02 June 2010 13:25 [Source: ICIS news]

By **Franco Capaldo**

LONDON (ICIS news)--The chemical industry’s strong upturn during the first quarter of 2010 may be a temporary respite from a longer-term downtrend, rather than the start of a sustained recovery, an industry consultant said on Wednesday.

Paul Hodges, chairman of **International eChem**, said in an update to his White Paper **'Budgeting for a new normal'** that supply-demand balances were still getting worse, rather than better, for the major petrochemical and polymer products.

Hodges, who writes the **Chemicals & The Economy Blog** for **ICIS**, added that exchange rates and financial markets, including commodities such as oil, would continue to be very volatile, making planning difficult for chemical companies.

The updated White Paper, which looks at the state of the global economy and then covers the outlook for key chemical markets such as construction/housing and the automotive industry, presents ideas on how the industry might best navigate the next few years and on where it is headed in terms of economic growth and chemical demand.

Hodges' original White Paper said that the downturn was acting as a period of transition - similar to those of the early 1980s and 1990s - and suggested that the chemical industry might experience a ‘new normal’ as the global economy recovers, rather than a return to the previous boom period.

Hodges said that despite global chemical production improving, beginning from the second half of last year, the industry was not seeing a rebound in demand or a 'V'-shaped recovery. Production was still at the same level as at the end of 2006 despite stimulus programmes.

The paper also said that China, whose stimulus programme had been an enormous boost for the chemical industry, had started to scale back its lending, which would make it difficult for the market to sustain its growth.

Automotive sales - a key end market to the chemical industry - which had been boosted by stimulus measures, were also starting to dwindle following the phasing out of government support, the paper said.

In May, Hodges said that dramatic falls in US and Asian chemicals prices could indicate a **faltering in the global economic recovery**.

The steep declines could mean falling demand in end-use industries as incentive schemes come to an end and consumers return to more cautious spending habits, he added.

($1 = €0.82)

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