

Welcome to the New Normal

19 October 2020



Elisabeth Kübler Ross' Paradigm of Loss model in relation to the COVID-19 pandemic and ensuing economic crisis



DENIAL

Governments – refuse to make hard choices

Populations – resist the need to change behaviour

ANGER

COVID-19's economic/health impact obvious

Social unrest – governments blamed for the disaster

BARGAINING

Governments – debt defaults, political instability

Public – behavioural changes, focus on family life

DEPRESSION

Reality begins to be confronted

Growing awareness of what has been lost

ACCEPTANCE

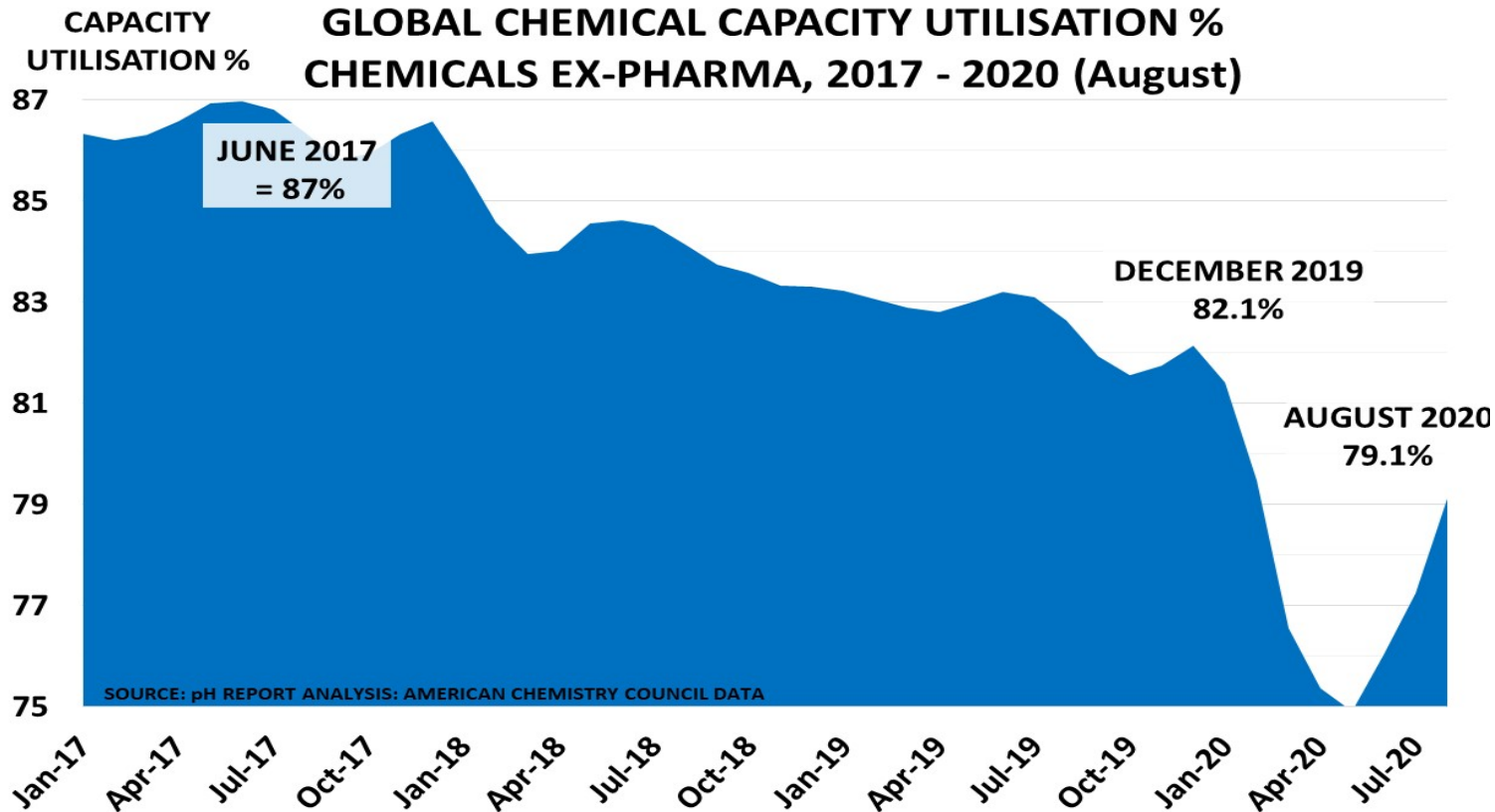
Finally people accept what has happened

New opportunities emerge out of extreme pessimism

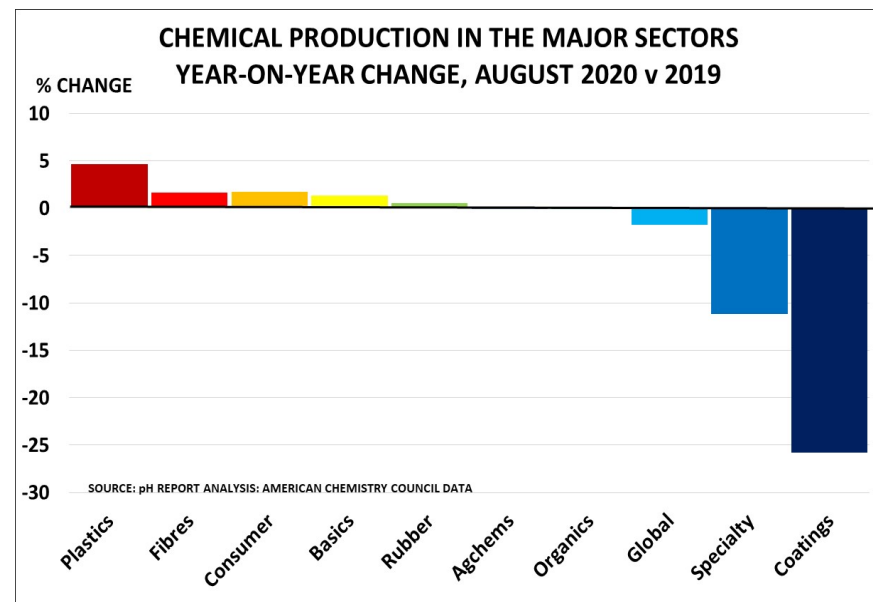
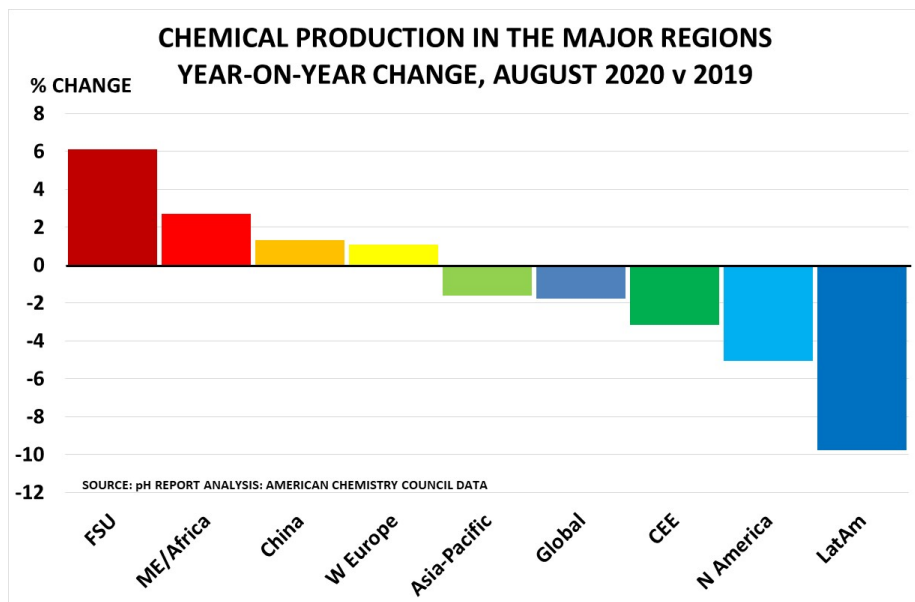
THE NEW

NORMAL

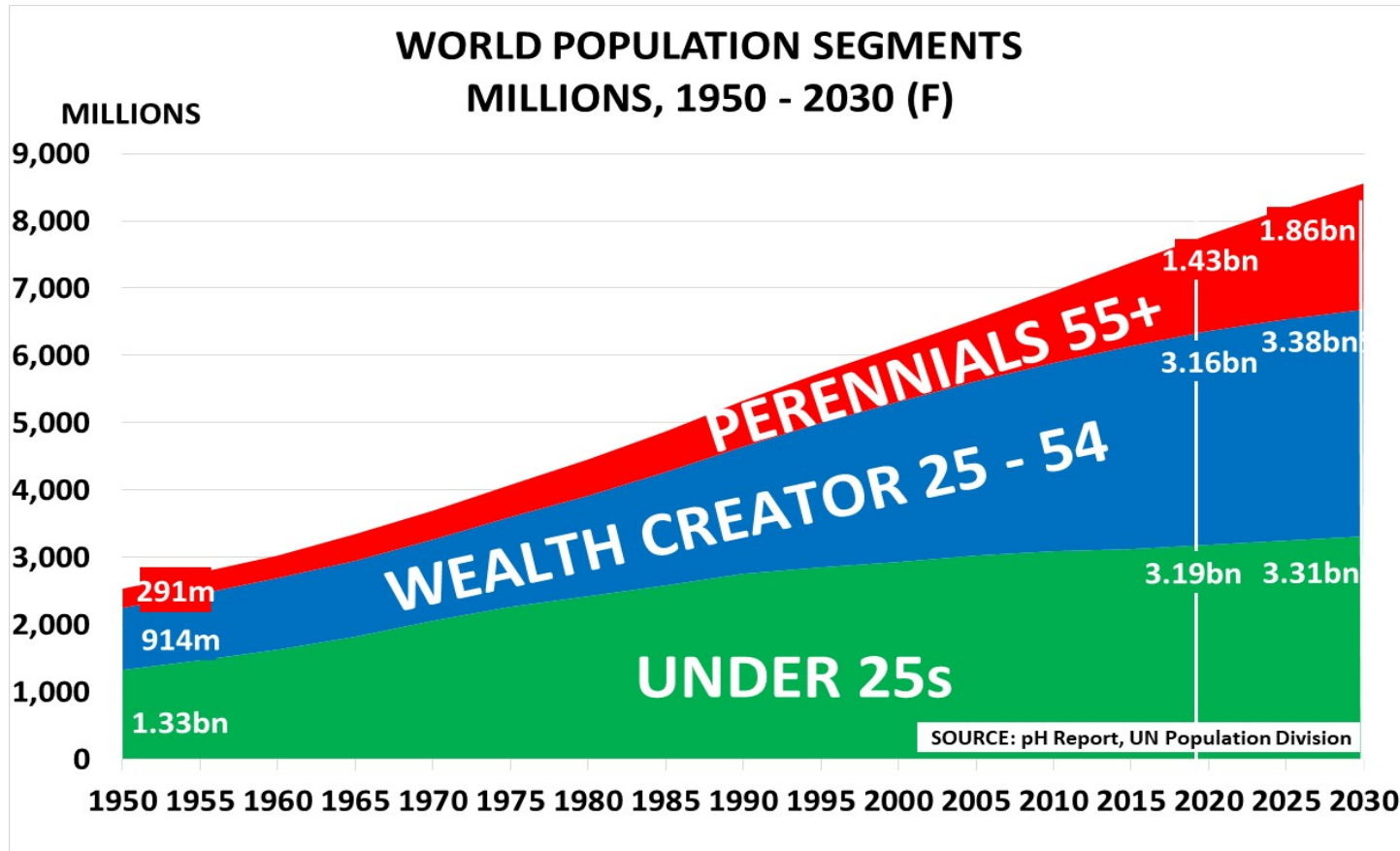
Global chemicals production actually peaked in June 2017, and the real downturn began in December 2019 – before the pandemic



