



## News Release

For Immediate Release

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### **OUTLOOK: U.S. CHEMICAL INDUSTRY CONTINUES TO OUTPACE INDUSTRIAL OUTPUT; ACCOUNTS FOR MORE THAN ONE-HALF OF CONSTRUCTION SPENDING BY MANUFACTURING SECTOR**

WASHINGTON (December 8, 2016) – The business of American chemistry is strong, and getting stronger, according to the American Chemistry Council’s (ACC) “*Year End 2016 Chemical Industry Situation and Outlook*,” released today. Despite a contraction this year, U.S. chemical production (excluding pharmaceuticals) is expected to realize overall growth of 1.6 percent in 2016, followed by 3.6 percent growth next year, and 4.8 percent in 2018.

“American chemistry is on the move,” said Kevin Swift, chief economist of ACC and lead author of the report. “The competitive advantage the U.S. still maintains, driven by access to affordable and abundant supplies of natural gas, continues to offset significant headwinds, including an overall drop in business investment, a rebalancing in the oil and gas sector, soft export markets, and a high dollar.” Key domestic end-use markets including light vehicles and housing continue to expand, consumer spending accelerated, the labor market firmed, and households enjoyed extra savings from lower energy costs, all factors which also contributed to industry expansion.

According to the report, output gains were led by agricultural chemicals, coatings and other specialties, as well as bulk petrochemicals and organics and plastic resins, all areas aided by renewed competitiveness arising from shale gas. Advances in manufacturing and exports during 2017 and beyond will drive increased demand for basic chemicals and improving manufacturing activity is expected to support growth for most specialty segments.

Swift also noted that production grew in every major chemical producing region in the U.S. during 2016. Over the next five years, the most dynamic growth will occur in the Gulf Coast region, followed by the Ohio Valley and Southeast regions. In the long-term, the U.S. chemical industry will grow faster than the overall economy, and by 2020, U.S. chemical industry sales are expected to exceed \$1 trillion.

U.S. basic chemicals, while benefiting from the shale gas advantage, were constrained by weakness in manufacturing and export markets. With new capacity coming on stream, production volume growth will grow to 4.2 percent next year and exceed 6.0 percent per year during 2018-19.

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In the specialties chemical segment, production will pick up and grow to 3.0 percent in 2017. Performance in these sectors has continued to be dampened by oilfield and mining chemicals, but demand is expected to grow as the oil and gas sector recovers.

Most notably, according to Swift, momentum for the entire industry will continue as new capacity comes online in the next several years. As of December 2016, more than 275 new chemical production projects had been announced since 2010 with a total value of more than \$170 billion, with a full 49 percent already complete or under construction. “The United States remains the place for chemical companies to invest,” said Swift. Capital spending in the industry surged 21.0 percent in 2015, reaching nearly \$44 billion, and accounting for more than one-half of total construction spending by the manufacturing sector. By 2021, capital spending is expected to reach \$70 billion, contributing to four consecutive years of job growth in the industry.

The business of chemistry is a \$797 billion enterprise and one of America’s most significant manufacturing industries, accounting for more than 14 percent of all U.S. exports and 15 percent of the world’s chemicals. More than ninety-six percent of all manufactured goods are touched by products of chemistry.

Prepared annually by ACC’s Economics and Statistics Department, the “*Year-End 2016 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 2016 Chemical Industry Situation and Outlook*” is available as part of a larger subscription. To order the subscription, visit <http://store.americanchemistry.com/>

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