Industrial Chemical Industry: Performance Snapshot Year-End 2017

Highlights

- Shipments of industrial chemicals were up 4% in 2017 compared to 2016. The overall gain was driven by strong performance in petrochemicals and other organic chemicals. Inorganic chemicals grew at the industry average. Synthetic resins were the only subsector that showed a decline.
- Exports for industrial chemicals were the same in 2017 as in 2016. Petrochemicals showed a big jump while other organic chemicals were also up for the year. Inorganic chemicals and synthetic resins were both down.
- Industrial chemical GDP was relatively flat in the 4th quarter, rising by just 0.3%.
- The quarter-over-quarter change in rail car shipments was down 5% in the 4th quarter. For the year, average monthly rail car shipments were down 0.6% compared to 2016.
- Operating profits were $930 million for the quarter, up $54 million from the previous quarter. Profits were $3.5 billion for the year, up 5% compared to 2016.

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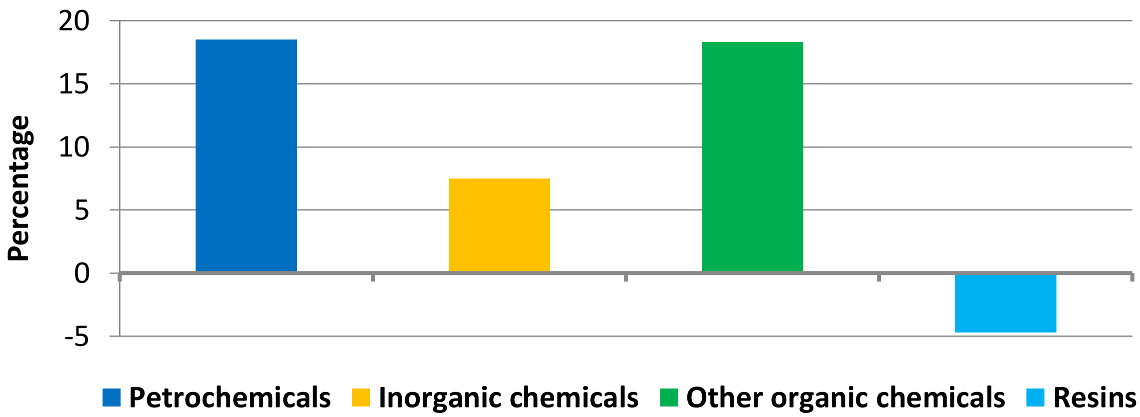
Shipments

Shipments in dollar terms for the industrial chemical industry grew 4% in 2017 compared to 2016. The first half of 2017 was very strong, resulting in high growth in most of the sub-sectors. The second half was much weaker. For the year, the strongest performers were other organic chemicals (16%) and petrochemicals (11%). Inorganic chemicals grew by 4%, and synthetic resins and rubbers declined by 4%.

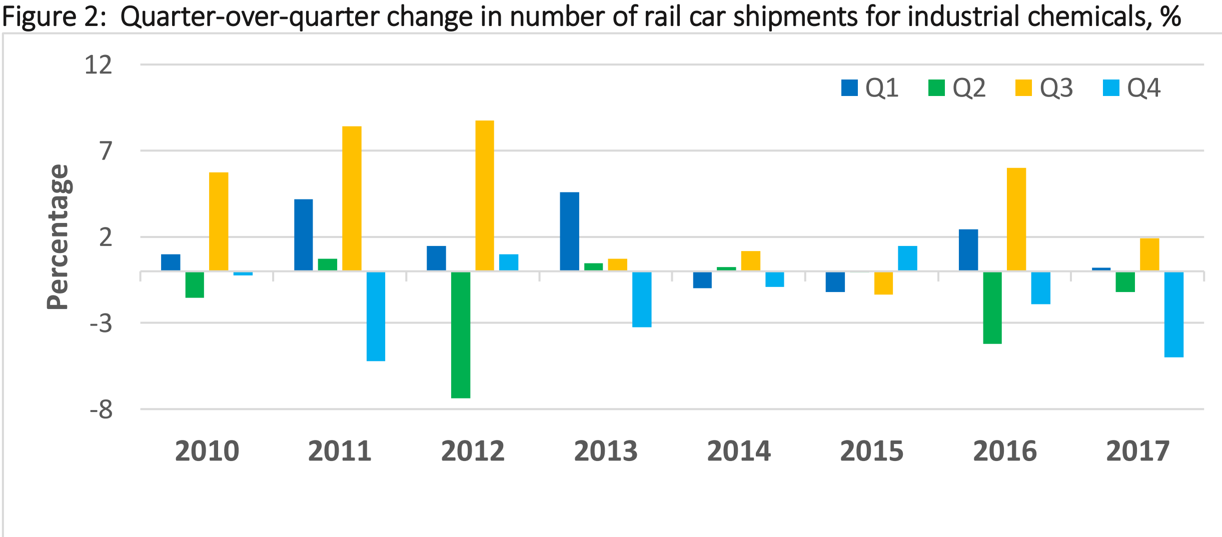
Figure 1: Change in shipment value, 2017 v 2016, %



Rail Car Shipments

The number of rail cars used to ship industrial chemicals (Figure 4) decreased 5% in the 4th quarter of 2017 compared to the previous quarter. This was the largest quarterly drop since 2012. For the year overall, average monthly rail car shipments were down 0.6% compared to 2016.

