

PRESS RELEASE

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VCI report on the business situation of the industry in Q4 2018

Setback for chemical business in Germany

- Special pharma effect with 10% production decrease against Q3 2018
- Slight rise in chemical prices by 0.4 percent
- The industry's sales fall by 3.1 percent
- Forecast: Business is getting more difficult

As had been expected, the year 2018 ended with a very weak 4th quarter for the chemical-pharmaceutical industry in Germany – according to the most recent quarterly report published by the German chemical industry association VCI. It emerges from the report that the falling demand for chemicals from industrial customers in Germany and Europe forced the companies to make major production cuts. The drop was particularly strong due to a special effect in the pharma sector. Slightly rising chemical prices did not offset this development, so that sales fell in Germany's third largest industry. Foreign trade slowed down in particular. Lower production in European industry was reflected in lower orders for chemicals. Economic growth weakened outside Europe too.

VCI director-general Utz Tillmann on the situation of the chemical-pharmaceutical industry: "The future is turning out less optimistic than in early 2018. The demand for chemical products in German and European industry is on the decline. Moreover, Brexit acts as a brake on the economy. All in all, the industry is expecting a generally weak year for chemicals."

Forecast

For the year 2019 as a whole, the VCI now forecasts a drop in chemical production by 3.5 percent. Although producer prices are anticipated to rise by 1 percent in the course of the year, sales are likely to fall by 2.5 percent to 198.5 billion euros.

Production

In the 4th quarter 2018, chemical production declined by 10 percent against the previous quarter and was 6.3 percent lower than in the previous year. The strong drop was due to a special effect in the pharma sector. However, even chemical production alone fell by 3.2 percent compared with the 3rd quarter 2018.

Producer prices

The prices for chemical-pharmaceutical products continued to climb from October to December 2018, exceeding the previous quarter's level by 0.4 percent and the level of the previous year by 2.7 percent.

Sales

In a comparison with the 3rd quarter 2018, the industry's sales fell by 3.1 percent to 46.5 billion euros in the period under review. The sales level was 0.4 percent higher than in the previous year. Domestic business improved most recently while foreign business clearly suffered a setback.

Employment

Irrespective of the weaker economic climate, chemical and pharmaceutical companies kept hiring more personnel in the 4th quarter 2018. At present, the industry has 462,000 staff. This is an increase by 2 percent over the previous year.

Please note

The full version of the quarterly report **4/2018** (German language) and the speech from the VCI's press evening 2019 (German language) are available for download at www.vci.de in the press section.

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 2018 the German chemical industry realised sales of ca. 204 billion euros and employed 462,000 staff.

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