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MANUFACTURING, CONSTRUCTION AND RETAIL

Some growth but minimal recovery for the Dutch chemical industry in 2025

The outlook for the Dutch chemical industry for 2025 is only slightly better than for 2024. A recovery to once-normal production levels remains out of sight though, as cyclical and structural bottlenecks prove persistent



A chemical factory in the Port of Rotterdam

Minimal growth in 2025 as production remains low

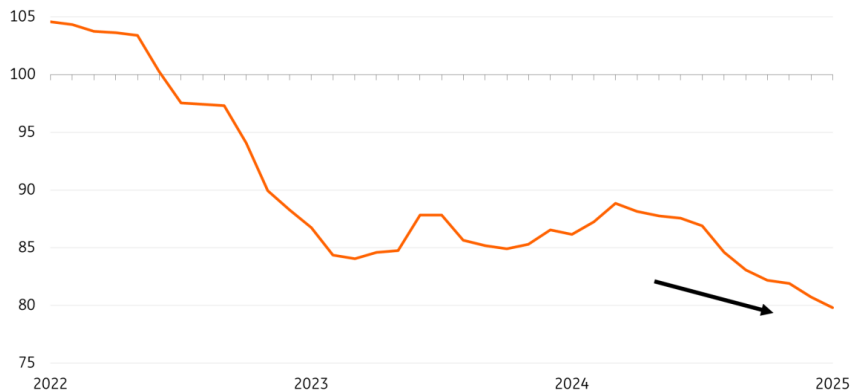
After a period of stabilisation in 2023 and an upswing at the start of 2024, chemical production declined again in the second quarter of last year following a surge in energy prices.

Now that exports are increasing again and consumers in the Netherlands and the rest of Europe are expected to spend more due to increased purchasing power, we expect moderate growth in the international manufacturing industry.

As a result, we believe chemical production can also grow slightly in 2025 (+1.0%). This means that a full recovery of production levels remains out of sight. Industrial inventories will first have to be further reduced and European economies will have to grow more strongly before more robust growth can be expected.

Structurally, global overcapacity and a deteriorated competitive position limit the upward growth potential, especially in basic chemicals.

Chemical production has not yet bottomed out



Source: Statistics Netherlands

Monthly production level chemical industry, index, Jan-'22=100

US import tariffs could hit 8.5% of Dutch chemical exports

Cyclical and structural bottlenecks remain persistent and geopolitical turmoil and potential US import tariffs hang over the market. In 2023, 5.5% of chemical products produced in the Netherlands found their way to the US. By 2024 (up to and including November), this had increased to almost 8.5%.

About 80% of the chemical products in the Netherlands cross the border and 75% of them remain within Europe. Therefore, a European upswing could in theory counterbalance the effect of import tariffs on the chemical industry somewhat, but the growth outlook remains subdued for now.

Competitive position remains under pressure due to high energy prices

Chemical companies continue to be affected by structurally higher energy prices that have an impact not only as a fuel but also as a chemical raw material. Gas prices in Europe are still about 4.5 times higher than in the US, while before 2021 this was on average a factor of two.

Additional LNG capacity will not become available in Qatar and the US until 2026, but even then, gas prices are likely to remain higher than they were before the 2022 energy crisis. LNG is more expensive than gas from the pipeline due to higher production and transport costs.

A high gas price results in a higher electricity price and can greatly delay further electrification.

For example, electricity costs for large-scale users are 15-66% lower in Belgium, Germany and France than in the Netherlands.

Without policy changes from the government, the disadvantageous difference for Dutch industrial companies in terms of [grid tariffs](#) and [transmission tariffs](#) (parts of the total electricity price) is likely to increase further in the coming years. As a result, the profit margins and the intercontinental competitive position of the Dutch chemical industry remain under pressure.

