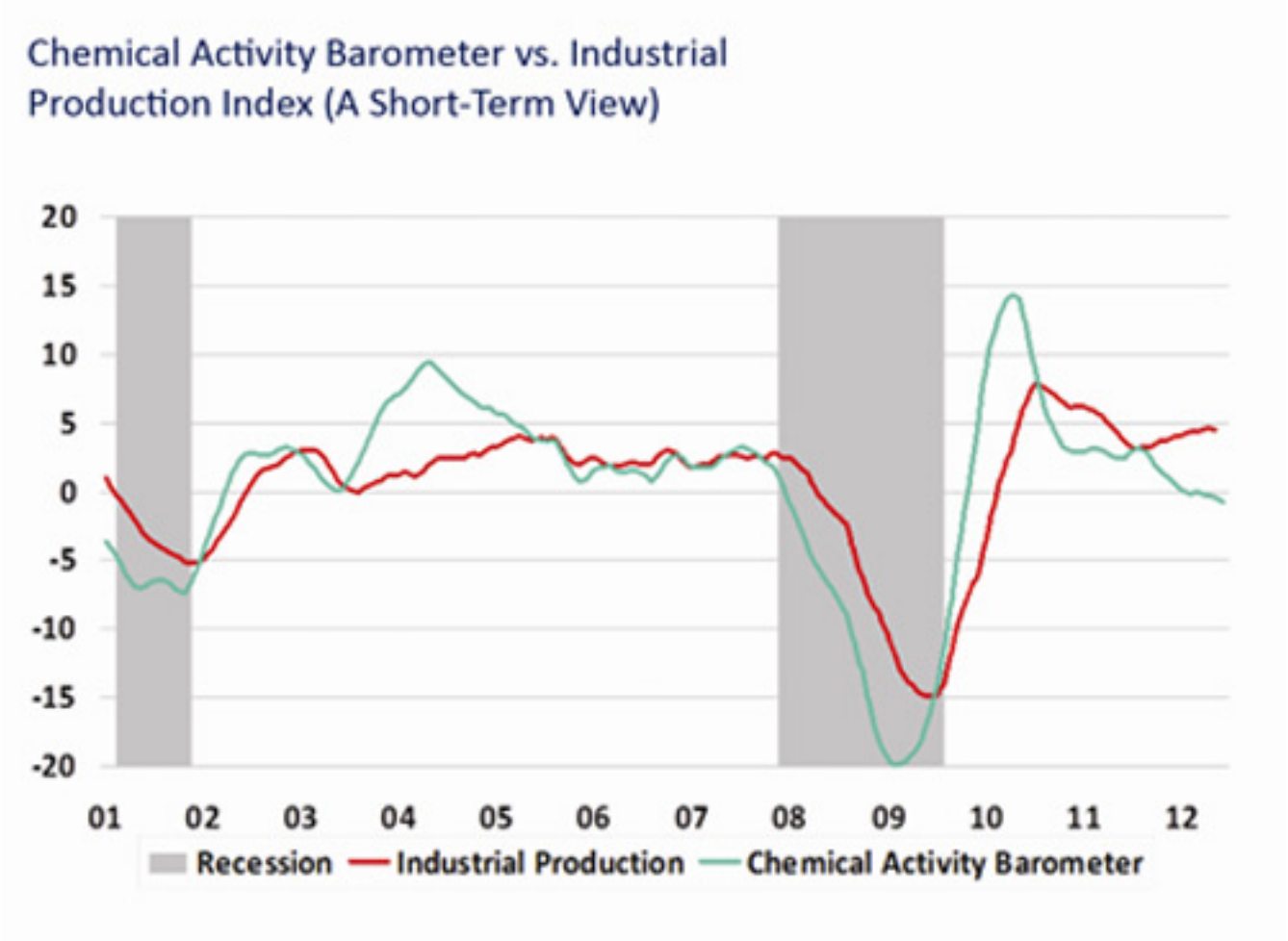
Economic Outlook for U.S. Chemistry Industry Mixed

WASHINGTON -- (July 5, 2012) –Following a strong fourth quarter in 2011, the U.S. economy started 2012 on firm ground with gains in consumer spending, manufacturing output and housing. Those positive gains appear to be eroding, according to the American Chemistry Council's (ACC) Mid-Year 2012 Situation and Outlook, released yesterday.

The report finds that first and second quarter 2012 growth was weak and that underlying drivers will constrain growth for the remainder of the year.

Turning to the business of chemistry, the financial crisis in Europe, and slowdown in China and other emerging economies continue to take a toll on demand for U.S. exports. This outlook, coupled with weakness in U.S. manufacturing will likely produce muted demand for chemical products in the second half of 2012. Overall, American chemistry output is anticipated to rise by 0.5 percent in 2012, before accelerating to a 2.3 percent growth rate in 2013.

Despite a weakened outlook for GDP growth, global chemistry continues to advance, with expectations for output of chemicals in emerging markets to outpace production in developed countries. China will continue to grow strongly, but at a slower pace than the previous decade. India, Africa, Latin America and other emerging markets will continue to expand, with the strongest growth in 2012 expected in specialty chemicals, consumer products and agricultural chemicals. Overall, output is expected to grow by 2.3 percent in 2012, 4.3 percent in 2013 and 4.7 percent in 2014.



Outlook for 2012/2013

The outlook for the rest of the year is for slow growth with improvements in investment spending and residential investment as the bright spots. Lower energy prices will support modest gains in consumer spending, and help to offset the effects of high unemployment and low wage growth that are constraining incomes. The consensus forecast for U.S. GDP is for continued growth, expanding by 2.2 percent in 2012 and 2.4 percent in 2013.

The recovery remains fragile with multiple risks on the horizon, and the wrong trade, tax or other policy initiatives could derail activity. In the chemical industry, strong gains in capital spending by American chemistry are expected during the next several years, the result of announced new investment in petrochemicals and derivatives arising from shale gas developments. Capital spending in the business of chemistry will reach $35.5 billion in 2012 and will steadily rise to $51.5 billion in 2017.

Looking further ahead with an eventual resolution in Europe and rebounding growth in emerging markets, the American Chemistry Council expects growth in chemistry to accelerate in the coming years, growing faster than the U.S. GDP.

For more information, please visit www.americanchemistry.com/cab *[1].*

Source URL (retrieved on *12/12/2013 - 2:50pm*):
http://www.chem.info/articles/2012/07/economic-outlook-us-chemistry-industry-mixed?qt-recent_content=0

Links:
[1] http://www.americanchemistry.com/cab