

EU27 Chemicals Business- Monthly Briefings



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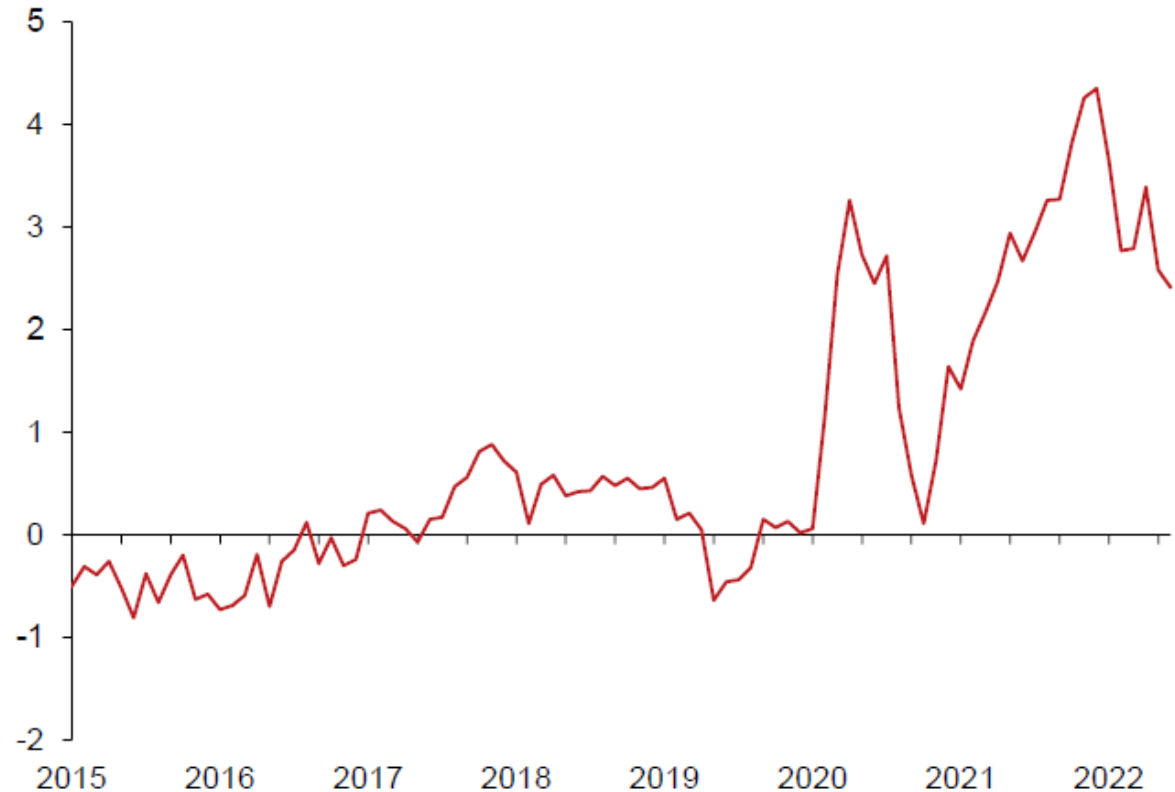


The Global Supply Chain Pressure Index dropped further*

- According to the latest Oxford Economics Monthly Industry Briefing-July 2022, the Global Supply Chain Pressure Index dropped further in June*, but levels remain elevated and close to those seen during the first Covid-19 lockdown in Q2 2020.
- Prices** on the charter market for container ships have stabilised but remain high due to high levels of congestion. While easing restrictions in China has helped to alleviate global supply chain pressures, signs of weakening demand are concerning.

Global supply chain barometer

Std dev points



Source : Oxford Economics/Haver Analytics

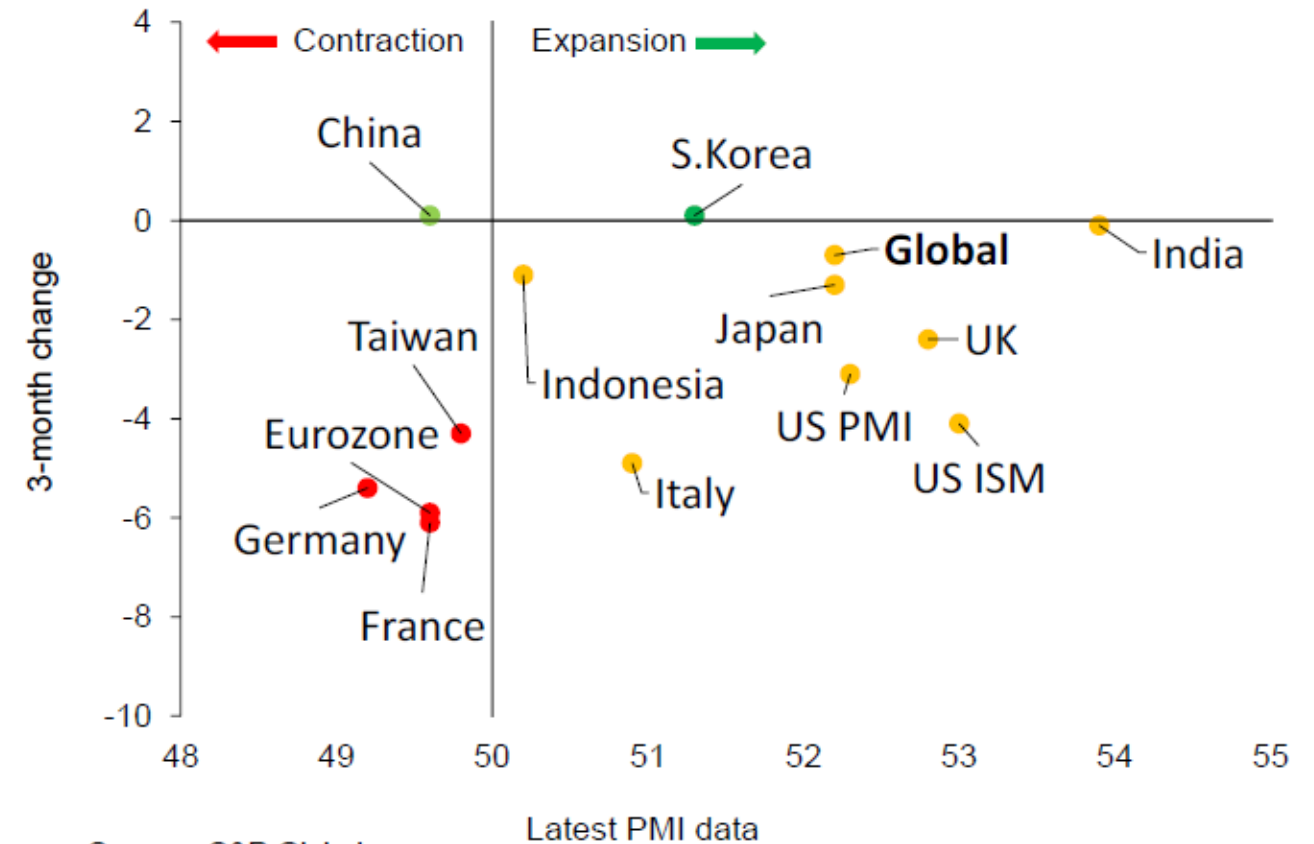


The manufacturing PMIs worsened for the US, Japan and the eurozone*

- According to the latest Oxford Economics Monthly Industry Briefing-July 2022, the Global industrial production recovered some ground in May following two months of decline, but this was largely due to easing lockdown measures in China, which have helped to ease global supply chain pressures. However, the latest set of July flash manufacturing PMIs worsened for the US, Japan and the eurozone.

Global manufacturing activity

Latest manufacturing PMI vs three-month change (points)



