



THE CHEMICAL INDUSTRY IN ITALY : SITUATION AND OUTLOOK

JULY 2026

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SUMMARY

The outlook is heavily conditioned by developments in the Middle East conflict, with repercussions affecting energy, logistics and a range of raw materials (including chemicals), together with the risk of possible supply chain disruptions. Despite the interest of the US and Iran (as well as China) in reaching an agreement, several contentious issues remain, starting with freedom of navigation through the Strait. Even in the event of de-escalation, market normalisation will take several months. The baseline scenario assumes that the most acute phase of the crisis will be overcome although not yet fully resolved, whereas a prolonged crisis would entail sharper and more persistent effects on inflation and recessionary impacts.

On the assumption that the shock is going to be gradually absorbed, oil prices are forecast to remain at elevated levels, albeit ones already experienced in recent years (an average of \$85 in 2026 and \$75 in 2027). The increase in natural gas prices in Europe will prove more persistent (€45/MWh in 2026, partially receding towards €40 in 2027) — given the damage to energy infrastructure and low storage levels — while remaining well below the peaks reached in 2022.

Against this backdrop, the global economy will experience a slowdown (GDP +2.6% in 2026 and +2.8% in 2027), accompanied by a more pronounced deceleration in international trade (+2.8%, rising to +3.1% in 2027). In the face of the numerous shocks that have followed one another since the pandemic, economic systems have demonstrated unexpected flexibility and resilience, limiting the extent of damages. A strong growth impulse is linked to Artificial Intelligence, which is now entering its manufacturing phase.

In a context very different from that of 2022, the rise in inflation is expected to subside rapidly (in Italy, from +3.1% in 2026 to +2.1% in 2027). Moderate interest rate increases are expected, with limited repercussions on credit conditions. The euro — despite its recent partial retreat against the dollar, reflecting greater US resilience and the flight towards financial assets perceived as safer — is expected to remain at relatively high levels (\$1.17 in both 2026 and 2027).

The numerous initiatives undertaken by the European Commission — aimed at safeguarding security, environment and competitiveness — represent a positive signal, but not a turning point. Favourable spillovers, including for Italian industry, will stem from Germany's policy of investments in infrastructure (€500 billion over 12 years) and in defence. The European SAFE programme of investments in defence and aerospace will favour Eastern European countries (with an incidence exceeding 5% of GDP) over Italy (less than 1%).

Against the backdrop of a prudent Italian fiscal policy, NRRP-related expenditure will accelerate further in 2026, with the stimulus fading in subsequent years. In a complex environment, Italian economic growth will hold up, albeit at a modest pace (GDP +0.7% in the current year, slowing to +0.4% in 2027), driven above all by investment.

After three years of recession, manufacturing output is expected to stage a weak recovery in 2026 (+0.6%) and 2027 (+0.4%), on the assumption of a gradual improvement in the operating environment. In a context of persistent import pressure, competitive positioning will prove decisive in capturing demand, leading to a persistent divergence between sectors and companies. The expansion of goods exports will gradually strengthen (from +1.8% in 2026 to +2.2% in 2027). The search for cost savings and lower energy consumption, together with the growing technological content of business activities, will underpin the increase in goods imports (+2.7% in the current year, followed by +2.3%).

The chemical industry — with €60 billion in turnover and more than 117,000 highly qualified employees — is Italy's fifth-largest industry, and Italy is Europe's third-largest producer.

The sector is probably the hardest hit by the effects of the conflicts, first in Ukraine and then in Iran, as it uses fossil fuels both as energy sources and as feedstocks. Despite all the difficulties, chemical companies have succeeded in ensuring continuity of supply, thereby avoiding serious repercussions for the system as a whole. Chemicals are indeed described as “the industry of industries”: chemical products are essential components of 95% of manufactured goods, meeting every need — from mobility to health and wellbeing, from clothing to agri-food, from construction to ICT.

Tensions in the Middle East have nevertheless triggered increases in the procurement costs of chemical raw materials, with inevitable knock-on effects along value chains, also reflecting logistical factors (freight rates, insurance, alternative routes). Following customers' front-loading of purchases, demand is expected to undergo a phase of correction. Looking ahead — and even assuming that the most acute phase of the Middle East conflict has passed — chemical production in Italy is forecast to contract further in 2026 (-3%) and to recover slightly in 2027 (+0.5%).

In a context of uncompetitive energy and raw material costs, compounded by the failure of industrial demand to recover, chemical production in Italy stands more than 13% below its 2021 level. Rationalisation and conversion processes are under way across Europe: since 2022, capacity losses have increased sixfold, entailing a reduction of 37 million tonnes (source: Cefic–Roland Berger). Given integrated production and close supply chain linkages, there is a risk of a domino effect.

The chemical industry invests more than €590 million a year in R&D in Italy. Over the past decade, dedicated personnel have grown by 64%, reaching 8% of sectoral employment.

Including its use as feedstock, between 2021 and 2024 the incidence of energy costs on the value of chemical production rose from 14% to 18% and — in the absence of a lasting decline in prices — could reach 23%. Between direct and indirect costs, the chemical industry pays more than €600 million a year for CO₂ emissions, a burden not borne by non-European producers and equivalent to the sector's entire R&D expenditure. In the absence of technologies available and sustainable at scale, the cost of allowances effectively becomes a tax that diverts resources away from investment.

The trade deficit with China exceeded €8 billion in 2025, compared with a broadly balanced position in 2019. Between 2005 and 2024, Chinese companies benefited from forms of public support between three and eight times greater than those available in OECD countries, with the chemical sector the main beneficiary (source: OECD, June 2026).

A change of course to protect the chemical industry is urgently needed to prevent the decarbonisation pathway from turning into deindustrialisation. Industrial policy measures should focus on four areas: reduction in energy and carbon costs; simplification; incentives for research and innovation; and promotion of demand for circular, low-carbon chemical products Made in Europe. A radical rethinking of the ETS must proceed hand in hand with the creation of a genuine single energy market and the removal of distortive elements, as highlighted by the study conducted by CESISP at the University of Milano-Bicocca (published in May 2026). At national level, the compensation of ETS costs embedded in the price formation of thermoelectric power must be extended to cogeneration plants. Trade defence measures must be made more effective, adopting a value chain perspective. It is also necessary to strengthen incentives for research and innovation through instruments accessible to SMEs as well, addressing not only radical but also incremental innovation.

