

Tough conditions lead to EU chemicals output contraction this year, growth returns in 2014

BRUSSELS, June 27, 2013 – European chemicals output will contract by 1.0% this year before returning to modest growth of 1.5% in 2014, Cefic, the European Chemical Industry Council, said today. The 2013 figure is lower than the 0.5% slight expansion announced in December 2012, as the economic development to date has been weaker than expected.

The gradual recovery will be founded upon stabilization of industrial production in Europe after two years of weakness, and a modest rise in exports. But the European chemicals sector, which generates 1% of the continent's gross domestic product and which employs 1.2 million, will face tough competition from U.S. producers benefiting from cheap energy and feedstock.

Cefic President Kurt Bock said: "The EU chemical industry is still facing headwinds from the weak European economy. The chemical industry continues to be exposed to strong international competition, mainly due to low-cost energy and feedstock in the US. European policymakers need to address the energy and feedstock issue if we are to preserve Europe's industrial core."

The 1.0% fall in European chemical output during 2013, compared with 2012, will be the second consecutive year of modest output decline. Important industrial markets for European chemicals are continuing to struggle. Although demand is stronger in some individual countries, both automotive and construction remain generally weak. Sales of new vehicles are being held back by high unemployment and weak income growth, although the need to replace older vehicles will in time help to revive the market. Working off the excesses of past speculative building activity is happening at a painfully slow pace, and European construction output remains at historically low levels. The disappointing performance of the chemicals industry tracks the weak level of activity in the broader European economy, particularly in the Eurozone.

Cefic forecasts a return to moderate positive growth for chemicals output in 2014 of 1.5%. Petrochemicals and fine and speciality chemicals sub sectors both are predicted to grow by 2%. Consumer chemicals, a subsector that will remain in positive growth territory in 2013, will further expand by 1.5% next year followed by a 1% uptick for inorganic basic chemicals. Employment in the sector is forecast to remain stagnant.

The upturn in chemicals output depends on a modest recovery in the wider European economy. Industrial production in Europe is currently stabilizing after fiscal consolidation and structural reforms in many countries have helped establish a firmer base for renewed growth, albeit at the cost of higher unemployment. Demand is expected to improve modestly across the economy during 2014.

More positively, world manufacturing output growth is expected to accelerate in 2014 after two years of slower progress. This should strengthen export demand both for European chemicals, and for products that contain them. Japan is striving to relaunch its economy, a US recovery is underway, and developing and newly-industrialised economies are continuing to expand rapidly, becoming important consumer markets.

For more information, contact: James Pieper, media relations manager, Cefic, on desk phone +32 (0)2 676 7398, +32 491 27 43 61 or via e-mail at jpi@cefic.be.

Note to editors:

About Cefic

Cefic, the European Chemical Industry Council, is the Brussels-based organisation representing the European chemicals industry. Created in 1972, it represents 29,000 companies, including SMEs, which produce about a fifth of the world's chemicals. For more information, go to www.cefic.org.