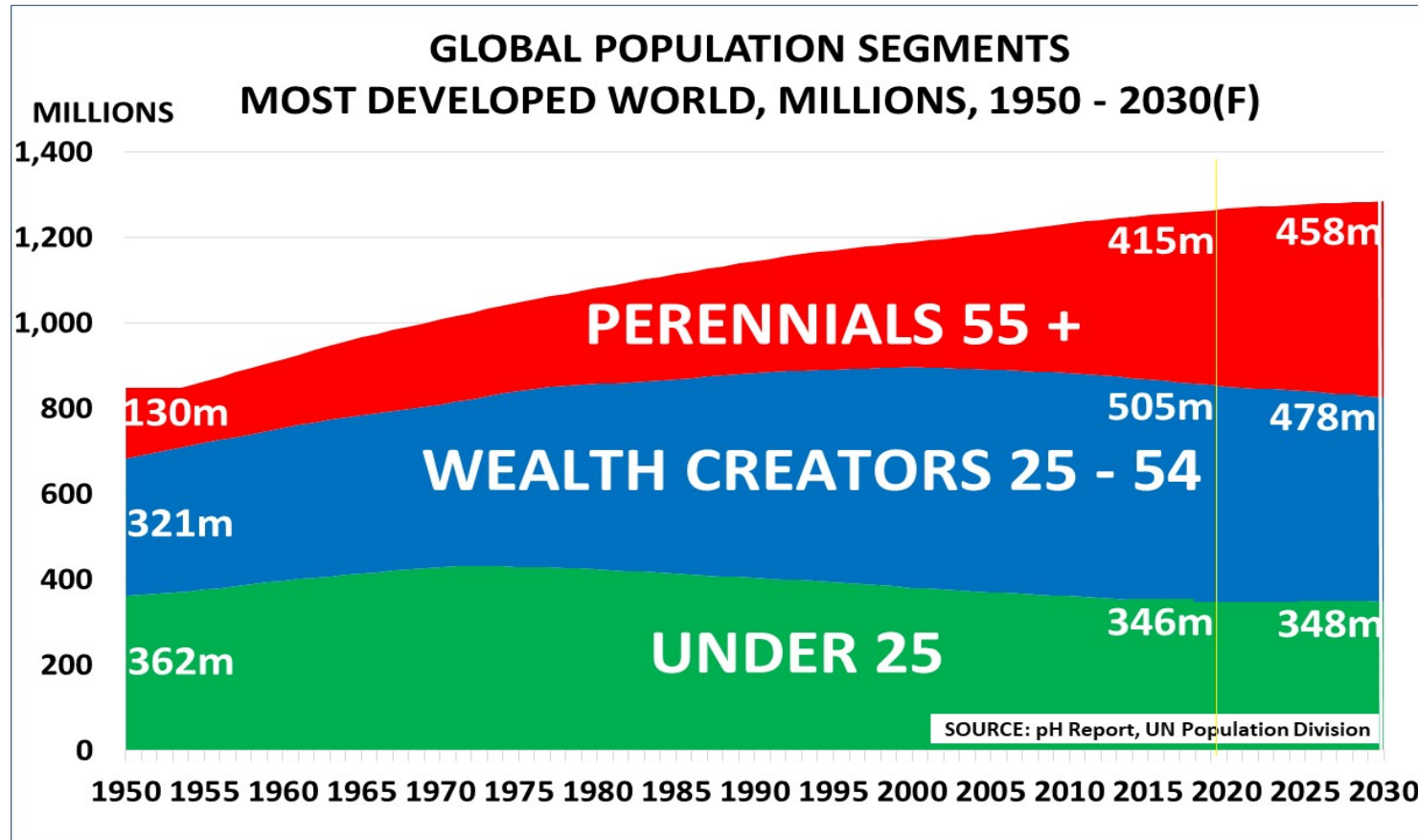
Chemicals' production in the major regions and applications confirms we have a patchy rebound – not 2009's V-shaped recovery



