

COVID 19 Impact on the Chemicals Industry



Covid 19 has had a major impact on the chemicals industry with shocks being experienced across end-markets. This has led to disruptions in global supply chains, stock prices of companies taking unprecedented hits and changes in the market positioning of producers...

MAJOR IMPACTS TO THE INDUSTRY



Oversupply and imbalances

Automotive, transportation and consumer products segments are the hardest hit end-markets for the sector with demand for chemicals falling by up to 30%. On the other hand, demand for pharmaceuticals, food additives, and disinfectants is peaking and chemical companies catering to the need of these sectors are reporting increased sales volumes



Supply chain de-globalization

In response to the supply chain disruptions, chemical companies have now started to (partly) relocate or ramp-up the production of critical chemicals supplies and medical goods closer to end-customers (for example, pharmaceutical active ingredients, disinfectant gels, masks). The markets are expected to more self reliant in the coming times



Possible Emergence of newer market leaders

The chemical companies have been witnessing falling stock prices since the start of 2020 and now are highly dependent on their exposure to COVID-19 (and related oil price effects) and their financial strength. Cash-rich companies may seize opportunities and emerge stronger. Financially weak companies with (highly impacted product ranges) may not survive their current size and shape

SECTORAL IMPACT OF COVID 19

Although the overall impact of Covid 19 is negative on the chemical industry, some parts have witnessed a spur in demand

1 Positively Impacted

- Disinfectants
- Cleaning products
- Plastics (PP, PET)

2 Not impacted

- Fertilizers

3 Negative Impact

- Polymers
- Base Chemicals
- Fine Chemicals

Note: The level of impact is in the current scenario and expected to change. Impact quoted is based on factors such as price, profitability and availability

WHAT THE PLAYERS ARE SAYING...



The group is positive and reaffirms its confidence to withstand the economic crisis despite the significant drop in global demand expected in the 2nd quarter



Solvay expects an impact of approximately EUR 25 million in the first quarter and will update its outlook as the situation becomes clearer



BASF anticipates a year with reduced profits and decline in production owing to the outbreak of Covid 19



Covestro estimates that Covid 19 will have a negative impact on its first-quarter earnings of about USD 65 million.

The key markets and their regulators will be focused on adopting measures to make them self reliant and lesser dependent on other markets to meet demands and be future ready; actions to be based on the impact assessment undertaken once the crisis is averted

EUROPE	USA	INDIA	CHINA
<ul style="list-style-type: none"> With the pandemic exposing weaker links in the global value chain, European regulators are focusing more towards developing a regional structure Reshoring is expected to be the go to strategy for Europe's chemical industry. The emphasis is expected to be on making in Europe and have strategic stocks and have very reliable trade agreements in place 	<ul style="list-style-type: none"> According to an interim update by the American Chemistry Council (ACC) the U.S. chemical volumes are expected to fall 3.3 percent in 2020 before rising 5.2 percent in 2021 The weak chemical production is expected to be partially offset by the increasing demand for chemical solutions needed for personal protective equipment (PPE), ingredients for cleaners and disinfectants, and plastics used in medical equipment such as ventilator machines and IV bags 	<ul style="list-style-type: none"> Dependency of the Indian chemical sector on China for supply or essential raw materials has resulted in a significant void in the supply and demand. This has forced the Indian Chemical Council to look at avenues to strengthen the sector by <ul style="list-style-type: none"> Improving its feedstock allocation policy Government investments in chemical clusters across the country Easier access to capital Simplifying pollution compliance laws 	<ul style="list-style-type: none"> As per the National Bureau Of Statistics Of China, chemical manufacturing was the hardest-hit sectors of China with output declining by 21% and profits by 66% While the sector is all poised to get back on its feet the global slowdown caused by Covid 19 is resulting in a slowdown for china The government has launched various infrastructure investments worth USD 3.5 trillion with 16 refinery and petrochemical projects across regions in China

The sector has been witnessing a negative impact in most of its key segments and showcases a weak outlook; segments such as cleaning products and single use plastics not being strong enough to be the able to create continuous demand

SECTOR SPEAK

<p>Base Chemicals</p>	<ul style="list-style-type: none"> The segment has been witnessing a decline in profit since the increase in global petrochemicals capacity undertaken in the late 2010s With the outbreak of Covid 19, the segment is anticipating a further decline to profits in 2020 and 2021 The US anticipates that their basic chemical volumes will drop close by 3% in 2020
<p>Polymers</p>	<ul style="list-style-type: none"> Polymer prices especially in Asia are under pressure owing to lack of resin demand as the region is grappling with the Covid 19 pandemic Lack of demand from major importers such as Indonesia and Vietnam has resulted in the falling spot prices Most of the markets are now expected to turn towards their domestic suppliers to meet the demand if material is available at competitive prices
<p>Specialty Chemicals</p>	<ul style="list-style-type: none"> The impact on the specialty chemicals has been majorly from delays arising from travel/transportation restrictions and some driver shortage issues owing to lockdowns in markets The current raw material shortages for the segment are for Alcohols; being diverted towards production of hand sanitizers and cleaning products Supply of photo initiators used in UV applications (from Europe and China) and Dyes and pigments (typically supplied from India, China, and Europe) has been impacted negatively owing to the lockdowns in these markets

A MASS SHIFT HAS BEEN OBSERVED IN THE CHEMICAL INDUSTRY WITH MANY KEY PLAYERS IN THE SECTOR SWITCHING TO SANITIZER PRODUCTION WITH AN AIM TO CURB THE PANDEMIC

<p>DOW CHEMICALS does not typically produce hand sanitizer, but a large portion of the required raw materials are readily available at company sites. Dow Chemical has shifted production at five of its plants across the globe to produce an estimated 200 tones of sanitizer per week.</p>	<p>BASF CORPORATION is providing the state of New Jersey and New York with hand sanitizer manufactured at the company's facility in Washington, New Jersey, of charge. The company has reallocated tones of isopropanol for the production of hand sanitizer.</p>	<p>SOLVAY in partnership with Boeing is producing thermoplastic film will be used by Boeing in the production of thousands of face shields critically needed by hospitals and medical workers in the U.S. to protect them from the COVID-19 virus</p>
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Note: The facts mentioned in this report only reflects the current scenario on the day of reporting and is likely to change

For a more detailed assessment of the impact of COVID-19 on the Chemicals industry please reach out to marketing@datamaticsbpm.com.