



Quarterly Report Q1/2018

European plastics manufacturers (EU 28)

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Economic momentum has eased

Global upswing continued

The global upswing continued in the first quarter of 2018. However, the economic momentum has eased. This is no surprise given the very strong last quarter 2017. The upswing is still based on a broad foundation. Developed countries are growing steadily, key emerging economies have been able to break free of recession over the past year, and China continues to grow robustly. Industrial goods were in demand in this environment.

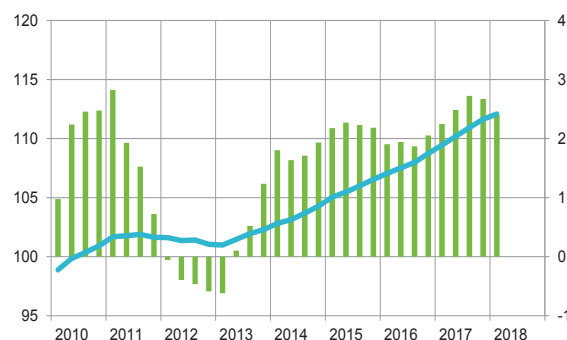
The Chinese economy was in good shape despite the impending trade war in the first quarter. China is making progress in rebuilding the economy towards consumption, services and high-tech products. In this environment, the neighboring countries also developed positively.

In the United States, growth slowed slightly despite tax cuts. Compared to the stronger previous quarter, increases in private consumption and investment were weaker. However, industrial production was not impressed and continued to grow strongly.

In Latin America, Brazil slowly found its way out of the deep recession over the course of last year. The economic recovery is under way, but it has lost power in recent months.

The growth environment in the European Union remains good. In the industry the momentum slowed. Although Russia continued to grow in the first quarter of 2018, the risks are increasing in the future.

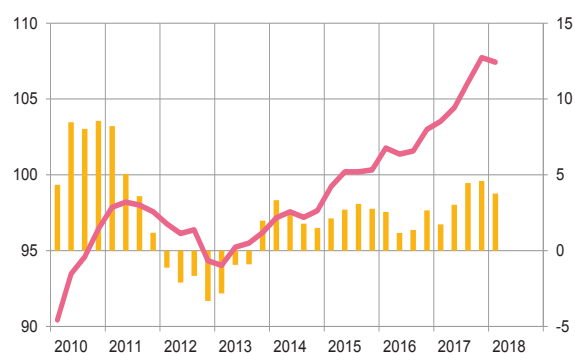
GDP Development EU28



Index 2015=100, sa, Y-o-Y

Source: Eurostat

Manufacture Development EU28



Production index 2015=100, sa, Y-o-Y

Source: Eurostat

GDP & manufacture (seasonal-adjustment)

	2017	Q1/18		Q1/18.- Q1/18
	% to prev. year	% to prev. year	% to prev. quarter	% to prev. year
GDP world	3,0	3,1	0,5	3,1
GDP EU28	2,3	2,4	0,3	2,4
Manufacture world	4,4	4,6	0,9	4,6
Manufacture EU28	3,6	3,8	-0,3	3,8

Source: Eurostat, Chemdata

Industrial production

Production decreased in all major customer industries

The European Union continues to be the most important market for the European plastics industry. Therefore, the performance of the European industry is of extraordinary importance.

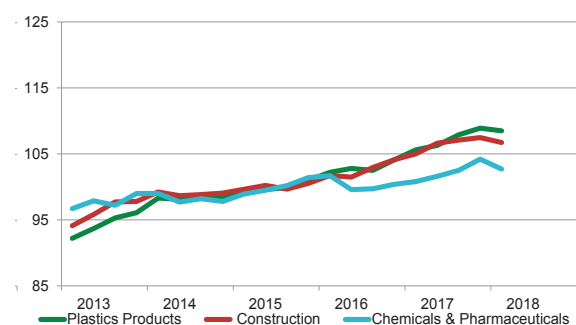
In the industry the momentum slowed. However, against the background that the last quarter of 2017

had the strongest growth since 2011, this is only a normalization and not a reversal of the trend.

In all major customer industries, production decreased in the first quarter 2018. The decline in the electronics industry was particularly strong. Here production fell by almost 6 percent in comparison to the previous three months.

However, the production of all customer industries exceeded the previous year significantly.

