

2022 • INDUSTRIAL CHEMICAL INDUSTRY

PERFORMANCE SNAPSHOT

Q1

FIRST QUARTER

HIGHLIGHTS:

- Shipments of industrial chemicals increased by 20.2 per cent to a record in the Q1 2022 compared to Q1 2021. Basic Chemicals led growth in Q1 on the continued recovery from COVID-19 impacts. Resins and Synthetic Rubber shipments remain robust.
- Exports of industrial chemicals were up 18.4 per cent in Q1 2022 compared to Q1 2021. A record total of \$6.1 billion worth of Industrial Chemical products were shipped to world markets in the first three months of the year.
- Strong product pricing helped offset transportation constraints that saw Industrial Chemical shipments fall 6.4 per cent from Q1 2021 levels.
- Industrial Chemical sector GDP is flat compared to Q1 2021 and Q4 2022 as some downstream sectors continue their recovery from COVID-19. Sector GDP should increase through 2022 as investments begin production in Ontario and Alberta in the coming months.



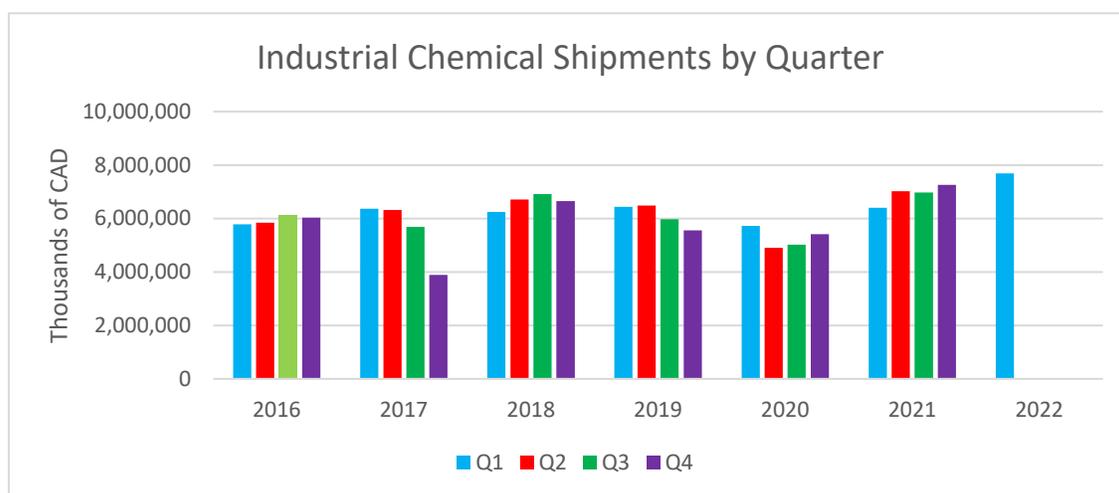
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CHEMISTRY INDUSTRY
ASSOCIATION OF CANADA

Canada's Industrial Chemical sector starts 2022 on strong footing

Canada's Industrial Chemical sector is off to its strongest start since 2018 according to recently released data from Statistics Canada. Shipments of Industrial Chemicals set a record in the first quarter with \$7.69 billion worth of products sold, a 20 per cent increase from Q1 2021 levels.¹ This was led by a surge in Basic Chemical production to a new quarterly record of \$4.9 billion as investment came online in Alberta in late 2021 and downstream demand continues to recover from COVID-19. Resin and Synthetic Rubber shipments continued to show strength notching their 3rd best quarter ever with \$2.75 billion in shipments.

