

# Paint manufacturers ride COVID-19 decoration boom – but industrial coatings sales weaken

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Eastern Europe is often a region of diversity when it comes to paint and coatings sector trends, but in the past year, the COVID-19 pandemic has impacted most sectors in a similar way. They experienced booms in DIY decorative sales, weaker industrial coating sales and are now struggling with increased input costs.



## ■ POLAND

Poland's industry and market – the region's largest (excluding Russia) is a case in point. In a year of global uncertainty, the Polish paint industry has reason to be pleased – for now – but with challenges on the horizon, manufacturers and brands certainly should not be complacent.

The Polish market is important. According to Poland-based market researcher [polishpaintmarket.com](http://polishpaintmarket.com), the country is responsible for 44% of paint consumption in central and eastern Europe.

These sales have been boosted largely by the decorative paint segment, especially last year, as many Poles took on home renovation projects during its COVID-19 lockdowns. The strictest controls were imposed between March 16 and April 14, 2020; and December 2 until February 1, 2021 – although lighter controls were also imposed between these dates.

According to research by the Polish Association of Paint and Adhesives (PZPFiK - Polski Związek Producentów Farb i Klejów) and data firm GfK Polonia, decorative paint and coatings sales in the country increased by 6.2% yr-on-yr in 2020 to more than Polish

Zloty PLN2.33bn (US\$600M). This builds on a 4.3% yr-on-yr increase from the year before. During Poland's first lockdown, sales increased as much as 14% yr-on-yr.

The volume of paints sold in Poland also increased by 3.4% in 2020, recovering from a 1.6% decrease in 2019 and the Polish market is continuing to exercise a degree of stability thanks to consumers continuing to choose more expensive products or premium brands.

According to Bartłomiej Szlajak, PZPFiK's Managing Director, these positive 2020 results were not just boosted by Polish lockdown home renovations, but also by the Polish government's decision to keep DIY stores open during the lockdown – leading to strong sales of DIY products.

That aside, he warned the industry not to rest on its laurels: "This year [2021] and the following years may prove to be a challenge for decorative paints. Last year accelerated decisions on renovations – this year will not be the case anymore. Perhaps this will decline, but I think the trend of premiumisation, that is buying high-end products, will continue. Quantitatively we can expect a decline [in sales]", he added. "But in terms of value, an increase."

Results from Polish paint major Sniezka, a good indicator of the Polish market, reflected these trends. The total 2020 group revenue, across all product categories, exceeded PLN821M (US\$210M), an increase of 14.5% on the year before. And its domestic-market revenues rose an impressive 19.5% yr-on-yr to PLN126.6M (US\$32M).

Polish-language chemical industry publication *Chemia i Biznes* (Chemistry and Business), also suggested that the pandemic had also encouraged Polish online sales, with the sale of decorative paints on one of Poland's largest online sales platforms (which the report did not name) between March-April 2020 accounting for about 3% of the entire Poland paint and varnish market. By comparison the share was about 1% in the same period during 2019.

Sniezka's leadership, however, has also sought to exercise caution, citing COVID-

19's unpredictable lasting impact on the raw material availability and pricing. Sales Director Joanna Wrobel-Lipa said via a company statement: "It is difficult to predict the long-term consequences today."



## ■ CZECH

Much of the Czech paint industry also appears to have ridden out COVID-19, with the majority of members of the Association of Paints Manufacturers of the Czech Republic (Asociace Výrobce Náterových Hmot CR – AVNH) registering a growth in turnover in 2020. Total turnover of its 14 member companies reached nearly Czech Crowns CZK2.48bn (US\$115M) in 2020, up from CZK2.36bn (US\$109M) a year before, said the AVNH.

Major paints producer Colorlak confirmed that the pandemic helped increase demand for paints on consumer market, particularly in hobby markets: "We had the largest growth in sales in wood care products – glazes, oils and coatings while the lowest growth was in dispersion paints," said Svatopluk Chalupa, Colorlak's Chairman.

Another major Czech paints producer HET, based in northern Bohemia, which is not a member of this association, also saw a growth in sales in 2020 as compared to 2019. In the DIY decorative sector, demand for paints increased particularly in spring 2020 following the introduction of COVID-19 restrictions, according to HET Marketing Manager Stanislav Polívka. People were forced to spend time at home, strengthening the Czech Republic's seasonal DIY spring paint and coatings boom. That has, however, depressed DIY demand for 2021: "People who wanted to renovate their homes did so during 2020, this year

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they preferred other leisure activities and holidays,” Polívka said.

