CHEMISTRY INDUSTRY
ASSOCIATION OF CANADA

2026 Economic Outlook for Industrial Chemicals and Plastic Products and 2025 Year in Review

January 22, 2026

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2025 YEAR IN REVIEW FOR CANADIAN INDUSTRIAL CHEMICALS

2025 was a difficult year for the chemistry and plastic products sectors. Overall, we expect to see shipments decrease by 8 percent below 2024 levels to around $26 billion from aggregated monthly figures or $31 billion estimated for final 2025 figures. This will be the lowest level of shipments since 2020. Exports have far outpaced shipment declines this year and are expected to fall by more than 12 percent, ending the year at $23.7 billion.

Canada's Industrial Chemical sector entered 2025 in a relatively good position albeit with significant trade uncertainty owing to tariff threats from the United States. Trade uncertainty in North America saw signs of product stocking in early 2025 with peak tariff uncertainty in February before the United States announced the CUSMA-USMCA-T-MEQ tariff exemption for trade compliant products. Nearly all of Canada's chemistry and plastic products are CUSMA compliant and once customs procedures were completed these goods have continued trading freely in North America. While tariff and trade uncertainty clearly impacted consumer confidence through the first half of the year, we saw negative economic forces coalesce around the chemistry sector throughout the year and into 2026.

In the 2026 Economic Outlook we highlighted that expected improvement in interest rate sensitive sectors (building construction, automotive sales, durable goods orders) could lead to stronger chemical and plastic sector performance. This scenario did not materialize and instead a further downturn in many of these sectors, across most large economies, proved to be a severe headwind to chemical demand. The property downturn in China continues to hamper the world's second largest economy and recently both consumer spending and business investment have slowed. Globally real estate markets remain in a deep trough with investment levels near cyclical lows. Automobile demand remains below pre-COVID levels. Business investment has followed both the credit cycle and a slowdown in physical goods sales after the surges seen during the pandemic and remains soft outside of computer and electrical equipment.

In addition to deteriorating demand, the chemistry sector is dealing with significant supply and demand imbalances. Overcapacity in many chemical value chains is increasing dramatically. Capacity rationalizations in Europe, South Korea, Japan and some product chains in North America should begin to balance regional markets. But an unprecedented wave of chemistry investment in China is reaching startup and beginning production through 2029. This new capacity could limit the upside for global prices and could cause acute overcapacity issues as trade networks reconfigure and older capacity is rationalized.

For tailwinds, the North American economy was resilient in 2025, providing a solid foundation for chemistry demand. Similarly, Canada's trade relationships with many of the world's economies ensures our goods can access markets around the world. Energy and feedstock costs are structurally lower in

Canada compared to many jurisdictions. This is especially true in western Canada which hosts one of the most competitive cost structures in the world. Canadian chemistry products are well positioned to capitalize on demand as it picks up pace.

Capital expenditures were flat with 2024 levels in 2025. Construction slowed on several expansion projects in Alberta limiting the expected upside forecast in Outlook 2025.

2025 Economic Year in Review Summary

- Shipments of Industrial Chemicals decreased by 8 percent in 2025 from 2024 levels and end the year at $26 billion from aggregated monthly figures or $31 billion estimated for final 2025 figures.
- Exports are expected to decrease by 12% in 2025 on near stable volumes and significantly pricing, ending the year at $23.7 billion.
- Prices for many industrial chemicals and resins fell to lows not seen since 2020 due to sluggish demand and global oversupply.
- Plastic Product shipments are set to end they ear 2% higher than 2024 levels at $34.6 billion.
    - Plastic product shipments tend to more closely track growth in consumer spending.
- Energy and feedstock costs in Canada remain a tailwind in Canada but a lower crude to natural gas spread compressed margins in 2025.
- The level of capital investment seen in 2025 was flat with 2024 as construction slowed on expansion projects.
- Total employment is projected to grow by 1% along long-term trends.

2026 OUTLOOK FOR CANADIAN INDUSTRIAL CHEMICALS AND PLASTIC PRODUCTS

- Canada's Industrial Chemical sector is set to see shipment growth of 1-3% in 2026 from 2025 levels on improved product pricing and stable output.
- Exports are expected to increase by 1-4% in 2025 closely tracking shipment values.
- Product pricing levels, in USD terms, reached lows last seen in the spring of 2020 in 2025.
    - Prices stabilized in the 2nd half of 2025 and could see modest improvements in 2026.
- The volume of Industrial Chemical shipments should be flat or increase slightly by 0-2% in 2025 as demand stabilizes in key North American downstream sectors.
- Plastic Product shipments should grow 1-2% closely tracking growth in consumer spending but could benefit from a pickup in cyclical demand sectors like autos, home appliances and building materials later in the year.
- Canada's Industrial Chemical sector will receive a tailwind from the Canadian Advantage in energy and feedstock pricing. Uncertainty continues to rise in Quebec around the future of electricity prices.
- The level of capital investment is expected to remain flat in 2026 as companies prioritize continuing operations investments. Investment is likely to pick up in 2027.
- The Bank of Canada reports more than 50% of business see improved conditions in the next twelve months, but this is significantly below the historical average.[1]
- Total employment by industry is projected to grow by 1% along historical trend lines.

