

North Africa's paint and coatings industries have varied latent strengths as they face COVID-19 crisis

Paul Cochrane, Kaci Racelma, Poorna Rodrigo and Keith Nuthall report on the current state of the paint and coating industries in countries including Egypt, Morocco, Algeria and Tunisia

Paint and coating manufacturers and retailers in North Africa have been struggling with the outbreak of the COVID-19 virus, just as their counterparts have in other regions, however some markets and industries in the region seem better placed to cope with the pandemic's economic impact than others. The good news for the industry is that North Africa's largest paint and coatings industry and market – Egypt – looks particularly robust.

EGYPT



Egypt's paints and varnishes market experienced strong growth last year (2019), being reflected in the production turnover of Egyptian manufacturers who provide most of the paints sold in this country – which, with 100M people, remains by far the most populous in North Africa. According to London-based market researcher Euromonitor International, Egyptian paint and coatings manufacturers generated US\$1.164bn in receipts during 2019, with sales forecast to reach US\$1.339bn in 2020 and US\$1.522bn in 2021, reflecting projected yr-on-yr growth of 15.1% in 2019-2020, 13.6% in 2020-21 and rebounding to 14% in 2021-22.

Population driving growth

Driving growth is Egypt's burgeoning population, which according to the Central Agency for Public Mobilisation and Statistics (CAPMAS), rose to 92.1M in 2017. Both the public and private sectors have been heavily investing in planned new

industrial cities and infrastructure projects, boosting coatings purchases, while the government hopes to attract US\$58bn in investment for its ongoing construction of a new administrative capital 40km from Cairo, unleashing more demand. Announced in 2015, the city, once built, should house 6.5M people.

While there is strong domestic growth, Egypt is also a growing exporter of paint, with Euromonitor's production figures reflecting such growth, primarily to the rest of the African continent, with international trade data indicating non-aqueous artificial paint exports from Egypt were worth US\$103M in 2018. According to another market researcher Statzon, Egyptian non-aqueous paint and coatings imports were valued at US\$67M in 2017. India-based market researcher Mordor Intelligence estimated local sales value of paint and coatings at US\$854M in 2018. Decorative paints account for the lion's share of the market at 71.88%, according to Mordor, while industrial paints sales accounted for 9.64%, wood 8.52%, transportation 3.91% and packaging 1.19%.

Egypt's automotive manufacturing sector has been growing in recent years, accounting for 4.86% of total paint sales, according to Mordor, with KAPCI Coatings, MIDO Coatings, and PACHIN being some of the major players in this segment, while in the decorative market, Sipes, Scib Paints, GLC Paints and Jotun remain some of the biggest players. In 2018, Jotun invested in a new factory in 10th of Ramadan City, near Cairo, with a production capacity of more than 80Mlit/yr, complimenting an older factory with a capacity of more than 40Mlit/yr in Ismailia.

It is unclear what impact COVID-19 will have on the Egyptian paint sector but the economic outlook for this year has been amended, with the government in March forecasting growth to drop from 5.6% to 5.1% in 2019/20 (this is expected to be further depressed as the pandemic grows), and to 4.5% in 2020/21.

MOROCCO



PSA's new factory in Kenitra open in July 2019

Also, on the positive side, Morocco's paint and coating sector has been performing well, with Euromonitor saying the country's paint and coatings industry sold US\$720.6M worth of paint, varnishes and driers, prepared pigments, enamels, glazes and printing ink last year (2019), up from US\$711M in 2018, US\$652.9M in 2017 and US\$615.1M in 2016.

Similarly, Morocco's exports of paint and varnishes (including enamels and lacquers based on synthetic polymers or chemically modified natural polymers) to the EU (including the UK) have been buoyant. According to Eurostat data, Morocco's exports of these products were worth €47.80M last year (2019), up from €40.98M in 2018 and €37.43M in 2017. According to Finland-based Global Research & Data Services, Morocco's domestic paint and coatings sales in 2019 amounted to US\$478M, up from US\$415M in 2018. The largest sales segment in 2019 was non-aqueous polymer-based paints – at US\$227M, said the market researcher.

With such growth, companies are investing in the sector. Spain-based paint and coatings manufacturing group Eurotex, for example, announced last August (2019) that it would invest Moroccan Dirham MAD3M (US\$300,000) into expanding its Tangier base so that it can supply more automotive paints to parts manufacturers and automotive repair shops. Morocco's auto manufacturing sector has been expanding fast. King Mohammed VI last July

(2019) opened a new factory run by French auto-maker PSA in Kenitra, with an annual production capacity of 100,000 vehicles and engines, with PSA aiming to double this output by 2023. Meanwhile, Morocco's largest paint and coatings manufacturer Casablanca-based Atlas Peintures, has been launching new environmentally-friendly products within its Atlas Ecoline range, including water-based products Greensat and Greenmat, gloss and matte lines that are odourless and volatile organic compounds-free (VOC), used for indoor and outdoor decoration and protection.

