World Insulation Demand Predicted to Grow Nearly 6 Percent Annually Through 1998

The Freedonia Group, Inc., of Cleveland, has conducted a study of the world market for thermal insulation, which concludes that the market will expand 5.7 percent per year through 1998, to reach $15.5 billion.

According to Darrin Brogan, industry analyst with The Freedonia Group, Inc., Cleveland, gains will be led by an improved outlook in the dominant building construction sector, which is being supported by growth in fixed investment of 5.4 percent per year in real (inflation-adjusted) terms.

Regions with burgeoning economies, such as China and the markets of the Pacific Rim, will show marked increases in demand based on extensive infrastructure
investment (such as new housing). In developed countries, insulation consumption will be spurred by desires (both mandated and voluntary) to increase the energy efficiency of homes and buildings. This trend, combined with the development of larger, more sophisticated structures in most markets, will allow for continued increases in the insulation utilized on a per structure basis, especially in the United States, Canada and Western Europe. Other factors driving growth include rising personal incomes in most world markets and the development of more innovative and efficient product designs, particularly among foamed plastic insulation materials.

Despite good opportunities that are predicted to continue through 1998 in most of the world’s economic regions, several factors will work to hinder growth, especially in the long term. The most important of these is intense price competition among producers, which will continue to limit dollar value growth. Not only does this reflect the commodity-nature of the industry, but also the fact that a wider range of insulation materials is vying for market share in both building and non-building applications. Increasing regulations involving the production of various insulation materials may hinder the industry as well.

Regionally, the demand for insulation will remain heavily concentrated in the United States, Canada,
Western Europe and, to a lesser extent, in the developed nations of Asia/Oceania. These regions are projected to exhibit accelerated economic growth through 1998, which will create a favorable market for insulation materials. The most rapid gains in demand for insulation will occur in the industrializing nations of Latin America, Eastern Europe and the Pacific Rim. In addition to rapid economic development, Brogan notes that these markets will benefit from an infusion of Western capital and technology dedicated to upgrading outdated insulation production facilities.

By type, fiberglass is the most widely used insulation material, enjoying widespread use in the United States and Europe. Foamed plastics and mineral wool are also popular, while a variety of other materials such as cellulose, vermiculite and perlite, represent a relatively minor portion of the global market. CD