Outlook

Long term, demand for PVC in its major markets is generally expected to remain stable since PVC plastics uses are firmly established, and because there is no competitive material that can readily replace PVC. In some markets, fairly appreciable growth of PVC demand is seen.

The following table summarizes demand projections for major PVC end-use markets.

Outlook for Domestic PVC Resin Consumption--1980

	Estimated Average Annual Growth Rate 1975-1980[a] (Percent)	Projected Annual PVC Resin Demand by 1980 (Millions of Pounds)
Construction	16-17%	4,246-4,428
Household Uses	4-6	772-848
Consumer Goods	6-7	712-734
Wire and Cable	8-10	609-667
Packaging	10	538
Transportation	6	342
Miscellaneous Uses	6-8	453-497
Total	11-12%	7,672-8,054

a. For these projections, a 1975 base equivalent to the 1973 consumption (4,520 million pounds) was assumed. Also assumed was a 3.5% per year average growth in gross national product in constant dollars.

Source: CEH estimates.

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In construction, PVC's largest market, consumption for pipe, conduit and pipe fittings alone is expected to reach the 3.3 billion-pound-level by 1980 (average annual growth rates of 20-25% are foreseen).

As of early 1975, however, no quick resumption of growth of PVC resin consumption is in sight, although a repeat of the 1974 level and possibly even of the 1973 level, can be expected for 1975 if the economy accelerates markedly in the second half.

Whether or not this can be achieved depends on the production capacity that will have to close down as a result of the OSHA vinyl chloride monomer exposure standard. According to industry sources, a considerable number of older PVC manufacturing plants cannot likely be modified to ensure compliance with this very stringent requirement. Early estimates of the total PVC resin capacity that may have to be closed on that basis ranged from 1.5 to 3 billion pounds, i.e., 22 to 45% of total capacity, but more recent estimates of the capacity that may have to close down are lower. If one assumes that of the early 1975 capacity of about 6,565 million pounds per year 15% cannot meet the OSHA standard, a

capacity of 5,580 million pounds would still be operative, and would probably be able to produce approximately 4,800 million pounds of PVC resins in 1975, which would match the 1974 figure.

It is possible, however, that more than 15% of the capacity may have to close down. Demand for PVC resins, which is very low as of early 1975, is widely expected to strengthen in the second half of 1975, so that domestic consumption may reach the 1973 level of 4.5 to 4.6 billion pounds. Some sources, however, foresee a lower level for 1975.

In 1976 and 1977, the limited production capacity will definitely hold down consumption as demand really picks up. However, vinyl chloride monomer supply is also expected to be tight in that period. The year 1978 can be expected to bring relief with both newly constructed resin capacity coming on stream and also monomer supply increasing.