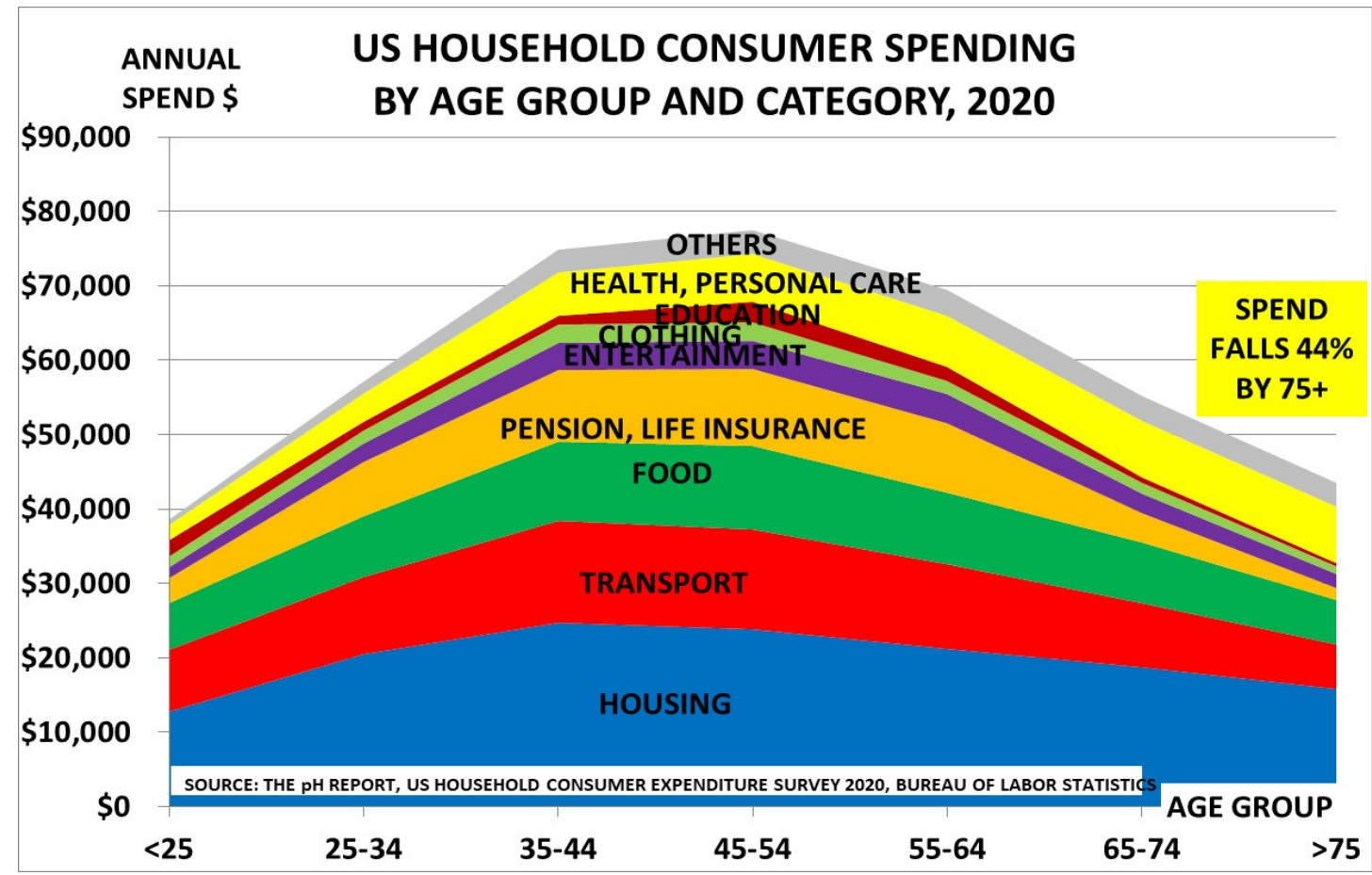
Population increases are now being driven by rising life expectancy - the Perennials 55+ are >50% of world population growth to 2030



A completely new generation, the Perennials 55+, has been created since 1950 – and now dominates Western population growth to 2030

