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ACHEMA 2006

Internationales Treffen für Chemische Technik, Umweltschutz und Biotechnologie

Press Reception

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Statement by Dr. Wilfried Sahn

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the German chemical industry association

Translation / Original: German

Ladies and Gentlemen:

After long years of stagnation and recession, the German chemical industry is again heading for growth. In 2005 our member companies achieved a production increase by over 7 percent. This was the highest production increase since German reunification.

Total chemical industry sales rose by 7.5 percent to 152.8 billion euros. Domestic sales improved by 6.9 percent to 71.1 billion euros. Foreign sales went up by 8.1 percent to 81.8 billion euros.

Chemical exports to other European countries improved considerably. The domestic demand for chemical products picked up noticeably, too. The major reason for this development was the good export business of our industrial customers located in Germany.

On the annual average, producer prices rose by 3.2 percent, mainly due to high raw material prices.

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In 2005 German chemical companies had, on average, 440,800 staff. Staff figures stabilized with the better business situation of the chemical industry.

Where investments by chemical companies are concerned – and this is a core subject for ACHEMA – there are starting points for a positive trend reversal: For 5 years, between 2000 and 2004, investments in Germany declined. In 2005 investments were back on the increase for the first time – albeit only with a slight rise by 2 percent to 5.3 billion euros. This development is triggered by the following factors: There is more economic growth and there is more confidence and, consequently, a stronger demand for chemical industry products.

However, companies are tensely watching further decision-making processes for REACH. Decisions by the European Parliament and amendments by the Council of Ministers give reason to hope for a concept that is acceptable in its central elements when deliberations end in autumn 2006. Up until then, much remains to be done in order to

- Improve the protection of confidential business information;
- create the necessary scope for research and development;
- ensure equal competitive conditions both for finished articles manufactured in the EU and imported articles;
- and last but not least, simplify the still highly bureaucratic registration procedure.

But back to the investment plans of chemical companies for the year 2006: With their investments, companies primarily want to improve their competitiveness to get ready for the challenges of the future. With this in mind, 27 percent of investments are made for the purposes of rationalization and restructuring, 31 percent of investments are aimed at replacing or modernizing existing plants, and 30 percent are spent on capacity expansions. Those of you who add up the figures will wonder about the remaining 12 percent needed to get to the total of 100: In the overview of investment aims, they fall in the category "others".

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The chemical industry had a successful start in the year 2006. Some companies assess the 1st quarter of this year as the most successful quarter in their company history. It is still too early for us to say whether this holds true for our industry as a whole; we are still lacking some figures which, quite obviously, companies can provide faster than statistical offices.

But one thing is certain: Companies assess the present situation as very good, and expectations for the next months are positive, too. However, in 2006 growth in chemical production will be less dynamic than back in 2005. It is just not easy to repeat a production increase of over 7 percent. Moreover, there are changes in the sectors with the highest growth rates. In 2005 mainly basic chemicals contributed to growth. In 2006 growth will rely heavily on fine and specialty chemicals and pharmaceuticals. By contrast, we are expecting a drop in the production of consumer-related detergents and personal care products.

From today's perspective, we are expecting for the year 2006 a production increase by 2.5 percent. Persistently high raw material prices will result in producer price increases by an estimated 3 percent. On this basis, we are expecting total sales to rise by 5.5 percent.