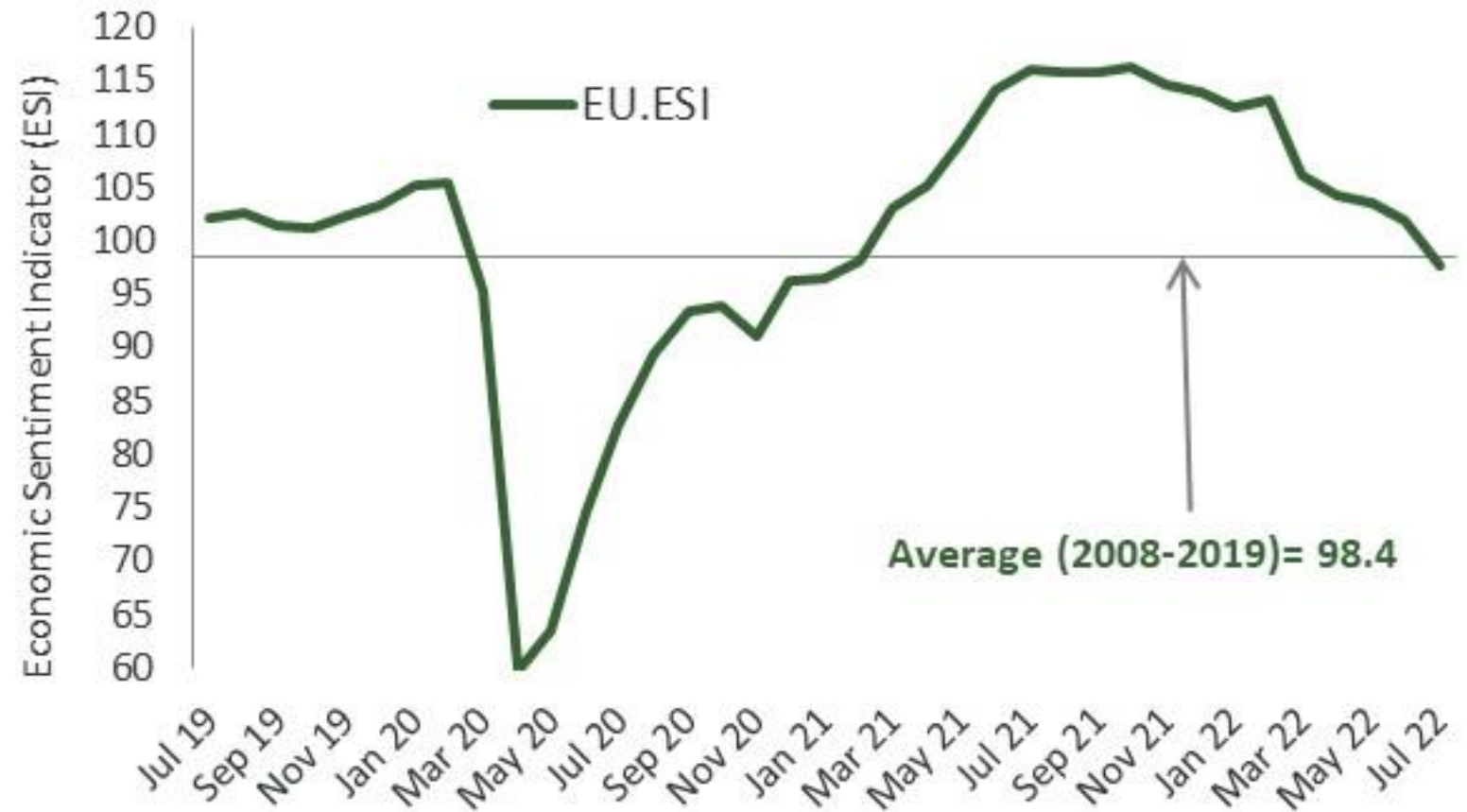
Source : S&P Global

Source: *Oxford Economics Monthly Industry Briefing-July 2022



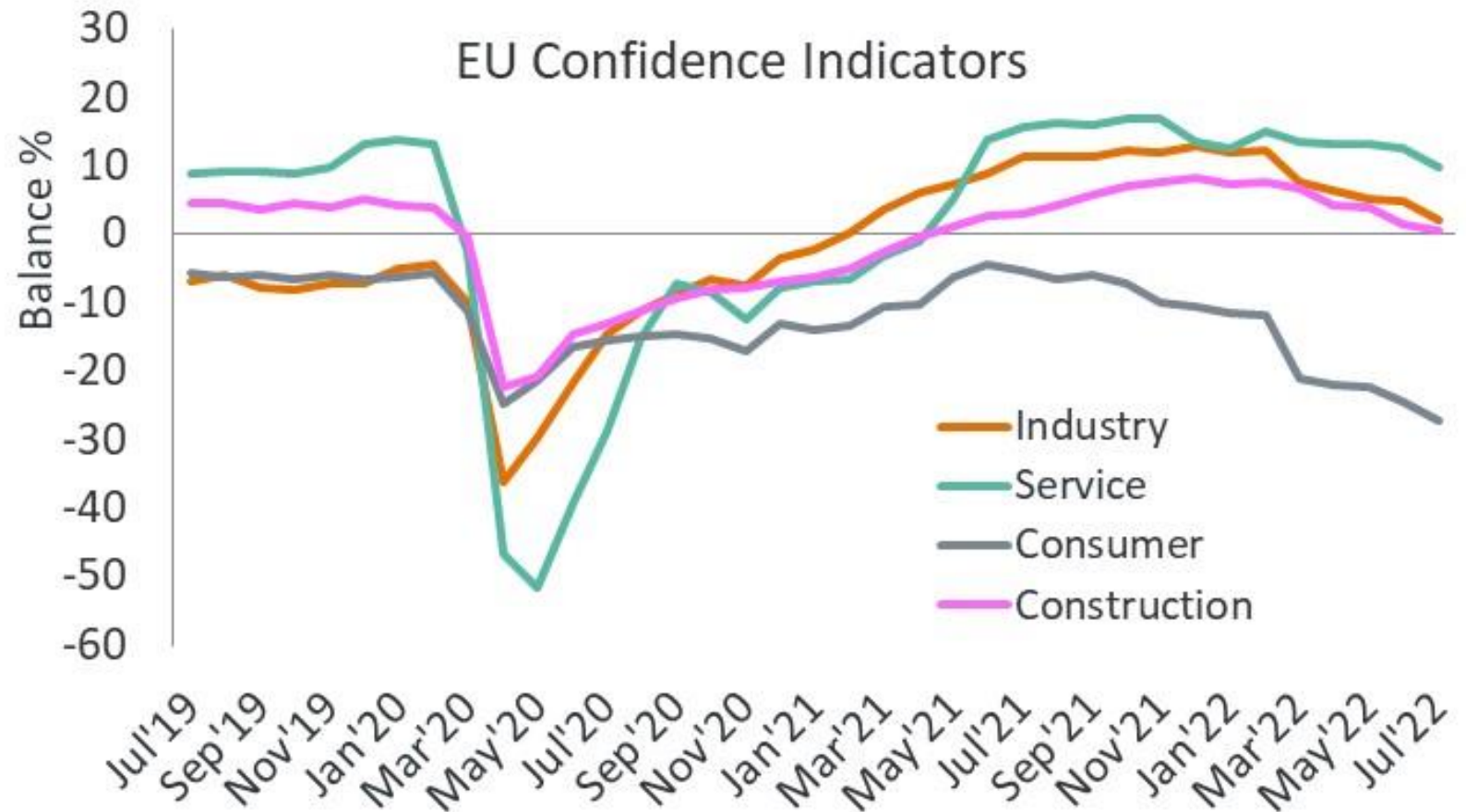
The Economic Sentiment* falls below its long-term average

- According to the latest business and consumer survey, In July 2022, the Economic Sentiment Indicator (ESI)* plummeted in both the EU and the euro area, falling below its long-term average.
- The Employment Expectations Indicator (EEI) also decreased markedly while remaining above its long-term average.



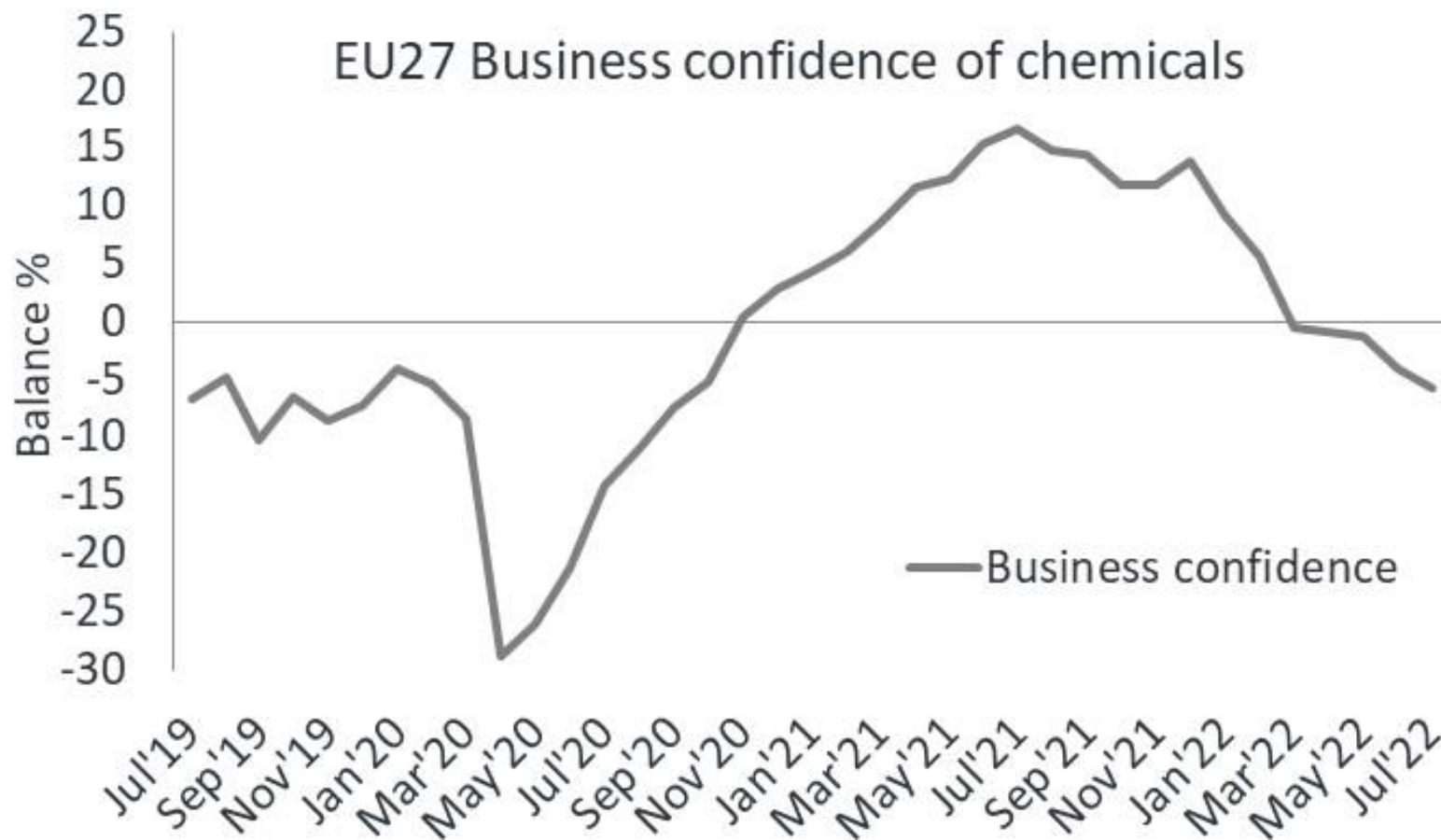
Significant losses* in confidence in industry, services, and consumer

- *In the EU, the drop in the ESI in July* was due to significant losses in industry, services, retail trade and consumer confidence, whereas confidence in construction decreased more mildly.*
- *The ESI fell markedly in four out of the six largest EU economies, Spain, Germany, Italy and Poland, while it remained broadly stable in France and the Netherlands.*

