



## Macroeconomic Status

Our running tab of positive indicators remains at 11 out of 20 this week. As a result, we continue to post a yellow banner. Please refer to the end of this report for an explanation of the color codes. See the *Indicators in Detail* section at the end of this report for more details on the change in the following indicators.

**Building Permits** ↑ 2.1%; ↓ 2.3% Y/Y

**Housing Starts** ↓ 5.0%; ↓ 5.8% Y/Y

**Existing Home Sales** ↓ 5.1%; ↑ 9.8% Y/Y

**LEI** ↓ 0.2%; ↑ 8.4% Y/Y

Storm clouds are gathering as the economic reports point to further weakness in the economy. Housing starts sank to their lowest level since last autumn, and existing home sales slid for the second straight month. This reflects the fading impact of the homebuyer tax credit which many had hoped would reduce housing inventories and kick start a recovery in this sector. Building permits, which indicate future building activity rose modestly in June, but remain at historically low levels. The housing sector faces an uphill battle while unemployment remains high and confidence in the recovery wanes.

The index of leading economic indicators fell for the second of the past three months suggesting weaker economic growth in the months ahead. Fed chairman Bernanke deemed the outlook “unusually uncertain” and reassured lawmakers that the Fed was ready to act.

Looking abroad, China has surpassed the United States as the world’s largest consumer of energy, according to the International Energy Agency. Many of the industrial production reports released this week indicate moderating activity.

## Business of Chemistry Status

For the business of chemistry, the indicators bring to mind a yellowish-green banner for basic and specialty chemicals.

**Oil** ↑ \$79.30 (Thursday)

**Natural Gas** ↑ \$4.69 (Thursday)

**Railcar Loadings** ↑ 3,663 from a week ago; ↑ 9.9% Y/Y (13-week moving average)

**Market Capitalization** ↑ 0.5% this week; ↓ 5.1% YTD

**CPRI** ↓ 0.5%; ↑ 3.5% Y/Y

**Global Chemical Production** ↑ 0.2%; ↑ 10.3% Y/Y

**Polymers and Chemicals** ↑ (Y/Y): MDI, chlorine, caustic soda, polyether polyols, PVC

**Polymers and Chemicals** ↓ (Y/Y): polystyrene

Turning to the business of chemistry, global chemical output rose, but moderating year-over-year gains suggest a softening global recovery. In the US, chemical output slipped in all regions. Railcar loadings recovered from light holiday traffic the previous week, but are also moderating.

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## CHEMICAL PRODUCTION REGIONAL INDEX (CPRI)

According to the American Chemistry Council (ACC), the Chemical Production Regional Index (CPRI) slipped 0.5% in June, following a 0.4% drop in May. Chemical production declined in all regions.

To smooth month-to-month fluctuations, the CPRI is measured using a three-month moving average (3MMA). Thus, the reading in June reflects production activity during April, May and June. Overall industrial output slowed to a crawl during the month of June as the boost from inventory restocking along the supply chain has played out. Chemical production fell for the third straight month. Recent data for June show gains in the production of inorganic chemicals, industrial gases, inorganic chemicals, and fertilizers. These gains were more than offset by declines in the production of organic chemicals, plastic resins, pharmaceuticals, consumer products, and synthetic rubber, manmade fibers, pesticides, adhesives, coatings, and other specialties.

Compared to June 2009, total chemical production in all regions was up 3.5%. Chemical production was up in all regions year-over-year (Y/Y). However, Y/Y comparisons are moderating as the recovery in end-use industrial and construction markets weakens.

Production Volumes (% Change Y/Y - 3MMA)	M- 10	A- 10	M- 10	J- 10
<b>Total - United States</b>	<b>6.8</b>	<b>5.2</b>	<b>4.5</b>	<b>3.5</b>
Gulf Coast	14.7	12.2	9.6	6.8
Midwest	6.0	4.6	3.8	2.8
Ohio Valley	9.4	7.6	6.0	4.3
Mid-Atlantic	4.9	3.5	3.0	2.3
Southeast	7.7	5.5	4.6	3.6
Northeast	3.6	2.4	2.2	2.0
West Coast	3.9	2.6	2.3	1.9

Following a 0.5% decline in May, chemical production in the **Gulf Coast** region fell by 0.4% in June. Compared to a year ago, production was up 6.8%, and up 12.2% on a year-to-date (YTD) basis. The Gulf Coast region is dominated by the production of key building block materials, such as petrochemicals, inorganics, and synthetic materials.

In the **Midwest** region, which is influenced by production of agricultural chemicals, plastics, paints, and other chemical products, chemical production slipped by 0.4% in June following a 0.4% decline in May. Compared to June 2009, Midwest chemical production was up 2.8% Y/Y, and up 5.1% YTD.

In the **Ohio Valley** region which is largely influenced by production of basic chemicals, plastics and synthetic rubber, coatings, and consumer products, chemical production fell 0.7% in June, following a 0.5% decline in May. Compared to

June 2009, production in the region was up by 4.3%, and up 7.4% YTD.