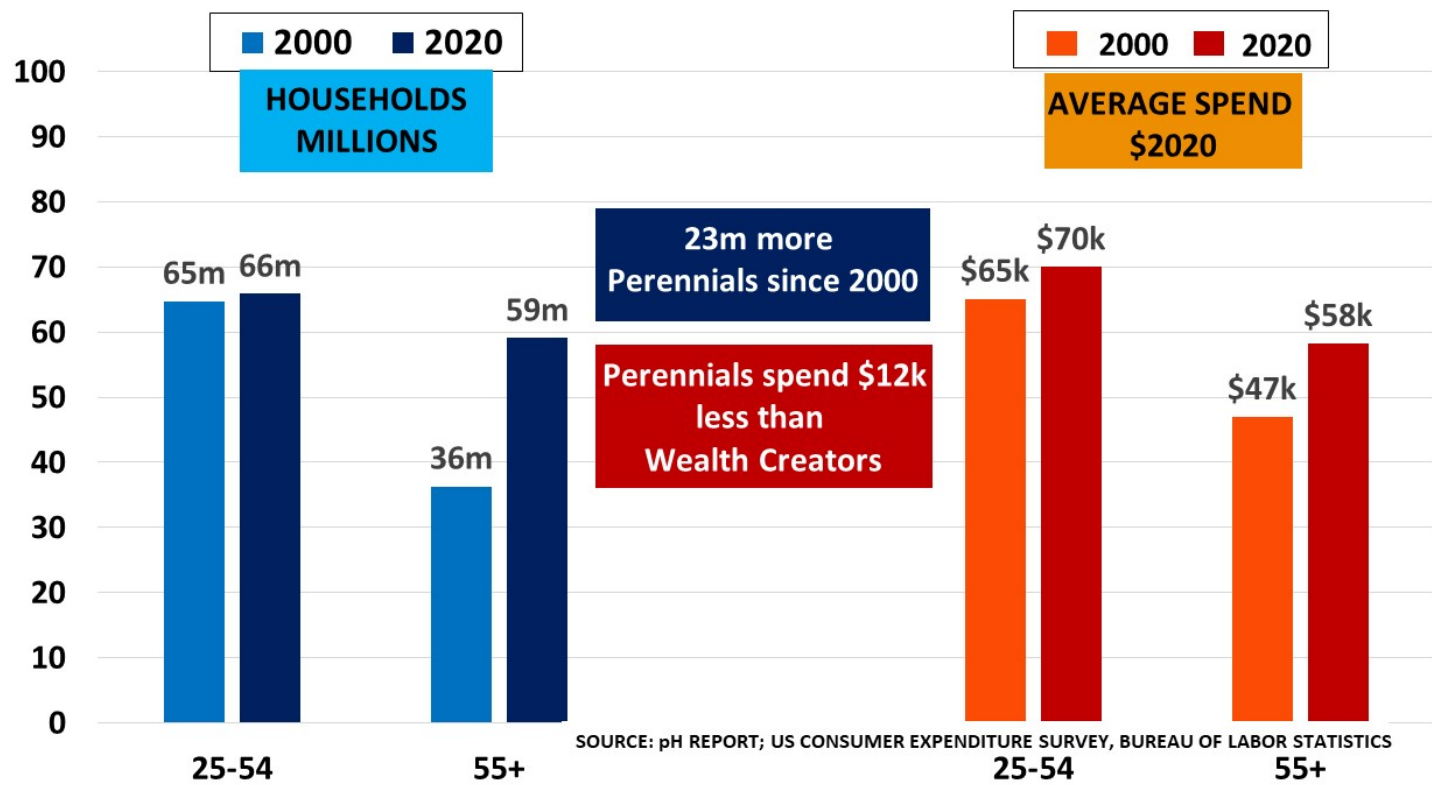


Ageing populations have lower demand levels, as older people already own most of what they need, and their earnings reduce in retirement

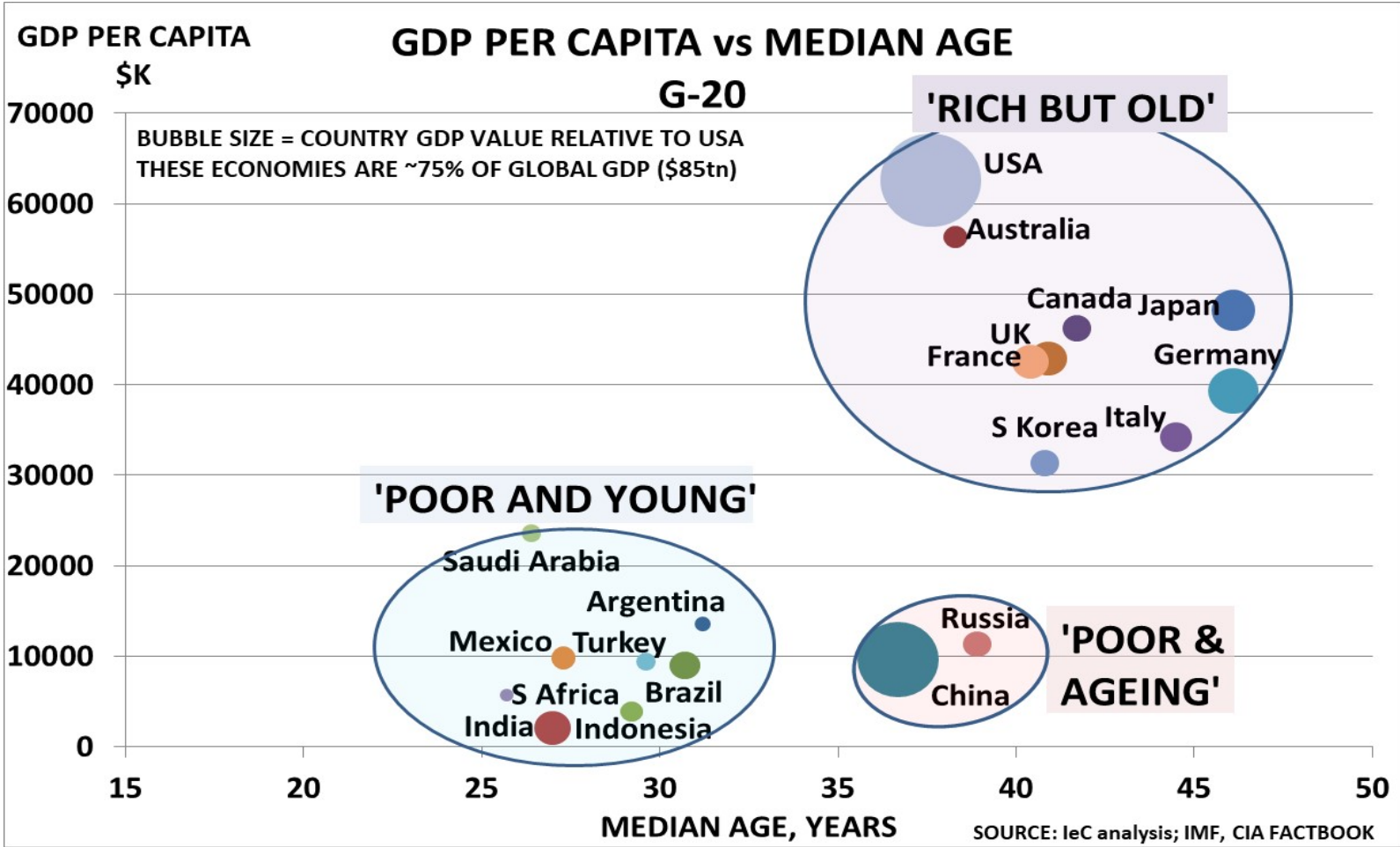


The comparison with 2000 shows how quickly US spend has changed - and consumption is 70% of US GDP