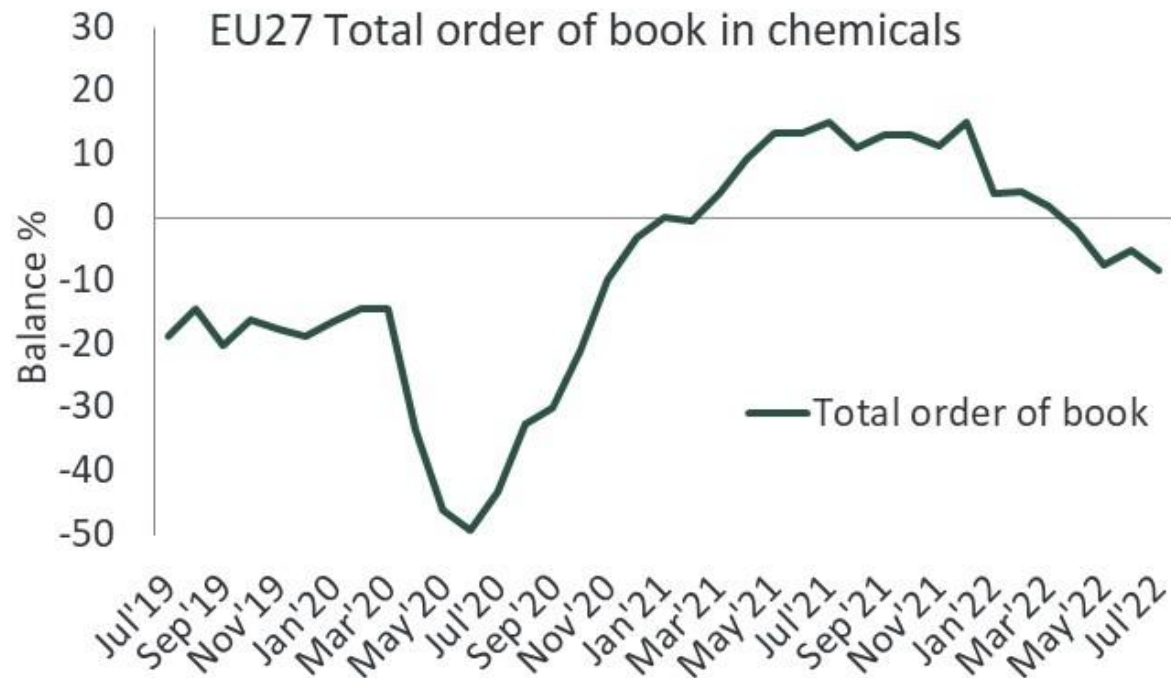


Chemicals business confidence continue to decline

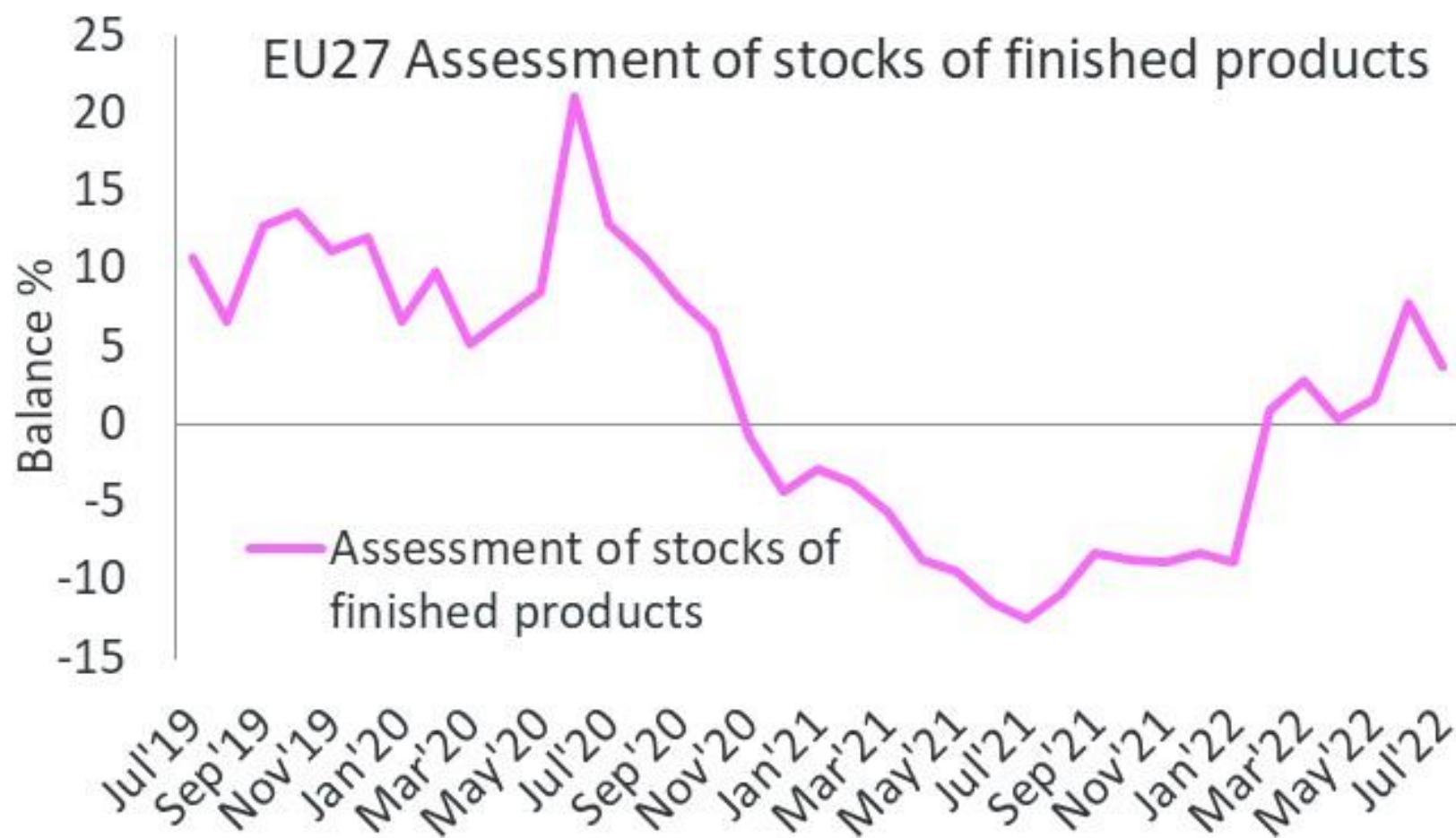
- *The decrease in the chemical industry confidence resulted from significant deteriorations in managers' assessment of the current level of overall order books and their production expectations, which dropped to more than a 20-months low.*



Further deterioration in managers' assessment of the current level of overall order books

