

Chemistry and life sciences holding up well in a turbulent economic climate

Cheap shale gas in the US is redrawing the energy landscape
The sector is concerned at rising energy costs

Brussels, 24 April 2013 – *Despite the economic crisis, the Belgian chemistry, plastics and life science industries held up well in 2012 as turnover grew to 61 billion euros. Investments fell just below the historical trend level to 1.6 billion euros, while expenditure on research and development experienced a further rise to 2.75 billion euros, setting a new record. The sector employs 89,700 people, this representing a slight 0.7% fall. Chemistry and life sciences remain undisputed export leaders, representing one third of the total value of Belgian exports and generating a positive trade balance of 24 billion euros.*

essenscia nevertheless sees no signs of substantial growth in 2013 and is concerned at the energy and climate policy pursued in Belgium and Europe. The extraction of shale gas in the United States is bringing a fundamental redrawing of the energy landscape and putting pressure on the competitiveness of European chemistry. What is more, the added costs of renewable energy in Belgium are excessive compared to those in neighbouring countries. essenscia therefore appeals to governments to act to secure the future of the industry in our country.

The economic context was very uncertain in 2012. Chemistry, plastics and life sciences were no exception to the slowed growth in the European economy, although overall they held up better than other sectors. **Turnover** grew from 58.9 billion to **61.1 billion euros**, an absolute record for the sector.

The sub-sectors showed wide variation in turnover: pharmaceuticals did very well, as did basic chemistry. Rubber and plastics processors as well as paints and varnishes all saw their turnover fall, however, partly due to the declining activities of the European automobile and construction sector.

Employment fell slightly by 0.7% with the loss of 600 jobs. The sector now has **89,700 direct workplaces**. When indirect employment with suppliers is included, the sector represents almost 237,000 jobs. Direct employment in the sector has remained almost stable over the past 30 years despite the sharp fall in industrial employment due to automation and outsourcing.

The economic uncertainty brought a fall in **investments** in fixed assets to **1.61 billion euros**, which is just below the trend level. This amount represents just over a quarter of all industrial investments in Belgium and remains slightly above the level in the crisis years of 2009-2010. In various sub-sectors companies announced new projects, ranging from greenfield investments, extension and replacement investments to the construction of pilot installations and research and distribution centres. Chemistry and pharmaceuticals remains a sector that benefits from a very large share of foreign investments.

More info:

Frank Beckx, essenscia spokesman, tel. 02 238 97 08, gsm 0476 80 94 74, fbeckx@essenscia.be

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essenscia represents 800 companies active in the chemistry, plastics and life sciences (pharma and biotech) in Belgium.

The continuous growth in expenditure for **research and development (R&D)** was maintained in 2012. The sector spent **2.75 billion euros** on R&D, setting a new record. The chemistry and life sciences sector is therefore by far the most innovative sector in Belgian industry. Today it represents 56% of total R&D expenditure by Belgian industry, compared with 43% in 2000.

Exports rose to 110.7 billion or one third of total exports for goods. The sector shows a positive **trade balance of 24 billion euros** at a time when the trade balance for Belgium is 7.2 billion euros. The chemistry and life sciences sector is the clear leader on the Belgian export front, making a vital contribution to prosperity and well-being in our country.

The 2012 figures show that the impact of the chemistry, plastics and life sciences sector on Belgium's industrial fabric has become very considerable. The sector is not without its vulnerabilities, however, and essenscia is concerned at the energy and climate policy in Belgium and Europe that is a threat to its international competitiveness.

Frank Coenen, essenscia president: *"Belgium is a world player in the field of chemistry, plastics and life sciences. A strong position that cannot be taken for granted for the future, however. The extraction of cheap shale gas and oil in the United States is fuelling an industrial renaissance in a country where the price of gas is more than three times lower than in Europe. This difference represents a handicap in terms of annual costs of over a billion euros for chemical companies in Belgium. What is more, the industry is facing ever growing added costs linked to renewable energies that are relatively more expensive in Belgium than in neighbouring countries."*

Without compromising the objectives of renewable energies, essenscia urges the federal government to take urgent action with a view to the structural reform of offshore wind power in line with our neighbouring countries.

At the social level, essenscia is calling for a competitive environment that guarantees employment. The wage costs handicap for continuous operation of 27% between a German and Belgian chemical worker is unsustainable in the long term. *"The wage freeze is a first step in closing the gap with our neighbouring countries. A targeted reduction in costs linked to round-the-clock operation remains a real necessity,"* declares the essenscia president, Frank Coenen.

Finally, a stable fiscal policy coupled with legal security is crucial if we are to continue to attract investments and research activity. *"Companies make their investment decisions for the long term, and especially so in a capital-intensive sector such as chemistry and pharmaceuticals. A stable political and legal framework is obligatory if we are to retain our leadership position,"* concludes Frank Coenen.

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