



# Quarterly Report Q1/2019

## European plastics manufacturers (EU 28)

Contact:

Michelle Bozem

PlasticsEurope Deutschland

Mainzer Landstraße 55

60329 Frankfurt am Main

Germany

[michelle.bozem@plasticseurope.org](mailto:michelle.bozem@plasticseurope.org)

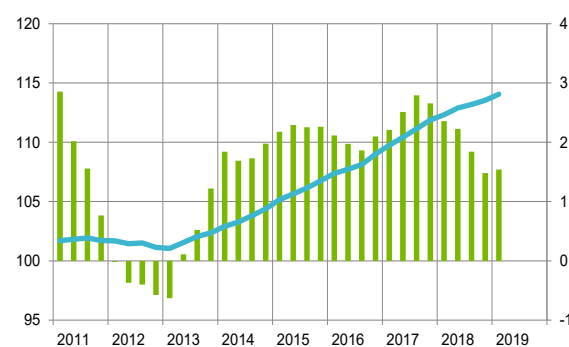
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## Economic development

### Moderate recovery in the first quarter

Global growth stabilised at +0,7 percent in the first quarter 2019 after the strong cool down in the second half of 2018. Also the industrial economy increased with 0.5 percent compared to the previous quarter. Nonetheless, global trade remained weak and industrial production cloudy especially for advanced economies. The German economy found its way back to the growth path after flat growth in the fourth quarter of 2018. Major reasons for the GDP growth of 0.4 percent in the first quarter were the strong impulses from the construction sector, the high consumption demand and the solid labor market development. In the first quarter 2019, China grew with robust 6.4 percent more than expected. The main drivers were the policy stimulus, the good performance in the construction sector as well as high investments among others. Nevertheless, uncertainty remains due to the unpredictable outcome of the U.S.-China trade conflict. In India and South Korea, GDP continued to grow significantly. In the United States, growth continued unabated in the first quarter of 2019. In Latin America, differences between countries remained large. The negative growth rate in Argentina still reflected the contraction in production following the financial crisis in 2018. Brazil suffered from the slow-down of world trade and recorded a GDP growth of only 0.3 percent in the first quarter. However, so far the recovery in Latin America is only moderate and characterized by ups and downs. The EU showed a plus of 1.0 percent. The unsolved budget issues in Italy, the ongoing Brexit negotiations and the potential trade

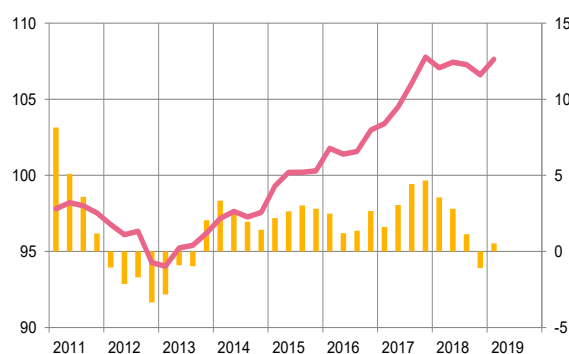
### GDP Development EU28



Index 2015=100, sa, Y-o-Y

Source: Eurostat

### Manufacture Development EU28



Production index 2015=100, sa, Y-o-Y

Source: Eurostat

war remain unpredictable drivers influencing global growth. Nonetheless, the industry started in the new year better than expected but is assumed to cool down in the course of 2019.

#### GDP & manufacture (seasonal-adjustment)

	2018 % to prev. year	Q1/19 % to prev. year	Q1/19.- Q1/19 % to prev. quarter	Q1/19.- Q1/19 % to prev. year
GDP world*	3.1	2.6	0.7	0.7
GDP EU28	2.5	1.5	0.5	1.5
Manufacture world	4.0	2.9	0.5	2.9
Manufacture EU28	1.6	0.5	1.0	0.5

Source: Eurostat, Chemdata, \*not yet available

## Industrial production

### Industrial production was cloudy in the EU

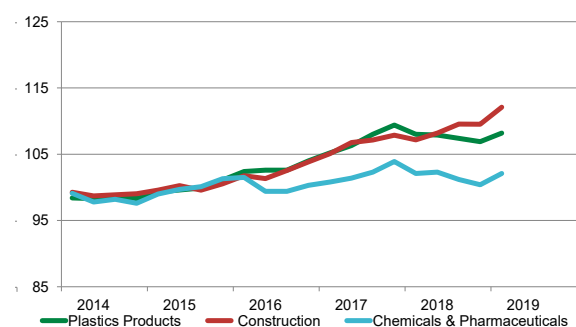
Despite the overall growth in industrial production, especially advanced economies experienced a slow-down in the first quarter. The European Union continues to be the most important market for the European plastics industry. Therefore, the performance of its industry is of extraordinary importance.

Overall, most customer industries showed little or zero growth compared to the the prior-year quarter in 2019. Demand from the automotive industry was better than

expected but stayed low. The problems with the new exhaust test procedure are only slowly resolved.

