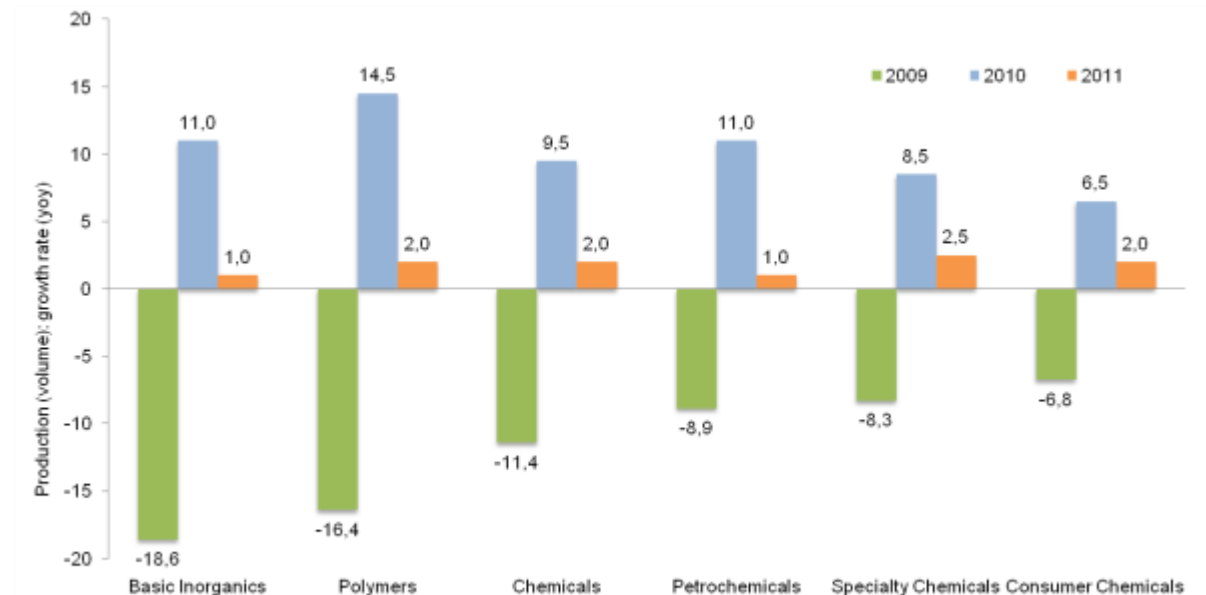




## Growth

### EU Chemical outlook



Source: Cefic Chemdata International

Looking ahead: Cefic forecasts a year-on-year production growth of 9.5 per cent for 2010 and 2 per cent in 2011 (Source, Economic Outlook, June 2010).

Basic chemicals sectors are now registering the fastest rebounds, but in all cases chemicals output remains well below pre-2008 levels. Growth in chemicals production has continued more strongly and for longer than was expected at the time of our November 2009 forecast. The overall economic recovery in Europe, however, remains fragile. Consequently, Cefic still expects a pause in the rate of growth of most commodity chemicals sectors, since underlying market demand must firm up. A recovery built on inventory corrections alone is not sustainable.

Surveys also indicate that capacity utilisation within the industry remains well below normal levels. As there remain significant uncertainties in the economic and financial environment, any defaults on sovereign debt could trigger renewed problems for banks who would suffer from non performing loan books. The chemicals sector would be sensitive to further economic shocks resulting from such a scenario.

The development of the EU chemicals industry will also depend on the effectiveness of consolidation measures taken within individual EU countries. The European chemicals industry continues to face relentless global competition. Access to raw materials and energy at globally competitive prices remains a prerequisite for a successful recovery.