



Quarterly Report Q3/2019

European plastics manufacturers (EU 28)

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Economic development

Ongoing moderate growth in third quarter

In the third quarter of 2019, global GDP grew by 2.3 percent compared to the previous year. In comparison to the previous quarter, there was a slight increase of 0.5 percent in global GDP growth. Production in the global industrial economy was 2.3 percent above the previous year's level and 0.5 percent above the previous quarter. In the EU, industrial production decreased by 0.6 percent to the previous quarter and 1.3 percent in relation to the previous year.

Due to prevailing uncertainty on the markets caused by diverse factors, including the trade conflict between the US and China and the lasting Brexit negotiations, global trade remained weak and industrial production cloudy especially for advanced economies. The German economy is expected to reach a GDP growth of 0.6 percent in 2019. This low but stable growth path can be expected because of the positive impulses from the construction sector, the stable consumption demand and the solid labor market development. In the third quarter of 2019, GDP growth in China continued to slow down to 5.8 percent. In South Korea, GDP continued to grow moderately. In India, a crisis in the shadow banking system resulted in weaker growth dynamics in the third quarter of 2019. In the United States, growth continued to increase by 0.5 percent. Brazil recorded a positive economic growth in the third quarter. However, many Latin American countries are still in crisis mode. The EU showed a slight increase in GDP growth of 0.3 percent. This rise exceeded the market's expectations.

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

The ongoing Brexit negotiations and the potential trade war remain unpredictable drivers influencing global growth. Consumption and production in the service sector have been a stable source for growth in Europe. However, the export orientated industry is following a downward trend in 2019.

GDP & manufacture (seasonal-adjustment)				
	2018	Q3/19	Q1/19.- Q3/19	
	% to prev. year	% to prev. year	% to prev. quarter	% to prev. year
GDP world*	2.9	2.3	0.5	2.4
GDP EU28	2.0	1.4	0.3	1.5
Manufacture world	4.0	2.3	0.5	2.6
Manufacture EU28	1.5	-1.3	-0.6	-0.6

Source: Eurostat, Chemdata,

Industrial production

Industrial production was cloudy in the EU

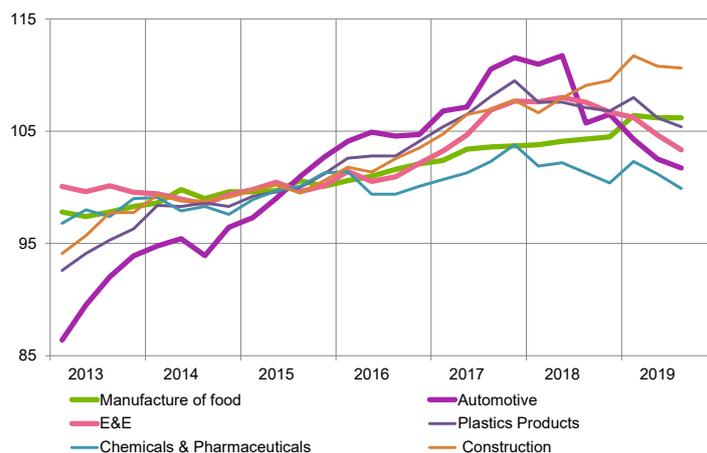
Despite the global growth in industrial production, especially advanced economies experienced a slow-down in the third quarter. In the European Union, industrial production fell by 1.3 percent. The European Union continues to be the most important market for the European plastics industry. Therefore, the performance of its industry is of extraordinary importance.

Overall, most customer industries showed slightly negative growth compared to the prior-year quarter. The automotive industry has further lost momentum. Compared to the third quarter of 2018, the production

of the automotive sector decreased by 3.8 percent. The demand of major customers in the plastics processing industry declined throughout the first nine months of 2019. The production of four out of the six customer industries mentioned in this report, are below the previous year's level. Only the food sector and the construction sector could attain a plus in production during the last year. Additionally, production in plastics processing has various regulatory challenges ahead such as the recyclate rates that will have to be implemented.

