

American Chemistry Council

Chemical Manufacturing Economic Sentiment Index

Economic Sentiment Index (ESI) Survey responses were collected from April 8-24.

Summary: U.S. chemical manufacturers' overall level of activity improved in the first quarter, but is expected to deteriorate through mid-2025, according to companies participating in ACC's quarterly Chemical Manufacturing Economic Sentiment Index survey. ACC's index, based on companies' assessment of their activity level overall (e.g., sales, production, output) rose in Q1 despite the fact that chemical manufacturers reported weak demand in major customer markets and challenging economic conditions in the U.S. and abroad. The majority of companies described major customer market demand as having flattened or deteriorated in Q4. The volume of new orders index rose in Q1, with an increase in domestic orders offset by a decline in foreign orders. The outlook deteriorated sharply and across a broad set of indicators, however.

Table. Chemical Manufacturing Economic Sentiment Index – Select Indicators



Details: ACC's ESI **chemical production levels** index was positive following two quarters when the index was in negative territory. Looking ahead six months, for the first time since the survey's inception in 2023, the share of companies expecting decreased production (37%) has exceeded those expecting increases (22%).

Following gains over the first half of 2024, chemical manufacturers continued to report facing weak customer demand for a third quarter in Q1 with the index coming in at -14.6. The majority of companies described **major customer market demand** as having either stabilized or deteriorated in Q1 and only 15% of companies reported improvement. Looking ahead, customer demand is expected to deteriorate.

The volume of **new orders** improved in Q1 (following two quarters of contraction). The gain was driven by an increase in domestic orders. Foreign orders continued to decrease. Looking ahead six months, only 7% of companies expected foreign orders to increase. For domestic orders, a slight majority of companies expect orders to decrease.

The **order backlogs** index declined for a fourth consecutive quarter in Q1. More than half (56%) reported the volume of order backlogs remained "about the same" while 29% reported a decline. Six months from now, 98% of chemical manufacturers expect the volume of order backlogs to be "about the same" or lower.

The **raw materials inventory levels** index went from negative to positive in Q1 though most companies (76%) reported levels were about the same as in Q4. Looking ahead six months, raw material inventories are expected to decrease with 32% of companies expecting declines and 66% expecting levels to remain stable. Similarly, the **finished goods inventory levels** index turned positive from neutral, though most companies (61%) reported that finished goods inventories held steady over Q1. Looking ahead, chemical manufacturers anticipate destocking of both raw materials and finished goods with those indices coming in at -29.3 and -36.6, respectively.

A key metric for supply chain and inventory management, most chemical manufacturers reported **supplier delivery times** were “about the same” over Q1. Looking ahead, delivery times are expected to increase slightly.

Chemical manufacturers reported increased costs during Q1. Nearly half of companies reported an increase in **Input/raw materials costs**. The indices for **other chemical manufacturing production costs** remained positive, as more companies reported increased costs for **energy (fuel & power)**, **transportation** and **labor** than reported declines. Looking ahead six months, chemical manufacturers expect production costs to be elevated.

Employment levels continued to be stable in Q1, however, the future employment levels index declined for the third quarter in a row. For the most part, chemical manufacturers continue to indicate the **availability of skilled labor** has been “about the same” from quarter to quarter and they are not anticipating significant gains or declines in the short-term.

Following six consecutive quarters of higher **capital spending**, chemical manufacturers pulled back in Q1. Looking ahead six months, capital spending is expected to be stable.

Manufacturers continue to report an increasing **level of regulatory burden** (i.e., compliance and opportunity costs). The regulatory burden index was 22.0 in Q1 as 78% of companies reported levels were “about the same”, 22% reported an increase and no companies reported experiencing relief. The outlook for the coming six months was mixed. Slightly more companies expect their regulatory burden to increase than to decrease.

Chemical manufacturers viewed the **state of economic conditions in the U.S.** as having deteriorated further during the first quarter of 2025. Their assessment of the **global economic situation** also continues to be negative. Expectations for both the U.S. and global economies is expected to worsen with more than two-thirds of companies expecting worsening conditions over the next six months.

