

## American Chemistry Council

### Chemical Manufacturing Economic Sentiment Index

Economic Sentiment Index (ESI) Survey responses were collected from January 8-23, 2026.

**Summary:** The business environment for chemical manufacturers remained generally challenging in the last quarter of 2025. However, the decline in current conditions decelerated and in expectations six months ahead improved. While remaining in negative territory, the indexes for new orders (both foreign and domestic), production levels, companies' major customer demand, order backlogs, and U.S. and global economic conditions increased compared to Q3, suggesting they declined at a slower pace. Moreover, the capital spending index shifted from contraction to a slight expansion. On the other hand, the overall company activity index indicated a slight acceleration in worsening conditions. Costs of raw materials and energy accelerated notably, while transportation and energy costs continued to rise at the same rates as Q3. The number of employees and contractors declined sharply, with the availability of skilled labor dropping modestly. The rate of destocking decelerated, while the current regulatory burden declined. Looking six months ahead, there were sharp increases in the indexes of new orders, production levels, inventories, overall company activity, and major customer demand. At the same time, companies expect costs to keep increasing, particularly for labor. Capital spending plans improved, signaling a mild expansion six months ahead.

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



**Details:** ACC's ESI **chemical production levels** remained negative for the second quarter in a row as more firms reported a decline (44%) compared to those reporting an increase (23%). Nevertheless, the index rose from -32 to -21, suggesting a relative improvement as production declined at a lower rate. Chemical manufacturers were more optimistic about the next six months than they were in Q3, with the six-months-ahead production index rising from 20 to 52 in Q4, the highest level since Q1 2024.

Chemical manufacturers continued to report weak **major customer market demand** for a sixth consecutive quarter in Q4, with the index coming in at -35, up from -47 in Q3. Most companies (93%) described demand as having either stabilized or deteriorated in Q4. Looking ahead, customer demand is expected to rise over the next six months, with the index leaping from zero in Q3 to 26 in Q4, the highest level since Q4 2024.

After plunging to -41 in Q3, the **new orders** index saw a mild improvement by rising to -31 in Q4, still indicating a contraction but at a slower rate. Both foreign and domestic orders witnessed a similar performance. Looking

ahead six months, companies expect total orders to improve substantially, with the index reaching 48, the highest level since Q1 2024. The foreign orders expectations index jumped from zero in Q3 to 29, while the domestic orders expectation index rose from 23 to 52.

While the **order backlogs** index was negative for a seventh consecutive quarter in Q4, it rose to -12, the highest level since Q2 2024. The order backlog expectations index improved slightly from -5 to -2, the highest level since Q4 2023, as 17% of respondents reported an expected increase while 63% indicating backlogs will remain flat six months ahead.

The **raw materials inventory levels** index remained negative in Q4, although it rose from -37 to -28, with most respondents reporting inventories either contracting (35%) or remaining stable (58%). Looking ahead six months, raw material inventories are expected to increase, with the corresponding index rising from -7 to 16, the highest level since Q4 2024. The **finished goods inventory levels** index was negative (-19) for the third quarter in a row, with most companies (86%) reporting that inventories either held steady or dropped over Q3. Looking ahead six months, chemical manufacturers anticipate the end of destocking for both raw materials and finished goods, with both indices emerging from negative territory and rising to 16 and 21, respectively.

A key metric for supply chain and inventory management, most chemical manufacturers (88%) reported **supplier delivery times** were “about the same” during Q4, mirroring expectations over the next six months.

Chemical manufacturers reported increased costs during Q4, as 53% of companies reported an increase in **input/raw materials costs**, while only 12% reported a decrease, pushing the index to 42, the highest level in the history of the survey starting in Q1 2023. The index for **energy (fuel & power)** saw a similar jump, rising to 44. **Transportation** and **labor** costs rose at the same clip as Q3. Looking ahead six months, chemical manufacturers continue to expect elevated but somewhat decelerating production costs, except for labor, whose costs are expected to accelerate, with the corresponding index rising to 44, its highest level since Q4 2024.

More than a third of companies (37%) reported a decrease in the **number of employees and contractors** in Q4, compared to only 9% reporting an increase, leading to the index dropping to -28, matching the level in Q4 2023 and the lowest point since the survey’s inception. Looking ahead, 23% of respondents expect employment to contract, while 12% expect it to increase, pushing the corresponding index to -12, still indicating an expected contraction but at a lower rate from Q3. Chemical manufacturers indicate that the **availability of skilled labor** declined slightly, with the index falling from 7 in Q3 to 2 in Q4.