[1] Statistics Canada, "Business Outlook Survey Fourth Quarter 2025," January, 2026.

ECONOMIC FOCUS FOR INDUSTRIAL CHEMICALS AND PLASTIC PRODUCTS IN 2026

DOWNSTREAM DEMAND AND THE SLOW RECOVERY IN CYCLICAL SECTORS

Canada's Industrial Chemical sector enters 2025 in a relatively good position. Canada's industrial chemical sector benefits from very competitive feedstock and energy prices, deep integration into the high performing U.S. economy and an increasingly global reach for its products. However, stubbornly high interest rates, sluggish economic growth in Europe and mature economies in Asia, alongside the continued property sector downturn in China and significant trade uncertainty is clouding the year ahead outlook.

In 2025 we expected a modest recovery in demand in interest rate sensitive sectors like new housing construction, industrial investment, and auto sales. This recovery did not materialize, and we enter 2026 with much lower expectations. CIAC expects some improvement in demand for cyclical sectors but that is unlikely to occur until the 2nd half of 2026 or perhaps in 2027 as recent interest rate cuts work their way through the economy. A slower pace of activity in natural resource extraction, particularly oil and gas development, could also be a headwind to growth. North America remains on relatively strong economic footing but major markets in Europe, Asia and Latin America remain subdued to start the year though expansionary fiscal policy could underpin growth later in the year. Public earnings reports from Industrial Chemical companies have shown manufacturers are very focused on these economic crosscurrents.[2] Companies expect rather tepid downstream demand, especially for interest rate sensitive and cyclical product sectors. Though pockets of stronger growth could emerge in packaging, electronics manufacturing, metals refining and business investment as 2026 progresses.[3]

For **2026 CIAC estimates 1-3% growth in Industrial Chemical shipments form 2025 levels**. Output in volume should remain stable or grow slightly by 1% owing to structural cost advantages and deep integration into the North American economy. Shipment values should increase moderately as prices rise from multi-year lows. Exports should also see gains closely tracking shipment levels. CIAC also expects a small increase in railway throughput in 2026 of around 1%.

Plastic product demand will track consumer spending and GDP growth owing to a large presence in everyday consumption. **CIAC expect plastic product shipments to increase 1 percent in 2026 closely tracking growth in consumer spending.** Other value chains for plastic products in durable goods such as autos, construction and finishing materials, industrial investment and home appliances may still face headwinds as affordability and interest rates continue to weigh on consumer purchasing power.

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[2] Summary of Q3 2025 Earnings Reports from – Huntsman, Eastman, Lyondell-Basel, Dow, Shell, ExxonMobil, Olin Corporation, Chemtrade Income Holdings, Chemours Company, DuPont Demours Inc, PPG, and Sherwin-Williams.
[3] Ibid.

Near-Shoring and Building Resilient Supply Chains

Budget 2025 marks a notable shift in the federal approach to economic and environmental policy — moving from a primarily regulatory framework toward one that enables progress through investment attraction, tax incentives, and improved project approvals. CIAC commends this pragmatic and collaborative direction, which aligns closely with the chemistry and plastics sectors' priorities for sustainable growth and decarbonization.

Key policies in Budget 2025 for attracting investment in the Chemistry and Plastics Sector

- *Investment Incentives:* Extension of the *Accelerated Investment Incentive* to 2030 and introduction of the *Productivity Super Deduction* to lower the cost of capital and spur new investment.
- *Clean Technology and R&D:* Enhancements to *Carbon Capture, Utilization and Storage (CCUS)* and *Clean Hydrogen* investment tax credits, alongside renewed commitments to reform the *Scientific Research and Experimental Development (SR&ED)* program.
- *Critical Minerals Fund:* $2 billion over five years to establish a Critical Minerals Sovereign Fund supporting strategic investments across Canada's clean economy value chain.
- *Climate Competitiveness:* A review of industrial carbon pricing, an emphasis on carbon markets and CCUS technologies, and a more balanced approach to reducing emissions from oil and gas production.

Together, these measures reflect meaningful progress toward strengthening Canada's attractiveness as a destination for chemistry investment and innovation and builds on the success of the Investment Tax Credits (ITC) for Carbon Capture Utilization and Storage, Clean Hydrogen and Critical Minerals development which became law in 2024.

