

Global chemical markets: Waiting for the upswing

Overall economy

The slow growth trend lasted in the global economy. Growth remained moderate in the 3rd quarter 2024 with an increase of 0.6 percent compared to the previous quarter. Economic expansion worldwide continued to be driven by services.

Industry

Global industrial production expanded only slightly in the 3rd quarter 2024. Growth came exclusively from emerging markets. In advanced economies, industry remained in crisis. There, production was curbed against the previous quarter and often fell short of the previous year's level. The weakness was evident in almost all sectors.

Chemicals

Global chemical production went up again – but growth was only attributable to emerging markets. The weak situation of industry in advanced countries slowed demand there and thus the production of chemicals.

Pharmaceuticals

Pharmaceutical output was on a growth course in many countries – however, with strong fluctuations in production.

Outlook

The global economy is in a phase of moderate momentum, with significantly rising uncertainty in the economic policy – mainly due to the lack of clarity about measures that will be taken by the incoming US government. Additional tariffs on US imports and more protectionism must be expected in 2025. The fall in interest rates of the US Federal Reserve and other central banks will continue albeit at a slower pace, which will support global economic activity through more favourable financing conditions. In this picture, the US economy is likely to expand less fast, while Europe will see slow but increasing economic momentum. In China, a sustained economic recovery remains unlikely due to gloomy export prospects. Economic differences between countries and regions are diminishing. Global trade should slow because of the expected trade tensions.

December 2024

- ◆ **Global economy:**
growth remains modest
- ◆ **Industry:**
crisis not overcome
- ◆ **Chemicals:** growth thanks to emerging markets
- ◆ **Pharmaceuticals:** heterogenous development
- ◆ **Outlook:**
No strong recovery in sight

Chemical and Pharma production

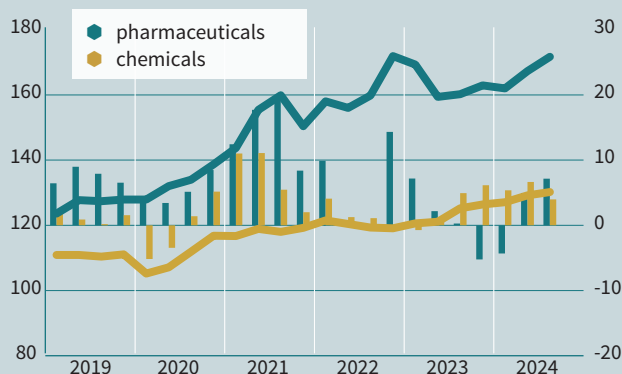
By regions, seasonally adjusted, 3rd quarter 2024, change against previous year and previous quarter in percent

	chemicals		pharmaceuticals	
	yoy	qoq	yoy	qoq
World	+4.0	+0.8	+7.0	+2.3
Europe				
EU	+1.2	-1.5	+9.4	+7.1
Germany	+3.0	-2.7	-5.3	-2.8
Russia	+3.0	+2.5	+15.7	+4.8
Americas				
USA	+0.1	+0.2	+7.4	+5.1
Brazil	+5.9	+5.3	+0.4	-1.2
Asia				
Japan	-2.0	-0.5	+5.3	+3.5
South Korea	+3.6	-0.4	+15.2	-1.4
India	+4.3	+0.6	-3.9	-8.4
China	+6.3	+1.6	+5.4	-1.0

Sources: Chemdata International, VCI

Plus in chemical production

Production, seasonally adjusted, Index 2021 = 100 (left axis), changes against previous year in percent (bars, right axis)



Sources: Chemdata International, VCI

Growth of global economy remains moderate

The slow growth trend lasted in the global economy. Growth remained moderate in the 3rd quarter 2024 with an increase of 0.6 percent compared to the previous quarter. Economic expansion worldwide continued to be driven by services. However, industrial production and trade in goods at least returned to flat growth in the period under review, after industrial production had previously stagnated and trade was weak too.

