

Quarterly
Report Q2/2023

European plastics manufacturers (EU 27)

OCTOBER 2023

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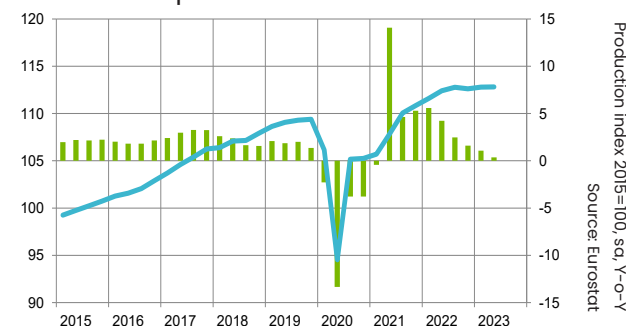
Economic stagnation in the EU27

The world economy only showed limited dynamic in the second quarter of the year. The global Gross Domestic Product (GDP) increased by 0.5 percent compared to the previous quarter. It was 2.5 percent higher than last year. The inflation rate weakened in many countries due to the restrictive monetary policies of central banks. However, rising interest rates burdened economic growth and investments. China could not sustain its economic growth from the previous quarter. The catch-up effects after the end of the zero covid policy diminished increasingly. China's GDP increased by 0.8 percent compared to the previous quarter. The U.S. economy performed positively. GDP increased by 0.5 percent. Private consumption contributed to the result. The labour market remained

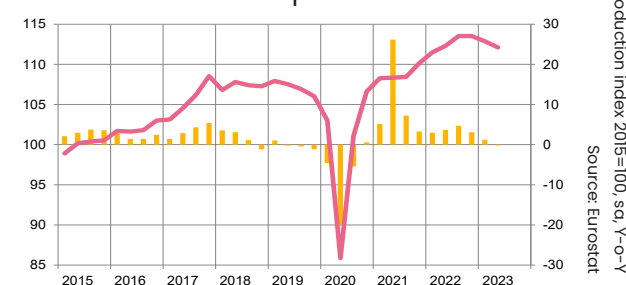
robust. But the strong monetary tightening by the FED hindered investments. The economy of the EU27 stagnated in the second quarter. It was the fourth consecutive quarter with a growth lower than 0.5 percent compared to the previous quarter. Among the four major economies, France and Spain achieved growth, while Italy's GDP declined. The GDP in Germany stagnated.

Global industrial production decreased by 1.3 percent compared to the previous quarter. The EU27 and China reduced their production. The industrial production in the USA stagnated. Worldwide demand for industrial goods continued to be moderate, and more and more companies recorded a lack of orders. High energy prices in parts of Europe dampened production.

GDP development EU27



Manufacture development EU27



GDP & manufacture (seasonal adjustment)

	2022		Q2/23	
	% to prev. year	% to prev. year	% to prev. quarter	% to prev. year
GDP world	2,9	2,5	0,5	2,3
GDP EU27	3,4	0,4	0,0	0,7
Manufacture world	3,0	2,2	-1,3	1,6
Manufacture EU27	3,6	-0,2	-0,7	0,5

Source: Eurostat, Chemdata

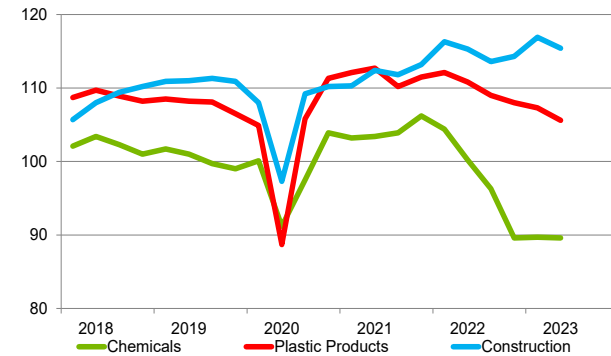
Negative development prevailed

Industrial production decreased by 0.7 percent in the EU27 compared to last quarter. Important customer industries of plastic manufacturers also curbed production. Due to the increased interest rates, incoming orders in the construction industry dropped significantly with negative consequences for production. Production of the chemical industry only decreased by 0.1 percent compared to previous quarter. But last year's production level was missed

by 10.5 percent. The uncertainties on the energy market remained a big challenge for this industry. The weak economic development in the EU27 led to a lower demand for plastic products and E&E applications. The automotive industry continued its recovery process. Production of food and beverage stagnated.

