Major Developments During 1978	Beyond 1978
Product sales to steel industry remained level, fell to 8% of Koppers manufacturing sales. Raw steel output was up by 8%; industry was at 87% of capacity. Foundry industry output rose slightly. Higher sales of couplings, foundry resins, refractory systems countered planned decline in furnace coke, lower volume in mineral processing equipment. Industry capital spending did not rise. Construction volume was unchanged.	Numerous signals favor pick-up in industry capital spending; operating rate will be high; strength in capital equipment, heavy construction, railroad markets will offset some weakness in autos, appliances. Steel imports are expected to decline. Industry profit improvement should continue. Pickup in farm machinery market, foundry melting capacity is favorable for foundry coke.
Outlays for highways, streets were up by 5%, declined in real terms. Nonresidential construction spending was strong in final half; contract awards rose by 10%. Sales were increased by road materials expansions, higher volumes for aggregates, bituminous and ready-mix concrete, highway and street construction services.	Demand in public sector appears favorable with small real gains for 1979 in construction, maintenance of highways, streets, bridges. Budget restraints may slow spending rate in year. Upward trend in private sector should continue; large rise in nonresidential construction contract awards spells strength in industrial, office building construction.
Housing starts exceeded 1977 level. Repair market continued strong. Nonresidential market picked up sharply. Sales benefited from expansions in sand and gravel, ready-mix concrete, higher volumes in roofing materials, sealants, treated and laminated wood products, air handling products.	High rate of multifamily dwelling construction should somewhat offset drop in single-family housing activity foreseen for 1979. Addition, alteration market should remain firm. Nonresidential activity also should be good; overall trend will run counter to housing decline.
Koppers did not match moderate unit sales gain in chemical industry because of production problems. Company polyester resin volume was nearly triple industry's 13% growth. Price improvements in certain chemical lines helped offset unit declines. Paint and coating industry had moderate gain. Tire production did not change significantly.	Demand for organic chemicals is expected to outperform economy's growth. Industry's excess capacity, weak price position should moderate in 1979. Plastics consumption will advance, but at lower rate than in 1978. Gains for polyester resins are expected to remain high. Tire output is expected to remain favorable.
Rail shipments were 5% higher; railroad income was hurt by poor weather, coal strike. Crosstie demand was high. Heavy-duty truck output rose by 20%; auto sales were strong, leading to higher sales for piston rings, seals, adhesives, sealants, antirust products.	Rate increases, improved traffic, government funding programs should benefit railroads' ability to fund continued high level of roadbed maintenance. Crosstie supply bottlenecks should be removed. Auto industry outlook is clouded by labor contract negotiations; moderate decline in output is expected. Heavy-duty truck volume should remain high.
Canadian spruce lumber sales rose by 15% on strong prices; volume was reduced slightly by logging problems. Good domestic construction market accounted for higher sales of creosote, specialty preservative chemicals, hardwood lumber.	U.S. demand for spruce, hardwood lumber is on high plateau that began in 1976. Prices are expected to remain firm. Multifamily, nonresidential construction markets should offset single-family housing weakness.
Electric power output rose by about 3%; utility capital spending was 14% higher. Construction of underground pipelines, sewer, and water supply facilities showed good gains. Moderate recovery continued for utility poles. Sales of pipeline coatings, water and sewage treatment equipment rose.	Continued moderate growth is expected for electric power use. Further capital expansions will be limited somewhat by expected lower rate of demand, higher interest costs. Utility project backlogs remain high. Momentum is expected to continue in construction of pipelines, water and sewage facilities.
Aluminum production rose by 6%, industry operating rate was high. Binder pitch, industrial coke sales, mining industry output were up by 5%. Copper consumption, prices increased. Capital spending by nonferrous metal producers, mining companies was up.	Aluminum capacity expansion is under way. Further demand growth is expected; U.S. is net importer of aluminum. Excess world stockpiles of copper, which have limited expansion plans, are being worked off. Small increase in mining production is foreseen; capital spending is expected to rise further, particularly in overseas nations.
Production of wood pulp, paper was marginally higher. Industry capital spending was not increased. Increased sales of pulp refining systems did not make up for lower sales in environmental systems, specialty chemicals. Domestic container machinery sales rose; sale of foreign machinery operations in 1978 reduced total volume.	Production of wood pulp, paper should approximate economy's growth. Utilization rates for paper, paperboard capacity are near 95% level; industry capital spending is expected to rise in 1979. Upward trend in corrugated container demand is expected to taper with general economy in 1979.
Nonelectrical machinery sales increased by 14%; strength was in construction equipment, pumps and compressors, special and general industrial machinery. Demand for export was high. Domestic sales of piston rings and seals, couplings were up; overseas shipments fell from high 1977 levels.	With nonelectrical machinery industry operating near capacity, significant investment spending is projected. Machinery sales are expected to grow slightly slower than 1978 rate. Announced capital investment plans for U.S. industry show gain of 11%.
Output of grain mill products rose by nearly 5%; growing conditions for grain were favorable. Construction of prepared feed facilities is averaging 4% annual growth. Capital spending in food and grain industry expanded by 15%, aided by sharp rise in farm incomes. Sales of Koppers food, feed processing equipment increased by 15%; gains in certain other lines were small.	Growth of demand for prepared feed is expected to remain stable; expansion of grain mill output will likely slow because of pricing problems. Further increases in growth of farm incomes, capital spending are not expected in coming year.