

Quarterly
Report Q4/2022

European plastics manufacturers (EU 27)

MAY 2023

CONTACT DETAILS

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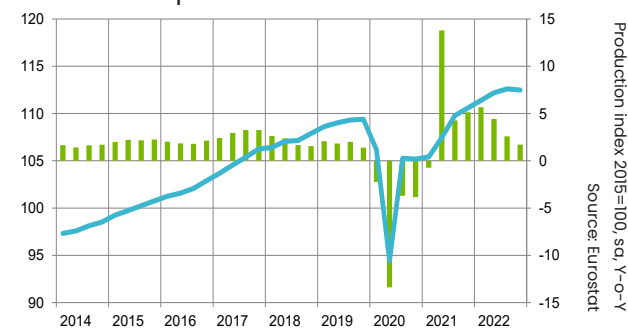
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Economically weak end of the year

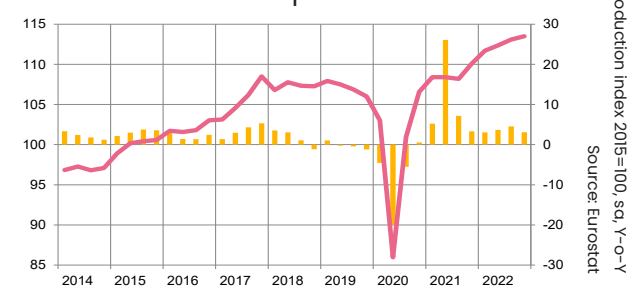
Global economy slowed down at the end of 2022. World gross domestic product (GDP) only increased by 0.1 percent in the fourth quarter compared to last one. The economy in the US continued to grow despite high inflation rates and rising interest rates. China's GDP only stagnated at end of the year. The effects of the zero-covid-policy slowed down economic developments. In December, authorities suddenly lifted all restrictions. The EU27 GDP decreased by 0.1 percent in the same period. High inflation rates, increased financing costs, and a low consumer confidence were main reasons. In 2022, European GDP increased by 3.6 percent compared to last year.

World industrial production decreased by 0.2 percent in Q4 compared to last quarter. Countries like USA, Japan, or India had to cut production. China continued his recovery. European industrial production increased by 0.4 percent. But the automotive industry was mainly responsible for this positive result in Europe. Other industries, like chemical, food and beverage, or textile, decreased production. Next to the high energy prices that burdened production there was also a lack of orders because of the weak world economy. In 2022, European industrial production increased by 3.6 percent compared to last year.

GDP development EU27



Manufacture development EU27



GDP & manufacture (seasonal adjustment)

| | 2022 | | Q4/22 | |
|-------------------|-----------------|-----------------|--------------------|----------------------------------|
| | % to prev. year | % to prev. year | % to prev. quarter | Q1/22 - Q4/22 % to prev. year |
| GDP world | 2.9 | 1.5 | 0.1 | 2.9 |
| GDP EU27 | 3.6 | 1.7 | -0.1 | 3.6 |
| Manufacture world | 2.8 | 1.8 | -0.2 | 2.8 |
| Manufacture EU27 | 3.6 | 3.1 | 0.4 | 3.6 |

Source: Eurostat, Chemdata

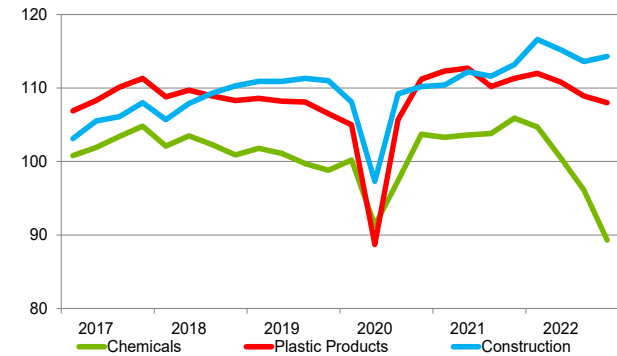
Energy intensive industries cut production

Production of the European automotive industry continued to increase in the last quarter of the year. The growth was the most dynamic one of all shown customer industries. On the one hand, order books of European car producers were full. On the other hand, the availability of chips continued to improve. This was an extra boost for production. Next to automotive, production of E&E and construction increased as well compared to the previous quarter.

Production of chemicals decreased significantly at the end of the year. Other energy intensive industries, like paper or metal cut down production, too. Due to high energy prices, especially in Europe, production was cut back. Nevertheless, production of EU27 manufacturing increased by 3.6 percent in 2022 compared to last year.

