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The Chemicals & Chemical Products Sector in BARBADOS 2015 Report

Throughout the years, the chemical sector has contributed to the diversification of the manufacturing industry and by extension the Barbadian economy. The sector has provided much support in creating employment opportunities, producing quality intermediary and consumer products and earning valuable foreign exchange.

As the chemical sector continues to stimulate much economic activity, it is critical that such a contribution made is fostered, and that the development of the industry be sustained. This contribution provides motive for the constant reassessment of the industry trends and possible frailties that could have a significant impact upon the local industry.

Market Insight provides an assessment of the local chemical industry, and analyses the sector's performance during 2015. The report highlights some of the constraints and opportunities within the sector, while providing an outlook for the coming year.

Global Trends

2015 proved to be yet another challenging year, which saw the global economy growing at approximately 2.4% on the previous year. This was primarily due to the slow-down in many of the emerging economies. However the global chemical sector performed moderately to achieve growth of 3.6% when compared to 2014.

These performances were amidst a challenging economic environment, where much uncertainty loomed and increasing levels of risk existed. The growth in the emerging economies of Asia slowed, as China, one of the world leading chemical producers experienced

economic slowdown.

The United States and Europe experience better fortunes as low oil prices, stable prices and reduced interest rates, provided a conducive environment.

Producers continue to seek and implement methods to be more efficient while building capacity. Being in a position to capitalize on emerging opportunities will be critical to survival in this competitive industry. During the year, many producers benefited from the increase demand within the consumer industry. Consumer chemical products, and specialty products continued to be the performing product segments, as many countries seek to maintain their standard of living.

Developments within end-user markets lie at the core of the progress made by the global chemical sector. Leading end-user markets such as the automobile industry, aviation, construction, consumer electronics and the pharmaceutical sector are all major consumers of chemical products. These sectors are all on growth paths and so, it is highly expected that this will translated into continued growth for the global chemical sector.

The emerging trends within the related sectors mentioned are of high importance to many chemical companies. This has resulted in several firms repositioning themselves to take advantage within the near future. They are refocusing their long-term business strategies to obtain solutions critical to society, thus driving innovation within key areas such as energy, health care and climate change.

In the Caribbean, less of this vibrant market activity has being evident. Chemical production is centered on Agro-products such as pesticides, fungicides and fertilizers. There is also the production of drug supplies; cleaning and personal hygiene products, as well as water treatment products, and those used in construction and industrial processes.

As alternative energy generation becomes the focus of the region, as it fights to grapple with high production costs, it is anticipated that chemicals production can play a critical role in the development of alternative energy sector. Chemical bi-products that go into the production of plastics and adhesives could be manufactured locally therefore deriving value within the industry.

The Local Industry

Industry Structure

In recent years, the chemical sector in Barbados has undergone moderate change, despite the economic challenges that persist. The sector maintained the same level of companies as the previous year, with 13 companies responding to the BIDC's Quarterly Employment and Investment Survey. Of these companies, 54% possessed solely local interests, while 8% were owned by American and English interests respectively, with the remaining companies possessing combined territorial interest.

The companies that operate within the sector manufacture a range of chemicals and chemical related products, which fall into one of the following categories:

- Basic chemicals;
- Synthetic materials;
- Agricultural chemicals;
- Paints, coatings and adhesives;
- Cleaning chemicals;
- Pharmaceuticals; and
- Other chemicals

Employment

Employment within the sector stood at 354 persons at the end of 2015, which represented a 2.5% decline when compared to the previous year. The number of full time male workers declined by 8.0%, while females employed in the sector increased by 6.5% at the end of the year. The local chemical industry consists mostly of small to medium sized companies, with 54% of the local companies employing less than 24 persons, 23% employing between 24-49 persons and the remainder between 50-100 persons.

