

Quarterly
Report Q1/2024

European plastics manufacturers (EU 27)

AUGUST 2024

CONTACT DETAILS

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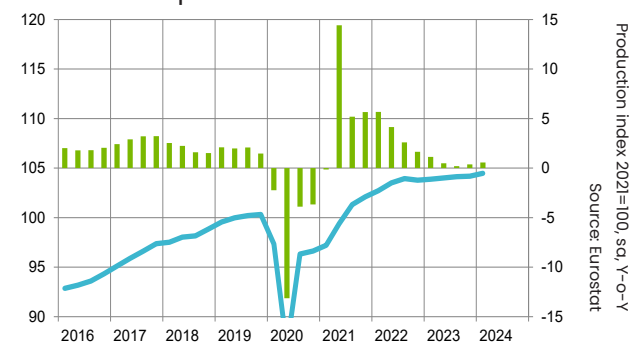
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European industrial production declined

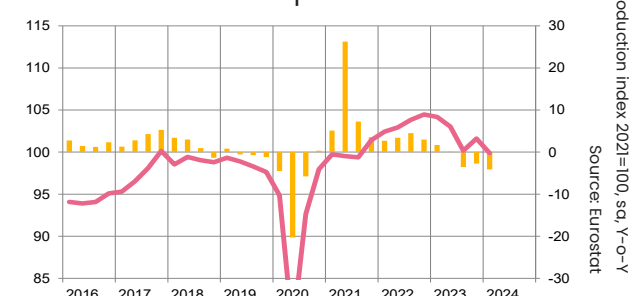
The worldwide economic situation only improved slightly compared to last quarter. The development was more dynamic for emerging countries like China compared to industrialized states, like the EU27. The GDP of the EU27 only increased by 0.3 percent compared to previous quarter. Reasons for the only dampened recovery were the still high inflation rates. To fight inflation many central banks increased their interest rates. This reduced inflation rates, but complicated the access to loans, e.g. for companies to exceed their plants. It is more unlikely that companies invest. Geopolitical tensions and increased protectionist interventions by different states were observed as well. However, the global economy also benefited from rising

wages and therefore more consumption. Global industrial production increased by 1.1 percent compared to the previous quarter. Last year's level was exceeded by 2.8 percent. Growth impulses came many from China, India or Brazil. Industrial production decreased slightly for the US (-0.2%) and significantly for the EU27 (-1.7%) compared to last quarter. While Germany and Spain increased their industrial production, it decreased for France, Italy and Poland. The production costs have been still high in Europe. Also, more companies complained about a lack of applications. Not only energy intensive sectors like the chemical industry fight with lacks of applications. More and more sectors are affected by this.

GDP development EU27



Manufacture development EU27



GDP & manufacture (seasonal adjustment)

	2023		Q1/24	
	% to prev. year	% to prev. year	% to prev. quarter	% to prev. year
GDP world	2,5	2,4	0,6	2,4
GDP EU27	0,5	0,6	0,3	0,6
Manufacture world	2,0	2,8	1,1	2,8
Manufacture EU27	-1,1	-4,1	-1,7	-4,1

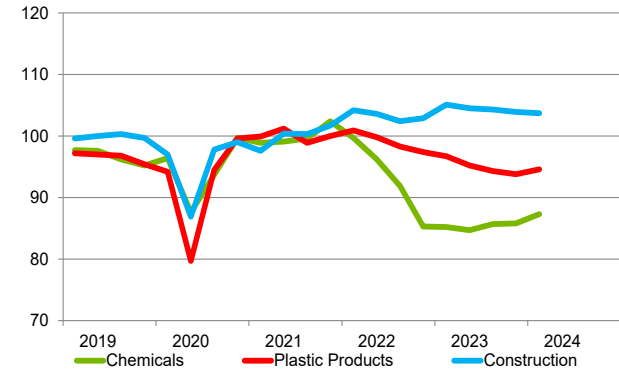
Source: Eurostat, Chemdata

Weak start for the automotive industry in 2024

Industrial production decreased by 1.7 percent in the EU27 compared to last quarter. Important customer industries of plastic manufacturers were also affected by this negative trend. The European automotive industry decreased production by 3.8%. This was the third declining quarter in a row. Especially, the demand for electric cars remained on a low level in Europe. Production of E&E sunk as well. The special economic situation during the Corona-virus pandemic with contact restriction

