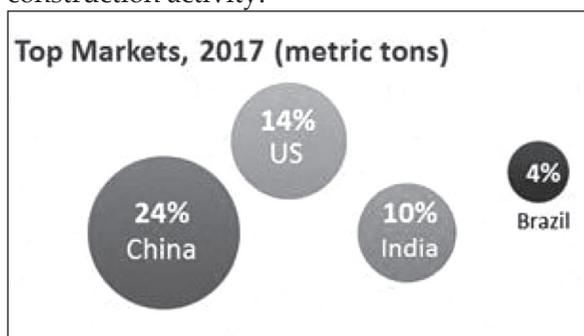


## MARKET REPORTS

### Architectural Paint Demand in Asia/Pacific to Grow 5.2% Annually

Demand for architectural paint in the Asia/Pacific region is forecast to increase 5.2% per year through 2022 to 16.4 million metric tons, valued at \$36.2 billion. The Asia/Pacific architectural paint market is the largest and fastest growing architectural paint regional market. Rising incomes and urbanization will support robust residential and nonresidential building construction activity.



Growth in the region through 2022 is expected to decelerate from the rapid gains of the last decade, due primarily to a significant slowdown in China, the largest market in the region and the world. India, the second largest market in the region (and third largest globally), will be the fastest growing major market in the world through 2022. These and other trends are presented in *Global Architectural Paint, 13<sup>th</sup> Edition*, a new study from The Freedonia Group, a Cleveland-based industry research firm.

North America is expected to post healthy growth through 2022 as both residential and nonresidential construction activity continues to advance in the US. As of 2017, paint demand in the residential remodel and repaint market and the nonresidential market surpassed pre-recession peaks. Demand in the new residential market will continue to recover through 2022.

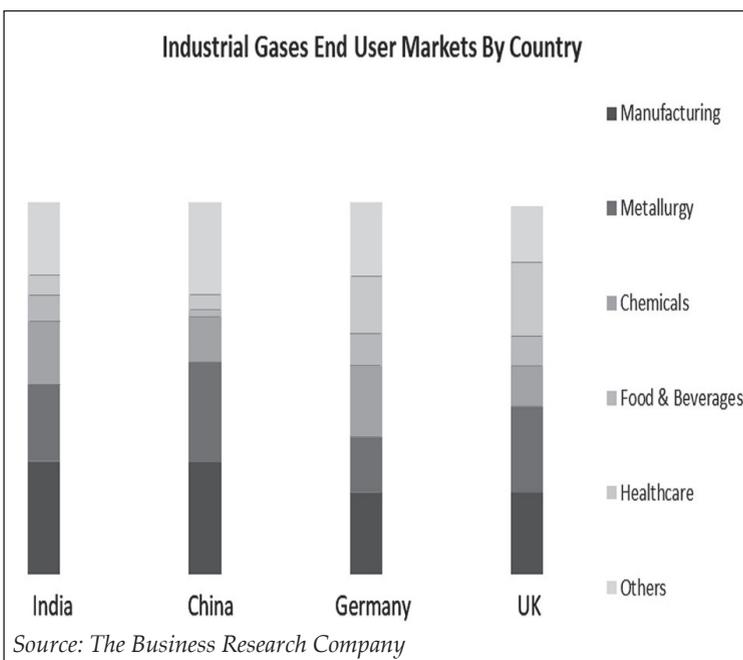
Western Europe, on the other hand, will post the slowest growth of any world region. Leading manufacturers based in Western Europe are seeking export opportunities and other expansion possibilities in the Africa/Mideast region.

### India's Market for nitrogen is the world's fastest-growing major industrial gas segment

India's market for nitrogen is growing at 11.2% a year, having recently accelerated from 7.5%. That places it ahead of the world's second-fastest growing, Russia's market, also for nitrogen, which was achieving 12.2% but has now slowed to 10.4%. China's market for nitrogen is growing at a relatively leisurely 7.3% a year. In comparison with both China and the global average, in fact, all four of India's major industrial gas segments – hydrogen, oxygen and carbon dioxide as well as nitrogen – are ahead in terms of annual growth.

This finding comes from a report from The Business Research Company, *The Global Industrial Gas Market 2018*, which shows that the market grew from \$66.08 billion in 2013 to \$73.52 billion in 2017 at a compound annual growth rate of 2.7%, held back by negative growth for most gases in the huge North American market. Demand for industrial gases in the emerging economies generally is increasing rapidly mainly due to rising manufacturing activity. For instance, oxygen and nitrogen, produced by the industrial gas industry to meet the demand from the iron and steel smelting industries of China and India, have helped drive the Asia Pacific market for these gases at over 6% a year for oxygen and nearly 7% for nitrogen, well ahead of the global average.

