

American Chemistry Council

Chemical Manufacturing Economic Sentiment Index

Economic Sentiment Index (ESI) Survey responses were collected from October 7-24.

Summary: While U.S. chemical manufacturers' overall level of activity appeared to contract in the third quarter, expectations for the next six months improved compared to the previous quarter, 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), turned negative in Q3, with chemical manufacturers reporting weak demand in major customer markets and challenging economic conditions domestically and abroad. More than half of respondents indicated major customer market demand deteriorated in Q3, a higher proportion than in Q2. The overall volume of new orders fell in Q3, as both domestic and foreign orders dropped. And while expectations over the next six months improved for new orders, production levels, and capacity utilization, companies expect an acceleration in production costs over the same period. Inventories shrank in Q3 as companies indicated accelerating destocking, which is expected to continue, albeit at a slower pace, over the next six months.

Table. Chemical Manufacturing Economic Sentiment Index – 6 Months Ahead, Select Indicators



Details: After two consecutive positive quarterly readings, **ACC's ESI chemical production levels** index turned negative in Q3, as more firms reported a decline (48%) compared to those reporting an increase (16%). Nevertheless, chemical manufacturers were more optimistic about the next six months than they were in Q2, with the index for production level expectations rising from 2.2 to 20.5 in Q3.

Chemical manufacturers continued to report weak **major customer market demand** for a fifth consecutive quarter in Q3, with the index coming in at -46.5, the lowest level since Q4 2024. Most companies (91%) described demand as having either stabilized or deteriorated in Q3. Looking ahead, customer demand is expected to flatten over the next six months, with equal shares of companies (21%) expecting improving and deteriorating customer demand.

After two quarters of expansion, the volume of **new orders** worsened in Q3. Both foreign and domestic orders contracted. However, looking ahead six months, companies expect orders will improve, especially in the U.S.

The **order backlogs** index was negative for a sixth consecutive quarter in Q3. Just over half (56%) reported the volume of order backlogs remained “about the same” while 40% reported a decline. Six months from now, 91% of chemical manufacturers expect the volume of order backlogs to be “about the same” or lower.

After remaining positive the previous two quarters, the **raw materials inventory levels** index turned negative, with respondents reporting inventories either contracting (37%) or remaining stable (63%). No company reported building raw materials inventories in Q3. Looking ahead six months, raw material inventories are expected to decrease, with 18% of companies expecting declines and 70% expecting levels to remain about the same. The **finished goods inventory levels** index was negative (-23.3) for the second quarter in a row, with most companies (91%) reporting that inventories either held steady or dropped over Q2. Looking ahead, chemical manufacturers anticipate continued destocking of both raw materials and finished goods, with the indices coming in at -6.8 and -4.5, respectively. However, those levels, while still negative, are higher than the previous two quarters when the indexes registered large double-digit negative readings. This means the pace of inventory contraction is expected to decelerate.

A key metric for supply chain and inventory management, most chemical manufacturers (91%) reported **supplier delivery times** were “about the same” during Q3, similar to expectations over the next six months.

Chemical manufacturers reported increased costs during Q3, as 34% of companies reported an increase in **input/raw materials costs**, while 27% reported a decrease. 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, with all the production costs indexes increasing notably from Q2.

More than a quarter of companies (28%) reported a decrease in the **number of employees and contractors** in Q3, compared to 12% that reported an increase. Employment also declined in Q2 after remaining stable for the previous three quarters. Looking ahead, more than one-third of companies (36%) expect employment to contract, while 11% expect it 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.

Chemical manufacturers reported a net pullback in **capital spending** in Q3, as over a quarter of companies (26%) reported a decrease compared to 19% reporting an increase. Looking ahead six months, capital spending is expected to continue to decline, as the capex expectations index registered its second consecutive decline in Q3.

Manufacturers reported an increase in the **level of regulatory burden** (i.e., compliance and opportunity costs). The regulatory burden index was 23.3 in Q3, up from 6.4 in the previous quarter, with 72% of companies reporting levels were “about the same”, 26% reporting an increase and only 2% reporting a decrease. The outlook for the coming six months indicates an expectation for increased regulation, as slightly more companies expect their regulatory burden to increase (16%) than to decrease (7%).

