

## American Chemistry Council

### Chemical Manufacturing Economic Sentiment Index

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Economic Sentiment Index (ESI) Survey responses were collected from January 8-19.

**Summary:** Chemical manufacturers' assessment of their own company's activity level (e.g., sales, production, output) deteriorated for the fourth consecutive quarter, according to findings from ACC's Chemical Manufacturing Economic Sentiment Index (ESI). Sentiment around major customer market demand was also negative in Q4. New orders and production levels were down in Q4, and industry employment levels declined. Chemical manufacturers expect demand to recover and their own company's activity levels to improve over the short-term outlook period. The short-term outlook readings for new orders and production levels were positive. While chemical manufacturers' sentiment around the state of the economy – US and global – remained negative in Q4, their outlook is for improvement over the coming six months.

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**U.S. chemical production levels** decreased over Q4. The ESI reading for production levels has been negative for three consecutive quarters. The ESI reading for growth in chemical production levels dropped to -29.8 in Q4 from -2.4 in Q3. Over Q4, nearly half (47%) of chemical manufacturers reported production levels had decreased. Companies expect production levels to be higher six months from now.

**New orders** for U.S. chemicals declined in Q4. Orders were down for both domestic orders and exports. The headline reading on the volume of new orders dropped 45.2 points from 4.8 in Q3 to -40.4 in Q4. Over Q4, about half (53%) of chemical manufacturers reported the volume of new orders had decreased. Looking ahead six months, chemical manufacturers anticipate gains in the volume of both domestic and foreign orders.

The **volume of order backlogs** index continued to indicate declines through Q4. Six months from now, 70% of chemical manufacturers expect the volume of order backlogs to be "about the same" while 11% expect a decrease and 19% expect an increase.

**Raw materials inventory levels** declined over Q4, marking the fourth consecutive quarter of decline. **Finished goods inventory levels** also declined over Q4 and it was the third consecutive quarter of decline. Chemical manufacturers expect to see a build-up in inventories of both finished goods and raw materials over the next six months, the first gain since the survey's launch in Q1 2023.

A key metric for supply chain and inventory management, the **supplier delivery times** index was negative for the fourth quarter in a row, indicating supply chain pressures steadily eased over 2023.

Trends in **chemical manufacturers' production costs** were mixed over Q4. Following an uptick in Q3, **energy costs (for fuel and power)** eased in Q4, and the ESI reading dropped 26.9 points to -17.4. **Input/raw materials costs** continued to soften over Q4 though at a decelerated pace. **Transportation costs** declined over every quarter in 2023. **Labor costs** rose over every quarter in 2023. Looking ahead six months, chemical manufacturers expect lower input/raw material and energy costs. Chemical manufacturers anticipate facing higher transportation and labor costs.

**Chemical industry employment levels** held steady through Q3 then declined over Q4. Chemical manufacturers expect employment levels to remain about the same over the coming six months. Most chemical manufacturers indicate the availability of skilled labor has been steady so far this year and will be about the same over the short-term.

Chemical manufacturers reported increased **capital spending** in Q4. Looking ahead six months, capital spending is expected to increase.

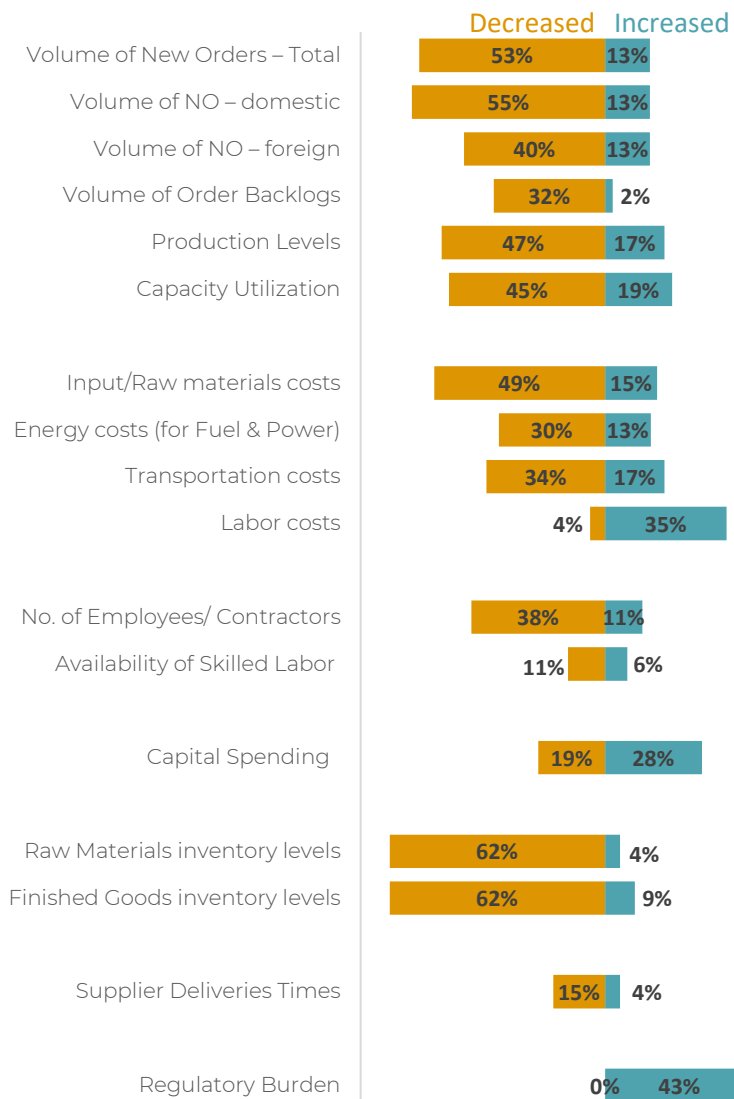
Manufacturers report facing a growing **level of regulatory burden** (i.e., compliance and opportunity costs). The Q4 reading for regulatory burden was 42.6 and rises further to 55.3 over the coming six months.

