



Quarterly Report Q4/2018

European plastics manufacturers (EU 28)

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Global slowdown

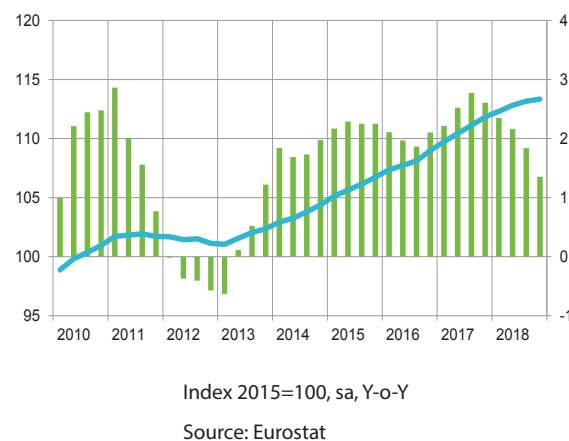
Industry continues to lose momentum

The upturn in the global economy continued to lose momentum towards the end of 2018. In particular, the industrial economy lost considerable momentum in many countries. Growth in Asian countries was still robust in most countries. In contrast, the industry was not dynamic everywhere. China's economy continued to grow, but growth was again weaker. At just under 6.5 percent, the economy grew within the government target, but again more moderate than in the quarters before. The weakness is particularly noticeable in the manufacturing sector. The services sector, on the other hand, performed well and was the mainstay of the economy. In India and South Korea, GDP continued to grow significantly. While India's industry grew strongly, the industry stagnated in South Korea.

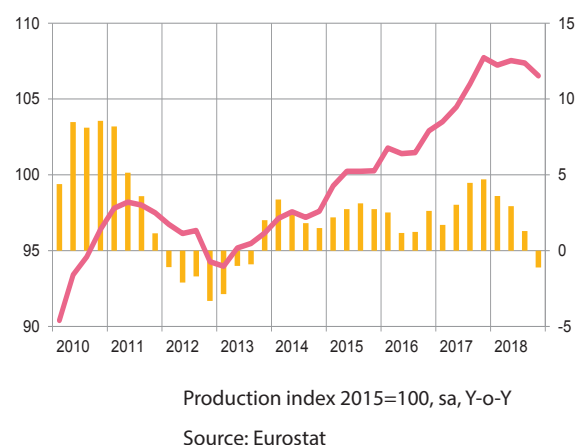
In the United States, growth continued unabated in the fourth quarter of 2018. In Latin America, differences between countries remained large. While Argentina slid into recession in 2018 and Venezuela was increasingly in chaos, Brazil continued to recover. So far, however, the recovery is only moderate and characterized by ups and downs.

In the EU, the overall economy still showed a plus. However, momentum was again weaker than three months earlier. Above all, the industry is worried. Here, production declined for the second consecutive quarter.

GDP Development EU28



Manufacture Development EU28



GDP & manufacture (seasonal-adjustment)

	2017	Q4/18	Q1/18.- Q4/18
	% to prev. year	% to prev. year	% to prev. year
GDP world*	-	-	-
GDP EU28	1.9	1.3	1.9
Manufacture world	4.0	3.2	4.0
Manufacture EU28	1.7	-1.1	1.7

Source: Eurostat, Chemdata, *not yet available

Industrial production

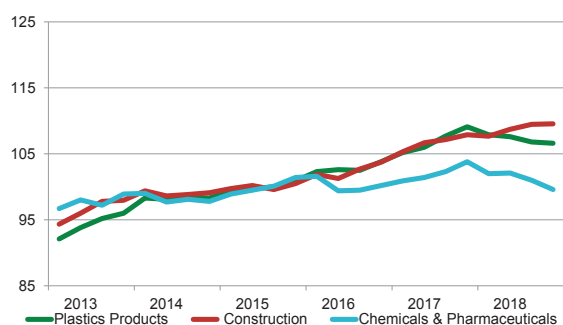
Development of domestic demand shows little momentum

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.

Most customer industries were well below the prior-year quarter in the fourth quarter of 2018.

Demand from the automotive industry was weak for the year as a whole. The automotive industry can only slowly free itself from its low. The problems with the new exhaust test procedure are only slowly resolved. The major customers in the plastics processing industry are also buying fewer plastics. Although production in plastics processing was able to increase slightly in the year as a whole, the trend is clearly pointing downwards.

