

U.S. Economic Recovery To Continue Throughout 2014

American Chemistry Council

WASHINGTON – The first [Chemical Activity Barometer \(CAB\)](#) [1] reading of 2014 strengthened slightly, pointing to continued growth and an improving U.S. economy throughout 2014. The barometer in January ticked up to 94.0, increasing 0.2 points over December on a three-month moving average (3MMA) basis. This marks the ninth consecutive monthly gain for the CAB, which is now up 2.6 percent over a year ago. This growth is at a more moderate pace since the 0.4 percent gain last seen in September of 2013. The Chemical Activity Barometer is an established leading economic indicator, shown to lead U.S. business cycles by an average of eight months at cycle peaks, and four months at cycle troughs.

“Slow and steady isn’t a bad thing when you consider the alternative,” said Kevin Swift, chief economist at the American Chemistry Council. “This recovery seems to lag compare to previous post-recession recoveries, but overall the fundamentals remain strong, including the ongoing expansion in chemistries related to construction and consumer-related resins, as well as light vehicle sales,” he added. Pointing to a particularly bright spot, Swift noted that there have been strong gains of late in electronic chemicals, food additives, foundry chemicals, lubricant and paint additives, mining chemicals, and printing ink.

Overall results in the four primary components of the CAB were mixed, with production and inventories up, product/selling prices flat, and a drop in equity prices.

ACC’s Chemical Activity Barometer is a leading economic indicator derived from a composite index of chemical industry activity. The chemical industry has been found to consistently lead the U.S. economy’s business cycle given its early position in the supply chain, and this barometer can be used to determine turning points and likely trends in the wider economy. Month-to-month movements can be volatile so a three-month moving average of the barometer is provided. This provides a more consistent and illustrative picture of national economic trends.

Applying the CAB back to 1919, it has been shown to provide a longer lead (or perform better) than the National Bureau of Economic Research, by two to 14 months, with an average lead of eight months at cycle peaks. The median lead was also eight months. At business cycle troughs, the CAB leads by one to seven months, with an average lead of four months. The median lead was three months. The CAB is rebased to the average lead (in months) of an average 100 in the base year (the year 2007 was used) of a reference time series. The latter is the Federal Reserve’s Industrial Production Index.

Chemical Activity Barometer for the Latest Six Months and Year-Ago Month*

	<u>Jan-13</u>	<u>Aug-13</u>	<u>Sep-13</u>	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>
CAB	92.4	93.3	93.7	93.6	93.9	94.0	94.1
% M/M	0.8	0.5	0.5	-0.1	0.3	0.1	0.1
% Y/Y	3.1	3.9	3.0	2.5	3.4	2.5	1.8
CAB (3 MMA)	91.7	92.9	93.3	93.6	93.8	93.8	94.0
% M/M	0.4	0.2	0.4	0.3	0.2	0.1	0.2
% Y/Y	3.0	3.8	3.5	3.1	3.0	2.8	2.6

*Percentage changes may not reflect index values due to rounding.

The CAB comprises indicators relating to the production of chlorine and other alkalis, pigments, plastic resins and other selected basic industrial chemicals; chemical company stock data; hours worked in chemicals; publicly sourced, chemical price information; end-use (or customer) industry sales-to-inventories; and several broader leading economic measures (building permits and new orders). Each month, ACC provides a barometer number, which reflects activity data for the current month, as well as a three-month moving average. The CAB was developed by the economics department at the American Chemistry Council.

The CAB is designed and prepared in compliance with ACC's Antitrust Guidelines and FTC Safe Harbor Guidelines; does not use company-specific price information as input data; and data is aggregated such that company-specific and product-specific data cannot be determined.

Every effort has been made in the preparation of this publication to provide the best available information. However, neither the American Chemistry Council, nor any of its employees, agents or other assigns makes any warranty, expressed or implied, or assumes any liability or responsibility for any use, or the results of such use, of any information or data disclosed in this material.

www.americanchemistry.com [2]

Source URL (retrieved on 09/19/2014 - 10:35am):

<http://www.chem.info/articles/2014/01/us-economic-recovery-continue-throughout-2014>

U.S. Economic Recovery To Continue Throughout 2014

Published on Chem.Info (<http://www.chem.info>)

Links:

[1] <http://www.americanchemistry.com/Jobs/CAB>

[2] <http://www.americanchemistry.com/>