

Industrial Chemical Industry: Performance Snapshot First Half of 2017

Highlights

- > Overall, industrial chemicals had a strong first half. In the second quarter, all metrics were up except for railcar loadings which was down slightly. Data mostly points to the performance being led by improvements in product pricing.
- > Shipments increased 13% in Q2, the second successive quarter of 13% growth. This performance was driven by very strong growth in petrochemicals, and good growth in inorganic chemicals and other organic chemicals. Synthetic resin shipments remained unchanged.
- > Exports for industrial chemicals rose 5% in the first half. Again petrochemicals led the way with a big surge compared to 2016. Other organic chemicals and synthetic resins also showed good growth. Inorganic chemical exports fell by 5% repeating the trend that was seen in the Q1 where shipments rose but exports fell.
- > Industrial chemical GDP rose by 2% in Q2 reversing declines that had occurred over the previous two quarters.
- > The quarter-over-quarter change in rail car shipments was down slightly (1%) in Q2. Volumes have been fairly constant since 2013 with some seasonal variations.
- > Operating profits remained strong, at \$850 million for the quarter and at \$1.7 billion for the first half was up slightly from the same period in 2016.



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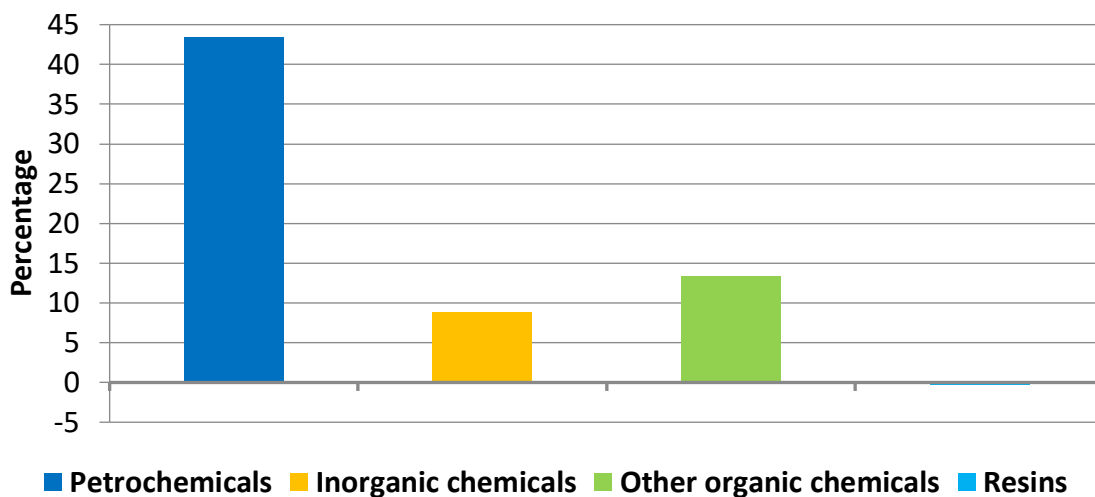
Industrial Chemical Industry: Performance Snapshot



› Shipments

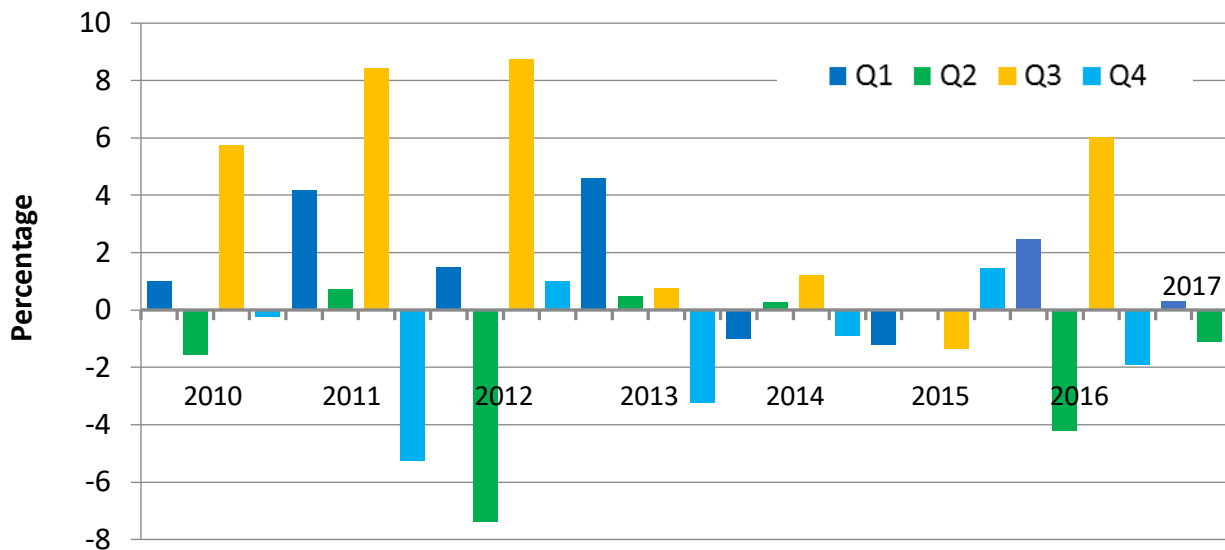
Shipments in dollar terms for the industrial chemical industry grew by 13% in the 1st half of 2017 compared to the 1st half of 2016. Petrochemicals continued to lead the way with a huge 43% surge. Inorganic chemicals and other organic chemicals also showed strong growth over the first half of the year, while synthetic resins and rubbers were flat (a very small decline).

