

Cable materials prices addressed in market brief

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Communications Supply Corporation in the USA has issued a market brief summarizing the rising costs of cable materials.

The brief begins with the good news of the overall economic recovery that is underway. It quickly follows, however, with the reality of price increases on items such as copper, FEP and PVC that are used in the manufacture of cable products. The brief also addresses the rising costs of energy and transportation.

"The communications infrastructure industry is doubly impacted by oil prices, as oil is both a critical component of the many products in the industry and a key factor in their distribution from manufacturer to installation site," CSC explains in its brief.

A 150-percent increase in the price of copper from its January-2009 low, shrinking production of fluorinated ethylene propylene (FEP), a 10-percent increase in PVC prices since January 2009, and rising oil prices are conspiring to increase cable prices again, CSC says, noting an October 15 FEP price-hike from Dupont.

Copper:

The price of copper reached an all-time high of \$3.94 per pound in April of 2008. At that time CSC worked hard to communicate the reasons behind this trend, and keep our prices to you in check. Copper plummeted to a recession low of \$1.47 per pound in January of 2009. But, since that time, copper has continually crept up, again closing in on its high mark earlier this year. As of October 1st, 2010, the price was \$3.68 per pound and climbing... a 150% increase! Many industry experts are anticipating prices could easily reach or surpass the \$4.00 level by year's end, believing these prices are the new normal.

PVC:

The price of polyvinyl chloride (PVC), along with other plastics, has risen more than 10% since January of 2009, mirroring oil price increases. Oil is the primary component used to make PVC. Rising PVC prices and other plastics are directly

tied to the rising cost of oil. However, experts say another principal driver of price hikes is the recent collapse of caustic soda prices. Caustic soda is a co-product of the PVC production cycle that is sold by large PVC makers as a mainstay of their business. The results of a weak caustic market has been PVC plant closings and a resulting tightening of PVC supply. In the past 18 months, Georgia Gulf permanently shut down its PVC plants in Oklahoma City and Sarnia, Ontario. OxyVinyls has stated that they will close down a unit in Louisville, KY.

Energy and Transportation:

Over the past three years we've experienced huge price swings at the gas pump. These price fluctuations have a significant impact on the transportation industry and the prices they charge. The national average diesel price in mid-September, 2010 was \$2.96 per gallon - up 12% from a year ago. Analysts are predicting even higher prices in the near future. Barrel prices of oil mirror these trends. Oil topped \$145 per barrel in 2008. Today, prices are approximately \$80 per barrel, but climbing. The communications infrastructure industry is doubly impacted by oil prices as oil is both a critical component of the many products in the industry and a key factor in their distribution from manufacturer to installation site.

Summary

Although we are not yet sure of the full implications of the raw material increases, we do know that some US cable suppliers have already announced UTP and electronic wire and cable price increases, with others expected to follow shortly. Even though it's still early, we are anticipating price increases of up to 10%, with possible additional increases coming prior to year's end. The unfortunate truth is that these price increases are hitting us all, and the best thing we can do is to communicate, educate, and work together to ride out this latest storm.