ECONOMIC OUTLOOK FOR U.S. CHEMISTRY INDUSTRY IMPROVING, ACC’S YEAR-END REPORT REVEALS  
- Export markets driving growth -

WASHINGTON, D.C. (December 3, 2010) – The outlook for the U.S. chemicals manufacturing sector is improving gradually and global production is set to increase in the coming year, thanks in part to dramatic growth in export markets for the products of chemistry, according to the 2010 Year-End Situation and Outlook, a report released today by the American Chemistry Council (ACC).

For 2010, U.S. chemistry exports will be up by 17%, shifting the trade balance for the industry from a $0.1 billion deficit to a $3.7 billion surplus, its best performance in ten years. The growth in export markets also has partially offset soft domestic demand for the products of chemistry.

“A stronger outlook for U.S. chemical manufacturers means they can continue to drive innovation and economic growth, protect hundreds of thousands of good American jobs and compete in a growing global marketplace,” said ACC President and CEO Cal Dooley. “To maintain this momentum, we need sound economic, energy and environmental policies that will encourage the growth of America’s manufacturing sector and foster technological advances while also protecting human health and the environment.”

Domestically, chemical production volumes have increased across all regions of the United States in 2010 following steep declines in 2008 and 2009. The largest gains have occurred in the Gulf Coast and Ohio Valley regions, boosted by export demand for basic chemicals and plastics. Output is expected to grow moderately in all regions in 2011 and continue to improve through 2012.

The $674 billion American chemistry enterprise accounts for more than 10 percent of U.S. exports and provides approximately 780,000 jobs in the United States.

Export markets driving industry growth
Growth in export markets is driven by several factors, including favorable energy costs, resulting from developments in extracting natural gas from shale; and growth in emerging markets, where recovery, and now expansion, has been strongest.

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Shale gas a ‘game changer’ for U.S. chemical manufacturers

U.S. natural gas markets have seen a dynamic shift over the past five years as a result of increased capacity to extract natural gas from organic shale deposits. Reserves have risen by one-third, resulting in lower prices and greater availability of ethane, a feedstock material derived from natural gas that is the basis for hundreds of manufactured products. This low price for natural gas compared to oil has enabled U.S. chemicals manufacturers to become more competitive than producers in much of the rest of the world.

“Shale gas extraction has been a ‘game changer’ for America’s chemical manufacturers, enabling us to remain highly competitive in a global market,” Dooley said. “We want to ensure that the appropriate regulatory policies are in place to capitalize on this energy source, while ensuring protection of our water supplies and the environment.”

Emerging markets increasing demand for materials

Growth in emerging markets, most notably in China, India, and Brazil, is increasing demand for chemistry feedstock materials. Production of chemistry products in emerging economies increased by 12.2% in 2010, and further gains are expected. During 2011, as emerging nations continue to present good growth prospects, trade in chemicals will continue to expand.

Innovations key to maintaining jobs, building manufacturing base

Despite the recovery, jobs in the U.S. chemistry industry are not expected to increase in the coming year. Since the beginning of the recession, the chemistry industry has lost more than 80,000 jobs, and chemical industry employment will continue to decline slightly as productivity gains outpace production growth. However, average hourly wages for chemistry industry employees rose 4.3% in 2010 and are expected to advance even further in 2011 and 2012.

“Innovations and technological developments are the key components to maintaining and building the U.S. chemical manufacturing base, along with the high-skill, high-paying jobs that are crucial to helping rebuild the economy,” Dooley said.

Throughout 2010, companies have continued to focus on improving efficiencies, product innovations, and increased research and development, according to the report. At the end of 2010, the stage is set for improving operating rates and profit margins, which could lead to moderate increases in new plant and equipment investment in the United States.

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Prepared by ACC’s Economics and Statistics Department, the Year-End Situation and Outlook is the association’s annual review of the U.S. and global business of chemistry. It is used as a resource by a wide variety of industry participants, including chemical manufacturers and distribution companies, investment banks, consulting firms, governments, libraries, and others seeking current analyses of economic trends information.
The 2010 Year-End Situation and Outlook is available for $200. To order a copy, visit www.americanchemistry.com/store.

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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 $674 billion enterprise and a key element of the nation's economy. It is one of the nation's largest exporters, accounting for ten cents out of every dollar in 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.