



Quarterly
Report Q2/2022

European plastics manufacturers (EU 27)

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CONTACT DETAILS

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Global economic crises slowed down economic growth

Global and European economy continued to grow but showed clear signs of slowdown. Global gross domestic product (GDP) increased only by 0.1 percent in the second quarter compared to previous one. The zero-covid-strategy of the Chinese government and resulting lockdowns dampened the economic development in China and worldwide. The United States faced high inflation rates and rising interest rates, leading to a sunken consumer confidence and a lower willingness to invest. European GDP grew by 0.7 percent compared to previous quarter despite the energy crisis and high inflation rates. But the impacts of the war in the Ukraine clearly slowed down the development. The service sector profited from low restrictions against the coronavirus, industrial production increased as well. Global industrial production decreased by 3.3 percent compared to previous quarter.

China's zero-covid-strategy was one reason for the poor result. Industrial production sunk by 5 percent in the same period due to lockdowns and factory closures. But other major economies like Germany or Japan had to reduce their industrial production, too. High prices for primary products, material shortages as well as disrupted supply chains slowed down production worldwide. Contrary, the European industrial production increased by 0.6 percent compared to previous quarter and was 1.7 percent higher than last year. But the difference between the member states was partly big. While production decreased in Germany, Belgium, or Slovakia, it increased for Spain, the Netherlands, or Denmark. The energy crisis with negative effects on production affected the member states with a high dependency on Russian energy in particular.

GDP development EU27



Manufacture development EU27



Source: Eurostat, Chemdata

GDP & manufacture (seasonal adjustment)

	2021		Q2/22	
	% to prev. year	% to prev. year	% to prev. quarter	% to prev. year
GDP world	5.7	3.0	0.1	3.6
GDP EU27	5.2	4.2	0.7	4.9
Manufacture world	9.5	1.4	-3.3	3.0
Manufacture EU27	8.9	1.7	0.6	1.3

Different developments of customer industries

The shown customer industries had different impacts on the slightly positive development of industrial production in the EU27.

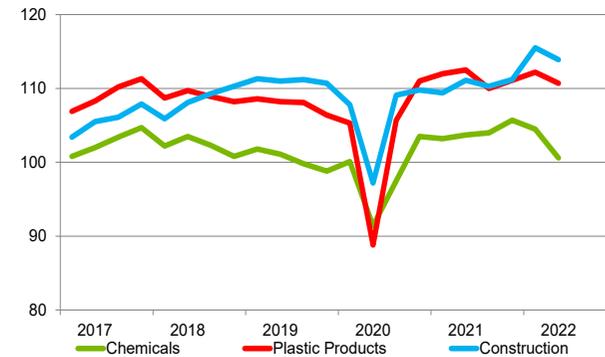
Production of food and beverage as well as production of automotives increased compared to last quarter. Missing wiring harnesses from Ukraine could be compensated and production of the automotive industry increased again. But the current production level remained low, as supply chains were still disrupted. Food and beverage benefited from lower restrictions against the coronavirus.

Production of the other shown customer industries declined. High costs for primary products and rising interest rates had a negative effect on construction. The chemical industry was affected by the high gas prices in particular, as gas is not only used as energy but also as a feedstock.

Customer industries EU27 (seasonal adjustment)				
Customer industry	2021		Q2/22	
	% to prev. year	% to prev. year	% to prev. quarter	% to prev. year
Food and beverage	3.9	4.1	1.4	4.3
Automotive	1.0	0.5	3.4	-5.9
E&E	19.6	-4.8	-3.6	-9.5
Plastics products	8.5	-1.6	-1.3	-0.7
Chemicals	6.1	-3.0	-3.7	-0.9
Construction	4.3	2.5	-1.4	4.0

