

PRESS RELEASE

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Economic situation of the German chemical industry in the 1st half 2015

Mixed developments in the German chemical industry

- Production increase by 1 percent, capacity utilisation at 84.5 percent
- Chemical industry sales rise by 0.5 percent, chemical prices drop by 3 percent
- 1 percent employment growth to 447,000 staff
- Investments go abroad for cost reasons
- VCI President calls for better conditions for investment and innovation to strengthen the location Germany

The 1st half 2015 was mixed for the German chemical industry. Production did increase, but sales developed only sluggishly due to falling prices. The devaluation of the euro stimulated overseas exports while the domestic demand for chemical products remained restrained. Overall, the production in Germany's third largest industry rose by 1 percent in the first six months of the present year. Marijn Dekkers, President of the German chemical industry association Verband der Chemischen Industrie e. V. (VCI), said: „It is true that the upward trend is discernible. But it seems to be lacking in strength. There are no vigorous impulses from the global economy.”

Irrespective of the progressing economic recovery in Europe, the VCI does not anticipate any significant improvements in the business situation of the chemical-pharmaceutical industry in the 2nd half 2015. Dekkers stated: “All in all, we are expecting a moderate upward trend in the coming months.” German chemical companies should continue to benefit from the weak euro for their exports and from cheap oil. The latter mainly reduces the disadvantages in the production costs of basic chemicals, as compared with competitors from the USA and the Middle East.

Forecast: For the overall year 2015 the VCI maintains its forecast of 1.5 percent growth in chemical production. Total sales should rise by 0.5 percent to 191.8 billion euros, with a strong contribution of +2 percent from foreign trade.

Facts and figures from the German chemical industry for the 1st half 2015

Sales: With falling prices (-3 percent), total sales of the German chemical industry rose by only 0.5 percent to 96.5 billion euros – irrespective of the higher production volume. Due to the price effect, domestic sales dropped by -1.5 percent to 37.4 billion euros. The devaluation of the euro stimulated the export business. In the 1st half 2015, exports went up by 2.5 percent to 59.1 billion euros. While sales to Western Europe (EU15) fell by 0.5 percent, overseas sales improved visibly: Sales to NAFTA countries climbed strongly (+12.0 percent). Here, positive impulses came particularly from the pharmaceutical business. Sales to Latin America (+15.5 percent) and Asia (+10 percent) rose significantly too. Growth is decisively attributable to exchange rate effects.

Employment: Chemical companies continued to build up employment in the course of the 1st half 2015. Compared with the previous year, the number of staff in the German chemical industry rose by 1 percent to currently 447,000 persons.

Location weaknesses steer investments abroad for cost reasons

German chemical companies are increasingly investing abroad. A recent VCI survey highlights that this is not only to open up new markets but also because of lower costs. For example, two thirds of investments in the USA are made for the latter reason. The favourable raw material and energy prices through the shale gas boom stateside play a role. But the survey also shows that meanwhile one third of foreign investments in European neighbouring countries are made because the costs at those EU locations are lower than in Germany.

VCI President Dekkers noted: “Germany as a location continues to lose in attractiveness, as compared with the USA and other European countries.” Since 2012, foreign investments of companies have been clearly higher than domestic investments.

Even among small and medium-sized chemical enterprises (mainly the “Mittelstand”) now the cost argument significantly influences investment decisions, so the VCI. Investments by SMEs had been going up continuously until 2008. Since then, investments are being postponed. Dekkers: “The massively risen EEG-Umlage – the charge in connection with the German renewable energy act – is a particularly heavy burden on SMEs.”

Over the past 25 years, foreign investments by German chemical companies in production plants and buildings have doubled to currently 8.6 billion euros.

By contrast, domestic investments of the chemical industry in Germany have been stagnating for 25 years; adjusted for prices, they thus even dropped. Since 1991, investments by chemical companies in plants and buildings have been on the average level of 6.4 billion euros per annum. Currently, the chemical industry is making record investments of over 7 billion euros in fixed assets in Germany.

Measures for improving the investment climate

But according to Dekkers, there is no guarantee of chemical companies making future domestic investments in Germany at the usual level. This is emphasized by the VCI survey among the member companies. Dekkers: “We need an industry policy initiative which significantly improves the investment climate. We cannot lose even more investments to other countries.”

Most importantly, the VCI President called for more planning security for companies as regards the energy political requirements. Dekkers deplored: “In the energy policy, costs and reliability are visibly moving apart in different directions.” For Dekkers, reducing the obstacles to innovation is another lever for political measures. This would be helpful not only for the chemical industry with its structural change towards research-intensive products but for Germany as a land of industry overall. “Figuratively speaking, we need more tailwinds for innovations, so that we can market our products faster and remain fit for the future in this manner.” Many relevant proposals have already been brought forward, inter alia, introducing fiscal incentives for research and a venture capital act. At the European level, the VCI would find an innovation principle useful: as an instrument for examining regulation as to its impacts on the innovation capacity of industry.

The VCI represents the politico-economic interests of over 1,650 German chemical companies and German subsidiaries of foreign businesses. For this purpose, the VCI is in contact with politicians, public authorities, other industries, science and media. The VCI stands for over 90 percent of the chemical industry in Germany. In 2014 the German chemical industry realized sales of more than 190 billion euros and employed ca. 444,800 staff.

Contact: VCI Press Dept. Phone: +49 69 2556-1496 E-Mail: presse@vci.de

Please note: VCI news about the chemical industry is also available via Twitter (<http://twitter.com/chemieverband>)