

EU chemicals sector growth to resume next year, follows long-term trend in 2011

Industry needs credible actions to stabilise markets and confidence

BRUSSELS, December 13, 2011 – Growth in European chemicals output will be weaker than expected this year and next because of heightened business uncertainty and inventory trimming, industry group Cefic said today.

The group's summary forecast of chemicals sector economists predicts year-on-year growth of chemicals output for 2011 is likely to be 2.0 per cent, in line with the historical trend growth rate and against 4.5 per cent expected in June. Expansion in 2012 will probably reach 1.5 per cent.

Cefic President Giorgio Squinzi said: "The continuing debt crises in the eurozone and high US government debt level have undermined macroeconomic sentiment since the summer.

"Companies are hoarding cash. The uptrend in oil prices has halted, reducing the incentive to buy ahead. Added to this is increased business uncertainty, which is encouraging reductions in inventories. Lower output growth is the inevitable result."

Following on from a strong demand recovery with double-digit growth in 2010, much of this year's rise in chemicals output took place in the first quarter. Since then output has been relatively flat.

Cefic believes chemical industry growth will resume during 2012, however, strengthening slowly through the year. Its forecasters expect underlying EU gross domestic product growth of 1.0 per cent in 2012, down sharply from the 1.8 per cent they predicted in June.

But risks remain, mostly on the downside. Growth in most developed economies remains perilously slow, and austerity measures are provoking political protest. Developing Asian economies continue to grow, but asset bubbles there could deflate suddenly.

Consumer chemicals were the star of the European industry in 2011, with growth of 6.6 per cent. They remain the top growth sector in 2012, at 2.5 per cent. Other chemicals sub-sectors are near the average, although pharmaceuticals are expected to attain 3.0 per cent growth in 2011 and 2.0 per cent in 2012.

EU output continued to be driven by external demand. The EU external trade surplus narrowed slightly during the first three quarters of 2011 from the record level reached in 2010. In 2012 the surplus is expected to be roughly stable, and inventories are also expected to cease falling. Construction stabilised in 2011, after prolonged contraction, and may grow a little in 2012.

Squinzi concluded: "Companies have reported relatively strong global results for the third quarter and are in good financial health. If the eurozone can finally establish an effective solution to the debt crisis, and deliver credible actions to stabilise markets and confidence, the European chemical industry can look forward to renewed growth through 2012."

But he warned that European chemical producers continue to suffer from high regulatory and social costs, and high energy prices. Yet in the U.S. shale gas development is attracting a new round of investment in basic petrochemicals, and the Middle Eastern capacity build-up continues. "Global competition remains fierce," he said.

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Notes to editors:

About Cefic

Cefic, the European Chemical Industry Council, is the Brussels-based organisation representing the European chemical industry. Created in 1972, it represents 29,000 companies that produce about 21 per cent of the world's chemicals and employs about 1.2 million people. For more information, go to www.cefic.org – Cefic's website.

Biography and images of Messrs Squinzi and Mandery

A full biography (.doc) and a print-quality image of Messrs Squinzi and Mandery in high-resolution, .jpeg format is available online at <http://cefic.be/en/511.html>

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