News Release

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ECONOMIC OUTLOOK FOR U.S. CHEMICAL INDUSTRY STRONG; LONG-TERM GROWTH TO ACCELERATE AND OUTPACE OVERALL U.S. ECONOMY

WASHINGTON (June 2, 2015) – Following a first quarter softened by transitory extreme weather as well as port disruption, the U.S. economy is growing below its potential as high taxes, debt, and regulatory burdens continue to take a toll on business and consumer confidence, causing businesses to cut-back on capital spending in the first quarter of 2015, according to the American Chemistry Council’s (ACC), Mid-Year 2015 Chemical Industry Situation and Outlook released today.

Against this backdrop, however, the U.S. chemical industry will be a long-term economic growth engine as improvements in its customer industries and in emerging markets occur, and as enhanced feedstock competitiveness continues to take root.

In the U.S., economic growth is expected to be near its long-term growth potential this year and will be led by consumer spending. Following growth of around 2.5 percent in 2015, growth is expected to accelerate to a pace of around 2.9 percent in 2016, before moderating in the second-half of the decade. Areas of drag include exports and, in the short-term, business investment, as lower oil prices continue to curb energy sector investment.

Turning to the business of chemistry, despite the slowdown in global manufacturing and volatile oil price dynamics, U.S. chemistry volume gains have held up well. The outlook for the U.S. business of chemistry is for a 3.2 percent gain in production volumes this year, followed by 3.0 percent in 2016. This is slightly down from ACC’s 2014 outlook as first quarter softness and the strong U.S. dollar weigh on expectations. According to ACC, excluding pharmaceuticals, the numbers are even brighter: a 4.1 percent gain in 2015 followed by a 3.4 percent gain in 2016. Production will continue to gather steam as renewed competitiveness fosters a wave of new investment and new capacity. In the long-term, the U.S. chemical industry will grow faster than the overall U.S. economy.

Growth in the industry has also reversed a decade-long trend in falling employment. Employment is expected to grow by 0.7 percent in 2015, with jobs being added through 2020.

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While growing strength in American manufacturing, improvement in labor markets, and growth in key end-use markets have yielded solid domestic demand for chemicals, weakness in external markets has continued to limit U.S. export sales. The effect of the high dollar and the slow growth of external markets will continue to hinder trade growth for the rest of the forecast period. Despite the competitive position due to the favorable oil-to-gas price ratio, ACC does not expect that the domestic industry will post a trade surplus until 2018, with the industry positioned as a net exporter over the longer-term. As new investments continue to come online, basic chemicals export growth will accelerate.

Overall Outlook

At the midway point in 2015, the business of chemistry is poised for growth. Continued recovery in end-use markets, sustained competitiveness and the eventual return of global economic growth will lift demand for American chemistry over the next several years. Inventories remain largely balanced, so increasing demand for chemistry will be met by new production rather than stock drawdowns. ACC expects to see above-trend growth in basic chemicals over the forecast horizon, in addition to solid demand in other segments.

With the development of shale gas and the surge in natural gas liquids supply, the U.S. has moved from being a high-cost producer of key petrochemicals and resins to among the lowest-cost producers globally. This shift in competitiveness will eventually support robust export demand and is driving significant flows of new capital investment toward the United States. Despite some project delays, we anticipate that announced new capacity for chemicals will significantly expand production when those investments come online in the coming years. As a result, employment in the business of chemistry will further accelerate. The industry is expected to continue adding high-paying jobs through the end of the decade. U.S. chemical exports are expected to grow, and as external demand becomes more robust, and the recent pattern of trade deficits shift to one of net surplus. By 2020, American chemistry will be posting record trade surpluses.

The Mid-Year 2015 Situation & Outlook is available for $200 and includes a year-end report published in December. To order or download an electronic version, visit http://www.americanchemistry.com/store or call (301) 617-7824.
chemistry is an $812 billion enterprise and a key element of the nation’s economy. It is the nation’s largest exporter, accounting for twelve percent of all U.S. 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.