The pandemic hurt the B2B sector in both years, however. “There have been fewer contracts, smaller painting companies go bust, there is uncertainty about the future,” Polívka noted. This market has been further complicated by a shortage of construction materials, raw materials and packaging, forcing up prices for paint and coatings products, as well as construction services.

The automotive industry, which is an important client of Colorlak, for example, was forced to interrupt production due to the pandemic. And that had a negative impact – Colorlak’s net turnover in 2020 decreased by about 10% to CZK501M (US\$23M), despite the increase in domestic decoration sales.

And while the company expects the industrial market to rebound this year, overall production of paints and varnishes in the Czech Republic was down to US\$392M in 2020, a 4.5% yr-on-yr fall, according to market research provider Euromonitor International.

In 2020 Czech companies also struggled to export paints and varnishes – with overseas sales worth US\$230M, down 3.8% yr-on-yr. That matters because currently, about 40% of paint produced in the Czech Republic is exported, according to the AVNH association. Imports also saw a dip of 5.5% yr-on-yr to US\$684M, according to Euromonitor.

Despite this, the longer-term outlook for the Czech market looks healthy. In January 2020, PPG Deco Czech (part of the USA’s PPG group), the Czech leader by sales, according to developer P3, opened a new distribution centre in the P3 Prague D11 industrial park in the capital. PPG distributes paint to its 100 in the Czech Republic from the 6000m<sup>2</sup> warehouse, while also supplying other retailers in the country. The new warehouse has an extensive fire

safety system, with each shelf having its own sprinkler system, delivering water and foaming agents.



### ■ HUNGARY

Similar trends were also witnessed in Hungary, where the government largely allowed stores to remain open during the COVID-19 pandemic, leading to an increase in decorative coatings sales, even if industrial coatings sales dipped – causing an overall decline in production.

“Sales of decorative paints increased during 2020 in both quantity and value compared to the previous year. Internet sales were also more prevalent, but paint shops were not closed,” noted Mr Csaba Söptei, CEO of the National Organization of Hungarian Paint Manufacturers (MAFEOSZ – Magyar Festékgyártók Országos Szövetsége). Also, retailers innovated with home delivery or distribution via pick-up points near customers who were reluctant to visit shops, he said. The Hungarian government has also been lavish with economic support measures during the pandemic, including employment subsidies, a moratorium on loan repayments, low-interest loans and – crucially for the coatings sector – support for property reconstruction.

This small industry in Hungary managed to survive in 2020, but the impact of the epidemic on the supply of raw materials and on the increase in prices is expected to

have a very negative impact on Hungarian companies in 2021.

And overall, according to data from Euromonitor, Hungary’s paint and coating industry production noted a slight downturn in 2020 to US\$269.5M, 4.2% down compared to the previous year (US\$281.4M in 2019). However, the market researcher forecasts a robust rebound of 10.4% in production for 2021 to US\$297.4M. As for the export/imports, both noted a decrease in the 2019/2020 period – 4.6% in exports and 6.6% in imports, compared to 2018/2019.

Major paints and coating producers in Hungary include Trilak Festégyártó Kft, a member of the US-based PPG group; Poli-Farbe Kft, now a member of the Poland based Sniezka Group and AkzoNobel, of The Netherlands.

One problem all these players have been facing, however, is that since last January (2020), the price paid by Hungarian paint manufacturers for key raw materials, such as epoxy resins, has risen by 60% between January 2020 and July 2021, said Mr Söptei. The situation is similar with solvents, where acetone prices rose by 123% and butyl acetate prices by 91%. Prices for key petrochemical feedstocks, such as polyester resins, polypropylene glycols, acrylic acids and resins, UV binders and polyurethane have all risen. Prices for “petrochemical feedstocks, pigments (including titanium dioxide, red and yellow iron oxides) are also rising sharply,” said Söptei.

For all paint and coatings companies in the region, some relaxation of these price pressures will be welcome as they emerge from the disruption caused by COVID-19.

**PPGJ**

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