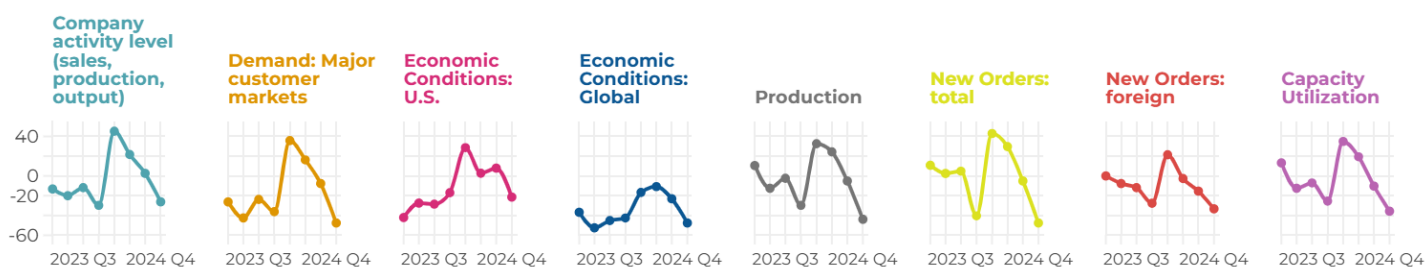


American Chemistry Council Chemical Manufacturing Economic Sentiment Index

Economic Sentiment Index (ESI) Survey responses were collected from January 7-17.

Summary: U.S. chemical manufacturers’ overall level of activity deteriorated in the fourth quarter but is expected to recover through the first half of 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) fell, losing momentum in Q4 as chemical manufacturers reported weak demand in major customer markets and challenging economic conditions in the U.S. and abroad. Most companies described major customer market demand as having either flattened or deteriorated in Q4. The volume of new orders index fell in Q4, reflecting declines in both domestic and foreign orders. The outlook is good though. Companies see business conditions improving over the coming six months and for the first time, that optimism includes expectations for some relief in the level of regulatory burden.

Table. Chemical Manufacturing Economic Sentiment Index – Select Indicators



Details: ACC’s ESI **chemical production levels** index was negative for the second quarter in a row with a little over half of companies reporting lower production in Q4. 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 Q4, and the reading strengthened.

Following gains over the first half of 2024, chemical manufacturers reported facing weakening customer demand through the second half of the year and the index fell to -47.6 in Q4. Most companies described **major customer market demand** as having either stabilized or deteriorated in Q4. Only 2% of companies reported improvement.

The volume of **new orders** continued to slide in Q4 as chemical manufacturers reported declines in both domestic and foreign orders. Driven by strength in domestic orders, expectations are for the total volume of new orders to recover over the coming six months.

The **order backlogs** index declined further in Q4. Most chemical manufacturers (58%) reported volume of order backlogs remained “about the same” while 40% reported a decline. Six months from now, 75% of chemical manufacturers expect the volume of order backlogs to be “about the same” or lower.

The **raw materials inventory levels** index was negative in Q4 though most companies (74%) reported levels were about the same as in Q3. Looking ahead six months, raw material inventories are expected to build modestly with 24% of companies expecting gains and 68% expecting levels to remain stable. Similarly, most companies (71%) reported **finished goods inventories** held steady over Q4. Looking ahead, chemical manufacturers anticipate overall builds in their finished goods inventories and the index rose to a positive reading of 19.0.

A key metric for supply chain and inventory management, most chemical manufacturers reported **supplier delivery times** were “about the same” over Q4. Looking ahead, delivery times are expected to increase slightly.

Aside from **input/raw materials costs** which chemical manufacturers report were slightly lower in Q4, other **chemical manufacturing production costs** rose. The cost indices for **energy (for fuel and power), labor, and transportation** all rose over Q4. Looking ahead six months, chemical manufacturers expect production costs to be elevated - especially for energy, labor and input/ raw materials.

Employment levels were stable over the second half of 2024 following small gains over Q1 and Q2. However, the future employment levels index declined slightly for the second quarter in a row. For the most part, chemical manufacturers continue to indicate the **availability of skilled labor** has been “about the same” from quarter to quarter and they are not anticipating significant gains or declines in the short-term.

Chemical manufacturers have reported higher **capital spending** for the past six quarters through Q4. Looking ahead six months, capital spending is expected to increase further.