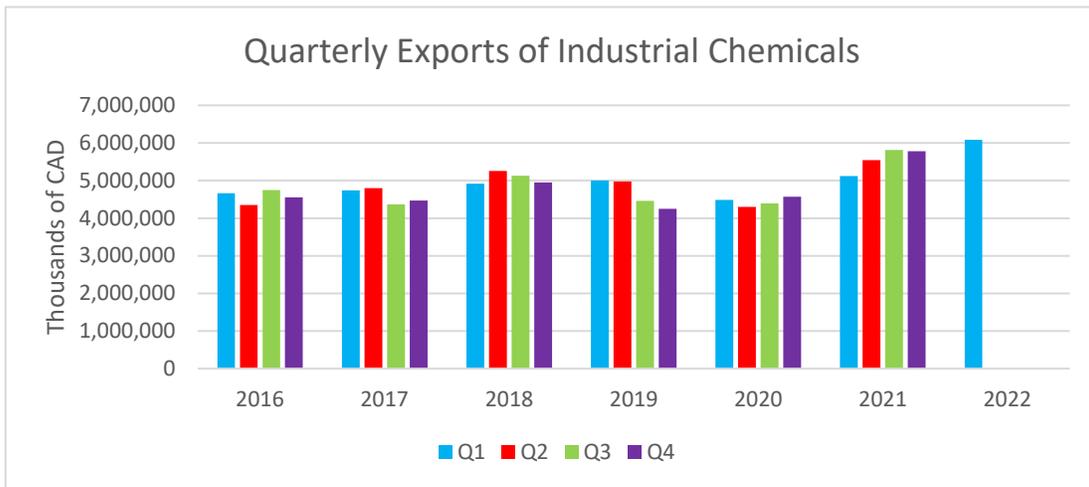


Every sub-sector of Industrial Chemical production posted growth from 2021 levels in Q1 2022. Inorganic Chemical shipments continue their recovery from COVID-19 related impacts and reached their highest quarterly output since Q4 2019 with \$823 million worth of products shipped. Organic Chemical shipments saw a 68 per cent increase over 2021 levels as production and pricing trend upward on investments moving from construction to operation and strong demand. Resin and Synthetic Rubber shipments continue to ship at multi-year highs, with \$2.7 billion worth of products shipped in Q1 2022.

Trade figures closely track shipment levels in Q1 2022

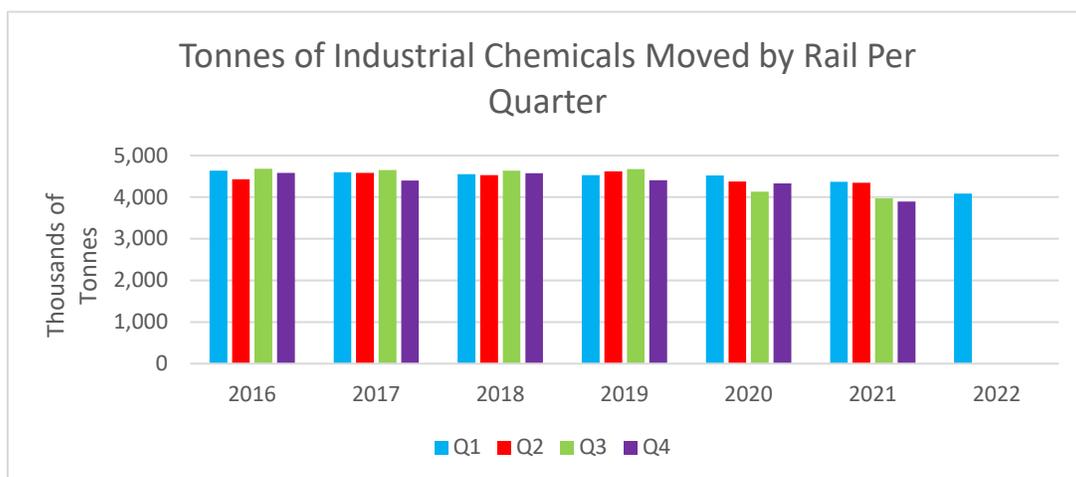
Exports of Industrial Chemicals also set quarterly records in Q1 2022 with nearly \$6.1 billion worth of products shipped to global customers. Only Petrochemical and Industrial Gas producers did not set a record for quarterly exports.

