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Faster chemical production growth likely in 2017 after weak dynamics in 2016

- ❖ *Cefic, the European Chemical Industry Council, expects a moderate acceleration of chemical production growth in the European Union in 2017 (+1.5%) after weak dynamics in 2016 (+0.5%).*
- ❖ *The main chemical customer industries had a good start to the year. Production in the manufacturing industry and construction activity expanded by 1.8% in the first quarter of 2017 compared to prior year quarter. The automotive industry posted even stronger growth of around 4% during the same period.*
- ❖ *Domestic demand for chemical products was therefore healthy. Export markets developed positively as well. Global economic sentiment improved significantly, driven among other things by solid growth in China. Against this background, output rose in most chemicals sub-sectors, with production reaching the highest level for eight years.*
- ❖ *The upward trend of prices accelerated at the beginning of the year and, for the first time in four years, producer prices were above the previous year's level. The key question is to know whether the latest positive trend in the EU chemicals business will continue in the remainder of the year. Uncertainties and political risks could make for a less positive story in the coming months. However, recent leading indicators suggest the positive momentum in Europe will continue over the next few months.*
- ❖ *Most chemical customer industries are expected to post higher growth than in 2016. Automotive growth will be a bit weaker than last year but will still provide positive impulses to chemical demand growth. European construction activity continues its path of slow recovery, supported by low interest rates. Consumer goods profit from rising household incomes in a low inflation environment.*
- ❖ *Export markets are also expected to provide further stimuli to the European chemical industry, as global economic sentiment is positive, -- albeit with some differences between regions: While for the US is expected to recover after a modest first quarter, growth in China is currently cooling down after a very strong start.*
- ❖ *For 2018, Cefic expects somewhat slower chemical production growth than in 2017, as it will become challenging to keep dynamics compared to 2017 as a year of robust chemical growth in Europe.*