



# American Chemistry Council

## Chemical Manufacturing

### Economic Sentiment Index

Economic Sentiment Index (ESI) Survey responses were collected from April 5 to April 19.

Q1 2023

Summary: Findings from the American Chemistry Council's quarterly Economic Sentiment Index (ESI) Survey of chemical companies indicate U.S. chemical manufacturing activity increased in the first quarter of the year. Chemical production levels increased, new orders rose, the volume of order backlogs decreased, production costs moderated (except for labor which surged), employee counts mostly held steady or rose, and supplier delivery times eased. Overall, however, chemical manufacturers' assessment of their company's activity level is negative as are their assessments of economic conditions in the U.S. and globally and major customer markets demand. Chemical manufacturers' sentiment is largely consistent with a weakening U.S. economy at the beginning of the year.

Production and new orders expanded during Q1. The index components for production and domestic orders were +10.8 and +10.5, respectively, in Q1 suggesting that compared to Q4, the share of companies reporting increases exceeded the share of companies reporting decreases. Six months from now, a larger share of companies expect new orders and production to increase rather than decrease. Volume of new orders in Q1 expanded largely on higher domestic orders. The Q1 index for volume of new foreign orders was 0 (neither expanding nor contracting). Order backlogs were about the same or decreased in Q1.

Costs for energy/raw materials, energy, and transportation generally eased during Q1, while labor costs increased. The labor costs index was positive at +71.1.

On balance, chemical industry employment levels were largely stable, as was a availability of skilled labor during Q1. The index component for the number of employees/contractors was +2.6 while the index component for skilled labor availability was 0 (neither expanding nor contracting). Looking ahead, most chemical producers expect to maintain or increase their employee count with the availability of skilled labor largely remaining the same or increasing.

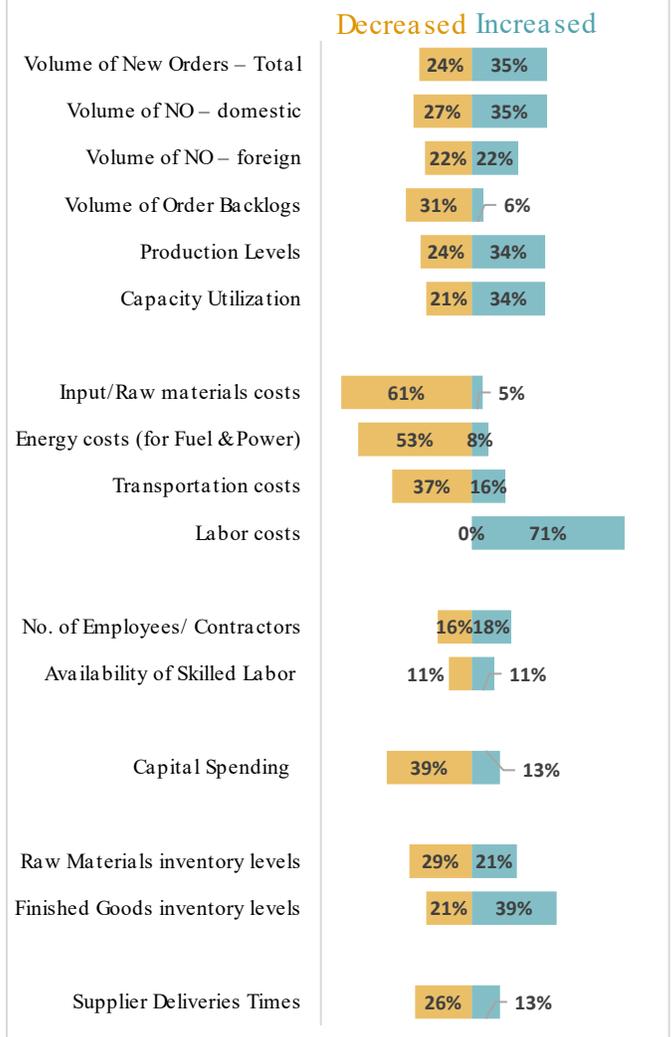
Capital spending eased during Q1 but is expected to pick up over the next six months. The Q1 reading was -26.3 as more companies reported capital spending decreased than increased during the quarter.

A key metric for supply chain and inventory management, supplier delivery times largely held steady or declined in Q1. At -13.2, the Q1 index suggests easing supply chain pressures overall. Chemical manufacturers generally expect continued modest improvement for this measure over the coming six months.

On balance, chemical producers worked down inventories of raw materials in Q1 and continued destocking is expected over the coming six months. The index for inventories of finished goods was +18.4 in Q1 suggesting a build-up. Over the next six months, more companies expect inventories of finished goods to decrease rather than increase.

Chemical manufacturers are relatively optimistic about the coming six months and expect improvement in their company's activity level overall (e.g., sales, production, output). Following a weak Q1, demand from major customer markets is expected to strengthen. Chemical manufacturers' sentiment about the economic situation is improved for the global economy (and volume of new foreign orders is expected to recover) but further deterioration is expected for the U.S. economy over the coming six months.

#### Chemical Manufacturers Assessment of their US Business, Q1 2023 vs Q4 2022



Indicator	Q1 2023 vs Q4 2022				Six months from now			
	Decreased	About the Same	Increased	Index	Decrease	About the Same	Increase	Index
Volume of New Orders – <i>total</i> orders	24%	41%	35%	10.8	8%	30%	62%	54.1
Volume of New Orders – domestic orders	27%	38%	35%	8.1	8%	32%	59%	51.4
Volume of New Orders – foreign orders	22%	57%	22%	0.0	8%	43%	49%	40.5
Volume of Order Backlogs	31%	64%	6%	-25.0	17%	64%	19%	2.8
Production Levels	24%	42%	34%	10.5	3%	50%	47%	44.4
Capacity Utilization	21%	45%	34%	13.2	3%	53%	44%	41.7
Input/Raw materials costs	61%	34%	5%	-55.3	27%	59%	14%	-13.5
Energy costs (for Fuel & Power)	53%	39%	8%	-44.7	14%	65%	22%	8.1
Transportation costs	37%	47%	16%	-21.1	8%	75%	17%	8.3
Labor costs	0%	29%	71%	71.1	0%	46%	54%	54.3
Number of Employees/Contractors	16%	66%	18%	2.6	11%	70%	19%	8.1
Availability of Skilled Labor	11%	79%	11%	0.0	5%	76%	19%	13.5
Capital Spending	39%	47%	13%	-26.3	14%	38%	49%	35.1
Raw Materials inventory levels	29%	50%	21%	-7.9	30%	57%	14%	-16.2
Finished Goods inventory levels	21%	39%	39%	18.4	27%	51%	22%	-5.4
Supplier Deliveries Times	26%	61%	13%	-13.2	16%	73%	11%	-5.4

		Q1 2023 vs Q4 2022				Six months from now			
		Deteriorated	About the Same	Improved	Index	Deteriorate	About the Same	Improve	Index
<b>Economic Conditions:</b>	What's your assessment of the state of economic conditions in the U.S.?	42%	58%	0%	-42.1	38%	35%	27%	-10.8
	What's your assessment of the state of economic conditions globally?	42%	53%	5%	-36.8	27%	46%	27%	0.0
<b>Company Activity Level:</b>	What's your assessment of your company's activity level overall (e.g., sales, production, output)?	29%	55%	16%	-13.2	14%	41%	46%	32.4
<b>Customer Market Demand:</b>	What's your assessment of demand from your company's major customer markets overall?	37%	53%	11%	-26.3	19%	43%	38%	18.9

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

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