Major customers in the plastics processing industry slightly increased their plastics purchase. The underlying driver is possibly the strong development in the construction sector that recorded an increase of 2.4 percent compared to the previous quarter and a plus of 4.6 compared to the previous year. Nonetheless, production in plastics processing has various regulatory challenges ahead such as the recyclate rates that have to be used in products.

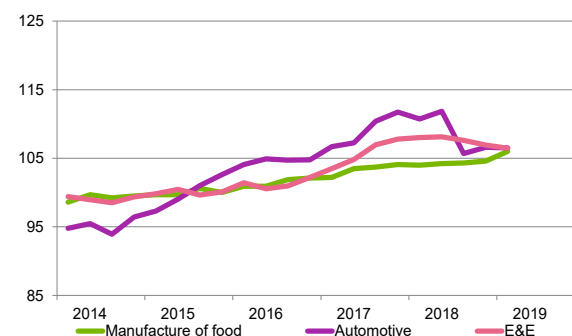
Customer industries EU28



Production index 2015=100, sa

Source: Eurostat, Chemdata

Customer industries EU28



Production index 2015=100, sa

Source: Eurostat, Chemdata

### Customer Industries EU28 (seasonal-adjustment)

Customer industry	2018		Q1/19	
	% to prev. year	% to prev. year	% to prev. quarter	Q1/19 - Q1/19 % to prev. year
Manufacture of food	0.9	1.9	1.2	1.9
Automotive	-0.3	-3.8	-0.1	-3.8
E&E	2.7	0.7	0.3	0.5
Plastics products	0.3	0.2	0.8	0.2
Chemicals/Pharma	-0.6	0.0	1.2	0.0
Construction	1.8	4.6	2.4	4.6

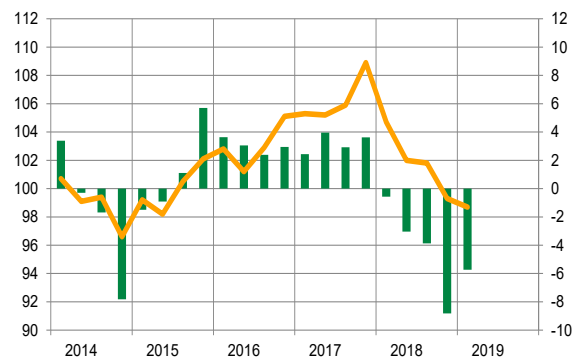
Source: Eurostat, Chemdata

## Plastics in primary form

### Production fell for the fifth quarter in a row

The growth of many customer industries in Europe continued to slow-down or only slightly rose in 2019. Hence, this showed a negative effect on the demand for primary plastics. As a result, production continued to fall for the fifth quarter in a row. Cumulatively, production fell by 5.7 percent in the beginning of 2019. However, compared to the last quarter in 2018 production only decreased by 0.6 percent.

### Production of Primary Plastics EU



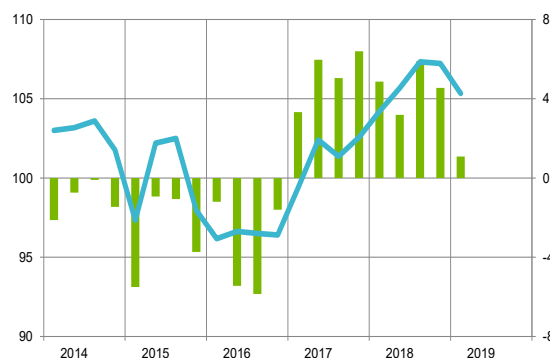
Production index 2015=100, sa, Y-o-Y

Source: Eurostat

### Prices continued to stagnate

The price of crude oil slightly increased in the first quarter of the year and therefore partly recovered from the strong price drop year-end 2018. However, the price increase remained moderate as compared to previous-year quarter crude oil prices were about 5 percent lower. The price of naphtha, the most important raw material of the chemical and plastics industry, was 10 percent lower than in the last quarter of 2018. One tonne of naphtha had an average cost of 454 EUR in the first quarter of 2019. Therefore, prices for plastics decreased by 1.8 percent compared to the previous quarter. Compared to the previous-year prices increased by 1.1 percent.

### Price of Primary Plastics EU



Price index 2015=100, sa, Y-o-Y

Source: Eurostat

### Production & Price of Plastics in Primary Forms EU28 (seasonal-adjustment)

	2018	2018	Q1/19	Q1/19 - Q1/19
	% to prev. year	% to prev. year	% to prev. quarter	% to prev. year
Production	-4.1	-5.7	-0.6	-5.7
Price	5.2	1.1	-1.8	1.1

Source: Eurostat

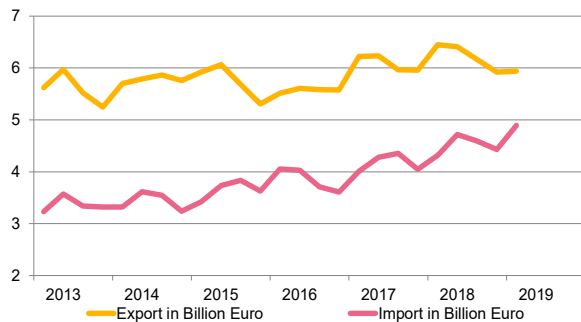
## Foreign demand

### Strong rise in imports

Exports to the rest of the world increased compared to the previous-year quarter only to Latin America, the Middle East as well as Africa in the beginning of 2019. However, exports increased compared to the last quarter in 2018 to all regions, except to Asia.

