

EU chemicals sector output to remain stagnant in 2013

Uncertainty looms in EU economy, second half improvement predicted

BRUSSELS, December 6, 2012 – European chemicals output will contract by 2.0 per cent in 2012 compared with 2011, European chemicals group Cefic said today. A lowering of its forecast released in September, the chemicals trade body downgrade reflects recent data showing a stagnant European economy and a further decline in chemicals output since the first quarter of the year. Cefic forecasts a slight expansion of 0.5 per cent in 2013.

EU automotive and construction segments have been a drag on chemicals demand in 2012, offering few encouraging signs. Sluggish demand remains for new cars as government-backed incentives to replace vehicles have now run their course. The fall-out from overcapacity in the construction market has yet to wind down as the European building sector remains at historically low levels.

Cefic President Dr Kurt Bock said: “The current EU economic downturn is weighing down on the chemical industry in Europe at a time when other world regions also face challenges.”

EU chemicals production this year will likely remain eight per cent below its pre-recession level. The economic situation in Europe remains uncertain, as austerity programmes designed to address stubbornly high levels of sovereign debt have led to an uptick in unemployment levels while squashing domestic demand. The European Commission predicts a 0.3 per cent contraction for the EU-27, crawling along in 2013 at just above zero.

On the product front, volatile oil and naphtha prices have caused further uncertainty in the petrochemicals sector as customers and producers both attempt to optimise inventory levels. Consumer products will be the lone chemicals sub sector in 2012 to escape a fall, while in 2013 the sector, leaving out pharmaceuticals, will again show a highest-in-class growth of only 1.0 per cent. The stagnant 0.5 per cent output growth in 2013 for the overall chemicals sector, excluding pharmaceuticals, is based on an optimistic assumption of modest growth in every quarter after a slowdown in the later part of 2012.

Looking abroad, the United States continues a slow recovery, but is running high deficits and faces a “fiscal cliff”, an automatic policy tightening that threatens to derail its rebound unless an alternative can be agreed. High economic growth rates in China have slowed slightly in 2012, due partly to falling Western demand as well as internal factors. Japan has relapsed into contraction as it faces a fall in exports to China, as a result of a territorial dispute.

Despite less robust overseas economies, export markets will likely be the only notable source of growth in 2013, especially from BRIC countries. Anxieties over the euro could resurface as many uncertainties are still to be resolved. In the longer term, US shale gas and the new chemical capacity being installed to exploit it, coupled with the associated reduction in US energy costs, pose a serious threat to EU chemicals production.

Bock concluded: “The EU chemicals sector faces increasing uncertainty as the domestic market continues to struggle and overseas competition remains relentless. EU policymakers need to continue to work towards putting Europe on better economic footing to help us move out of this difficult period.”

For more information, please contact James Pieper, Manager, Media Relations, Cefic on +32 (0)491 27 43 61 or via email at jpi@cefic.be Cefic Chief Economist Moncef Hadhri is available to discuss details of the forecast. He can be reached on +32 (0)2 676 7282 or mha@cefic.be.

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Notes to editors:

About Cefic

Cefic, the European Chemical Industry Council, is the Brussels-based organisation that represents the European chemical industry. Created in 1972, it represents 29,000 companies that produce about a fifth of the world's chemicals and employs around 1.2 million people. To learn more about Cefic, visit our website at www.cefic.org.

Biography and image of Kurt Bock

A detailed biography (.doc) and print-quality images of Mr Bock in high-resolution .jpeg format are available online at the Cefic website, at: www.cefic.org/newsroom/Media-Kit/

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