ECONOMIC SCENARIO FOR CHEMICAL COMPANIES



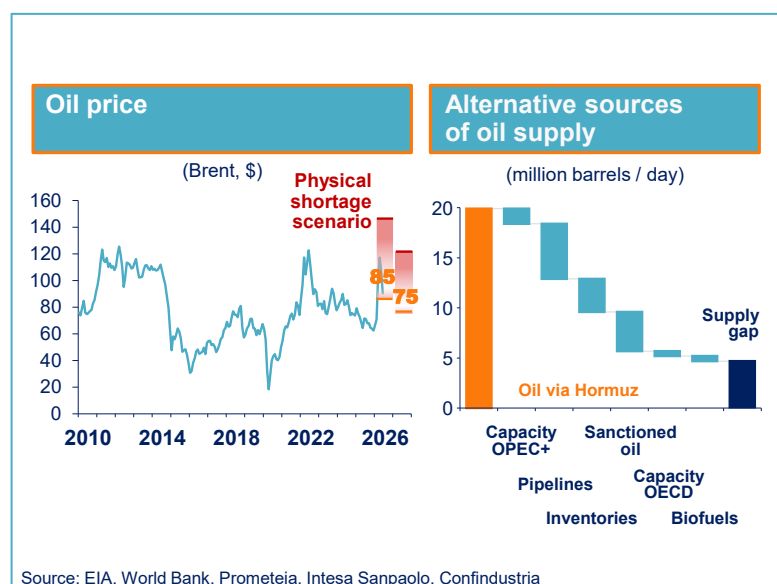
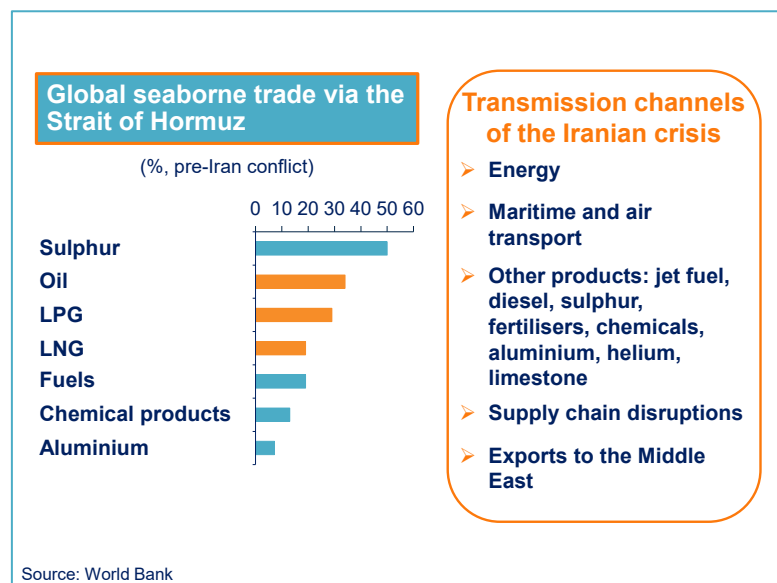
PART ONE

FROM THE IRANIAN CRISIS A NEW ENERGY SHOCK AND MULTIPLE FRONTS OF TENSION

The outlook is heavily conditioned by developments in the Middle East conflict. **The transmission channels of the Iranian crisis are manifold.** First and foremost, the Strait of Hormuz is a pivotal hub for seaborne trade in oil (34% before the conflict), liquefied natural gas (19%) and fuels (19%, with considerably higher shares for jet fuel and diesel). The repercussions extend beyond **energy** to **maritime and air transport** more broadly. Significant tensions also affect several **other raw materials** (such as sulphur, chemical products including fertilisers, helium used in semiconductors, aluminium and limestone), with repercussions — in terms of costs but also of potential **supply chain disruptions** — across numerous value chains. In addition to imports, Italian **exports** to the Gulf countries (accounting for 4% of total manufacturing exports on average) will also be affected.

Although the United States is energy self-sufficient, the war entails significant political costs, given the approaching midterm elections, the sudden rise in petrol prices and opposition to the war among more than 60% of American citizens. The blockade of the Strait also damages Iran, as it constitutes the transit route for all of its exports. **Despite the interest of the US and Iran (as well as China) in reaching an agreement, several contentious issues remain, concerning the Iranian nuclear programme, freedom of transit through the Strait, the lifting of US sanctions and the release of frozen funds. Risks also include Israel's reluctance regarding the cessation of military operations in Lebanon.**

The baseline scenario assumes that the most acute phase of the crisis will be overcome, though not fully resolved, whereas a prolonged crisis would entail sharper and more persistent price effects, repercussions on inflation and recessionary impacts.



Even in the event of a short-term de-escalation of tensions, market normalisation will take several months, taking into account the mine-clearing operations in the Strait (requiring 40–50 days), the

unwinding of bottlenecks, the persistence of a residual risk margin and the need to rebuild commercial and strategic inventories.

The increases recorded in oil prices reflect fears of scarcity in the face of Middle Eastern supply that is largely frozen, but not destroyed. **On the assumption that the shock is being absorbed, oil prices are forecast at elevated levels, albeit ones already experienced in recent years (\$85 on average in 2026, \$75 in 2027).**

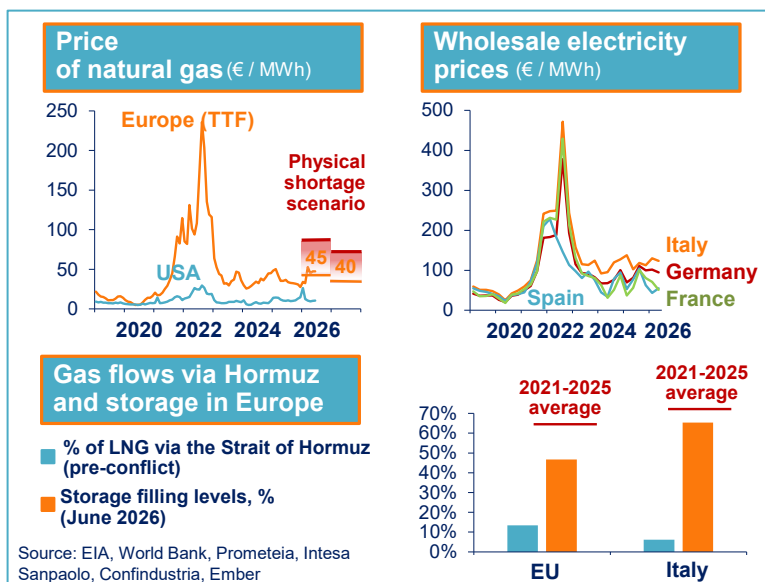
In the event of a physical shortage, by contrast, prices could approach \$150 in order to rebalance the market through demand destruction. Various initiatives have been rapidly launched to offset — substantially, though not entirely — the losses associated with the closure of the Strait of Hormuz (use of inventories, alternative production and routes, and an easing of sanctions). Asian countries — more dependent on Middle Eastern supplies — are already implementing consumption-limitation plans to counter shortage risks. The supply shock could potentially exceed those of the 1970s in magnitude; however, the oil intensity of advanced economies (i.e. oil consumption per unit of GDP) has halved since then. China is also less vulnerable, thanks to substantial investment both in renewables and electrification and in coal.

Excluding the most adverse scenarios, **natural gas prices in Europe are forecast to rise significantly (€45/MWh in 2026, partially receding towards €40 in 2027), while remaining well below the levels reached in 2022.** Tensions are set to last longer, owing to the damage to energy infrastructure (first and foremost in Qatar, the world's second-largest LNG exporter) and the low level of EU storage (47% in June). Italy, while among the European countries most dependent on Middle Eastern supplies, has higher stock levels (65%).

Competitiveness gaps in natural gas and electricity prices are widening once again.

On the one hand, the United States is essentially unaffected by gas tensions; on the other, the impact on electricity costs depends — in amplified fashion — on the energy mix of individual European countries (given the price formation mechanism). **Italy is heavily penalised: in the first six months of 2026, electricity prices reached €127/MWh, compared with prices stable at around €60 in France and even falling towards €50 in Spain.**

In a scenario marked by multiple geopolitical risks, **the diversification of supply sources and routes will remain decisive not only for governments but also for companies.**



