

June '08: EU Chemicals Industry experiences a decline, confirming the modest start of the year 2008.

## Top Indicators

**Dr Moncef Hadhri: Chief Economist: [mha@cefic.be](mailto:mha@cefic.be)**

**Andrea Weigel: Economist: [awe@cefic.be](mailto:awe@cefic.be)**

### [Chemicals Trends Slides](#)

The turbulences in the world economy are affecting the European business of chemistry. The financial crisis in the USA, the higher energy costs, and the stronger appreciation of the Euro against the US\$ are generating negative effects on production growth of the EU chemicals industry. Output in the EU chemicals industry (excluding pharmaceuticals) has started to decline since March 2008, and output declined further in April 2008 by 1.3% compared to April of 2007. All chemicals sectors experienced relatively the same negative trend in April where output declined in the range of 1.0 to 1.9%. Pharmaceuticals are the only exception where output grew positively. Chemical products (excluding pharmaceuticals) were 5.3% more expensive in the first four months of 2008 than the same period of 2007. The mix of geopolitical tensions in the Middle East, the robust Asian demand and investment traders in the commodities markets has swelled oil prices to untenable levels for many energy-importing economies. The chemicals confidence indicator for the EU reached relatively the same level as in April and is still slightly above the long-term average. By contrast, confidence in the manufacturing sector decreased further in May. The economic climate for Europe and the world is experiencing a renewed decline. In May, the Economic Sentiment Indicator (ESI) decreased further in the EU and stands below its long-term average. According to the latest Results of the Ifo World Economic Survey (WES), the World Economic Climate has worsened further in the second quarter of 2008, the indicator having fallen to its lowest level in six years.

### ■ 1. [Chemicals production declined further in April 2008](#) ☹️

The turbulences in the world economy are affecting the European business of chemistry. The financial crisis in the USA, the higher energy costs, and the stronger appreciation of the Euro against the US\$ are generating negative effects on production growth of the EU chemicals industry. Data shows that output in the EU chemicals industry (excluding pharmaceuticals) has started to decline since March 2008, and output declined further in April 2008 by 1.3% compared to April of 2007. All chemicals sectors experienced relatively the same negative trend in April where output declined in the range of 1.0 to 1.9%. Pharmaceuticals are the only exception where output grew positively.

Taking into account the first fourth months of 2008, output in the EU chemicals industry (excluding pharmaceuticals) experienced no change compared to the same period of 2007. However, the results show encouraging growth in production for pharmaceuticals (3.9%).

Petrochemicals and Polymers registered a very weak growth (less than 1%). Basic inorganics grew by 1.2% while specialty chemicals and consumer chemicals showed a clear decline. Chemicals including pharmaceuticals grew over the first four months of 2008 by 1.4% compared to the same period of 2007, which is too low compared to its long-run average (Data source: Eurostat).

[Read More \(Slides 4-13\)](#)

## ■ 2. Chemical producer prices on the upswing again in April 2008

Using the price data for the first four months of each year, the analysis shows that chemical products (excluding pharmaceuticals) were 5.3% more expensive in the first four months of 2008 than the same period of 2007. The price index pointed to a significant price increase in both basic inorganics and petrochemicals. Polymers experienced a price change of 3.3%. However, prices of specialties and consumer chemicals registered a modest increase (less than 2%). Chemicals producer prices are on an upward trend in April 2008 compared to April of last year. The beginning of 2008 producer prices reflected the high oil price which continued its rise in 2008 (Data source: Eurostat). According to the opinions of analysts and the latest Consensus Forecast (June 2008), the mix of geopolitical tensions in the Middle East, the robust Asian demand and investment traders in the commodities markets has swelled oil prices to untenable levels for many energy-importing economies

[Read More \(Slides 14-17\)](#)

## ■ 3. Positive sales growth 😊

Comparing the first four months of 2008 to the same period of 2007, chemical sales (excluding pharmaceuticals) grew by 5.4%. The growth rate for April of 2008 was higher by 4.3% compared to April of last year, confirming the continuing positive trend (Data source: Eurostat).

[Read More \(Slides 18-19\)](#)

## ■ 4. EU Chemicals confidence is still stable as in April 2008 😊

Data (May 2008) shows that Managers in the chemical industry are relatively optimistic regarding their product expectations for the coming months. Their assessment of the recent evolution of demand is improved slightly compared to April. However, the assessment of stocks of finished products remained high. Therefore, the chemicals confidence indicator for the EU reached relatively the same level as in April and is slightly above the long-term average. By contrast, confidence in the manufacturing sector decreased further in May and this is mainly due to the downward trend in the assessment of the recent evolution of demand.

Looking at the entire manufacturing sector, data analysis shows that basic metals and Machinery and equipments are the only two sectors which are more optimistic about their business than the chemical industry, followed by "Manufacturing", "Pulp and paper" and "Automotive". Sectors such as "Textiles", "Clothing" and "Rubber and Plastic" are experiencing a negative trend on both production and expectations in the months ahead. Food and beverages, and "Printings and publishing" are in a weak position. Finally "office and machinery computers" is the sector with the highest degree of pessimism regarding the production expectations for the months ahead (Data source: European Commission).

[Read More \(Slides 20-22\)](#)

## ■ 5. Economic climate for Europe and the world is experiencing a renewed decline 😞

In May, the Economic Sentiment Indicator (ESI) decreased further in the EU and stands below its long-term average. The decrease in the sentiment indicator for the EU is due to lower confidence in *manufacturing* and *construction* and among *consumers*, while confidence in *retail trade* improved and remained stable in *services*. Data shows that services and consumers are the only two exceptions where EU confidence for each sector has still been below its long-term averages for a few months. (Business and Consumer Survey results May 2008, European Commission)

According to the latest Results of the Ifo World Economic Survey (WES), the World Economic Climate has worsened further in the second quarter of 2008, the indicator having fallen to its lowest level in six years. The decline is mainly due to more unfavourable assessments of the current economic situation, but also the expectations for the coming six months have again been revised downwards. The worsening in the Ifo World Economic Climate has again affected above all North America and Western Europe. The strongest decline in the climate indicator, as in the previous survey, was in the US. Here, however, the fall was attributable exclusively to the clearly less favourably assessments of the current situation whereas the expectations for the coming six months are no longer quite so pessimistic. The climate indicator has also fallen in Asia, especially in South Korea and Hong Kong. Also in Japan negative economic expectations (Latest Results of the Ifo World Economic Survey (WES) of 2nd quarter 2008 in co-operation with the International Chamber of Commerce (ICC), Paris)

[Read More \(Slides 23-26\)](#)

Cefic European Chemicals Industry Council: <http://www.cefic.org/>

Dr. Moncef Hadhri: Chief Economist: [mha@cefic.be](mailto:mha@cefic.be)

Andrea Weigel: Economist: [awe@cefic.be](mailto:awe@cefic.be)

[Industrial Policy Programme \(Read more\)](#)

In accordance with its members, Cefic uses its own classification regarding the EU chemicals sub-sectors (approved by Cefic SAM group, see slide 29) Our approach to sectoral aggregation is relatively different from the one used by Eurostat (see slide 28) In some cases, Cefic results are relatively different from Eurostat findings, and this is due basically to the different approach and classification.