In the **Mid-Atlantic** region, where pharmaceutical manufacturing is prominent, chemical production was off 0.5% in June, following a 0.4% decline in May. Mid-Atlantic chemical production was up 2.3% compared to June 2009, and up 4.3% on a year-to-date basis.

In the **Southeast** region, which is influenced heavily by production of basic chemicals, fibers, agricultural and other chemical products, chemical production slipped 0.5% in June, following a 0.4% decline in May. Southeast region chemical production was up 3.6% Y/Y, and up 6.4% YTD.

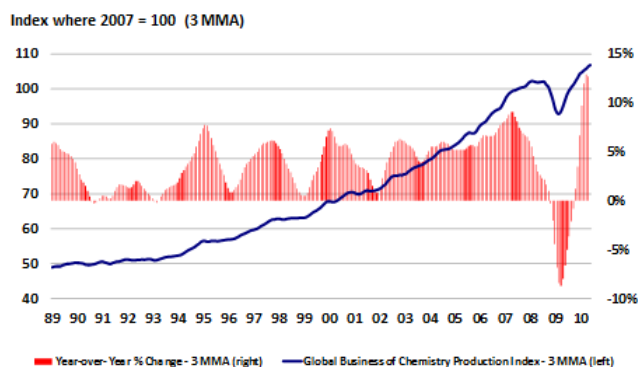
In the **Northeast** region, influenced by pharmaceutical manufacturing and other specialty chemical manufacturing, chemical production was off 0.5% June, following a 0.4% decline during May. Compared to June 2009, Northeast region chemical production rose 2.0%, and was up 3.1% YTD.

In the **West Coast** region, chemical production was off 0.4% in June, following a 0.3% decline in May. Chemical production in the West Coast region was up 1.9% Y/Y, and up 3.5% YTD.

## GLOBAL CHEMICAL PRODUCTION INDEX

According to the ACC, global chemical industry production rose 0.2% in June but the pattern of the pace of the gain suggests that the global recovery is slowing. Compared to a year earlier, production was up 6.8% (on a 3MMA basis) and stood at 107.3% of its average 2007 levels. Moreover, the year-earlier comparisons have moderated in every region. In a number of nations (Russia, China, India, Korea, etc.) the headline level the previous peak has been reached, turning recovery into expansion. Most leading indicators of global industrial production signal a slowing pace of growth in the 2nd half of 2010.

## Global Business of Chemistry Production Index



Headline production in **North America** has generally been on an upward trend since the December 2008 low. Overall regional production of chemicals was up 3.7% Y/Y but the year-earlier comparisons are moderating sharply. Activity in the United States softened in June. Excluding pharmaceuticals, production declined for the third consecutive month. During June, the only gain among the major segments was in basic chemicals. Gains were particularly strong in inorganic chemicals and also rose for bulk petrochemicals and organic intermediates. The weakness was centered downstream in plastic resins, synthetic rubber, and man-made fibers. Production of specialty chemicals fell during June and was across-the-board with declines in coatings, adhesives and sealants and other specialty segments. In other chemistry segments, production fell in pharmaceuticals, agricultural chemicals, and consumer products. Gains occurred in both Canada and Mexico.

Output in **Latin America** was up 9.5% Y/Y. Compared to a year ago performance was strong in Brazil, Chile, Peru and Uruguay, with more modest gains in Argentina Colombia, and Venezuela.

Preliminary data indicate that activity in **Western Europe** increased modestly, with regional production up 10.6% Y/Y in June. Strong Y/Y gains occurred in Belgium, France, Germany, Ireland, Luxembourg, the Netherlands, Norway, Spain, and Switzerland. Gains were smaller in Austria, Denmark, Finland, Italy, Portugal, and Sweden. Lingering weakness was found in Greece and the United Kingdom.

Production in the **Central and Eastern Europe** region improved during June and was up 19.0% Y/Y (albeit from a very low base). Membership in the European Union benefited a number of countries in the region in the last decade, but with Western Europe faltering in 2008, weakness spread to this region, resulting in a particularly sharp fall-off in 4th quarter 2008 that extended into 2009. The downturn was broad-based but now nearly all nations are experiencing recovery. Gains were particularly strong in Russia, Bulgaria, Poland, and Slovakia. Gains were more modest in the Czech Republic, Estonia, Hungary, Latvia, Romania, and Slovenia, with weakness continuing in Croatia and Lithuania.

The situation in **Africa and the Middle East** continues to improve. Softness ended in March 2009 and the trend since has been positive. This improvement of activity left output up 12.3% Y/Y in June. Positive year-earlier comparisons generally occurred across-the region and were particularly strong in the Gulf region, Israel, Jordan, South Africa, and Tunisia. Lingering weakness was found in Cyprus.

Production in the **Asia-Pacific** region has experienced a sharp V-shaped recovery but this upward gain has dissipated. On a year-earlier basis, strong gains are still seen in China, Singapore, and Taiwan. Gains were more modest in Australia, India, Japan, Korea, Malaysia, Pakistan, the Philippines, and Thailand. Production was up 13.4% Y/Y for the region as a whole.