Since 2021 CIAC has been tracking twenty-six global scale announcements by chemical companies to invest in Canada. If built these projects will lead to significant emissions intensity performance improvements with a strong role CCUS, clean hydrogen and our low emissions electricity grid. In 2024 we saw positive investment decisions announced by Dow Chemical Canada & Linde, Shell Chemicals Canada, and Jungbunzlauer. While investment in 2025 slowed due to global macroeconomic factors and trade tensions these projects are worth tens of billion in investment in Canada's industrial chemistry sector. While the announcements in Budget 2025 were welcome Canada cannot rest on its laurels, competition for investment is fierce and it is critical that all levels of government work together to secure them.

Trade Policy Uncertainty and Changing Trade Flows

The Canadian industrial chemistry industry is highly export-oriented with 75 percent of its production destined for export markets. 2026 is set to be very consequential year for trade negotiations as Canada, the U.S. and Mexico are set to begin a review of the tripartite free trade agreement known as CUSMA in the summer of 2026. CIAC and its members are strong supporters of free trade, particularly with the

United States and Mexico and will continue to advocate for improvements to CUSMA and utilizing the first of its kind Chemical Sectoral Annex in CUSMA to address policy challenges that all three countries face such as supply chain mapping, monitoring of precursor chemicals for illicit substances and regulatory cooperation around chemicals management.

Trade tensions continue to rise around the world. The United States has placed tariffs on products and countries around the world and continues to negotiate bilateral deals to have them lowered. Other countries and trade blocs are responding with tariffs to competitive pressures and those undertaking deeper emissions reduction strategies are looking for ways to protect their domestic industries from import competition. Additionally, overcapacity and non-market trade practices are further pressuring the prices and operations of chemical companies. 2025 saw tariff increases on industrial chemicals and resins from major economies like China, India, Brazil and South Korea towards chemistry operations in North America. As more capacity is brought online in Asia and in China in particular, these pressures will surely increase with global implications.

TRANSPORTATION NETWORK FLUIDITY AND ACCESS TO INTERNATIONAL MARKETS

In 2022-24, Canada experienced 62 work stoppages in the transportation sector including the Port of Montreal, the St. Lawrence Seaway, West Coast Ports, and both Class 1 railroads. For our business and for supply chains, reliable transportation and port operations is not optional, it is essential to our business. Canada cannot afford to gamble with the supply chains that keep our water safe, our factories and economy operating, and our trade reputation intact. More than 85% of chemistry and resin products move by rail. Every day, $75 million worth of chemistry products in more than 500 rail and tank cars move across this country. In almost all instances, there is no "Plan B," when rail transportation networks shutdown. It is simply infeasible from a logistics perspective to shift our mode of transport. Importantly, many of our products are highly regulated and cannot be safely moved by truck in the volumes required. When ports shut down there are often no domestic alternatives, particularly on the West Coast where there are only two functioning ports. When port operations are disrupted, we either wait for the disruption to end, at a significant cost, or we send our products to the United States to access tidewater. CIAC is heartened to see policy makers in both houses of Parliament examining the impact and solutions to these labour disruptions. Our member companies respect collective bargaining in federally regulated sectors. However, when a labour dispute between two parties can shut down the national economy, it signals a failure of the current system. Canada needs a modern framework that keeps essential transportation and trade services operating through collective bargaining with a goal of minimizing labour disruptions. Reforms should focus on strengthening the collective bargaining process to achieve negotiated outcomes in reasonable timeframes with a goal of minimizing the uncertainty during the negotiations for shippers.

For More Information:
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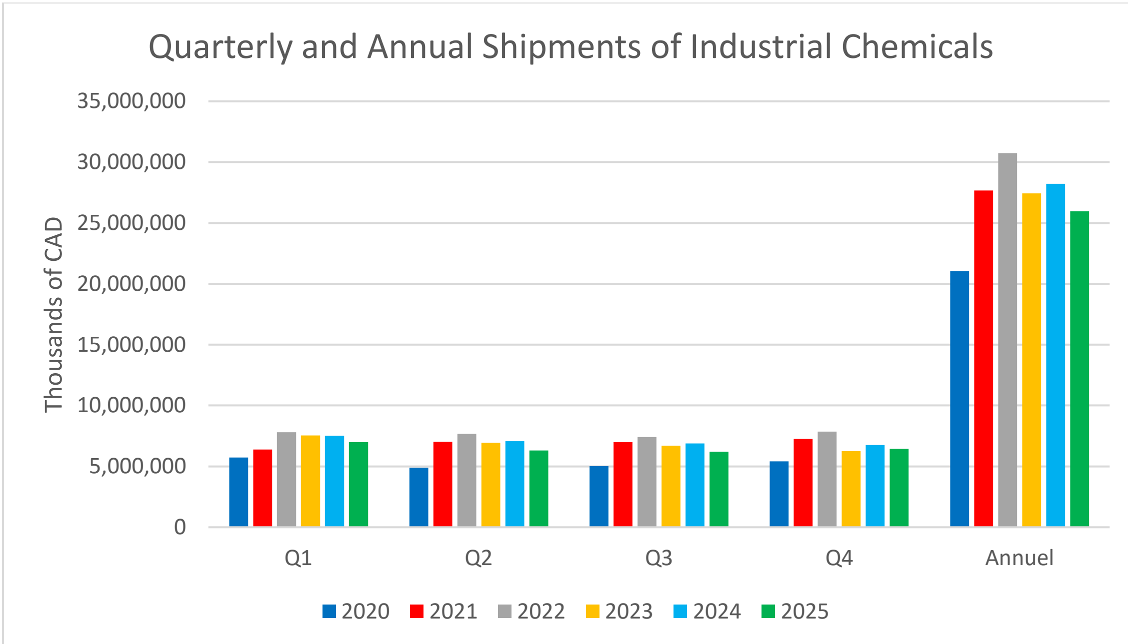
PRELIMINARY YEAR END STATISTICS FOR 2025

