

## American Chemistry Council

### Chemical Manufacturing Economic Sentiment Index

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Economic Sentiment Index (ESI) Survey responses were collected from April 8-19.

**Summary:** Chemical manufacturers' assessment of their own company's activity level (e.g., sales, production, output) improved over Q1 following reports of deterioration every quarter in 2023, according to findings from ACC's Chemical Manufacturing Economic Sentiment Index (ESI). Sentiment around major customer market demand also turned positive in Q1 as the ESI readings indicated strong growth in new orders (both foreign and domestic). Chemical manufacturers were optimistic about improving demand from major markets and their company's activity level over the coming few quarters. They see economic conditions having improved in the U.S. but continuing to deteriorate globally. While chemical manufacturers are reporting improvement on many key business indicators, they have yet to experience relief regarding the level of regulatory burden which continues to rise every quarter and is anticipated to maintain that trajectory looking ahead.

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**U.S. chemical production levels** increased over the first quarter of 2024. The ESI reading for production levels had been negative for three consecutive quarters through Q4 2023. The reading rose to 32.6 in Q1 from -29.8 in Q4. Roughly half of companies saw gains in production levels while 30% reported levels were "about the same" over Q1 and 19% reported declines. Overall, chemical manufacturers expect further gains in production levels over the coming 6 months.

Chemical manufacturers reported recovering demand over Q1 as **new orders** picked up – both domestic and foreign. Following a reading indicating a drop-off in demand in the fourth quarter, the Q1 reading for the volume of new orders was 42.9. Domestic orders, which were flat in Q3 and negative in Q4, rose 80.6 points to 38.1 in Q1. New foreign orders also recovered, rising from -27.7 in Q4 to 21.4 in Q1. Companies expect continued acceleration in the volume of new orders over the coming six months, with gains in domestic orders outpacing growth in foreign orders.

The **volume of order backlogs** index flattened over Q1 following declines every quarter in 2023. Most chemical manufacturers (86%) reported volume of order backlogs remained "about the same" over Q1. Six months from now, 88% of chemical manufacturers expect the volume of order backlogs to be "about the same".

Chemical manufacturers have reported running down **raw materials inventory levels** for the past five quarters (all quarters the survey has been conducted), but the pace decelerated noticeably over Q1. About 60% of chemical manufacturers reported levels were "about the same" in Q1 as they were in Q4. Raw material levels are expected to have stabilized by Q4. Similarly, more than half of chemical manufacturers (60%) reported **finished goods inventory levels** were stable over Q1. The reading for finished goods inventory levels nudged into positive territory over Q1

following three quarterly readings indicating manufacturers were destocking. Overall, manufacturers expect no further destocking in the coming six months. The outlook reading was flat for Q2-Q3 expectations.

A key metric for supply chain and inventory management, the **supplier delivery times** index was positive over Q1. Supplier delivery times continued to decline over 2023, a reflection of economic weakness and easing supply chain pressures. Chemical manufacturers do not see a significant worsening or change to what they are dealing with currently. The outlook reading for supplier delivery times was 4.7, reflecting 81% of companies expecting no major change.

Aside from energy costs (for fuel and power), which chemical manufacturers report have fallen over the past 6 months, **chemical manufacturers' production costs** increased over Q1. **Labor costs** continued to build over Q1 with 53% of companies reporting gains. **Transportation costs** picked up over Q1, following declines over 2023. A little over half of companies (58%), however, reported costs were stable. **Input/raw materials costs** had been easing over 2023 but, chemical manufacturers reported an uptick over Q1. Looking ahead six months, chemical manufacturers anticipate facing increased production costs.

**Employment levels** rose in Q1 following a decline in the fourth quarter. While 77% of companies reported levels held steady through Q1, 19% expanded employment levels and only 5% reported declines. Chemical manufacturers expect to increase employment levels over the coming six months.

While most chemical manufacturers continue to indicate the **availability of skilled labor** has been "about the same" from quarter to quarter, the ESI reading has declined for the past three quarters. Just 2% of companies foresee increased availability six months from now. Most companies expect no change.

Chemical manufacturers have reported increased **capital spending** for the past three quarters (Q3, Q4, Q1). Looking ahead six months, capital spending is expected to increase.

Manufacturers continue to report an increasing **level of regulatory burden** (i.e., compliance and opportunity costs). The Q1 reading for regulatory burden was 58.1 and rises further to 66.7 over the coming six months.

**Chemical manufacturers reported economic conditions in the U.S. improved in Q1.** The ESI reading, which was negative every quarter in 2023, rose 45.6 points to a positive reading in Q1. Companies continue to report the **state of economic conditions globally** has deteriorated. Expectations are for improvement in both the U.S. and global economy over the coming six months.