THE GLOBAL ECONOMY WILL AVOID RECESSION PROVIDED THE CRISIS IS SHORT-LIVED

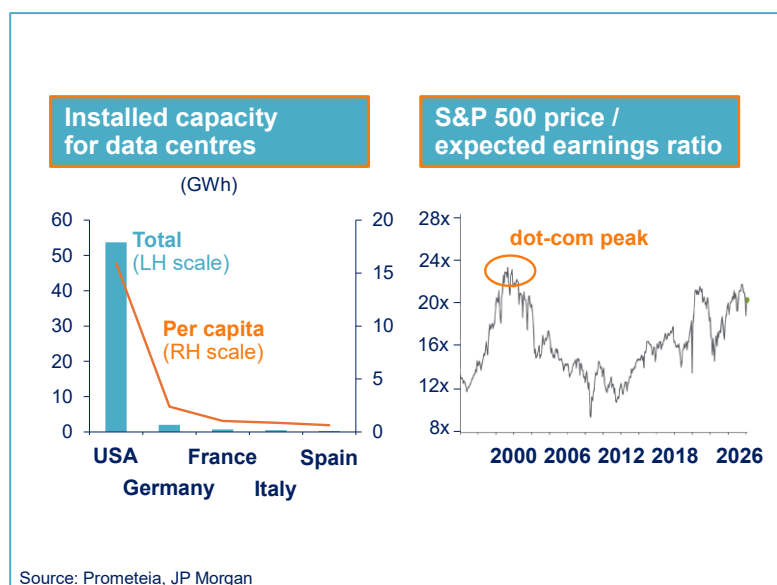
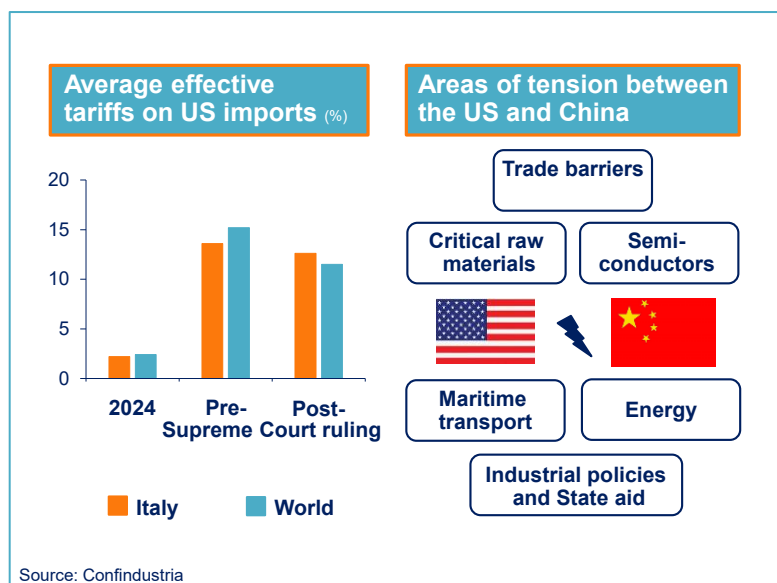
The Iranian crisis unfolds against a backdrop already marked by US tariffs, which continue to represent a source of uncertainty (with repeated threats also directed at the European Union). They have not triggered a generalised wave of retaliatory tariffs or an overall collapse in trade flows. However, **the effect of the tariffs (which have risen on average from 2% to 11%) has yet to feed through fully to the economies, taking into account the front-loading of purchases that characterised 2023 and the process of pass-through to selling prices.** Following the Supreme Court ruling, the US Administration aims to restore tariff levels on different legal grounds (such as Section 301, relating to unfair practices by foreign governments), in view of the expiry at the end of July of the across-the-board 10% tariffs applied in addition to Most Favoured Nation rates.

Geopolitical tensions — fuelled by US–China rivalry — have repercussions in numerous areas. Beyond tariffs, **export control measures** are increasingly frequent (including on the Chinese side, with reference to rare earths and, more recently, fuels and fertilisers), as are policies favouring the supply of domestic markets, recourse to **State aid and “Made in” clauses** (also under discussion in Europe).

A strong growth impulse is linked to Artificial Intelligence, with investment in Europe beginning to catch up with the United States and China. Generative AI **is entering its manufacturing phase,** with its translation into scalable products and its integration into physical production systems. Major opportunities are emerging, bearing in mind that, in great technological revolutions, the greatest benefits have often accrued not to those who originated them, but to those who adopted them most effectively.

AI also entails certain risks. First, it is an **energy-intensive technology that will drive a 150% increase in data**

centre electricity consumption over the next ten years. The United States has around 53 gigawatts of installed capacity, roughly fifteen times the combined capacity of Germany, France, Italy and Spain. A second **risk is financial,** in light of a price-to-expected-earnings ratio not far from the levels

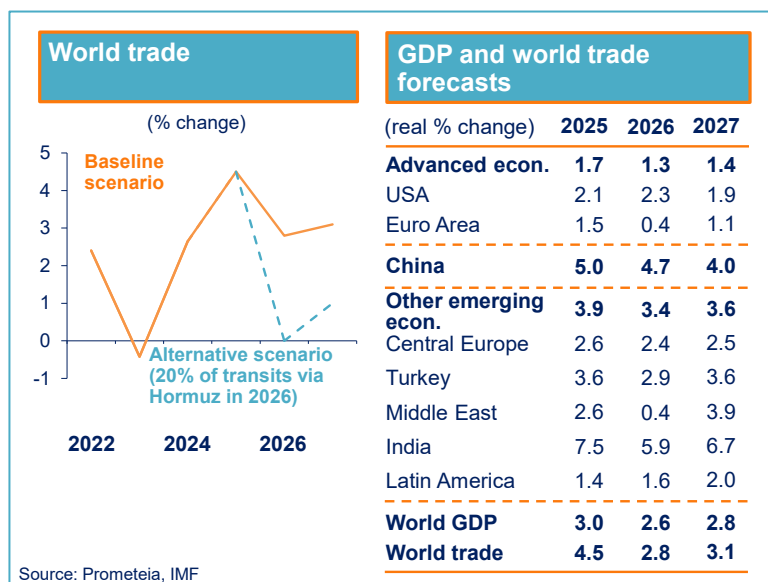


preceding the bursting of the dot-com bubble. In the event of a traumatic correction in financial markets, the impact on the real economy would be substantial, not only in terms of indebtedness and a slowdown in investment, but also on household wealth (particularly in the United States) and on consumption.

On the assumption that the most acute phase of the Iranian crisis subsides within a limited timeframe, **the global economy will experience a slowdown (GDP +2.6% in 2026 and +2.8% in 2027), accompanied by a more pronounced deceleration in international trade (+2.8% in the current year and +3.1% in 2027).** A prolonged closure of the Strait of Hormuz would instead trigger a recession, with repercussions extending into 2027. **In the face of the numerous shocks that have followed one another since the pandemic, economic systems have demonstrated unexpected flexibility and resilience, limiting the extent of the damage.**

The **United States** will maintain a solid pace of expansion (GDP +2.3% in 2026; +1.9% in 2027), thanks to new investment, deregulation and fiscal measures that will offset, at least in part, the loss of purchasing power associated with higher fuel prices and goods prices in general (+10–15% for the prices of imported products as a result of tariffs).

The Iranian crisis will not compromise growth in **China** (GDP slowing to +4% over the two-year period), which will remain export-driven amid renewed momentum in demand for “green” technologies (solar cells, lithium batteries and electric vehicles) and aggressive pricing policies, against a backdrop of weak domestic demand held back by the contraction in real estate and higher fuel prices.

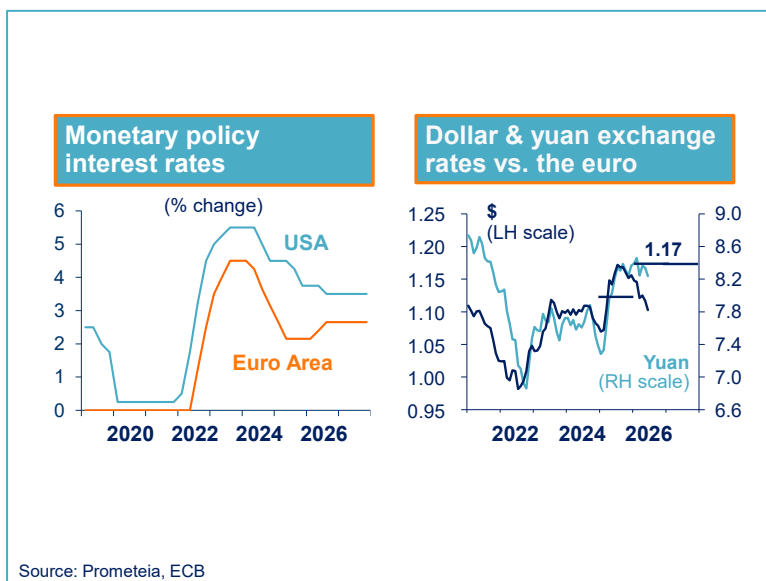


MODERATE INTEREST RATE INCREASES IN THE EURO AREA

The ECB is more inclined to raise interest rates than the US Federal Reserve, as the Euro Area is more exposed to the energy shock and intends to counter the risks of persistent inflation (as occurred in 2022–2023).