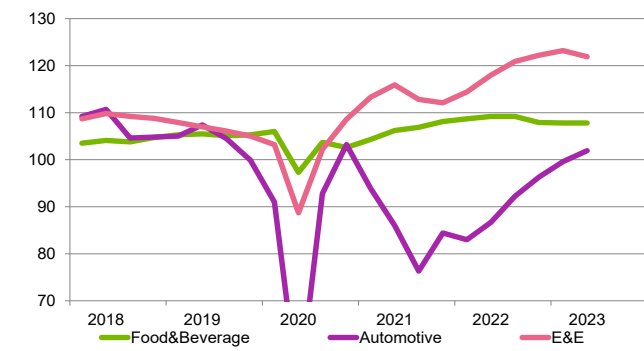
Customer industries EU27 (seasonal adjustment)				
Customer industry	2022		Q2/23	
	% to prev. year	% to prev. year	% to prev. quarter	Q1/23 - Q2/23
Food and beverage	2,2	-1,3	0,0	-1,1
Automotive	5,2	17,6	2,3	18,8
E&E	11,2	3,3	-1,1	5,5
Plastic products	-1,5	-4,7	-1,6	-4,5
Chemicals	-6,3	-10,5	-0,1	-12,3
Construction	2,6	0,1	-1,3	0,3

Customer industries EU27



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

Customer industries EU27



Production index 2015=100, sa
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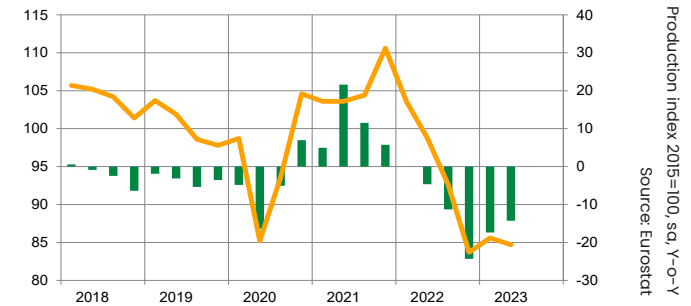
Previous year's production level clearly missed

After production of plastics in primary forms recovered slightly in the first quarter 2023, it declined already again in the second quarter by 1.1 percent compared to previous one. Last year's production level was missed by 14.3 percent. Prices for energy continued to decline in the second quarter. But the uncertainties on the energy market as well as cheaper prices for energy in other regions remained a big challenge for plastics manufacturers in Europe. Due to the weak world economy, there was only a moderate demand for plastics with negative consequences for European plastic manufacturers.

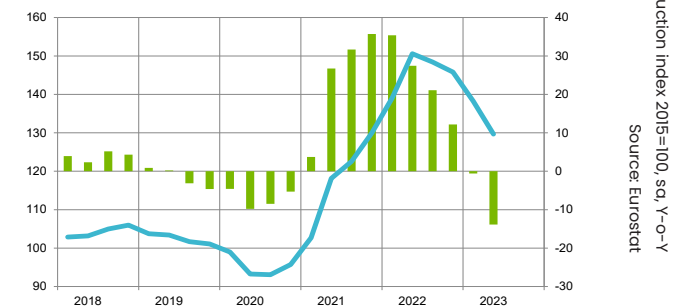
Negative trend solidated

Producer prices for plastics in primary forms continued to decrease heavily by 6.2 percent compared to last quarter. This was the fourth decline in a row. Producer prices were also 13.9 percent lower than last year. The worldwide weak demand for plastics as well as the price suppression by plastic manufacturers in other regions forced European plastic manufacturers to lower the prices. Sunken prices for energy and feedstocks made this decline possible. Prices for Naphtha declined by 12 percent in the second quarter and amounted to 562 euro per ton to give just one example.

Production of primary plastics EU27



Price of primary plastics EU27



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

	2022		Q2/23		Q1/23 - Q2/23	
	% to prev. year	% to prev. year	% to prev. year	% to prev. quarter	% to prev. year	% to prev. year
Production	-10,3	-14,3	-1,1	-15,9		
Producer prices	23,3	-13,9	-6,2	-7,5		

Source: Eurostat, Chemdata

Declining foreign trade

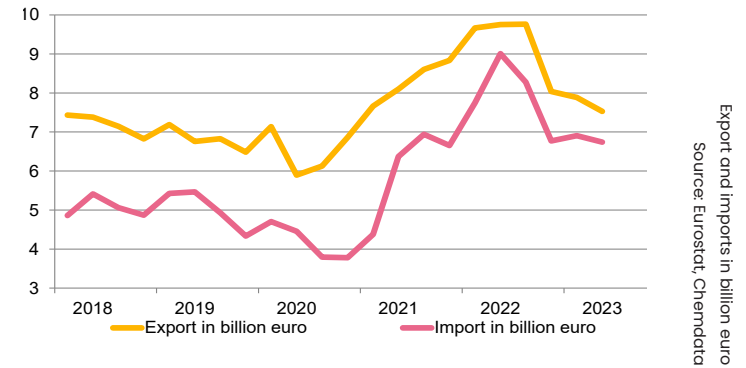
The values of exports of plastics in primary forms accounted for 7.53 billion euro in the second quarter 2023. This was a decline by 0.35 billion euro compared to last quarter. Exports to the rest of Europe and Asia were lower than last quarter. Exports to North America increased slightly.

