GCC chemical industry to see ‘planned, committed investments’ of $71bn up to 2024: GPCA

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The GCC region will see “planned and committed investments” totalling $71bn up to 2024 in its chemical industry, according to Gulf Petrochemicals and Chemicals Association (GPCA).
This is despite considerable reductions in global investments, GPCA noted in its latest annual report.
However, there are concerns that petrochemical companies in the region may hold on from bringing additional capacity before the demand for chemical products completely recovers.
According to GPCA, GCC chemical revenue may have ranged between $60bn and $63bn in 2021.
Mena’s chemical output is expected to rise by 3.6%, and by about 1.2% in the GCC.
GCC’s lower than usual output growth last year was largely due to no major capacity coming onstream in 2021, GPCA noted in its latest annual report.
The GCC chemical industry appears to be on the recovery path and witnessed a rebound in growth in 2021, though at a gradual pace.
The World Bank estimated GCC economies to return to an aggregate growth of 2.6% in 2021, buoyed by global economic recovery, due to stronger oil prices and the growth of non-oil sectors.
Brent crude prices rose to their highest levels in November 2021 since October 2018, reaching $86.04 per barrel.
GPCA expects the current positive momentum to carry into 2022, thanks to stronger oil exports, public expenditure, and credit growth. This acceleration can be attributed to the phased-out Opec+ mandated oil production cuts.
Moreover, higher oil prices attract additional investment and improve business attitude due to favourable oil market conditions. However, the outlook in the medium-term is bound

by risks from slower global recovery, potential new coronavirus outbreaks, and oil market instability.

According to GPCA, the Covid-19 pandemic caused an unprecedented blow to the GCC economy in 2020 due to measures associated with the pandemic, national lockdowns, and the collapse in crude oil prices.

The chemical industry in the region is closely linked to economic activity, demand and supply headwinds, fluctuations in feedstock prices, and growth in end-user industries. It, naturally, experienced the negative implications of the coronavirus pandemic and the overall economic situation.

The GCC chemical industry is one of the most important contributors to the manufacturing value added, in addition to the indirect and direct impact it has on other sectors of the economy.

Therefore, the performance of the chemical industry has a significant impact on economic development, especially the non-oil sector. It is also widely recognised as the cornerstone in the economic diversification drives of GCC countries.

The report also noted GCC chemical companies are pivoting towards renewable energy to secure clean, reliable, and competitive power sources.

To decarbonise the world, hydrogen can play a powerful role in enabling the energy transition. Green hydrogen produced by using renewable energy sources (wind or solar) with no carbon emissions is gaining attraction in the GCC region thanks to its strong potential to provide clean power for manufacturing.