Domestic Exports

Growth was recorded in the domestic exports of chemicals and chemical related products at the end of 2015. Domestic exports for that year stood at Bds\$93.6 million, increasing by 5.3% on the previous year. This growth of Bds\$4.5 million continued the recovery of 2014, when chemical exports rose by 7.3%. 2015 growth was primarily attributed to the increase in sales of paints and medicaments which stood at Bds\$ 12.7 million and Bds\$ 54.8 million, an increase of 17.4% and 7.1% respectively. Medicaments maintained its earning strength being the main commodity sold, contributing 58.5% of total domestic exports of chemical products during the year. Insecticide exports slowed, earning Bds\$ 19 million, a decline of 5% when compared to the previous performance in 2014. There were also set backs in the soaps and detergents segment which declined by 80%, while cosmetics experienced

progress with an 8.1% increase and earning Bds\$ 2.5 million.

Regional markets have long been a main stay for locally produce chemical products. This remained the case in 2015 as Trinidad and Tobago was the leading export market for chemicals and chemical related products during the year. Chemical exports to T&T stood at Bds\$13.3 million, some 14% of the total share of chemicals exported. Insecticides and medicaments led the way in the Trinidadian market, with Bds\$ 6.3 million and Bds\$ 4.5 million respectively. Jamaica and India were not too far behind, with chemical exports to these markets to the tune of Bds\$11.2 million and Bds\$11.5 million at year end. Medicaments accounted for 56% of the chemicals exported to Jamaica, while being the primary earner in the Indian market with well over 90% percent earnings to that market.

Imports

2015 saw a decline in the import of chemicals and chemical related commodities. Imports stood at Bds\$ 351.5 million, representing a decline of 4.5% when compared 2014. Most major chemical commodities imported experienced some level of decline. If this was attributed to constrained demand or adequate stock levels are yet to be seen. Medical products continued to be the leading import commodity with a value of Bds\$ 120 million, this was in fact a 10.9% decline when compared to the previous year. Also experiencing declines were the insecticides and cosmetics segments where imports fell to Bds\$ 10.2 million and Bds\$ 43 million. Bucking this annual performance was that of paints and varnishes, which grew by 16.6% to Bds\$ 5.5 million.

The United States was the leading supplier of chemical products to Barbados during 2015, with an import valued of approximately Bds\$156 million. This represented 44.4 % of total chemical products imported for the year. Chemical commodities coming from the US were mainly for medical use. Imports from Europe maintain moderate performance with France and the United Kingdom being reported at Bds\$ 27.3 million and Bds\$ 19 million, and comprised of mainly medical products.

Investment

Total investments injected into companies of the chemical sector stood at Bds\$0.5 million at the end of 2015. Investment in companies classified as BIDC-assisted were mainly in the areas of plant upgrades, new product development and training.