The ACC Global Production Index measures the production volume of the business of chemistry for 33 key nations, sub-regions, and regions, all aggregated to the world total. The index is comparable to the Federal Reserve Board (FRB) production indices and features a similar base year where 2007=100. This index is developed from government industrial production indices for chemicals from over 65 nations accounting for about 98% of the total global business of chemistry. Because foreign data are often non-seasonally adjusted or at best working day adjusted, we've attempted to present the data on a seasonally adjusted basis comparable to that of the United States and Canada. As a result, it will differ from (and hopefully improve upon) official government statistics of some nations. In many cases, ACC created indices

<b>Production Volumes (% Change Y/Y - 3MMA)</b>	<b>M- 10</b>	<b>A- 10</b>	<b>M- 10</b>	<b>J- 10</b>
<b>World Total - Chemistry</b>	<b>13.3</b>	<b>12.9</b>	<b>11.9</b>	<b>10.3</b>
North America	6.5	5.2	4.6	3.7
United States	6.8	5.2	4.5	3.5
Canada	4.7	7.2	8.4	9.6
Mexico	2.0	1.9	1.7	1.3
Latin America	14.9	15.3	12.9	9.5
Brazil	21.1	23.1	19.9	
Other	9.4	8.5	6.6	
Western Europe	10.6	11.7	11.6	10.6
France	12.6	16.2	16.4	
Germany	12.0	13.8	14.6	
Italy	9.0	8.6	7.8	
United Kingdom	-2.6	-3.3	-3.0	
Belgium	14.1	19.3	16.0	
Ireland	20.8	22.3	21.3	
Netherlands	20.6	18.2	14.2	
Spain	8.9	11.8	14.0	
Sweden	1.7	-2.4	0.6	
Switzerland	17.9	17.0	17.0	
Other	7.2	8.7	9.0	
Central & Eastern Europe	19.1	19.2	19.6	19.0
Russia	32.9	31.1	29.1	26.6
Other	6.1	7.3	9.5	
Africa & Middle East	10.0	11.5	12.7	12.3
Asia-Pacific	19.7	18.1	16.0	13.4
Japan	9.0	10.1	9.4	
Asia-Pacific ex. Japan	20.3	17.3	14.6	
China	22.5	20.1	17.5	
India	7.9	7.0	7.1	
Australia	3.0	3.6	3.8	
Korea	16.6	11.2	6.3	
Singapore	15.8	17.4	18.8	
Taiwan	47.0	35.9	25.8	
Other Asia-Pacific	17.9	13.4	12.3	

of production based on actual production data (weighted according to industry structure) and other data. The ACC Global Index measures production activity generally consistent with the overall industry nomenclature of NAICS 325, the EU NACE 20 and 21 (Rev. 2), and the UN's ISIC 351 and 352 industries. That is, the index measures production of pharmaceuticals, soaps and detergents, personal care products, fertilizers, and other downstream products in addition to measuring inorganic chemicals, organic chemicals, plastic resins, synthetic fibers, synthetic rubber, adhesives and sealants, coatings, and other specialty chemicals. A spreadsheet, slide presentation, and report are available for ACC members on MemberExchange.

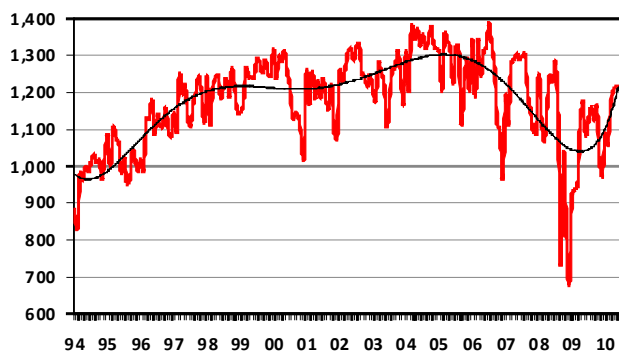
With this month's report we have changed the base year to 2007. The change reflects the recent change in base year by the FRB. The weights used to aggregate data reflect 2007 production patterns. In addition, we have improved coverage in Latin America.

### POLYMER AND CHEMICAL PRODUCTS

Data for the production or supply of polymers and chemicals are reported on a non-seasonally adjusted basis, so there are often month-to-month fluctuations. Using a three-month moving average or employing Y/Y comparisons is a good means to deal with this data.

The ACC reported that domestic production of **polyvinyl chloride** (PVC) resins fell to 1.214 billion pounds in June. Production was up 12.1% Y/Y. Sales and captive use was up 1.2% Y/Y. Major markets for PVC resins are building and construction (pipe, siding, windows, fencing, etc.), wire and cable, consumer and medical products, furniture, and packaging.