Slightly improved outlook, but order books are still lacking

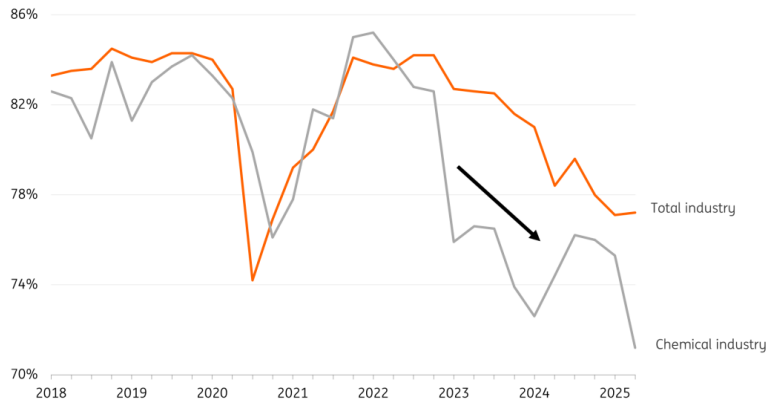
Chemical producers do not have higher expectations of new orders. However, they have become somewhat more positive about the total order book and production expectations have improved. There is not much room for improvement in their deteriorated profitability for the time being.

On the contrary, energy prices are high, wages are still rising strongly and weak demand and overcapacity are causing continued price pressure. Despite the policy of keeping people employed for as long as possible due to the tight labour market, producers are more often forced to reduce their workforce. Akzo Nobel, BASF and Evonik in Germany have previously announced reorganisations. Recent announcements from Dow Chemical, which has a branch in Terneuzen, and [LyondellBasell](#) in the Rotterdam port area make it clear that the situation is becoming more dire.

Vital investments under severe strain

The stagnation in the recovery of capacity utilisation reflects the difficult market conditions and weighs on the willingness to invest in the short term. Expensive energy, an ambitious climate policy and structurally scarce personnel are not improving the Dutch and European business climate for chemical multinationals for the time being. Investments are therefore structurally under pressure, while they are desperately needed for the energy transition in these industries. Nowadays, chemical multinationals often make large-scale investments outside Europe.

Occupancy rate in the chemical industry is still at a very low level



Source: Statistics Netherlands

Market conditions structurally more difficult

Over the past decade, petrochemical capacity in Europe has declined. Meanwhile, global capacity has surged, particularly in China and North America. This increase in global competition and price pressure has significantly strained Dutch and European players.

Unequal subsidies and complex regulations on sustainability are also putting pressure on chemical production in the long term. In the Netherlands, higher energy network costs and fewer government allowances put chemical companies behind. In addition, the Netherlands is the only EU member state that has a CO₂ tax on top of the EU Emissions Trading System (ETS) and the nitrogen issue is also continuing to delay large-scale investments in, for example, necessary pipeline infrastructure.

Tailor-made agreements with the government and Clean Industrial Deal offer bright spots

Despite faltering investments in new facilities, the industry is not sitting still. There are plenty of pilot projects to make production processes in the chemical industry more sustainable with green hydrogen. Infrastructure for this is in the making.

The Netherlands is also at the forefront of CO₂ storage, with the Porthos and Aramis projects (Port of Rotterdam and North Sea).

In addition, the individual tailor-made agreements between companies and the national government that are to be further developed could lead to more green chemical investments. Salt producer Nobian is the first chemical company to enter into a tailor-made agreement.

Support is also still needed to stimulate more investment in research and implementation of more sustainable alternatives. Innovations such as electric cracking with green hydrogen, chemical recycling or the use of biobased raw materials require large long-term investments. This is already happening in the development of hydrogen technology. Seven hydrogen projects are supported by €800m in European IPCEI funds. In this area, Dutch companies with a large number of patent applications are among the frontrunners.

The promising Clean Industrial Deal and the [Affordable Energy Act](#) that is part of it will reduce energy costs somewhat, but it remains to be seen how much. Some of the proposed measures can deliver results in the short and long term, but some obstacles may limit their impact. The plan lacks alternatives to increase gas production within Europe, for instance. Another thing is that the EU ETS deadline for net-zero industry and energy sector in 2040 has not been extended. This target is very ambitious in the new geopolitical world.

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