

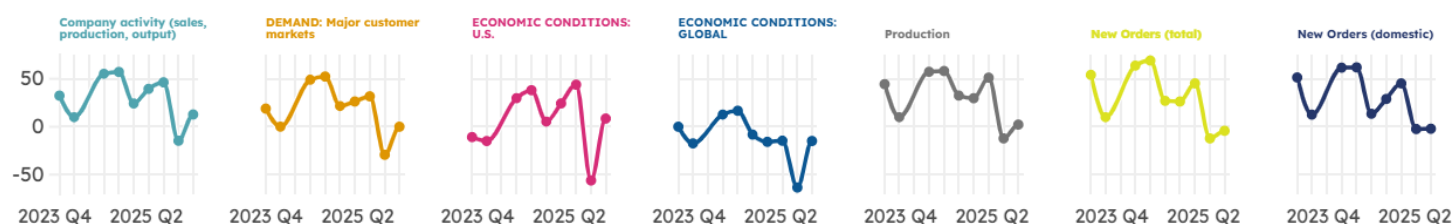
American Chemistry Council

Chemical Manufacturing Economic Sentiment Index

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

Summary: U.S. chemical manufacturers' overall level of activity continued to improve in the second quarter and is expected to improve through the end of the year, 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), remained positive in Q2 despite chemical manufacturers reporting 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 Q2. The volume of new orders index rose in Q2, with an increase in domestic orders that was offset by a decline in foreign orders. While the expectation for many indicators remained negative six months ahead, the outlook was generally less pessimistic than during Q1.

Table. Chemical Manufacturing Economic Sentiment Index – Select Indicators



Details: ACC's ESI chemical production levels index remained positive in Q2 as a slight majority said that production levels increased (26%), compared to the share reporting a decrease (20%). Looking ahead six months, chemical manufacturers were slightly optimistic about higher production levels, with the index for production level expectations rising from -12.2 in Q1 to 2.2 in Q2.

Following gains over the first half of 2024, chemical manufacturers continued to report weak customer demand for a fourth consecutive quarter in Q2, with the index coming in at -8.5. Most companies (83%) described **major customer market demand** as having either stabilized or deteriorated in Q2. Looking ahead, customer demand is expected to flatten with equal shares of companies (28%) expecting improving and deteriorating customer demand.

The volume of **new orders** continued to improve in Q2. The gain was driven by an increase in domestic orders. Foreign orders continued to decrease. Looking ahead six months, companies anticipate lower orders, both foreign and domestic.

The **order backlogs** index declined for a fifth consecutive quarter in Q2. Nearly two-thirds (64%) reported the volume of order backlogs remained “about the same” while 28% reported a decline. Six months from now, 94% of chemical manufacturers expect the volume of order backlogs to be “about the same” or lower.

The **raw materials inventory levels** index remained in positive territory in Q2 as nearly a quarter (23%) reported that raw material inventory levels increased. Looking ahead six months, raw material inventories are expected to decrease, with 33% of companies expecting declines and 61% expecting levels to remain stable. The **finished goods inventory levels** index was negative (-8.5) for the first time since Q4 2023, though nearly half of companies (49%) reported that finished goods inventories held steady over Q2. Looking ahead, chemical manufacturers anticipate continued destocking of both raw materials and finished goods with those indices coming in at -26.1 and -23.4, respectively.

A key metric for supply chain and inventory management, most chemical manufacturers (85%) reported **supplier delivery times** were “about the same” during Q2. Looking ahead, nearly all companies (94%) expect supplier delivery times to be “about the same”.

Chemical manufacturers reported increased costs during Q2, as 38% of companies reported an increase in **Input/raw materials costs**. The indices for **other chemical manufacturing production costs** also remained positive, as more companies reported increased costs for **energy (fuel & power)**, **transportation** and **labor** than reported declines. Looking ahead six months, chemical manufacturers continue to expect elevated production costs.

Following three consecutive quarters of stable **employment levels**, more than a quarter of companies (26%) reported a decrease in the number of employees and contractors in Q2, compared to 11% that reported an increase. Looking ahead, nearly one-third of companies (32%) expect employment levels to move lower, while only 6% expect employment levels to increase. 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.

Chemical manufacturers continued to pull back on **capital spending** in Q2 as nearly a quarter of companies (23%) reported decreased capex, compared to 19% that reported an increase. Looking ahead six months, capital spending is expected to decline, the first negative reading since the survey’s inception in 2023.