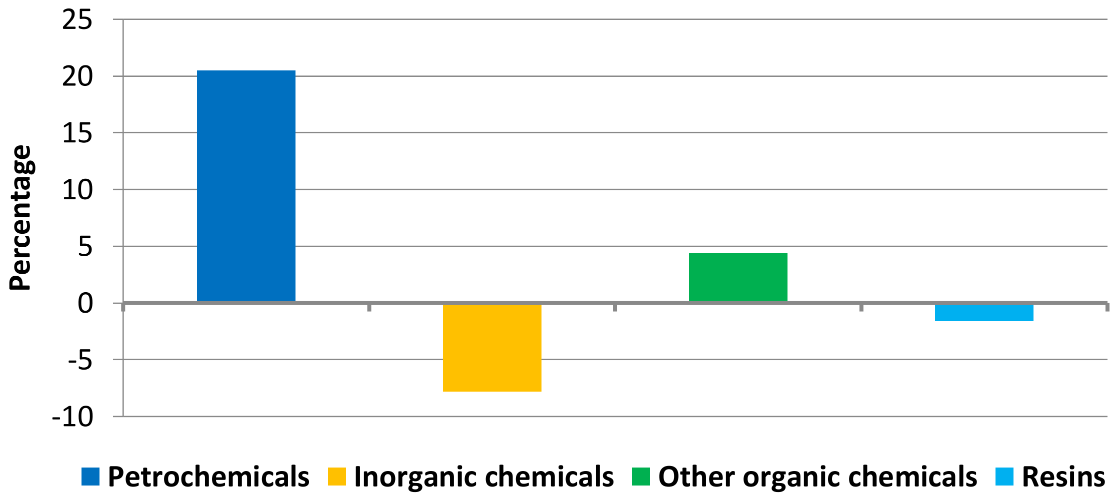
Figure 2: Quarter-over-quarter change in number of rail car shipments for industrial chemicals, %



Exports

Exports for the industrial chemical industry were the same in 2017 as they were in 2016. Petrochemicals showed a big gain (21%). Other organic chemicals grew by 4%, while inorganic chemicals and resins showed declines of 7% and 3% respectively. Changes in export volumes and dollar values for specific commodities are shown in Table 1.

Figure 3: Change in exports, 2017 v. 2016, %



Within petrochemicals, the olefin value chain was down while the aromatic chain was up. Other organic chemicals were largely up with the value gains exceeding the volume gains, showing that product pricing improved over the year. This was especially true for benzene and styrene products where dramatic increases in product pricing helped buoy overall results. Resin exports trended down this year due in large part to a significant decrease in volumes and prices of polyethylene products. The trends within Inorganic chemicals and specialty chemicals were mixed. Several classes of Inorganic products such as hydrochloric acid, sodium hydroxide and titanium dioxide had strong volumetric and pricing gains. Axo compounds and cyanine dyes also strong years in the specialty chemicals sub-sector.

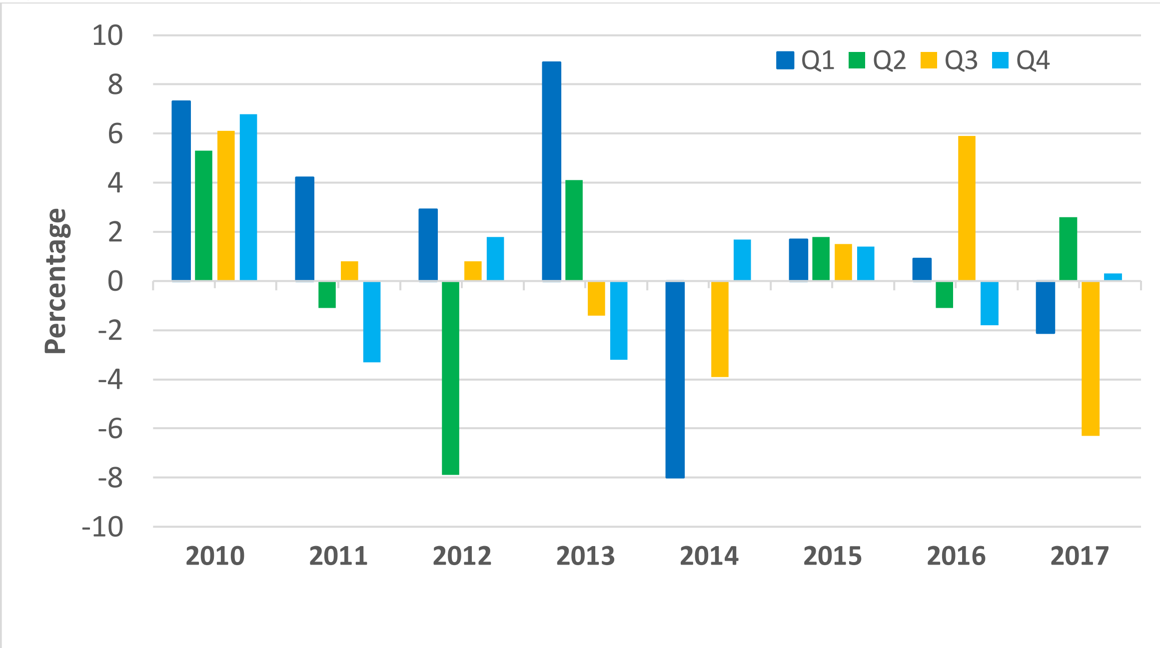
Table 1: Change in exports of selected commodities, 9 months 2017 vs. 9 months 2016, %