By end user segments, India's and China's markets for industrial gases are distributed similarly, though China's are



much larger. Manufacturing, metallurgy and chemicals together absorb around 70% of industrial gases in both countries, in contrast to developed countries. Even in those like Germany, which still has a large manufacturing base, fewer than 60% of all industrial gas sales are to heavy industry. Perhaps the most conspicuous contrast between the developed and developing economies, however, reflected in the chart, is in the proportion of industrial gas sales which go to health-care – 5% and 4% in India and China, 15% and 20% in Germany and the UK.

Government investments in infrastructure have also led to a rise in demand for industrial gases. For in-

stance, the Indian government provides 50% of the cost for development of infrastructure in electronic manufacturing clusters. These companies use gases such as helium to manufacture hard drives and semiconductors. The infrastructure construction companies use carbon dioxide for welding iron and steel components in construction sites, thus increasing the demand for that gas.

Industrial gases are a segment of the larger chemicals market. The gas segment has been growing much faster than the wider market, a trend that is expected to continue despite acceleration of the chemicals market growth.

### Global Oil Inventories & Liquid fuels Consumption to Rise in 2018-19

The global oil and liquid fuels industry is looking to balance the demand-supply framework in 2018-19, as the oil inventories as well the consumption of liquid fuels across the globe are projected to rise. Technological advances are significantly increasing the potential for production of oil and gas. Moreover, developing countries are rapidly becoming key players in global liquid fuels consumption.

**Oil Inventories:** According to the U.S. Energy Information Administration's Short-Term Energy Outlook (STEO), a strong growth in U.S. and other non-OPEC liquid fuels production will contribute to global oil inventories rising by 0.1 MMBPD (Million Barrels of Oil per Day) in the second half of 2018, and by 0.6 MMBPD in 2019.

EIA forecasts that the inventory builds will contribute to Brent crude oil prices declining from current levels to an average of \$72 per barrel in the fourth quarter of 2018. Prices are then expected to fall further to an average of \$69 per barrel in 2019, as per the report in Kallanish Energy.

Although forecast global oil inventories builds in 2019 are expected to be higher than the forecast in the June STEO, these builds will help raise OECD oil inventories that have fallen below five-year average levels on a days-of-supply basis.

The total OECD inventories for most of 2018-19 are forecast to be lower than the five-year average on a days-of-supply basis, and OPEC spare crude oil production capacity is expected to be low compared with historical levels.

**Liquid Fuels Consumption:** Non-OECD (Organization for Economic Cooperation and Development) countries are expected to drive the increase in consumption of petroleum and other liquid fuels, as per Energy

Information Administration (EIA). The average projected growth shall be 1.7 MMBPD in 2018 and in 2019. In 2017, the consumption growth was 1.6 MMBPD.

China and India are forecasted to be the largest contributors to growth in non-OECD petroleum and other liquid fuels consumption in 2018 and in 2019, according to EIA.

**China:** China's liquid fuels consumption is expected to increase by almost 0.5 MMBPD in both years, due to the rise in gasoline and jet fuel consumption. STEO also expects increased consumption in China's petrochemical sector to contribute to liquid fuels consumption growth. China is set to add a number of propane-consuming petrochemical plants, with the consumption boost from the sector assumed to add 55,000 BPD in 2018, and an additional 75,000 BPD in 2019.

**India:** India's liquid fuels consumption is forecasted to grow by almost 0.3 MMBPD in 2018 and in 2019. The growth is primarily due to the improved monetary and fiscal policy changes.

**Middle East:** With a projected increase by almost 0.2 MMBPD in 2018 and in 2019, Middle East is also looking to expand its market consumption.

**Central and South America:** EIA expects liquid fuels consumption in Central and South America will fall by 50,000 BPD in 2018 compared with 2017. However, the region's consumption is expected to grow by 70,000 BPD in 2019. EIA expects Brazil to be the main driver of the region's growth in 2019, with liquid fuels consumption forecast to rise by 80,000 BPD next year. OECD petroleum and other liquid fuels consumption is forecast to grow by almost 0.5 MMBPD in 2018 and by 0.4 MMBPD in 2019, with the U.S. accounting for most of the OECD growth.