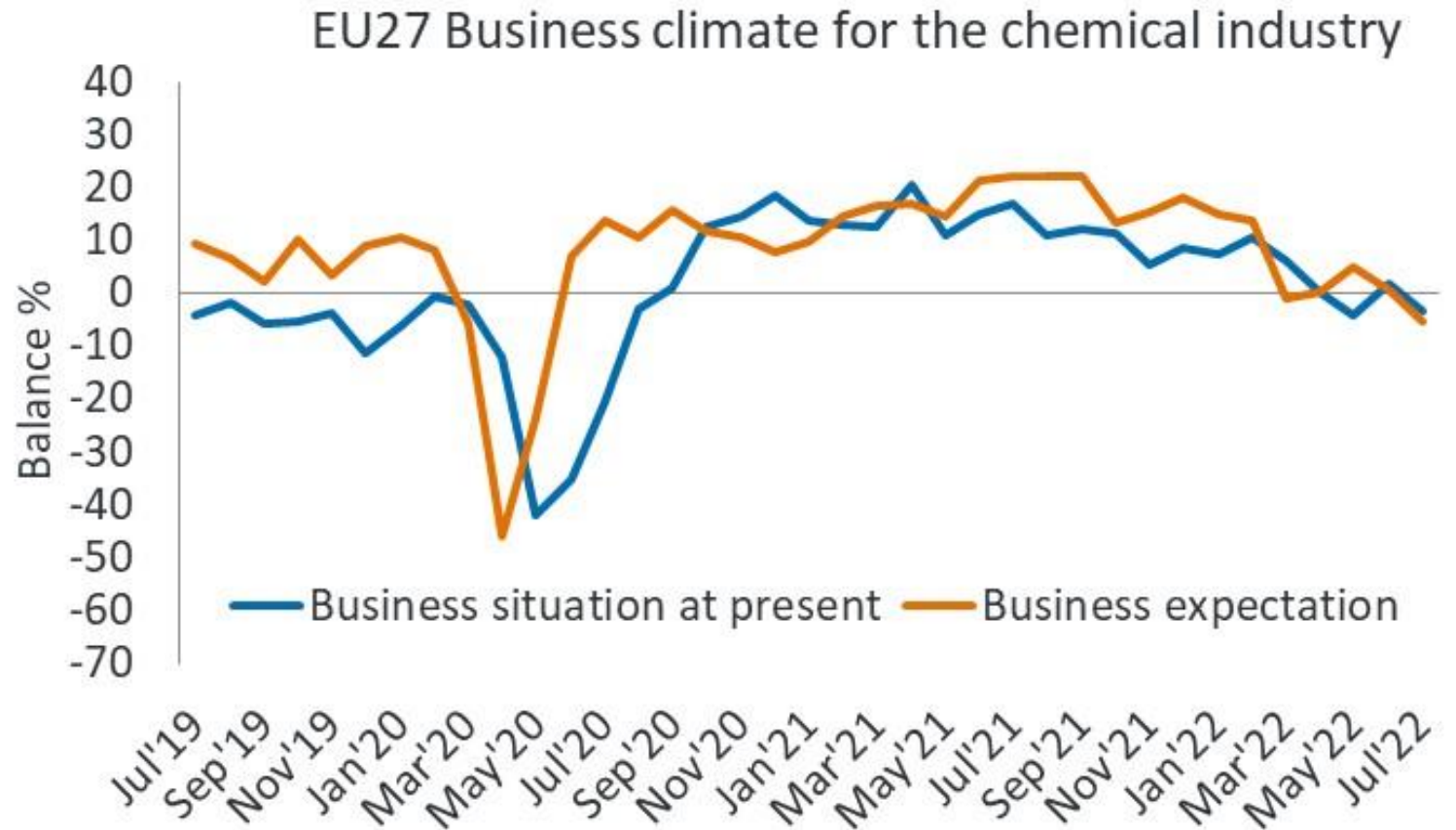


Assessment of stocks of chemicals down slightly



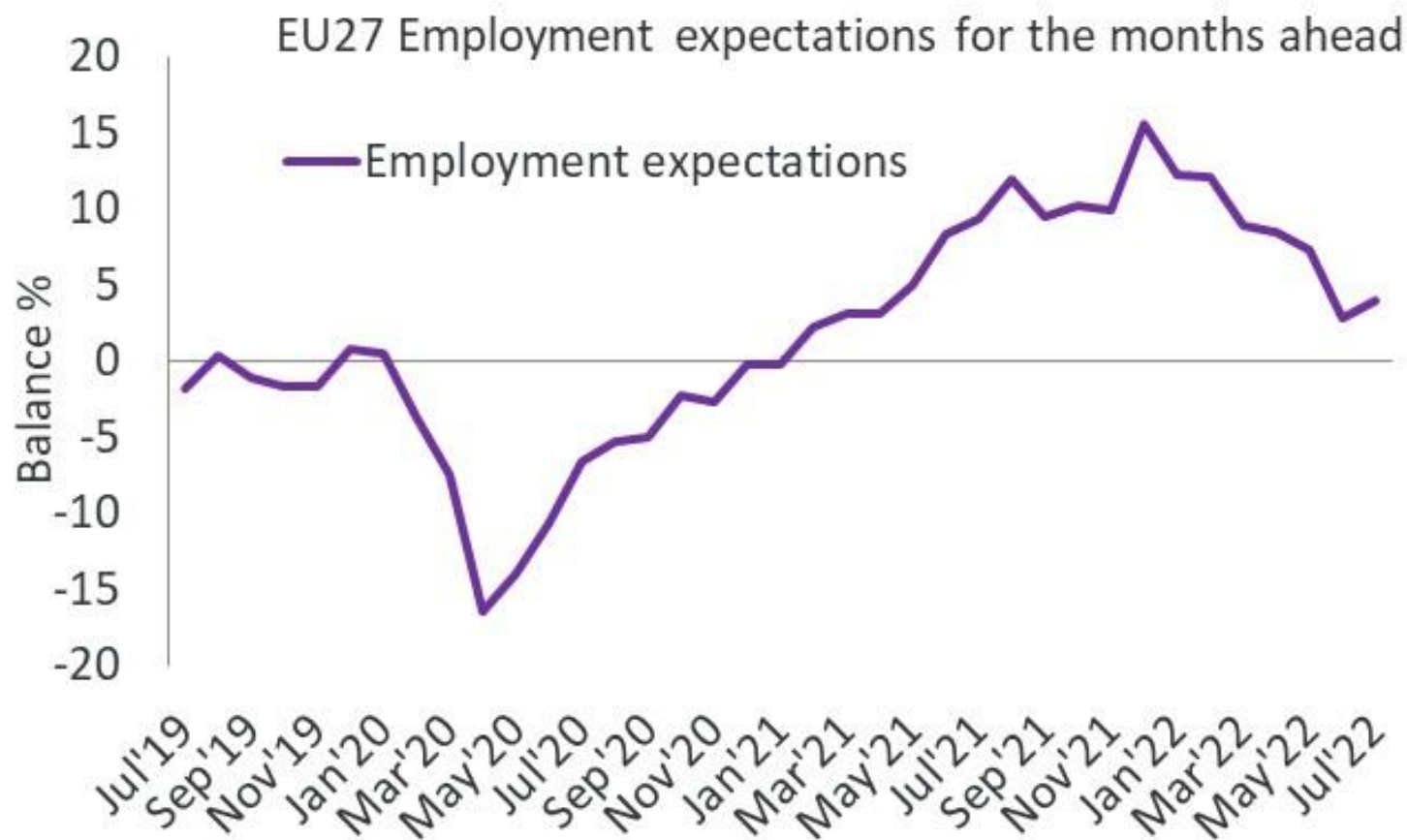
Production expectations dropped deeply

- *The Economic Uncertainty Indicator* (EUI) rose further in July in the whole economy. Uncertainty remained broadly stable in industry and construction.*
- *After having reached a maximum in April 2022, the percentage of industry managers quoting shortage of material and/or equipment as a factor limiting production decreased.*
- *Though to a lesser degree, also the percentage of managers identifying shortage of labour force as a factor limiting production decreased in July compared to April.*



Employment expectations increased slightly in chemicals

- *The Employment Expectations Indicator (EEI)* decreased markedly in the EU while remaining above its long-term average.*
- *The downturn of the Employment Expectations Indicator was driven by significantly worsened employment plans in retail trade, services and, to a somewhat lesser extent, industry. Expectation in chemicals increased slightly.*
- *Employment expectations among construction managers improved slightly.*



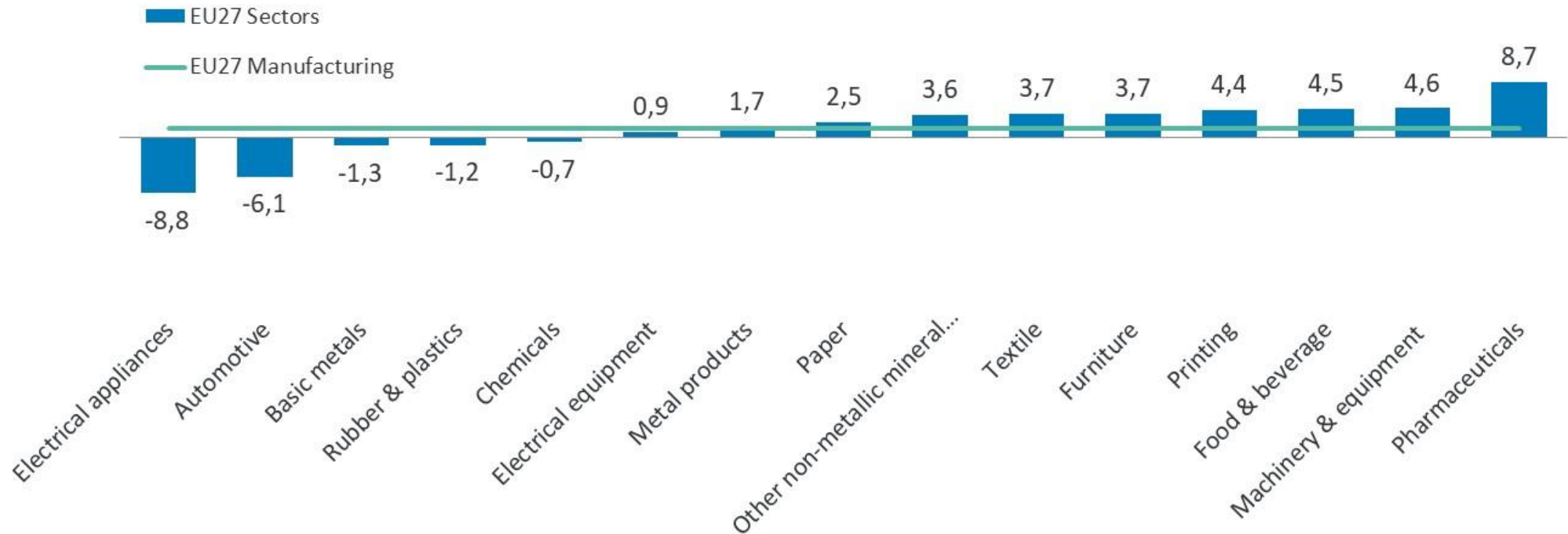
Selling prices expectation decelerated in chemicals

- *The selling price expectations decelerated* in all four business sectors, particularly in industry and construction. Consumers' price expectations stabilised after three months of decline, while their perceptions of price developments over the past twelve months continued soaring, reaching their highest level ever recorded by the survey.*
- *In chemicals, producer prices expectation decelerated markedly in July 2022.*



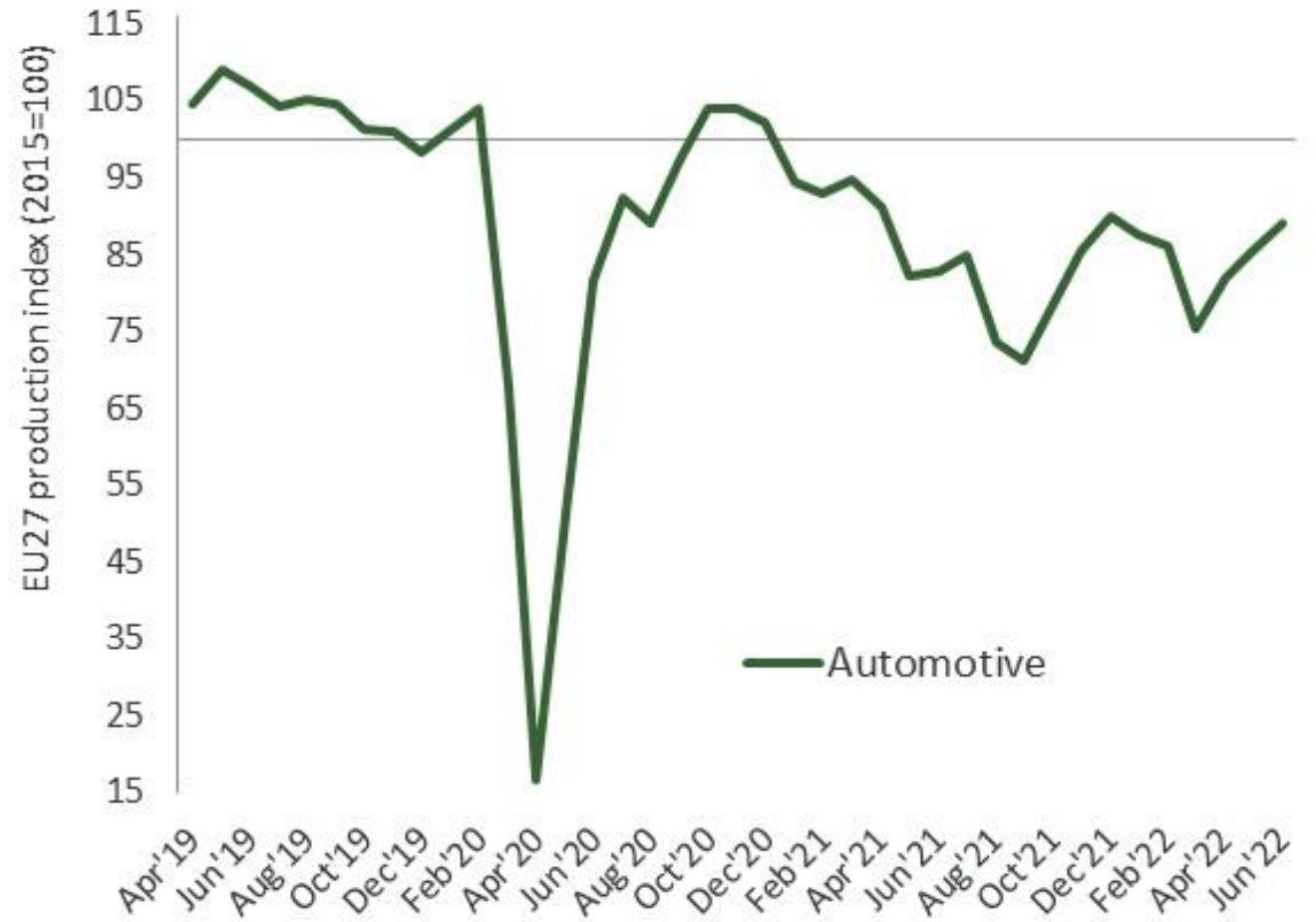
Manufacturing output 1.4% above previous year's level

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



Various supply chain problems are dampening European automotive market

- According to the latest Oxford Economics Monthly Industry Briefing-July 2022, the Various supply chain problems are dampening European automotive market.
- Various supply chain problems and high inflation continue to dampen automotive production and sales, while the recent announcement of further Russian gas supply cuts to the region to just 20% capacity will likely lead to automotive production cuts.



