



Quarterly Report Q2/2018

European plastics manufacturers (EU 28)

Contact:

Carolina Hupfer

PlasticsEurope Deutschland

Mainzer Landstraße 55

60329 Frankfurt am Main

Germany

carolina.hupfer@plasticseurope.org

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Global economy kept on the growth path

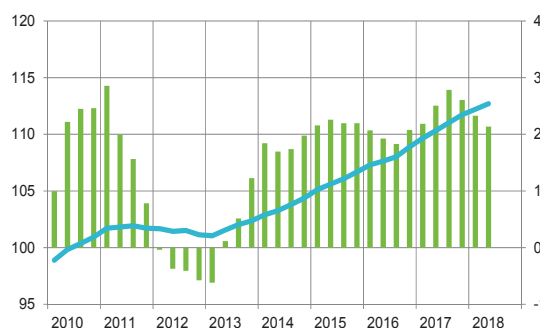
Good business situation in the 2nd quarter 2018

In the 2nd quarter 2018, the global economy kept on the growth path generally. Irrespective of protectionism, a yet more intensive trade conflict and numerous geopolitical risks, the upswing remained on a broad basis. The global domestic product (GDP) grew by 0.9 percent. Growth was stable in the industrial nations and China; many emerging markets overcame their weak phase thanks to rising raw material prices.

In the past two quarters, the growth momentum slowed slightly in the European Union. External factors of uncertainty – such as the danger of protectionism, Brexit or the development of raw material prices – contributed to a cooling. A further relevant factor is the rising number of bottlenecks in staff, machinery and materials. However, the GDP still climbed by 0.5 percent compared with the previous quarter. Thus, the EU economy should have peaked in the 2nd half 2017 and now returns to “normal”.

Growth dynamics continued to vary between the major countries. Spain remained at the top with growth of 0.6 percent over the previous three months, while economic data from France and Italy were disappointing. The Brexit slows the British economy, even though the momentum increased against the extremely weak previous quarter. As compared with the period from January to March 2018, no EU Member State saw a setback. The previous year's level was clearly exceeded everywhere too.

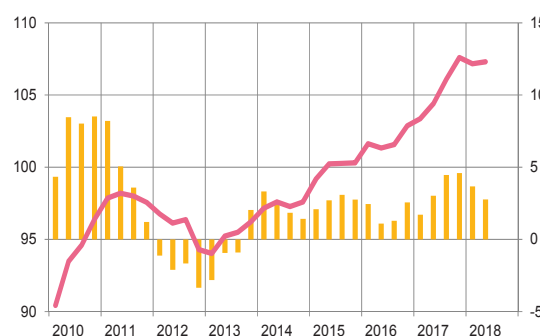
GDP Development EU28



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

Source: Eurostat

Manufacture Development EU28



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

Source: Eurostat

GDP & manufacture (seasonal-adjustment)

	2017	Q2/18		Q1/18.- Q2/18
	% to prev. year	% to prev. year	% to prev. quarter	% to prev. year
GDP world	3,1	3,2	0,9	3,1
GDP EU28	2,5	2,1	0,5	2,2
Manufacture world	4,7	4,5	0,9	4,6
Manufacture EU28	3,5	2,8	0,1	3,2

Source: Eurostat, Chemdata

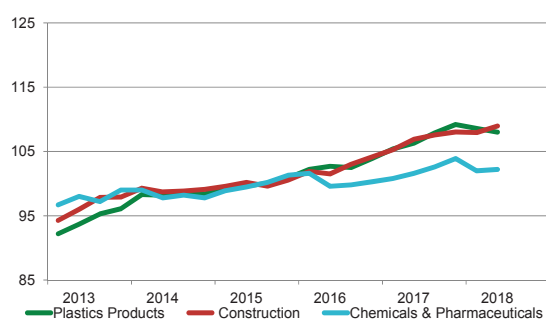
Industrial production

Production slightly increased in nearly all major customer industries

The European Union continues to be the most important market for the European plastics industry. Therefore, the performance of the European industry is of

extraordinary importance. All major customer industries can be outsourced in the second quarter, with the exception of plastic product producers. These companies reduced their output by 0.3% compared with the period from January to March.