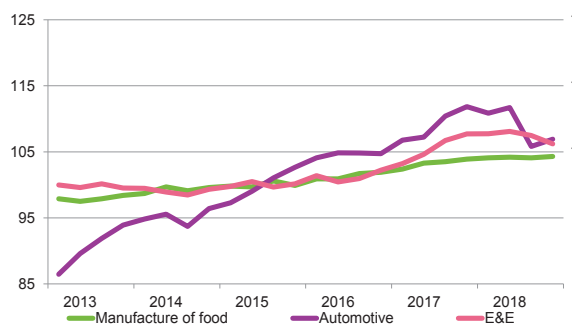
Customer industries EU28



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		Q4/18		Q1/18.- Q4/18	
	% to prev.s year	% to prev. year	% to prev. year	% to prev. quarter	% to prev. year	% to prev. year
Manufacture of food	0.9	0.4	0.4	0.3	0.9	0.9
Automotive	-0.2	-4.4	-4.4	1.0	-0.2	-0.2
E&E	3.2	-4.1	-4.1	-5.0	3.2	3.2
Plastics products	0.2	-2.3	-2.3	-0.4	0.2	0.2
Chemicals/Pharma.	-0.9	-4.1	-4.1	-1.6	-0.9	-0.9
Construction	2.0	1.5	1.5	0.1	2.0	2.0

Source: Eurostat, Chemdata

Plastics in primary form

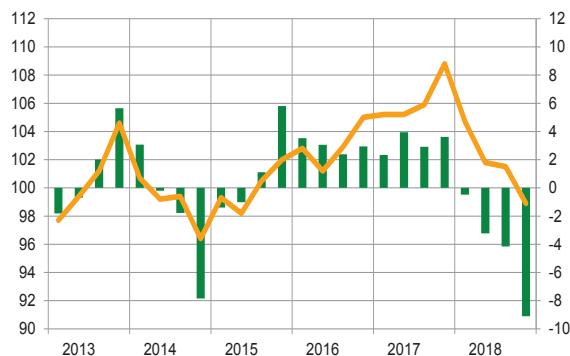
Production fell for the fourth quarter in a row

The growth of many customer industries in Europe declined in the fourth quarter. This has a negative effect on the demand for plastics.

As a result, production fell for the fourth quarter in a row.

Cumulatively, production fell by 4.3 percent in 2018.

Production of Primary Plastics EU



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

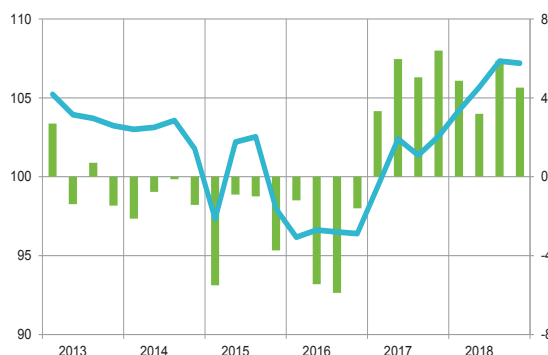
Source: Eurostat

Prices stagnated

The price of crude oil was surprisingly down significantly in the last quarter of the year. In the month of November alone, the oil price fell by more than 20 percent, falling to a level of \$ 50 a barrel. The price of naphtha, the most important raw material of the chemical industry, also declined to a similar extent. One tonne of naphtha cost an average of € 505 in the fourth quarter of 2018 - 12.6 percent less than a quarter earlier.

However, no price increases could be enforced after the price increases in the previous quarters for plastics in the 4th quarter.

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	Q4/18	Q1/18.- Q4/18
	% to prev.s year	% to prev. year	% to prev. quarter	% to prev. year
Production	-4.3	-9.1	-2.6	-4.3
Price	4.6	4.5	-0.1	4.6

Source: Eurostat

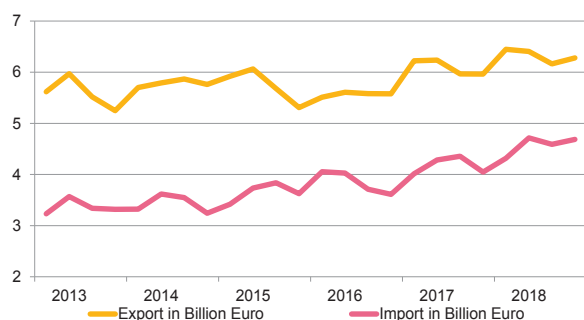
Foreign demand without momentum

Exports below the previous year

Exports to the rest of the world was in the fourth quarter 2018 beneath the fourth quarter 2017, although the exports picked up slightly compared to the previous quarter. In the fourth quarter business with foreign

customers was 3.9 percent down on the previous year. Exports to other European countries, Latin America and Asia declined sharply. The decline in demand from industrial customers in Europe in 2018 led to a decline in imports in the fourth quarter 2018.