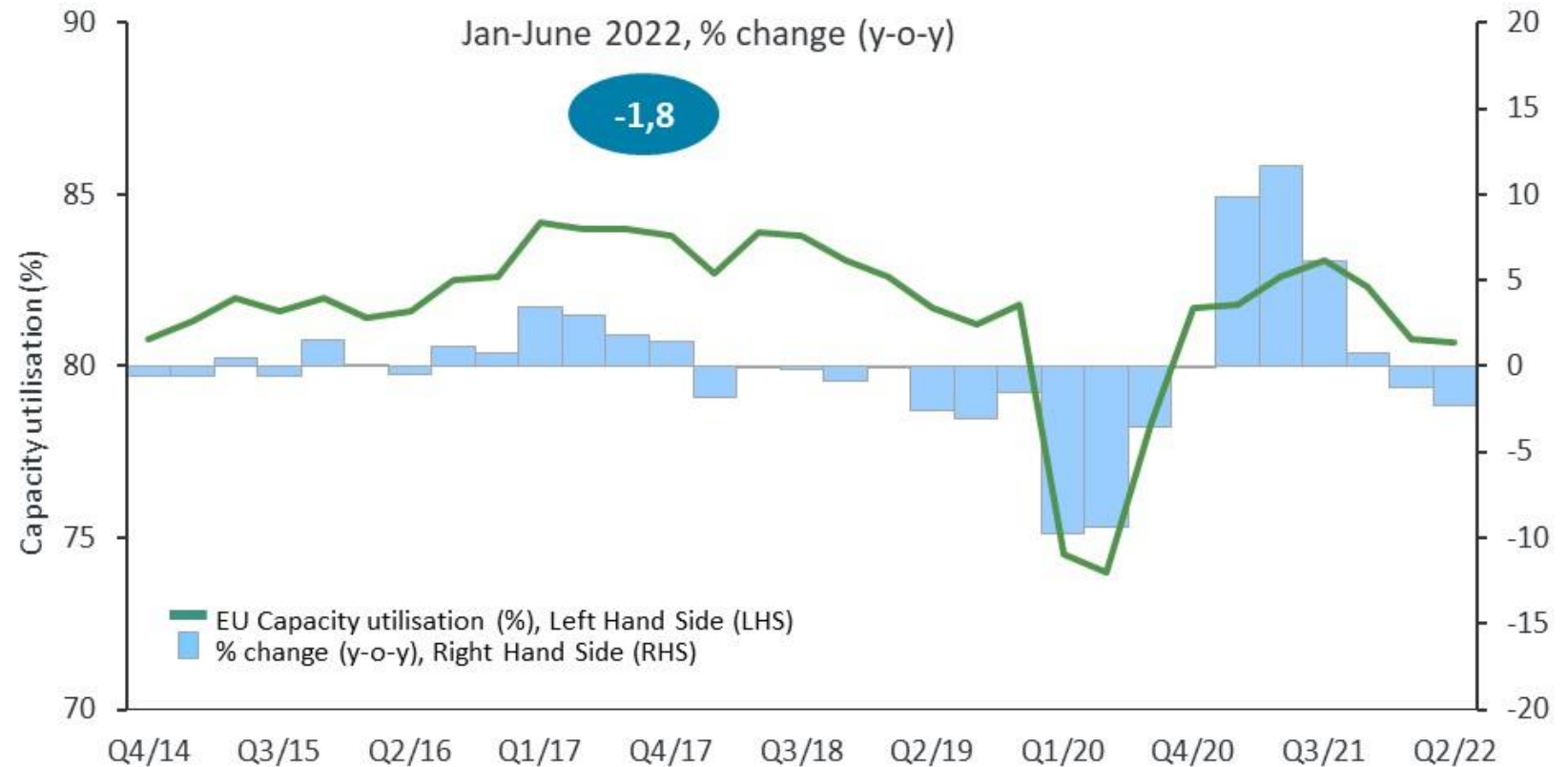
Automotive and Electrical Appliances down in 1H-22

	Production index (2015=100)			Production growth in %		Production index (2015=100)			Production growth in %	
	2019	2020	2021	2020	2021	Jan-June- 2020	Jan-June- 2021	Jan-June- 2022	Jan-June (22/20)	Jan-June (22/21)
EU27 output growth by sector										
Pharmaceuticals	124,1	133,1	155,3	7,3	16,7	132,2	150,1	164,0	24,1	9,3
Machinery & equipment	109,8	96,4	107,9	-12,3	12,0	93,9	106,4	111,3	18,6	4,6
Food & beverage	105,0	102,2	106,0	-2,7	3,7	101,5	105,0	109,8	8,2	4,5
Printing	93,3	80,5	84,7	-13,7	5,2	78,9	83,1	86,8	10,0	4,4
Furniture	106,0	98,0	108,6	-7,5	10,8	87,5	107,8	111,8	27,8	3,7
Textile	98,9	88,1	96,1	-10,9	9,1	82,0	95,1	98,6	20,2	3,7
Other non-metallic mineral products	109,1	103,6	114,4	-5,0	10,4	98,3	113,2	117,4	19,4	3,6
Paper	102,0	98,0	103,9	-3,9	6,0	97,5	102,9	105,5	8,1	2,5
Metal products	108,5	97,2	108,6	-10,4	11,8	92,0	108,7	110,6	20,2	1,7
Electrical equipment	106,5	100,6	113,4	-5,5	12,7	95,9	114,6	115,6	20,5	0,9
Chemicals	100,4	98,2	104,1	-2,2	6,1	95,8	103,4	102,7	7,1	-0,7
Rubber & plastics	107,3	99,3	108,4	-7,4	9,2	92,7	109,3	108,1	16,6	-1,2
Basic metals	99,6	88,0	97,9	-11,7	11,3	83,7	98,3	97,1	15,9	-1,3
Automotive	104,2	84,3	85,2	-19,1	1,0	70,4	89,7	84,2	19,6	-6,1
Electrical appliances	106,4	111,0	133,0	4,4	19,8	101,5	139,4	127,1	25,2	-8,8
Manufacturing	107,1	99,1	107,9	-7,5	8,9	94,5	108,2	109,8	16,2	1,4
Construction	111,1	106,0	111,1	-4,6	4,9	102,6	111,1	115,5	12,7	4,0



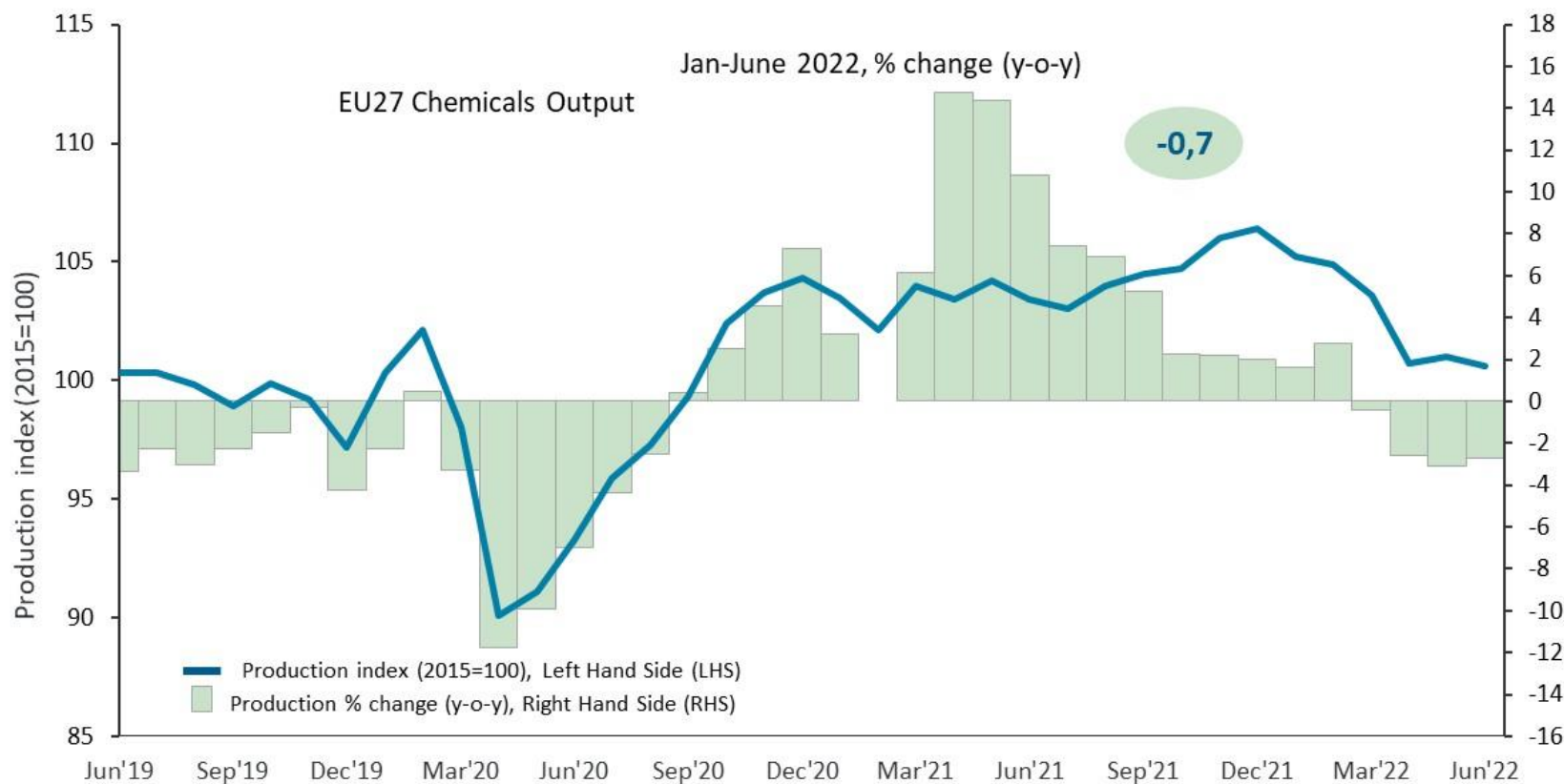
Chemicals capacity utilisation remained unchanged