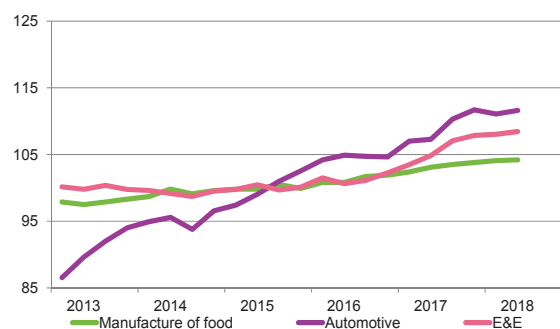
Customer industries EU28



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	2017		Q2/18	
	% to prev.s year	% to prev. year	% to prev. quarter	Q1/18.- Q2/18 % to prev. year
Manufacture of food	1,9	1,1	0,2	1,4
Automotive	4,3	4,0	0,5	3,9
E&E	5,4	6,7	1,6	4,7
Plastics products	4,3	1,6	-0,3	2,3
Chemicals/Pharma.	1,9	0,5	0,6	0,9
Construction	4,2	1,9	0,9	2,2

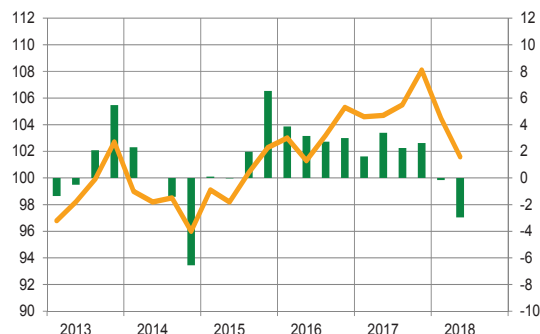
Source: Eurostat, Chemdata

Plastics in primary form

Production of plastics in primary form continued to decline

Although production in almost all customer industries rose slightly in the second quarter, production of plastics in primary form declined. This continued the negative trend that began at the beginning of the year. In anticipation of rising prices, customers have already filled their warehouses at the end of 2017.

Production of Primary Plastics EU

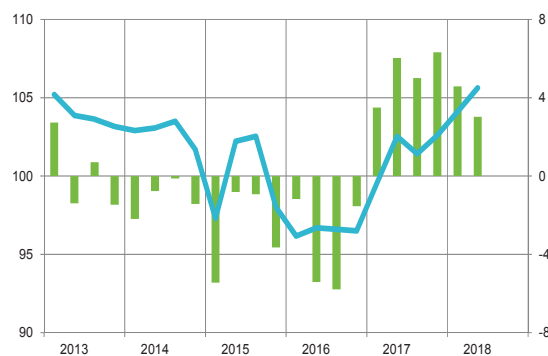


Production index 2015=100, sa, Y-o-Y
Source: Eurostat

Prices picked up again

Further rising raw material costs brought yet higher plastics prices in the 2nd quarter 2018. Plastics in primary form products were 1.5 percent costlier than in the previous quarter and 3.0 percent more expensive than in the previous year.

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)

	2017	2018	Q2/18	Q1/18.- Q2/18
	% to prev.s year	% to prev. year	% to prev. quarter	% to prev. year
Production	2,4	-3,0	-2,8	-1,5
Price	5,2	3,0	1,5	3,8

Source: Eurostat

Further stimulation of global demand

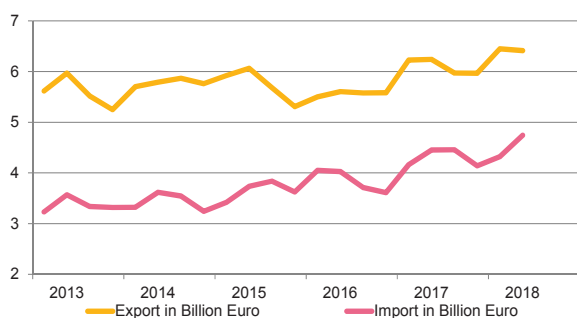
Foreign business developed positively

The export of plastics in primary forms decreased by 0.6 percent compared to the previous quarter. In particular, exports to Latin America and the Middle East decreased

sharply.

In contrast, imports of plastics increased. In particular, imports from Asia increased. Asia has the most production capacity worldwide. Therefore, it is not surprising that well over 50% of all imports come from this region.