Chemical Sector Manufacturing	Year End Monthly Shipments in Billions of CAD	% Change from 2024 to 2025
Industrial Chemicals	$26.0	-8.0%
Resin and Synthetic Rubber	$9.87	5.7%
Basic Chemicals	$16.1	-15%
Petrochemicals	$6.6	-11.2%
Industrial Gases	$1.2	Flat
Inorganic Chemicals	$2.2	-15%
Organic Chemicals	$3.8	-22%[4]
Plastic Products	$34.8	2%

[4] This figure includes ethanol which saw a significant price decline in 2025.



Quarterly and Annual Shipments of Industrial Chemicals
Thousands of CAD
35,000,000
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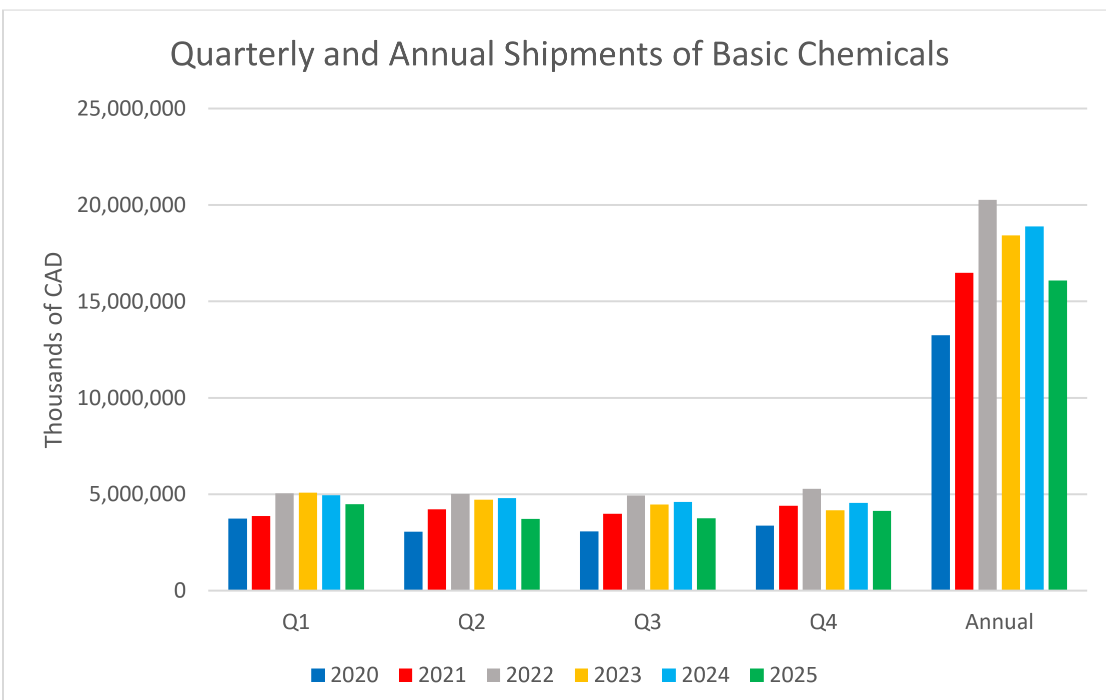