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



The number of rail cars used to ship industrial chemicals (Figure 2) decreased 1.3% in Q2 of 2017 compared to Q1 of the year.

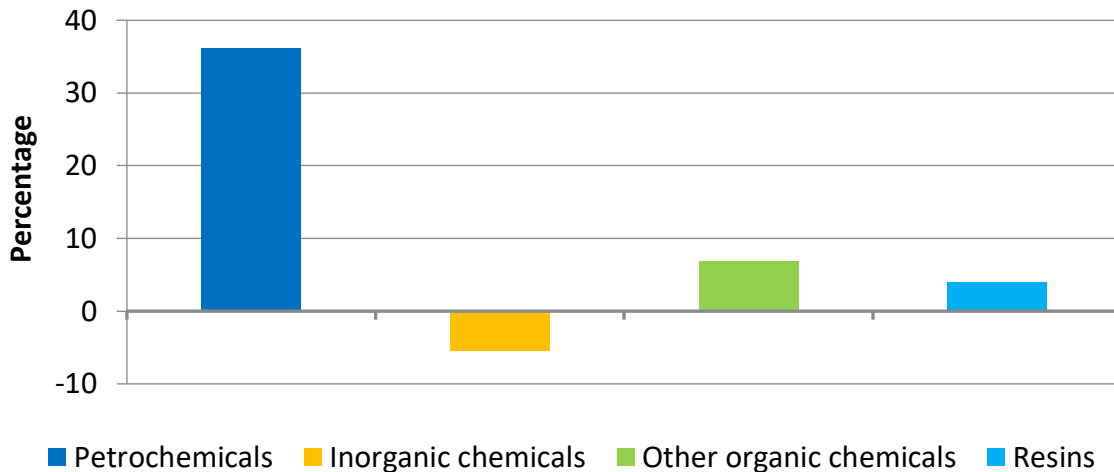
Figure 2: Quarter-over-quarter change in number of rail car shipments for industrial chemicals, %



Exports

Exports for the industrial chemical industry were up 5% in the 1st half of 2017 compared to the same period in 2016. Petrochemicals showed the biggest jump (36%), followed by other organic chemicals (7%) and synthetic resins (4%). The only sub-segment down in 2017 was inorganic chemicals (-5%).

Figure 3: Change in exports, 1st half 2017 v 1st half 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. For other organic chemicals, methanol, ethylene glycol and IPA all showed good growth. 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. While the data is mixed, the main contributor to the improved performance in the first half of 2017 appears to be increases in product pricing.

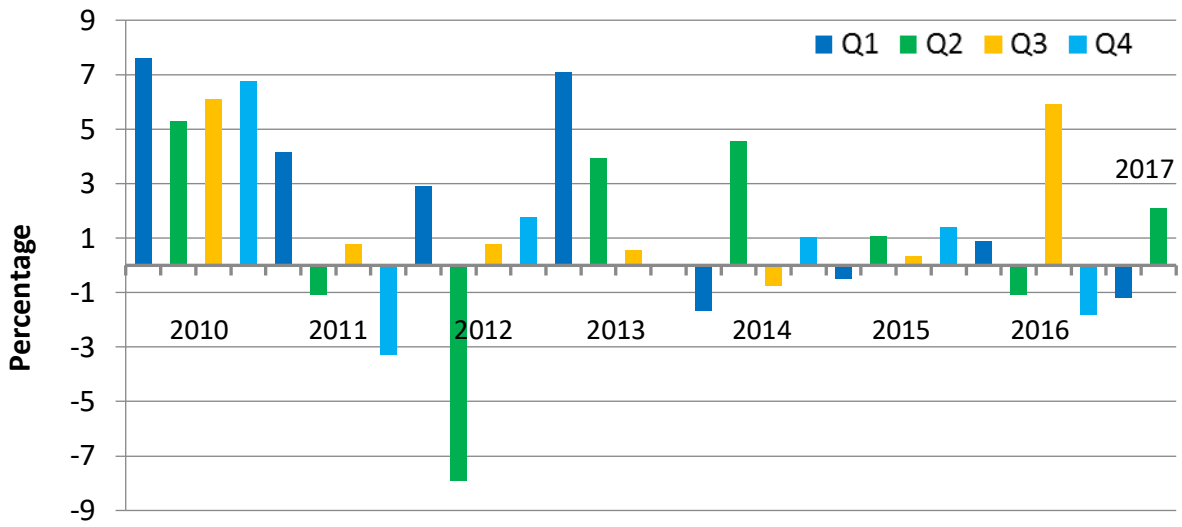
Table 1: Change in exports of selected commodities, 1st half 2017 v 1st half 2016, %