- *The quarterly questions* in the industry and services surveys are asked in January, April, July and October of each year. In July 2022, the estimated rate of capacity utilisation in the EU industry sector decreased compared to April 2022. Nevertheless, the indicator is still at a rather high level (81.7%), more than one percentage point above long-term average.*
- *Meanwhile, the share of managers assessing their current production capacity as 'more than sufficient' (in view of current order books and demand expectations) increased markedly.*



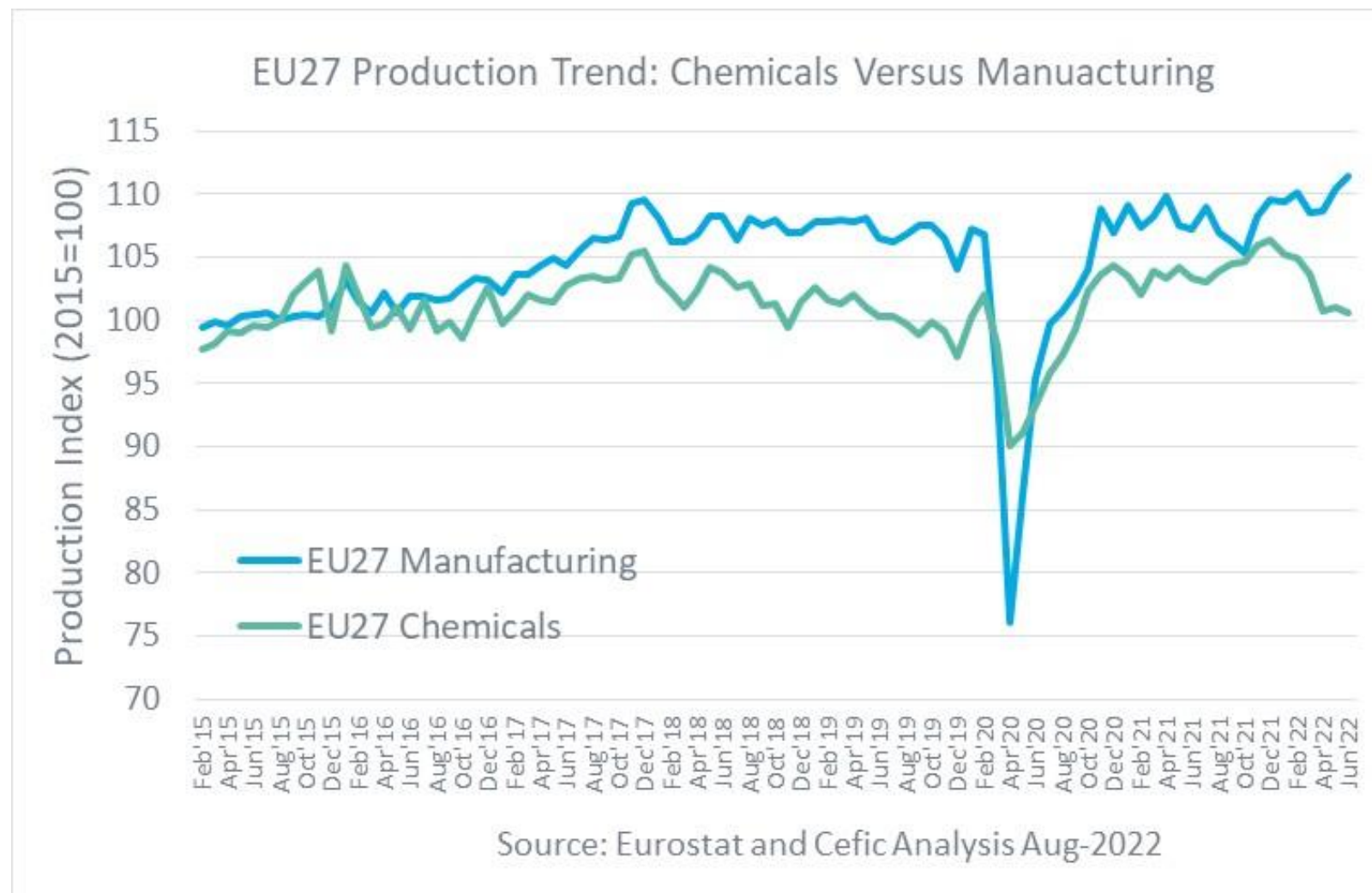
High energy costs are weighing on chemical production

- *In the EU27 area, chemicals production declined by 0.7% in January-June 2022 compared to the first half of 2021. The impact of the Russia-Ukraine war continues to weigh strongly on European chemicals producers.*
- *In addition to elevated energy and feedstock prices, Russia has begun to drastically reduce gas supplies, raising the risk of gas rationing to the industry. This also shows in sector confidence, which declined markedly for the fourth month in a row according to the European Commission (Latest Oxford Economics Monthly Industry Briefing-July 2022).*

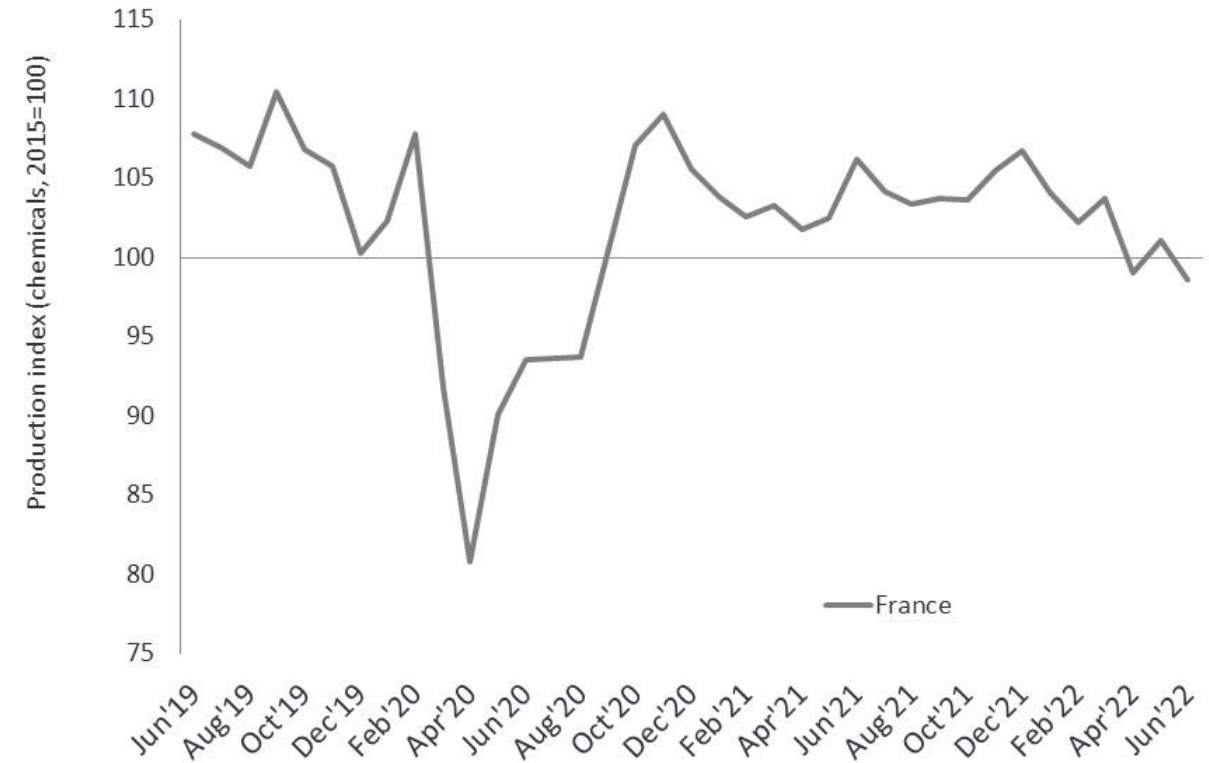
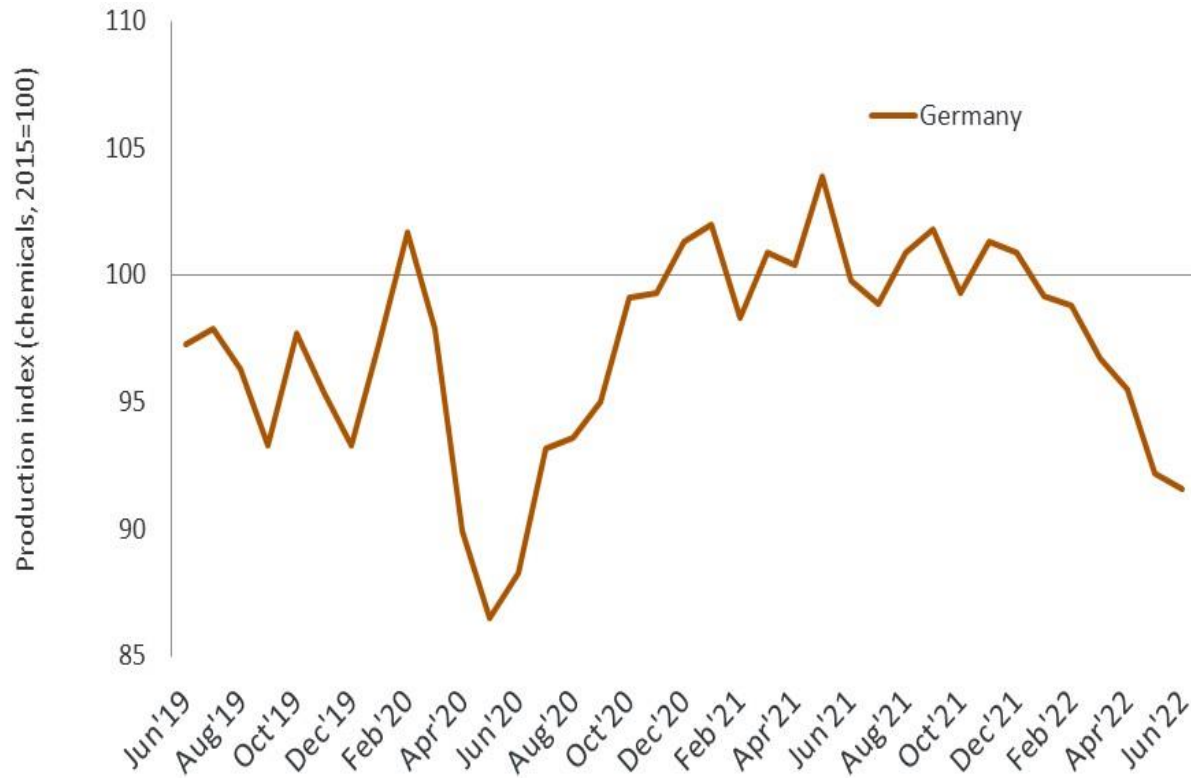