The global economy is in a phase of moderate momentum, with significantly rising uncertainty in the economic policy – mainly due to the lack of clarity about measures that will be taken by the incoming US government. Additional tariffs on US imports and more protectionism must be expected in 2025. The fall in interest rates of the US Federal Reserve and other central banks will continue albeit at a slower pace, which will support global economic activity through more favourable financing conditions. In this picture, the US economy is likely to expand less fast, while Europe will see slow but increasing economic momentum. In China, a sustained economic recovery remains unlikely due to gloomy export prospects. Economic differences between countries and regions are diminishing. Global trade should slow because of the expected trade tensions.

The **European** economy saw a slightly faster improvement in Q3 2024. But with growth of just under 0.4 percent over the previous quarter, momentum remained subdued. Spain once more took the lead among the four major national economies with growth of 0.8 percent. France grew by 0.4 percent. There were no dynamic impulses from Italy. Germany stagnated too (+0.1 percent).

For 2025, we anticipate more significant growth for the overall economy again in the EU. However, the spread inside the European Union remains wide. Spain is achieving solid growth, France and Italy are showing moderate growth rates, and Germany is barely moving beyond stagnation. Foreign

trade and geopolitical environments remain difficult and slow down the European economy which is barely generating any growth impetus of its own and depends on external stimuli. The downturn in industry is not likely to continue, but we do not expect a significant recovery.

Economic growth in the **USA** was robust at 0.7 percent in the 3rd quarter compared to the previous three months. Private consumption was the strongest driver of growth. Investments were also positive and contributed to growth, while exports adversely impacted the overall result.

We expect the US overall economy to cool in 2025. For industry and chemicals, however, we anticipate a slight recovery next year, after a very weak 2024. But against the backdrop of Donald Trump's upcoming presidency, forecasts are subject to considerable uncertainty. In particular, the extent of import tariffs and the resulting impact on price levels are unclear, and so are the likely countermeasures by the countries affected. The announced tax cuts and deregulation measures, which could boost growth if successfully implemented, also remain open.

China's economy is still not running smoothly. The gross domestic product only grew by 0.9 percent in Q3 2024 against the previous quarter. All in all, growth remained well below the target set by the Chinese leadership. The contribution from consumption fell for the fifth consecutive time. Investments were weak too. By contrast, exports were a stabilising factor.

The outlook for the Chinese economy remains cautious. The property crisis is unresolved and uncertainty among consumers persists. The greatest risk for the economy and industry should be the announced US tariffs. We anticipate a slowdown both in the overall economy and in industrial and chemical production in 2025.

National economic indicators:

GDP, industrial and chemical production, changes against previous year in percent, forecasts for 2024/2025

	GDP			Manufacturing			Chemicals (excl. Pharma)		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
World	2.6	2.4	2.6	2.0	2.7	2.4	2.7	4.8	2.9
Europe									
EU	0.5	0.9	1.2	-1.1	-3.0	0.5	-8.5	2.0	0.5
Germany	-0.1	-0.2	0.5	-0.7	-4.5	-1.0	-12.1	4.0	0.0
Russia	3.5	3.8	1.0	8.6	7.0	2.5	6.1	3.0	2.5
Americas									
US	2.9	2.7	2.0	-0.5	-0.5	1.0	-0.1	0.0	2.0
Brazil	3.2	3.2	3.0	-1.0	3.5	3.0	-6.0	2.5	2.5
Asia									
Japan	1.5	-0.2	1.0	-1.3	-3.0	1.0	-6.6	-2.5	0.0
South Korea	1.4	2.2	1.8	-2.7	4.0	2.0	-9.5	1.5	3.0
India	7.7	6.4	6.1	5.3	4.0	3.5	-0.2	2.0	3.0
China	5.5	4.5	4.2	4.4	5.5	4.0	9.6	8.0	5.0