### PVC Production (million pounds)

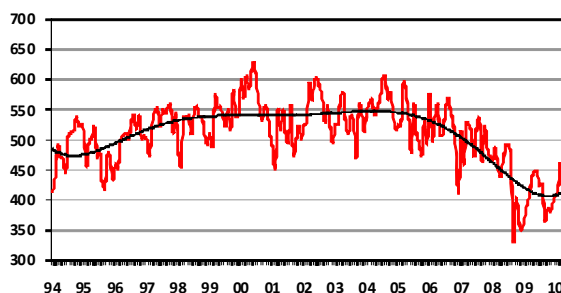


Source: American Chemistry Council

The ACC reported that total supply of **polystyrene** resins rose to 407 million pounds in June. Supply was down 6.0% Y/Y.

Sales and captive use was down 5.0% Y/Y and down 1.7% YTD/YTD. Major markets for polystyrene (PS) are in packaging, consumer and institutional products, electrical and electronic applications, and construction.

### Polystyrene Supply (million pounds)

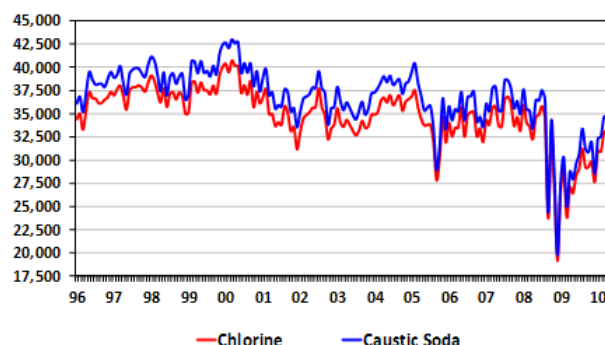


Source: American Chemistry Council

The ACC reported that domestic production of **polyether polyols** rose to 226 million pounds in June. Production was up 14.1% Y/Y while sales and captive use was up 1.2% Y/Y. Polyether polyols are consumed mainly to produce the flexible and rigid foam used in transportation, furniture, and bedding applications amongst others.

The ACC also reported that domestic production of **methylene diphenyl diisocyanate (MDI)** rose to 190 million pounds in June. Production was up 21.4% Y/Y and up 34.3% YTD/YTD. Sales were up 2.9% Y/Y and up 22.0% YTD/YTD. MDI is used mainly for manufacturing rigid polyurethane foam products used in appliances, furniture, insulation, and packaging. Other applications include elastomers for cable jacketing and lumbar supports, foundry binders, automotive bumpers, adhesives and sealants, surface coatings, and specialty fibers.

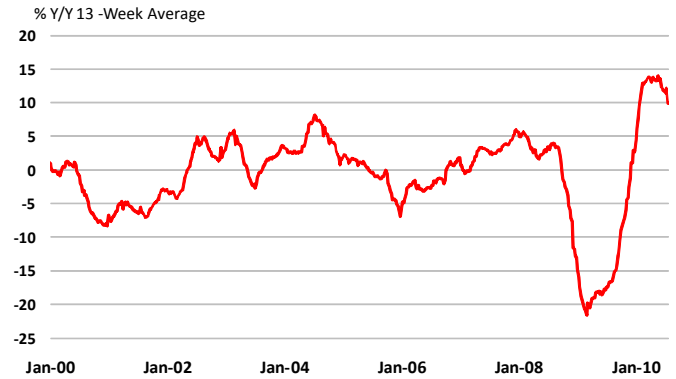
### Chlor-Alkali Production (tons/day)



Source: The Chlorine Institute

The Chlorine Institute (CI) reported that **chlorine** production rose from 29,606 tons per day in May to 32,404 tons per day in June. Production was up 14.3% Y/Y and 18.2% YTD. The effective operating rate rose by eight percentage points to 89%. Chlorine is widely used to manufacture PVC (polyvinyl chloride) resins, organic chemicals (propylene oxide, epichlorohydrin, solvents, etc.), and titanium dioxide, as well as for water treatment, disinfection, and other applications. The output of co-produced **caustic soda** rose from 31,060 tons per day in May to 34,008 tons per day in June. Production was up 14.9% Y/Y and 18.1% YTD. Caustic soda is used in the production and bleaching of wood pulp as well as other organic (propylene oxide, polycarbonates, etc.) chemicals, inorganic chemicals, cleaners, water treatment, oil refining, alumina production, and textiles.

## Chemical Railcar Loadings

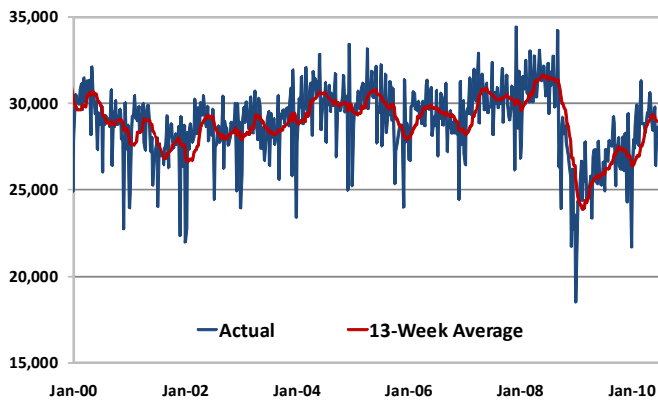


Source: Association of American Railroads

### CHEMICAL RAILCAR LOADINGS

According to the Association of American Railroads (AAR), for the week ending 17 June (week 28), railcar loadings of polymers and basic chemicals (blue line) rose by 3,663 to 29,515 railcars. Compared to the same week last year, loadings were up 8.2% Y/Y and were up 12.0% YTD. Loadings have been on the rise for six of the last 13 weeks.