Quarterly and Annual Shipments of Basic Chemicals
Thousands of CAD
25,000,000
20,000,000
15,000,000
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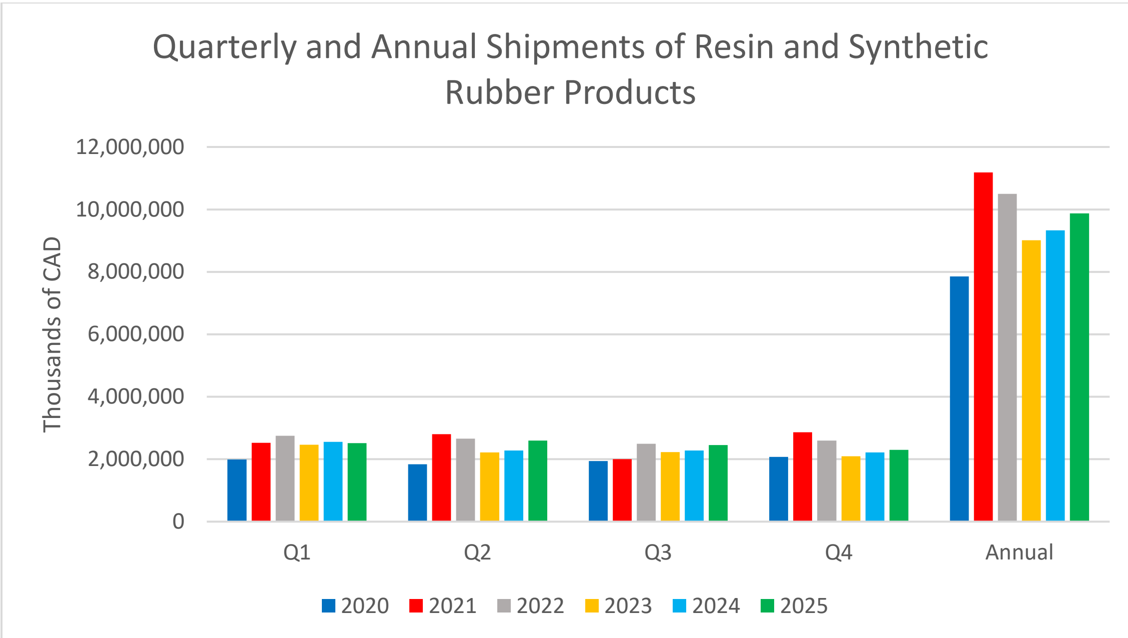
Quarterly and Annual Shipments of Resin and Synthetic Rubber Products
Thousands of CAD
12,000,000
10,000,000
8,000,000
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4,000,000
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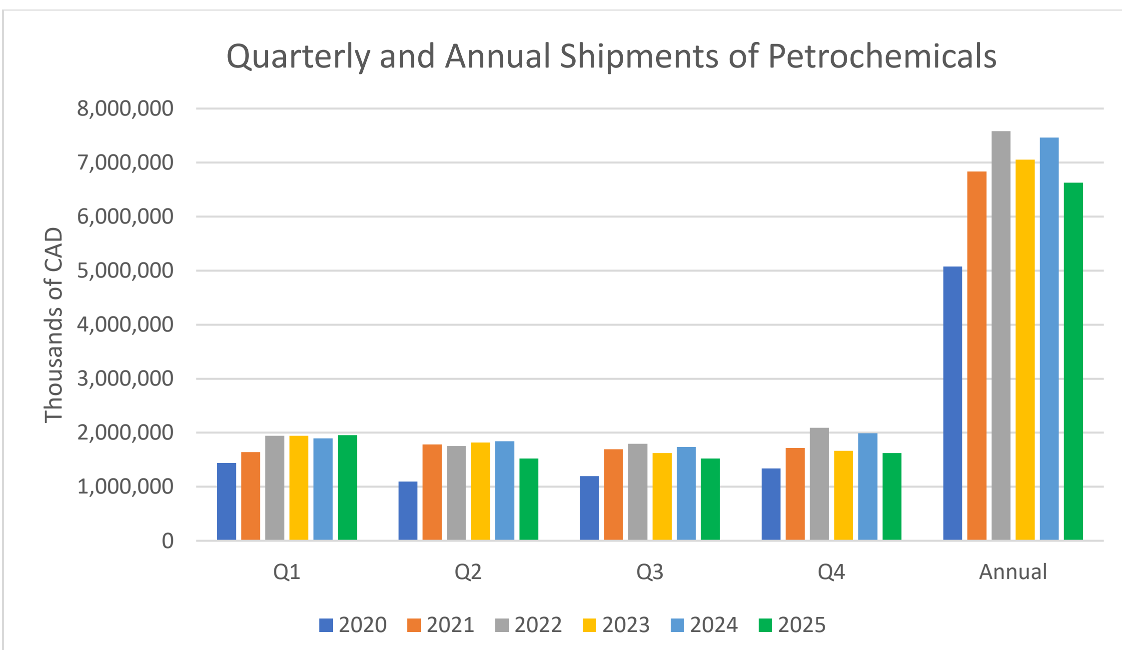
Quarterly and Annual Shipments of Petrochemicals