Customer industries EU28

Production index 2015=100, sa



Source: Eurostat, Chemdata

Customer Industries EU28 (seasonal-adjustment)

Customer industry	2018		Q3/19	
	% to prev. year	% to prev. year	% to prev. quarter	Q1/19 - Q3/19 % to prev. year
Manufacture of food	0.9	1.9	0.1	2.1
Automotive	-0.3	-3.8	-0.8	-6.1
E&E	3.0	-4.5	0.2	-2.0
Plastics products	-0.1	-1.6	-0.7	-0.8
Chemicals/Pharma	-0.5	-1.3	-1.0	-0.7
Construction	1.7	1.4	-0.2	2.9

Source: Eurostat, Chemdata

Plastics in primary form

Production fell for the seventh quarter

The growth of many customer industries in Europe continued to slow down during the first three quarters of 2019. This led to a negative effect on the demand for primary plastics. As a result, production continued to fall. This decline in production started in the first quarter of 2018 and has thus already persisted for seven quarters in a row. Production fell by 8.7 percent compared to the third quarter of 2018. In relation to the previous quarter, production decreased by 3.1 percent.

Production of Primary Plastics EU

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



Source: Eurostat

Prices for plastics on downwards trend

The price of crude oil fell in the third quarter of 2019. In fact, crude oil prices have been declining for nine months in a row. Cumulatively, crude oil prices have dropped by about 11.5 percent since the beginning of the year. The price of naphtha, the most important raw material of the chemical and plastics industry, was 11.3 percent lower than in the second quarter of 2019. One tonne of naphtha cost on average 431,62 EUR in the third quarter of 2019. Due to the direct link between naphtha and the production of plastics in primary form, prices for plastics fell by 1.9 percent compared to the previous quarter and 3.0 percent compared to 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)

	2018	Q3/19	Q1/19 - Q3/19
	% to prev. year	% to prev. year	% to prev. year
Production	-4.9	-8.7	-6.7
Price	4.6	-3.0	-0.6

Source: Eurostat

Foreign demand

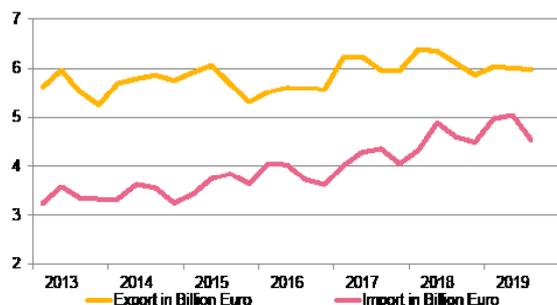
Moderate development of trade

When comparing the exports of the third quarter of 2019 to the previous year's level, only the exports to the non-EU-member countries have increased. Compared to this year's previous quarter, the strongest rise in exports occurred towards Latin America. But the exports of primary plastics also increased towards Asia, the Middle East and Africa. The steepest decline in exports could be observed for the NAFTA region. Overall, exports of primary plastics persisted on their level of 6 billion euros. In the third quarter of 2019, the greatest

amount of imports compared to the previous quarter came from Latin America. However, strong decreases were recorded in several other regions: Europe, the NAFTA region, Asia and Africa. Compared to the previous year, the imports from Africa, Latin America and the NAFTA region rose, while imports from the Middle East, Asia and Europe declined. Overall, the exports of primary plastics fared better than the imports, resulting in a positive trade balance.

