

American Chemistry Council

Chemical Manufacturing Economic Sentiment Index

Economic Sentiment Index (ESI) Survey responses were collected from October 7-18.

Summary: Chemical manufacturing activity improved modestly in the third quarter and remains on track for steady expansion into 2025 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) moderated, losing momentum in Q3 as chemical manufacturers reported subdued demand in major customer markets. Most companies described major customer market demand as having either stabilized or deteriorated in Q3. The volume of new orders index fell in Q3, reflecting declines in foreign orders and solid but muted growth in domestic orders.

Chemical manufacturers continue to assess the global economic situation as deteriorating. They report economic conditions in the U.S. as improving. However, the ESI survey continues to show an increasing level of regulatory burden every quarter.

Details: ACC's ESI chemical production levels index was negative for the first time this year in Q3. While just over half (54%) of companies reported production levels were about the same in Q3 (compared to the previous quarter, Q2), there were slightly more companies reporting declines (26%) than gains (21%). Every quarter ACC has asked about production levels six months ahead, the number of companies expecting gains has exceeded those expecting declines. The future production index remained positive through Q3, but the reading moderated slightly.

After positive readings in Q1 and Q2, the index for customer demand dropped 23.9 points to -7.7, which signaled deterioration overall. Most companies described **major customer market demand** as having either stabilized or deteriorated in Q3.

The total **new orders** index turned negative in Q3 as chemical manufacturers reported modest gains in domestic orders offset by declining foreign orders. Driven by growth in domestic orders, expectations are for the total volume of new orders to increase over the coming six months.

The **order backlogs** index declined again in Q3. Most chemical manufacturers (74%) reported volume of order backlogs remained "about the same" while 26% reported a decline. There were no companies reporting higher volume of order backlogs in Q3. Six months from now, 97% of chemical manufacturers expect the volume of order backlogs to be "about the same" or lower.

The **raw materials inventory levels** index fell to just below zero, into negative territory in Q3 though most companies (77%) reported inventory levels were about the same as in Q2. Looking ahead six months, most companies (84%) expect levels to remain stable. Similarly, most companies (69%) reported finished goods inventory levels that held steady over Q3. Looking ahead, the future finished goods inventory levels index dropped slightly to a negative reading (-2.6) following two previous quarterly readings of 0.

A key metric for supply chain and inventory management, the **supplier delivery times** index declined 2.7 points to 0.0 in Q3. Most companies expect supplier delivery times index to be “about the same” six months from now.

Aside from **energy costs (for fuel and power)** which chemical manufacturers report were lower, other **chemical manufacturing production costs** rose in Q3. The cost indices for **labor, transportation, and input/raw materials** all pointed to moderating growth in Q3. Looking ahead six months, chemical manufacturers expect higher production costs and especially so for labor and transportation.

Chemical manufacturing **employment levels** were stable through Q3 following small gains over Q1 and Q2. However, the outlook for the employment levels index declined and was negative for the first time in a year. While most chemical manufacturers continue to indicate the **availability of skilled labor** has been “about the same” from quarter to quarter, the index turned positive in Q3 following six quarters of flat or negative readings. Companies expect a marginal improvement in availability six months from now.

Chemical manufacturers have reported increased **capital spending** for the past five quarters through Q3. 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 regulatory burden index ticked up to 38.5 in Q3 as 62% of companies reported levels were “about the same”, 38% reported an increase and no companies reported relief. Expectations are for increased regulatory burden six months from now. The future regulatory burden index rose 11.8 points to 63.2.

Chemical manufacturers’ see the **state of economic conditions in the U.S.** ahead of the election as stable to moderately improving. Chemical manufacturers continue to see deterioration in the **global economic situation**, however. The global economic conditions index worsened, falling 12.3 points to -23.1 in Q3. The U.S. economic outlook index rose 18.9 points to 24.3 while the index for the global economic outlook deteriorated, dropping 7.7 points to -15.8.

INDICATOR	Current Assessment (Q3 2024 vs Q2 2024)			INDEX:			Short-term Outlook (6 months from Q3 2024)			INDEX:		
	Decreased	About the Same	Increased	2024 Q1	Q2	Q3	Decrease	About the Same	Increase	2024 Q1	Q2	Q3
Volume of New Orders – total orders	28%	49%	23%	42.9	29.7	-5.1	11%	53%	37%	69.0	27.0	26.3
Volume of New Orders – domestic	15%	64%	21%	38.1	24.3	5.1	8%	55%	37%	61.9	13.5	28.9
Volume of New Orders – foreign	31%	54%	15%	21.4	-2.7	-15.4	13%	71%	16%	31.7	21.6	2.6
Volume of Order Backlogs	26%	74%	0%	0.0	-10.8	-25.6	13%	84%	3%	-2.4	-16.2	-10.5
Production Levels	26%	54%	21%	32.6	24.3	-5.1	11%	49%	41%	58.1	32.4	29.7
Capacity Utilization	26%	59%	15%	34.9	19.4	-10.3	11%	56%	33%	51.2	32.4	22.2
Input/Raw materials costs	18%	59%	23%	11.6	24.3	5.1	16%	66%	18%	11.6	13.5	2.6
Energy costs (for Fuel & Power)	18%	67%	15%	-9.3	8.1	-2.6	5%	71%	24%	20.9	18.9	18.4
Transportation costs	11%	74%	16%	9.3	27.0	5.3	5%	62%	32%	20.9	2.7	27.0
Labor costs	0%	74%	26%	53.5	43.2	25.6	0%	55%	45%	30.2	37.8	44.7
Number of Employees/Contractors	10%	79%	10%	14.0	5.4	0.0	18%	66%	16%	9.3	10.8	-2.6
Availability of Skilled Labor	3%	90%	8%	-11.6	-2.7	5.1	3%	87%	11%	-4.7	5.4	7.9
Capital Spending	18%	56%	26%	9.3	24.3	7.7	11%	55%	34%	24.4	37.8	23.7
Raw Materials inventory levels	13%	77%	10%	-16.3	16.2	-2.6	14%	84%	3%	0.0	-10.8	-10.8
Finished Goods inventory levels	13%	69%	18%	2.3	8.1	5.1	11%	82%	8%	0.0	0.0	-2.6
Supplier Delivery Times	10%	79%	10%	14.0	2.7	0.0	0%	92%	8%	4.7	2.7	7.9
Level of Regulatory Burden (i.e., compliance & opportunity costs)	0%	62%	38%	58.1	37.8	38.5	0%	37%	63%	66.7	51.4	63.2

		Current Assessment (Q3 2024 vs Q2 2024)			INDEX:			Short-term Outlook (6 months from Q3 2024)			INDEX:		
		Deteriorated	About the Same	Improved	2024 Q1	Q2	Q3	Deteriorate	About the Same	Improve	2024 Q1	Q2	Q3
Economic Conditions:	What's your assessment of the state of economic conditions in the U.S.?	8%	76%	16%	28.6	2.7	7.9	14%	49%	38%	38.1	5.4	24.3
	What's your assessment of the state of economic conditions globally?	28%	67%	5%	-16.7	-10.8	-23.1	24%	68%	8%	16.7	-8.1	-15.8
Company Activity Level:	What's your assessment of your company's activity level overall (e.g., sales, production, output)?	21%	56%	23%	45.2	21.6	2.6	5%	50%	45%	57.1	24.3	39.5
Customer Market Demand:	What's your assessment of demand from your company's major customer markets overall?	18%	72%	10%	35.7	16.2	-7.7	5%	63%	32%	52.4	21.6	26.3

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) with questions about this survey and the survey findings.

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