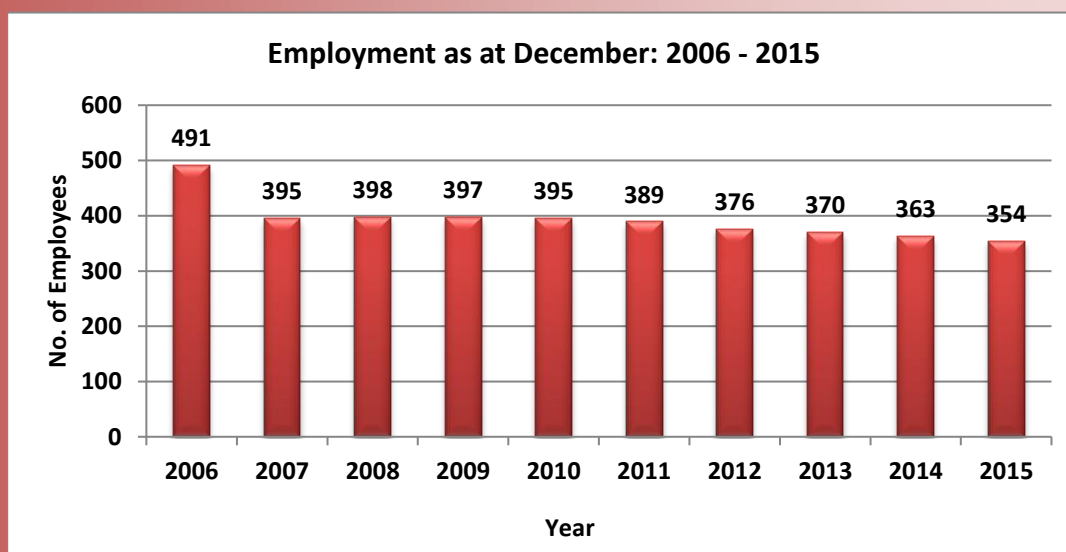
Table 1

Chemicals Sector Major Indicators

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
No. of employees	389	376	370	363	354
No. of Males employed	220	238	229	225	207
No. of Females employed	169	138	141	138	147
No. of Enterprises	14	14	13	13	13
Domestic Exports (Bds\$M)	140.7	128.3	82.9	88.9	93.6
Domestic Output (Index of Industrial Production)	81.2	78.9	108.5	141.9	150.6*

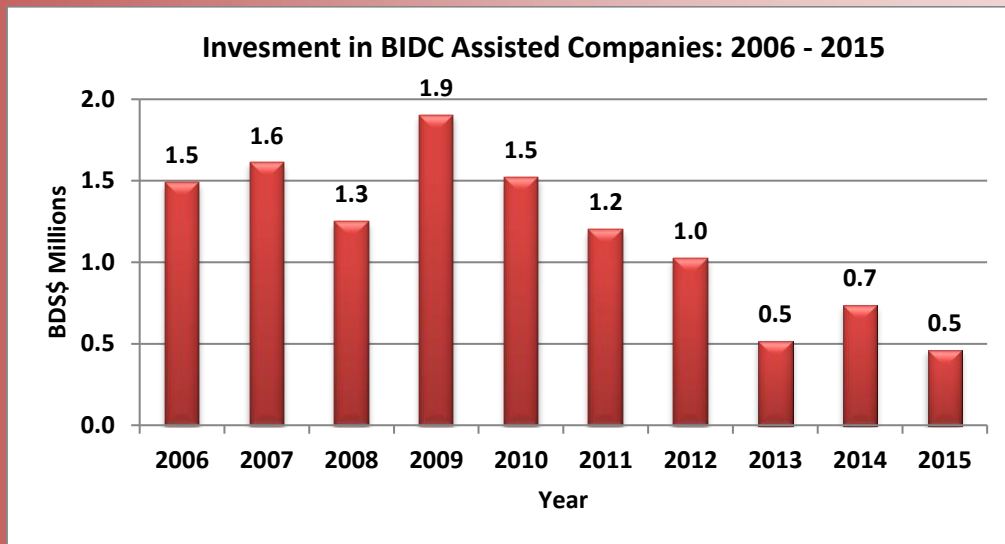
Sources: BIDD; Barbados Statistical Service

Chart 1



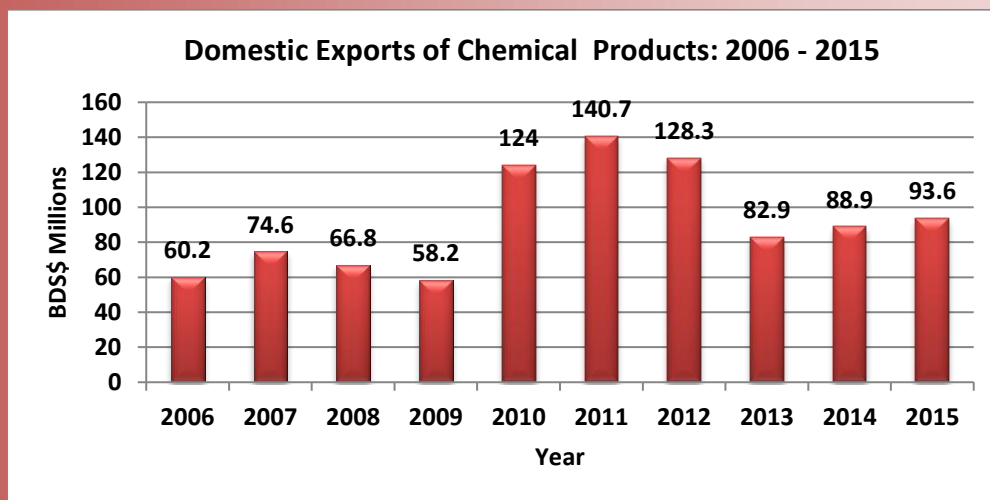
Source: BIDD's Employment and Investment Survey