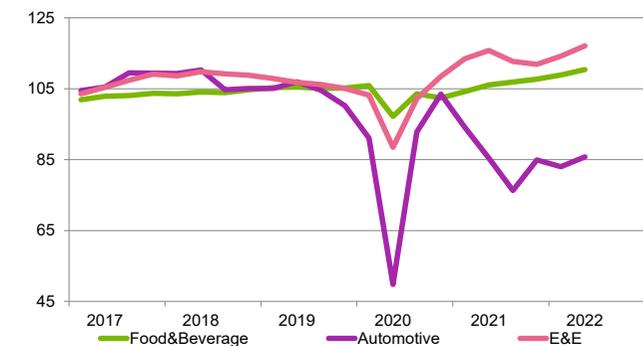
Source: Eurostat, Chemdata

Customer industries EU27



Production index 2015=100, sa
Source: Eurostat, Chemdata

Customer industries EU27



Production index 2015=100, sa
Source: Eurostat, Chemdata

Declining production

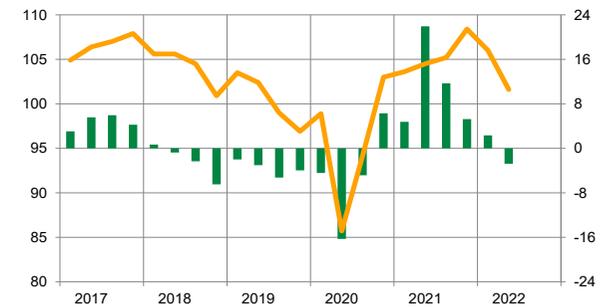
Production of plastics in primary forms decreased strongly by 4.2 percent in the second quarter compared to previous one. This was the second decline in a row (technical recession). Furthermore, production was 2.8 percent lower than last year. Reasons were on the one hand the slowdown in global economy and the resulting lower demand for plastics in primary forms. On the other hand, high energy and production costs in Europe led to reduced exports but increased imports.

Producer prices rose further

Producer prices of plastics in primary forms continued to rise in the second quarter. They grew by 7.1 percent compared to last quarter and were 27.3 percent higher than last year. Reasons for the price increase were the high energy

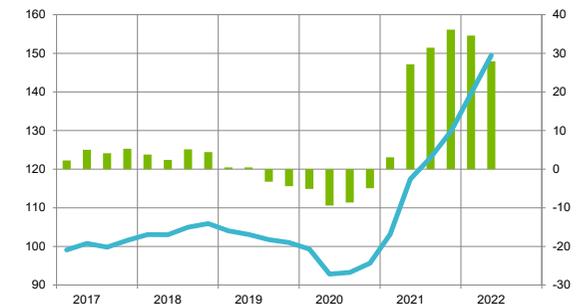
prices in Europe, continuing problems in the supply chains and high costs for intermediate products like Naphtha, an important feedstock for plastics manufacturers. In June, prices for gas were three times higher in Europe compared to last year. Prices have been still highly volatile, and a relaxation is not in sight.

Production of primary plastics EU27



Production index 2015=100, sa, Y-o-Y
Source: Eurostat

Price of primary plastics EU27



Production index 2015=100, sa, Y-o-Y
Source: Eurostat

Production and price of plastics in primary forms EU27 (seasonal adjustment)

	2021		Q2/22	
	% to prev. year	% to prev. year	% to prev. quarter	% to prev. year
Production	10.5	-2.8	-4.2	-0.2
Producer prices	24.2	27.3	7.1	31.1

Source: Eurostat, Chemdata

The value of imports rose significantly

The value of exports of plastics in primary forms slightly decreased compared to last quarter in the EU27. They amounted to 9.6 billion euro. Exports had a positive development to North America and Asia. They stagnated or even declined to the other regions.

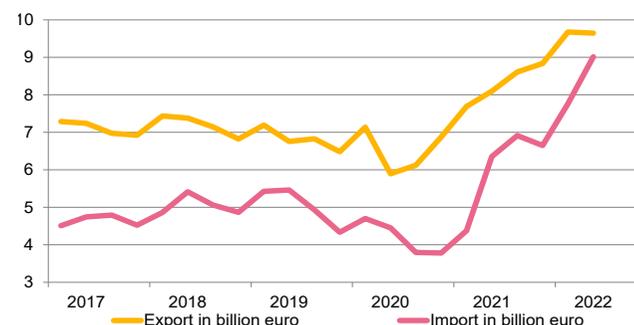
However, the value of imports of plastics in primary forms to the EU27 clearly increased, by 16.1 percent compared to last quarter and amounted to 9 billion euro. Imports rose from all regions compared to previous quarter.

High energy prices and production costs in Europe favour imports from regions with

cheaper production costs. Moreover, exports from the EU are less attractive.

