

Quarterly Report 1.2022

Dark Clouds in Chemical Business

Final results of the chemical-pharmaceutical industry in Germany were satisfactory overall in the 1st quarter 2022 while the industry was confronted with many challenges. This emerges from the latest quarterly report published by the German chemical industry association Verband der Chemischen Industrie (VCI). The report shows that production in Germany's third largest industry rose slightly thanks to positive trends in the pharma sector whereas the output decreased in other chemical sectors. Plant capacity utilisation dropped once again and was below the normal range. The industry's sales improved mainly because of higher producer prices.

In Q1 2022, chemical companies struggled with supply chain bottlenecks and sharply rising energy and raw materials costs. These problems were exacerbated by the war in Ukraine. Therefore, many businesses are in a recession mood. Possible shortages of gas and oil are a particular cause for concern.

VCI President Christian Kullmann comments the industry's business situation: "Nothing is left of the anticipated upswing after the Corona winter. The perspectives for our industry are getting ever bleaker due to rising energy and raw materials costs. Moreover, due to disrupted supply chains our industrial customers are cutting back on production and ordering fewer chemicals. A gas embargo or a stop of gas supplies from Russia would have further devastating effects."

Forecast

Due to the unpredictable consequences of the war in Ukraine and the zero-covid strategy of China, the VCI continues to refrain from quantitative forecasts for the industry's development in the year 2022 as a whole.

Production

Chemical and pharmaceutical production in Germany rose by 1.3 percent in Q1 2022 over the previous quarter. In a 12-month comparison, production increased by 2.8 percent. Growth was attributable to the pharmaceutical sector. As compared with the period from October to December 2021, purely chemical production decreased by 1.1 percent. Capacity utilisation in the industry declined to 80.9 percent.

Producer prices

Prices of chemicals went up faster in the 1st quarter 2022. Chemical products cost 6.7 percent more than in the previous quarter and 21.6 percent more than a year ago.

Sales

Compared with the previous quarter, sales of the chemical-pharmaceutical industry improved by 7.8 percent to 66.3 billion euros from January to March 2022 because of much higher prices. Year-on-year the first quarter 2021, which had been weak due to Corona, was exceeded by 28.4 percent.

Employment

The number of jobs in the industry was stable in the period under review. Chemical and pharmaceutical companies currently employ 473.200 staff.

Summary

- **Production:** increase by 1.3 percent over the previous quarter, thanks to trends in the pharmaceutical sector
- **Producer prices:** rise by 6.7 percent
- **Sales improved** by 7.8 percent
- **Forecast:** The VCI makes no forecast on the industry's development for 2022 as a whole
- **Please note:** The integral text of the VCI's Quarterly Report 1.2022 (in German language) is available for download in the press section at www.vci.de

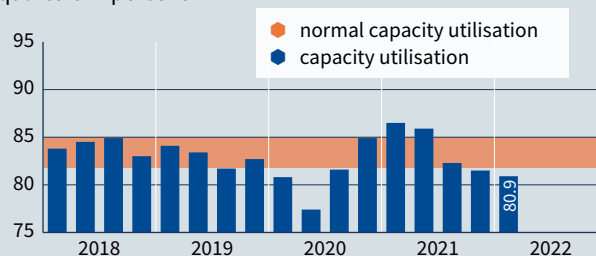
Chemical business indicators in Germany

1st quarter 2022	change in percent compared to	
	4/2021	1/2021
production	+ 1.3	+ 2.8
excluding pharma	- 1.1	- 1.6
producer price	+ 6.7	+ 21.6
total sales	+ 7.8	+ 28.4
domestic sales	+ 9.8	+ 36.2
foreign sales	+ 6.6	+ 23.7
capacity utilisation in percent	quarter 4/2021	quarter 1/2022
chemicals (incl. pharma)	81.5	80.9

Sources: Destatis, ifo, VCI

Capacity utilisation in the German chemical and pharmaceutical industry

quarters in percent



Sources: ifo, VCI