Chart 2



Source: BIDC's Employment and Investment Survey

Chart 3



Source: Barbados Statistical Service

Table 2
Major Exports 2011 – 2015
(Bds\$ Million)

Product Category	2011	2012	2013	2014	2015
Soaps and Detergents	1.2	1.1	0.8	0.8	0.2
Insecticides, Fungicides, Disinfectants	18.0	15.8	16.5	20.0	19.0
Paints & Varnishes	9.1	9.7	10.5	10.8	12.7
Medicaments	101.0	92.2	47.7	51.2	54.8
Cosmetics	2.1	2.2	2.4	2.3	2.5

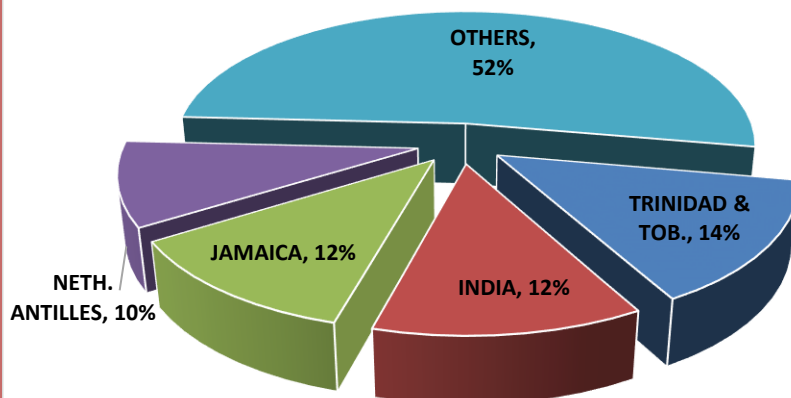
Source: Barbados Statistical Service

Table 3
Competing Imports 2011 – 2015
(Bds\$ Million)

	2011	2012	2013	2014	2015
Soaps and Detergents	31.1	33.0	34.2	35.4	35.6
Insecticides, Fungicides, Disinfectants	12.0	11.7	12.0	12.7	10.3
Paints & Varnishes	5.9	5.9	4.7	4.8	5.5
Medicaments	129.2	126.3	130.4	143.6	128.0
Cosmetics	42.7	39.8	42.5	43.0	42.9

Source: Barbados Statistical Service

Major Export Markets of Chemical Products: 2015



Source: Barbados Statistical Service

Table 4
Top Import Markets
As At December 2015

Chemicals and Chemical Products		
Top Import Markets as at December 2015		
Country	Main Imports	Value (Bds\$)
UNITED STATES	Medicaments, diagnostic & laboratory reagents	156,004,523.00
FRANCE	Perfumes, organic compounds	27,268,710.00
UNITED KINGDOM	detergents, dish washing liquids, insecticides	19,032,087.00
TRINIDAD & TOB.	Soaps, medicaments, perfumes	19,028,092.00

Source: Barbados Statistical Service

Constraints and Challenges

The chemicals and Chemical Product sector in Barbados faces a number of constraints and challenges that have and can continue hinder the sustainable development of the sector. Some constraints are unique to the local industry while others are more pervasive in a global context.

Lack of regulatory framework

The local chemical sector faces various challenges that impact both the productive industry and consumers. From a regulatory perspective, it is deemed that legislation remains inadequate to effectively control the importation, production, use and disposal of chemicals. Although some progress have been made through the collaboration of the Environmental Protection Department, UNITAR and SAICM funding among others in its aid to implement the global harmonized standards

Lending to this is the lack of data and information available on the impact of the chemical sector on the human and environmental resources of the country.

Slow economic growth

Over the past five years the local economy has found it difficult to reignite its engines. With much of the major local construction projects either being completed or stalled, much of the complementary demand too has been diminished. Government, the largest buyers on the island has also been putting measures in place to manage its fiscal deficit. As a result, the Central Bank of Barbados has projected continued constrained growth for the local economy over the next three years.