## Chemical Railcar Loadings



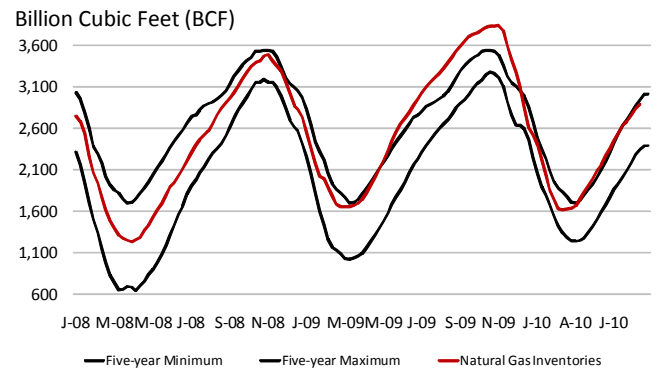
Source: Association of American Railroads

The railcar loadings data are the best 'real time' indicator of industry activity. This is especially the case for polymers and other basic chemicals. But the data are fairly erratic. This is one reason why we employ a 13-week moving average to smooth out many of the seasonal irregularities. The 13-week moving average of railcar loadings (red line) and is now up 9.9% Y/Y, indicating moderating activity.

### ENERGY

The Energy Information Administration (EIA) reported a 51 BCF build in **natural gas inventories** for the week ending 16 July. This was a typical build for this week. Natural gas inventories now stand at 2,891 BCF and are 1.8% (52 BCF) below last year's levels for the week, but 9.9% (261 BCF) above the five-year average. As a result, natural gas inventories remain within the five-year historical range.

## Natural Gas Inventories



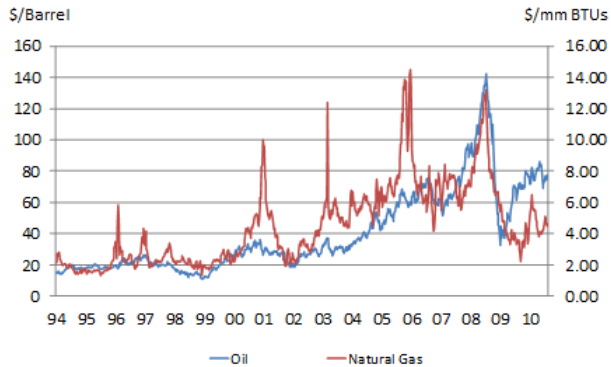
Source: Energy Information Administration

Amid concerns over hurricane-induced supply disruptions, **natural gas prices** (the benchmark Henry Hub), closed at \$4.69 per million BTUs on Thursday, up from \$4.47 last Thursday. A year ago, the price was \$3.62 per million BTUs. As a result, recent prices represent a 29.6% Y/Y increase. With similar supply concerns, **oil prices** rose to \$79.30 per barrel yesterday (Thursday). A year ago, oil was \$66.11 per barrel, thus, recent prices represent a 20.0% Y/Y increase.

At 16.9:1, the ratio of oil prices to natural gas prices deteriorated from 17.1:1 a week ago. One year ago, the ratio

18.3:1. As a rough rule of thumb, when the ratio is above a band between 6 and 7, the competitiveness of Gulf Coast-based petrochemicals and derivatives vis-à-vis other major producing regions is enhanced. In the US, 70% of ethylene, for example, is derived from natural gas liquids while in Western Europe, 70% is derived from naphtha, gas oil and other light distillate oil-based products. Historically, other factors (co-product prices, exchange rates, capacity utilization, etc.) have played a role as well.

## Oil and Natural Gas Prices



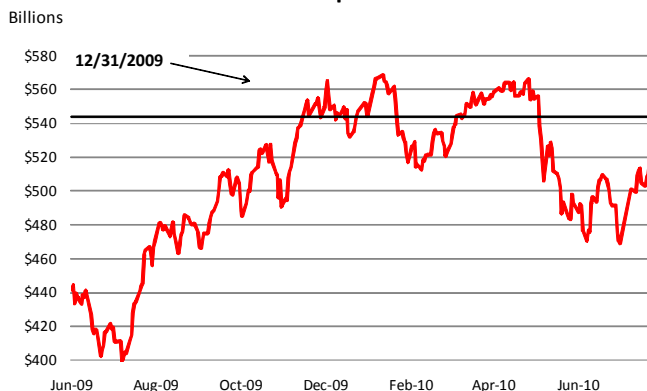
Source: Energy Information Administration

According to Baker-Hughes, for the week ending 16 July the North American **natural gas rig count** rose by 15 to 979 rigs. One year ago the rig count was 665 rigs.