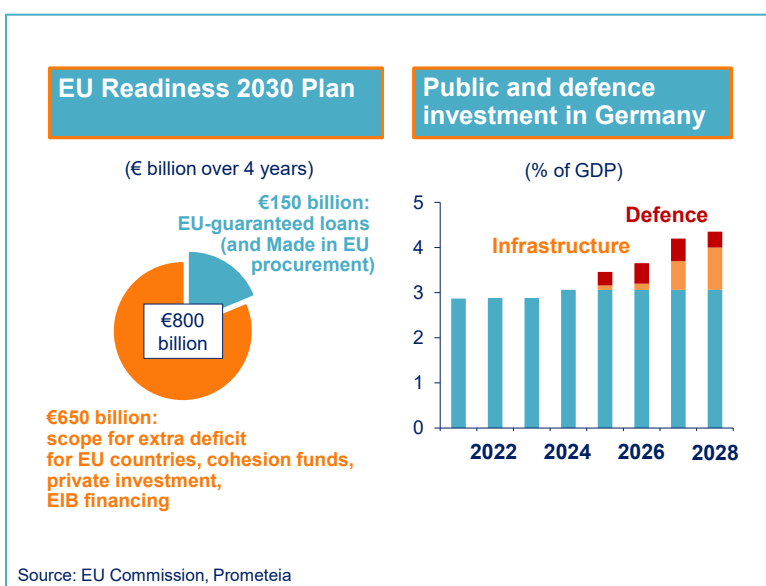
Given the weakness of the European economy, moderate interest rate increases are expected, with limited repercussions on credit conditions for households, businesses and public debt.

Against this backdrop, **the euro — despite a partial retreat against the dollar, reflecting greater US resilience and the flight towards financial assets perceived as safer in phases of uncertainty — is expected to remain at relatively high levels (\$1.17 in both 2026 and 2027)**, weighing on the competitiveness of European production in a context marked by tariffs, rising costs and strong Chinese aggressiveness. The Chinese currency — which, by contrast, tends to be kept anchored to the dollar to support exports — is undergoing a partial strengthening, in light of a continuously expanding trade surplus.



EUROPEAN POLICIES IN SEARCH OF A NEW BALANCE BETWEEN DEFENCE, THE ENVIRONMENT AND COMPETITIVENESS

The European Commission has undertaken numerous initiatives aimed at supporting industrial competitiveness (such as the Omnibus simplification packages, the postponement of measures including the EUDR on deforestation and ETS2, the Industrial Accelerator Act and Made in Europe). **However, ambitious environmental objectives — asymmetric relative to the rest of the world — remain in place, and no significant funds have been made available at Community level to finance the ecological transition.**



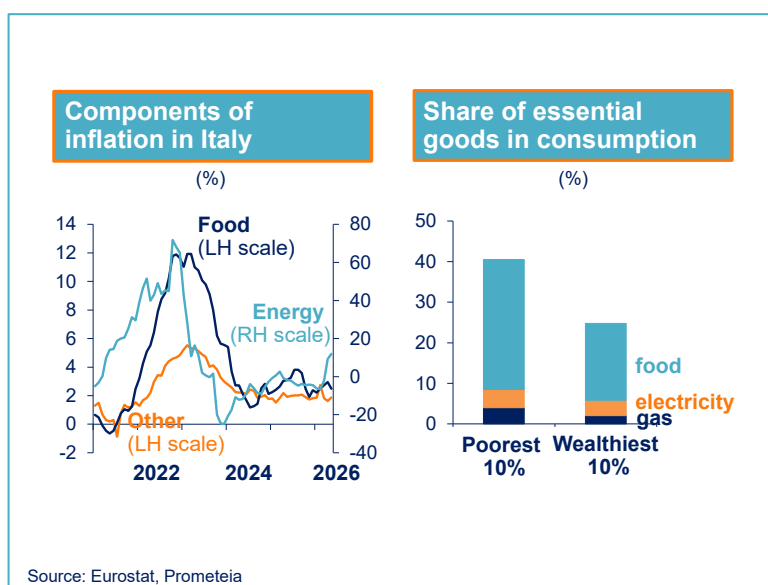
At the same time, **European defence has emerged among the new priorities with the Readiness 2030 Plan, which intends to mobilise €800 billion over four years**, of which €150 billion in the form of EU-guaranteed loans to be deployed according to European-preference procurement criteria (an instrument known as SAFE). Defence expenditure — especially where focused on the most innovative, digitally-related components — has significant multiplier effects on the economy and can contribute, in part, to mitigating the crisis in the automotive sector. However, there is a concrete risk that import dependence will prove high (equal to 70% in 2022–2024). In any event, **it remains a priority to ensure that the greater commitment to defence does not come at the expense of other expenditure.**

In a context in which most support measures are delegated to the national level, albeit with forms of coordination, Germany's shift towards an expansionary fiscal policy represents a significant development for European industry as a whole. Together with the growing resources devoted to defence, the **€500 billion fund over 12 years (of which €400 billion earmarked for infrastructure and €100 billion for climate and the energy transition)** will enable Europe's largest economy to strengthen public expenditure on investment (rising from 3% of GDP in 2025 to 4% in 2028). The projects — dedicated, among other things, to schools, hospitals, residential redevelopment, logistics infrastructure, energy networks and storage facilities — may also generate significant positive spillovers for Italian industry. The impact, though positive, will nevertheless be constrained by the low levels of capacity utilisation in Germany, which will hold back the recovery of private investment.

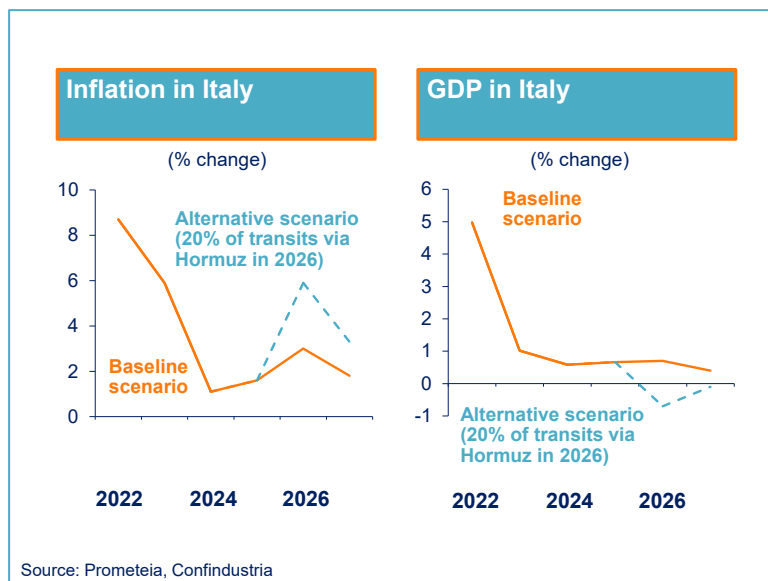
MODEST GROWTH PERSISTS IN ITALY AMID A TEMPORARY RISE IN INFLATION

The energy shock will cause a **significant increase in inflation in Italy (3.1% in 2026)**, although a decline is already expected in 2027 (2.1%).

