U.S. Chemical Production Dips In August

According to the American Chemistry Council, the U.S. Chemical Production Regional Index (U.S. CPRI) slipped 0.3 percent in August, following an upwardly revised 0.2 percent gain in July. During July, chemical production was lower in all seven regions for the second consecutive month.

On a three-month moving average (3MMA), output of the nation's overall manufacturing sector edged higher by 0.2 percent in August, following a 0.1 percent gain in July. Within the manufacturing sector, output in several key chemistry end-use markets grew, including semiconductors, structural panels, furniture, appliances, rubber products, apparel, machinery, motor vehicles, construction supplies and metal products. Manufacturing demand is a significant driver of demand for chemistry products. Recent months have seen weaker growth as a result of lower exports and the impact of the sequester.

Higher construction activity and vehicle sales, however, in addition to recovery in Europe and faster growth in China, will increase demand for manufactured goods, including chemicals. Also measured on a 3MMA basis, overall chemical production was again mixed. Gains in the output of pesticides, chlor-alkali, coatings, other specialties, industrial gases, and synthetic rubber were offset by lower production of organic chemicals, pharmaceuticals, acids, consumer products, plastic resins, adhesives, fibers and fertilizers.

Compared to August 2012, total chemical production in all regions accelerated to a 1.2 percent year-over-year gain, following a 1.4 percent gain in July. All regions were ahead compared to a year ago. Indeed, the year-over-year comparisons improved in three of seven regions, including the Mid-Atlantic, Northeast, and West Coast. Comparing the first eight months of 2013 to that in 2012, chemical production was up 0.8 percent nationally, with five of the seven regions posting gains.

The chemistry industry is one of the largest in the United States, a $770 billion enterprise. The manufacturing sector is the largest consumer of chemical products, and 96 percent of manufactured goods are touched by chemistry. The U.S. CPRI was developed by Moore Economics to track chemical production activity in seven regions of the United States. It is comparable to the U.S. industrial production index for chemicals published by the Federal Reserve. The U.S. CPRI is based on information from the Federal Reserve. To smooth month-to-month fluctuations, the U.S. CPRI is measured using a three-month moving average. Thus, the reading in August reflects production activity during June, July, and August.

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