2020 chemical industry outlook

Executive summary

Over the last decade, the global chemical sector has shown great resiliency in the face of volatile feedstock prices, uncertain end-market demand, and regulatory barriers. Still, there are a number of headwinds. While the United States has become a major low-cost producer of base chemicals and feedstock prices are lower and more stable today, the outlook for chemicals demand has become increasingly mixed—with a potential macroeconomic slowdown on the horizon and a growing geopolitical rivalry between the United States and China.

Executives in the chemical sector will need to stay on top of wider macroeconomic and business environmental risks, many of which seem to be gaining strength. The weakening economic growth in both the United States and abroad, intensifying trade tensions, and proliferating geopolitical risks are becoming increasingly front of mind as companies tackle the challenges of running a business in a volatile commodity price environment.
What to expect in 2020:

**End market uncertainty**
Companies will need to find new growth opportunities as traditional end markets show signs of weakness.

**Chemical capacity oversupply**
New capacity coming online portends lower 2020 plant utilization, leading to potential oversupply and strained margins.

**Trade tensions to continue**
The ongoing trade dispute between the United States and China will likely continue, impacting global chemical demand and US exports.

**Sustainability**
Sustainability will be front and center as states and cities move to phase out of single-use plastics including bags, straws, and cups.

How to prepare for 2020:

Executives will need to remain vigilant in 2020 while standing ready to embrace new opportunities for profitable growth in an evolving business landscape. Market conditions will likely not be easy, as the Chemical Activity Barometer indicates that global markets have softened.

However, companies have learned lessons from the chemicals market dislocations over the last decade, and the sector is better equipped to face the future. Companies should focus on building new capabilities for the future and leveraging the energy transition and circular economy to boost long-term competitiveness. In the short term, they should double down on financial discipline and prudent investment strategies to improve performance and reassure financial markets in the near term.

For more information, or to download the full report, visit: www.deloitte.com/us/chemicals-outlook