

Industrial Chemical Industry: Performance Snapshot First Quarter 2017

Highlights

- > Overall, industrial chemicals had a solid quarter.
- > Overall shipments increased 13% compared to the same quarter in 2016. This performance was driven by strong growth in petrochemicals, but all sub-segments showed increases.
- > Exports for industrial chemicals rose 1%. There were large differences among the sub-segments however. Petrochemicals saw a sharp rise in exports, while inorganic chemicals experienced a steep decline. Other organic chemicals showed good growth, while resins and rubbers were up slightly.
- > Industrial chemical industry GDP fell by 0.5% compared to Q4 of 2016.
- > The quarter-over-quarter change in rail car shipments was up slightly (0.3%).
- > Operating profits remained strong, coming in at \$854 million.



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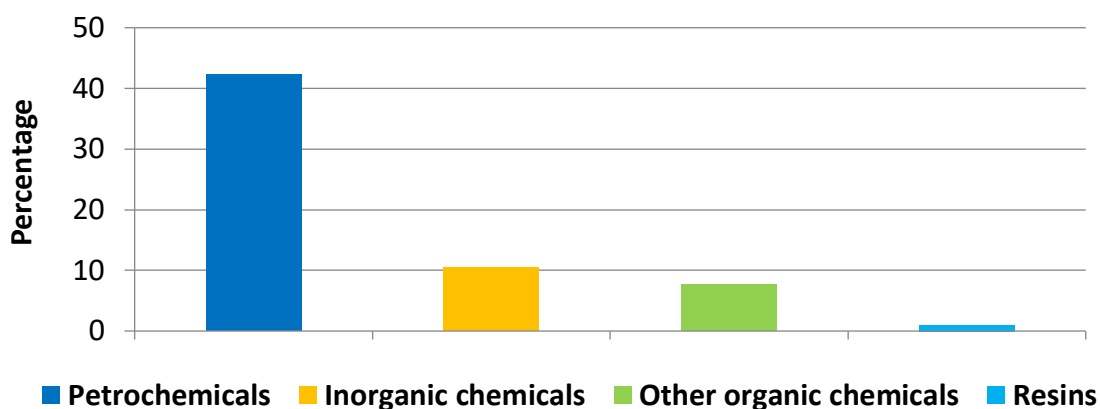
Industrial Chemical Industry: Performance Snapshot



› Shipments

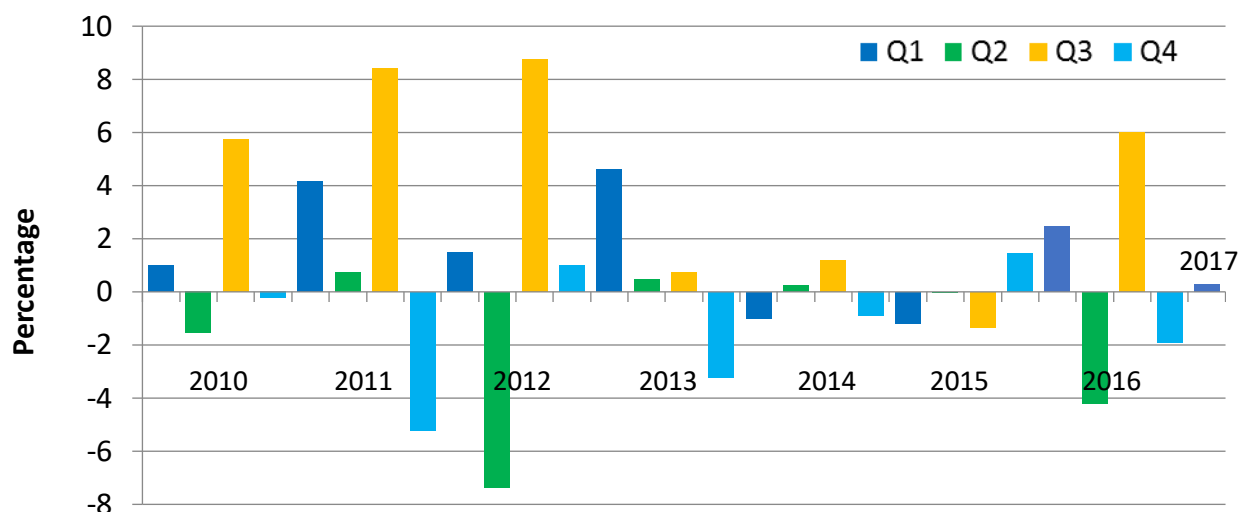
Shipments in dollar terms for the industrial chemical industry showed strong growth of 13% in the 1st quarter of 2017 compared to the same quarter in 2016. Petrochemicals led the way with a huge 42% surge, the first quarter in over two years that this segment has shown growth compared to the prior year. Inorganic chemicals and resins also grew, following declines throughout 2016. Only other organic chemicals showed growth in 2016 and it remained positive in the 1st quarter of 2017.

