News Release

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ACC PROJECTS POSITIVE OUTLOOK FOR U.S. CHEMICAL INDUSTRY

Mid-Year Report Foresees Growth in Output and Exports Due to Global Economic Expansion, Shale Gas Dynamics

WASHINGTON (June 7, 2018) – Following a mixed year in 2017, the foundation is set for better performance by the U.S. chemical industry in 2018, according to the American Chemistry Council's (ACC) *Mid-Year 2018 Chemical Industry Situation and Outlook*. Strong global growth prospects, rising exports, an upswing in manufacturing, balanced chemical inventories, healthy demand from end-use markets, and favorable shale gas economics are among the factors suggesting positive growth for this year. All data related to chemical production and the business of chemistry exclude pharmaceuticals.

Housing is set to extend its steady recovery in 2018. Despite a pull back from record-high vehicle sales, the automotive sector is expected to remain at relatively elevated levels. Both are important end-use customers for chemistry. The U.S. chemical industry continues to enjoy a competitive advantage from robust supplies of shale gas and natural gas liquids (NGLs), leading to significant investment in new capacity and capital spending that will continue to grow through 2023.

"During 2018, output gains are expected to be strongest in agricultural chemicals, consumer products, coatings and bulk petrochemicals and organics," the *Outlook* states. "In addition, production of plastic resins is set to grow at the fastest pace since 2012 as new capacity comes online and demand firms for domestic customers and those abroad. The specialty chemicals segment is also set to grow as industrial activity improves."

In the U.S. economy overall, modest growth will continue into 2019, led by higher business investment and, to a lesser extent, consumer spending linked to gains in employment and real wages. U.S. GDP will rise 2.8 percent in 2018, while consumer spending will advance at a strong 2.6 percent pace next year, with growth moderating thereafter. U.S. economic growth could accelerate as tax and regulatory burdens are removed. That said, the policy situation is fluid, and trade and other economic policy uncertainty could affect both business and consumer confidence.

Turning to the business of chemistry, broad gains in U.S. manufacturing, construction and export markets bode well for growth. Despite a slow start to the year, U.S. chemical production is expected to expand 3.4 percent in 2018 and 3.6 percent in 2019. Over the next eighteen months,

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we expect solid growth across multiple chemical sectors, especially fertilizers, crop protection, coatings, consumer products, and petrochemicals.

Over the long term, America's chemistry industry continues to expand. The economics of shale gas has fostered new investment and growth in capacity, which is now starting to come online. Chemical production is expected to continue to increase across all regions of the U.S. during 2018, with the most dynamic growth occurring in the Gulf Coast region, followed by the Midwest and Ohio Valley regions. American chemistry revenues will exceed $700 billion by 2023.

"Due to the U.S. chemical industry expansion and strong demand from foreign markets and domestic manufacturers downstream, total two-way U.S. chemicals trade is expected to grow 6.2 percent this year to $241.0 billion following a 6.0 percent gain in 2017," the report notes. "Driven by the basic chemicals sector, U.S. chemicals exports will grow 7.2 percent this year to $139.2 billion. At the same time, imports are projected to rise 4.9 percent to $101.8 billion by the end of this year. The trade surplus in chemicals is projected to reach 71.4 billion by 2023."

A note of caution is in order. "The projections presented for chemicals trade growth are optimistic for this year and the short-term future," the *Outlook* states. "However, there are risks to the scenario related to protectionist trade policies which will reduce the competitiveness of chemical (and other) manufacturers operating in the U.S. Introducing barriers to trade within the chemicals sector and downstream sector will negatively impact the industry's grade growth performance. Indeed, even the threat to such policies introduces uncertainty for future investments and the ability to fully employ the U.S. as an export platform."

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