■ ALGERIA

In Algeria, however, the COVID-19 crisis has hit a market that has already been depressed by a socio-political crisis that has been ongoing since February 2019 and which had already been losing sales since 2018. This reduction affected basic organic chemistry production by around (-22.2%) and paint manufacturing (-8.4%) in 2018 compared to 2017, according to the latest relevant statistics issued by the national statistics office (Office National des Statistiques) on January 28, 2019. The vertiginous fall in oil prices (85% of Algeria's exports by value are in oil and natural gas according to OPEC) has reduced the amount of money available in Algeria to spend on construction projects and hence, coating purchases, with building construction and road painting demand being particularly soft. The COVID-19 outbreak is likely to slow output and demand still further, with the government imposing

movement restrictions and trying to reduce the number of people at work outside the home by at least 50%.

That said, the longer-term outlook for Algeria's economy has been positive – before the COVID-19 outbreak, the World Bank had projected Algeria's economy to grow 1.9% during 2020 and there has been investment in Algeria's painting coaching sector. A partnership between Deka Algeria and Deka Boya last September (2019) opened a Turkish-run paint production plant called 'San Deco', in Béjaïa, a port city in eastern Algeria. The factory has been built on rented land, said Yazid Akkouche, a partner at Deka Algeria: "After having spent several years looking vainly for land ownership in Béjaïa, [and alternative cities] Boumerdès and Bordj Bou Arréridj, we found ourselves obliged to rent for tens of millions of dinars from a private owner" in a Béjaïa industrial zone.

■ TUNISIA

There has also been gloom in next-door Tunisia, as paint, coating and varnish sales have been falling against the background of weak economic general growth, which the World Bank said was 2.48% in 2018 and 1.82% in 2017, which has actually translated into falls in gross national income per capita to US\$3500 in 2018 from US\$3760 in 2016. The World Bank estimated GDP growth at 2.7% in 2019 and projected it at 2.2% for 2020 but that was before COVID-19 hit. This has been reflected in Tunisian paint, coating and varnish sales, which were US\$79.2M sales in 2016, falling to US\$77.8M in 2017 to

US\$76.2M in 2018 and US\$72.8M last year (2019), according to Euromonitor data. And according to data from European Union (EU) statistical agency Eurostat, Tunisian paint and coating exports to the EU (including Britain) has seen ups and downs. These exports were worth €23.20M in 2018, falling to €21.63M in 2018 before picking up to €23.63M last year (2019).

Faced with such challenges, Tunisia's paint and coating sector has been working hard to encourage new sales. One high profile socially responsible initiative has come from Mégrine-based Astral, the Tunisian wing of AkzoNobel, which last October (2019) signed an agreement with SOS Children's Villages Tunisia, the local branch of an Austrian NGO that builds homes for orphans. Going forward, the company will contribute one Tunisian dinar (TND) to the charity for every pot of paint sold and Astral has also donated TND50,000 (US\$17,300) to the group and has launched a fund-raising campaign.

If North Africa's paint and coatings manufacturers want to shrug off the COVID-19 challenge in good commercial shape, they will need to expand such marketing innovations, as well as making production and R&D investments.

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BCF collaborates with GTMA to encourage more UK manufacturing

The British Coatings Federation (BCF) is proud to be part of the Reshoring UK initiative, a web-based supplier and buyer portal, which has been developed as a comprehensive map of the vast number of capabilities available within the UK. Currently holding the details of 4500 companies from 22 Trade Associations, it allows users to build a connected network that forms the foundation of a robust, end-to-end supply chain for any manufacturing or technology focused businesses.

Julia Moore is the CEO of GTMA, the Trade Association representing engineering companies and manufacturing associations who backed the initiative, and said: "Ever since manufacturers began outsourcing production to more competitively priced overseas economies there has been a race to the bottom based on price. However, there is an intrinsic value attached to making things here in the UK, not least being the opportunities to innovate.



Reshoring UK highlights the skills and resources of the UK supply chains and aids manufacturers when considering domestic production for new projects or for the relocation 'onshore' of existing work programmes."

Research has shown that even before the global threat from COVID-19 there was a paradigm shift from OEMs looking at the benefits of reshoring, with more than a third (37%) of firms asked saying they were planning to move manufacturing processes back to the UK that had previously been offshored to territories, such as Asia and eastern Europe. Of those, 71% said the

prime motive was to improve quality, a telling endorsement of the high standards that British manufacturers and workers uphold, which also has extremely positive implications for UK supply chains.

BCF Chief Executive Tom Bowtell said: "BCF members have a key place in the engineering and manufacturing supply chain in the UK. If more things are manufactured in the UK due to reshoring, then that will have a direct positive impact on sales of BCF member coatings, printing inks and wallcoverings, and our member companies are great examples of those who demonstrate innovation, technology transfer across sectors and quality. The map locates suppliers that are members of the various trade associations, so they are a trusted resource that anyone using the website can rely upon to build a connected network."

The website can be found at www.reshoring.uk