How are the European and US chemicals industries diverging?

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The global chemicals industry has reached a fork in the road. Taking the high road are businesses in the US. The more difficult path is the route that Europe is currently facing and one that the region may struggle to climb back up from. This is the opinion of Olaf Gierlichs-Steffens, Atradius' sector specialist for the chemicals industry.

Natural Gas Dependency

Europe faces high and volatile gas prices, especially after reducing reliance on Russian gas post-2022. The region now depends on more expensive LNG imports from the US, Norway, and other sources, leading to higher production costs.

The US benefits from cheap, abundant, and secure natural gas, largely due to the shale gas boom. This has led to stable and low energy costs, fostering growth and investment in the chemicals sector.

Current performance

Europe's chemicals production has contracted in recent years, with modest recovery forecasts. High energy costs continue to hamper competitiveness and investment.

The US chemicals industry has seen significant investments, with over USD 208 billion in shale gas-related projects. This has resulted in a robust growth outlook.

Long-term investment outlook: Europe lags behind

The investment outlook for chemicals in the US is significantly higher than Europe and the rest of the world, with compound annual growth rates (CAGR) for 2024-2034 of 3.8%. In contrast, our predictions for Europe are much lower at 1.5%, and they even lag behind global investments which are estimated to be 2.5%.

The gap between markets is even wider when we look at investments for the same period for basic chemicals. The CAGR for investment in basic chemicals in the US 2024-2034 is 4.7%, markedly higher than the global rate of 2.7% and Europe's 1.5%.

China and Middle East also enjoy better growth prospects than Europe

The Chinese chemicals industry has increased capacity over recent years, supporting its ability to maintain competitive prices. Chemicals manufacturers in the Middle East continue to benefit from plentiful supplies of local oil, gas and chemicals feedstocks, helping to underpin strong growth projections.

Driven by the strength of its petrochemicals sector, the Middle East is forecast chemicals output growth of 3.0% and basic chemicals growth of 3.1% between 2024 and 2034. In contrast the predicted growth rates for Europe are 1.3%, where several markets are struggling.

The downside risk of relocation for Europe´s chemicals industry

In order to stay competitive, the chemicals industry in Europe is likely to focus on increasing efficiency and developing new products and technologies. However, the possibility of manufacturers relocating to the US and other countries where energy costs are lower is a downside risk for Europe.

Please download the report below to read more about the reasons driving the increasing gap between the chemicals industries in the US and Europe.