Chemical manufacturers reported a marginal increase in **capital spending** in Q4, as over a quarter of companies (26%) reported an expansion compared to 23% reporting a decrease, pulling the index out of negative territory where it has hovered since Q4 2024. Looking ahead six months, capital spending is expected to rise slightly, with the capex expectations index witnessing a similar performance to the current conditions index.

Manufacturers reported a relative decline in the current **level of regulatory burden** (i.e., compliance and opportunity costs), with the index dropping from 23 in Q3 to 9 in Q4, with 86% of companies reporting levels were “about the same”, 12% reporting an increase and only 2% reporting a decrease. The outlook for the coming six months indicates an expectation of a slight increase in regulation, as more companies expect their regulatory burden to increase (16%) while no companies expect a decrease, leading to the index rising from 9 to 16. This is still well below the levels seen for most of 2023 and 2024, when the expectations index hovered around 60.

Chemical manufacturers viewed the **state of economic conditions in the U.S.** as having contracted at a slower rate than in Q3, with the index rising from -58 in Q3 to -33. This was similar to their assessment of the **global economic situation**, with that index climbing to -40 from -63 in Q3. Expectations for the U.S. economy were slightly positive, with 28% of companies expecting improved conditions versus 26% anticipating further contractions. Meanwhile, expectations for the global economy were unchanged from Q3, with the index registering a negative reading for the seventh quarter in a row as 35% of companies expect conditions to deteriorate compared to 14% anticipating an improvement six months ahead.

INDICATOR	Current Assessment (Q4 2025 vs Q3 2025)			INDEX:			Short-term Outlook (6 months from Q4 2025)			INDEX:		
	Decreased	About the Same	Increased	2025 Q2	2025 Q3	2025 Q4	Decrease	About the Same	Increase	2025 Q2	2025 Q3	2025 Q4
Volume of New Orders – <b>total</b> orders	43%	45%	12%	28	-41	-31	10%	33%	57%	-4	18	48
Volume of New Orders – domestic	45%	38%	17%	30	-34	-29	7%	33%	60%	-2	23	52
Volume of New Orders – foreign	29%	63%	7%	-11	-28	-22	7%	56%	37%	-17	0	29
Volume of Order Backlogs	24%	63%	12%	-19	-35	-12	20%	63%	17%	-13	-5	-2
Production Levels	44%	33%	23%	7	-32	-21	10%	29%	62%	2	20	52
Capacity Utilization	44%	37%	19%	11	-28	-26	7%	33%	60%	2	18	52
Input/Raw materials costs	12%	35%	53%	21	7	42	12%	50%	38%	23	34	26
Energy costs (for Fuel & Power)	5%	47%	49%	6	14	44	7%	60%	33%	28	36	26
Transportation costs	5%	77%	19%	21	14	14	2%	70%	28%	19	27	26
Labor costs	2%	81%	16%	26	14	14	0%	56%	44%	17	30	44
Number of Employees/Contractors	37%	53%	9%	-15	-16	-28	23%	29%	12%	-26	-25	-12
Availability of Skilled Labor	2%	93%	5%	2	7	2	5%	91%	5%	6	2	0
Capital Spending	23%	51%	26%	-4	-7	2	23%	47%	30%	-11	-9	7
Raw Materials inventory levels	35%	58%	7%	9	-37	-28	14%	56%	30%	-26	-7	16
Finished Goods inventory levels	33%	53%	14%	-9	-23	-19	14%	51%	35%	-23	-5	21
Supplier Delivery Times	2%	88%	9%	6	5	7	5%	88%	7%	-2	0	2
Level of Regulatory Burden (i.e., compliance & opportunity costs)	2%	86%	12%	6	23	9	0%	84%	16%	-4	9	16

		Current Assessment (Q4 2025 vs Q3 2025)			INDEX:			Short-term Outlook (6 months from Q4 2025)			INDEX:		
		Deteriorated	About the Same	Improved	2025 Q2	2025 Q3	2025 Q4	Deteriorate	About the Same	Improve	2025 Q2	2025 Q3	2025 Q4
<b>Economic Conditions:</b>	What's your assessment of the state of economic conditions in the U.S.?	40%	53%	7%	-23	-58	-33	26%	47%	28%	9	-5	2
	What's your assessment of the state of economic conditions globally?	44%	51%	5%	-40	-63	-40	35%	51%	14%	-15	-21	-21
<b>Company Activity Level:</b>	What's your assessment of your company's activity level overall (e.g., sales, production, output)?	37%	51%	12%	15	-21	-26	9%	40%	51%	13	19	42
<b>Customer Market Demand:</b>	What's your assessment of demand from your company's major customer markets overall?	42%	51%	7%	-9	-47	-35	12%	51%	37%	0	0	26

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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](mailto:martha_moore@americanchemistry.com)) with questions about this survey and the survey findings.

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