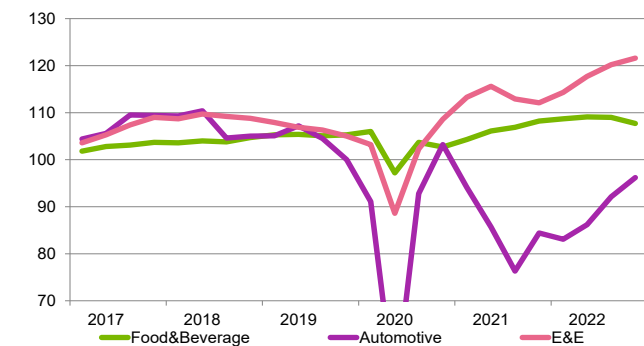
| Customer industries EU27 (seasonal adjustment) | | | | |
|------------------------------------------------|-----------------|-----------------|--------------------|---------------|
| Customer industry | 2022 | | Q4/22 | |
| | % to prev. year | % to prev. year | % to prev. quarter | Q1/22 - Q4/22 |
| Food and beverage | 2.1 | -0.5 | -1.2 | 2.1 |
| Automotive | 5.0 | 13.9 | 4.5 | 5.0 |
| E&E | 4.5 | 8.5 | 1.2 | 4.5 |
| Plastic products | -1.5 | -3.0 | -0.8 | -1.5 |
| Chemicals | -6.2 | -15.7 | -7.0 | -6.2 |
| Construction | 2.7 | 0.9 | 0.6 | 2.7 |

Customer industries EU27



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

Customer industries EU27



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

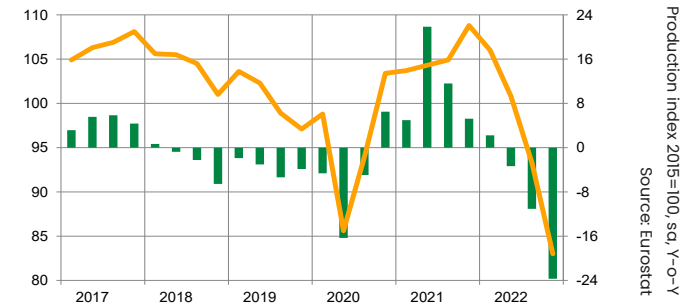
Sharp declines in production

Production of plastics in primary forms decreased heavily by 11 percent at the end of the year compared to last quarter. The decline was even higher than for our shown customer industries. At the end of the year some plastics manufacturers had company vacations, mainly to save energy. The previous year's production level was also clearly undercut. It dropped significantly by 23.7 percent. This means, that the production level in the fourth quarter 2022 was even lower than during the world economic crisis because of the coronavirus. In 2022, production of plastics in primary forms decreased heavily by 9.2 percent compared to last year. The energy crisis hit plastics manufacturers in Europe hard. Also, demand for plastics was weakened due to the flattening world economy in 2022.

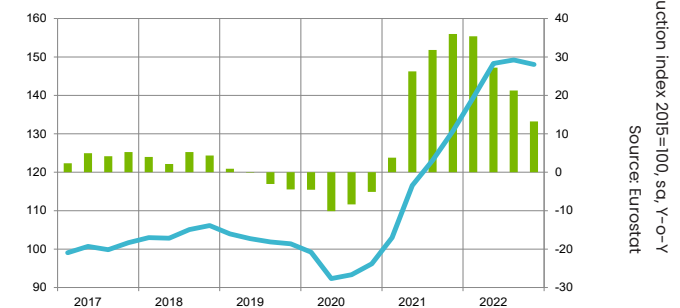
A rarity? Declining prices

Producer prices for plastics in primary forms decreased by 0.8 percent compared to the last quarter. This was the first decline since Q2 2020. But they were still 13.2 percent higher than last year. Recently, prices for energy and feedstocks dropped significantly. Gas prices in Europe have continued to decline in October, November, and December. Production costs for plastics decreased. Despite the normalization at the end of the year, gas prices in Europe were around 2.8 times higher in 2022 compared to last year. Therefore, producer prices rose significantly by 23.6 percent during the same time.

Production of primary plastics EU27



Price of primary plastics EU27



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

| | 2022 | | Q4/22 | |
|-----------------|-----------------|-----------------|--------------------|----------------------------------|
| | % to prev. year | % to prev. year | % to prev. quarter | Q1/22 - Q4/22 % to prev. year |
| Production | -9.2 | -23.7 | -11.0 | -9.2 |
| Producer prices | 23.6 | 13.2 | -0.8 | 23.6 |

Source: Eurostat, Chemdata

Shrunken foreign trade at the end of the year

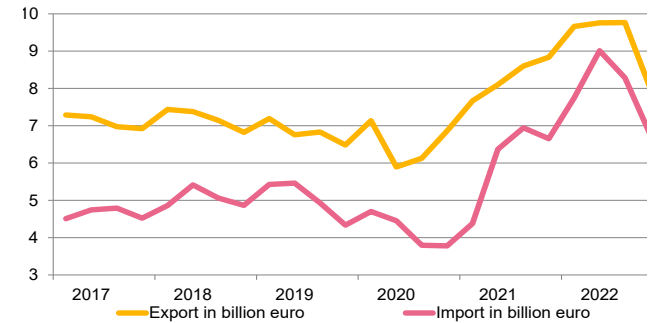
Trading declined significantly at the end of the year for European plastics manufacturers. The values of exports and imports of plastics in primary forms were the lowest in 2022. Exports amounted to around 8 billion euro. This was a decline by 18 percent compared to last quarter. Exports decreased for all regions. The decline was particularly strong for North and South America. High energy prices in Europe and therefore high production costs make products “made in Europe” less attractive.