Figure 1: Change in shipment value, Q1 2017 vs. Q1 2016, %



The number of rail cars used to ship industrial chemicals (Figure 2) increased slightly (0.3%) compared to the 4th quarter of 2016.

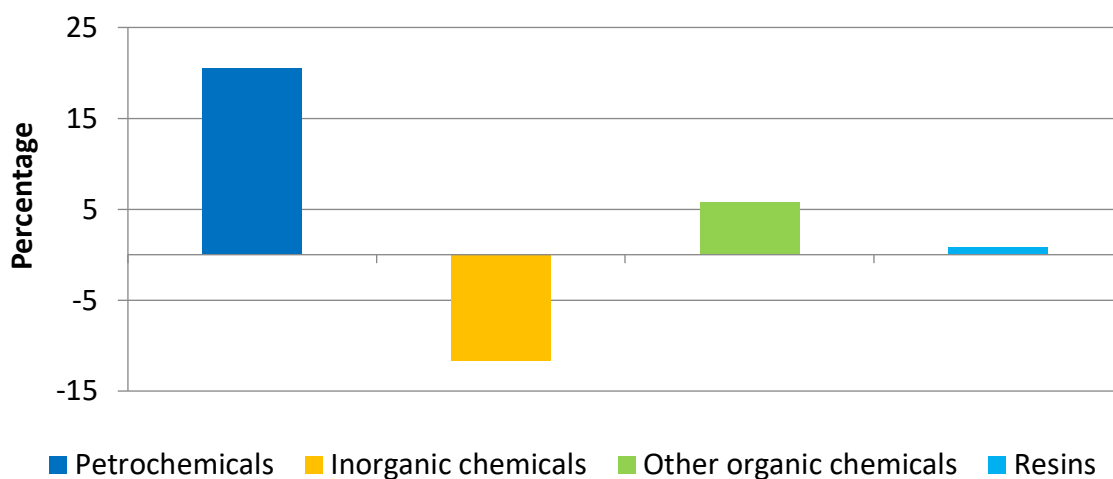
Figure 2: Quarter-over-quarter change in number of rail car shipments for industrial chemicals, %



Exports

Exports for the industrial chemical industry were up 1% in the 1st quarter of 2017 compared to the 1st quarter of 2016. Again, the petrochemical industry showed the biggest comparative gain, a complete reversal from the 2016 4th quarter report, when petrochemical exports were way down. Other organic chemicals and resins both showed gains this quarter, while exports of inorganic chemicals were down for the first part of the year. For inorganic chemicals, the rise in shipments coupled with a decline in exports seems odd. Future data releases will be tracked to see if this divergence holds.

Figure 3: Quarter over quarter change in exports, Q1 2017 vs Q1 2016, %



The large jump in petrochemical industry exports seen in Figure 3 was strongly influenced by benzene, styrene and propylene. Performance of inorganic chemicals was mixed. The decline in sodium chlorate exports had a big impact on the overall industry decline seen in Figure 3, due to its heavy weighting within that industry. For other organic chemicals, the strong growth in ethylene glycol exports was largely responsible for the overall rise seen in the industry. For resins, the biggest component, polyethylene, was down significantly, yet the industry showed small overall growth driven by butyl rubbers and other polymers such as PVC and acrylics.

Changes in export volumes and dollar values for specific commodities are shown in Table 1.

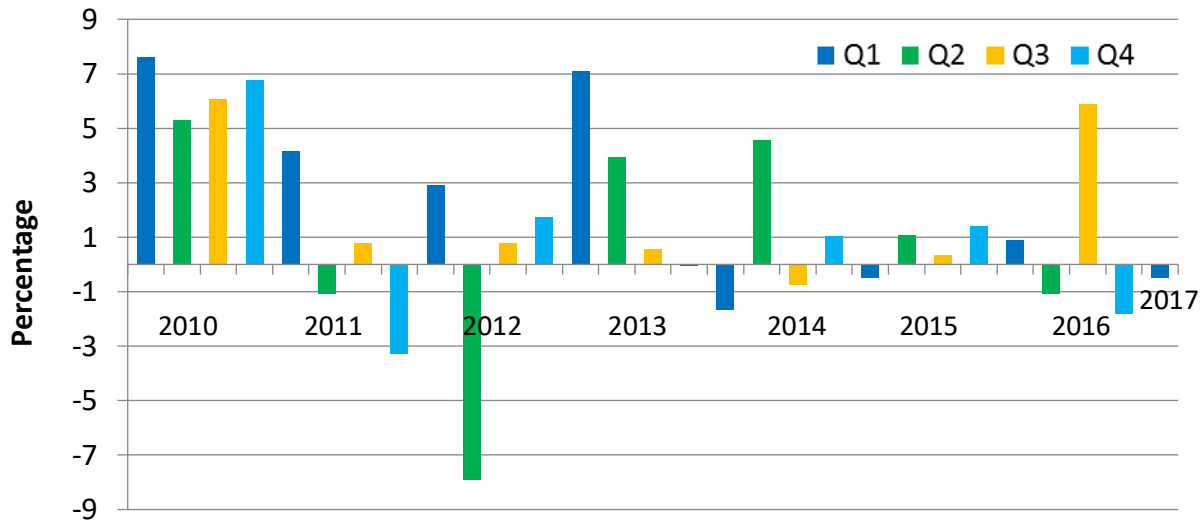
Table 1: Change in exports of selected commodities, Q1 2017 vs. Q1 2016, %

