

The current state of the chemical sector



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In the latest in our series of trade articles, Kieron Franks, Assistant Head of Risk Underwriting, examines the current state of the chemical sector.

The UK's biggest manufacturing export sector, chemical and pharmaceutical, reported continued growth in 2021. According to the latest survey of members of the Chemical Industries Association for Q2 of 2021 (compared to Q1), 94% of businesses say that total sales stayed the same or actually increased in the second quarter of the year.

The sector, which exports around £57bn of goods annually, also saw a jump in global exports, with 47% of companies increasing their level of exports, 91% seeing continuous or increased levels to the EU, and all companies saying their rest of the world exports were continuing at the same level or even increasing. Chemical manufacturers also saw strong growth in new orders, with 47% reporting an increase.

Businesses who make chemical products and solutions are clustered together in North East England, North West England and Central Scotland. The sector employs around half a million people, and products are integral to 96% of all manufactured goods.

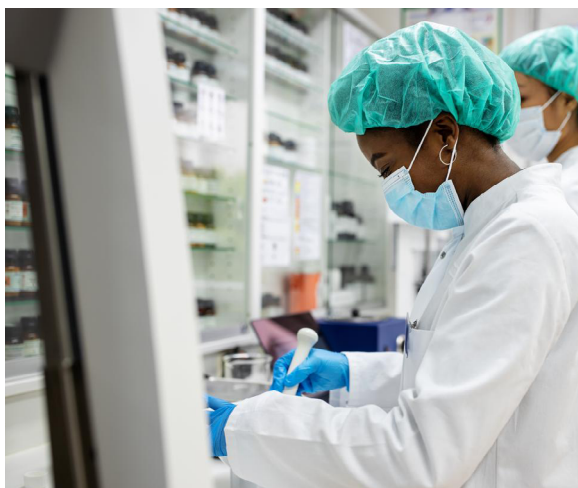
The outlook for the industry remains optimistic, with 94% saying exports will remain at current levels or increase, as will spend on jobs (94%), R&D spend (97%) and overall business investment (88%).

Crude oil prices

Global pandemic lockdowns that continued into 2021, contracted demand and greatly affected crude oil prices, which usually fluctuate based on seasonal demand and supply. International Brent crude oil prices averaged US\$81 per barrel (/b) in November 2021, down US\$3/b from October's average. According to the US Energy Information Administration (EIA) Short Term Energy Outlook, they were projected to average US\$70/b into 2022.

Commodities prices outlook

Energy prices soared in the third quarter of 2021. According to the World Bank's October Commodity Markets Outlook, they will remain elevated in 2022, adding to global inflationary pressures and potentially shifting economic growth to energy-exporting countries from energy-importing ones. Prices are expected to drop in the second half of the year as supply constraints ease. Non-energy prices, including agriculture and metals, are projected to decrease in 2022, following strong gains in 2021.



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