



Quarterly Report Q1/2023

European plastics manufacturers (EU 27)

JULY 2023

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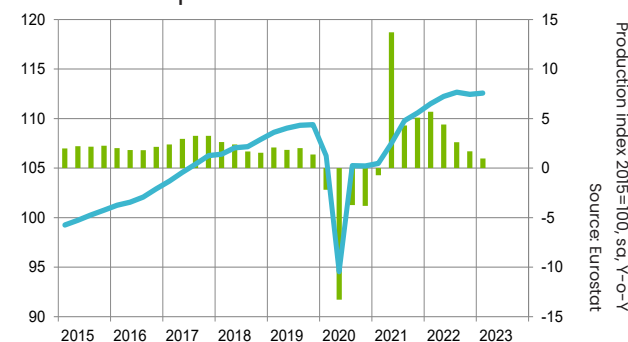
Cautious start to the new year

World gross domestic product (GDP) increased by 0.9 percent in the first quarter compared to last one. Growth at the beginning of the year 2023 was therefore more dynamic than at the end of the year 2022. China's GDP grew by 2.2 percent compared to last quarter. Domestic demand picked up again as the fierce wave of infections subsided following the lifting of the strict zero covid policy. The US GDP only increased by 0.5 percent compared to previous quarter. High inflation and rising interest rates continued to weaken consumer purchasing power and slowed down investments. The EU27 GDP only grew by 0.1 percent in the same period. The lasting high inflation rates slowed down private consumption. The developments of GDP

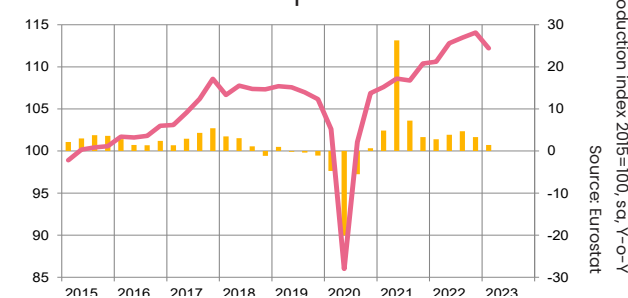
in the four large European countries varied. While Spain and Italy grew by 0.5 percent, growth in France was only slight (+0.2 percent) and the economy in Germany shrank.

World industrial production increased by 2.1 percent in the first quarter compared to last one. China's industrial production grew strongly by 3.7 percent. Industrial production in the US decreased slightly by 0.2 percent. Industrial production in the EU27 decreased by 0.8 percent. Many industries in Europe had a lack of orders because of the weak world economy. This often led to a decline in production. Also, energy supply remained tense in Europe.

GDP development EU27



Manufacture development EU27



GDP & manufacture (seasonal adjustment)

	2022		Q1/23	
	% to prev. year	% to prev. year	% to prev. quarter	% to prev. year
GDP world	2.9	2.2	0.9	2.2
GDP EU27	3.6	1.0	0.1	1.0
Manufacture world	3.0	1.2	2.1	1.2
Manufacture EU27	3.7	1.5	-0.8	1.5

Source: Eurostat, Chemdata

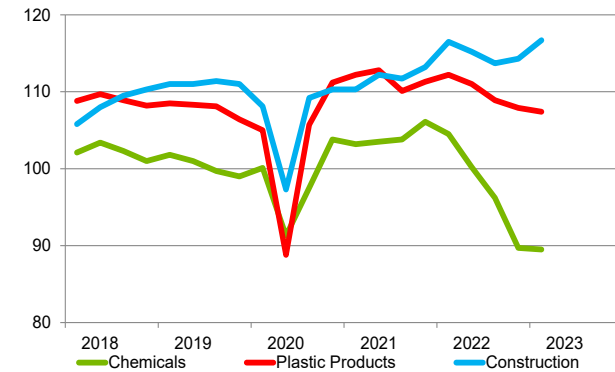
Energy intensive industries under pressure

Although EU27 industrial production decreased by 0.8 percent in the first quarter, important customer industries of plastic manufacturers performed well. The European automotive industry, construction or E&E increased their production. The automotive industry continued its recovery process. But despite the continuing recovery, the automotive industry in Europe still has not reached the pre-coronavirus production level in Q4 2019. Demand for E&E products remained on a high level.

Production of plastic products and chemicals decreased slightly. Irrespective of falling energy prices in Europe, the international competitiveness of energy intensive industries like the chemical industry remained poor. Weak private consumption led to production cutbacks in the consumer-related industries like plastic products.

