

Quarterly Report Q4/2021

European plastics manufacturers (EU 27)

MARCH 2022

CONTACT DETAILS

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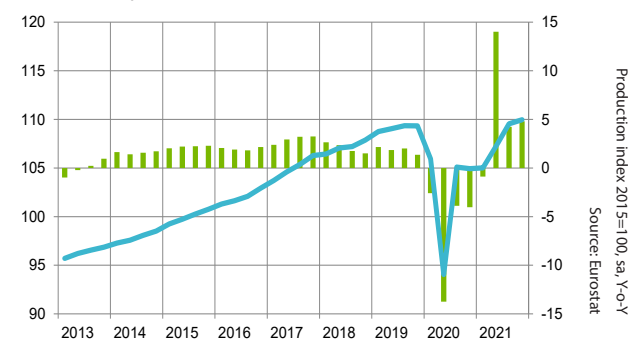
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Only small growth for overall economy and industrial production in the EU27

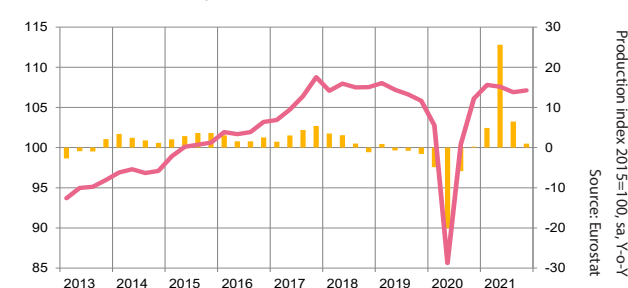
Global and European economy continued to grow in the fourth quarter 2021. But the dynamic was significantly lower for the EU27 than for the world. Gross domestic product (GDP) for the EU27 increased only by 0.4 percent compared to last quarter. While the economic development was positive for Spain, France and Italy, it was negative for Germany and Austria. The recovery of the European economy lagged behind the global recovery. Tightened COVID-19 related restrictions in some European countries had negative impacts on businesses in the service sector. Supply-side problems in industrial production continued in the fourth quarter in the EU27 despite full order books for many companies. Persistent supply chain and material bottlenecks as well as sharply rising prices for intermediate products and energy, the latter especially at the end of the year, repeatedly

burdened production. Partially, a higher sickness absence rate due to coronavirus infections complicated production in many companies. As a result, the European industry increased its production only by 0.2 percent in the fourth quarter compared to previous one. The European automotive industry increased its production strongly compared to previous quarter, but the production level was still 19.3 percent lower than last year, mainly because of the continuing shortages in semiconductors, which are an essential material for the automotive industry but also other electronic devices. Other industries, like mechanical engineering or E&E decreased production compared to previous quarter. In 2021, EU27 industrial production increased strongly by 8.7 percent compared to 2020, which was heavily influenced by the coronavirus pandemic.

GDP development EU27



Manufacture development EU27



GDP & manufacture (seasonal adjustment)

	2021		Q4/21		Q1/21 - Q4/21	
	% to prev. year		% to prev. year		% to prev. quarter	
GDP world	5,6	4,4	1,3	5,6		
GDP EU27	5,3	4,8	0,4	5,3		
Manufacture world	9,5	3,0	1,4	9,5		
Manufacture EU27	8,7	1,0	0,2	8,7		

