



Chemicals Industry: A sign of life from the depths

Ironically, it was the struggling chemical sector that recently outperformed other German industries. However, this is likely to be a temporary blip caused by the war in Iran. The structural problems and the wait for the urgently needed economic upturn in Germany persist.



Adrian Keppler
Sector Analysis
T +49 69/91 32-41 83
adrian.keppler@helaba.de

Since the start of the year, German industrial figures have been struggling to find direction. Production is not picking up. Although the order book improved and a turnaround seemed imminent, the war in Iran – another external shock – prevented an economic recovery.

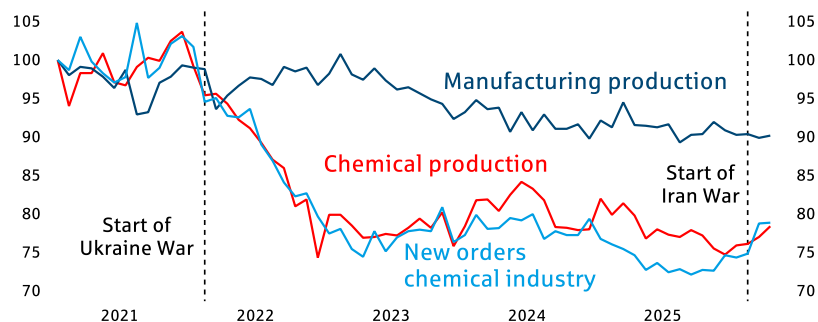
One outlier stands out, however: of all sectors, the **chemical industry** – one of the biggest causes for concern – recorded its **fourth consecutive month of production growth** in April, whilst order intake and turnover also rose. We analyze how this development can be explained and how it fits into the broader picture for the sector.

First of all: while the latest figures are striking, **they are far from making up for the losses of recent years**. Between December 2025 and April this year, seasonally adjusted output rose by 5.2% and price-adjusted turnover by 6.6%, driven by momentum from both domestic and foreign markets. Nevertheless, the level of output in December 2025 was at a three-year low and around a quarter below that of the pre-crisis year 2021.

Growth during the turbulent months of March and April was widespread: base chemicals, paints and agricultural chemicals all saw increases compared with the previous months. However, this was not enough to bring about a noticeable recovery, as the **negative year-on-year figures** also show. Nevertheless, the positive trend is likely to have continued in May and early June – a welcome relief for the sector.

A sign of life from the depths

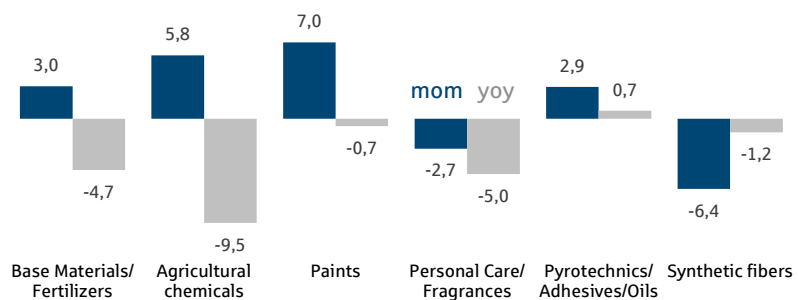
Index: Jan. 2021 = 100, seasonally adjusted



Sources: Macrobond, Helaba Research

A respite across sectors – yet still below the previous year's level

Production March/April 2026, compared with January/February (blue) and March/April 2025 (grey), %