¹ Shipments are a value figure only and does not represent



Strong Pricing Offsets Slower Volume Transportation

Shipment levels in Q1 2022 were driven in part by strong product pricing which was enough to offset a slowdown in physical volumes moving to market.² Interestingly, chemical shipments via rail have been significantly below multi-year trends since July of 2021. A combination of major expansion projects and maintenance shutdowns in Q3-Q4 2021, extreme cold weather in Western Canada in late 2021 and early 2022, a COVID-19 surge in early 2022, and a strike among CP workers in March 2022 all occurred sequentially. Many of these headwinds began easing towards the end of Q1 and have improved in Q2. We expect to see volumes shipped recover through the rest of the year.

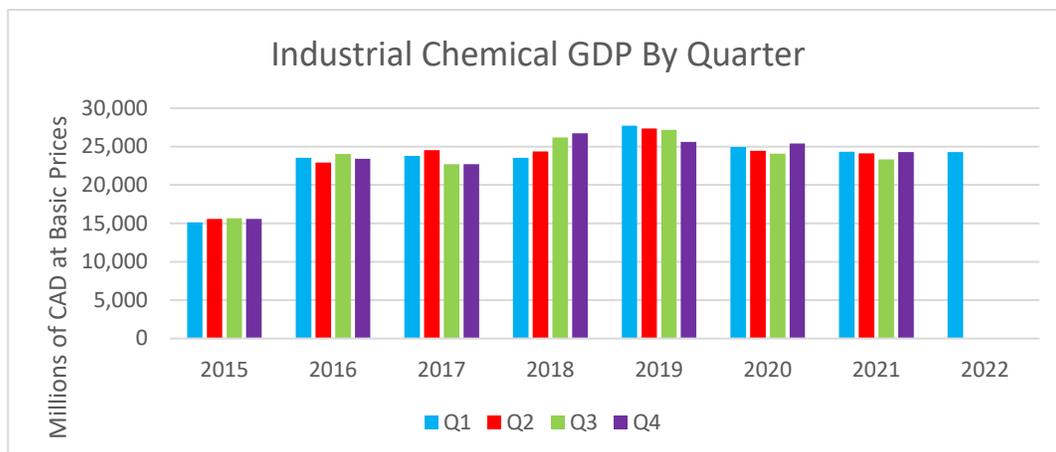


² Chemical products can also be stored in inventory which will induce higher shipment values but see lower volumes moved.

Outlook for Spring and Summer 2022

In public earnings releases North American Industrial Chemical firms remained quite positive on the near-term economic outlook.³ Companies reported that downstream demand remained strong, and sectors impacted by COVID-19 continued to recover. Supply chain strains continue to act as a headwind to further growth however this is occurring against a very strong fundamental backdrop. However, Companies also noted increasing energy and feedstock costs, geopolitical events and ongoing supply chain constraints acting as headwinds for the rest of 2022. Canada's Industrial Chemical sector is well positioned to avoid the worst of these impacts and continue to benefit from the strong economic fundamentals in the North American economy. Canada's Industrial Chemical sector GDP output remains below the operational highs seen in 2018 and 2019 but has recovered from the lows set in 2021 and is facing the rest of 2022 on much more solid footing. We expect to see an improvement in GDP as we move into summer and fall.

Canada's Industrial Chemical sector has a busy maintenance schedule in Q2 and into early Q3 in 2022 which will see major facilities in B.C. and Ontario offline. NOVA Chemicals is set to bring their ethylene and polyethylene expansion in Sarnia and Corunna Ontario online in the late spring. Similarly, later in 2022 Inter-Pipeline will begin operation of the Heartland Petrochemical Complex in Alberta, which is both global in scale and Canada's first fully integrated propane de-hydrogenation and polypropylene facility. Once fully operational these projects will cause a step change in Industrial Chemical production capacity in Canada, similar to what is seen from 2015-2016 in the graph below, later in the year. A fair and reliable transportation network, depending heavily on Canada's Class 1 railways, will be crucial in seeing these projects and the sector overall operate at their full potential.



³ Based on a review of public earnings statements and earnings call transcripts from BASF, Cabot, Chemtrade Logistics, Dow, Eastman, ExxonMobil, Huntsman, Imperial Oil, Linde, LyondellBasell, Shell, and Westlake Chemical,