Sources: Feri, Chemdata International, forecasts 2024 and 2025: VCI

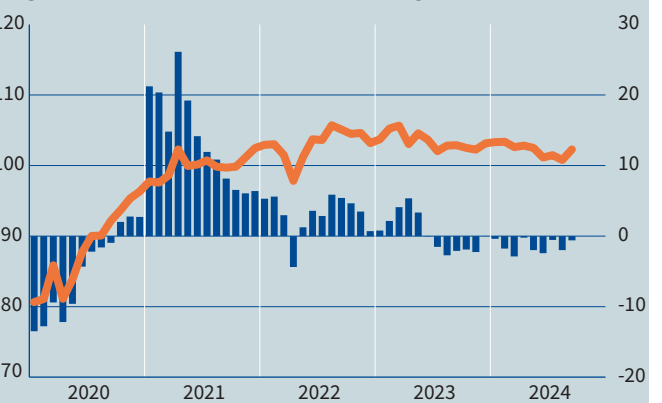
Industrial production

By regions, seasonally adjusted, change against previous year and previous quarter in percent

	2022	2023	3rd quarter 2024	
			yoy	qoq
World	+ 2.9	+ 2.0	+ 2.8	+ 0.5
Europe				
EU	+ 3.4	- 1.1	- 1.5	- 0.9
Germany	- 0.1	- 0.7	- 4.7	- 1.9
Russia	+ 0.3	+ 8.6	+ 5.9	+ 1.3
Americas				
USA	+ 2.7	- 0.5	- 0.4	- 0.2
Brazil	- 0.3	- 1.0	+ 4.7	+ 1.7
Asia				
Japan	- 0.0	- 1.3	- 1.8	- 0.3
South Korea	+ 1.0	- 2.7	+ 2.6	+ 0.3
India	+ 4.0	+ 5.3	+ 3.1	+ 0.7
China	+ 3.7	+ 4.4	+ 5.0	+ 1.5

Global industrial production expanded only slightly in the 3rd quarter 2024. Growth came exclusively from emerging markets. In the advanced countries, industry remained in crisis. There, production was curbed compared with the previous quarter and often fell short of the previous year's level. The weakness was evident in almost all sectors. We do not yet expect to see a significant recovery in industry. The purchasing managers' indices for industry are often still below the expansion threshold. However, the downturn is likely to come to an end.

Uncertainty and doubt about growth slow down mechanical engineering



Uncertainties regarding the further industrial development are particularly evident in the capital goods industries. Companies and consumers are reluctant to place orders almost everywhere. This caused production to fall especially in mechanical engineering. In the major sales markets of Europe, the USA and China, there was a lack of confidence in a sustained global economic upswing. At the moment, signs of a slight recovery can be observed at the margin – it remains to be seen whether these will last.

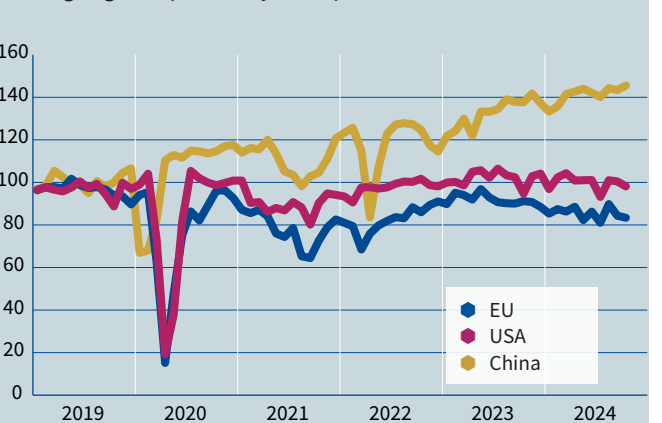
Customer industries worldwide

Industrial production by industries, seasonally adjusted, change against previous year and quarter in %

