Chemicals

Introduction

The chemicals industry is a new industry when compared to others, but it is a very important one. It plays a vital part in the smooth functioning of any industry that involves manufacturing, or that uses chemicals in the creation of a final product. Despite the slump around 2002, it is a relatively high growth industry.

Industry Composition

The chemicals industry is composed of companies that manufacture and/or distribute chemicals. The products produced by chemical companies are generally used as intermediate products for finished goods their industry produces. Therefore, the chemical industry is important to almost every modern industry today, especially the transportation, electronics, aerospace, consumer goods, medical and agriculture industries, as well as any sort of manufacturing operation. Chemical firms are usually located near one of two locations: areas highly populated with manufacturing firms, which buy their products, or near petroleum and oil sources, which are a major suppliers of the resources that form the base of many chemicals.

The chemicals industry is classified in two broad categories: commodity chemicals and specialty chemicals. Commodity chemicals include polymers, petrochemicals, as well as basic inorganic chemicals and fertilizers and are generally produced in large quantities at a lower price. Commodity chemicals tend to be the main moneymakers for big companies. Specialty chemicals cover a diverse range of less common chemicals, are produced in smaller quantities at a higher cost, and are often supplied on a contract-by-contract basis. Specialty chemicals are often sold based on what the product can do, not what chemicals they contain. Often, companies use the commodity chemicals that they produced themselves as an input in their specialty chemicals.

The chemicals industry can also be divided into seven, more specific, segments: basic chemicals, synthetic materials, agrochemicals, paint and other coatings, cleaning preparations, pharmaceuticals, and other chemicals.

For globalEDGE's purpose, pharmaceutical and other medicinal chemicals are listed under the Pharmaceuticals Industry.

Industry Leaders and Fragmentation

* All amounts are given in Billions USD

Company	Country	Sales	Profits	Market Value
BASF	203	67.4	-1.2	79.7
Hanwha	321	43.2	0.1812	2
Dow	161	38.5	1.2	48.2
Saudi Basic Industries	319	31.3	0.037	93.3
Mitsubishi Chemical	179	30	-0.6559	11

Highly Fragmented — Highly Concentrated

Profitability and Demand Drivers

Primary Demand Drivers:

- Overall health of the domestic economy

Profitability Drivers:

- Efficient operations

Trends

Chemical companies have faced many challenges recently. Local and state tax requirements are increasingly complex and under continuous review. New regulations have resulted in additional obligations with respect to internal controls and management certifications. The recent environmental movement away from traditional chemicals and pollution will also impact the chemical industry in major ways. Companies will have to be creative and find ways to produce chemicals with a lower environmental impact.