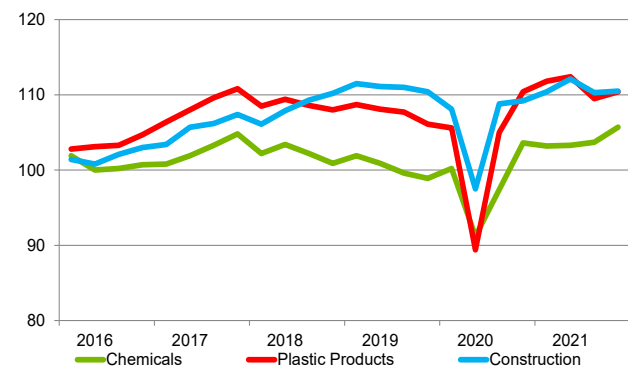
Source: Eurostat, Chemdata

Increased production of customer industries

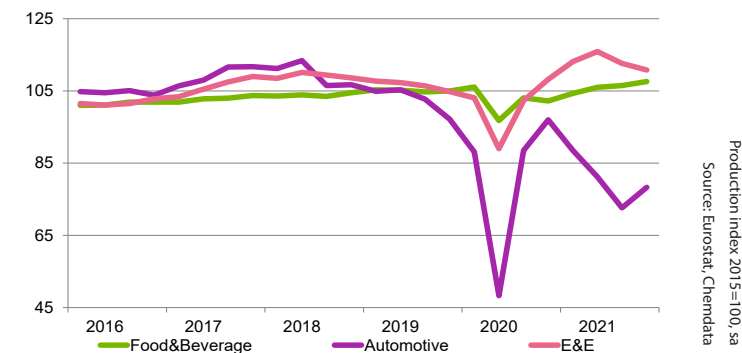
All shown customer industries – except E&E – increased their production in the fourth quarter 2021 compared to previous one. The highest growth rate showed the automotive industry, thanks to the better availability of microchips. But production level has been still more than 19 percent under the pre-crisis level (Q4 2019). The low supply of microchips will not significantly improve in 2022 and will continue to delay the recovery process of the European automotive industry. Many suppliers, for example plastics converters or the chemical industry, suffer from

the weakness of the automotive industry as well. In 2021, all shown customer industries – except the automotive industry – increased their production compared to last year. The recovery after the global economic crisis in 2020 was lower than expected for the shown customer industries. Despite full order books, many companies struggled with global supply chain problems, bottlenecks in primary products, and sharp rising energy prices, latter especially at the end of the year.

Customer industries EU27



Customer industries EU27



Customer industries EU27 (seasonal adjustment)

Customer industry	2021	Q4/21		Q1/21 - Q4/21
	% to prev. year	% to prev. year	% to prev. quarter	% to prev. year
Food and beverage	4,0	5,3	1,0	4,0
Automotive	-0,4	-19,3	7,9	-0,4
E&E	19,2	-6,1	-2,5	19,2
Plastics products	8,2	0,0	0,8	8,2
Chemicals	5,9	2,0	1,9	5,9
Construction	4,7	1,2	0,2	4,7

Source: Eurostat, Chemdata

Production and prices continued to rise

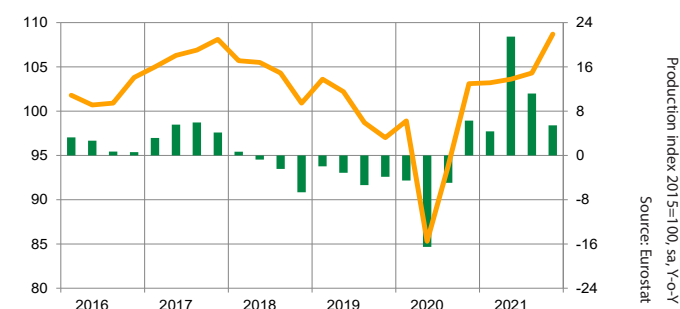
Production of plastics in primary forms increased strongly by 4.2 percent in the last quarter 2021 compared to previous one. The recovery of European customer industries, like the automotive industry, but also the remaining high demand for plastics in primary forms outside of Europe had a positive impact on production. However, external effects, i.e. global supply chain problems, bottlenecks in primary products, and sharp rising energy prices, partially dampened production.