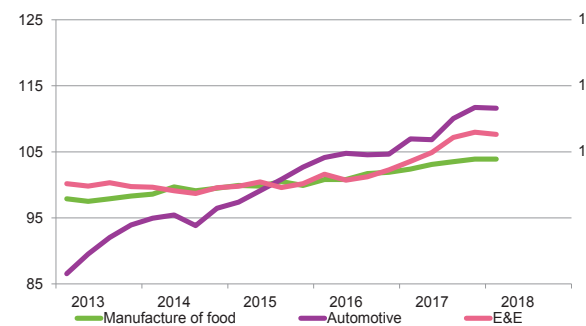
Customer industries EU28



Production index 2015=100, sa

Source: Eurostat, Chemdata

Customer industries EU28



Production index 2015=100, sa

Source: Eurostat, Chemdata

Customer Industries EU28
(seasonal-adjustment)

Customer industry	2017		Q1/18	
	% to prev.s year	% to prev. year	% to prev. quarter	Q1/18.- Q1/18
Manufacture of food	1,9	1,5	-0,2	1,5
Automotive	4,2	4,3	-0,1	4,3
E&E	5,6	2,6	-5,9	2,5
Plastics products	4,2	2,8	-0,6	2,8
Chemicals/Pharma.	1,9	1,9	-1,3	1,9
Construction	3,9	1,6	-0,7	1,6

Source: Eurostat, Chemdata

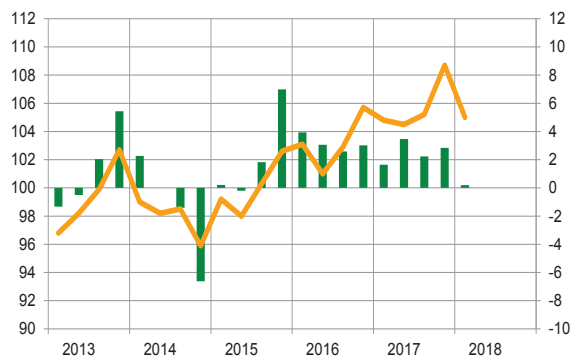
Plastics in primary form

Plastics manufacturing declined

Production of key customer industries declined in the first quarter. This was also reflected in the demand for plastics in primary form.

The production of plastics declined at the beginning of the year.

Production of Primary Plastics EU



Production index 2015=100, sa, Y-o-Y

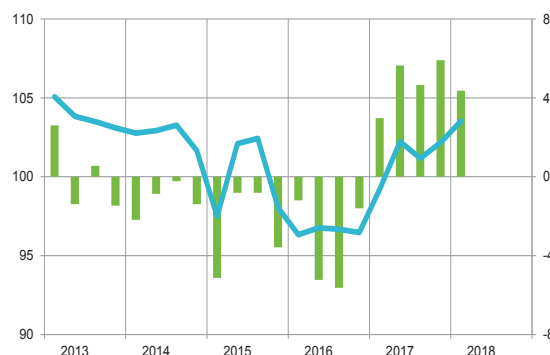
Source: Eurostat

Prices picked up again

Prices for plastics increased by 1.3 percent compared to the previous quarter.

The price of crude oil continued its upward trend from the end of 2017 in the first quarter of the year - albeit under strong fluctuations. A barrel of crude oil from the North Sea Brent cost \$ 66.95 from January to March. Compared to the previous quarter, this was an increase of almost 9 percent. In the 12-month comparison, crude oil was nearly 24 percent more expensive. The price of naphtha, the chemical industry's most important commodity, remained virtually constant in the first quarter, despite the rise in crude oil prices. One ton of naphtha cost an average of € 476 in the first quarter of 2017, just 0.2 percent more than the quarter before.

Price of Primary Plastics EU



Price index 2015=100, sa, Y-o-Y

Source: Eurostat

Production & Price of Plastics in Primary Forms EU28 (seasonal-adjustment)

	2017		Q1/18	
	% to prev.s year	% to prev. year	% to prev. quarter	% to prev. year
Production	2,6	0,2	-3,4	0,2
Price	4,8	4,4	1,3	4,4

Source: Eurostat

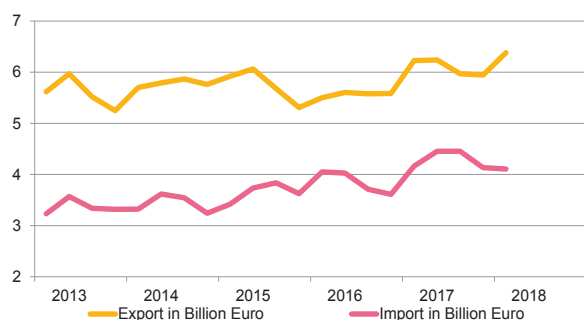
Further stimulation of global demand

Foreign business developed positively

The export of plastics in primary forms increased by 7.4 percent compared to the previous quarter. In particular, exports to Latin America and the Middle East rose sharply.

The slowing momentum of European customers was reflected in the import, which sank by 0.7 percent. The import of plastics into the European Union in the first quarter was significantly below the same quarter of the previous year. However, imports rose sharply last year due to the boom in Europe.