Increased Competition

As the liberalization of world trade becomes more entrenched, the local chemical sector will be faced with more competition from foreign products and companies. Already competing imports stand substantially higher when compared to that exported. Without targeted strategies to rectify this alarming norm, the ratio will be expected to become more unfavourable.

December 31, 2015 marked the deadline for the conformity with requirement of the World Trade Organisation (WTO) which instructed all member countries to remove export subsidies form their legislation. Therefore the fiscal incentives regime has become one such instrument that has to undergo some degree of reform, which may negatively impact its beneficiaries. Efforts are being made to mitigate the level

of negative impact on local producers.

Cost Management

Going forward, there is going to be the need to place concerted efforts in managing one's production and distribution costs. As oil prices remain quite volatile, the direct impact on energy cost introduces high levels of uncertainty and risk, therefore continuously making alternatives energy the direction to go, in the foreseeable future.

Emerging Opportunities

Local producers are looking to the future with some caution, paying attention to changing economic conditions worldwide, and concentrating on cost reduction and new product ideas that will impact positively on their businesses.

The cosmetics and pharmaceutical segments are expected to continue to hold their own with sustained demand for personal care product and other medicinal products with therapeutic properties.

Paint manufacturers have been challenged by the slowdown in the construction sector. Several projects have come to a finish and others have been place on hold in light of the economic slowdown. Companies are however continuing to roll out new product alternatives expanding the range of colours available as well as new formulations with less harmful and offensive chemicals.

There are also export opportunities that exist within the French territories of Guadeloupe and Martinique for paint manufacturers. These were the findings of trade missions facilitated by the BIDC, which revealed that those markets were primarily supplied by domestic manufacturers with little presents from foreign players. The setting of competitive prices and compliance to European product standards should be high priority for any potential exporter to these locations.

The performance of the insecticides, fungicides and disinfectants group has shown growth since 2012 and is expected to continue to improve. There has already been some improvement in export sales. New products are being introduced to the market, and there is high expectation of increase consumer demand both domestically and within foreign markets.

Industry Outlook

The performance of the global chemical industry during 2015 was characterized with moderate growth, increased competition and uncertainty, for most of the industry players. Unfortunately 2016, is forecasted to be much of the same, with slower growth being pervasive globally. According to the International Monetary Fund (IMF), the global economy is expected to grow at 3.4% - 3.6% through 2016 and 2017. Gradual growth is especially expected for the emerging economies who have all encountered setbacks in their rate of growth.

As a result of the general economic slowdown, the production in the global chemical industry likewise anticipates some decline, with growth of around 3.4% during 2016, which is slightly slower than the 3.6% of 2015. Slower growth is expected across the United States, Europe, South America and especially the emerging economies of Asia.

Similarly, domestic growth remains constrained within the Barbadian economy. Growth is expected at around 1.7% on average over the next five years. However there are some tourism related projects that are expected to bring increased opportunity in the form of investment, jobs and foreign exchange.

The future of the local chemical industry hangs slightly more in the balance. Although the domestic performance remains encouraging, entrepreneurs should be mindful of the dynamics that are inherent within the market. Chemical companies should be alert to the continued emergence of low-cost competitors and their strategies for market entry and expansion.

Additionally, companies should be turning a critical eye on their structural costs and evaluating the need to realign spending in each business segment to maintain a competitive footing and prepare for any change in the business cycle.

Although 2015 saw a significant reduction in the cost of oil, prices on the international market remain volatile. Advancements in alternative energy initiatives could impact positively on local companies addressing their long term energy costs concerns.

Future environmental policy initiatives implemented for the management of chemicals and standards compliance, may see manufacturers being asked to adhere to more stringent regulations.

HOW THE BIDC CAN HELP

BIDC currently provides business support to clients in the chemical sector and is actively working with other business support agencies to streamline the assistance to entrepreneurs. We provide assistance in:

- Preparation of Business Proposals
- Special Technical Assistance for business development
- Design and Corporate identity services
- Market penetration and Export development

Please contact your Business Development Officer for further details on our programmes of assistance at Telephone: (246)427-5350 or Email us at: bidc@bidc.org