Manufacturers continue to report an increasing **level of regulatory burden** (i.e., compliance and opportunity costs). The regulatory burden index was 29.3 in Q4 as 71% of companies reported levels were “about the same”, 29% reported an increase and no companies reported experiencing relief. The outlook for the coming six months is more optimistic, however. The future regulatory burden index was negative for the first time, dropping more than 70 points to -9.5.

Chemical manufacturers viewed the **state of economic conditions in the U.S.** as having deteriorated over the last quarter of 2024. Looking ahead, they expect improvement in the U.S. economy in 2025. Their assessment of the **global economic situation** continues to be negative. Expectations for the global economy continue to be gloomy with just over half expecting no change and another 29% bracing for further deterioration.

INDICATOR	Current Assessment (Q4 2024 vs Q3 2024)			INDEX:			Short-term Outlook (6 months from Q4 2024)			INDEX:		
	Decreased	About the Same	Increased	2024 Q2	Q3	Q4	Decrease	About the Same	Increase	2024 Q2	Q3	Q4
Volume of New Orders – <i>total</i> orders	52%	43%	5%	29.7	-5.1	-47.6	12%	31%	57%	27.0	26.3	45.2
Volume of New Orders – domestic	44%	51%	5%	24.3	5.1	-39.0	12%	31%	57%	13.5	28.9	45.2
Volume of New Orders – foreign	41%	51%	8%	-2.7	-15.4	-33.3	20%	53%	28%	21.6	2.6	7.5
Volume of Order Backlogs	40%	58%	3%	-10.8	-25.6	-37.5	8%	75%	18%	-16.2	-10.5	10.0
Production Levels	54%	37%	10%	24.3	-5.1	-43.9	5%	39%	56%	32.4	29.7	51.2
Capacity Utilization	50%	36%	14%	19.4	-10.3	-35.7	10%	41%	49%	32.4	22.2	39.0
Input/Raw materials costs	21%	62%	17%	24.3	5.1	-4.8	12%	40%	48%	13.5	2.6	35.7
Energy costs (for Fuel & Power)	2%	62%	36%	8.1	-2.6	33.3	2%	57%	40%	18.9	18.4	38.1
Transportation costs	5%	73%	22%	27.0	5.3	17.1	2%	68%	29%	2.7	27.0	26.8
Labor costs	0%	71%	29%	43.2	25.6	28.6	2%	40%	57%	37.8	44.7	54.8
Number of Employees/Contractors	12%	76%	12%	5.4	0.0	0.0	15%	73%	12%	10.8	-2.6	-2.4
Availability of Skilled Labor	7%	88%	5%	-2.7	5.1	-2.4	10%	90%	0%	5.4	7.9	-9.8
Capital Spending	19%	55%	26%	24.3	7.7	7.1	17%	40%	43%	37.8	23.7	26.2
Raw Materials inventory levels	14%	74%	12%	16.2	-2.6	-2.4	7%	68%	24%	-10.8	-10.8	17.1
Finished Goods inventory levels	14%	71%	14%	8.1	5.1	0.0	14%	52%	33%	0.0	-2.6	19.0
Supplier Delivery Times	0%	93%	7%	2.7	0.0	7.3	0%	85%	15%	2.7	7.9	14.6
Level of Regulatory Burden (i.e., compliance & opportunity costs)	0%	71%	29%	37.8	38.5	29.3	36%	38%	26%	51.4	63.2	-9.5

		Current Assessment (Q4 2024 vs Q3 2024)			INDEX:			Short-term Outlook (6 months from Q4 2024)			INDEX:		
		Deteriorated	About the Same	Improved	2024 Q2	Q3	Q4	Deteriorate	About the Same	Improve	2024 Q2	Q3	Q4
Economic Conditions:	What's your assessment of the state of economic conditions in the U.S.?	33%	55%	12%	2.7	7.9	-21.4	7%	41%	51%	5.4	24.3	43.9
	What's your assessment of the state of economic conditions globally?	50%	48%	2%	-10.8	-23.1	-47.6	29%	56%	15%	-8.1	-15.8	-14.6
Company Activity Level:	What's your assessment of your company's activity level overall (e.g., sales, production, output)?	38%	50%	12%	21.6	2.6	-26.2	10%	34%	56%	24.3	39.5	46.3
Customer Market Demand:	What's your assessment of demand from your company's major customer markets overall?	50%	48%	2%	16.2	-7.7	-47.6	12%	44%	44%	21.6	26.3	31.7

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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