Import and export of primary plastics*

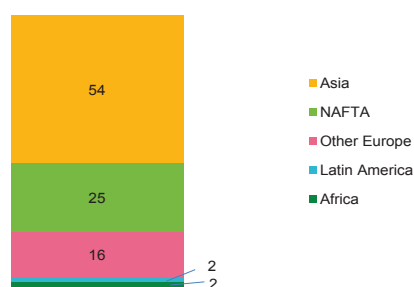


Export and Import in Billion Euro

Source: Eurostat, Chemdata

*preliminary data

Import regions of primary plastics Q1/2018*



Import per region in %

Source: Eurostat, Chemdata

*preliminary data

Regions	Export of Plastics in Primary Forms EU28		Import of Plastics in Primary Forms EU28	
	Q1/18*		Q1/18*	
	% to prev. year	% to prev. quarter	% to prev. year	% to prev. quarter
Extra EU-28	2,5	7,4	-1,4	-0,7
Other Europe	4,3	8,3	9,1	9,4
NAFTA	5,9	4,6	-11,5	-8,5
Latin America	8,2	10,9	-40,8	-6,6
Asia	-1,1	7,8	3,3	1,5
Middle East	0,4	13,0	-22,9	-14,6
Africa	-1,6	4,5	3,2	-12,5

*estimated; Source: Eurostat, Chemdata

Outlook: with a tailwind to the year 2018

Upswing should last irrespective of all risks

The companies assume that the industrial boom has only taken a breather in the first quarter after the rapid rise of the previous year.

However, the plastics business in primary form is not so much dependent on macroeconomic development as the industrial economy in Europe. The outlook remains good: industry in the EU is likely to expand its production again in 2018. Against this background, the domestic business of the European plastics manufacturers will be able to grow.

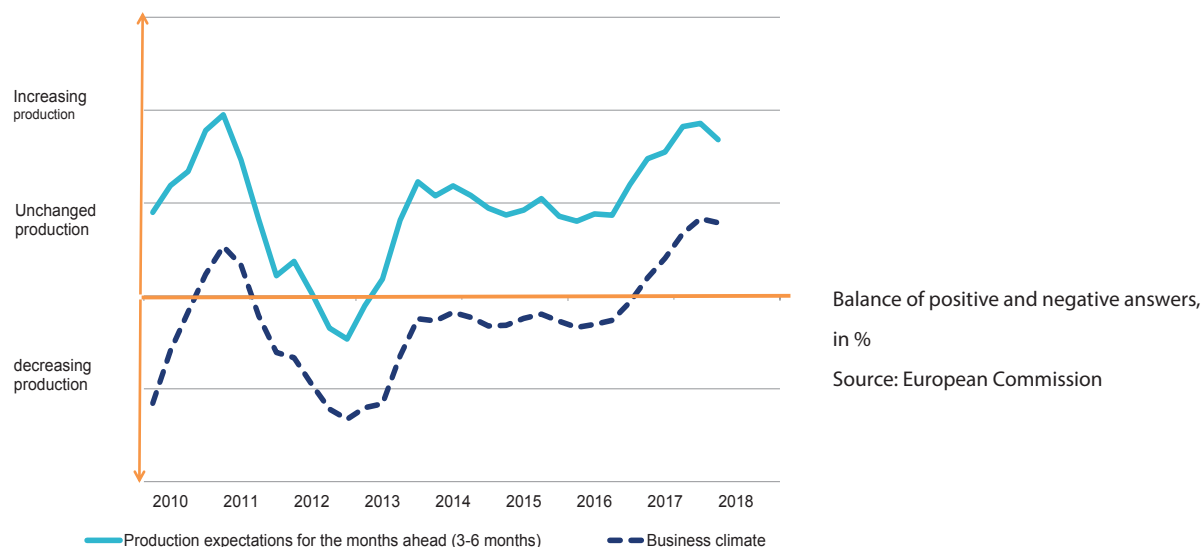
The outlook for the business overseas is also positive: In the United States, the economy has picked up again recently. And the Japanese economic engine is still running well. China's economy is also robust and cools

slowly. Emerging markets also have positive impulses: Brazil seems to have freed itself from the recession.

The prospects for the other Latin American and Asian countries are good. All in all, the demand for chemicals „made in Germany“ should rise sharply this year.

The risks of further development include the political risks of a hard Brexit, increasing protectionism and geopolitical trouble spots. The further course of European policy on the plastics strategy could also have an impact on the business. Overall, uncertainty is increasing and volatility on the financial markets has recently increased again. The industry looks particularly critically at the recent oil price trend. Strongly rising oil prices weigh on profit margins, deprive Europe of purchasing power and put Europe's industrial competitiveness at risk.

Manufacture Outlook and Business Climate in EU28



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