INDICATOR		Current Assessment (Q1 2025 vs Q4 2024)			INDEX:			Short-term Outlook (6 months from Q1 2025)			INDEX:		
		Decreased	About the Same	Increased	2024 Q3	Q4	2025 Q1	Decrease	About the Same	Increase	2024 Q3	Q4	2025 Q1
Volume of New Orders – total orders		17%	46%	37%	-5.1	-47.6	19.5	37%	39%	24%	26.3	45.2	-12.2
Volume of New Orders – domestic		12%	44%	44%	5.1	-39.0	31.7	29%	44%	27%	28.9	45.2	-2.4
Volume of New Orders – foreign		29%	51%	20%	-15.4	-33.3	-9.8	51%	41%	7%	2.6	7.5	-43.9
Volume of Order Backlogs		29%	56%	15%	-25.6	-37.5	-14.6	46%	51%	2%	-10.5	10.0	-43.9
Production Levels		17%	44%	39%	-5.1	-43.9	22.0	34%	44%	22%	29.7	51.2	-12.2
Capacity Utilization		18%	43%	40%	-10.3	-35.7	22.5	37%	41%	22%	22.2	39.0	-14.6
Input/Raw materials costs		12%	39%	49%	5.1	-4.8	36.6	15%	20%	66%	2.6	35.7	51.2
Energy costs (for Fuel & Power)		17%	41%	41%	-2.6	33.3	24.4	22%	39%	39%	18.4	38.1	17.1
Transportation costs		10%	68%	23%	5.3	17.1	12.5	20%	44%	37%	27.0	26.8	17.1
Labor costs		0%	73%	27%	25.6	28.6	26.8	0%	68%	33%	44.7	54.8	32.5
Number of Employees/Contractors		12%	76%	12%	0.0	0.0	0.0	34%	59%	7%	-2.6	-2.4	-26.8
Availability of Skilled Labor		5%	93%	2%	5.1	-2.4	-2.4	10%	76%	15%	7.9	-9.8	4.9
Capital Spending		24%	56%	20%	7.7	7.1	-4.9	25%	50%	25%	23.7	26.2	0.0
Raw Materials inventory levels		5%	76%	20%	-2.6	-2.4	14.6	32%	66%	2%	-10.8	17.1	-29.3
Finished Goods inventory levels		15%	61%	24%	5.1	0.0	9.8	44%	49%	7%	-2.6	19.0	-36.6
Supplier Delivery Times		7%	83%	10%	0.0	7.3	2.4	2%	85%	12%	7.9	14.6	9.8
Level of Regulatory Burden (i.e., compliance & opportunity costs)		0%	78%	22%	38.5	29.3	22.0	20%	59%	22%	63.2	-9.5	2.4

		Current Assessment (Q1 2025 vs Q4 2024)			INDEX:			Short-term Outlook (6 months from Q1 2025)			INDEX:		
		Deteriorated	About the Same	Improved	2024 Q3	Q4	2025 Q1	Deteriorate	About the Same	Improve	2024 Q3	Q4	2025 Q1
Economic Conditions:	What's your assessment of the state of economic conditions in the U.S.?	61%	37%	2%	7.9	-21.4	-58.5	71%	15%	15%	24.3	43.9	-56.1
	What's your assessment of the state of economic conditions globally?	61%	39%	0%	-23.1	-47.6	-61.0	71%	22%	7%	-15.8	-14.6	-63.4
Company Activity Level:													
What's your assessment of your company's activity level overall (e.g., sales, production, output)?		20%	54%	27%	2.6	-26.2	7.3	34%	46%	20%	39.5	46.3	-14.6
Customer Market Demand:													
What's your assessment of demand from your company's major customer markets overall?		29%	56%	15%	-7.7	-47.6	-14.6	41%	46%	12%	26.3	31.7	-29.3

ACC conducts a voluntary online quarterly survey of over 100 diversified chemical manufacturers with operations in the United States. Data from this survey will support ACC's regulatory and legislative advocacy efforts. Aggregated findings will generate additional information about the activity and importance of the chemical industry. 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 Martha Moore, Chief Economist (martha_moore@americanchemistry.com) with questions about this survey and the survey findings.

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