Manufacturing and chemicals moved to opposite direction

- *In June 2022, EU27 manufacturing production increased by 3,9% compared to June 2021. The analysis of the first half of 2022 shows that output was 1.4% above 2021's level (Jan-June),*
- *On the chemicals side, figures are less positive, Output in June was 2,7% below 2021's level, and 1H2022 was 0,7% below the first half of 2021.*
- *Chemicals and manufacturing move to opposite direction during the first half of 2022. Chemicals is most impacted by the energy crisis than the overall manufacturing sector.*



1H-22- Difficult time for most European Countries



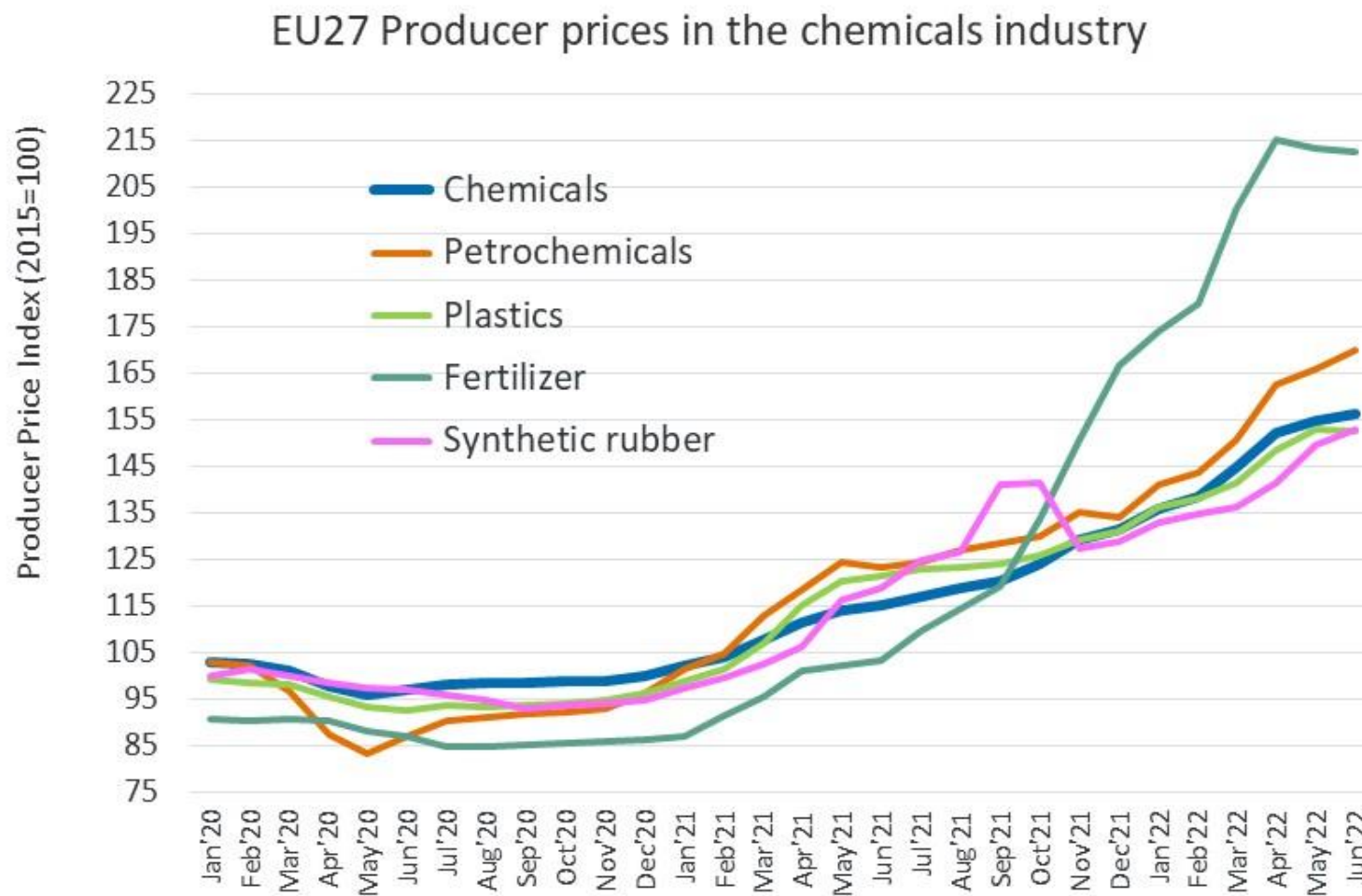
EU27 chemical industry 0.7% below 2021's level (y-o-y)

- Output in the chemical industry fell markedly in two out of the largest EU economies, Germany (-5.2%), and France (-1.9%), while it remained broadly stable in Italy (+0.4%)

Chemicals	Production growth		Production index (2015=100)			Production growth	
EU27 Countries	2019	2020	2019	2020	2021	2021 vs 2020	Jan-June 2022 (y-o-y)
Romania	-2,3	6,9	107,9	115,4	114,8	-0,6	-20,9
Portugal	3,9	-1,4	91,7	90,5	84,4	-6,7	-12,5
Germany	-3,1	-1,4	96,6	95,3	100,7	5,7	-5,2
Greece	7,1	0,0	125,1	125,2	129,7	3,6	-2,5
France	0,3	-8,6	107,2	98,0	103,9	6,1	-1,9
Belgium	-3,1	-2,8	102,4	99,5	106,2	6,7	-1,6
EU27	-1,8	-2,2	100,4	98,2	104,1	6,1	-0,7
Italy	0,4	-7,7	106,2	97,9	105,6	7,8	0,4
Spain	0,0	-1,9	106,7	104,7	111,3	6,4	1,1
Netherlands	-3,4	-0,2	103,8	103,6	107,9	4,1	1,5
Czech Republic	-2,8	-3,8	108,5	104,3	113,0	8,3	3,4
Austria	-4,7	11,6	97,1	108,4	113,2	4,5	5,1
Lithuania	1,5	7,7	122,1	131,5	179,4	36,4	8,2
Latvia	-1,5	4,1	126,9	132,1	162,8	23,2	14,3
Poland	4,7	1,8	116,0	118,1	138,6	17,4	21,5
Bulgaria	2,6	-1,0	116,4	115,3	121,2	5,2	23,0
Denmark	4,3	10,0	122,4	134,6	131,3	-2,5	23,1