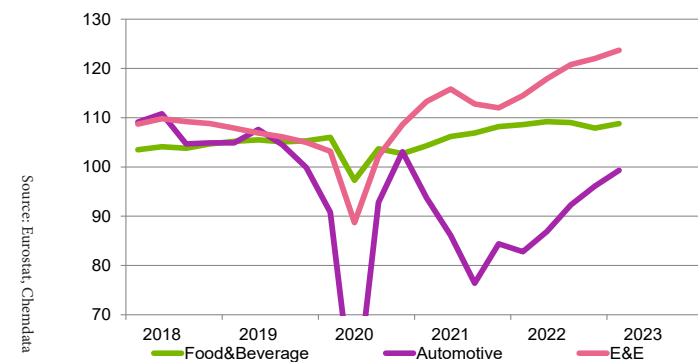
Customer industries EU27 (seasonal adjustment)				
Customer industry	2022		Q1/23	
	% to prev. year	% to prev. year	% to prev. quarter	% to prev. year
Food and beverage	2.2	0.1	0.7	0.1
Automotive	5.2	20.0	3.4	20.0
E&E	15.2	8.1	1.4	8.1
Plastic products	-1.5	-4.2	-0.6	-4.2
Chemicals	-6.2	-14.3	-0.2	-14.3
Construction	2.7	0.2	2.1	0.2

Customer industries EU27



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

Customer industries EU27



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

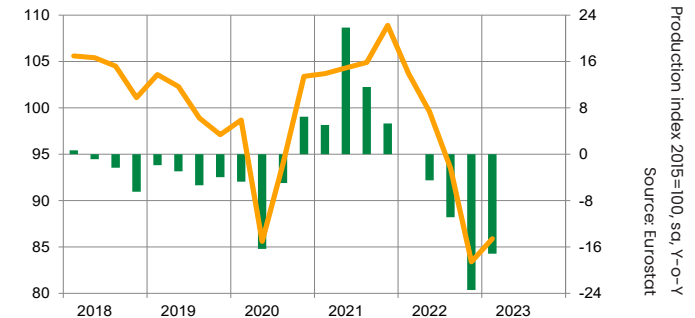
Weak demand for plastics dampened production

Production of plastics in primary forms increased by 1.4 percent compared to previous quarter. The industry benefited from falling energy prices and raw material costs. Despite the recovery the previous year's production level was clearly undercut. It dropped significantly by 17.2 percent. The international competitiveness of Europe remained poor compared to other regions. To give just one example, exports of plastics in primary forms in Q1 were significantly lower to all regions compared to last year. Next to the competitive disadvantage, worldwide demand for plastics decreased due to the flattening world economy. This had negative consequences for production.

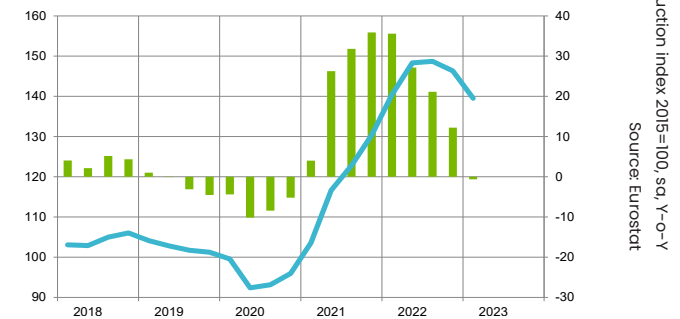
Significantly lower producer prices

Producer prices for plastics in primary forms decreased heavily by 4.6 percent compared to last quarter. They were also 0.5 percent lower than last year. Due to lower prices for energy and feedstocks, like Naphtha, production costs of plastics manufacturers decreased. Another reason for declining producer prices was the restrained demand for plastics. Customer industries have a lack of orders because of the weak world economy and need therefore less plastics for their production. This resulted in lower producer prices.

Production of primary plastics EU27



Price of primary plastics EU27



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

	2022	Q1/23		Q1/23 - Q1/22
	% to prev. year	% to prev. year	% to prev. quarter	% to prev. year
Production	-10.0	-17.2	1.4	-17.2
Producer prices	23.3	-0.5	-4.6	-0.5

Source: Eurostat, Chemdata

Exports continued to decline

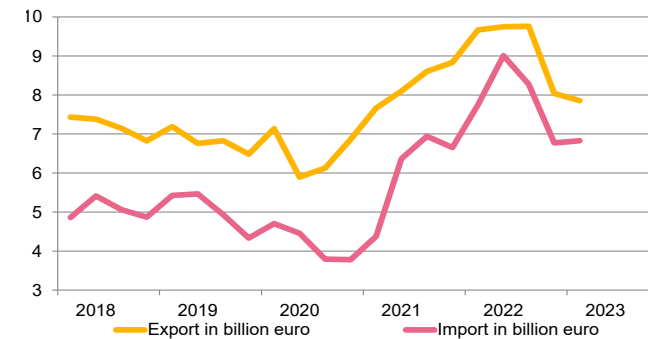
The value of exports of plastics in primary forms accounted for 7.9 billion euro in the first quarter 2023. This was a decline by 0.2 billion euro compared to last quarter. Especially exports to Asia were lower than last quarter. The remaining regions showed less dynamic.