The current context is indeed very different from that of the previous shock of 2022: at that time, demand was rebounding strongly in the post-pandemic phase and was supported by generous fiscal measures (including the “Superbonus” scheme). Given weak demand, the downstream pass-through of cost increases will be less straightforward, which will help to contain the inflationary wave.



Once again, **essential goods are affected** — fuels, domestic heating and food — **which account for a particularly significant share of expenditure, especially for lower-income households (around 40%, compared with 25% for middle-to-upper income brackets).** With regard to the food supply chain, whereas the outbreak of the war in Ukraine directly involved two major producers of agricultural commodities, the Middle East is a strategic region for the supply of natural gas and for the production of ammonia and nitrogen fertilisers exported worldwide. The substantial increases in fertiliser prices will make their effects felt mainly at the beginning of next year, once sowing and harvesting cycles are complete. Further risks are linked to El Niño, which tends to cause droughts and violent rainfall.



In a complex environment, **Italian economic growth is expected to continue, albeit at a modest pace in 2026 (GDP +0.7%), slowing in 2027 (+0.4%).** Should the most acute phase of the Middle East conflict be prolonged (or, worse, escalate), risks of stagflation would emerge — that is, more widespread, pronounced and persistent inflation with moderately recessionary impacts.

SIGNIFICANT NRRP CONTRIBUTION TO GROWTH IN 2026 AND LIMITED MEASURES AGAINST HIGH ENERGY PRICES

In Italy, a significant contribution to growth will come from the NRRP, whose expenditure is expected to accelerate in 2026, with the stimulus fading over 2027–2028.

Unlike the NRRP, the allocation of the European SAFE instrument for defence and aerospace will favour Eastern European countries, with an incidence on GDP even exceeding 5%, compared with less than 1% for Italy.

The European Commission has recognised margins of flexibility within the national safeguard clause for defence — which carries a ceiling on additional expenditure of 1.5% of GDP — with a derogation of €14 billion for the 2026–2027 period, also covering measures dedicated to “energy support”, albeit with specific limitations (excluding, for example, discounts on

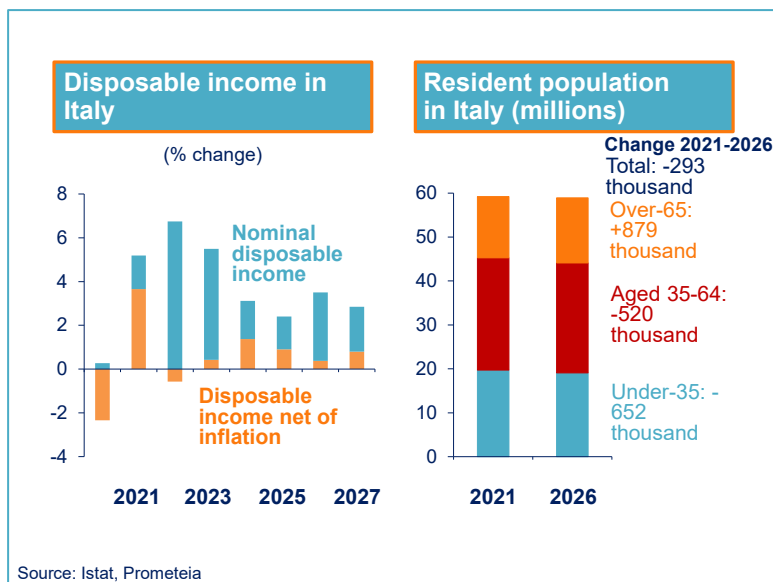


energy bills). In light of a deficit close to the 3% threshold, outside the NRRP Italian fiscal policy will remain prudent, with selective measures against high energy prices.

EXPANDING INVESTMENT AMID CAUTIOUS CONSUMPTION

The expansion of **private consumption** (+0.8% in the current year, slowing to +0.5% in 2027) will be conditioned by household caution, shaped by the experience of the previous energy shock of 2022 and by fears of inflation.

The savings capacity accumulated during the pandemic has been eroded. While employment is expected to slow (+0.5% in the current year and +0.4% in 2027), albeit remaining at high levels, income growth will be largely absorbed by inflation (+0.4% in real terms in 2026, recovering to +0.8% in 2027).

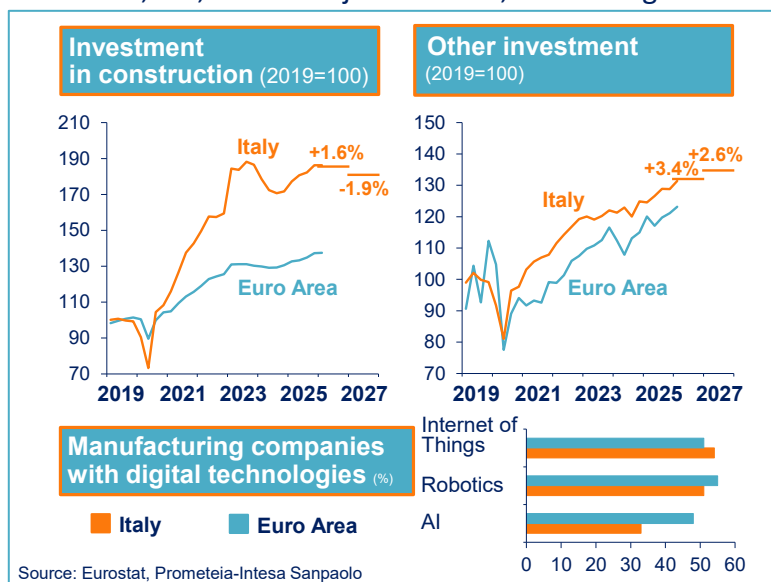


Demographic trends have multiple impacts, including in the short term. Over the past five years, Italy's resident population has fallen by more than 290,000, with inevitable repercussions on domestic demand. Against an increase in the over-65s (+879,000), the under-35s have declined (-652,000), as has the intermediate age bracket (-520,000), with differentiated effects across the various categories of goods and services.

In this context, difficulties are emerging in recruiting staff and specific skills, also in view of young people's growing propensity to move abroad, particularly among the most highly qualified (367,000 over the decade 2014–2023, with the share of graduates rising from 31% to 51%). Over the same period, young immigrants numbered around 113,000, of whom just over 49,000 were graduates, resulting in a net loss of around 97,000 over the decade.

Public consumption — in light of budgetary constraints — will remain broadly stationary (+0.2% in 2026 and +0.3% in 2027).

Investment in construction is expected to grow in 2026 (+1.6%), driven by public works, against a correction in residential building, which will nonetheless remain at high levels despite the fading effects of the



Superbonus. In 2027, construction will experience a downturn (-1.9%), given the reduced impetus of NRRP-related investment. Rising costs and interest rates will act as further brakes.

Looking ahead, a significant positive impact is expected from the new Housing Plan, which envisages 100,000 new dwellings and the mobilisation of €10 billion over the next decade.

Despite uncertainty and rising costs, **other investment** (capital goods and intangibles) is forecast to expand over the next two years as well (+3.4% in 2026, followed by +2.6% in 2027), thanks to the tax incentives linked to Transition 5.0 (reintroduced in the form of super-depreciation allowances) and in view of companies' strong needs for renewal and efficiency improvements.