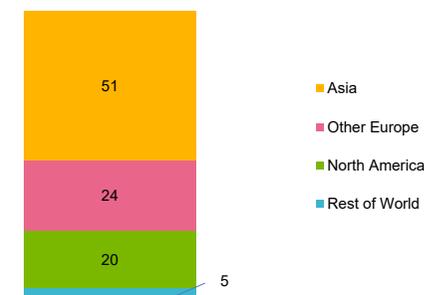
As a result, the trade surplus clearly decreased by 1.3 billion euro compared to last quarter and amounted to 0.6 billion euro in the second quarter.

Exports and imports of primary plastics EU27



Export and imports in billion euro
Source: Eurostat, Chemdata

Import regions of primary plastics Q2/2022



Import per region in percent
Source: Eurostat, Chemdata

Regions	Exports of plastics in primary forms EU27		Imports of plastics in primary forms EU27	
	Q2/22	Q2/22	Q2/22	Q2/22
	% to prev. year	% to prev. quarter	% to prev. year	% to prev. quarter
Extra EU27	19.1	-0.3	41.9	16.1
Asia	19.7	1.5	56.1	23.9
Other Europe	10.9	-5.5	15.5	-1.0
North America	39.2	12.3	42.9	17.3

Source: Eurostat, Chemdata

Challenges will persist in Europe and worldwide

Different economic crises slowed down economic development worldwide. High inflation rates, energy crisis, high costs for raw materials and logistics, or the zero-covid-strategy by the Chinese government kept the world in suspense. Political tensions and risks rose significantly as well.

The war of aggression against Ukraine intensified inflation, costs for raw materials, logistics and energy prices, especially in Europe. Unfortunately, an early end of the war and an improvement of the above mentioned is not in sight. The situation will remain tense in the future. This means, that the pressure continues for the European industry. High production costs make products made in Europe less attractive compared to other regions with significantly lower production costs. We can already observe a rise in imports of plastics in primary forms in the last months and a decline in exports. Also, a gas shortage is still possible in Europe.

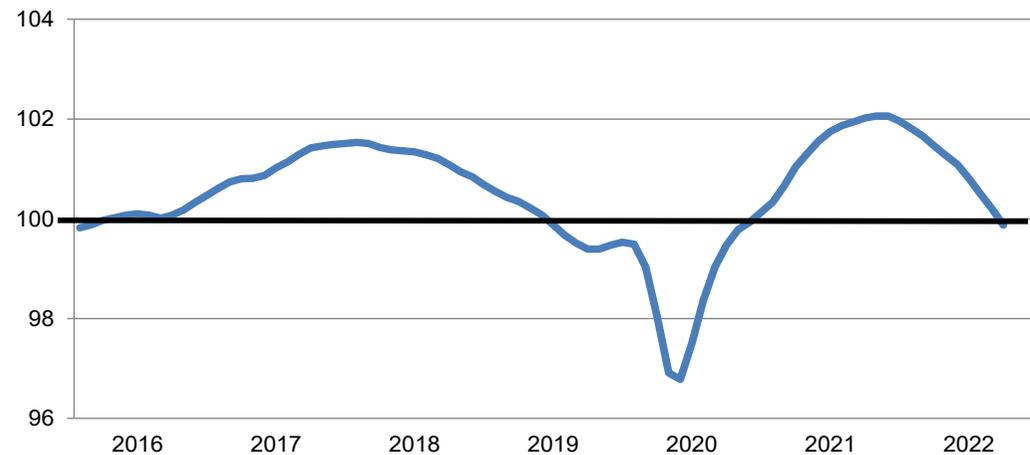
European politics must support private households as well as the industry with several measures, like rapidly expand energy supply or a relief on gas and electricity prices. Otherwise, we will see significantly declines in production in the future. Reduction of production capacities in Europe may lead to a permanent loss of the plants. But we need a strong industrial location in Europe, for security of supply,

a well-paid workforce as well as high environmental standards. And Europe must be still attractive for future investments.

The business confidence indicator (BCI) by the OECD provides information on future developments, based upon opinion surveys on developments in production, orders and stocks of finished goods in the industry sector. It can be used to monitor output growth and to anticipate turning points in economic activity. Numbers above 100

suggest an increased confidence in near future business performance, and numbers below 100 indicate pessimism towards future performance. In September 2022 the BCI declined compared to last month and was with a value of 99.9 the first time since November 2020 again under the benchmark of 100. The outlook for the future became more pessimistic.

Business Confidence Index (BCI)



Source: OECD (2022), Business Confidence Index (BCI)

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