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THE OUTLOOK IN PIGMENTS

By R. J. BLAIR
Vice President
Chemicals and Pigments Department

As we go into the 1980's, the business environment continues to look more promising. With the support of much of the business community, President Reagan on August 13 signed the Omnibus Budget Reconciliation Act and the Economic Recovery Act. The principal features that should benefit the paint and coatings industries, as well as the rest of the economy, are:

- A three-step, 25 percent reduction in individual tax rates and faster depreciation write-offs for business;
- Major cuts in Federal spending programs to reduce the share of resources claimed by government, and
- A gradual reduction in the Federal deficit, leading ultimately to a balanced budget.

While the key elements of the Administration's fiscal program for the next several years are now in place, the major significance of the Reagan plan lies in the long-term change it charts in the economic course of the country. I think we all will benefit from this shift of resources from the governmental sector to the private sector, with the marketplace determining resource allocation.

Interest rates have remained high, which has hurt markets very important to us, such as the housing and automobile industries. Because of the absence of other major distortions in the "real" economy during 1981, however, we do not expect a sharp drop in economic activity comparable to that which occurred in the second quarter of 1980. Inventories in most industries are low, and capital spending does not appear vulnerable to a major decline.

By the fourth quarter, the combination of continued weakness in the economy and a further decline in the inflation rate should bring about a significant drop in interest rates, even without a change in policy by the Fed. With inventories low and unused capacity in place, industry is poised for economic recovery when interest rates finally drop.

TITANIUM DIOXIDE

We estimate titanium dioxide consumption will rebound to prerecession levels in 1982, as the economy recovers. World demand next year will be 2.5 million tons, with projected growth rates of 2.1 percent per year during 1979-1985. We believe world supply and demand will be in close balance in 1983, with the coatings industry continuing to account for more than 50 percent of world TiO_2 consumption.

Our new DeLisle Miss., facility, the largest single TiO_2 line ever built, is on stream producing quality product. The plant has joined Du Pont's other three chloride-based TiO_2 plants (Edge Moor, Del., New Johnsonville, Tenn., and Antioch, Calif.) in providing capacity to meet growing worldwide demand.

We feel the market will grow and our long-term dedication to the business reflects this optimism. Through substantial investment in research, we are striving to achieve cost containment goals and to develop improved products so we can continue to meet the service and product needs of our customers.

COLORED PIGMENTS

In 1982, demand for pigment colors will continue to show the improvement started in 1981, but demand still will remain shy of 1979 levels. Prices have been increasing to help recover rising costs of government regulation, raw materials, energy and distribution and to halt the declining trend in profit margins.

This summer Du Pont consolidated its copper phthalocyanine green product line. In doing so, two new products were introduced, four products were continued and ten low-volume codes were discontinued.

We continue to invest heavily in research and development directed toward new products and manufacturing cost containment in our processes. Since 1979 we have introduced 10 new products in response to the changing needs of the markets we serve.

We are optimistic about the future. Our domestic manufacturing capability, extensive technical service and proprietary line of high quality specialty pigments are strengths which will help us to continue to serve our customers with high value-in-use products.

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