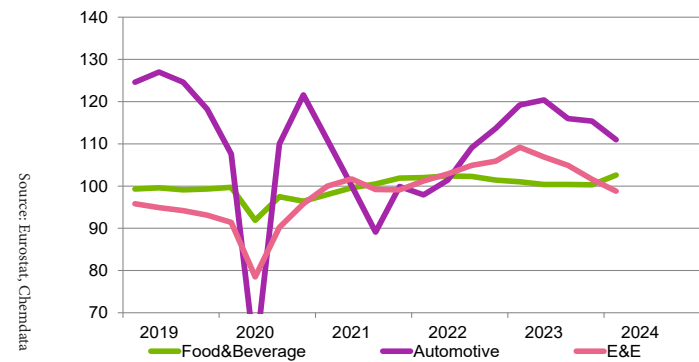
and home office ended and led to a lower demand for E&E. Construction decreased only slightly. High interest rate continued to burden construction. Production of chemical and plastics products increased. But despite the recovery, production of chemicals remained on a low level compared to the pre war level. Energy-intensive industries continue to have a hard time in Europe. After a longer phase of stagnation, production of food and beverage increased again.

Customer industries EU27



Production index 2021=100, sa
Source: Eurostat, Chemdata

Customer industries EU27



Production index 2021=100, sa
Source: Eurostat, Chemdata

Customer industries EU27 (seasonal adjustment)

Customer industry	2023		Q1/24		Q1/24 - Q1/24
	% to prev. year	% to prev. year	% to prev. year	% to prev. quarter	
Food and beverage	-1,5	1,6	2,3	1,6	
Automotive	11,6	-6,9	-3,8	-6,9	
E&E	-8,1	-9,5	-2,7	-9,5	
Plastic products	-4,1	-2,2	0,9	-2,2	
Chemicals	-8,5	2,4	1,8	2,4	
Construction	1,1	-1,3	-0,3	-1,3	

Production recovered at the start of 2024

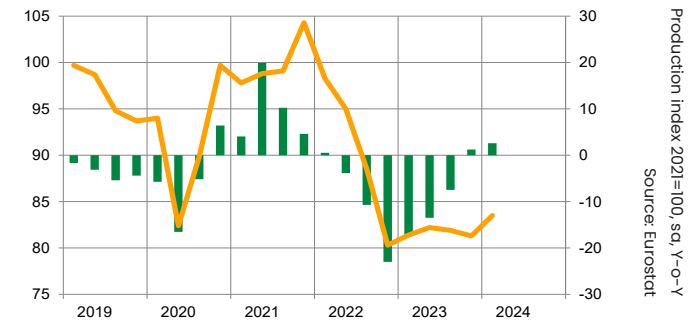
Production of plastics in primary forms significantly decreased by 9.7% in 2023. But the downhill slide seems to be over in the new year. Production increased by 2.7% compared to last quarter and was also higher than last year. The main reason for this positive development was an increasing demand by customer industries outside of Europe due to the rise in global industrial production. European industrial production, on the other hand, fell. Nevertheless, customer industries from Europe slightly increased ordering plastics due to concerns about supply disruptions and low stock levels. Despite the recovery in the beginning of 2024, the production level of plastics in primary forms remained low. The poor location conditions, especially the high production costs and excessive

bureaucracy in Europe still dampened production.

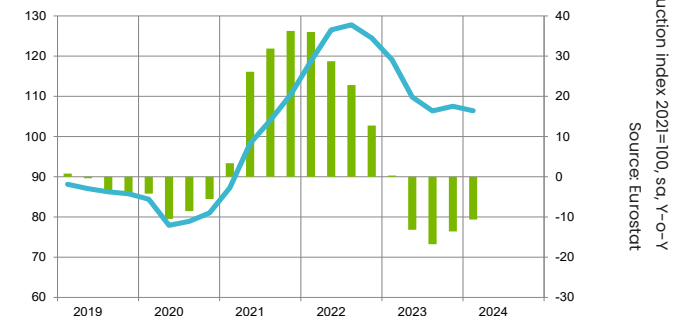
Prices continued to fall

There was a high decline of producer prices for plastics in primary forms in 2023, mainly because of the worldwide low demand for plastics. The trend continued in 2024, albeit at a slower pace. The demand for plastics increased again. Prices were 1% lower than last quarter, but significantly decreased compared to last year. Energy prices were still higher in Europe compared to other regions, with higher production costs for european plastics manufactureres. This further increased the pressure on margins for the companies.

Production of primary plastics EU27



Price of primary plastics EU27



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

	2023		Q1/24	
	% to prev. year	% to prev. year	% to prev. quarter	% to prev. year
Production	-9,7	2,6	2,7	2,6
Producer prices	-11,0	-10,6	-1,0	-10,6

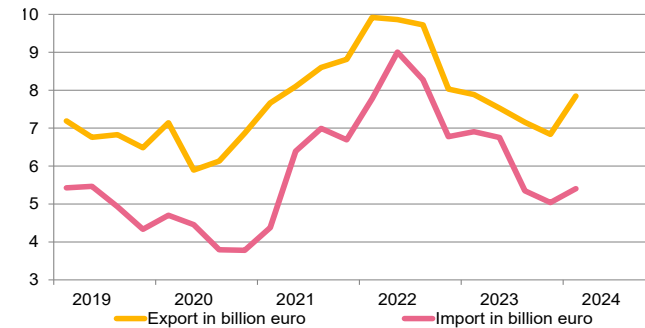
Source: Eurostat, Chemdata

Foreign trade started to recover

The value of exports of plastics in primary forms accounted for 7.85 billion euro in the first quarter 2024 and was clearly higher than previous one. In fact, this was the first increase since Q1/22. The revival of the global economy intensified trade again. Exports grew to all regions. The highest increases were recorded in the rest of Europe and North America. Compared to last year, exports of plastics in primary forms continued to be negative.