## CHEMICALS MARKET CAPITALIZATION

The S&P 500 index fell 0.3% during the week ending Thursday, 22 July. The ACC market capitalization of US basic chemical and specialty chemical companies rose, however, by 0.5% from what it was last week to close at \$516.4 billion on Thursday.

## Basic & Specialties Market Capitalization



Equity prices are often a good indicator of future activity and represent one component of the leading economic indicators. The ACC market cap is down 5.1% from the beginning of the year. By comparison, the S&P 500 index is down by 1.9% since the beginning of the year.

## SURVEY OF ECONOMIC FORECASTERS

Every month, ACC's Economics & Statistics Department collects the forecasts from a number of economic professionals who have a track record for accuracy and expert knowledge of manufacturing. Most, from industrial companies or consultancies, have expertise in the dynamics of the manufacturing sector. In the accompanying table, the data presented are a strict average of their responses.

### July Economic Forecasters Survey Results

% change Y/Y

(Unless noted otherwise)

	07	08	09	10	11
GDP	2.1	0.4	-2.4	3.1	2.9
Consumer Spending	2.7	-0.2	-0.6	2.3	2.5
Business Investment	6.2	1.6	-17.8	3.1	9.3
Industrial Production	2.7	-3.3	-9.3	5.7	4.6
Light Vehicle Sales (mm)	16.1	13.2	10.4	11.5	12.9
Housing Starts (mm)	1.36	0.90	0.56	0.66	0.92
Consumer Prices	2.9	3.8	-0.3	1.7	1.6
10-Year Treasury Notes (%)	4.63	3.67	3.26	3.51	3.97
Unemployment Rate (%)	4.6	5.8	9.3	9.6	9.2
\$/Euro	1.37	1.47	1.39	1.25	1.18

For 2010, expectations in most areas were somewhat more muted than last month. The economy is expected to rise by 3.1% in 2010, down 0.2 percentage points from last month. This gain, nonetheless, is up from the 2.4% decline in 2009. Consumer spending is expected to rise 2.3% and business investment is now expected to rise 3.1% in 2010. The latter is a significant turnaround from the 17.8% decline in 2009, but is still down from the 6.2% gain in 2007. Forecasters' 2010 expectations for light vehicle sales of 11.5 million units are down 200,000 units from last months' survey. Expectations for light vehicle sales are up from 10.4 million in 2009 but still off from 17.0 million in 2005. Expectations for housing starts are now for 657,000 units. This is down 51,000 units from last months' survey. Housing starts, however, are up from the 558,000 unit pace in 2009. Starts peaked at 2.07 million units in 2005. Expectations for inflation point to a 1.7% rise in headline consumer prices, down 0.1 percentage points from last month. The 10-year Treasury note is expected to average 3.51% in 2010, down 39 basis points (0.39%) from last month. Industrial production is expected to rise 5.7% in 2010, up 0.1 percentage points from last month's survey. Industrial output is a more meaningful benchmark than GDP for comparing

performance of basic and specialty chemicals. The unemployment rate is still expected to average 9.6% for the year.

For 2011, expectations are still sound but moderating. The forecasters expect economic growth to average 2.9%, a 0.1 percentage improvement from last month. The outlook for consumer spending slipped by 0.1 percentage points to an expected 2.5% gain in 2011. Expectations for light vehicle sales slipped from last months' survey by 100,00 units to an expected 12.9 million units. In 2011, housing starts are expected to reach 924,000 units, off 88,000 units from last month's survey. The forecasters expect a 4.6% gain for industrial output in 2011. Forecasters still expect business investment to rise 9.3%. Inflation is expected to average 1.6% and average 2011 unemployment expectations are at a persistently high 9.2% reflecting the expectations of a jobless recovery. The 10-year Treasury note is expected to average 3.97% in 2011.

Expectations for 2012 are for a 2.8% gain in GDP, driven by continued strong gains in business investment. Industrial production is expected to rise a more moderate 3.4% in 2012, with light vehicle sales and housing starts continuing to improve. Forecast results for 2012 aren't provided in the above table but are available in the survey spreadsheet.

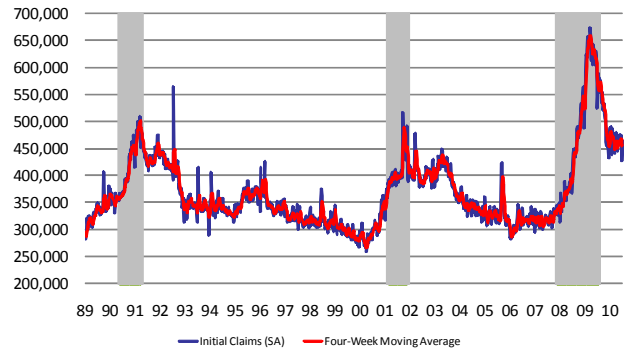
The latest forecasters' survey results (along with historical data and additional years) are available on MemberExchange for ACC members (see details under For More Information). The range of responses is available as well, as are global data. In addition to our usual survey of US forecasters, we also present forecasters' expectations for major world economies

**INDICATORS IN DETAIL**

Note that economic statistics tend to be somewhat erratic in nature. As seen with the disruptions from the 2005 hurricanes, seasonality plays a role and one must be careful in placing too much emphasis on a single month's figures. Analysts often use a three-month moving average (3MMA) or employ Y/Y comparisons to deal with the volatility. *Also note that chemistry-related items and commentary are reported in italics.*

The Department of Labor reported that **initial claims** for unemployment benefits increased by 37,000 to 464,000 during the week ending 17 July. The 4-week moving average was 456,000, an increase of 1,250 from the previous week's revised average of 454,750.