Manufacturers continue to report a slight increase in the **level of regulatory burden** (i.e., compliance and opportunity costs). The regulatory burden index was 6.4 in Q2, as 68% of companies reported levels were “about the same”, 19% reported an increase and 13% reporting a decrease (the first time a decrease was reported since the survey’s inception in 2023). The outlook for the coming six months was mixed. Slightly more companies expect their regulatory burden to decrease than to increase.

Chemical manufacturers viewed the **state of economic conditions in the U.S.** as having deteriorated further during the second quarter of 2025. Their assessment of the **global economic situation** also continued to be negative. Expectations for the U.S. economy were positive, with 30% of companies expecting improved conditions, while expectations for the global economy continued to deteriorate.

INDICATOR	Current Assessment (Q2 2025 vs Q1 2025)			INDEX:			Short-term Outlook (6 months from Q2 2025)			INDEX:		
	Decreased	About the Same	Increased	2024 Q4	2025 Q1	Q2	Decrease	About the Same	Increase	2024 Q4	2025 Q1	Q2
Volume of New Orders – total orders	13%	47%	40%	-47.6	19.5	27.7	30%	45%	26%	45.2	-12.2	-4.3
Volume of New Orders – domestic	15%	40%	45%	-39.0	31.7	29.8	30%	43%	28%	45.2	-2.4	-2.1
Volume of New Orders – foreign	24%	63%	13%	-33.3	-9.8	-10.9	28%	62%	11%	7.5	-43.9	-17.0
Volume of Order Backlogs	28%	64%	9%	-37.5	-14.6	-19.1	19%	74%	6%	10.0	-43.9	-12.8
Production Levels	20%	54%	26%	-43.9	22.0	6.5	24%	49%	27%	51.2	-12.2	2.2
Capacity Utilization	17%	54%	28%	-35.7	22.5	10.9	27%	44%	29%	39.0	-14.6	2.2
Input/Raw materials costs	17%	45%	38%	-4.8	36.6	21.3	11%	55%	34%	35.7	51.2	23.4
Energy costs (for Fuel & Power)	17%	60%	23%	33.3	24.4	6.4	4%	64%	32%	38.1	17.1	27.7
Transportation costs	2%	74%	23%	17.1	12.5	21.3	0%	81%	19%	26.8	17.1	19.1
Labor costs	2%	70%	28%	28.6	26.8	25.5	2%	79%	19%	54.8	32.5	17.0
Number of Employees/Contractors	26%	63%	11%	0.0	0.0	-15.2	32%	62%	6%	-2.4	-26.8	-25.5
Availability of Skilled Labor	2%	94%	4%	-2.4	-2.4	2.1	2%	89%	9%	-9.8	4.9	6.4
Capital Spending	23%	57%	19%	7.1	-4.9	-4.3	26%	60%	15%	26.2	0.0	-10.6
Raw Materials inventory levels	15%	62%	23%	-2.4	14.6	8.5	33%	61%	7%	17.1	-29.3	-26.1
Finished Goods inventory levels	30%	49%	21%	0.0	9.8	-8.5	38%	47%	15%	19.0	-36.6	-23.4
Supplier Delivery Times	4%	85%	11%	7.3	2.4	6.4	4%	94%	2%	14.6	9.8	-2.1
Level of Regulatory Burden (i.e., compliance & opportunity costs)	13%	68%	19%	29.3	22.0	6.4	26%	53%	21%	-9.5	2.4	-4.3

		Current Assessment (Q2 2025 vs Q1 2025)			INDEX:			Short-term Outlook (6 months from Q2 2025)			INDEX:		
		Deteriorated	About the Same	Improved	2024 Q4	2025 Q1	Q2	Deteriorate	About the Same	Improve	2024 Q4	2025 Q1	Q2
Economic Conditions:	What's your assessment of the state of economic conditions in the U.S.?	34%	55%	11%	-21.4	-58.5	-23.4	21%	49%	30%	43.9	-56.1	8.5
	What's your assessment of the state of economic conditions globally?	45%	51%	4%	-47.6	-61.0	-40.4	30%	55%	15%	-14.6	-63.4	-14.9
Company Activity Level:	What's your assessment of your company's activity level overall (e.g., sales, production, output)?	15%	55%	30%	-26.2	7.3	14.9	23%	40%	36%	46.3	-14.6	12.8
Customer Market Demand:	What's your assessment of demand from your company's major customer markets overall?	26%	57%	17%	-47.6	-14.6	-8.5	28%	45%	28%	31.7	-29.3	0.0

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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