	2022	2023	3rd quarter 2024	
			yoy	qoq
manufacturing industry	+ 2.9	+ 2.0	+ 3.2	+ 0.0
basic metals	+ 0.6	+ 5.4	+ 3.4	- 1.4
fabricated metals	+ 0.7	+ 0.5	+ 2.0	- 0.1
chemicals	+ 1.5	+ 2.7	+ 4.0	+ 0.8
pharmaceuticals	+ 5.9	+ 1.0	+ 4.2	+ 2.4
plastics processors	- 0.8	- 0.4	+ 3.5	+ 0.2
automotive industry	+ 6.0	+ 10.6	+ 2.1	+ 3.9
mechanical engineering	+ 3.1	+ 0.3	- 1.5	- 0.9
electrical appliances	+ 8.7	+ 9.2	+ 1.9	+ 0.9
electrical equipment	+ 6.2	- 0.8	+ 8.5	+ 1.8
food and beverages	+ 1.5	+ 0.1	+ 1.6	- 1.1
textile industry	- 2.6	- 2.3	+ 3.3	- 1.1
furniture industry	- 2.3	- 7.2	+ 0.1	- 1.9
paper industry	- 0.6	- 3.6	+ 6.0	+ 0.4
printing industry	+ 0.6	- 5.6	+ 1.0	+ 0.2
glass/ceramic industry	- 0.4	- 2.4	- 1.4	- 4.6

Global industrial production figures by sector continued to vary in the third quarter. The decline in production in some industries was offset by increases in others. Overall, however, global industrial production grew only weakly. Compared to the previous year, production in most industries was higher again. However, the lack of orders was still noticeable in many industries: consumers have not yet digested the price increases, and consumption remained subdued. Interest rates remained high, putting pressure on investment financing conditions. Geopolitical conflicts are increasing uncertainty and leading to additional investment and consumer restraint.

Heterogeneous developments in the automotive industry



The recovery in global automotive production came to a standstill. The output dropped in Q3 2024 and fell short of the previous year. There was a split development in the major automotive markets: While production increased at least slightly in China, it dropped in the USA and Europe.

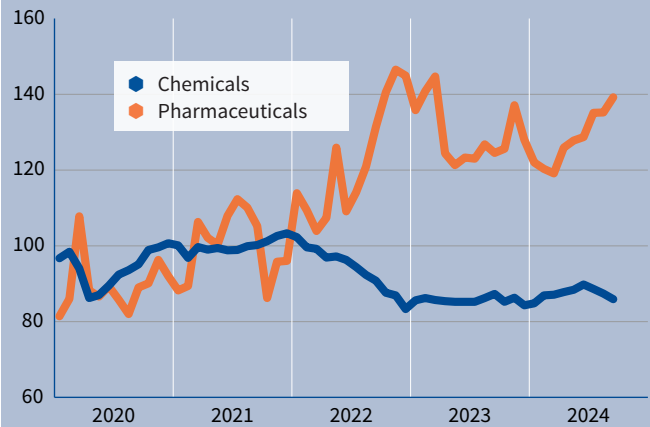
This means that the development in the three major motorcar regions remained mixed. Europe continues to lag behind – most recently, the gap to the USA and China even widened further. The problems persist. The dramatic structural change due to the transition to electromobility in European carmaking, supply chain problems, production issues at suppliers, and high costs for energy and raw materials are slowing down development. The situation on the demand side also remained bleak. In view of the incentive programmes in the USA (IRA) and China (promoting e-mobility), this picture of different speeds could last.

EU: Customer industries
production, seasonally adjusted, changes in percent

	2022	2023	3rd quarter 2024	
			yoy	qoq
manufacturing industry	+ 3.4	- 1.1	- 1.5	- 0.9
basic metals	- 4.3	- 5.4	- 1.6	- 0.1
fabricated metals	+ 0.5	- 2.3	- 4.2	- 1.2
chemicals	- 6.1	- 8.5	+ 1.2	- 1.6
pharmaceuticals	+ 22.4	+ 5.9	+ 9.4	+ 7.1
plastics processors	- 1.6	- 4.3	- 2.2	- 1.3
automotive industry	+ 5.5	+ 11.5	- 5.8	- 0.6
mechanical engineering	+ 5.4	+ 0.9	- 6.9	- 0.6
electrical appliances	+ 3.7	+ 2.2	- 10.4	- 2.4
electrical equipment	+ 11.8	- 8.2	- 1.1	+ 2.6
food and beverages	+ 2.0	- 1.3	+ 1.7	- 0.4
textile industry	- 1.1	- 6.6	- 4.5	- 1.0
furniture industry	- 0.9	- 8.1	- 2.7	- 0.6
paper industry	- 1.2	- 9.6	+ 2.8	- 1.6
printing industry	- 2.5	- 9.8	- 1.6	- 1.9
glass/ceramic industry	- 0.5	- 11.6	- 2.7	- 0.9
construction	+ 3.7	+ 1.1	- 2.1	- 0.3