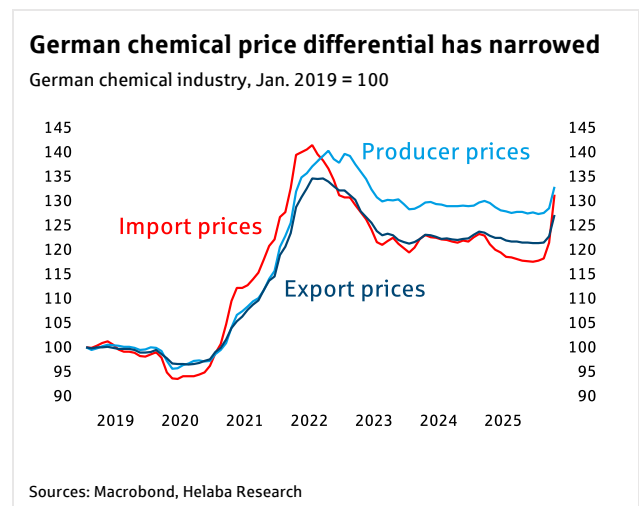
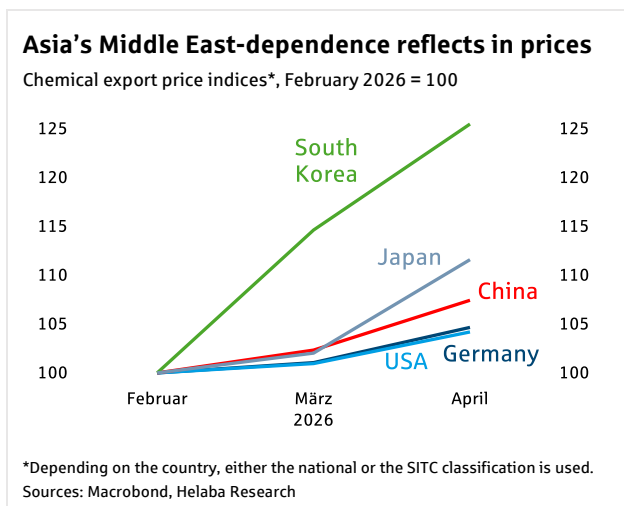
Sources: Macrobond, Helaba Research

Ironically, it is the energy-intensive sector that is benefiting from the oil crisis

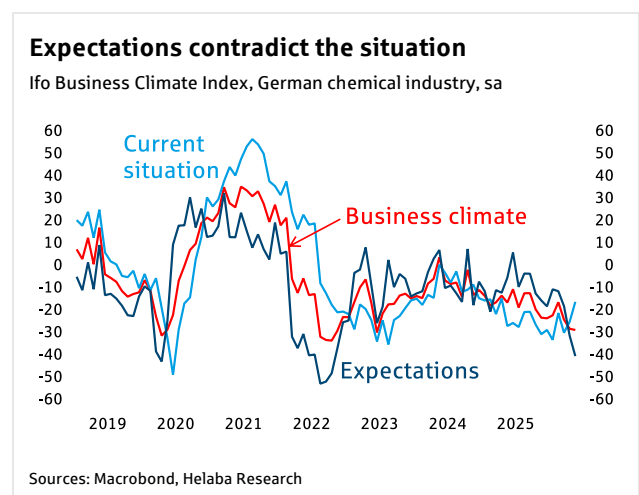
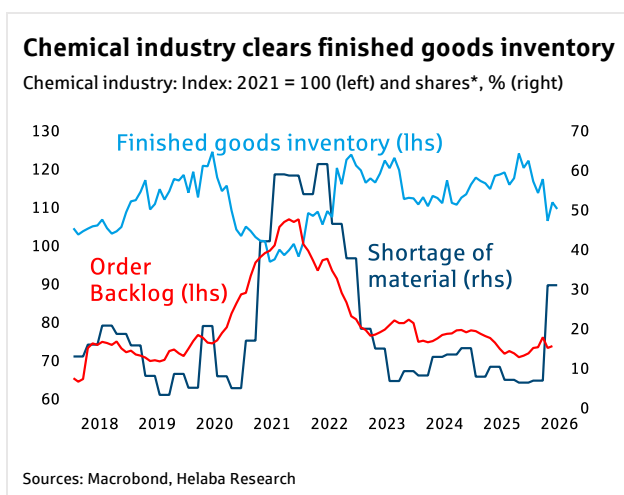
There had already been a modest increase in order intake and production by the end of 2025, which is likely to have been driven by cyclical factors. The sector recorded stronger growth in March and April 2026, coinciding with the start of **the war in Iran**, which is also likely to have been the cause. A whole range of presumed factors played a role here:

- 1) **Restricted supply from other nations** due to supply chain disruptions (supply capacity)
- 2) **Higher price rises abroad** (competitiveness)
- 3) **'Panic buying'** driven by fears of further price rises and supply bottlenecks (one-off effect).

The shortage of intermediate products from the Middle East – such as naphtha (crude petrol) and fertilizers – drove up the cost of the limited supply, where it was still available at all, particularly for heavily dependent chemical producers in Asia. A look at the export prices of major chemical exporters such as South Korea, Japan and China shows correspondingly sharper rises than in the West (see lhs chart). As German import prices rose less sharply than export prices, the so-called terms of trade in the chemical sector in Germany deteriorated – that is, the ratio of export prices to import prices. Since import prices rose more sharply than domestic prices at the same time, this also improves the competitive position of domestic suppliers in the domestic market.