Thousands of CAD
8,000,000
7,000,000
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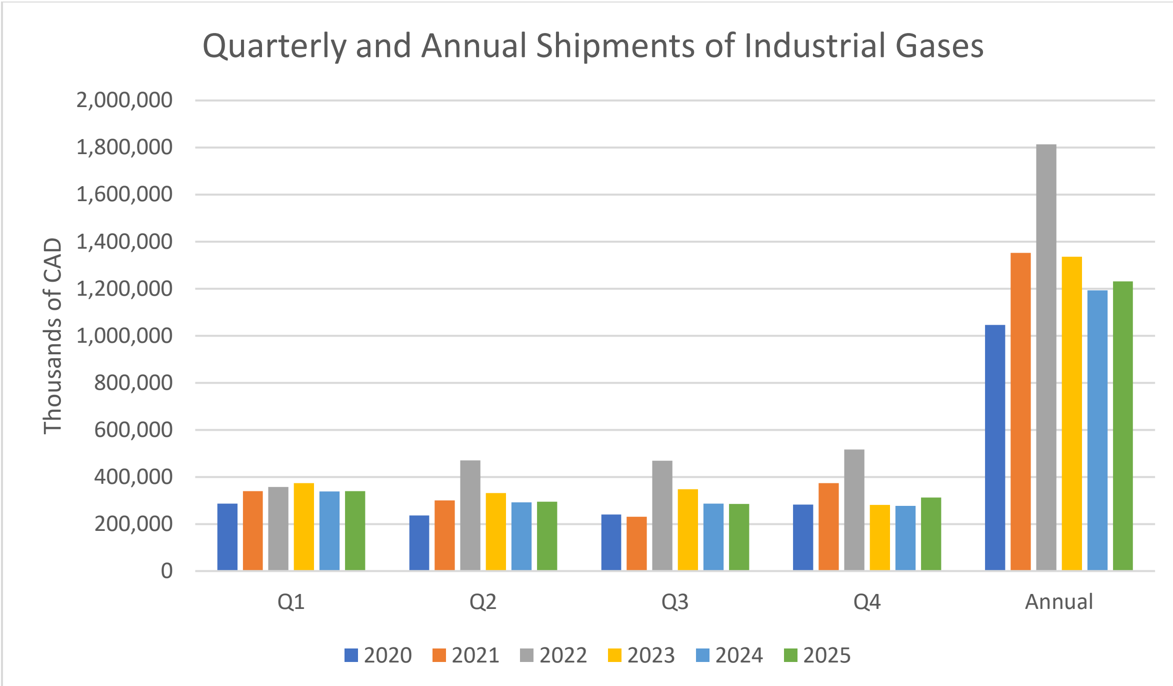
Quarterly and Annual Shipments of Industrial Gases
2,000,000
1,800,000
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
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Thousands of CAD
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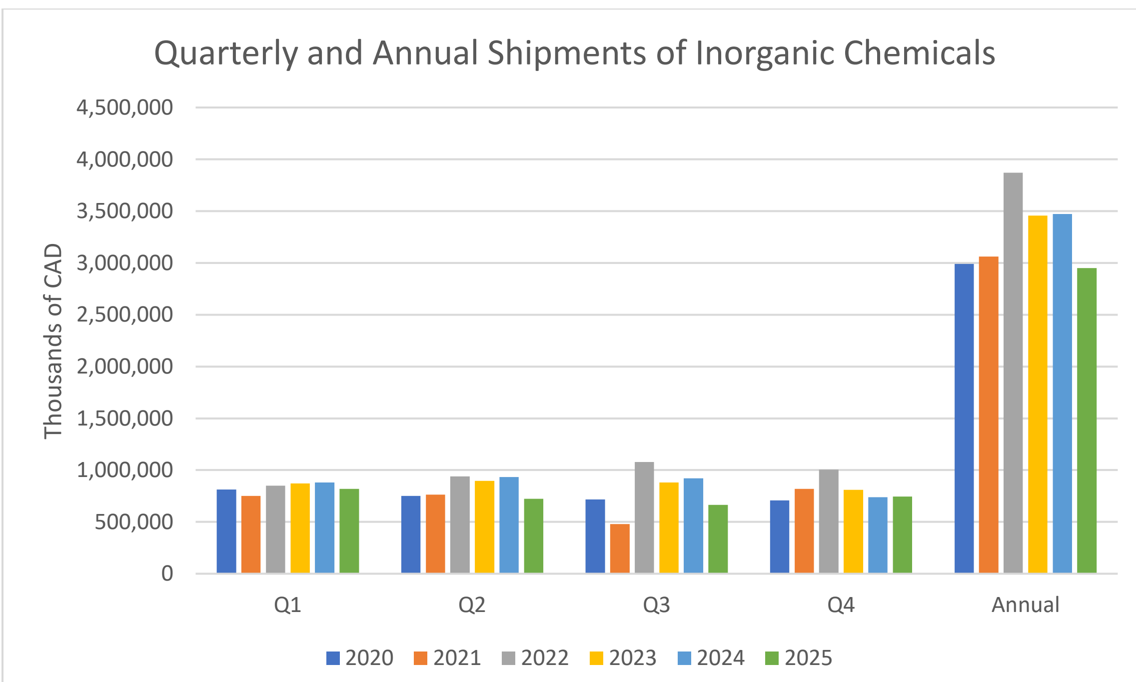
Quarterly and Annual Shipments of Inorganic Chemicals
4,500,000