European industry was unable to overcome the weak phase - on the contrary. Production was further curbed in the 3rd quarter. Barely any sector was able to withstand this trend. The previous year's level was clearly missed too. We do not expect to see a further decline in production next year. The downward trend will probably come to an end. However, in view of the structural problems, we do not expect to see a significant recovery either.

EU: setback in chemistry – huge growth in pharma
chemical and pharmaceutical production, seasonally adjusted, Index 2021 = 100



Chemical production in the EU experienced another setback in Q3 2024. In the first few months of the year, empty stocks still brought a positive demand in the sector, so that production expanded. However, the business situation of industry caused a collapse in demand in the period under review. The structural problems persist: the cost burden is still high and puts the industry at a competitive disadvantage compared to other regions.

The situation is different in the pharmaceutical industry, where production increased steadily throughout the year. The demand for pharmaceutical products is intact and the companies are well positioned, meaning that further production growth is likely.

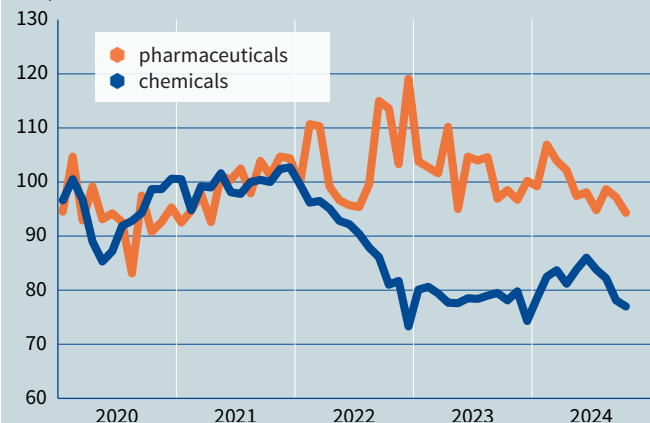
Germany: Customer industries
production, seasonally adjusted, changes in percent

	2022	2023	3rd quarter 2024	
			gg- Vorjahr	gg- Vorquartal
manufacturing industry	- 0.1	- 0.8	- 4.7	- 1.9
basic metals	- 4.0	- 4.3	- 3.1	- 0.9
fabricated metals	- 1.4	- 3.8	- 8.0	- 2.0
chemicals	- 10.4	- 12.1	+ 3.0	- 2.7
pharmaceuticals	+ 5.4	- 3.1	- 4.8	- 2.3
plastics processors	- 2.9	- 5.7	- 4.9	- 2.0
automotive industry	+ 4.5	+ 12.4	- 2.2	+ 0.2
mechanical engineering	+ 0.7	- 0.7	- 9.5	- 1.1
electrical appliances	+ 2.5	- 0.4	- 18.1	- 4.5
electrical equipment	+ 5.1	+ 2.2	- 5.1	- 1.2
food and beverages	+ 0.5	- 3.1	+ 0.2	- 1.2
textile industry	- 6.5	- 6.3	- 5.5	- 1.9
furniture industry	- 5.7	- 10.1	- 7.9	- 3.6
paper industry	- 5.6	- 12.1	- 0.4	- 3.8
printing industry	- 7.4	- 13.4	- 4.0	- 2.6
glass/ceramic industry	- 2.1	- 14.1	- 2.2	- 0.5
construction	- 2.5	- 1.1	- 4.7	- 1.2

Industrial development was particularly poor in Germany. Almost all sectors reduced their production. In some cases, the previous year's levels were missed clearly. German industry is deep in crisis. Price competitiveness on foreign markets has deteriorated massively. The business model of an export-orientated economy is coming under increasing pressure.

