

## PRESS RELEASE 1

8 July 2009

### Service Links

[Foto Panel](#)

[Statement Prof. Lehner](#)

[Key Indicators 1st half 2009](#)

[Press Release 2: VCI Trend Survey](#)

[Press Release 3: Political Frame](#)

[Charts \(PDF\)](#)

[Charts \(xls\)](#)

[Charts \(jpg\)](#)

[Charts \(ppt\)](#)

## The chemical industry has reached the trough

**Upward trend in the production of basic chemicals / VCI's forecast for the total year 2009: Production decrease by 10 percent; drop in sales by 12 percent**

After the dramatic slump at the end of 2008, the chemical industry in Germany has reached the trough of recession: Since February 2009 the production of basic chemicals – this is a central indicator for business trends in Germany's fourth largest industry – has been improving slightly but steadily. Professor Dr Ulrich Lehner, President of Verband der Chemischen Industrie (VCI), said in a statement to the press in Frankfurt: "When we look ahead we see a glimmer of light amid dark clouds. Production has stabilized over recent months, even though at a very low level." According to Lehner, most VCI member companies are now expecting chemical business to pick up slightly in the 2nd half 2009.

In the 1st half 2009 the chemical industry in Germany was hard hit by the global economic crisis. The weak demand from industrial customers at home and abroad heavily impacted the balance sheets of chemical companies in this country: Chemical production dropped by 15.5 percent compared with the 1st half 2008 and was roughly back to the level of 2003. Capacity utilization fell to another low of only 72 percent. For the year 2009 as a whole, the VCI is

expecting a decrease in chemical production by 10 percent. The VCI also forecasts a drop in total sales by 12 percent.

**Sales:** In the 1st half 2009 total sales of the German chemical industry fell by 16.5 percent to 69.7 billion euros. This decline affected domestic and foreign business alike: Foreign sales dropped by 17 percent to 40.2 billion euros. Domestic sales amounted to 29.5 billion euros and were thus some 16.5 percent lower than in the 1st half 2008.

**Prices:** At the beginning of 2009, the price decline for chemical products lasted initially. But prices have been stable since April. For some basic chemicals, prices were even back on the increase. In the 1st half 2009 prices of chemicals were, on average, 1.0 percent lower than in the 1st half 2008. This price decline was particularly marked for petrochemicals (minus 11 percent) and polymers (minus 4.5 percent).

**Exports and imports:** The global economic crisis reduced the demand in all export markets for chemicals from Germany. Consequently, in the 1st half 2009 exports dropped by 12.0 percent to 62.3 billion euros. Due to the weak domestic demand for chemicals, also chemical imports fell noticeably in the period under review: imports were 10.0 percent below the level of the previous year. In total, chemicals worth 42.6 billion euros were imported into Germany. All this results in a foreign trade surplus of ca. 19.7 billion euros for the chemical industry. Lehner: "The chemical industry made a strong contribution to keeping Germany's foreign trade balance positive, even in a very difficult environment."

**Employment:** Irrespective of major sales problems, employment figures of German chemical companies were more or less stable from January to June. In the 1st half 2009 the German chemical industry employed some 439,500 persons, i.e. there was a drop by only 0.5 percent as compared with the situation one year ago. According to the VCI, companies are increasingly resorting to short-time work in order to protect jobs of permanent staff in the present crisis. The VCI estimates that some 50,000 staff are currently on short-time work.

**Investment and research spending:** Lehner emphasized: "In the current situation, it is understandable that maintaining their liquidity and reducing debts are priorities for many companies - over other strategic options. Moreover, higher mark-ups for risks and shorter repayment periods at numerous banks and other credit institutes make it more difficult to finance major investments. Against this backdrop, we assume that German chemical companies will reduce fixed asset investments by 5 to 10 percent in 2009." However, the VCI does not expect cuts in research budgets. The VCI estimates that in 2009 the R&D spending of the



German chemical industry will total around 9.1 billion euros and thus remain at the level of the previous year.

Contact: VCI Press Office

Phone: +49 69 2556-1496

E-Mail: [presse\(a\)vci.de](mailto:presse@vci.de)