Import and export of primary plastics*

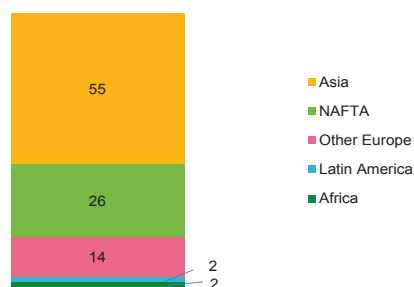


Export and Import in Billion Euro

Source: Eurostat, Chemdata

*preliminary data

Import regions of primary plastics Q2/2018*



Import per region in %,

Source: Eurostat, Chemdata

*preliminary data

Regions	Export of Plastics in Primary Forms EU28		Import of Plastics in Primary Forms EU28	
	Q2/18*		Q2/18*	
	% to prev. year	% to prev. quarter	% to prev. year	% to prev. quarter
Extra EU-28	2,7	-0,6	6,5	1,3
Other Europe	0,1	0,6	4,7	9,8
NAFTA	7,7	-0,7	-3,7	15,9
Latin America	3,4	-6,5	-22,9	10,6
Asia	1,3	-1,7	14,6	9,7
Middle East	-3,4	-8,7	3,3	0,1
Africa	11,4	4,7	14,1	7,0

*estimated; Source: Eurostat, Chemdata

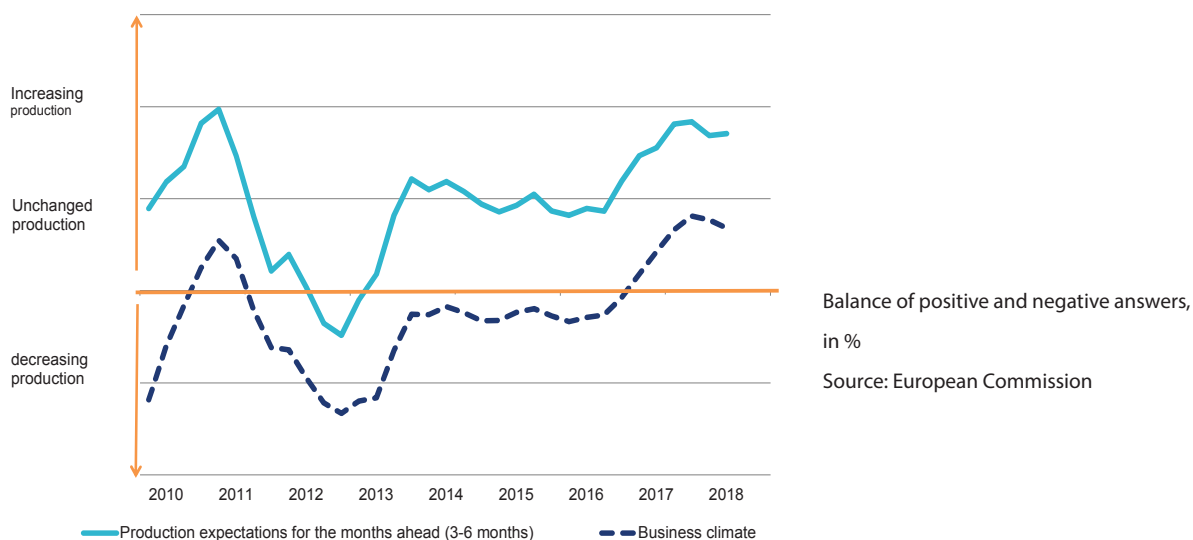
Outlook: risks are increasing

The global upswing should continue in the coming months. However, the growth momentum is likely to have peaked in the previous year. We assume that the growth rates for both the overall economy and industry will be weaker in 2018 and 2019 than back in 2017. Capacity utilisation worldwide will further increase in the course of the year – with a potential slowdown effect. World trade is likely to expand less rapidly. However, dynamics should remain clearly higher than in the years before.

In view of protectionist threats and sanctions by the US government, the risks for the economy have further increased. Hopes are dwindling for an agreement in the trade dispute between the USA and China. Some major emerging markets such as Brazil and South Africa have not overcome economic problems. Turkey plunged in a currency crisis. Regardless of IMF support, there is less investor confidence in the government of Argentina.

By contrast, business sentiment has not deteriorated noticeably in Asia and Central Europe. The appraisal prevails that the global driver of the economy keeps working – at least at the moment. All in all, the economy in the European Union remains on a solid growth path. However, in the EU there is slightly less confidence in the economy. This is a Europe-wide trend and concerns not only industry but also consumer confidence and services. The mood indicators reflect the numerous uncertainty factors such as increasing protectionism, the trade conflict with the USA, rising raw material prices, unresolved Brexit negotiations, deficit plans of the new Italian government, crisis in Turkey etc. Europe remains on the growth path but forecasts are becoming more difficult. The economic momentum of the previous year should be hard to reach again.

Manufacture Outlook and Business Climate in EU28



PlasticsEurope AISBL
Avenue E. van Nieuwenhuysse 4/3
1160 Brussels
Belgium

info.de@plasticseurope.org
www.plasticseurope.org