**Chemical manufacturers continue to assess economic conditions in the U.S. and globally as having deteriorated.** The Q4 ESI readings were -17.0 for the state of economic conditions in the U.S. and -42.6 for economic conditions globally. Chemical manufacturers expect economic conditions to improve over the short term.

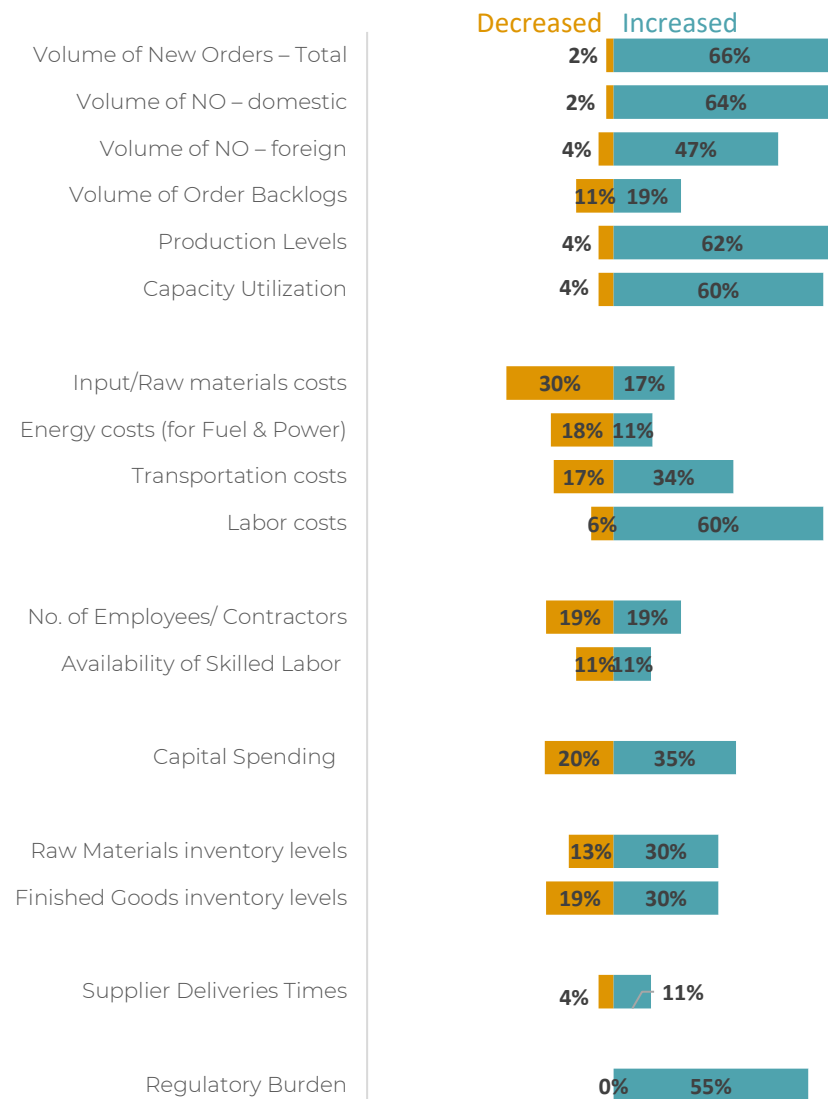
**Chemical manufacturers continue to report facing weakening demand from their major customer markets.** The ESI reading on chemical manufacturers' assessment of customer demand has been negative every quarter this year. Looking ahead six months, chemical manufacturers are anticipating improvement.

Though **chemical manufacturers' assessment of their own company's activity level (e.g., sales, production, output)** has been negative for the past four quarters, they continue to expect improvement when they consider their situation six months ahead. The short-term outlook ESI reading for assessment of "own company's activity level overall" rose from 34.1 in Q3 to 55.3 in Q4.