Expensive primary products

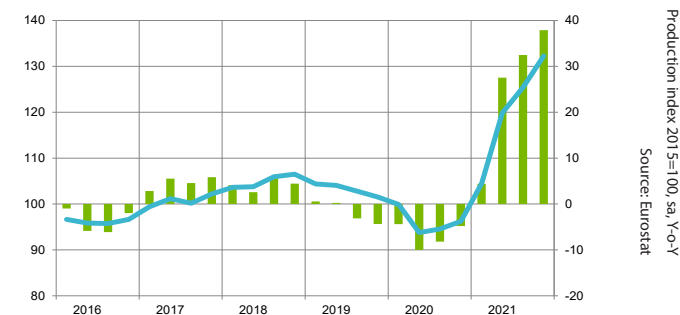
Producer prices of plastics in primary forms continued to rise in the fourth quarter, the sixth quarter in a row. They grew by 5.5 percent compared to last quarter and were 25.4 percent higher than last year. Main reasons for the price increase were the significantly higher prices

for Naphtha in the EU, the most important feedstock for the plastics manufacturers. The average prices of European Naphtha were 13.5 percent higher in the fourth quarter compared to previous one and accounted for 636 euro per ton. Compared to last year prices for European Naphtha increased even by 95 percent. Besides the higher prices for Naphtha, energy prices, transportation costs and costs for additives increased as well. The overall cost increase puts more and more pressure on margins for the European plastics manufacturers.

Production of primary plastics EU27



Price of primary plastics EU27



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

	2021	Q4/21	Q1/21 - Q4/21
	% to prev. year	% to prev. year	% to prev. year
Production	10,2	5,4	10,2
Producer prices	25,4	37,5	25,4

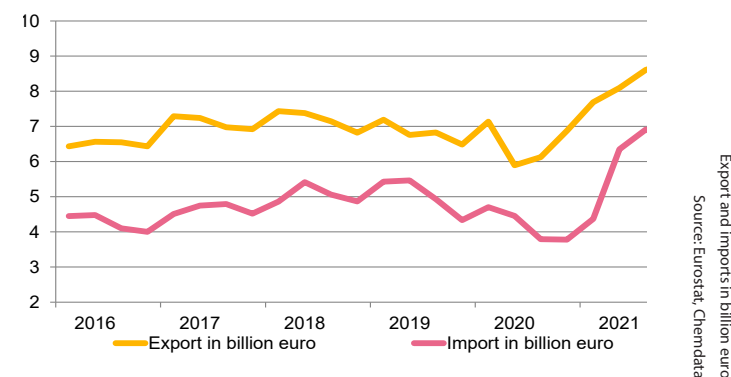
Source: Eurostat, Chemdata

Value of exports continued to rise

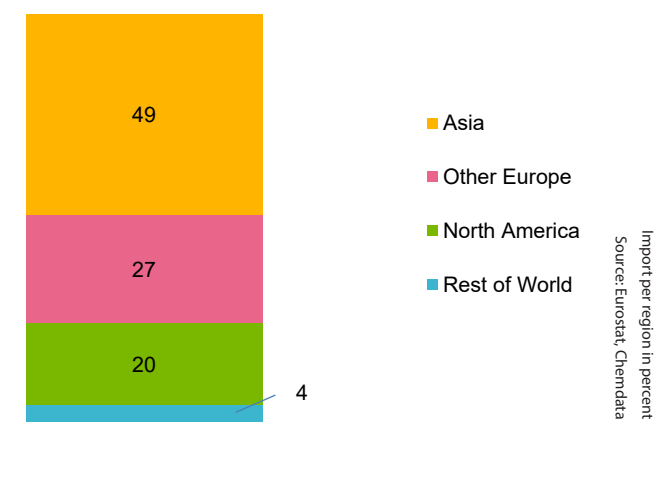
The value of exports of plastics in primary forms continued to grow in the EU27 thanks to the increased prices for plastics. However, the volume in tons of exports of plastics in primary forms decreased compared to previous quarter. Exports amounted to 8.8 billion euro, a plus of 2.6 percent compared to previous quarter. Exports to all regions showed a positive development compared to previous quarter. 46 percent of all plastics exports went to the rest of Europe, followed by Asia with a share of 27 percent.

The value of imports of plastics in primary forms to the EU27 decreased by 4 percent compared to last quarter and amounted to more than 6.6 billion euro. Imports grew only from North- and South America compared to previous quarter. For 2021, exports of plastics in primary forms outside the EU27 (in euro) increased significantly by 27.6 percent compared to last year. Imports grew even stronger by 45 percent in 2021.