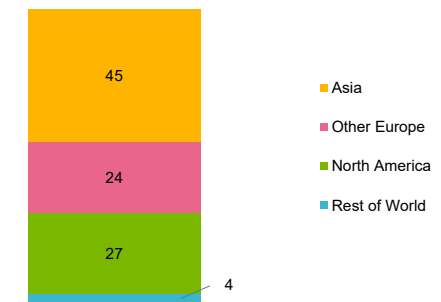
The value of imports of plastics in primary forms to the EU27 increased as well and amounted to 5.41 billion euro. Imports grew from all regions. Like exports, the rest of Europe and North America recorded the strongest growth rates. Compared to last year, imports of plastics in primary forms continued to be negative. The trough for imports seems to be over for the EU. The recovery started. The trade balance improved again and remained positive.

Exports and imports of primary plastics



Export and imports in billion euro
Source: Eurostat, Chemdata

Import regions of primary plastics Q1/2024



Import per region in percent
Rounding errors possible
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	-0,5	14,7	-21,7	7,3
Asia	7,4	9,7	-27,4	1,2
Rest of Europe	-5,9	18,2	-18,0	11,4
North America	-0,4	20,8	-13,5	17,5

Source: Eurostat, Chemdata

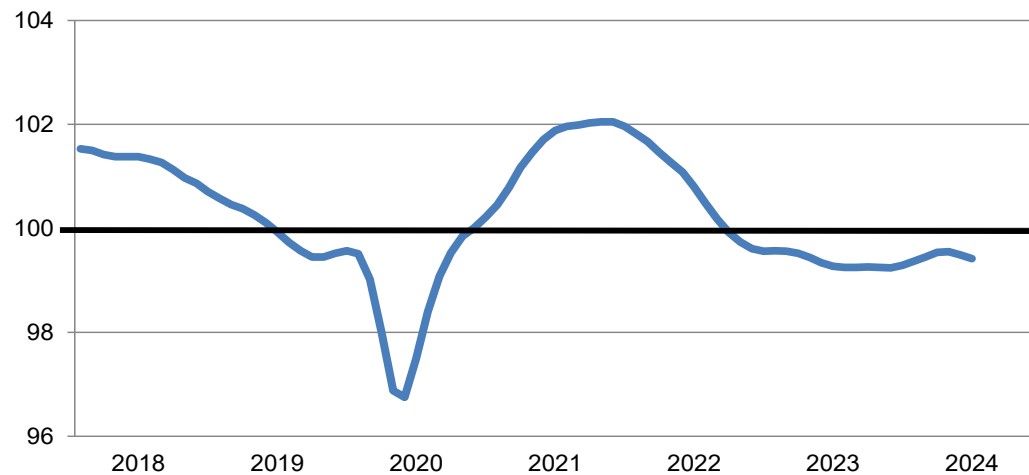
Mood remains tense for European plastics manufacturers

Production of plastics in primary forms increased by 2.7% compared to last quarter and was also higher than last year. The main demand came from customer industries outside of Europe. While global industrial production increased, it decreased by 1.7% for the EU27. Despite the recovery, the situation for European plastics manufacturers remains tense. The current production level has been still around 20% lower than before the war against Ukraine. Production costs remain high in Europe compared to other regions and weaken the business location Europe. Also, production costs of the companies cannot be passed on fully, meaning that the margins of European plastics manufacturers are under pressure. The lack of orders remains a big challenge for our industry as well. But the worldwide economic situation seems to improve further in the future. Inflation rates decrease and some central banks, especially in emerging countries, started to lower their interest rates. This is also possible in the nearer future for the Euro zone. Falling inflation and interest rates lead to more consumption and investments and therefore to a higher demand for industrial goods and plastics.



In large parts of the world, we expect an economic recovery. But Europe is lagging in terms of recovery due to structural problems at the location. The extent to which plastics producers in Europe benefit from this recovery, at home and abroad, remains to be seen. 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 June 2024, the BCI continued to decrease and reached 99.42 points.


Business Confidence Index (BCI)



Source: OECD (2024), Business Confidence Index (BCI)

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