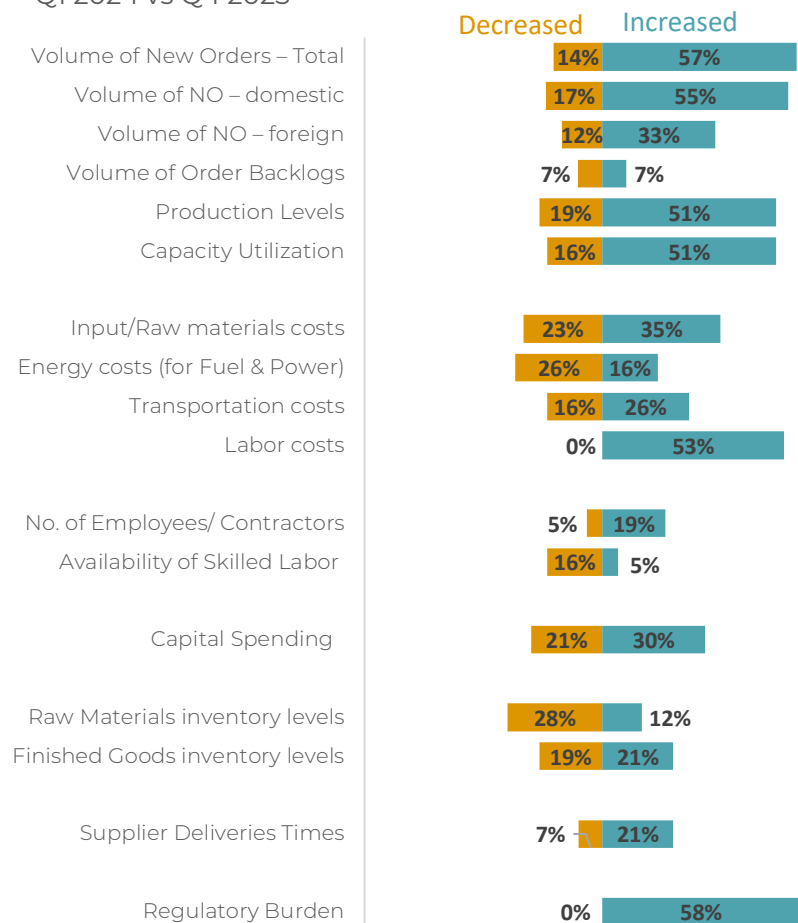
Following reports of deterioration over every quarter in 2023, **chemical manufacturers reported strengthening demand from their company's major customer markets** in Q1. The ESI reading rose 71.9 points to 35.7 for Q1. Looking ahead six months, chemical manufacturers continue to expect improving demand. **Chemical manufacturers' assessment of their own company's activity level (e.g., sales, production, output)**, which was negative every quarter in 2023, rose strongly from -29.8 in Q4 to 45.2 in Q1 indicating improvement. The short-term outlook for company activity levels overall continues to be positive.

INDICATOR	Current Assessment (Q1 2024 vs Q4 2023)			INDEX:					Short-term Outlook (6 months from Q1 2024)			INDEX:				
	Decreased	About the Same	Increased	2023 Q1	Q2	Q3	Q4	2024 Q1	Decrease	About the Same	Increase	2023 Q1	Q2	Q3	Q4	2024 Q1
Volume of New Orders – <b>total</b> orders	14%	29%	57%	10.8	2.5	4.8	-40.4	42.9	0%	31%	69%	54.1	10.0	45.0	63.8	69.0
Volume of New Orders – domestic	17%	29%	55%	8.1	-2.5	0.0	-42.6	38.1	2%	33%	64%	51.4	12.5	36.6	61.7	61.9
Volume of New Orders – foreign	12%	55%	33%	0.0	-7.7	-11.9	-27.7	21.4	5%	59%	37%	40.5	10.0	24.4	42.6	31.7
Volume of Order Backlogs	7%	86%	7%	-25.0	-22.5	-35.7	-29.8	0.0	7%	88%	5%	2.8	0.0	-26.8	8.5	-2.4
Production Levels	19%	30%	51%	10.5	-12.5	-2.4	-29.8	32.6	0%	42%	58%	44.4	10.0	45.0	57.4	58.1
Capacity Utilization	16%	33%	51%	13.2	-12.5	-7.1	-25.5	34.9	2%	44%	53%	41.7	12.8	37.5	55.3	51.2
Input/Raw materials costs	23%	42%	35%	-55.3	-70.0	-36.6	-34.0	11.6	14%	60%	26%	-13.5	-22.5	7.5	-13.0	11.6
Energy costs (for Fuel & Power)	26%	58%	16%	-44.7	-30.0	9.5	-17.4	-9.3	2%	74%	23%	8.1	5.0	31.7	-6.7	20.9
Transportation costs	16%	58%	26%	-21.1	-27.5	-26.2	-17.0	9.3	9%	60%	30%	8.3	2.5	9.8	17.0	20.9
Labor costs	0%	47%	53%	71.1	42.5	28.6	30.4	53.5	0%	70%	30%	54.3	10.0	61.0	53.2	30.2
Number of Employees/Contractors	5%	77%	19%	2.6	-2.5	0.0	-27.7	14.0	9%	72%	19%	8.1	-12.5	-7.3	0.0	9.3
Availability of Skilled Labor	16%	79%	5%	0.0	0.0	-2.4	-4.3	-11.6	7%	91%	2%	13.5	-2.5	-5.0	0.0	-4.7
Capital Spending	21%	49%	30%	-26.3	0.0	14.3	8.5	9.3	7%	61%	32%	35.1	0.0	26.8	15.2	24.4
Raw Materials inventory levels	28%	60%	12%	-7.9	-32.5	-50.0	-57.4	-16.3	14%	72%	14%	-16.2	-35.0	-9.8	17.0	0.0
Finished Goods inventory levels	19%	60%	21%	18.4	-35.9	-35.7	-53.2	2.3	14%	72%	14%	-5.4	-32.5	-7.3	10.6	0.0
Supplier Delivery Times	7%	72%	21%	-13.2	-2.5	-9.5	-10.6	14.0	7%	81%	12%	-5.4	-5.0	-4.9	6.4	4.7
Level of Regulatory Burden (i.e., compliance and opportunity costs)	0%	42%	58%	NA	37.5	54.8	42.6	58.1	0%	33%	67%	NA	40.0	61.0	55.3	66.7