4,000,000
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
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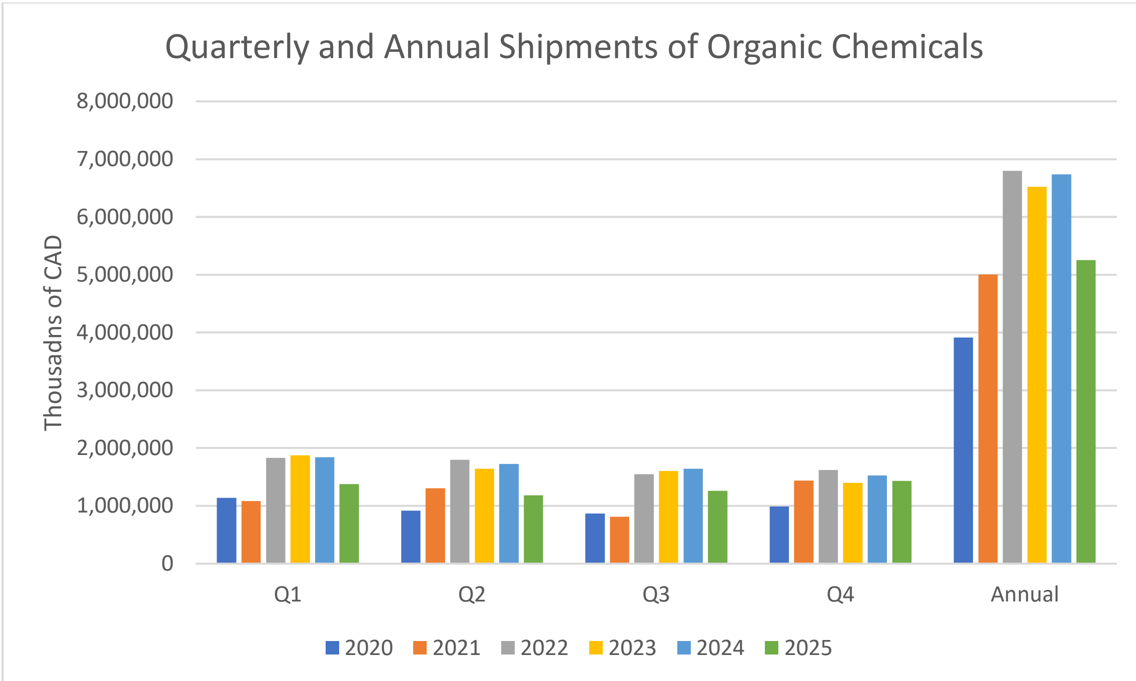
Quarterly and Annual Shipments of Organic Chemicals
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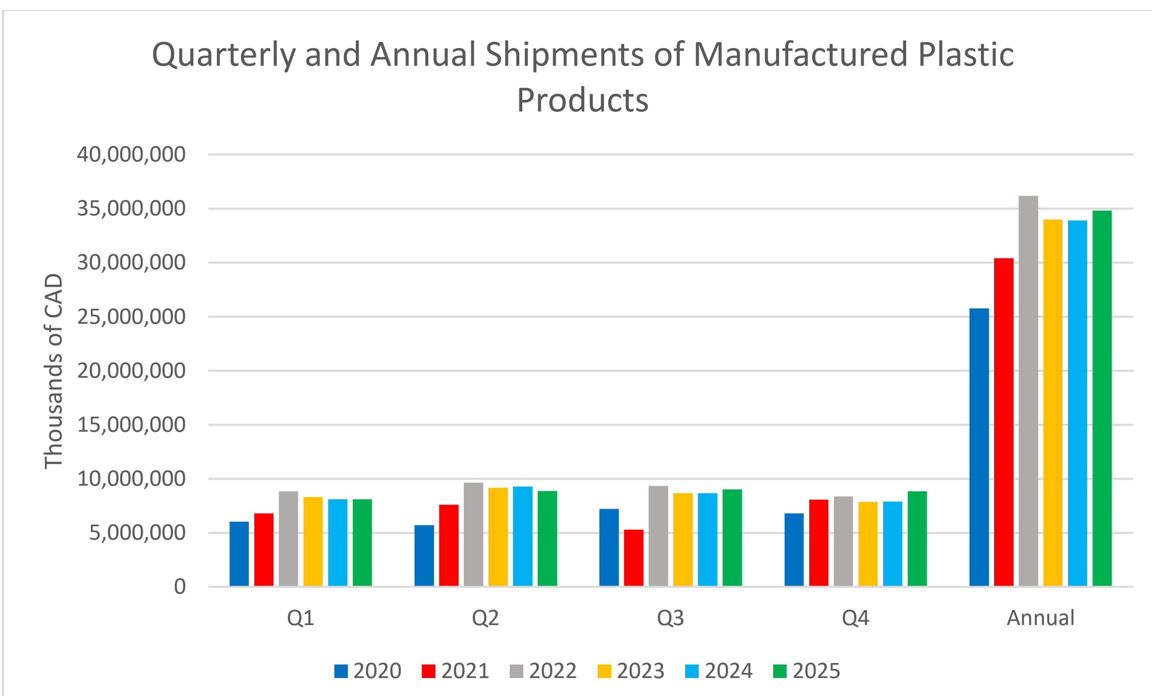
Quarterly and Annual Shipments of Manufactured Plastic Products
Thousands of CAD
40,000,000
35,000,000
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GLOBAL MACROECONOMIC CONDITIONS INTO 2026

