



Douglas Bohn, Orr & Boss Consulting Incorporated, gives an update on the global coatings market for 2021

2021 global coatings market update

The global coatings market continues to grow in 2021 and demand continues to increase across all segments and all geographic regions. This strong demand combined with continued social distancing requirements, which has limited capacity at key supply chain pinch points like ports, has resulted in supply chain disruptions that continue. Also, some countries are experiencing on-again and off-again lockdowns as the delta variant spreads. All of this has led 2021 to be a turbulent year for the coating industry. Despite this turbulence, the market has grown and there are many opportunities in the global coatings market.

OVERVIEW OF THE GLOBAL MARKET

Orr & Boss estimates that the global paint and coatings market is 45 billion litres, and US\$170bn in 2021. We think that the global market will grow at 6% volume rate and 11.5% value rate in 2021. The largest market by far is the Decorative Coatings market. Decorative Coatings consist of all building & construction site-applied coatings and includes contractor and DIY coatings. After Decorative Coatings, the next largest segments are General Industrial (GI), Protective, Powder and Industrial Wood coatings. These four segments account for nearly 75% of the global coatings market (**Figure 1**).

The fastest growing coatings segments are the automotive refinish and powder coatings segments (**Figure 2**). Refinish is bouncing back from its low point in 2020. Powder is also bouncing back from a low point in 2019 but is growing faster due to the importance of sustainability in the coatings industry and society in general, as more companies convert from liquid to powder.

Comparing the growth rates to 2019 gives a somewhat different picture (**Figure 3**). The strong automotive refinish growth rates given above were mainly the result of significant declines in 2020, resulting

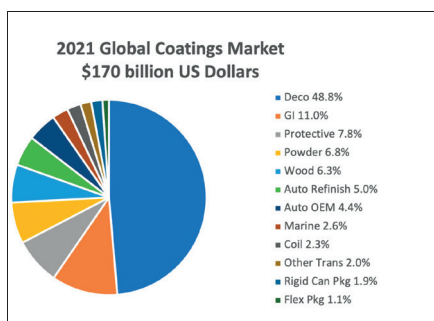


Figure 1.

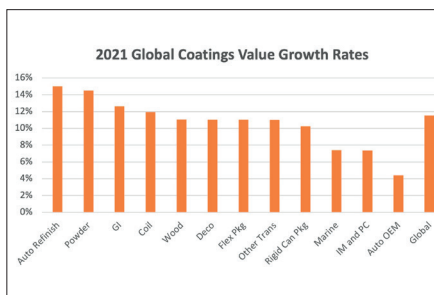


Figure 2.

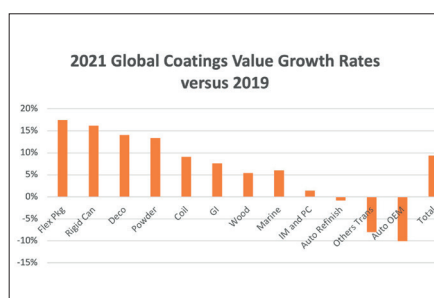


Figure 3.

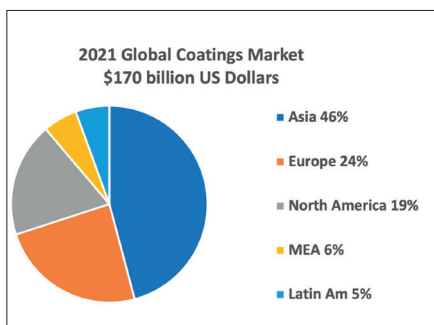


Figure 4.

in a strong bounce-back in 2021. If we compare the 2021 markets to those in 2019, the packaging, decorative, powder and coil markets grew significantly faster than the overall coatings market. Packaging coatings increased due to the rise in people cooking from home and the decrease in travelling and dining out. Decorative coatings saw a significant increase due to the rise in DIY activity around the world, as well as robust housing sales in North America and a strong bounce-back in construction across Europe and Asia. Powder is also growing at a strong rate; it is displacing liquid coatings in all regions of the world due to its environmental and sustainability benefits.

GEOGRAPHIC MARKETS

Geographically, the largest coatings market in the world is Asia. It accounts for 46% of the global market and has been and will continue to be the fastest growing coatings market (**Figure 4**).

Subregions of the Asian market

Given Asia's importance and size in the global coatings market, Orr & Boss further breaks down the Asian market into six sub-regions. These include:

1. Greater China: Mainland China, Taiwan, Hong Kong and Macau
2. Japan & Korea: Japan and Korea
3. South Asia: India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan and Afghanistan
4. South East Asia: Indonesia, Thailand, Malaysia, Vietnam, Cambodia, Laos, Philippines, Singapore and Myanmar.
5. Central Asia: Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan and Turkmenistan
6. Australia and New Zealand (ANZ): Australia, New Zealand and Oceania

As **Figure 5** indicates, Greater China is by far the largest sub-region in China. Japan & Korea and South Asia are the next largest sub-regions.