The slight rise in demand from industrial customers in Europe in the beginning of 2019 triggered an increase in imports in the first quarter 2019. Most imports to Europe of plastics in primary form compared to 2018 came from NAFTA, followed by Africa and Latin America.

Import and export of primary plastics\*

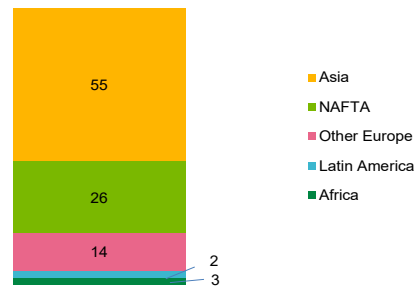


Export and Import in Billion Euro

Source: Eurostat, Chemdata

\*preliminary data

Import regions of primary plastics Q1/2019\*



Import per region in %

Source: Eurostat, Chemdata

\*preliminary data

Regions	Export of Plastics in Primary Forms EU28		Import of Plastics in Primary Forms EU28	
	Q1/19*		Q1/19*	
	% to prev. year	% to prev. quarter	% to prev. year	% to prev. quarter
Extra EU-28	1.2	0.3	22.8	10.5
Other Europe	15.1	2.2	46.3	12.3
NAFTA	-2.9	1.6	41.0	14.9
Latin America	6.6	7.6	17.6	0.7
Asia	-9.1	-2.5	11.9	8.3
Middle East	8.3	2.6	4.6	-3.0
Africa	3.6	0.1	35.4	11.2

\*estimated; Source: Eurostat, Chemdata

## Outlook: Market situation remains challenging

The negative news and regulatory struggles continued in 2019 for European plastics producers. Although the global economy slightly recovered, industrial production struggled especially in developed countries.

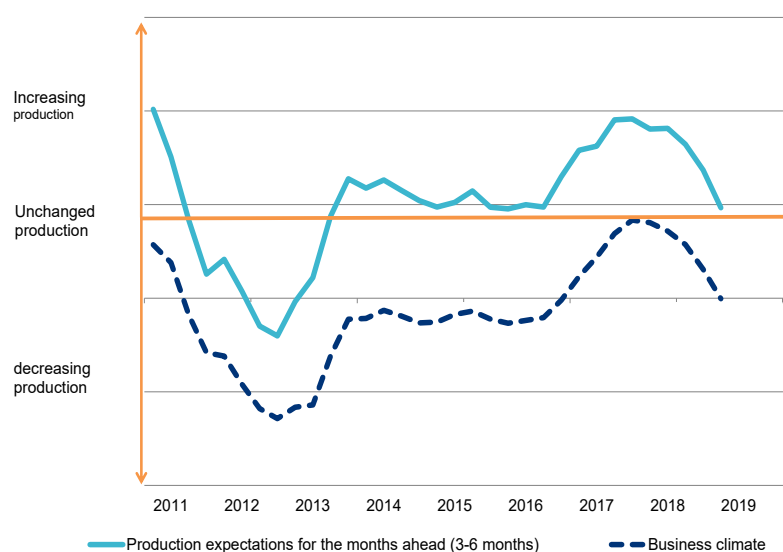
Hence, as the effects of the global economic slow-down could be delayed, demand for plastics from industrial customers slightly increased. This is also reflected in the future outlook, which is more optimistic than last quarter. However, in advanced economies experts expect a deterioration in the assessment of the current situation.

Overall, the outlook is should not be too optimistic. The plastics business continues to slow-down. Growing international uncertainties such as the trade dispute with China and the United States and the U.S.-Mexican trade conflict, punitive tariffs on steel, aluminum and possibly soon cars from the EU, the risks of unregulated Brexit and weakening economies within the eurozone remain open questions. In addition, nationalist and anti-European tendencies and protectionist attitudes

are increasing in Europe, and the EU lacks a coherent strategy against Beijing's expansive economic policies in the course of the so-called new Silk Road.

For the plastics producers the future is heavily dependent on the development of the industrial economy. Worries have been multiplying here recently. The prospects for overseas export business are also becoming gloomier. Economic development in the U.S. has been robust, but began to cool down. There is not much demand from the Latin American countries either. Argentina and Venezuela remain in crisis mode. Brazil's economy is recovering slowly and the new president announced more market-friendly reforms. How far they can be implemented remains questionable. The Asian countries continue to report the highest growth rates worldwide. But the smoldering trade conflict, the slow-down in China and structural problems are affecting the global development heavily. Thus, a weaker demand for plastics from Europe is expected.

Manufacture Outlook and Business Climate in EU28



Balance of positive and negative answers, in %

Source: European Commission

PlasticsEurope AISBL  
Rue Belliard 40  
1040 Brussels  
Belgium

[info.de@plasticseurope.org](mailto:info.de@plasticseurope.org)  
[www.plasticseurope.org](http://www.plasticseurope.org)