Canada

In its October Monetary Policy Report, the Bank of Canada projected that full-year GDP growth in Canada will be under 1 percent in 2025. The BoC forecasts the Canadian economy growing by 1.4 percent in 2026 and 2027. This recovery is slow because Canadian businesses will need time to adjust to the new trade reality and a weak labour market is weighing on household spending. In addition, population growth is assumed to remain low. The Bank also offered a few key messages on the economy as we enter 2026:[5]

- Growth in potential output is expected to stay subdued in 2026 before picking up in 2027.
- Population growth is assumed to remain muted, and the trade conflict is anticipated to hold back growth in trend labour productivity. Excess labour supply is expected to diminish gradually over the projection horizon.
- Export growth resumes in 2026, supported by foreign demand, but from a substantially lower level. Businesses are also anticipated to make progress toward diversifying exports outside of the United States, although how quickly this proceeds remains highly uncertain. Overall, non-commodity exports remain below their 2024 levels over the projection horizon because of US tariffs.
- Growth in business investment remains subdued mainly due to reduced US demand for Canadian exports. Tempered prospects for domestic demand are also expected to weigh on investment. Both exporting and non-exporting businesses continue to report weak investment plans given the uncertainty about future demand. The level of business investment is projected to remain significantly below the path forecast in January.

The United States

In September the Federal Reserve Board projected U.S. GDP growth will be 1.7 percent in 2025 and may pickup to 2.3% through 2026. The U.S. economy is dealing with several economic crosscurrents as we move into 2026. Trade uncertainty in 2025 has impacted both importers and exporters and led to heightened uncertainty. High interest rates continue to act as a headwind to certain areas of the economy especially new housing construction and existing home sales, auto purchases and business capital investment.[6] But strong consumer balance sheets have provided a cushion for households which have continued to grow their spending.[7] The U.S. remains the best performing advanced economy in the world as we enter 2026 and the slow decrease of interest rates should act as a further growth tailwind in 2026.

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[5] Bank of Canada, "October 2025 Monetary Policy Report," October 29, 2025.

[6] Federal Reserve System, "The Beige Book: Summary of Current Economic Conditions by Federal Reserve District," January 2026

[7] Ibid.

Global

The Euro Area is predicted to grow by less than 1% 2025, with future growth projected at a tepid 1.4% in 2026 and 1.4% in 2027.[8] Europe has faced significant energy shocks from the war in Ukraine, exports are expected to decline as higher U.S. tariffs on ongoing competitiveness challenges, including an increase in the Euro exchange rate will continue to be a headwind to growth. The Euro area will remain a low growth area for the foreseeable future.

Economic growth in China was solid in the first three quarters of 2025, bolstered by strong government support to households. However, economic activity in China began to slow in late 2025. A combination of weak domestic demand, waning appetite for U.S. exports, the anti-involution campaign to control excessive pricing competition and generally slowing business investment after very rapid growth in the 2020-2025 period, are all combining to slow China's growth. These developments are having economic impacts that extend beyond China's borders. The weakness in domestic demand has weighed on China's oil consumption and global oil prices. Rising production capacity and falling prices for China's manufactured goods have supported strong export growth. This export growth is continuing to fuel trade tensions with global trade partners. For 2026 China's economy is expected to grow between 4.5-5 percent.[9]

The major Canadian banks are forecasting that the Canadian-to-U.S. dollar exchange rate will be in the range of $0.71-0.73 for 2025.[10] Banks are projecting the average price for WTI crude oil will average $60-64 USD/barrel in 2025. Henry Hub natural gas is expected average US $3.90 per million BTU in 2026.

[8] Bank of Canada, "October 2025 Monetary Policy Report," October 29, 2025.

[9] Ibid.

[10] Average range of estimates from RBC, TD, BMO 1 and BMO 2 and Scotiabank.