Macroeconomic forecasts for Italy (real % change, unless otherwise indicated)

	2025	2026	2027	2027 vs. 2019
GDP	0.7	0.7	0.4	7.5
Private consumption	1.1	0.8	0.5	3.9
Public consumption	0.6	0.2	0.3	7.3
Investment in construction	4.0	1.6	-1.9	55.6
Other investment	3.6	3.4	2.6	23.8
Goods exports	0.9	1.8	2.2	11.2
Goods imports	3.5	2.7	2.3	20.3
Inflation	1.6	3.1	2.1	26.7
Employment	0.7	0.5	0.4	9.4
Household disposable income	0.9	0.4	0.8	4.6

Source: Prometeia, Confindustria

Since 2019, investment in Italy has grown more than in the Euro Area, not only in residential construction (thanks to the Superbonus) but across all components, also supported by the NRRP and by incentives. Italian manufacturing companies are also well positioned in terms of the adoption of digital technologies relating to robotics and the Internet of Things, whereas the integration of Artificial Intelligence solutions is less advanced than the Euro Area average.

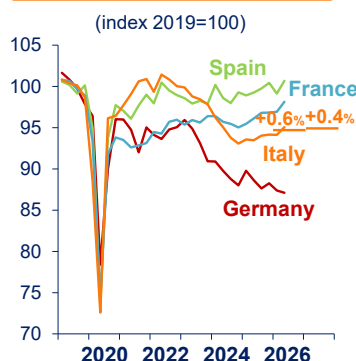
WEAK RECOVERY FOR ITALIAN INDUSTRY AMID SIGNIFICANT DISPARITIES ACROSS SECTORS

After three years of recession, Italian manufacturing industry is showing tentative signs of recovery, though these do not extend to all sectors.

The Middle East crisis primarily affects energy-intensive sectors and those vulnerable to supply chain disruptions, as well as discretionary goods most sensitive to the climate of uncertainty.

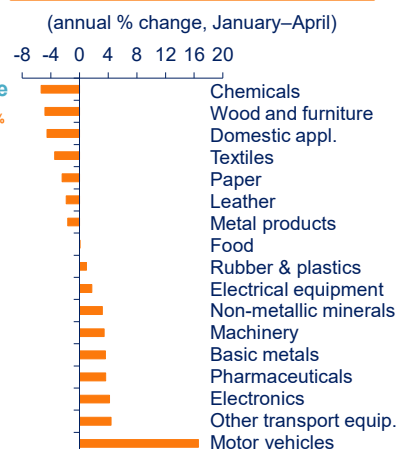
Pharmaceuticals, capital goods and other transport equipment remain in expansion. The automotive sector, after the heavy declines of previous years, is experiencing a partial rebound. Fashion, household appliances and chemicals remain in contraction.

Industrial production in the main EU countries



Source: Eurostat, Prometeia-Intesa Sanpaolo

Industrial sectors in Italy in 2026



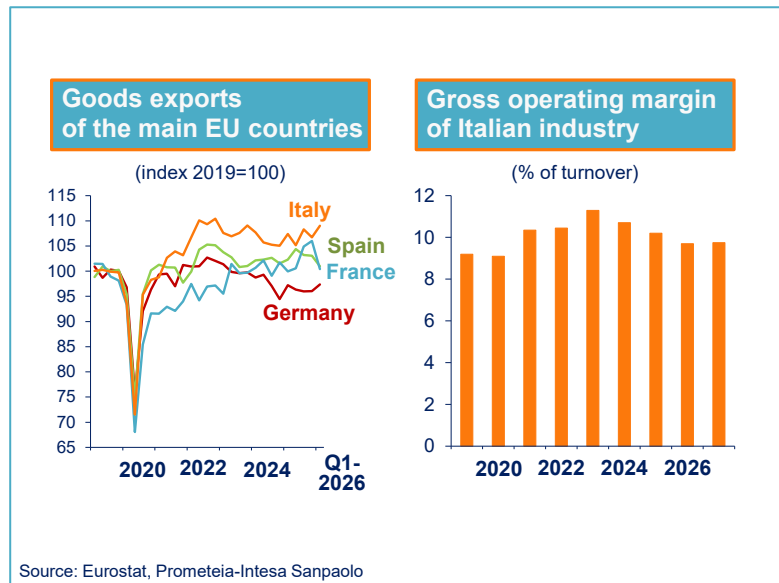
Thanks in part to a highly diversified production structure, Italian goods exports are performing better than those of the other main EU producers.

On the assumption of a gradual improvement in the operating environment, manufacturing output is expected to stage a weak recovery in 2026 (+0.6%) and in 2027 (+0.4%), supported above all by capital goods.

Conversely, should the Iranian crisis be prolonged, a further contraction in output could take shape over the 2026–2027 period (-1.8% in the current year, followed by -1.2% in 2027).

In a context of persistent import pressure, competitive positioning will prove decisive in capturing demand, leading to a persistent divergence between sectors and individual companies. The expansion of goods exports will gradually strengthen (from +1.8% in 2026 to +2.2% in 2027). The search for cost savings and lower energy consumption, together with the growing technological content of business activities, will underpin the increase in goods imports (+2.7% in the current year, followed by +2.3%).

Given rising costs, sluggish demand and strong competitive pressure, industrial margins are expected to narrow in 2026 and to recover only to a limited extent in 2027, while remaining, on the whole, above 2019 levels (9.7% versus 9.2%). In general terms, financial equilibria will not be compromised by rising interest rates, thanks to the balance sheet strengthening achieved in recent years and to a sound balance between internal and external sources of financing.



SITUATION AND OUTLOOK FOR THE CHEMICAL INDUSTRY



PART TWO

CHEMICAL PRODUCTION IN ITALY STILL DECLINING

The chemical industry — with €60 billion in turnover and more than 117,000 highly qualified employees — is Italy's fifth-largest industry, and Italy is Europe's third-largest producer. The sector — characterised by a balanced presence of medium-to-large domestically controlled groups, SMEs and subsidiaries of foreign groups — displays a strong export orientation, with exports exceeding €40 billion.

Chemicals are probably the sector hardest hit by the effects of the conflicts, first in Ukraine and then in Iran, as the industry uses fossil fuels both as energy sources and as feedstocks. Even if tensions between the US and Iran were to de-escalate, as is to be hoped, a rapid return to normality cannot be expected.

Globally, there has been a wave of force majeure declarations and shutdowns of the chemical plants most dependent on Middle Eastern supplies, mainly in Asia (Middle East and the rest of Asia: 75% of the total; China: 17%) but also, in part, in Europe (6%). China — the world's leading chemical producer, with a 46% share — has proved rather resilient, thanks to ample inventories and diversified supply sources.

Despite all the difficulties, chemical companies have succeeded in ensuring continuity of supply, thereby avoiding serious repercussions for the entire industrial and economic system. Chemicals are indeed described as “the industry of industries”, as chemical products are essential components of 95% of the manufactured goods used to meet every need — from mobility to health and wellbeing, from clothing to agri-food, from construction to ICT.

Tensions in the Middle East have nevertheless triggered increases in the procurement costs of chemical raw materials — in some cases in double or triple digits — with inevitable knock-on effects along value chains. These increases concern not only energy and raw material costs, but also logistical factors (freight rates, insurance, alternative routes).

The chemical industry in Italy in figures

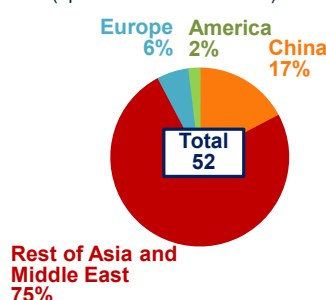
(year 2025)

Production value (€ billion)	59.9
- of which exports (€ billion)	40.1
Companies (number)	2,901
Employees (thousands)	117.2
R&D investment (€ million)	595
R&D personnel / employees	8%

Source: Istat and Federchimica

Force majeure in global chemicals

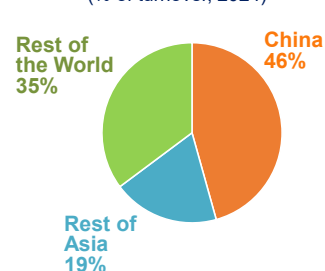
(updated to 26 June 2026)



Source: ICIS, Cefic

Global chemical production

(% of turnover, 2024)



In the first part of 2026, chemical production in Italy benefited from customers' front-loading of purchases, amplified by fears of possible supply chain disruptions. Given underlying demand that remains weak overall, the second half of the year may see a phase of correction.