Import and export of primary plastics*

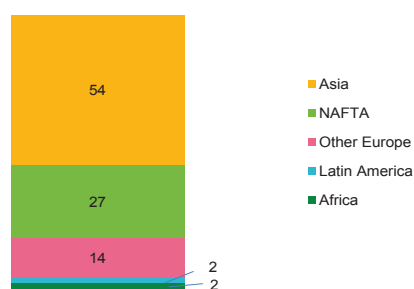


Export and Import in Billion Euro

Source: Eurostat, Chemdata

*preliminary data

Import regions of primary plastics Q4/2018*



Import per region in %,

Source: Eurostat, Chemdata

*preliminary data

Regions	Export of Plastics in Primary Forms EU28		Import of Plastics in Primary Forms EU28	
	Q4/18*		Q4/18*	
	% to prev. year	% to prev. quarter	% to prev. year	% to prev. quarter
Extra EU-28	-3.9	0.4	-10.3	1.3
Other Europe	-2.0	0.5	-3.4	1.2
NAFTA	5.8	3.0	-4.0	-0.8
Latin America	-23.1	-8.8	23.3	29.6
Asia	-6.5	-0.4	14.3	0.9
Middle East	24.9	-3.7	10.0	6.0
Africa	-0.3	4.2	12.4	10.7

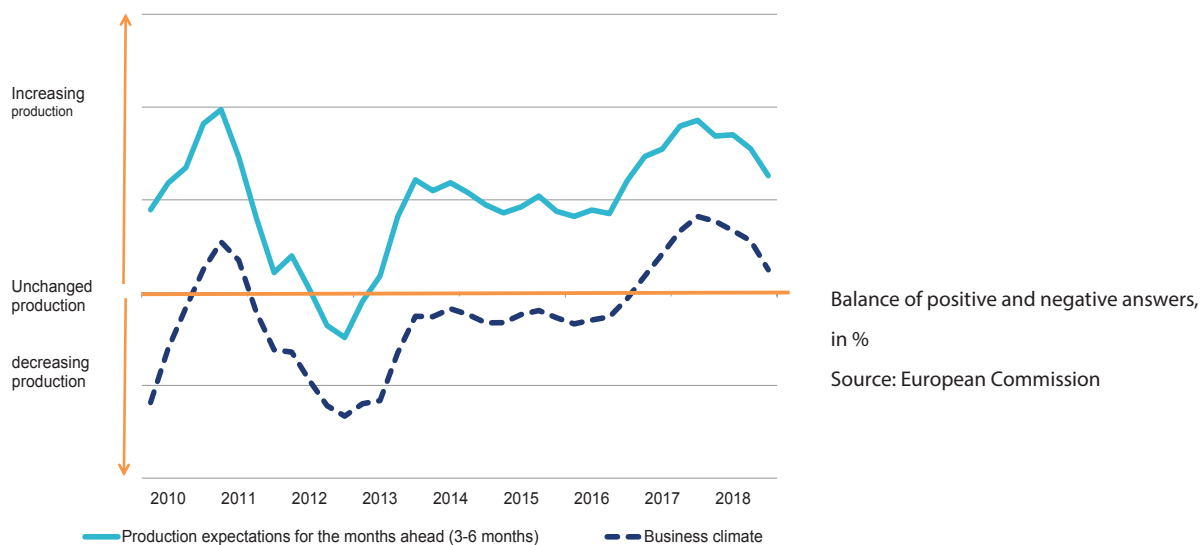
*estimated; Source: Eurostat, Chemdata

Outlook: Market situation becomes difficult

The year 2018 came to an end for European plastics producers with negative news. Nearly all economic indicators showed a declining or weak development. The effects of a slower pace of the global economy are becoming increasingly noticeable: the demand for plastic from industrial customers has eased. Accordingly, more and more companies reported a worsening of the current business situation. Looking to the future is also not optimistic. The plastics business continues to cool. The list of geopolitical risks is not getting shorter: Europe is facing a tough Brexit. Although some contingency plans have been established for the no-deal case. However, these are likely to mitigate the negative economic consequences at best. The tensions within the EU are not getting smaller. Italy, in particular, is unsettling the markets with rising debt and an economy in recession. The trade conflict between the US and China does not seem to escalate any further. But a solution is not in sight. As a result, uncertainty among market players remains high.

For the plastic producers is heavily dependent on the industrial economy. Worries have been multiplying here recently. The prospects for overseas export business are also becoming gloomier. Economic development in the US has been robust so far. But new impulses are not in sight. On the contrary: From the policy come with the shutdown, the proclaimed state of emergency and the smoldering trade conflict braking signals. There is not much demand from the Latin American countries either. Argentina and Venezuela remain in crisis mode. Brazil's economy is recovering increasingly 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 slowdown in China and structural problems are also slowing down the development here. The bottom line is to expect a weaker demand for plastics from Europe.

Manufacture Outlook and Business Climate in EU28



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