Chemical Production Outlook

Cefic, the European Chemical Industry Council, expects chemical production growth in the European Union of –0.5% in 2018 and 0.5% in 2019.

2018 was a difficult year for the European chemical industry. Domestic demand growth slowed down from extraordinarily high growth rates in 2017. In particular, growth in the automotive industry was weak, due to the introduction of new vehicle emission standards, while the agricultural sector suffered from a long period of drought in wide parts of Europe. Export demand was hit by escalating global trade tensions. Furthermore, oil prices increased significantly, putting the competitiveness of European chemical producers under pressure. However, weakness was not only demand driven: capacity utilization in the chemical industry and in manufacturing industries was above average, so supply constraints were a potential additional impediment to growth. Low water levels of rivers especially were a constraint for chemical companies sourcing raw materials and delivering final goods via inland waterway transport. Finally, growth in 2018 was also low because it was hard to outperform the outstanding year 2017.

For 2019, Cefic expects a recovery of chemical production to slight growth of 0.5% for the EU27 plus the UK, although overall economic growth is forecast to cool down further in a globally slowing environment. However, overall manufacturing growth of 2.0% in 2019 should support demand for chemicals. Demand from the automotive and the agricultural sectors is predicted to recover from its troughs in 2018, and the construction sector, as a further important customer of the chemical industry, is expected to post further solid growth.

Nevertheless, risks are tilted to the downside. Investors and consumers are becoming more cautious in an increasingly volatile environment, characterized by looming trade tensions between the US, China and the EU. Moreover, uncertainty around Brexit is weighing on business confidence not only in the UK, but throughout Europe.