

The lower value of the U.S. dollar has generally increased the competitiveness of exports from the United States and decreased import competitiveness. The United States is the largest single chemical market in the world, accounting for 29% of global demand and totalling over \$214 billion (U.S.) in sales for 1986* . High profit-margin products such as pharmaceuticals and cosmetics sell particularly well in the United States since Americans spend more per capita on health care than any other population.

The market structure and outlook for this multi-billion dollar industry varies considerably depending on the particular product class within the industry. In its *1988 U.S. Industrial Outlook*, the USDOC identifies major sectors of the chemical industry as: industrial inorganic chemicals; synthetic materials; drugs; soaps; cosmetics and toiletries; paints and coatings; industrial organic chemicals; agricultural chemicals and miscellaneous chemicals. Only the industrial inorganic and organic chemical sectors are relevant to this report.

Inorganic chemicals are compounds produced mainly by chemical processes and comprise about 25% of the product shipments of the industrial chemical industry. Companies that produce inorganic chemicals are characterized by low levels of research and development, declining rates of growth, a decline in productivity and overcapacity. Product shipments of the inorganic chemical industry declined 4.3% in real terms in 1987 from a level of \$14.4 billion (U.S.) in 1986. Product shipments have been declining since 1984. Imports declined at a faster rate during this period to reach almost \$2.3 billion (U.S.) in 1987.

According to the USDOC, the outlook for inorganic chemicals is for a 1.2% decrease in the value of shipments in 1988. The long-term outlook is for the industry to grow at 2% per year through to 1992. This demand will be particularly affected by the progress of the housing, automobile and paper industries. Imports are expected to continue to decline, with exports stabilizing and gradually increasing over time under the influence of the lower value of the U.S. dollar.

Organic chemicals, of which more than 90% are derived from petroleum or natural gas with the remainder based on coal or agricultural products, finds itself in a relatively more favourable situation. Shipments of organic chemicals for 1987 posted a 4.6% gain (measured in constant

* *The Economist*, "Chemicals Revolution". December 19, 1987. pp19-22.