Commodity	Change, Tonnage Basis, %	Change, \$ Basis, %
<i>Petrochemicals</i>		
Propylene	13	12
Butadiene	-9	-21
Higher olefins	-14	-7
Benzene	-16	41
Styrene	33	84
<i>Inorganics</i>		
Chlorine	-16	-22
Hydrochloric acid	93	48
Sulphuric acid	-6	14
Sodium hydroxide	37	8
Titanium dioxide	107	88
Sodium chlorate	no chg	no chg
Sodium silicates	32	22
Hydrogen peroxide	-9	-12
<i>Other organics</i>		
Methanol	-18	27
Isopropyl alcohol	-21	10
Ethylene glycol	-4	23
<i>Synthetic resins</i>		
Polyethylenes	-25	-21
Butyl rubbers	6	13
<i>Specialty chemicals</i>		
Palmitates and stearates	16	30
Orthophthalates	-84	-83
Azo compounds	191	75
Cyanine dyes	20	20
Azo dyes	-10	-19

➤ Gross Domestic Product (GDP)

GDP for industrial chemicals showed good growth (2%) in Q2 of 2017 compared to Q1. Both sub-segments: basic chemicals and synthetic resins and rubbers were up.

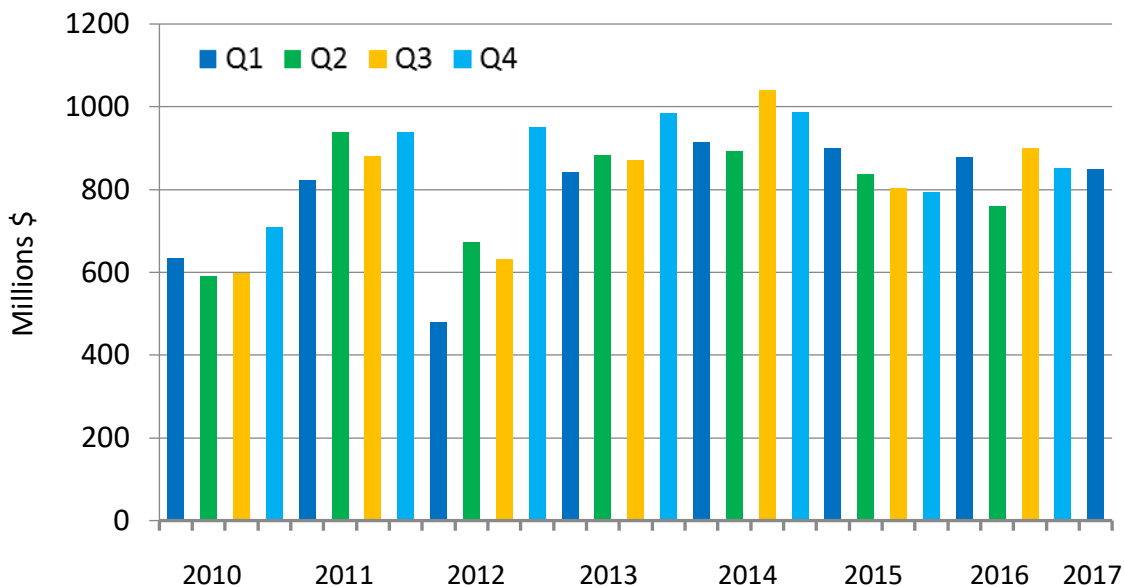
Figure 4: Quarter-over-quarter change in GDP for industrial chemicals, %



» Profits

Operating profits (Figure 5) for industrial chemicals in Q2 were \$850 million, the same as was recorded in the Q1. The industrial chemical industry has been generating strong profits ever since the beginning of 2013.

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



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