The value of imports of plastics in primary forms to the EU27 clearly decreased, by 19 percent compared to last quarter and amounted to 6.7 billion euro. Imports sunk from all regions, especially strong for other Europe and Asia. The decline was significantly lower for North and South America. Both regions benefit from favourable energy prices. Plastics in primary forms reached a positive trade balance of more than 1.3 billion euro in the EU27 in the fourth quarter.

| Regions | Exports of plastics in primary forms EU27 | | Imports of plastics in primary forms EU27 | |
|--------------|-------------------------------------------|--------------------|-------------------------------------------|--------------------|
| | % to prev. year | % to prev. quarter | % to prev. year | % to prev. quarter |
| Extra EU27 | -9.6 | -18.2 | 1.4 | -18.5 |
| Asia | 0.1 | -14.4 | -0.2 | -25.2 |
| Other Europe | -17.4 | -16.1 | -16.4 | -17.9 |

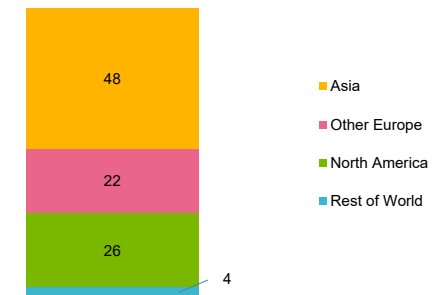
Source: Eurostat, Chemdata

Exports and imports of primary plastics



Export and imports in billion euro
Source: Eurostat, Chemdata

Import regions of primary plastics Q4/2022



Import per region in percent
Source: Eurostat, Chemdata

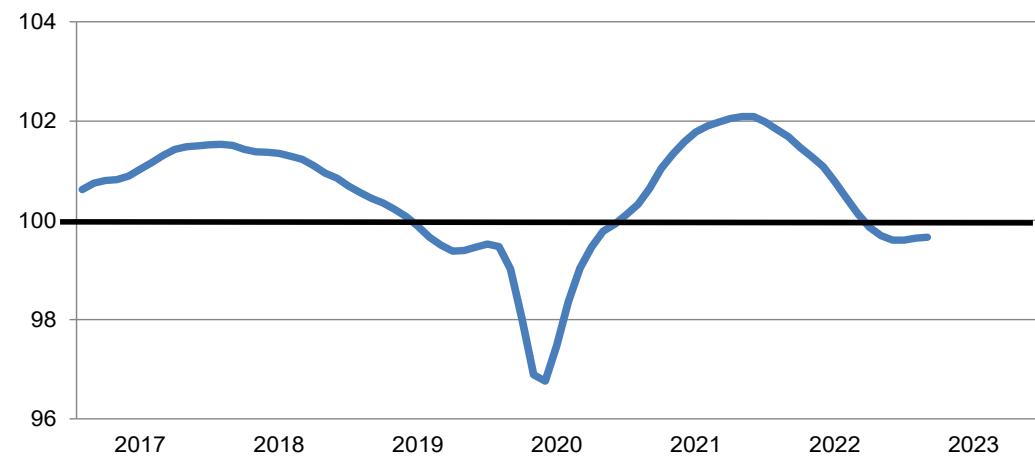
Cautiously optimistic outlook for EU plastics manufacturers

European plastics manufacturers had a dissatisfying end of the year. Production decreased significantly, the same applied to foreign trade. Producer prices sunk for the first time since 2020. In general, the year 2022 did not go according to plan. Production declined heavily by 9.2 percent, producer prices rose on the other hand by 23.6 percent. The effects of the war in Ukraine, especially the energy prices, burdened the industry in Europe. Gas prices were on average 2.8 times higher in 2022 compared to 2021. But since August, we saw declining gas prices in Europe. Currently, prices are lower than before the outbreak of the war. But despite the recovery, gas is still a close good and rising prices are possible, especially before the winter. Another positive development, next to energy and raw material prices, is the improvement in the supply chains. Cancellation of the zero-covid-policy stabilizes trade between Europe and Asia. Demand from China will pick up again after ending the lockdowns. This is a positive sign for global economy. But Europe will probably benefit less than others. Eurozone factory order books continued to shrink according to the "S&P Global Eurozone Manufacturing PMI".



The war in Ukraine showed once again that Europe has location disadvantages compared to other regions that need to be solved to be internationally competitive. Then the prospects are cautiously optimistic for European industry and plastics manufacturers. The business confidence indicator (BCI) by the OECD can be used to monitor output growth and to anticipate turning points in economic activity. It provides information on future developments,

based upon opinion surveys on developments in production, orders and stocks of finished goods in the industry sector. Numbers above 100 suggest an increased confidence in near future business performance, and numbers below 100 indicate pessimism towards future performance. In March, the BCI increased slightly to 99.8. The benchmark of 100 is in sight.


Business Confidence Index (BCI)



Source: OECD (2023), Business Confidence Index (BCI)

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