The narrowing price differential in the German chemicals sector offers a further advantage: as losses of market share since 2022 have limited the scope for price increases, current cost trends are now, **for the first time**, allowing for **significant price adjustments once again**, which is supporting turnover. Because export prices have risen more sharply abroad, this does not represent a major disadvantage compared with other suppliers.



However, supply chain disruptions are also taking their toll on the German chemicals industry. Whilst the business situation has improved recently due to one-off effects linked to the war (see chart on p. 2, bottom right), no other sector saw such a sharp rise in the proportion of companies reporting material shortages in the second quarter (see chart on p. 2, bottom left). Around 30% of the companies surveyed report material shortages. Not least because of this, **business expectations have deteriorated significantly**. Overall, however, the German chemicals industry has the ‘advantage’ that, due to the slump in orders in recent years, it has – out of necessity – built up its finished goods inventory (see chart on p. 2, bottom left) and has recently been able to reduce this. All in all, Europe’s and Germany’s supply chain structure and reliability have recently proved to be an advantage – **geopolitics and geography are also location factors**.

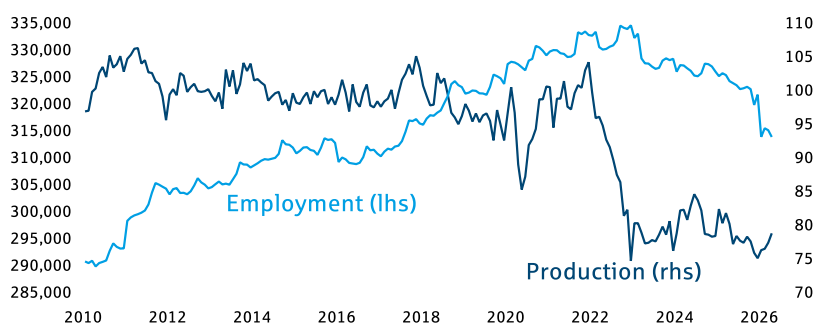
Savour the moment – the (structural) hangover will come the morning after

As encouraging as the recent developments in the chemicals sector are, caution remains warranted. With signs of a de-escalation in the Iran conflict, **cyclical and structural problems** are once again coming to the fore – and these offer little cause for optimism. As mentioned at the outset, the latest growth figures have only slightly raised the still very low level of production. Sustainable growth was already lacking in the 2010s; since the energy price shock of 2022 and due to the ongoing domestic economic slump, production has slumped. Capacity utilization is below 75%, remaining unprofitable and driving relocations abroad.

This is reflected in the **employment figures**: since peaking at the end of 2022, the number of jobs has fallen by around 20,000 to approximately 314,000. At the same time, the generally weak economic climate is having an impact. The chemical industry is more dependent on the business cycle than almost any other sector – chemicals are found in every product. Domestic demand, which is already weak, is being further dampened by the current difficult employment situation across Germany, which is placing a particular strain on the sector.

Ain’t no sunshine when she’s gone

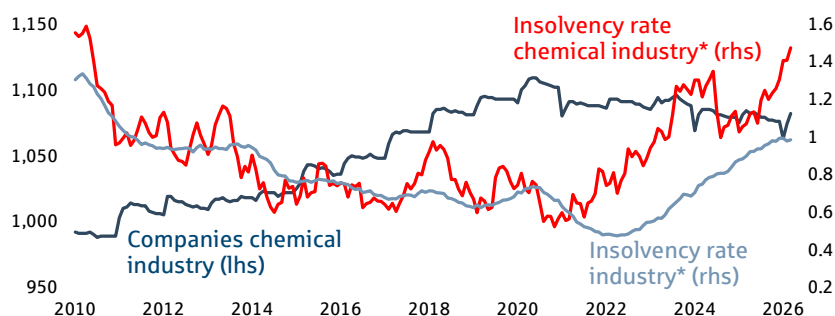
German chemical industry: employment (left) and production (right), 2021 = 100, sa



Sources: Macrobond, Helaba Research

Above-average insolvency rate in the chemical industry

Number of chemical companies in Germany (left) and insolvency rates* (right), %



*Number of insolvencies / number of companies, seasonally adjusted, moving annual averages
Sources: Feri, Macrobond, Helaba Research