Further information for Germany: https://bit.ly/wirtschaftliche_Lage

Germany: slump in chemicals and pharmaceuticals
chemical and pharmaceutical production, seasonally adjusted, Index 2021 = 100



Production in the German chemical industry in Q3 2024 fell short of the previous quarter by 2.7 percent (seasonally adjusted). All chemical sectors saw a severe setback in autumn. The reason for the production cutbacks was the weak industrial demand in Germany and abroad. Pharmaceutical production also missed the level of the previous quarter by 2.3 percent. Here, the normalisation after the pandemic years continued more strongly than expected. Capacities remained underutilised. Compared to the previous three months, capacity utilisation dropped once again and most recently stood at 74.8 percent. This means that the profitability threshold was missed visibly.

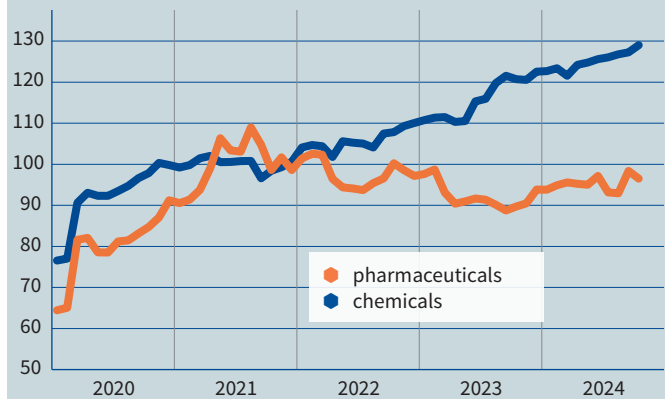
China: Customer industries

production, seasonally adjusted, changes in percent

	2022	2023	3rd quarter 2024	
			gg. Vorjahr	gg. Vorquartal
manufacturing industry	+ 3.1	+ 4.7	+ 5.1	+ 0.7
basic metals	+ 1.9	+ 7.6	+ 2.0	+ 1.5
fabricated metals	- 0.1	+ 2.7	+ 9.7	+ 3.4
chemicals	+ 5.8	+ 9.6	+ 6.4	+ 1.2
pharmaceuticals	- 2.3	- 5.6	+ 5.4	- 1.0
plastics processors	- 1.4	+ 3.2	+ 6.9	- 0.4
automotive industry	+ 6.9	+ 12.4	+ 3.9	+ 0.5
mechanical engineering	+ 0.7	+ 2.5	+ 3.5	- 0.3
electrical appliances	+ 11.8	+ 12.9	+ 4.1	+ 0.4
electrical equipment	+ 7.4	+ 3.0	+ 11.5	+ 1.2
food and beverages	+ 3.7	+ 2.0	+ 3.3	+ 1.5
textile industry	- 1.7	- 2.9	+ 4.4	+ 0.2
furniture industry	- 5.7	- 7.2	- 0.7	- 4.0
paper industry	- 0.5	+ 2.7	+ 7.8	+ 1.7
printing industry	+ 0.7	- 3.3	+ 3.4	- 1.8
glass/ceramic industry	- 1.4	- 0.5	- 3.8	- 3.3

In Q3 2024, growth in the manufacturing sector remained subdued by Chinese standards. After the weak previous quarter, the increase was moderate at 0.7 percent. The purchasing managers' index for industry recovered slightly and was back above the expansion threshold. However, a significant acceleration in industrial production is unlikely. The outlook is also clouded by trade conflicts. The introduction of tariffs on Chinese export goods in important foreign markets should have a dampening effect. A further escalation in trade policy poses a downside risk. Thus, there should be no impulses for the global economy, either.