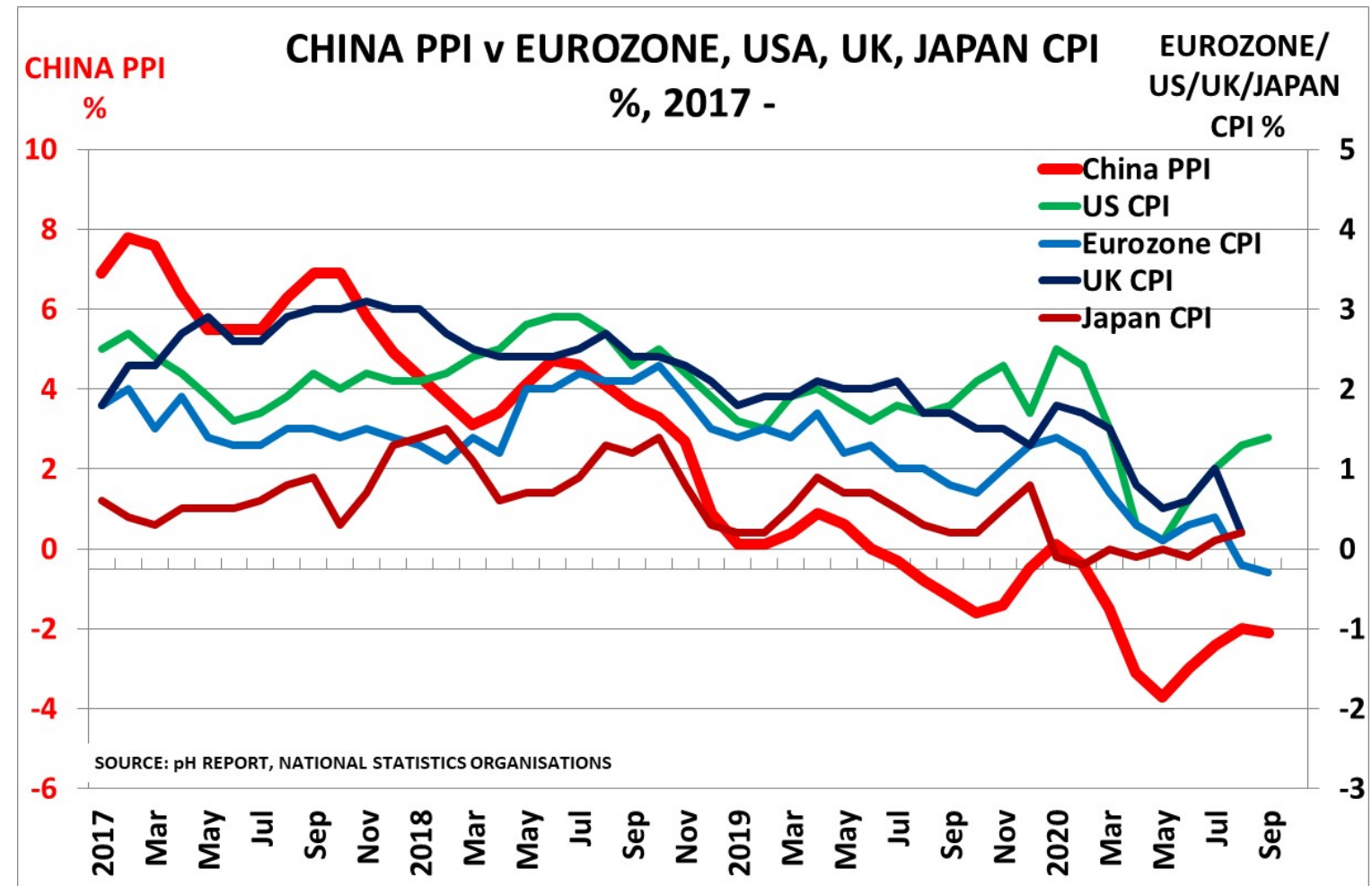
US HOUSEHOLD SPENDING 2000 v 2020
BY AGE OF HOUSEHOLD HEAD, \$2020



