



European Chemical Industry Council

# NEWS RELEASE

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## **EU CHEMICAL INDUSTRY EXPECTED TO SHOW GRADUAL IMPROVEMENT IN 2010**

**Brussels, 8 June 2009 - Cefic, the European Chemical Industry Council, expects output in the chemical industry (excluding pharmaceuticals) to decline by 11% in 2009. Expectations for 2010 show growth of 5% compared to 2009 (Chart 1).**

The European chemicals industry has been very severely hit by the economic crisis. The latest indicators show a considerable fall in capacity utilisation and investment. Some sectors are particularly badly affected, notably basic inorganics, petrochemicals, and polymers, where the slump in demand from their downstream markets has forced sharp reductions in output and some temporary plant closures.

However, most sectors of the European chemicals industry seem to have reached the bottom, after a steep fall, and some early signs of improvement are beginning to appear, for example the reopening of plants and production lines. Reversal of the recent phase of de-stocking at all levels of the supply chain should give a stimulus.

Looking ahead, the pattern of recovery remains uncertain, as underlying demand is still very weak and production will remain low compared with the pre-crisis level. Consumer confidence will take time to recover, not least because unemployment has yet to peak. Cefic expects a gradual revival of the European chemical industry in 2010 (Chart 2): Output is expected to grow by 5% for the EU chemical industry (excluding pharmaceuticals) from a very low basis. Most chemical sub-sectors will show an upward trend and experience an improvement compared to 2009. After an initial rebound led by restocking, underlying demand is expected to stabilize in 2010 rather than show a swift upward trend. We therefore estimate it will take some years before production returns to the pre-crisis level.

Prospects for the EU chemical industry remain sensitive to some downside risks, two prime examples being the high levels of unemployment and public debt. Taxes in some Member States will most probably need to be raised in order to pay back the increased levels of government debt resulting from the crisis. This puts an additional financial burden on consumers. Another element is uncertainty over the final resolution of the financial crisis, which could yet have a further significant impact on the real economy.

### **Global Economic Environment**

It is clear that the world economy has suffered a sharp and sudden drop and while the timing of the recovery remains uncertain, it is most likely to take place more slowly over a period of time before real GDP regains 2008 levels. Major institutions such as OECD and IMF as well as most independent economists agree that the world economy is facing one of its biggest crises since the second world war: the global economy went into recession in all regions at the same time; with dramatically worsening financial conditions and a non functioning banking system, making it difficult for companies to obtain credit; with important industrial sectors (e.g. automotive and construction) in trouble; with highly volatile raw material prices and increased deflationary pressures. The relatively good news (Chart 3) is that the forward looking Ifo World Economic Climate Indicator rose in the second quarter of 2009 for the first time since autumn 2007, although the assessment of the current economic situation worsened again, falling to a new record low. Cefic predicts zero growth for EU GDP in 2010, after a fall of 3.9% in 2009. World GDP is expected to decline by 2.6% in 2009, with a modest improvement next year of around 1.7% (Chart4).

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Charts available here: [www.cefic.org/files/NewsReleases/PPT-Economic-Outlook-May2009.pdf](http://www.cefic.org/files/NewsReleases/PPT-Economic-Outlook-May2009.pdf)

**For further information:**

**Dr. Moncef Hadhri  
Monika Drazak**

**+32 2 6767282**

**+32 2 7927502 / Franco Bisegna +32 2 6767394**