

Quarterly Report

The business situation of the German chemical industry in the 4th quarter 2018
Executive Summary

March 12, 2019

VERBAND DER CHEMISCHEN INDUSTRIE e.V.
WIR GESTALTEN ZUKUNFT.



Setback for chemical business in Germany

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.

CHEMICAL BUSINESS INDICATORS IN GERMANY

4th quarter 2018

	change in percent compared	
	to previous quarter	to previous year
production	- 10.0	- 6.3
excluding pharma	- 3.2	- 8.1
producer prices	+ 0.4	+ 2.7
total sales	- 3.1	+ 0.4
domestic sales	+ 2.1	+ 2.2
foreign sales ^{4th}	- 6.9	- 0.6

Sources: Destatis, VCI

CHEMICAL BUSINESS INDICATORS IN GERMANY

2018

	change in percent compared		absolute value
	to previous year	to previous year	
production	+ 3.6		
excluding pharma	- 2.2		
producer prices	+ 2.0		
total sales	+ 4.1		203.5 bn €
domestic sales	+ 2.1		76.5 bn €
foreign sales	+ 5.3		127.0 bn €
employment	+ 2.0		462,000
capacity utilisation (in percent)	2017	2018	
chemicals incl. pharma	85.6	84.1	

Sources: Destatis, ifo, VCI