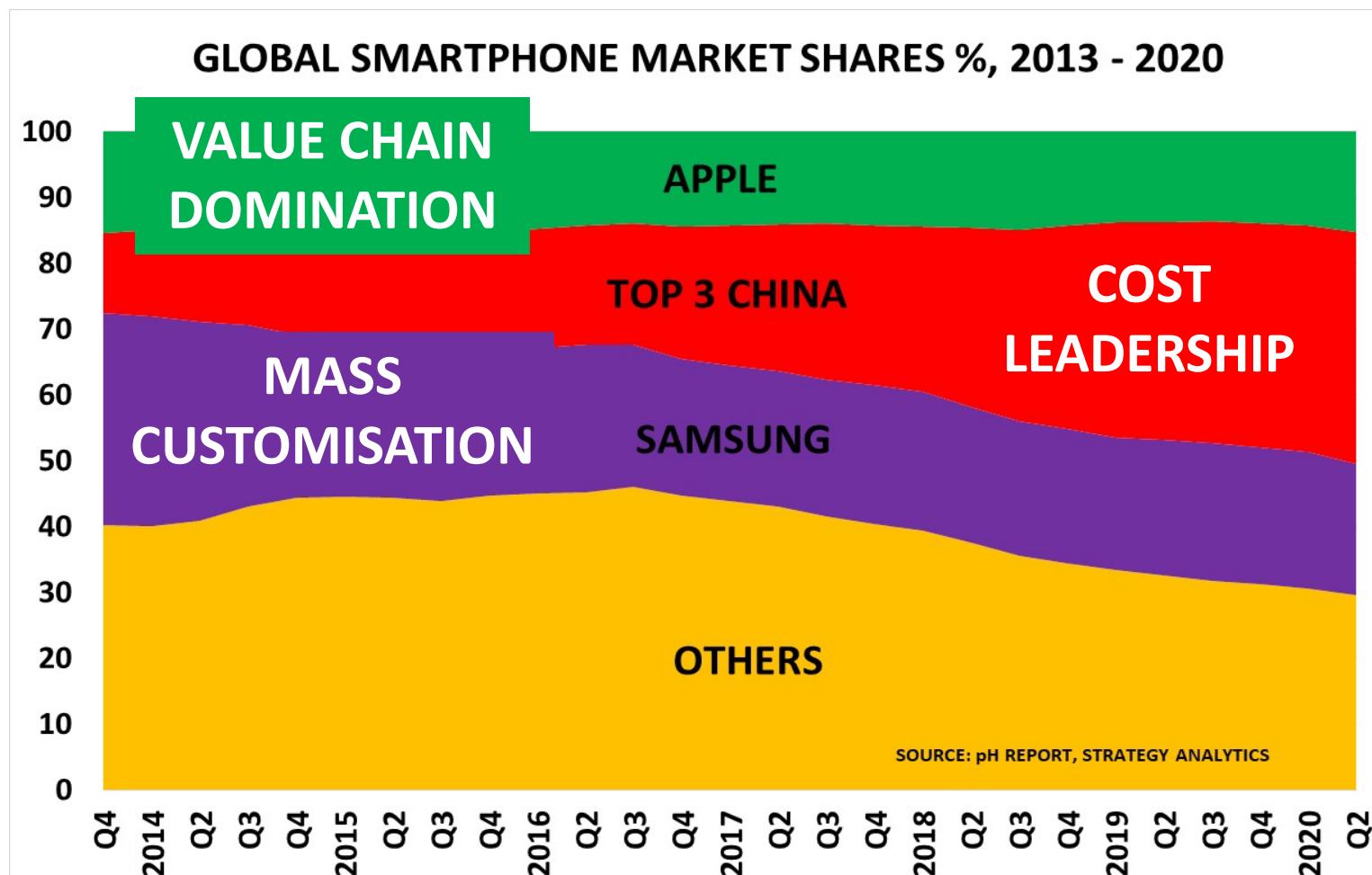
The G-20 contains 'rich but old' groups in the West: elsewhere people are 'poor but young' or 'poor and ageing'



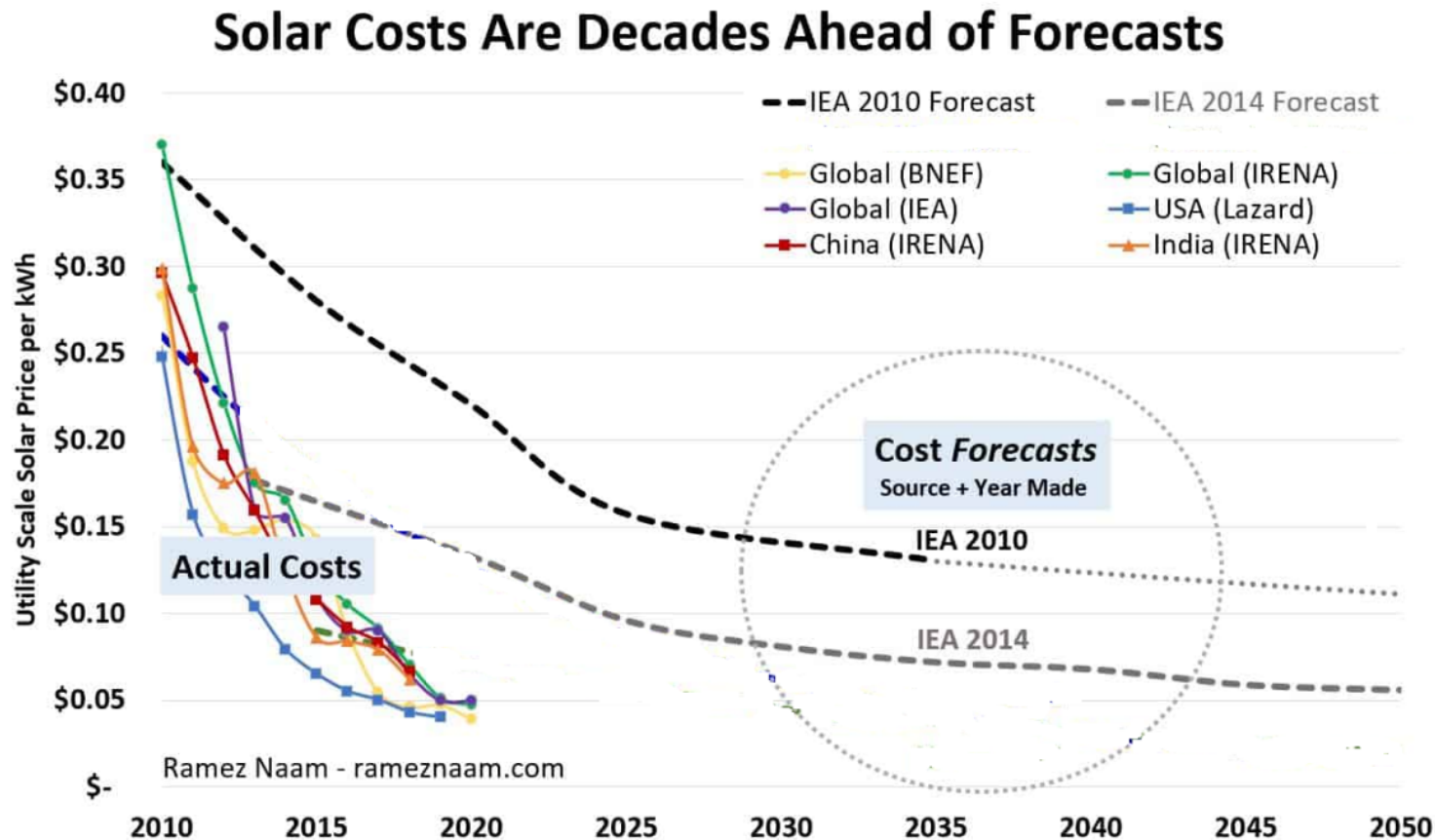
The Eurozone has now tipped over into deflation as the influence of the Perennials outweighs central bank stimulus



