

Argus White Paper: Covid-19 provokes sharp fall in global wire and cable demand in 2020



Sharp short-term downward revisions in wire and cable demand as capital spending falls

Coronavirus will lead to a sharp contraction in global wire and cable demand throughout 2020 as reduced fixed investment, industrial activity and private consumption stifle end market demand. Global wire and cable demand will fall by 3.5pc in 2020, from 34.7mn t in 2019 to 33.4mn t in 2020, a 2pc downward revision from our previous forecast.

Each component of global aggregate demand – consumption, capital investment, exports – has fallen and continues to fall as containment measures have caused a freefall in manufacturing activity. Global PMI slightly rose to 47.6 in March from 47.1 in February, while Eurozone PMI collapsed to a low of 44.5 from 49.2 in February. Chinese PMI was down to a record low of 35.7 in February, but has recovered to 52 in March, according to the China Federation of Logistics and Purchasing.

Argus forecasts that China, the largest global consumer of wire and cable, will see a sharp drop in its 2020 demand, falling by 7pc on the year. This follows a lacklustre 2019, in which Chinese demand fell 1pc on the back of a downturn in automotive sales and a 36pc cut to grid investment.

Europe's demand is forecast to fall by 4.5pc in 2020, with Germany and Italy registering the largest regional drops at 5.5pc and 7pc owing to weak construction, industrial and automotive activity. But, approved pan-European grid expansion will support power cable demand in 2020 before coronavirus-induced capex cuts are captured from 2021. Europe's 5-year CAGR from 2020 to 2025 is expected at 2 pc.

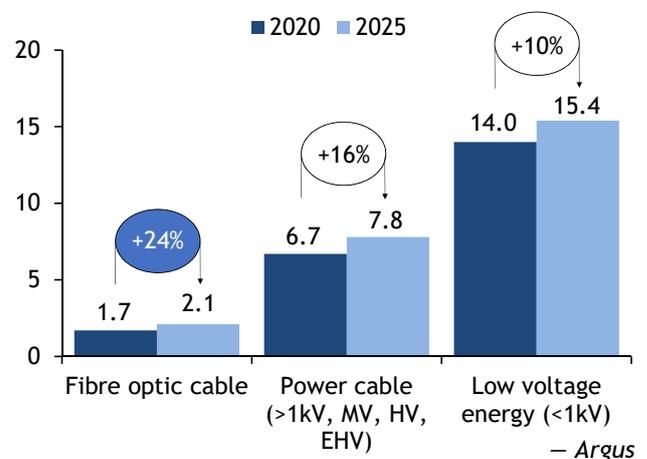
The US, China and Europe have all announced delays to 5G rollouts, with optical fibre cabling demand forecast to fall by 2pc in 2020.

Long-term fundamentals still strong in power, low voltage energy and fibre optic cabling driven by Chinese and US demand

Argus expects global deficit spending to cushion wire and cable demand from 2021 onwards through public infrastructure and construction initiatives. In the developed economies, stimulus has thus far centred on direct cash disbursements and rapid relief liquidity measures. Large-scale fiscal spending in construction, utilities and industry will follow to offset weak consumer demand as households remain cautious in the medium-term.

China is likely to announce \$394bn in local government infrastructure bonds, while the US is considering a \$2tn infrastructure package. This will disproportionately affect infrastructure-intensive wiring and cabling segments from 2021: notably, high voltage, low voltage and fibre optic cabling, which collectively accounted for 68pc of total weight demand in 2019.

Global wire & cable demand 2020-25 mn t



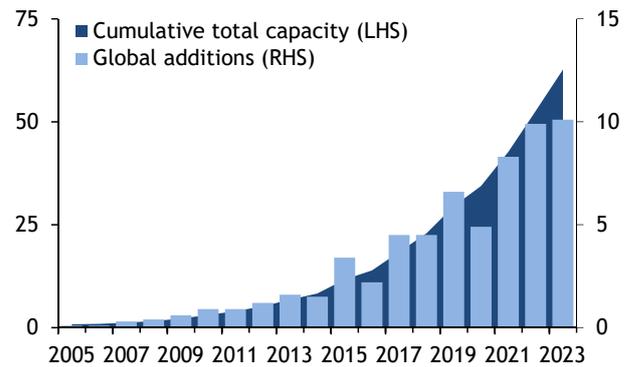
Renewable energy a bright spot for power cable

Global offshore wind installations surpassed 27,000MW by the end of 2019, according to the Global Offshore Wind Report 2019 by World Forum Offshore Wind (WFO). More than 5,000MW of offshore wind capacity went into operation during the last year, making 2019 a new record year in terms of new offshore installations, with 24pc growth as compared to 2018.

The UK remains the world’s biggest offshore wind market with 9.7GW of total installed capacity. Germany retains its second place with a total of 7.5GW of operational capacity. China, currently in third place, has 4.9GW of installed offshore wind power.

Looking at offshore wind farms under construction, China leads the way with a total capacity of 3.7GW currently under construction, followed by the Netherlands (1.5GW). The disruption in the German offshore wind market caused by regulatory framework changes is reflected in the comparatively low capacity currently under construction of only 220MW.

Global offshore wind power additions, 2005-23 **GW**



– GWEC Global Wind Report 2018

Argus Wire and Cable Data Service



Argus Wire and Cable Data Service provides detailed analysis and 5 year market forecasts for wire & cable demand, production, imports and exports in volume and value terms, split by region, country and product type, as well as historical raw data from 2008.

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