PRESS RELEASE
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Half-year press conference 2017

Faster path in the German chemical industry

Sales rise by 5 %, production grows by 1.5 %
Raised forecast for overall year 2017
The industry’s investments 2017 at a record level of 7.5 billion euros
Setting the political course for more innovation and investment

Business is improving for Germany’s third largest industry: In the initial six months of 2017, sales of the chemical-pharmaceutical industry went up by ca. 5 percent to 96.9 billion euros. Thanks to good capacity utilisation (87 percent) and rising oil prices, producer prices climbed by 3.5 percent compared with the previous year, so the German chemical industry association Verband der Chemischen Industrie (VCI) in its half-yearly reporting. In total, production improved by 1.5 percent. Volumes increased in all sectors, except for petrochemical feedstocks (- 3.5 percent).

VCI President Kurt Bock on the business development of the industry: “The current situation is positive. Also for the second half 2017 we are expecting good business to last at home and abroad.” Companies are anticipating stable economic growth well into the coming year, especially for all foreign markets important to the German chemical industry. Bock explains: “This applies not only for Europe but also for our most important trading partner, the USA.”

In view of the upward trend in the industry, the VCI raises its forecast for the overall year 2017: Now the association assumes production growth of 1.5 percent (previously: 1 percent). Sales should increase by 5 percent to 194 billion euros.

The confidence of the industry is reflected in planning for fixed asset investment in Germany. In the current year 2017 the companies want to invest more than ever before in production plants and machinery, i.e. roughly 7.5 billion euros. This record figure corresponds to a rise by 6.7 percent or around 470 million euros against 2016. Foreign investments are planned to increase to 8.4 billion euros (+ 5.8 percent).
Setting the political course for more innovation and investment

Regarding the forthcoming German federal elections, the VCI President urges all political parties to strengthen the location Germany by way of good industrial policy. The present legislative period brought some encouraging starting points with the sector dialogues of the Federal Ministry for Economic Affairs and with the “Alliance Future of Industry”. But apart from that, hardly any concrete progress has been made in the past four years for more competitiveness and a better innovation ability at the location. Now the speeches praising the importance of industry and election promises should be followed by deeds. Bock: “We need more substance in the industrial policy, with the goal of really strengthening the location Germany.”

For achieving this, the VCI names several priority fields for political action by the next federal government. For example, a cost brake for energy costs is needed through “more market” in the energy transition (Energiewende). The VCI speaks for alternative funding of the further expansion of renewable electricity generation, in order to stabilise the EEG charge for consumers and to faster bring it back to zero. Bock underlines: “Planning must become more reliable for industry, so that energy-intensive companies can return to higher investments.”

Also, more investments are needed in research and development. According to Bock, the goal should be to raise in Germany in the medium term the share of R&D spending in GDP from currently 3 to 3.5 percent. For this purpose, project funding by the public administration – which has been stagnating for years – needs to be expanded. Fiscal incentives for research create more innovation incentives for companies. Meanwhile, there is broad consensus between the political parties about this, as is emphasized by the VCI President. But such an instrument can only fully unfold its effect if it can be applied by all companies, no matter whether large or small.

Bock urgently appeals to politicians to invest more in education. More staff and better funding should be available in schools and universities, in order to improve the quality of teaching. Taking GDP and per capita spending as a yardstick, the education spending in Germany is clearly below the OECD average. The VCI President raises concerns: “A country with a low ranking in education cannot permanently hold the role of world champion in innovation – but this is what we need to do if we want to maintain the strength of the location Germany.”
The VCI sees further shortcomings in the **infrastructure**. The substance of transportation routes in Germany threatens to erode; this constitutes a major problem for the transport-intensive chemical industry. Logistics experts from the industry have identified 60 shortages and problematic cases in the direct surroundings of chemical sites that should be tackled as priorities. The industry needs faster data connections to the internet for digitalisation and new business models. Broadband expansion should advance much more rapidly as the technical basis for this transformation, also geographically. Bock points out that many of the “hidden champions” are among the ca. 1,900 small and medium-sized chemical enterprises which are frequently located outside the large urban centres: “Our SMEs and their customers and suppliers need efficient connections to the internet if they want to keep up with their competitors in India and China also in the future.”

*The VCI represents the politico-economic interests of around 1,700 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 more than 90 percent of the chemical industry in Germany. In 2016 the German chemical industry realised sales of ca. 185 billion euros and employed over 447,000 staff.*

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