OUTLOOK: ‘SYNCHRONIZED GLOBAL UPSWING’ UNRAVELS AS U.S. CHEMICAL INDUSTRY GROWTH CONTINUES

WASHINGTON (December 5, 2018) – Ending a rare period of synchronized global expansion, the world’s major economies have slowed, while in the United States, economic growth remains dynamic, manufacturing growth has nearly doubled, and chemicals output has improved, according to the American Chemistry Council’s (ACC) “Year-End 2018 Chemical Industry Situation and Outlook,” released today. Gains in manufacturing and exports in 2018 will continue to drive demand for basic chemicals, while most specialty segments will benefit from these factors along with growth in construction markets.

“Expansion across a broad band of industrial sectors is supporting American economic growth this year,” said Kevin Swift, chief economist at ACC and Outlook co-author. “Housing, business investment, and their supply chains have momentum. Light vehicle sales have likely peaked for this cycle, but remain at elevated levels. In 2019, industrial activity will expand, but the slowdown overseas is likely to affect the U.S. and rising trade tensions present a risk of economic disruption.”

U.S.-based chemical manufacturing remains advantaged in global markets due to abundant energy and feedstock supplies. Since 2010, 333 projects cumulatively valued at $202 billion have been announced. As this investment comes online, production is growing. Total chemical production volume (excluding pharmaceuticals) rose by 3.1 percent in 2018 and is expected to grow by 3.6 percent in 2019 before easing to 3.1 percent in 2020 and 2.2 percent in 2021. Basic chemicals production is expected to increase by 2.1 percent in 2018, 4.8 percent in 2019, and 4.3 percent in 2020.

Stronger export markets and gains in business investment spending have boosted demand in key end-use markets for chemistry such as light vehicles and housing. Light vehicle sales have declined from the robust pace of 2015-16, but will remain elevated at 17.1 million in 2018 and 16.8 million in 2019, according to the ACC report. Housing activity is improving, with 1.27 million starts in 2018 and 1.34 million in 2019 before the level gradually returns to its long-term underlying demand pace of 1.5 million units per year by 2023.

In the specialties chemicals segment, production will pick up by 3.7 percent in 2018, and another 2.2 percent in 2019. Gains in specialty chemicals were led by improvement in oilfield chemicals, electronic chemicals, coatings, adhesives, cosmetic chemicals, and flavors and fragrances.
Demand for specialty chemicals is expected to grow in line with industrial and construction sector gains in the years ahead.

The U.S. chemical industry will post a $39 billion trade surplus in chemicals this year as exports rise 10 percent to $143 billion and imports rise 7.8 percent to $105 billion. Some sectors of competitively advantaged chemicals trade are expanding at a faster rate. Two-way trade between the U.S. and its foreign partners will reach $248 billion this year, a 9.1 percent increase from 2017. Assuming no major trade disruptions, there will be a $69 billion trade surplus in chemicals by 2023. Access to export markets will be critical since export growth will drive industry gains over the next decade.

“American chemistry is set for significant growth in output as new production capacity comes online and demand strengthens in key end-use markets,” said Martha Moore, senior director of policy analysis and economics at ACC and co-author of the Outlook. “In fact, growth rates in U.S. chemistry over the next five years are expected to surpass average growth over the previous 20 years. Provided that access to export markets remains open to our producers, expanding global demand will be met by shale-advantaged chemistry sourced from the United States.”

The business of chemistry is a $526 billion enterprise and one of America’s most significant manufacturing industries, accounting for more than 10 percent of all U.S. exports and 12 percent of the world’s chemicals. More than 96 percent of all manufactured goods are touched by products of chemistry.

Prepared annually by ACC’s Economics and Statistics Department, the “Year-End 2018 Chemical Industry Situation and Outlook” is the association’s annual review of the U.S. and global business of chemistry. It offers global and domestic chemical industry data related to production, trade, shipments, capacity utilization, R&D spending, capital spending, employment and wages.

The “Year-End 2018 Chemical Industry Situation and Outlook” is available as part of a larger subscription. To order the subscription, visit https://store.americanchemistry.com/.

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