The entire Asian market is expected to grow at a value rate of 11% this year. South Asia is the fastest growing market

this year. It is expected to grow at a rate of nearly 18% this year. **Figure 6** provides our growth estimates for 2021 versus 2020 and 2019.

Going forward, we expect the global coatings market to grow at a 4.2% volume CAGR from 2022-2024 and 6% value CAGR from 2022-2024, with Asia being the fastest growing market at a 7.1% Volume CAGR and 7.7% Value CAGR. Within Asia, we expect that India and South Asia will be the fastest growing markets. We also expect growth to be strong in the coming years in South East Asia.

■ RAW MATERIAL AND SUPPLY ISSUES

The big issue this year has been the raw material price increases and supply disruptions. We expect raw material prices to be up 20% this year on average around the world, with some raw materials up significantly more. It is not simply that the prices are going up but also that coatings companies cannot obtain raw materials to make their product. Thus, even though the demand remains relatively strong, producing the paint has become a problem for the coatings industry.

Another supply chain issue impacting the coatings market is that customers have had their own supply issues, which has limited their production and thus, reduced demand. This has occurred most notably in the automotive industry, where supply of semiconductor chips has limited auto production and thus, has limited demand of automotive paint.

A final issue related to the supply chain is simply the availability and capacity of the logistics network. As consumers around the world converted from buying services (travel, restaurant spending, etc.) and started buying physical items, there has not been enough shipping and freight capacity to keep up. The freight and logistics restrictions have meant that even if product is available, getting the raw material might not be possible.

■ TRENDS

There are several trends impacting the overall coatings markets. These include:

Sustainability

Across the world, society has become more aware of environmental issues and sustainability has taken on increased importance. In some sense, paint & coatings have always been sustainable since they extend the life of the product; our homes, cars and other products have always lasted longer due to the protection that paint & coatings have offered. Now,

global consumers are starting to become more aware of total life cycle costs and the carbon footprint of the products that they purchase. We are seeing more and more customers making their purchase decision based on sustainability measures. We think that this trend will continue as more and more people become aware of the environmental impacts of their choices and that the paint & coatings companies will need to continue to respond to this trend.

Antimicrobial and antiviral coatings

The impact of the pandemic has led to an increased focus on antimicrobial and antiviral coatings. Any coating used on household surfaces where the consumer will come in contact with it has seen a significant uptick in interest. Decorative coatings, as well as coatings used on household items like appliances, furniture, door handles and other applications, are all areas where antimicrobial and antiviral coatings will grow.

Productivity improving coatings

Any type of coating that can improve the productivity of the customer is also becoming more and more valued. The growth of Direct to Metal (DTM) Coatings that only require one coat of paint is an excellent example of this trend. Other examples of coatings that assist in productivity improvements are lower temperature-cured coatings, which result in customer cost savings but also result in a lower carbon footprint.

Infrastructure

We expect that infrastructure spending around the world will increase going

forward. We think that some of this will be focused on sustainable or environmentally friendly segments like increased use of wind energy and solar energy, as well as increased spending on traditional infrastructure projects like airports, roads & bridges and others.

■ SUMMARY

There are many challenges impacting the global coatings market, most notably the supply chain and availability issues. Despite these challenges, there remain excellent opportunities. Demand is remaining strong and we expect it to continue to grow moving forward. In addition to overall demand remaining strong, companies that can position themselves as sustainable leaders are likely to have more growth opportunities as well. Antimicrobial and antiviral coatings and coatings related to infrastructure demand should also see good growth. There are countless other opportunities in the global coatings market as well.

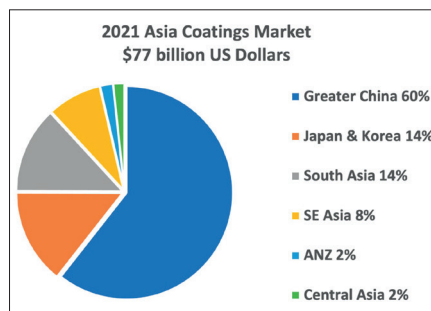


Figure 5.

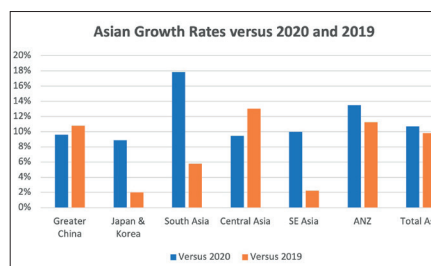


Figure 6.

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