

Quarterly Report 1.2023

Chemicals business: weak start in 2023

The rapid downturn in the German chemical industry overall slowed in the first quarter 2023. However, a strong recovery is not in sight. Production in Germany's third largest industry dropped slightly. Sales also fell in almost all sectors. Persistently high production costs were a strain on business.

The look ahead remains worrying: Electricity and gas are still much more expensive than before the crisis and not competitive in an international comparison. In fact, supply shortages are gradually being resolved in the industry so that full order books can be worked off. But new business is subdued and the demand for chemical products remains weak.

VCI President Markus Steilemann says about the industry's business situation: "The full extent of the energy crisis is becoming increasingly visible. Even though the energy and raw materials bills for many chemical and pharmaceutical companies were lower in Q1 than three months earlier, the costs are still twice as high as in the previous years. Germany as an industry location is becoming less and less competitive internationally. For the energy-intensive chemical industry, there is a great danger of ever more investments and jobs being moved abroad. It is positive that meanwhile the politicians have recognised the seriousness of the situation too. But now action must follow – and this must happen fast, without much bureaucracy and in a targeted manner, for example, through an industrial electricity price as a bridge to the future and to secure Germany as an industry location."

Forecast

In view of the persistently difficult situation for the industry, the VCI continues to assume a drop in production by 5 percent for 2023 as a whole. For chemical production (excluding pharmaceuticals), the association expects a decline by 8 percent.

Production

Due to the generally weak demand, production again fell short of the previous quarter (-0.9 percent). At 78.6 percent, the capacity utilisation of plants remained below normal.

Producer prices

With a rise by 0.5 percent, producer prices were once more somewhat higher than in the previous quarter, while the strong price increase of the previous year became less vigorous. Compared with Q1 2022, chemical and pharmaceutical products were only 10.8 percent more costly.

Sales

Weak demand from industrial customers brought another fall in sales. At 58.5 billion euros, the industry's sales were 6.7 percent lower than three months earlier and, for the first time in two years, below the previous year's level.

Employment

The number of jobs was stable in Q1 2023. At present, chemical and pharmaceutical companies have around 477,000 staff.

Summary

- ◆ **Production:** Further drop in the industry's production
- ◆ **Producer prices:** increase for chemicals flattens out
- ◆ **Sales:** fall below the level of 2022
- ◆ **Forecast:** VCI continues to expect production decline
- ◆ **Please note:** The integral text of the VCI's Quarterly Report 1.2023 (in German language) is available for download in the press section at www.vci.de

Chemical business indicators in Germany

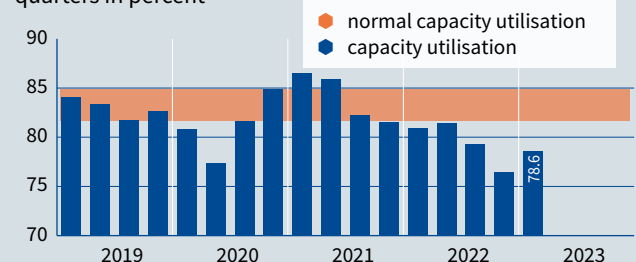
1st quarter 2023

	changes in percent against	
	previous quarter	previous year
Production	- 0.9	- 14.8
excluding pharma	+ 3.5	- 18.7
Producer prices	+ 0.5	+ 10.8
Sales	- 6.7	- 8.2
domestic sales	- 8.2	- 11.5
foreign sales	- 5.8	- 6.1
capacity utilisation	quarter	quarter
in percent	4/2022	1/2023
chemicals (incl. Pharma)	+ 76.5	+ 78.6

Sources: Destatis, ifo, VCI

Capacity utilisation in the German chemical and pharmaceutical industry

quarters in percent



Sources: ifo, VCI