The value of imports of plastics in primary forms to the EU27 decreased as well compared to last quarter and amounted to 6.74 billion euro. Imports grew from Asia. They declined for the

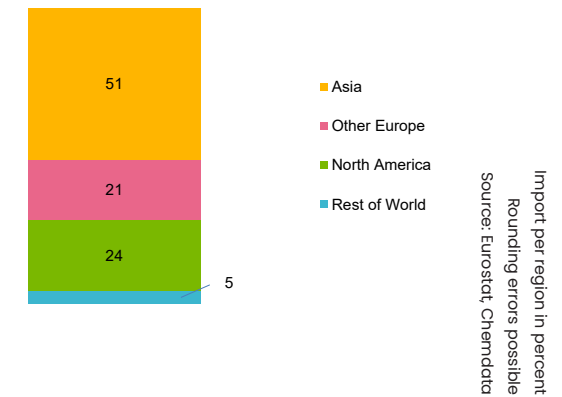
rest of Europe and North America. Imports stagnated for South America.

Despite the higher decrease of exports compared to imports the trade balance with plastics in primary forms remained positive with a value of plus 0.79 billion euro in the EU27 in the second quarter. The sunken trade balance compared to last quarter can be interpreted as a further decline of the international competitiveness of plastics manufacturers in Europe.

Exports and imports of primary plastics



Import regions of primary plastics Q2/2023



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	-22,8	-4,5	-25,1	-2,4
Asia	-22,7	-3,1	-25,6	3,1
Rest of Europe	-23,9	-7,5	-35,9	-12,4
North America	-21,5	0,3	-9,8	-5,8

Source: Eurostat, Chemdata

Import per region in percent
Rounding errors possible
Source: Eurostat, Chemdata

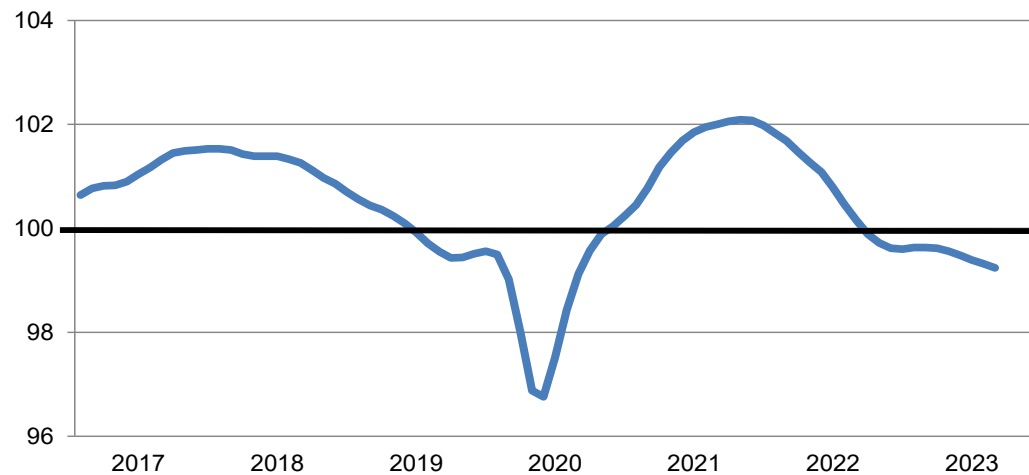
Mood remains clouded for European plastics manufacturers

The second quarter was challenging for European plastics manufacturers. Important economic indicators, like production, producer prices or foreign trade with plastics in primary forms declined. Also, last year's level was missed clearly for all mentioned indicators. The demand for plastics by customer industries was only moderate due to the weak economic development and the challenges on the energy market remained for the industry. The perspectives stay negative. There are no signs for a strong global economic recovery in 2023. Inflation and interest rates remain high and continue to dampen economic growth. For example, incoming orders for the European construction industry are currently on a low level due to the poor financing conditions. Around 20 percent of plastic products are used in building and construction. In Europe, structural challenges on the energy market also hinder the economic recovery process. Demand for plastics from China will remain only moderate. Strict government regulations and the crisis on the real estate market only allow for weak economic growth in the third quarter for China. The "HCOB Eurozone Manufacturing PMI" continued to fall and



remained well under the 50-point mark, which shows growth. Factory orders declined and job losses accelerated for the industry in the Eurozone lately. The mood remains clouded for European 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 August 2023, the BCI decreased slightly to 99.24 points and continued to remain under the benchmark of 100.


Business Confidence Index (BCI)



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

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