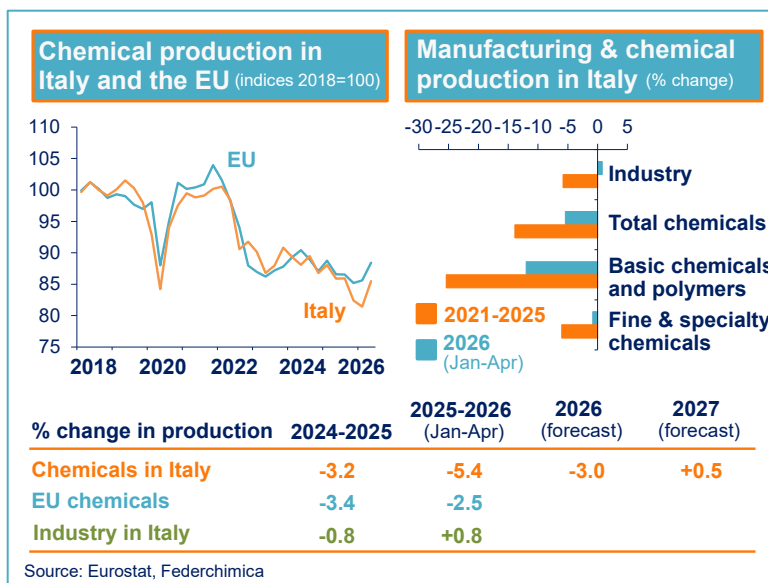
In a context of uncompetitive energy and raw material costs, compounded by the failure of industrial demand to recover, chemical production in Italy stands, overall, more than 13% below its 2021 level. Basic chemicals

and plastics — more energy-intensive and exposed to overcapacity — are suffering most, whereas fine and specialty chemicals have recorded a more limited decline (-6%). The difficulties also extend to the plastics recycling chain, in a context of discontinuous demand and of non-EU imports that are not always genuinely circular in nature. Some segments — starting with cosmetics — are, by contrast, expanding significantly.

Activity levels are being shaped, in Italy and in Europe, by rationalisation and conversion processes. According to a recent study commissioned by Cefic (the European chemical industry association) from Roland Berger, since 2022 the capacity loss associated with announced closures of European chemical plants has increased sixfold, entailing a reduction of 37 million tonnes, equivalent to 9% of European production capacity. **Given integrated production and close supply chain linkages, the risks of a domino effect and of procurement difficulties for specific chemical products or by-products should not be underestimated — at a time when strengthening European strategic autonomy is, on the contrary, becoming ever more important.**

Looking ahead — assuming that the most acute phase of the conflict in the Middle East has passed — chemical production in Italy is forecast to contract further in 2026 (-3%) and to recover slightly in 2027 (+0.5%). The recovery of industrial demand will struggle to gain traction, while difficulties on the competitive front will weigh, owing to the unresolved issues connected first and foremost with energy cost asymmetries. Among customer sectors, the most positive impulses are expected from capital goods (electrical engineering, mechanical engineering, aerospace and boatbuilding). At the opposite end, demand from the fashion system remains weak, while the automotive sector, after the heavy declines of previous years, is experiencing a partial rebound.

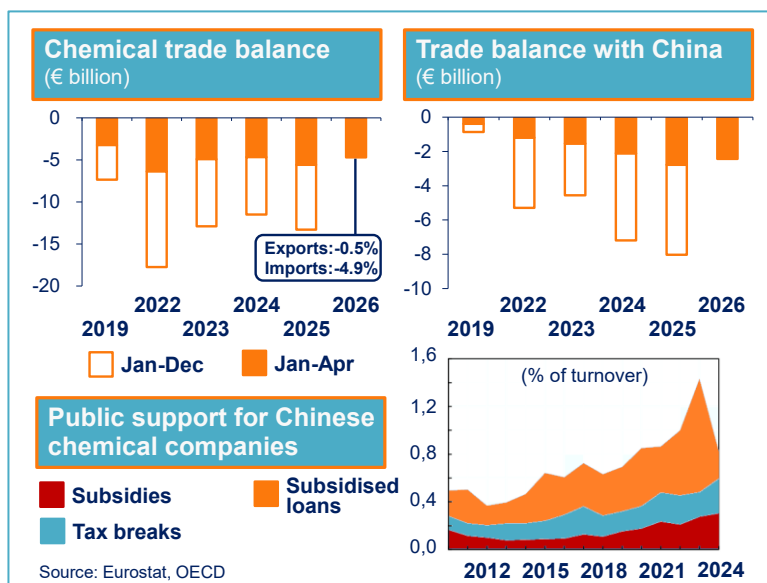
Although initiatives are under way at European level to pay greater attention to the competitiveness of the chemical industry, the repositioning actions taken to date remain too timid. Environmental objectives (starting with climate neutrality) will not be achievable in the absence of alternatives to fossil fuels that are technically and economically sustainable on an industrial scale, in a context of intense global competition. **A change of course to protect the chemical industry is urgently needed to prevent the decarbonisation pathway from turning into deindustrialisation and a loss of strategic autonomy.** Industrial policy measures, at European and national level, should focus on four areas: **reducing energy and carbon costs; simplification; incentives for research and innovation; and promoting demand for circular, low-carbon chemical products Made in Europe.**



TEMPORARY EASING OF IMPORT PRESSURE, BUT UNBALANCED TRADE RELATIONS WITH CHINA

In a context of congested trade flows and rising logistics costs, chemical exports are slightly down (-0.5% in value terms in the first four months), against a sharper correction in imports (-4.9%). Rather than the temporary easing of import pressure linked to tensions in the Middle East, the negative impact on demand risks prevailing in the coming months. Exports are also trending downwards towards the main European markets.

Taking a longer view, the trade deficit with China has ballooned, exceeding €8 billion in 2025 compared with a broadly balanced position in 2019. Massive capacity additions and the redirection of Chinese products towards the European market, in response to US tariffs, are accompanied by instances of unfair competition and extensive recourse to subsidies. **Between 2005 and 2024, Chinese companies benefited from forms of public support between three and eight times greater than those available in OECD countries, with the chemical sector by far the main beneficiary** (source: OECD, June 2026).



The trade surplus with the United States — which expanded strongly between 2019 and 2023 — has reversed over the past two years, as the combined effect of slowing demand, US tariffs (against a backdrop of liberalisation in the EU market) and the competitive advantages associated with energy autonomy and the use of shale gas in chemical production, both as an energy source and as a feedstock.

The search for alternative markets and the promotion of new free trade agreements — such as those with Mercosur and India — is a strategy worth pursuing, but it cannot be divorced from adequate safeguards and from a policy — Italian, but first and foremost European — in favour of industrial competitiveness and more robust local demand.

Given the alarming situation, **trade defence measures should also be strengthened, adopting a value chain perspective**, to prevent tariffs from simply shifting the problem to the next link in the value chain.

ASYMMETRIC ENERGY AND CARBON COSTS WEIGH ON COMPETITIVENESS AND ON ENVIRONMENTAL PROTECTION ITSELF

Energy costs continue to represent the main factor penalising the competitiveness of the chemical industry in Italy. **Including its use as feedstock, between 2021 and 2024 the incidence of energy costs on the value of chemical production rose from 14% to 18% and — in the absence of a lasting decline in gas and oil prices — could reach 23%.** Considerably higher peaks characterise the most energy-intensive productions, such as basic chemicals, industrial gases, fertilisers, active pharmaceutical ingredients, fibres, abrasives and ceramic colourants. Within the chemical industry, both natural gas (17% of energy consumption) — often not easily substitutable — and electricity (14% of energy consumption) play an important role, with electricity prices at the start of 2026 more than double those in France and even triple those in Spain.

