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The Corona Virus and the Chemical Industry

Evaluation of the Situation and Possible Effects

Trying to evaluate the effect of the Corona virus on the chemical industry at this time is difficult. It would be very tempting to reply quoting Zhou Enlai, who reportedly (when asked about the influence of the French Revolution) answered "too early to tell". But at least one can already talk about some actual and possible consequences.

The first response of most chemical and other companies has been very supportive. Many have announced huge donations, both in cash and in goods. Some Western companies provide support to employees via medical instructions, guidance regarding insurance coverage, psychological support. The Chinese Spring Festival holidays have been extended until Feb 09 for most workers while some companies have allowed their staff to work from home for even longer periods.

Some chemical segments have even had boom in sales – disinfectants, materials such as PP to produce masks, antiseptics, gloves – this may turn out to be only a short-term effect but could also start a longer-term trend towards higher sales of cleaning products. Demand for packaging materials is also likely to have increased as many Chinese (including most of my friends in Shanghai) try to leave the house as little as possible and rely on home delivery of packaged food instead.

However, it is obvious that keeping up the current preventive measures such as travel restrictions for longer will have an effect on the chemical industry. Particularly business activities requiring face-to-face meetings will suffer. For example, the Food Ingredients China fair in March has already been canceled. Any chemical demand associated with transportation will also decrease due to the travel restrictions.

The overall impact on China`s chemical industry will now mostly depend on how fast the virus can be conquered. The last two weeks have had very limited impact on overall chemical and other production, as during this spring festival period, most companies stop production anyway. However, these factories would now gradually start production again, and if this does not happen within the next 1-2 months, the impact will be much more serious. Not only will chemical production itself be

affected, but demand will also decrease.

Again, restrictions in transportation may aggravate the issue, both by hindering imports/exports and by limiting the servicing of domestic customers.

However, on the positive side, the example of the SARS infection in 2003 might be seen as instructive. Then, the slight dent in sales due to the SARS virus in some quarters was compensated for by booming sales later. As a result, annual chemical sales were not affected.

Of course, one thing is also clear. In 2003, China accounted for less than 10% of the global chemical market while in 2018, the share was 36%. Thus, anything happening in China`s chemical industry will have a much bigger impact on global customers and suppliers of Chinese producers of chemicals.

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