

What's next for wire and cable

Will 2010 see a return to more predictable seasonal demand patterns following a year of uncertainty? AMI Consulting takes a look at economic indicators to determine how the industry will move this year

At AMI's international Cables 2010 conference, which is held every March in Cologne, Germany, the consultancy mentioned that in early 2010, it was hoping to see cable extruders in two of the world's major cable markets, North America and Europe, restocking ahead of the usual Q2 demand peak for cables in automotive and construction applications.

AMI predicted that "2010 might therefore see the European and NAFTA cables industries in the northern hemisphere return to their normal seasonal pattern, with a strong H1, followed by a slow Q3 holiday season, and then a final burst of activity in October/November before the Christmas break. Demand forecasting would become easier again for all of us, and inventory levels could be better aligned with market needs".

Interviews that AMI has conducted with cable extruders in these markets in early 2010 suggest that this may have happened, with cable extruders restocking ahead of the usual Q2 demand peak for cables in automotive and construction applications.

However, it should be noted that in absolute terms the market has lost a lot of ground. Although economic indicators are better than they were last year, recovery is starting from a very low base. US housing permits and housing starts for 2010 are lower than 600,000 units (source: American Chemistry Council), less than they have been since the 1980s. North American car and truck production is at 1982 levels, European motor vehicle production totaled 15.2 million vehicles in 2009 and a further drop in EU motor vehicle production is expected for 2010.

In 2009 European GDP fell by 4.2%, EU27 construction production fell by 8.7%, EU27 vehicle production fell by 17.3% and EU27 industrial production (Eurostat data) fell by 15.1%. According to AMI market research, consumption of insulation and jacketing pol-



Picture courtesy PolyOne Corporation

ymers by the 377 cable extruders in our EU27+3 database fell by 23% in 2009 compared with 2008. This unprecedented fall was caused by the effects of Europe's economic recession on demand combined with the effects of destocking.

In North America, there are promising reports of some growth in demand for infrastructure high and extra high voltage power cables. The American Recovery and Reinvestment Act (ARRA), passed by Congress in Feb 2009, is providing US\$787 bil to support infrastructure projects throughout the country. US\$130 bil of the ARRA funds are earmarked for the construction industry. Other bright spots include power cables that are going underground, urban renovation schemes that are being funded, and wind farms and greater linking of state grids which have generated new orders for cables companies. Fibre optics are also showing some resilience with reasonable order books for 2010.

Industrial production index figures are showing some hope: while in absolute terms, the economic situation is still dreadful, two positive comments can be made: 1) In terms of industrial production worldwide the bottom was clearly reached in March to April of 2009. 2) Growth rates over the next three years are set to be above normal, with 4.6% growth in industrial production projected for North America in 2010, 6.3% growth projected for Europe, 8.3% growth projected for

China, 7.9% for other Asian countries and a massive 12.0% predicted in 2010 in Japan.

In the automotive niche for wire and cable, AMI Consulting expects vehicle production in North America and Europe to fall by a further 10% during 2010. Cable sales into this important market will remain under intense pressure after a dreadful 2009. In contrast, China's growing middle classes meant that sales there grew by 46% in 2009. The Chinese government's version of an auto stimulus programme meant halving the sales tax on smaller cars. AMI contacts among cable manufacturers and polymer suppliers to the Chinese cable manufacturers suggest overall growth in sales within China will slow to 5% in 2010. AMI Consulting is planning more research into the consumption of polymers and compounds in cables in the Chinese market, particularly the growing market for LSF0H cables, later in 2010.

AMI Consulting, www.amiplastics.com, has just published a detailed study on the EU market for cables polymers and compounds to complement its existing guides on cable extrusion plants in Europe and in NAFTA.

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