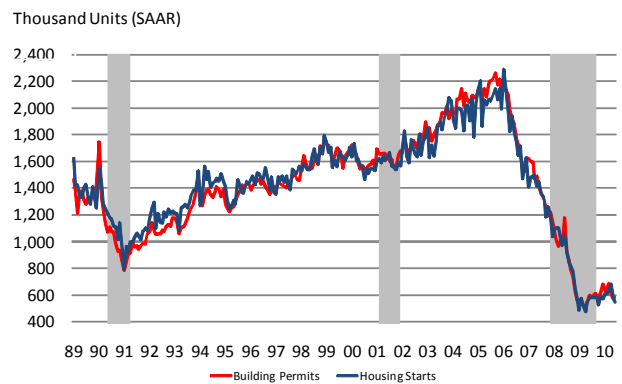
**Initial Claims for Unemployment Insurance**



Source: Department of Labor

The Census Bureau reported that **housing starts** fell by another 5.0% in June to 549,000 units following a steep decline in May. This was the lowest level since last October. Single family starts fell 0.7% to 454,000, the lowest level since May 2009. Compared to a year ago, total housing starts were off 5.8% and single family starts were down 4.6% Y/Y. Total housing starts declined across all regions. Single family starts, however, rose in the South and West regions, recouping some of the decline recorded in May. Starts for multifamily housing continued to slide as rental vacancy rates remain very high. The Census Bureau also reported that **building permits** rose by 2.1% in June following a sharp decline in May. Gains in the Northeast and West offset declines in the South and Midwest. Compared to a year ago, building permits were off 2.3%. The monthly gain in building permits was slightly above expectations and the source of cautious optimism. However, until the labor market improves and existing housing inventories drop, demand for new housing will remain weak.

**Housing Starts and Building Permits**

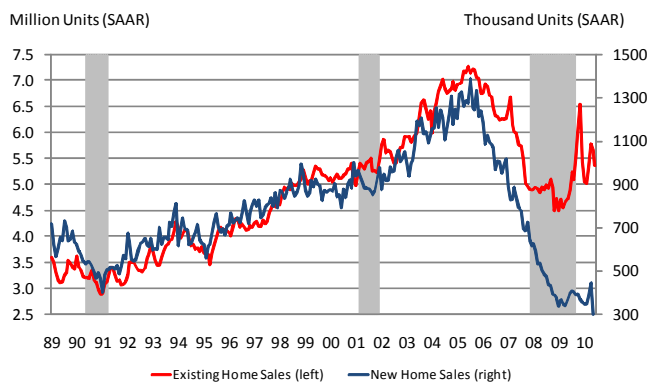


Source: Census Bureau

This is a key indicator for the business of chemistry because housing is an important end-use market for chemistry products in the form of paints, wire insulation, house-wrap, sealants, roofing materials, resilient flooring, vinyl siding, etc. New housing also generates sales of appliances, furniture, carpet, fixtures, and window treatments. In total, each start engenders on average over \$16,000 worth of chemistry.

According to the National Association of Home Builders and Wells Fargo, the **Housing Market Index (HMI)** of building confidence fell two points from a downwardly revised number in the previous month to 14 for July. With the expiration of the Federal home buyer tax credit, home buying activity is falling back, with builders reporting continuing consumer hesitancy regarding home purchases due to uncertainty in the overall economy and the job market. Tight consumer credit and continuing competition from foreclosed and distressed properties that are priced below the cost of construction are taking a toll as well.