### Chemical Manufacturers Assessment of their US Business, Q4 2023 vs Q3 2023



### Chemical Manufacturers Assessment of their US Business, Outlook for Next 6 months (Q1 2024-Q2 2024)



Indicator	Current Assessment (Q4 vs Q3 2023)								Short-term Outlook (6 months from Q4 2023)							
				Index:								Index:				
	Decreased	About the Same	Increased	Q1	Q2	Q3	Q4	Decrease	About the Same	Increase	Q1	Q2	Q3	Q4		
Volume of New Orders – <b>total</b> orders	53%	34%	13%	10.8	2.5	4.8	-40.4	2%	32%	66%	54.1	10.0	45.0	63.8		
Volume of New Orders – domestic	55%	32%	13%	8.1	-2.5	0.0	-42.6	2%	34%	64%	51.4	12.5	36.6	61.7		
Volume of New Orders – foreign	40%	47%	13%	0.0	-7.7	-11.9	-27.7	4%	49%	47%	40.5	10.0	24.4	42.6		
Volume of Order Backlogs	32%	66%	2%	-25.0	-22.5	-35.7	-29.8	11%	70%	19%	2.8	0.0	-26.8	8.5		
Production Levels	47%	36%	17%	10.5	-12.5	-2.4	-29.8	4%	34%	62%	44.4	10.0	45.0	57.4		
Capacity Utilization	45%	36%	19%	13.2	-12.5	-7.1	-25.5	4%	36%	60%	41.7	12.8	37.5	55.3		
Input/Raw materials costs	49%	36%	15%	-55.3	-70.0	-36.6	-34.0	30%	52%	17%	-13.5	-22.5	7.5	-13.0		
Energy costs (for Fuel & Power)	30%	57%	13%	-44.7	-30.0	9.5	-17.4	18%	71%	11%	8.1	5.0	31.7	-6.7		
Transportation costs	34%	49%	17%	-21.1	-27.5	-26.2	-17.0	17%	49%	34%	8.3	2.5	9.8	17.0		
Labor costs	4%	61%	35%	71.1	42.5	28.6	30.4	6%	34%	60%	54.3	10.0	61.0	53.2		
Number of Employees/Contractors	38%	51%	11%	2.6	-2.5	0.0	-27.7	19%	62%	19%	8.1	-12.5	-7.3	0.0		
Availability of Skilled Labor	11%	83%	6%	0.0	0.0	-2.4	-4.3	11%	79%	11%	13.5	-2.5	-5.0	0.0		
Capital Spending	19%	53%	28%	-26.3	0.0	14.3	8.5	20%	46%	35%	35.1	0.0	26.8	15.2		
Raw Materials inventory levels	62%	34%	4%	-7.9	-32.5	-50.0	-57.4	13%	57%	30%	-16.2	-35.0	-9.8	17.0		
Finished Goods inventory levels	62%	30%	9%	18.4	-35.9	-35.7	-53.2	19%	51%	30%	-5.4	-32.5	-7.3	10.6		
Supplier Deliveries Times	15%	81%	4%	-13.2	-2.5	-9.5	-10.6	4%	85%	11%	-5.4	-5.0	-4.9	6.4		
Level of Regulatory Burden (i.e., compliance and opportunity costs)	0%	57%	43%	NA	37.5	54.8	42.6	0%	45%	55%	NA	40.0	61.0	55.3		

		Current Assessment (Q4 vs Q3 2023)								Short-term Outlook (6 months from Q4 2023)							
					Index:								Index:				
		Deteriorated	About the Same	Improved	Q1	Q2	Q3	Q4	Deteriorate	About the Same	Improve	Q1	Q2	Q3	Q4		
<b>Economic Conditions:</b>	What's your assessment of the state of economic conditions in the U.S.?	26%	66%	9%	-42.1	-27.5	-28.6	-17.0	6%	57%	36%	-10.8	-15.0	-14.6	29.8		
	What's your assessment of the state of economic conditions globally?	45%	53%	2%	-36.8	-52.5	-45.2	-42.6	15%	57%	28%	0.0	-17.5	-17.1	12.8		
<b>Company Activity Level:</b>	What's your assessment of your company's activity level overall (e.g., sales, production, output)?	40%	49%	11%	-13.2	-20.0	-11.9	-29.8	2%	40%	57%	32.4	10.0	34.1	55.3		
<b>Customer Market Demand:</b>	What's your assessment of demand from your company's major customer markets overall?	45%	47%	9%	-26.3	-42.5	-23.8	-36.2	2%	47%	51%	18.9	0.0	24.4	48.9		

ACC conducts a voluntary online quarterly survey of over 100 diversified chemical manufacturers with operations in the United States. Chemical manufacturers consider key business indicators and how those indicators changed for their company in the current quarter (compared to the prior quarter) as well as how they expect the indicators to have changed six months from the current quarter. Categorical responses are aggregated, and a diffusion index is calculated by subtracting the percentage of respondents indicating "decreased" or "deteriorated" from the percentage indicating "increased" or "improved". Measured at a base value of 0, an index reading above 0 means that the indicator has generally increased. A reading below 0 means that the indicator has generally decreased over the reference period. Contact Emily Sanchez, Director, Economics & Data Analytics (emily\_sanchez@americanchemistry.com) with questions about this survey and the survey findings.

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