Commodity	Change, Tonnage Basis, %	Change, \$ Basis, %
<i>Petrochemicals</i>		
Propylene	24	8
Butadiene	8	-20
Higher olefins	-8	-2
Benzene	-32	44
Styrene	8	40
<i>Inorganics</i>		
Chlorine	-12	-23
Hydrochloric acid	85	25
Sulphuric acid	9	14
Sodium hydroxide	52	4
Titanium dioxide	265	242
Sodium chlorate	-3	-6
Sodium silicates	109	55
Hydrogen peroxide	-3	-12
<i>Other organics</i>		
Methanol	-51	-31
Isopropyl alcohol	-21	-17
Ethylene glycol	5	31
<i>Synthetic resins</i>		
Polyethylenes	-26	-24
Butyl rubbers	61	49
<i>Specialty chemicals</i>		
Palmitates and stearates	45	59
Orthophthalates	-82	-79
Azo compounds	60	74
Cyanine dyes	13	13
Azo dyes	-33	-41

➤ Gross Domestic Product (GDP)

GDP for industrial chemicals fell slightly (-0.5%) in the first quarter of 2017 compared to the 4th quarter of 2016. Over the quarter, basic chemicals were up slightly, while synthetic resins and rubbers were down.

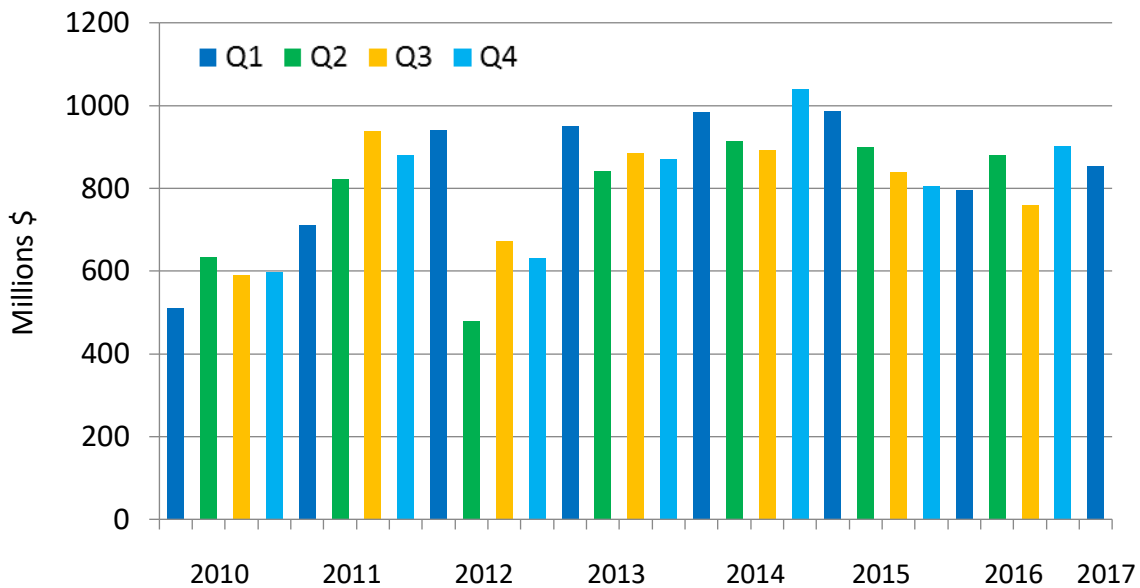
Figure 4: Quarter-over-quarter change in GDP for industrial chemicals, %



➤ Profits

Operating profits (Figure 5) for industrial chemicals in the 1st quarter were \$854 million. While this number was down somewhat from the last quarter of 2016, profits have remained strong.

Figure 5: Quarterly operating profits for industrial chemicals, \$ million



For more information, please contact:

Dave Podruzny, Vice President, Business and Economics at dpodruzny@canadianchemistry.ca

David Cherniak, Senior Policy Analyst, Business and Economics at dcherniak@canadianchemistry.ca





**CHEMISTRY INDUSTRY
ASSOCIATION OF CANADA**

805 - 350 Sparks Street, Ottawa, ON K1R 7S8 | 613-237-6215

canadianchemistry.ca | [@ChemistryCanada](https://twitter.com/ChemistryCanada)

info@canadianchemistry.ca



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