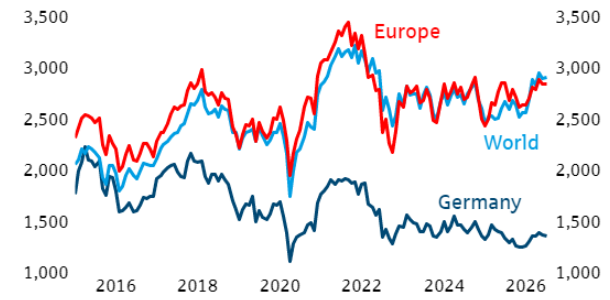
The number of companies has also fallen since 2020 (see chart). The **increased insolvency rate** shows that this is not merely a result of mergers or deregistrations – for example, due to relocations – but also reflects tangible economic problems. Whilst the chemical industry had broadly followed the German industrial average in the long term, there has been an upward divergence since 2022.

The chemicals sector is **struggling particularly in Germany, and to a lesser extent internationally**. This is shown by financial market data: the sector's share indices are not performing particularly strongly in Europe or globally, but have been performing significantly better than in Germany for over ten years (see chart).

The risks in the chemicals sector as perceived by the capital markets are now back within normal limits. Although the **yield spreads** on corporate bonds in the sector rose as a result of the war in Iran (see chart below) – more sharply than in the market as a whole – This is indicated by the sector's increased spread ratio relative to the broader market. It suggests that sector-specific risks were temporarily heightened by the Iran war. Recently, however, the spread ratio has fallen again and sector spreads are also approaching the two-year low of February 2026.

German chemical shares lagging behind

Datastream Total Market Indices – Chemicals, index points



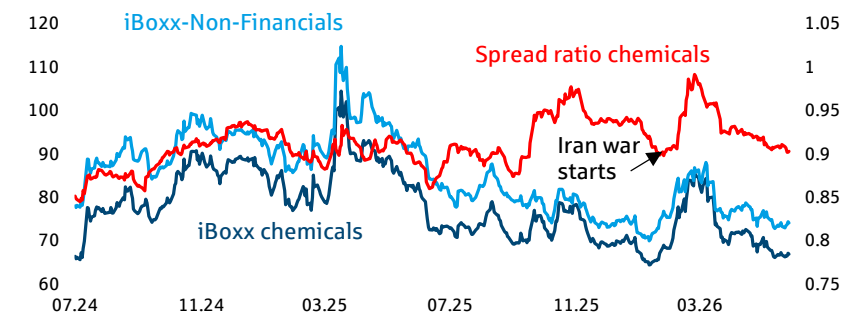
Sources: LSEG, Helaba Research

Business cycle hopes – essential, but not sufficient

What remains if the structural conditions do not improve? The **business cycle**. The start of the year showed that cyclical momentum can take hold even under difficult competitive conditions: between November 2025 and February 2026, order intake rose by 3%, driven by rising demand across the industry. Until the outbreak of the war in Iran, this pointed to an upturn that could also have bolstered the chemicals industry. However, this effect was not only delayed but also likely dampened and, most recently, partly overshadowed by war-related one-off factors. For **2026**, we continue to expect production **growth of no more than 1%**.

Market risk in the chemicals sector is easing again

Corporate spreads, basis points (left) and chemicals/non-financials* spread ratio (right)



*iBoxx Chemicals / iBoxx Non-Financials
Sources: LSEG, Helaba Research

As a general rule, economic conditions and aggregate demand are important, but not sufficient, conditions for a sustainable improvement in the sector. The structural and profitability-related disadvantages weigh too heavily, particularly in certain sub-sectors. **Both will be needed: a significant revival in domestic demand and improved business conditions**. Otherwise, the long-term potential – particularly in the energy-intensive basic chemicals sector – will remain limited. Whilst the outlook is more favorable in higher-value segments, the sector thrives on close synergies, cross-sector networking and thus a dense industrial cluster – it is its own most important customer.



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Publisher and Editorial

Helaba Research

Editorial:

Dr. Stefan Mitropoulos

Responsible:

Dr Gertrud Rosa Traud

Chief Economist/

Head of Research

Neue Mainzer Str. 52–58

60311 Frankfurt am Main

T +49 69 / 91 32 – 20 24

Email: research@helaba.de

Website: www.helaba.com

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