### Existing and New Home Sales

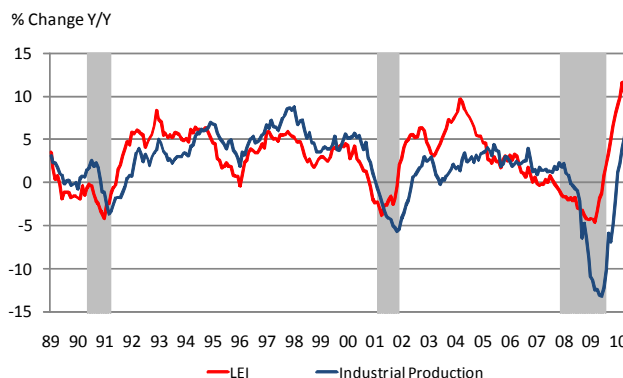


Source: Census Bureau, National Association of Realtors

The National Association of Realtors reported that **existing home sales** slid by 5.1% during June to 5.37 million. It was the second straight decline and reflects the fading effect of the homebuyer tax credit. Those homes for which contracts were signed by April 30<sup>th</sup> had until June 30<sup>th</sup> to close, but Congress recently extended the deadline due to the longer processing time for many distressed properties. Existing home sales are recorded when deals are closed. Compared to a year ago, existing home sales were up 9.8%. The inventory of unsold homes rose 2.5% to 3.99 million. As a result, the months' supply rose to 8.9 months, up from 8.3 months in May. The median price for existing homes was \$183,700, up 1.0% Y/Y. Distressed homes continued to representing a large share of transactions, accounting for 32% of sales during June. With stubbornly high unemployment and a darkening economic outlook, home sales will likely remain weak despite greater affordability.

This report is important to the business of chemistry as existing home sales generate sales of chemistry through purchases of paints & coatings, new furniture, carpet, resilient flooring, window treatments, appliances, and fixtures. In architectural coatings, about 80% of sales are tied to existing home sales.

### The LEI and Industrial Production



Source: Conference Board, Federal Reserve

The Conference Board reported that its index of **leading economic indicators (LEI)** fell 0.2% in June as the recovery loses steam. June's reading was better than expected and follows a revised 0.5% gain in May and a 0.1% decline in April. The LEI is up 8.4% Y/Y. The average workweek, supplier deliveries and stock prices made the largest negative contributions to the index this month, more than offsetting the positive contributions from the interest rate spread and real money supply. The coincident indicator was unchanged in June. The LEI indicates growth trends about six ahead. Thus, weaker growth is expected during the fourth quarter 2011.

*This indicator is important to the business of chemistry as the Y/Y change in industrial production generally follows the Y/Y change in the LEI. Industrial production is an important indicator for underlying demand for basic and specialty chemicals.*

#### NEXT WEEK

Economic reports released next week include consumer confidence, new home sales, advance durable goods orders, and 2<sup>nd</sup> quarter GDP.

#### UPCOMING EVENTS OF INTEREST

"Econometrics for the Business Analyst"

17-20 August 2010

National Association for Business Economics (NABE)

Federal Reserve Bank of Atlanta

Atlanta, Georgia

Contact: [www.nabe.com](http://www.nabe.com)

"Brazil/Latin America - Resource-Loaded and Ready for Prime Time" a panel discussion  
Chemical Marketing & Economics Group  
American Chemical Society, NY Section  
9 September 2010  
Club Quarters Midtown  
40 W 45<sup>th</sup> Street  
New York, New York  
Contact: [www.nyacs-cme.org](http://www.nyacs-cme.org)

"The 3<sup>rd</sup> Chemical Purchasing Summit"  
16-17 September 2010  
ICIS Chemical Business  
Hyatt Harborside  
Boston, Massachusetts  
Contact: [www.icis.com](http://www.icis.com)

"2010 Plastics Processors Conference & Plastics Industry Workshop"  
20-21 September 2010  
Chemical Market Associates, Inc.  
The Westin Michigan Avenue Chicago  
Chicago, Illinois  
Contact: [www.cmaiglobal.com](http://www.cmaiglobal.com)

2010 NABE Annual Meeting  
"Mile-High Challenges to Economic Prosperity"  
9-12 October 2010  
National Association for Business Economics (NABE)  
Grand Hyatt Denver  
Denver, Colorado  
Contact: [www.nabe.com](http://www.nabe.com)

#### FOR MORE INFORMATION

For ACC members, our section of the members-only extranet, MemberExchange, contains a plethora of data, economic analyses, presentations, outlooks, weekly economic updates, and much more. You can access frequently updated data files (which provide the most recent and historical data for the business of chemistry - including trade data) as well as the economic data that enable you to track worldwide industry trends, follow developments as they unfold and gain insight into the long-term outlook. These include the indicators covered in this weekly report. To request access to the site, go to: <https://memberexchange.americanchemistry.com>, and select "Economics and Statistics," and complete the registration process.

In addition to this weekly newsletter, ACC offers monthly, semi-annual and annual economic data publications that enable users to track worldwide industry trends, follow developments as they unfold and gain insight into the long-term outlook. These products contain comprehensive statistics and analyses that cover worldwide production, trade, shipments, inventories, price indices, energy, employment, investment,

R&D, EH&S, financial performance measures, macroeconomic data, plus MUCH more. To order, call 301-617-7824 or visit ACC online at <http://americanchemistry.com/thestore> and select Software.

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*Note on the color codes: The banner colors represent observations about the current conditions in the overall economy and the business of chemistry. For the overall economy we keep a running tab of 20 indicators. The banner color for the macroeconomic section is determined as follows:*

*Green – 13 or more positives  
Yellow – between 8 and 12 positives  
Red – 7 or fewer positives*

*For the chemical industry, there are fewer indicators available. As a result we rely upon judgment whether production in the industry (defined as chemicals excluding pharmaceuticals) has increased or decreased three consecutive months).*