Commodity	Change, Tonnage Basis, %	Change, $ Basis, %
Petrochemicals		
Propylene	-15	-12
Butadiene	-23	-30
Higher olefins	-15	-13
Benzene	13	64
Styrene	12	39
Inorganics		
Chlorine	-13	-17
Hydrochloric acid	74	54
Sulphuric acid	-11	-9
Sodium hydroxide	25	1
Titanium dioxide	33	47
Sodium chlorate	1	-5
Sodium silicates	-1	4
Hydrogen peroxide	-10	-14
Other organics		
Methanol	-36	-33
Isopropyl alcohol	-5	-1
Ethylene glycol	-36	-33
Synthetic resins		
Polyethylenes	-30	-26
Butyl rubbers	-4	2
Specialty chemicals		
Palmitates and stearates	-18	-6
Orthophthalates	-79	-72
Azo compounds	97	17
Cyanine dyes	20	15
Azo dyes	-11	-29

Gross Domestic Product (GDP)

GDP for industrial chemicals showed a small gain of 0.3% in Q4 2017. Overall GDP was down 2.9% for the full year.

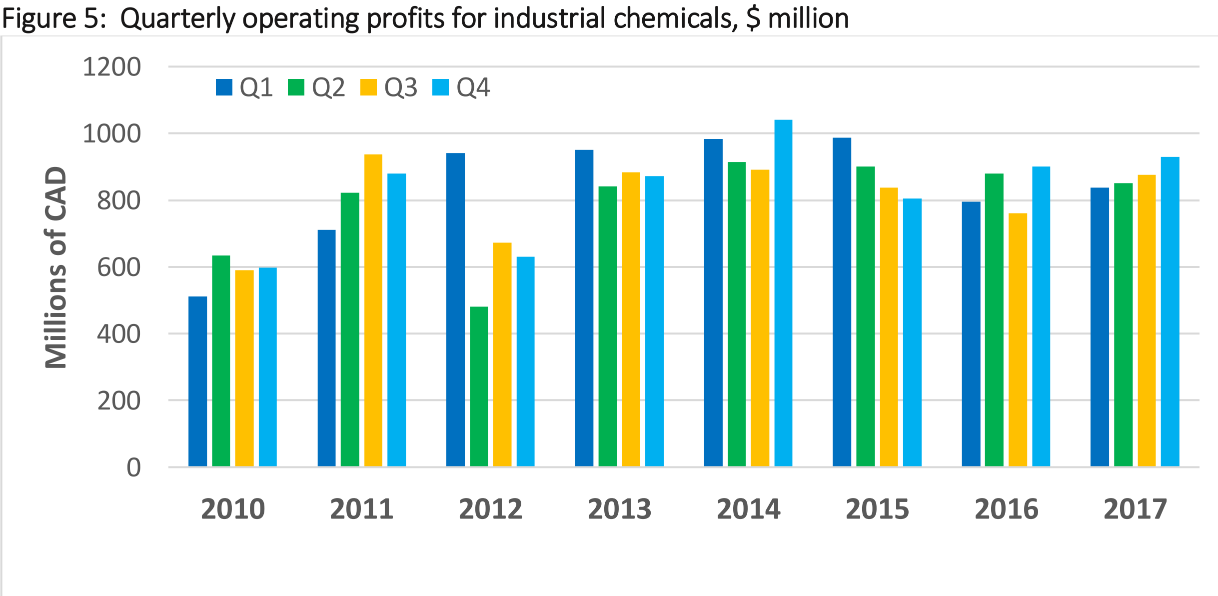
Figure 4: Quarter-over-quarter change in GDP for industrial chemicals, %



Profits

Operating profits (Figure 5) for industrial chemicals in the Q4 were $930 million, up $54 million from the Q3 2017. This was the strongest quarterly profit performance in almost three years. Annualized profits for 2017 were $3.5 billion, up 5% compared to 2016.

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



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