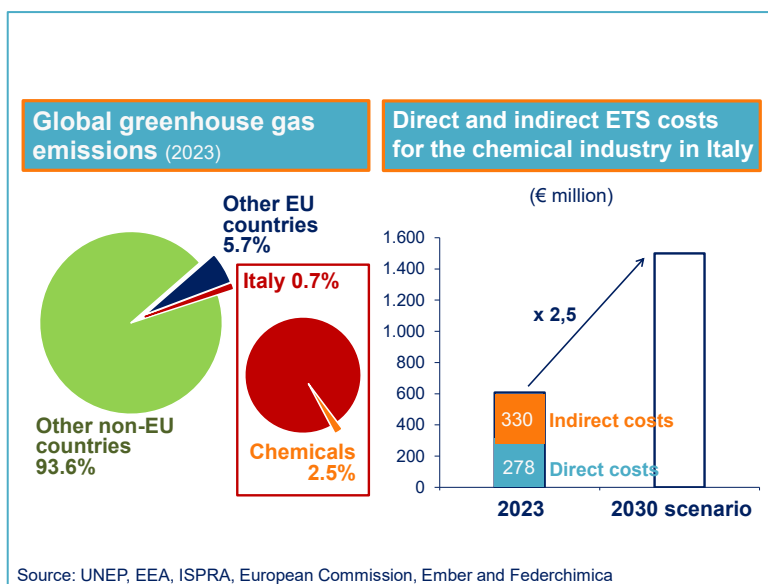
On top of prices that are already high in themselves, energy costs are further burdened by European climate policies, first and foremost the ETS, whose revision is imminent.

Since 1990, the chemical industry in Italy has reduced its greenhouse gas emissions by 70%; further reductions are difficult to achieve with existing technologies and very costly. **Bearing in mind that the country as a whole accounts for 0.7% of global emissions and that the sector now accounts for only 2.5% of national emissions, the chemical industry in Italy is responsible for less than 0.02% of greenhouse gas emissions.**

Between direct and indirect costs for CO₂ emissions, the chemical industry pays more than €600 million a year

— a burden not borne by non-European producers and equivalent to the sector's entire R&D expenditure. In a 2030 scenario, the total cost could double, exceeding €1.5 billion. **In the absence of technologies available and sustainable at scale, the cost of allowances effectively becomes a tax that diverts resources away from investment.** Without a substantial rethink, the loss of production — in Italy and in Europe — will worsen, with significant social as well as environmental repercussions, owing to the inevitable increase in imports from countries with less advanced environmental standards.

In such a critical context, **serious reflection on the sustainability of the ETS** becomes even more urgent, together with the creation of a genuine **single energy market** that overcomes the geographical differences between EU countries — which strongly influence the development of renewables — and other distortions, as highlighted by a study published by CESISP at the University of Milano-Bicocca (published in May 2026). In any event, it is essential to revise the recently published new heat benchmark, which heavily penalises the chemical sector, and to preserve free allowances in order to counter the risk of relocation to countries with less restrictive environmental regulations (carbon leakage) or with active decarbonisation measures — such as incentives for renewable sources, which in Europe are financed through general taxation without burdening energy bills, unlike current practice in Italy.



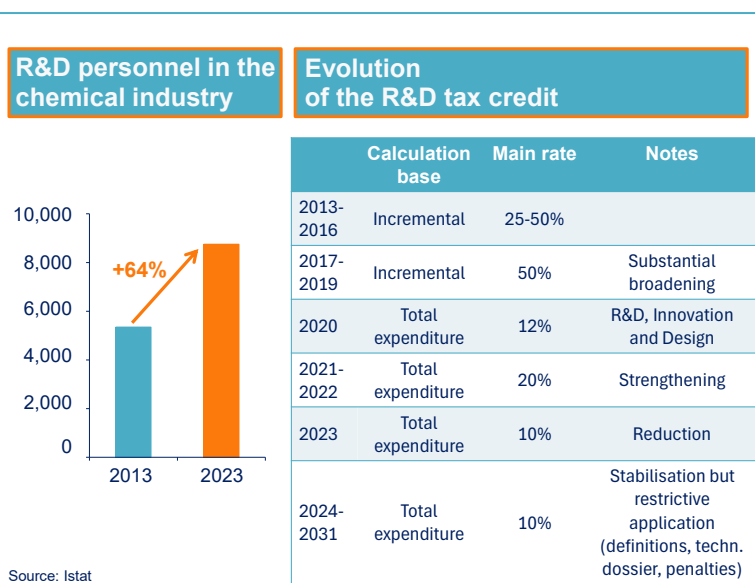
At national level, it is important to complete the implementation of the Energy Bills Decree-Law, which can reduce energy costs for households and businesses (not only energy-intensive ones) from 2027 onwards, **extending the compensation of ETS costs embedded in the price formation of thermoelectric power to cogeneration plants as well**. It is also advisable to allocate a greater share of the **proceeds from ETS allowance auctions** to compensating indirect costs on electricity prices and to financing emission-reduction projects in industrial sectors, eliminating improper uses. In light of the recent admission of new industrial sectors to compensation for indirect ETS costs (such as basic organic chemicals) and the increase in aid intensity from 75% to 80%, the dedicated financial resources need to be increased.

RESEARCH AND INNOVATION, DRIVERS OF COMPETITIVENESS AND SUSTAINABILITY

Research and innovation play a strategic role in sustaining competitiveness and advancing the ecological transition.

The chemical industry invests more than €590 million a year in R&D in Italy. Over the past decade, dedicated personnel have grown by 64%, reaching 8% of sectoral employment and closing the gap with the other main European producers.

In the chemical industry, research and innovation involve not only large groups — domestic and foreign — but also numerous SMEs. Within Europe, Italy ranks second (after Germany) for the number of chemical companies active in research, with more than 1,000.



Thanks to its pervasiveness and its ability to anticipate customer needs — stimulating significant technological advances — chemical innovation fuels the competitiveness and sustainability of downstream sectors, underpinning the global success of Made in Italy.

Technological innovation is a driver of efficiency, quality and productivity, and enables the development of concrete solutions to promote environmental sustainability. Indeed, **chemicals rank first among industrial sectors for the share of companies (64%) investing in technologies and products offering greater energy savings and/or lower environmental impact (source: GreenItaly Report 2025)**. However, the most innovative chemical products do not always find adequate market receptiveness, particularly in a context of strong competitive pressure.

Incentives for research and innovation need to be strengthened through instruments accessible to SMEs as well, addressing not only radical but also incremental innovation. The stability of support measures — which enables multi-year planning of resources and timelines — should be accompanied by the simplification of procedures and reporting obligations, also with a view to providing companies with certainty and limiting economic and sanction-related risks. Moreover, incentives should be able to cover all phases of research, from basic research through to first market introduction, which often entails more concrete risks for companies.

To support returns on investment and foster the recognition of a “green premium” in the face of higher costs, **demand for innovative, circular and low-carbon chemical products must be stimulated through targeted measures, accompanied by requirements capable of valorising Made in Europe production.** Incentive-based measures are clearly preferable to punitive measures against previous-generation products (or processes) and should apply to final markets, in order to prevent requirements on chemical content from being circumvented through imports of finished goods. In any event, account must be taken of the specific characteristics of the sectors of use — including functional requirements and overall sustainability — and excessively burdensome reporting obligations should be avoided.

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