Exports and imports of primary plastics EU27



Import regions of primary plastics Q4/2021



Regions	Exports of plastics in primary forms EU27		Imports of plastics in primary forms EU27	
	Q4/21	Q4/21	Q4/21	Q4/21
	% to prev. year	% to prev. quarter	% to prev. year	% to prev. quarter
Extra EU27	28.5	2.6	75.6	-4.0
Asia	21.9	0.8	104.7	-5.0
Other Europe	28.3	1.9	51.4	-6.1
North America	56.3	3.6	51.1	1.5

Source: Eurostat, Chemdata

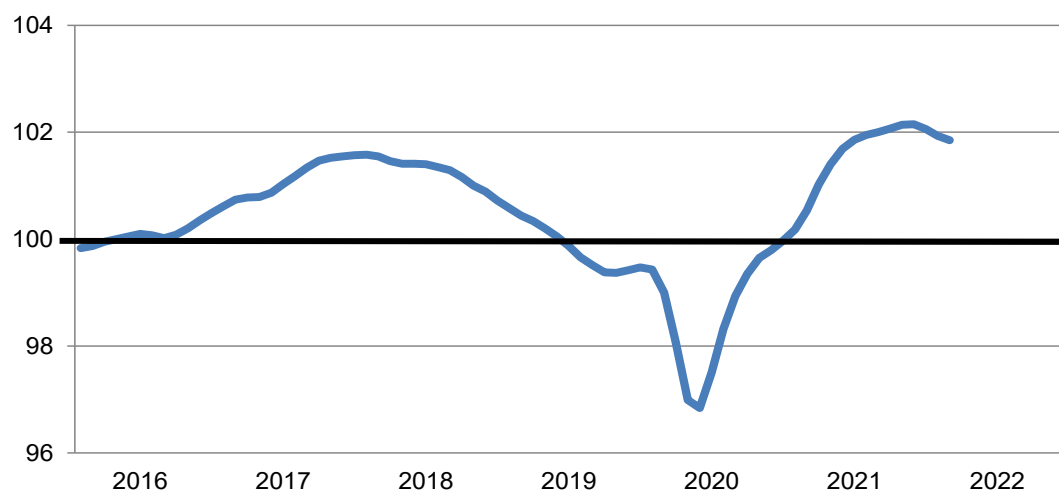
Russia's invasion of the Ukraine is a humanitarian and economic shock for Europe

The economic outlook for 2022 was cautiously optimistic before February 24th. Energy prices should slow down again after the cold season in Europe, global supply chains showed signs of improvement, and the impact of the coronavirus seemed to diminish. But the Russian invasion of the Ukraine changed the situation completely. The Russian invasion of the Ukraine is a humanitarian and economic shock for Europe, also with consequences for the European plastics manufacturers. Sanctions by many western countries make trade with Russia more difficult, with negative effects on the overall economy and industrial production in Europe. In 2021, Russia, Ukraine, and Belarus accounted together for 2.6 percent of all plastics in primary forms exported outside of the EU27 (incl. trade within the EU27). Also, the EU27 had for all three countries a positive trade balance for plastics in primary forms in 2021. These values show that the three countries have not the highest importance for the European plastics manufacturers, but nevertheless the effects of restricted trade are negative and are different for companies or member states, as some have a lot of businesses with Russia, others have less. The European Union is highly dependent on gas and oil from Russia. But the dependency on Russia varies for the countries in Europe. For example, Germany, Poland, and the Netherlands make up the most European imports on Russian oil. Even if the trade with energy

from Russia will not be limited, prices will increase even further because of high uncertainties, the effects of the sanctions, or the moral pressure to buy energy from Russia. Production of plastics is highly energy-intensive and, furthermore, requires among others oil and gas as feedstock. The European plastics manufacturers are particularly hit hard by the high energy prices. 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 February 2022 (before the Russian invasion) the BCI declined compared to last month but was with a value of 101.9 well above the benchmark of 100.

Business Confidence Index (BCI)




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

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