Import and export of primary plastics*

Export and Import in Billion Euro

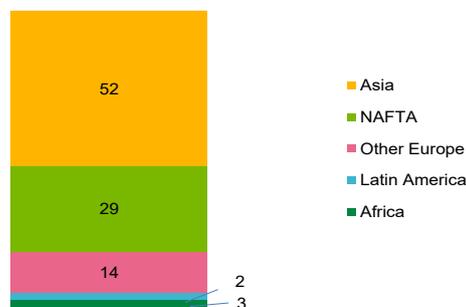


Source: Eurostat, Chemdata

*preliminary data

Import regions of primary plastics Q3/2019*

Import per region in %



Source: Eurostat, Chemdata

*preliminary data

Regions	Export of Plastics in Primary Forms EU28		Import of Plastics in Primary Forms EU28	
	Q3/19		Q3/19	
	% to prev. year	% to prev. quarter	% to prev. year	% to prev. quarter
Extra EU-28	-2.1	-0.5	-1.3	-5.3
Other Europe	2.1	-0.1	-5.8	-10.0
NAFTA	-1.2	-7.8	6.7	-11.0
Latin America	-4.4	3.9	11.3	11.0
Asia	-6.6	0.6	-6.2	-10.6
Middle East	-7.0	1.7	-13.0	-5.9
Africa	-0.4	2.6	33.2	-21.9

Source: Eurostat, Chemdata

Outlook: Market situation remains challenging

The negative news and regulatory struggles continued in 2019 for European plastics producers. GDP growth as well as industrial production have slowed down in the global economy. Also advanced economies have struggled. The downwards development of the global economy also impacted the demand for plastics of industrial customers negatively. This is also reflected in the future outlook of the plastic industry, which is more pessimistic than last quarter. In addition, in the assessment of the current situation of advanced economies experts await a deterioration.

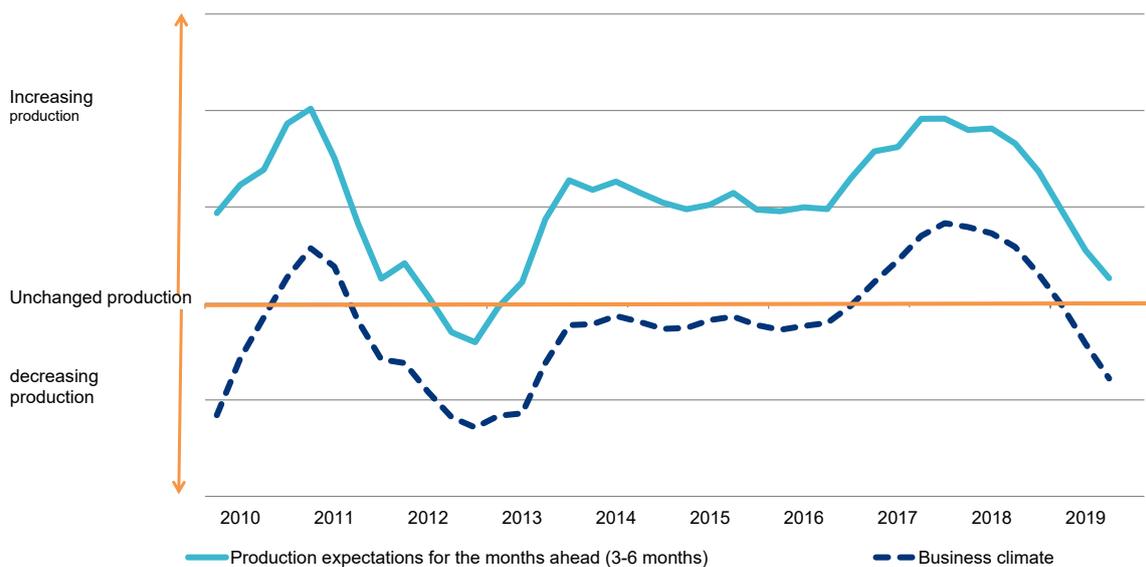
Overall, this pessimistic outlook can easily be justified. The plastics business continues to slow-down. It has yet to be seen to what extent growing international uncertainties such as the trade dispute between China and the United States and the ongoing Brexit negotiations, punitive tariffs on steel, aluminium and possibly European cars, as well as weakening economies within the eurozone will affect the global economic development. In addition, nationalist and anti-European tendencies and protectionist attitudes are rising 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. Venezuela is sliding even deeper into an economic crisis, while Argentina's and Brazil's economies are recovering slowly. How far the more market-friendly reforms of the new Brazilian president can be implemented remains questionable. The Asian countries continue to report the highest growth rates worldwide, but China's growth is also becoming weaker. The smoldering trade conflict, the growth slow-down in China and structural problems are affecting the global development. 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

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