China: Pharmaceuticals on track - high level in chemicals
chemical and pharmaceutical production, seasonally adjusted, Index 2021 = 100



After the unusually sharp rise in chemical production in the summer of last year, the trend returned to normal. However, the positive development in production continued over the course of the year - despite the weak demand from industry.

In the pharmaceutical industry, the phase of normalisation after the strong production growth during the coronavirus years appears to have come to an end. In late 2023, pharmaceutical production was back to the growth path. So far this year, the growth trend has continued, albeit with fluctuations.

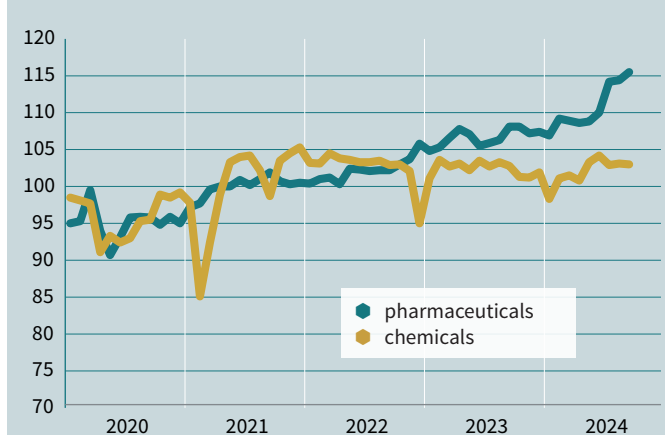
USA: Customer industries

production, seasonally adjusted, changes in percent

	2022	2023	3rd quarter 2024	
			yoy	qoq
manufacturing industry	+ 2.7	- 0.5	- 0.4	- 0.2
basic metals	- 1.5	+ 0.2	- 0.8	+ 0.6
fabricated metals	+ 3.8	- 0.8	- 1.4	- 1.4
chemicals	+ 2.6	- 0.1	+ 0.1	+ 0.2
pharmaceuticals	+ 2.2	+ 4.4	+ 7.4	+ 5.1
plastics processors	+ 2.7	- 1.0	- 2.8	- 1.7
automotive industry	+ 7.2	+ 5.2	- 4.4	- 3.7
mechanical engineering	+ 5.4	- 1.9	- 1.4	+ 0.6
electrical appliances	+ 3.9	- 0.5	+ 3.5	+ 2.6
electrical equipment	+ 12.5	+ 8.3	+ 4.0	+ 3.1
food and beverages	+ 0.8	- 1.5	- 1.1	- 0.5
textile industry	- 3.6	- 8.6	- 2.6	- 0.3
furniture industry	+ 2.3	- 10.5	- 5.0	- 1.0
paper industry	- 1.8	- 8.2	+ 2.7	+ 0.5
printing industry	+ 4.1	- 6.7	+ 3.6	+ 1.0
glass/ceramic industry	+ 6.8	- 1.5	- 4.2	+ 0.4
construction	+ 8.3	+ 1.5	+ 1.7	- 1.1

US industrial production failed to grow in Q3 2024. The previous year's level was also missed. Except for the electrical industry, the paper industry and pharmaceuticals, no sector significantly exceeded the previous year's figures. This means that the situation in industry remains tense despite the robust overall economy. The construction industry, too, saw a setback recently, although the level of the previous year was still surpassed.

USA: strong pharmaceuticals - uncertainty for chemicals
chemical and pharmaceutical production, seasonally adjusted, Index 2021 = 100



The pharmaceutical industry in the USA continued its positive trend over the course of the year and increased production compared to both the previous quarter and 2023. Demand in the world's largest healthcare market remains strong.

In contrast, chemical production did not continue the positive trend of the previous quarter as the output stagnated. In view of the weak domestic demand from industrial customers, the development remained subdued. Much uncertainty persists. However, the level of the previous year was reached.

Further data on production of the chemical and pharmaceutical industry worldwide is available on a monthly basis in the World Chemistry Report: https://bit.ly/World_CR

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