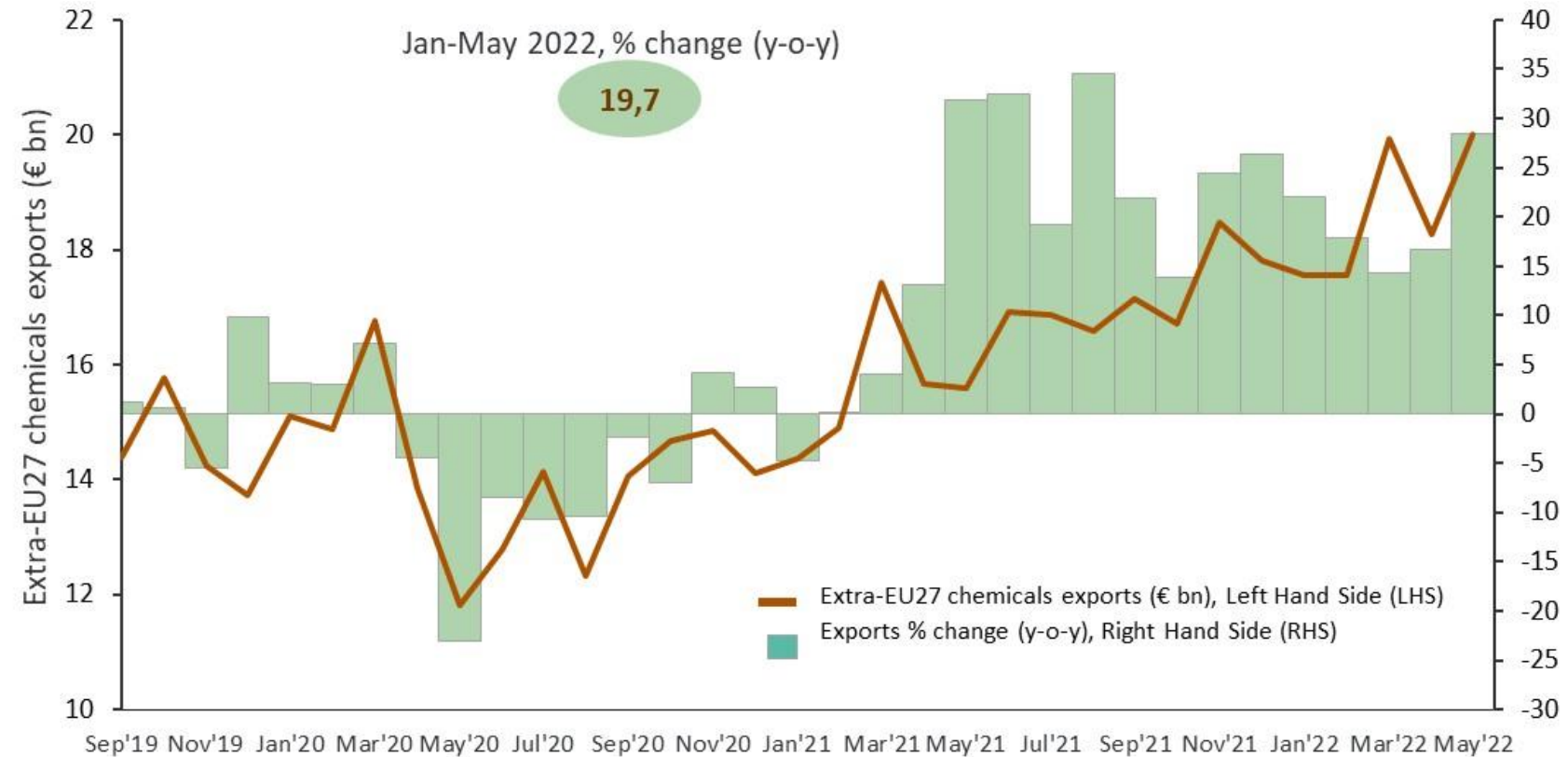


Chemical producer prices still far above the average levels

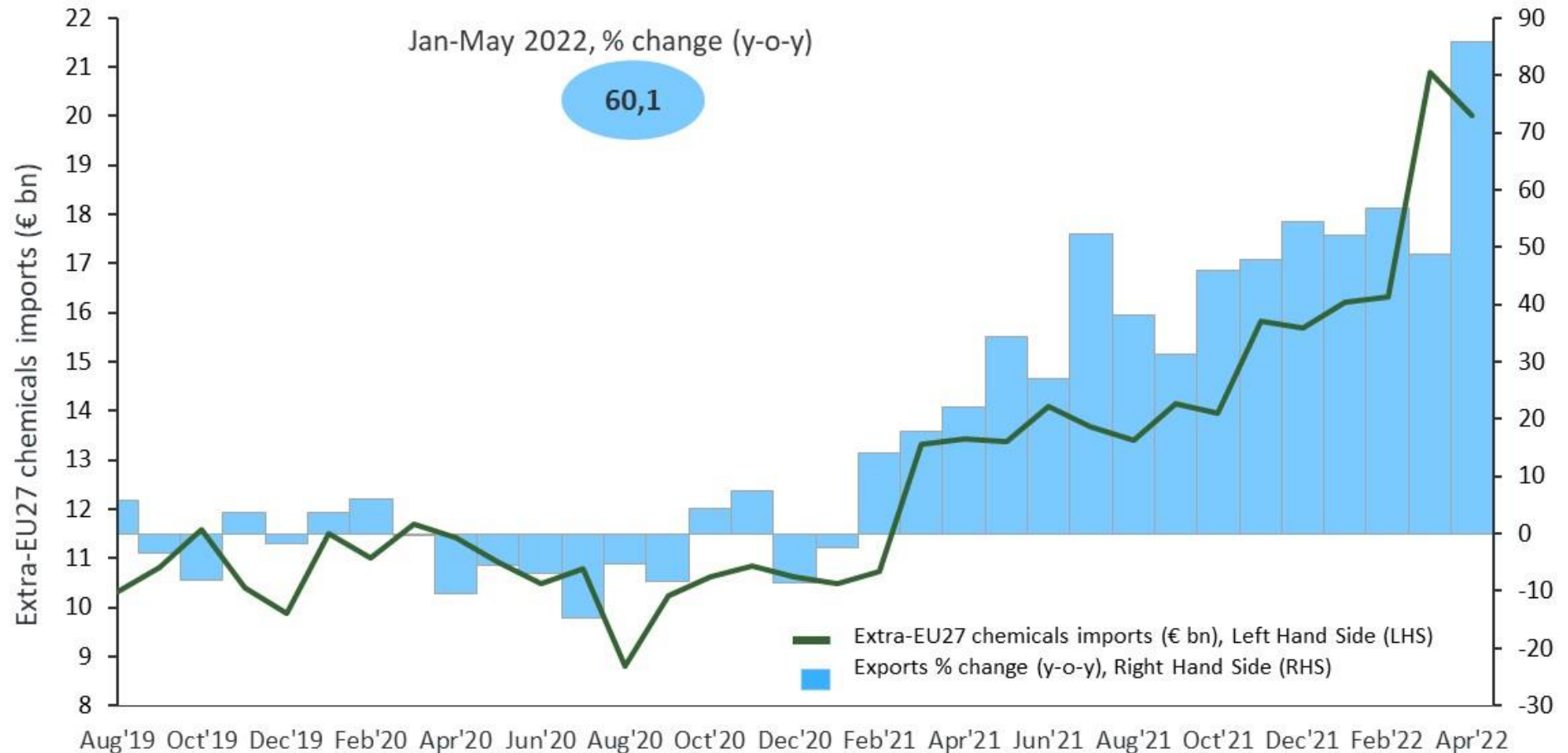


Chemical exports 19.7% above 2021's level (Jan-May)

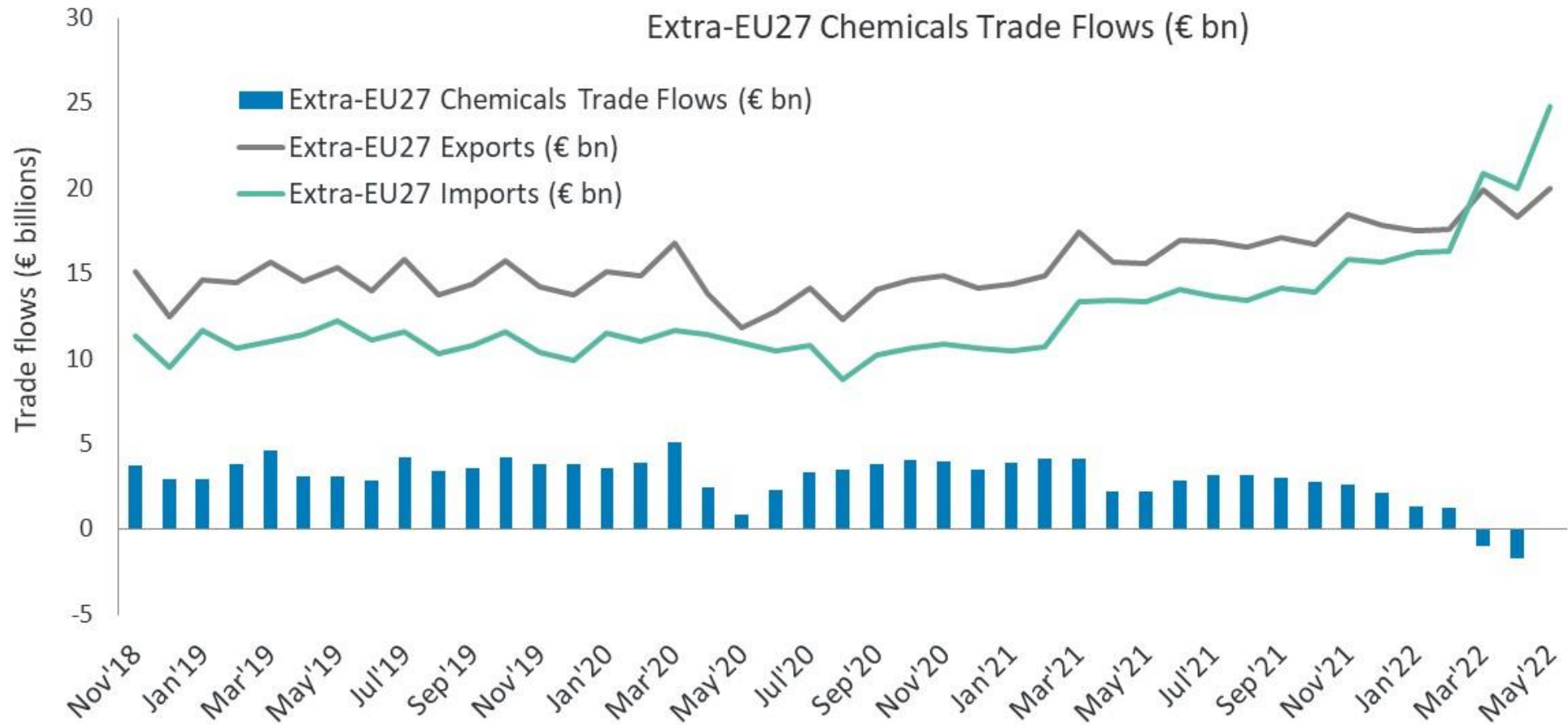
- According to the latest quarterly survey results (July-2022)*, while managers' export volume expectations increased compared to April, the assessments of their competitive position on non-EU markets over the past three months worsened markedly.
- Nevertheless, the estimated number of months' production assured by orders on hand remained unchanged at a very high level of 5.1 months.



Chemical imports expanded by 60% in 2022 (Jan-May)



Chemical surplus turned to negative for the second time



1. Supply chains recover slowly as demand softens*

- **Supply chain bottlenecks are showing signs of easing** just as demand conditions begin to soften, dampening global industrial growth prospects for the second half of this year and into 2023.
- **Global industrial production recovered some ground in May** following two months of decline, but this was largely due to easing lockdown measures in China, which have helped to ease global supply chain pressures. However, the latest set of July flash manufacturing PMIs worsened for the US, Japan and the eurozone.
- **The Global Supply Chain Pressure Index dropped further in June**, but levels remain elevated and close to those seen during the first Covid-19 lockdown in Q2 2020. This is corroborated by the Harpex**, which shows that prices on the charter market for container ships have stabilised but remain high due to high levels of congestion. While easing restrictions in China has helped to alleviate global supply chain pressures, signs of weakening demand are concerning.
- **Global light vehicle sales are still down by 8.5%.** The global light vehicle selling rate jumped to 85 million units/year in June, from 76 million units/year in May, as lockdown measures in China eased, but year-to-date global sales are still down by a considerable 8.5%. Supply chain issues remain prevalent given persistent chip shortages while a further drop in Russian gas supply will hit European automotive production.

2. The Russia-Ukraine war continues to weigh strongly on European chemicals producers*

- **Various supply chain problems are dampening European automotive market.** The European light vehicle selling rate was virtually unchanged at 11.3 million units/year in June. Various supply chain problems and high inflation continue to dampen automotive production and sales, while the recent announcement of further Russian gas supply cuts to the region to just 20% capacity will likely lead to automotive production cuts.
- **In the EU27 area, chemicals production declined by 0.7% in January-June 2022 compared to the first half of 2021.** The impact of the Russia-Ukraine war continues to weigh strongly on European chemicals producers. In addition to elevated energy and feedstock prices, Russia has begun to drastically reduce gas supplies, raising the risk of gas rationing to the industry. This also shows in sector confidence, which declined markedly for the fourth month in a row according to the European Commission.