The value of imports of plastics in primary forms to the EU27 slightly increased compared to last quarter and amounted to 6.8 billion euro. Imports mainly grew from other Europe. Asia

also had a small positive effect on imports to Europe.

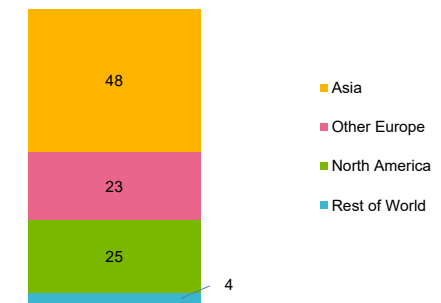
Despite the different developments of im- and exports to the EU27, the trade balance with plastics in primary forms remained positive with a value of 1.1 billion euro in the first quarter.

Exports and imports of primary plastics



Export and imports in billion euro
Source: Eurostat, Chemdata

Import regions of primary plastics Q1/2023



Import per region in percent
Source: Eurostat, Chemdata

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	-18.7	-2.3	-11.9	0.9
Asia	-18.6	-7.3	-11.9	0.6
Other Europe	-21.5	1.9	-27.9	6.0
North America	-11.3	-3.2	12.0	-3.1

Source: Eurostat, Chemdata

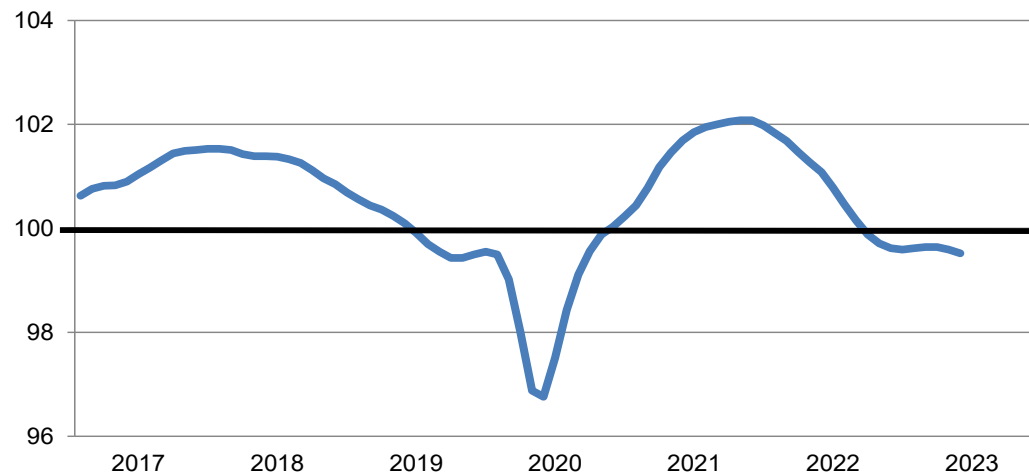
Uncertainties for further developments remain high

Production of plastics in primary forms grew by 1.4 percent in the first quarter 2023. Despite the recovery the previous year's production level was clearly undercut. It dropped significantly by 17.2 percent. The atmosphere remained tense for European plastics manufacturers. There are no signs of a quick recovery after the energy and supply chain crisis. Some of the unfavourable conditions have improved in the meantime. Feedstock prices – especially for energy – have fallen significantly. But despite the recovery, gas is still a close good in Europe and rising prices are possible, especially before and during the winter. Supply shortages are slowing down activities less and less. The cancellation of the zero-covid-policy by the Chinese government stabilized trade between Europe and Asia. Despite the improvements plastic manufacturers in Europe face a lack of orders because of the weak world economy. According to "HCOB Eurozone Manufacturing PMI" demand and production will continue to sink in the coming months. There will be no rapid recovery of the economy. Companies are confronted with major challenges. A necessary reorganisation of supply chains, the persistent



uncertainty due to the war in Ukraine, strong geopolitical risks, still high energy prices despite some easing and a labour shortage characterise the picture. Thus, uncertainties for further developments remain high. The business confidence indicator (BCI) confirms this assessment. The 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 June, the BCI decreased slightly to 99.4 and was under the benchmark of 100.


Business Confidence Index (BCI)



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

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