MID-YEAR OUTLOOK: U.S. CHEMICAL INDUSTRY EXPANSION CONTINUES DESPITE HEADWINDS

WASHINGTON (June 4, 2019) – U.S. chemical industry output will continue to grow in 2019 despite a challenging global economy, according to the American Chemistry Council’s (ACC) Mid-Year 2019 Chemical Industry Situation and Outlook. Growth in key domestic end-use markets and a sustained competitive advantage tied to surging supplies of natural gas and NGLs from shale activity are spurring new capital investment in American chemistry. Solid production gains are anticipated as new capacity comes online.

With slowing growth prospects across much of the globe and rising trade tensions, chemical exports are not performing as well as expected a year ago. Manufacturing also appears to be slowing. On the plus side, chemical inventories are in a more balanced position, housing is expected to ease slightly before continuing its slow recovery, and the automotive sector will stay at relatively elevated levels. Both are important end-use markets for chemistry.

“During 2019, performance among individual chemical segments will be mixed,” the Outlook states. “Output gains will be strongest in organic chemicals, inorganic chemicals and other specialty chemicals. Production of agricultural chemicals and consumer products will fall slightly before recovering in 2020.”

Rising business investment will continue to drive U.S. GDP growth, though at slower rates than the previous two years. Growth in consumer spending, while moderating, is also making a positive contribution. GDP is projected to rise by 2.5 percent in 2019, 1.9 percent in 2020 and 1.8 percent in 2021. The chemical industry will be source of strength, with growth of 2.5 percent in 2019 and 3.0 percent in 2020. In fact, chemical industry growth will exceed that of the U.S. economy through 2024.

Trends in the U.S. economy can be viewed in ACC’s Chemical Activity Barometer (CAB), a composite index of economic indicators that track chemical industry activity.

“The United States remains an attractive destination for chemical industry investment,” the Outlook notes. “Since 2010, petrochemical producers have announced significant expansions of capacity in the U.S., reversing a decades-long decline.” To date, 334 chemical and plastics projects cumulatively valued at $204 billion have been announced, with 53 percent of the investment completed or underway and 40 percent in the planning phase. America’s plentiful and
affordable supplies of natural gas and NGLs – a key feedstock for chemical makers in the U.S. – are driving the new investment. Further gains in capital spending are anticipated, increasing by 5.4 percent this year and 4.9 percent in 2020. Capital spending will reach $43 billion by 2024.

The U.S. chemical industry trade surplus continues to grow, but potential expansion is limited by reduced external demand due to slower global growth and rising trade barriers. The U.S. chemical industry will post a $37 billion trade surplus in chemicals this year as exports rise 5.9 percent to $149 billion and imports rise 2.4 percent to $112 billion. Two-way trade between the United States and its foreign partners will reach $260 billion in 2019, a 4.4 percent expansion over last year, though trade growth has slowed considerably.

The Mid-Year 2019 Situation & Outlook includes a year-end report published in December. To order or download an electronic version, please visit http://www.americanchemistry.com/store or call (301) 617-7824.

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