 1.9% compared to the same period of last year. The number of jobs in the chemicals industry went up in Q2-2017 by 1.3% compared to the previous quarter, remaining at a high level. Over the whole period, employment grew 1.1% from January to June 2017 (y-o-y). ▲

❖ **Domestic sales develop favourably from January to July 2017**

Sales generated by EU companies in the EU single market reached the value of €214.6 billion through June 2017. This represents an additional revenue of €16.0 billion (8.1 per cent, y-o-y). ▲

❖ **Chemicals exports up by €7.2 billion through July -2017**

EU chemicals exports reached the value of €92.3 billion in the first seven months of 2017, rising by 7.2 billion (+8.5 per cent). EU chemicals exports to the non-EU area accounted for 30 per cent of total chemicals sales during the first seven months of 2017. All chemicals sectors posted an increase in exports revenue. Specialty chemicals and polymers contributed most to the exports surplus (€4.1 bn out of €7.2 bn) through July 2017. Rest of Europe and the USA are still the two largest generators of exports during the same period. Comparing exports over the first seven months of 2017 to 2016, the analysis shows that exports went up significantly in China (23%), Rest of Asia (19%) and Rest of Europe including Russia (27%), (70% in total). ▲

❖ **Total chemicals sales up by 8.2%**

Sales generated by EU chemicals companies (from selling in both EU and non-EU markets)

❖ **Chemicals imports up by €7.9 billion during first seven months of 2017**

EU chemicals imports were valued at €63.3 billion from January to July 2017, going up by 4.2 billion compared to the same period one year ago (+7.2 per cent). More than 1/3 of EU imports are attributable to petrochemicals, followed by specialty chemicals, accounting for nearly 24% of all imports. Comparing the first seven months of 2017 to 2016, data shows that all chemicals sectors posted an increase in imports. The USA and Rest of Europe are still the two largest origins for EU imports. ▲

❖ **Chemicals consumption rises 7.9% during first seven months of 2017 (y-o-y)**

Chemicals consumption (domestic sales + imports) in the EU home market developed positively from January to July 2017. Consumption went up significantly, reaching €277.9 billion, up from €257.5 billion through July 2016 (7.9 per cent, y-o-y). ▲

❖ **Trade surplus up by €3.0 billion**

The net trade surplus was €29.0 billion during first seven months of 2017 (additional €3.0 bn). The largest EU chemicals surplus occurred with rest of Europe. EU chemicals however registered a trade deficit with South Korea, India, and Japan. Specialty chemicals and consumer chemicals contributed most to an additional EU trade surplus. ▲