The profitable middle ground of the Boomer years is disappearing - Samsung's problems in the smartphone market highlight the issue



Q2 highlighted that we are living in a world of energy abundance – Solar prices are already low enough to justify ‘scrap and build’



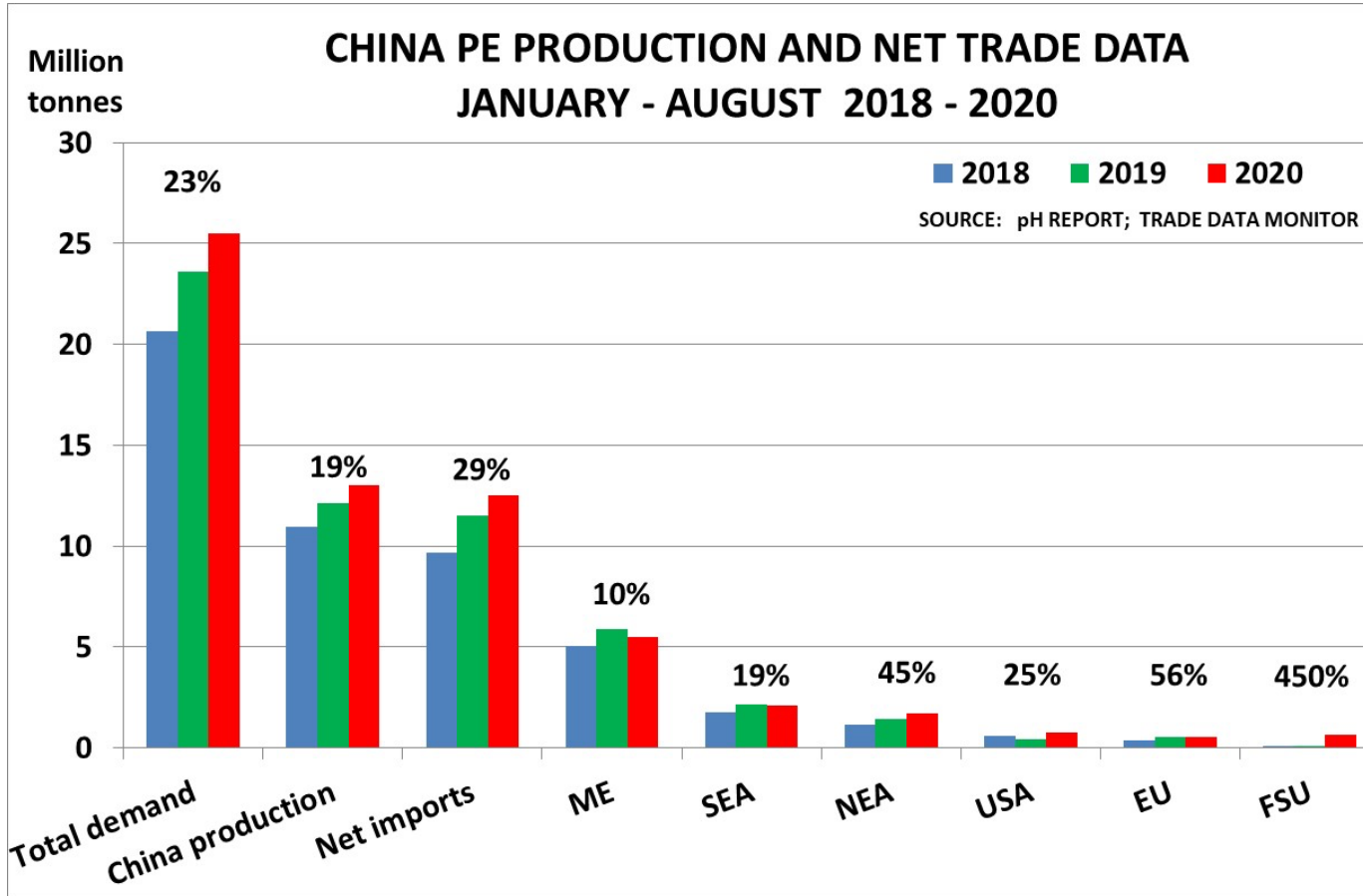
The USA expanded polyethylene capacity on the basis of 4 false assumptions

- Oil would always be >\$100/bbl and so shale product would have a major cost advantage
- Globalisation would continue forever, making it possible to export across continents
- China would always grow at double-digit rates, and need increasing volumes of PE imports
- Brand owners and consumers would ignore sustainability concerns over plastic waste



The USA has expanded PE production by 5.85 million tonnes (40%)

Exports to the key target market (China) have only risen 115kt



And China is now pursuing self-sufficiency; H2 sees 2.35 million tonnes of new capacity

Recycled product will replace fossil fuels as feedstocks for plastic - Waste sites will be turned into resource centres

