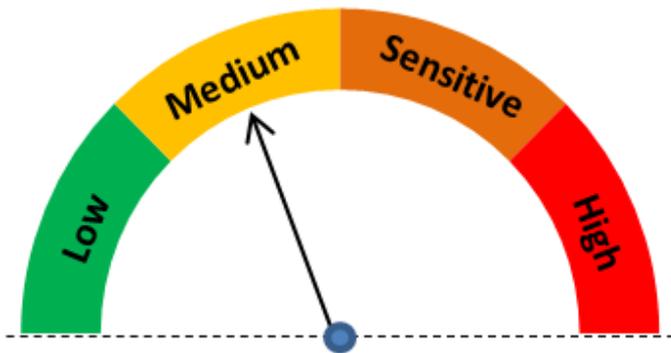


## Sector Risk Rating



## What to Watch?

- Falling fossil fuel prices
- Higher R&D spending necessary for chemical companies to move upmarket
- Declining gas price spread between North America and Europe
- Eurodollar exchange rate, as turnovers are highly dependent on exports

## The US Chemicals still Has the Edge over Foreign Competition

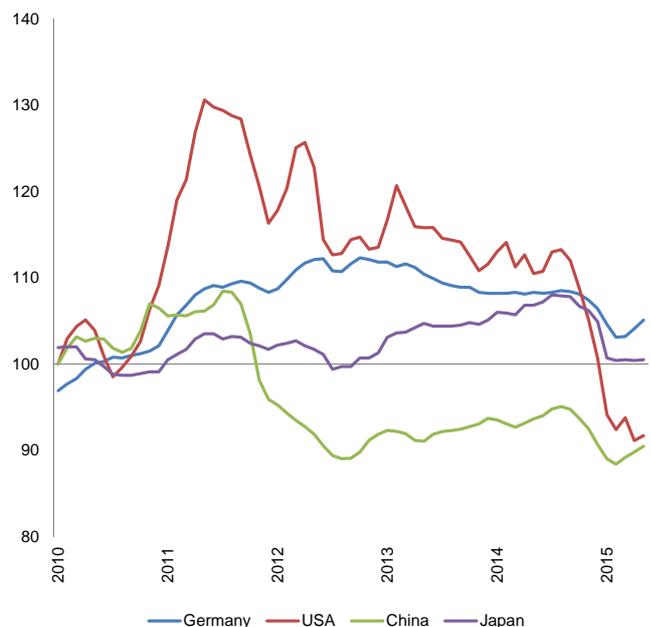
Chemicals are a cyclical business closely tied with variations of countries' GDP as many chemical products are used up in early stages of the manufacturing supply chain. Chemicals can build upon the current dynamism of its main three outlets (automotive, construction and electronics) across the world.

Estimated at USD2.9tn (pharmaceuticals excl.), the global chemical market experienced a turbulent year in 2014, during which oil prices halved over H2.

Because of this low oil prices and its pass-through to output prices, worldwide sales rose by only +1% in 2014 (against a +3% growth in volume). In 2015, we expect global chemicals sales to be relatively flat despite a volume growth estimated at +2.5%.

With European and Asian chemicals getting back on course, the US chemical sector has responded by cutting its prices by -20% since mid-2014. Indeed, US chemicals - with hydrocarbons accounting for a large part of feedstock - were able to take advantage of low gas prices to shore up competitiveness against European and Asian players.

Producer Price Index for Chemicals  
(Index: basis 100=2007)



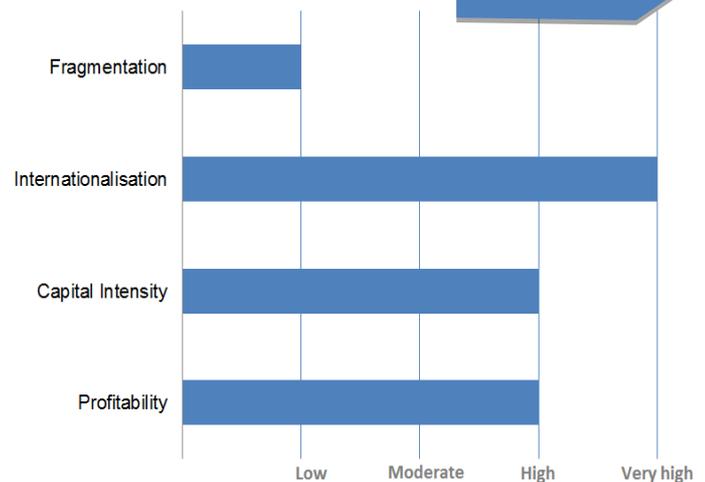
Sources: IHS, Euler Hermes

Sector Value:  
**2,900bn**  
USD

## Key Players

Country	Role	Sector Risk
United States	#1 importer #2 producer #2 exporter	●
Germany	#1 exporter #3 importer	●
China	#1 producer #2 importer	●

## ID Card



## Strengths

- Innovative sector linked to a strategy of upmarket positioning
- Diversified outlets with asynchronous cycles
- Oil prices down -35% since Summer 2014

## Weaknesses

- Activity highly sensitive to the global economic situation
- High degree of capital intensity
- Poor public image in terms of environmental issues
- European petrochemicals slump

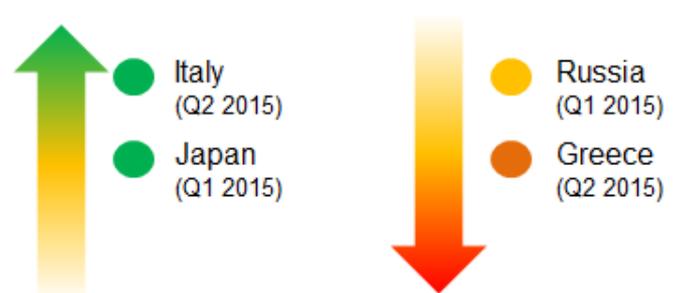
## Subsectors Insights

**Petrochemicals:** Overcapacities and lower input cost across the Atlantic hurts European firms.

**Polymers and plastics:** The US and Middle East chemical players have made life harder for their European competitors.

**Fertilizers:** High level of dependency on resilient farm markets.

## Recent Sector Risk Changes



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