		Current Assessment (Q1 2024 vs Q4 2023)			INDEX:					Short-term Outlook (6 months from Q1 2024)			INDEX:				
		Deteriorated	About the Same	Improved	2023 Q1	Q2	Q3	Q4	2024 Q1	Deteriorate	About the Same	Improve	2023 Q1	Q2	Q3	Q4	2024 Q1
<b>Economic Conditions:</b>	What's your assessment of the state of economic conditions in the U.S.?	5%	62%	33%	-42.1	-27.5	-28.6	-17.0	28.6	2%	57%	40%	-10.8	-15.0	-14.6	29.8	38.1
	What's your assessment of the state of economic conditions globally?	26%	64%	10%	-36.8	-52.5	-45.2	-42.6	-16.7	12%	60%	29%	0.0	-17.5	-17.1	12.8	16.7
<b>Company Activity Level:</b>	What's your assessment of your company's activity level overall (e.g., sales, production, output)?	12%	31%	57%	-13.2	-20.0	-11.9	-29.8	45.2	0%	43%	57%	32.4	10.0	34.1	55.3	57.1
<b>Customer Market Demand:</b>	What's your assessment of demand from your company's major customer markets overall?	10%	45%	45%	-26.3	-42.5	-23.8	-36.2	35.7	2%	43%	55%	18.9	0.0	24.4	48.9	52.4

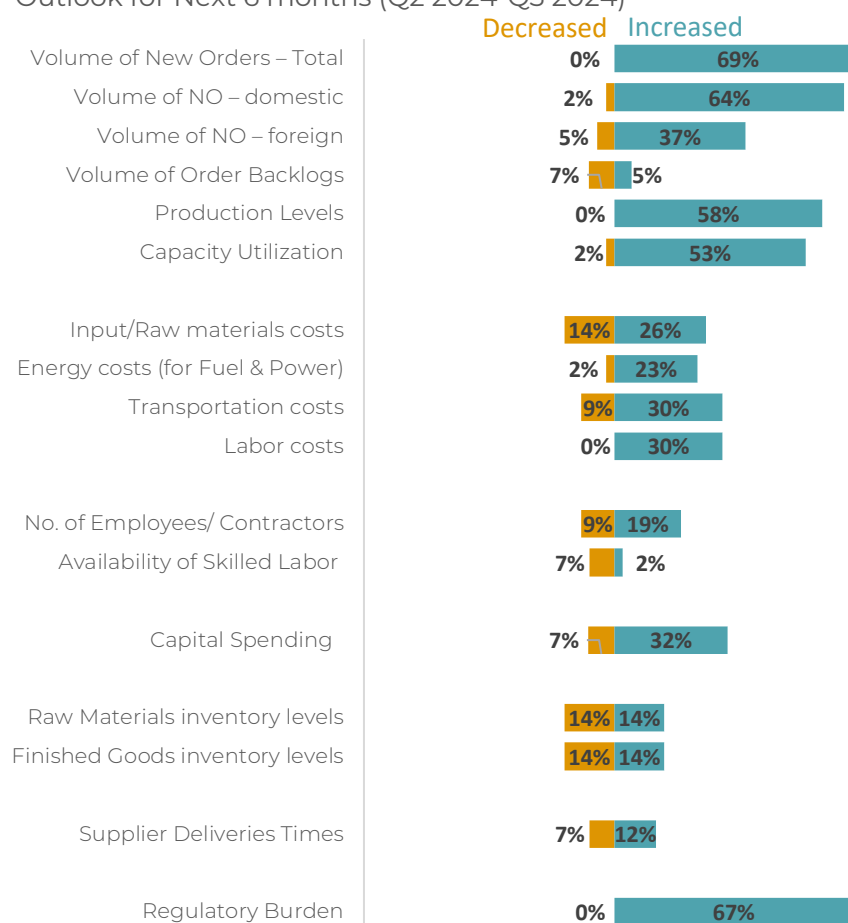
## Chemical Manufacturers Assessment of their US Business

Q1 2024 vs Q4 2023



## Chemical Manufacturers Assessment of their US Business

Outlook for Next 6 months (Q2 2024-Q3 2024)



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 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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