Chemical manufacturers viewed the **state of economic conditions in the U.S.** as having deteriorated further during the third quarter of 2025, with the index falling from -23.4 in the previous quarter to -58.1. Their assessment of the **global economic situation** continued to be negative, with the index falling to -62.8 from -40.4 in the second quarter. Expectations for the U.S. economy were slightly negative, with 16% of companies expecting improved

conditions versus 21% anticipating further contractions. Meanwhile, expectations for the global economy continued to deteriorate, with the index registering a negative reading for the sixth quarter in a row.

INDICATOR	Current Assessment (Q3 2025 vs Q2 2025)			INDEX:			Short-term Outlook (6 months from Q3 2025)			INDEX:		
	Decreased	About the Same	Increased	2025 Q1	2025 Q2	2025 Q3	Decrease	About the Same	Increase	2025 Q1	2025 Q2	2025 Q3
Volume of New Orders – total orders	52%	36%	11%	19.5	27.7	-40.9	18%	45%	36%	-12.2	-4.3	18.2
Volume of New Orders – domestic	48%	39%	14%	31.7	29.8	-34.1	16%	45%	39%	-2.4	-2.1	22.7
Volume of New Orders – foreign	37%	53%	9%	-9.8	-10.9	-27.9	19%	63%	19%	-43.9	-17.0	0.0
Volume of Order Backlogs	40%	56%	5%	-14.6	-19.1	-34.9	14%	77%	9%	-43.9	-12.8	-4.7
Production Levels	48%	36%	16%	22.0	6.5	-31.8	14%	52%	34%	-12.2	2.2	20.5
Capacity Utilization	44%	40%	16%	22.5	10.9	-27.9	14%	55%	32%	-14.6	2.2	18.2
Input/Raw materials costs	27%	39%	34%	36.6	21.3	6.8	9%	48%	43%	51.2	23.4	34.1
Energy costs (for Fuel & Power)	16%	55%	30%	24.4	6.4	13.6	2%	59%	39%	17.1	27.7	36.4
Transportation costs	7%	73%	20%	12.5	21.3	13.6	2%	68%	30%	17.1	19.1	27.3
Labor costs	7%	73%	20%	26.8	25.5	13.6	0%	70%	30%	32.5	17.0	29.5
Number of Employees/Contractors	28%	60%	12%	0.0	-15.2	-16.3	36%	52%	11%	-26.8	-25.5	-25.0
Availability of Skilled Labor	2%	89%	9%	-2.4	2.1	6.8	9%	80%	11%	4.9	6.4	2.3
Capital Spending	26%	56%	19%	-4.9	-4.3	-7.0	30%	49%	21%	0.0	-10.6	-9.3
Raw Materials inventory levels	37%	63%	0%	14.6	8.5	-37.2	18%	70%	11%	-29.3	-26.1	-6.8
Finished Goods inventory levels	33%	58%	9%	9.8	-8.5	-23.3	20%	64%	16%	-36.6	-23.4	-4.5
Supplier Delivery Times	2%	91%	7%	2.4	6.4	4.7	2%	95%	2%	9.8	-2.1	0.0
Level of Regulatory Burden (i.e., compliance & opportunity costs)	2%	72%	26%	22.0	6.4	23.3	7%	77%	16%	2.4	-4.3	9.1

		Current Assessment (Q3 2025 vs Q2 2025)			INDEX:			Short-term Outlook (6 months from Q3 2025)			INDEX:		
		Deteriorated	About the Same	Improved	2025 Q1	2025 Q2	2025 Q3	Deteriorate	About the Same	Improve	2025 Q1	2025 Q2	2025 Q3
Economic Conditions:	What's your assessment of the state of economic conditions in the U.S.?	63%	33%	5%	-58.5	-23.4	-58.1	21%	63%	16%	-56.1	8.5	-4.7
	What's your assessment of the state of economic conditions globally?	63%	37%	0%	-61.0	-40.4	-62.8	30%	60%	9%	-63.4	-14.9	-20.9
Company Activity Level:	What's your assessment of your company's activity level overall (e.g., sales, production, output)?	42%	37%	21%	7.3	14.9	-20.9	12%	58%	30%	-14.6	12.8	18.6
Customer Market Demand:	What's your assessment of demand from your company's major customer markets overall?	56%	35%	9%	-14.6	-8.5	-46.5	21%	58%	21%	-29.3	0.0	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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