



SPECIAL-PURPOSE CHEMISTRY TRENDS

The global market of special-purpose chemistry curtailed by 3.5% last year. Its recovery is expected in 2021.

The concept of special-purpose chemistry includes a broad range of various production facilities. Hence, like in the global economy in general, there are segments which suffered the most, and less affected segments. Plus, there are segments which have only benefited from the pandemic.

ACCORDING TO FORECAST, IN 2022–2025 THE GLOBAL MARKET OF SPECIAL-PURPOSE CHEMISTRY WILL BE GROWING AT AN AVERAGE ANNUAL PACE OF 3.3%, AND THE ELECTRONICS INDUSTRY WILL BE THE LEADER IN THIS SEGMENT

Growth as a pandemic aftermath

Industries oriented on economic segments least affected by the pandemic had the best of the bargain.

Growth in the sectors of dietary supplements and flavorings for the food industry, biocides and agricultural feed additives, nutraceuticals and a series of other segments was about 5% versus 2019.

COVID-19 turned some special-purpose chemicals into the market leaders in terms of growth (10%), such as the ones used to control the pandemic: sanitizers and disinfectants, chemicals used for manufacturing personal protective equipment, its transportation and packaging.

It is notable that at the beginning of the year China's impact on the global economy was negative but by the end of the year it became positive. Due to unprecedented drastic quarantine measures, by the time other countries started closing their borders and imposing restrictions of various degrees of strictness, China was already beginning to reopen and re-launch its economy after the enormous shock. As a result, by the end of 2020, China has actually restored its GDP thus improving macroeconomic performance on a global scale.



The onset of COVID-19 has propelled specialty chemicals used to directly combat the pandemic to explosive, market-leading growth.

Where did the crisis hit?

In the estimates of IHS Markit, companies producing chemicals for the oil and textile industries showed the biggest decline of about 25% in 2020. This is easily explainable if we recall the sequence of economic developments of the past year. At that time the oil industry sustained a tremendous shock because of a critical fall in the volumes of all types of cargo transportation. The recession in the textile industry triggering a slide in demand for chemicals was initially caused by the actual shutdown of production facilities in a number of countries (in China, first of all), and later—by a considerable decrease in paying capacity on a global scale.

Companies producing rubbers, catalysts, various antioxidants, chemicals for the pulp-and-paper and mining industries were second in terms of the slide level (10%), which is on the whole similar to the level of decline of the respective industries globally.

Production of special-purpose chemicals for the automotive industry fell by approximately 5%. Companies manufacturing chemicals for the electronics industry, special coatings and water treatment agents suffered the least losses of 3–4%.



The production of chemicals for the oil and textile industries suffered the largest drop in 2020.

IN THE COMING YEARS, THE DEVELOPMENT OF SPECIAL CHEMICALS PRODUCTION WILL OPEN UP THE OPPORTUNITY TO OVERCOME THE PROBLEMS ASSOCIATED WITH A DROP IN PETROLEUM-RELATED REVENUES CAUSED BY SLIPPING OIL PRICES

What's next?

According to forecast, in 2022–2025 the global market of special-purpose chemistry will be growing at an average annual pace of 3.3%, and the electronics industry will be the leader in this segment.

Of all countries China will be the fastest in ramping up its output of special-purpose chemicals: in 2012 its market share was less than 20%, and in 2020—25% already. Annual growth in developed markets (North America, Europe and Japan) in 2022–2025 will be only 1–2%.

The current share of the Persian Gulf countries in the global special-purpose chemistry market is not very high. However, various government initiatives, above all, Vision 2030, the Saudi Arabia economic diversification program, stimulate the development of this segment. After five years of implementing Vision 2030, the non-oil share in Saudi GDP grew from 55% to 59%.

In the coming years, the development of special chemicals production will open up the opportunity to overcome the problems associated with a drop in petroleum-related revenues caused by slipping oil prices, and to mitigate the market risks of China's enhancing self-sufficiency in terms of basic chemicals. The key challenges for development of the special-purpose chemistry in the region are: access to technology, localization of the customers' industries, appropriate investment into R&D.

