



# Press Release

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## CHEMICAL INDUSTRY OUTLOOK: RECOVERY FROM THE COVID-19 GLOBAL RECESSION

**WASHINGTON (December 9, 2020)** – U.S. chemical production is regaining momentum after coping with supply disruptions, falling demand and shrinking revenue linked to the global COVID-19 pandemic, according to the American Chemistry Council (ACC)'s [Year-End 2020 Chemical Industry Situation and Outlook](#). With the recovery that began in Q3 firmly in place and improvement in many key chemistry-consuming industries, the outlook is positive.

At the start of 2020, U.S. chemistry faced headwinds including a global manufacturing slowdown, protectionist trade policies and uncertainty about the upcoming U.S. elections. As the business effects of the pandemic took hold, chemical production fell. Motor vehicle production plummeted along with supply chain output. Housing showed strong gains due to shifting patterns of remote work and record-low interest rates. Most other end-use segments declined, partially offset by demand for chemistries used to make items used in the response to the pandemic.

“American chemistry is playing a vital role in the [global fight against COVID-19](#), providing inputs for personal protective equipment, disinfection and sanitation products, medical supplies and equipment, protective barriers, and plastic packaging, among others,” said Kevin Swift, ACC chief economist and *Outlook* co-author. In March, the U.S. Department of Homeland Security [identified](#) the chemical sector and its workers as ‘Essential Critical Infrastructure.’

During 2020, performance among chemical sectors was mixed. Plastic resins was the only segment to post positive growth, due to its role in COVID-related solutions. Other basic chemical segments declined, especially synthetic rubber – a key ingredient in tire manufacturing. Specialty chemicals saw demand falter across nearly all functional and market segments. ACC expects a fairly significant rebound in 2021.

“The post-pandemic outlook is for broad-based growth in chemicals supported by solid fundamentals,” said Martha Moore, senior director of policy analysis and economics at ACC and co-author of the *Outlook*. “Growing customer demand, stabilizing export markets, and a competitive edge linked to domestic supplies of shale gas and natural gas liquids (NGLs) are among the factors pointing to continued gains in U.S. chemistry.”

Total chemical production volume excluding pharmaceuticals fell by 3.6 percent in 2020 and is expected to grow by 3.9 percent in 2021 and 2.7 percent in 2022. Basic chemicals production fell 1.3 percent in 2020 and is projected to grow by 5.0 percent in 2021 and 3.2 percent in 2022.



U.S. GDP tumbled 3.8 percent during 2020, down from a 2.3 percent gain in 2019. As the global economy recovers from the pandemic-induced recession, U.S. growth is expected to rebound 3.7 percent in 2021 and 3.2 percent in 2022, led by stronger consumer spending. Industrial production fell 6.9 percent in 2020, with declines occurring in nearly every sector. Industrial production is expected to rise 3.7 percent in 2021 and 3.5 percent in 2022. Growth is anticipated for nearly all industries, with the largest gains occurring in motor vehicles, aerospace, appliances, iron and steel, petroleum refining, and plastic and rubber products.

Automotive and building and construction are important end-use markets for chemistry. Production of light vehicles was very strong during 2015-19, averaging nearly 17 million units per year. Sales are expected to average only 14.4 million in 2020. A V-shaped recovery has begun, and sales are expected to rise to 16.0 million in 2021. The consensus outlook is for sales to improve further and remain at elevated levels over the next several years.

The consensus outlook for housing is for a gain to 1.34 million units this year as many households move to less densely populated areas, followed by modest progress through 2025. Household formations are supportive, as are job and income gains in the long-term. Low mortgage rates have provided some stimulus. Shortages of labor and available lots are constraining the pace of growth, however. Housing starts are set to edge higher to 1.38 million in 2021 and 1.36 million in 2022.

U.S. chemicals trade will be notably lower in 2020, and it will be a year or two before total trade flows return to pre-COVID levels. Total chemicals trade is projected to shrink 7 percent to \$220.8 billion in 2020, then recover to \$240 billion in 2021. Exports will fall 9 percent to \$124.0 billion in 2020 before expanding to \$134.5 billion in 2021. Imports will fall 5 percent to 96.8 billion in 2020, then recover to \$105.5 billion in 2021. The chemicals trade outlook is linked to the shape of the manufacturing recovery, trade policy, and the course of COVID-19. Potential changes in global supply chains could affect international trade levels longer-term.

Prepared annually by ACC's Economics and Statistics Department, the [\*Year-End 2020 Chemical Industry Situation and Outlook\*](#) is the association's review of the U.S. and global business of chemistry and the macroeconomy. It offers global and domestic chemical industry data related to production, trade, shipments, capacity utilization, end-use markets, R&D spending, capital spending, employment and wages.

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*The American Chemistry Council (ACC) represents the leading companies engaged in the business of chemistry. ACC members apply the science of chemistry to make innovative products and services that make people's lives better, healthier and safer. ACC is committed to improved environmental, health and safety performance through Responsible Care®; common sense advocacy designed to address major public policy issues; and health and environmental research and product testing. The business of chemistry is a \$565 billion enterprise and a key element of the nation's economy. It is among the largest exporters in the nation, accounting for ten percent of all U.S. goods exports. Chemistry companies are among the largest investors in research and development. Safety and security have always been primary concerns of ACC members, and they have intensified their efforts, working closely with government agencies to improve security and to defend against any threat to the nation's critical infrastructure.*

