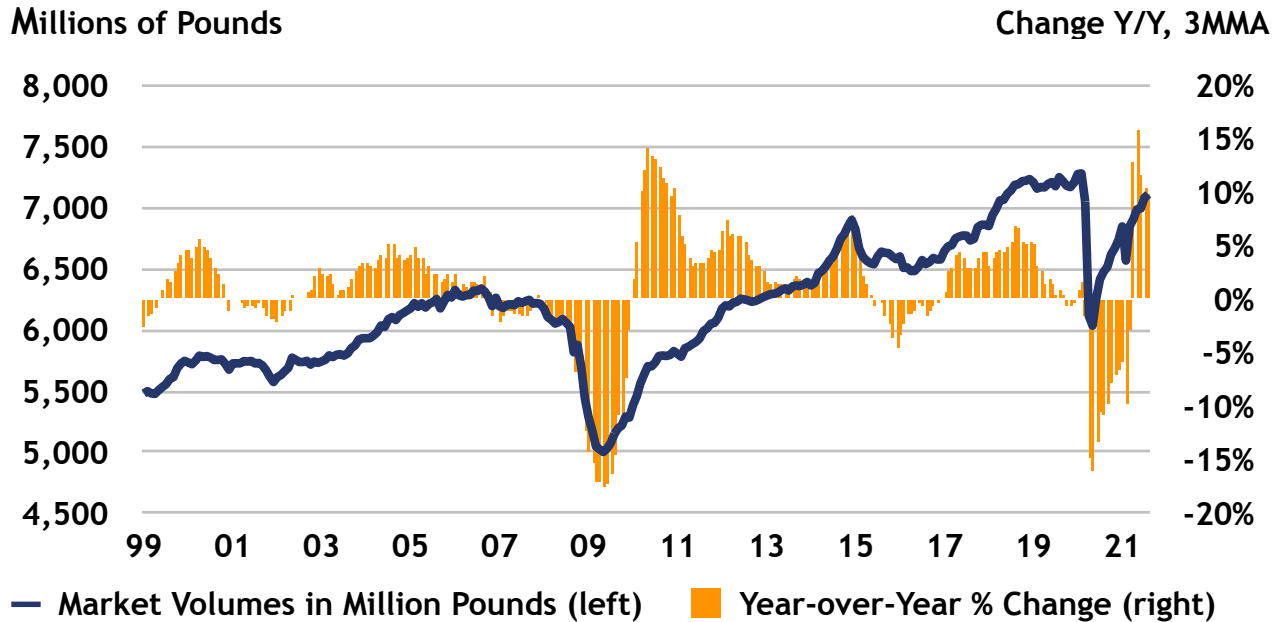


U.S. Specialty Chemical Market Report

The spread of the Delta variant has contributed to a slowing of economic growth in the third quarter. This led to headline specialty chemical market volumes easing to a 0.4% gain (to 7.11 million pounds) in August, a level up 9.8% on a year-over-year (Y/Y) basis. Gains across segments were widespread with 22 out of 28 market segments expanding.



A key concern for the economy is the rise in the number of Covid-19 hospitalizations due to the spread of the Delta variant. This has affected leisure and hospitality, travel, entertainment, and some retail segments. Light vehicles, a key end-use sector, has been affected by supply chain constraints which have restricted production, further limiting inventories at dealer lots, and leading to higher prices. After some weakness since January, housing activity appears to be on the mend, with starts rising for the second month in a row. That housing units permitted, but not yet started, are up nearly 50% Y/Y is indicative of the supply chain constraints homebuilders are facing. An important customer market for specialties, the industrial sector continues to expand. The US economy passed a key milestone in the second quarter as it has more than recouped the output lost during the Covid-induced recession. While peak growth is probably now over, we expect momentum to continue into 2022. Hiring issues continue to plague firms and are a major factor holding back growth.

Turning to specialty chemicals, after rising 1.2% in July, headline market volumes eased to a 0.4% gain in August. This gain left volumes (at 7.11 million pounds) off 2.3%

from the pre-Covid peak in February 2020. Of the 28 specialty chemical segments we monitor, 21 expanded in August, off slightly from 22 in July but up from 13 in June. Four segments fell back in July and one was neutral. Thus, on a sequential (one-month change) basis, diffusion was 75%, off from 79% in July, but up from 46% in June. During August, seven segments -- adhesives & sealants, cosmetic additives, electronic chemicals, paper additives, plastic additives, plasticizers, and water management chemicals -- featured gains of 1.0% or more.

During August, overall specialty chemicals volumes were up 9.8% Y/Y from the levels of last year when lockdowns were still widespread. Total volumes stood at 105.2% of their average 2017 levels in August. This is equivalent to 3.45 million metric tons. On a year-earlier basis, there were gains in 26 chemical segments. Thus, diffusion was 93% in August.

Since last year, the recovery has largely been V-shaped and volumes were up 4.6% year-to-date (YTD). Should the economic expansion continue, 2021 should be a good year for specialties.

We have plans to add active pharmaceutical ingredients (API) to our report. From another report we may also bring in agrochemical production.

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Market Volumes (% Change)	M/M July	M/M August	Y/Y August	YTD August
Total Specialties	1.2	0.4	9.8	4.6
Adhesives & Sealants	2.6	1.0	6.1	5.5
Antioxidants	-0.9	-0.2	-0.2	9.8
Biocides	1.0	0.7	5.0	5.6
Catalysts	1.7	-0.3	6.1	7.4
Coatings	1.8	0.5	7.0	7.6
Construction Chemicals	1.4	0.5	6.2	5.5
Corrosion Inhibitors	0.6	0.9	10.6	5.5
Cosmetic Additives	-0.8	1.0	2.8	5.3
Dyes	1.0	0.3	6.2	0.3
Electronic Chemicals	1.7	1.0	11.9	11.2
Flame Retardants	2.0	0.2	4.4	5.5
Flavors & Fragrances	-0.5	0.9	3.5	5.9
Food Additives	-0.5	0.3	1.5	4.0
Foundry Chemicals	4.5	-2.0	11.1	10.8
Industrial & Institutional Cleaners	0.4	0.1	8.2	5.3
Lubricant Additives	2.0	0.3	13.8	8.5
Mining Chemicals	2.0	-0.5	-1.7	4.5
Oilfield Chemicals	2.2	0.4	28.3	0.1
Paint Additives	2.4	0.9	5.8	4.4
Paper Additives	1.0	1.1	6.6	2.2
Pigments	1.5	0.3	7.7	5.9
Plastic Additives	0.2	1.3	1.9	-4.5
Plasticizers	-0.1	1.4	1.4	-0.8
Plastic Compounding	0.8	-0.8	5.7	5.0
Printing Ink	0.3	-0.7	11.5	8.6
Rubber Processing Chemicals	-3.6	-0.4	-3.3	18.6
Textile Specialties	-0.7	-0.7	4.7	10.9
Water Management Chemicals	0.2	1.0	5.3	7.3

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