

Coatings sales continue to rise – but industry fears impact of weakness in overall economy

Nicola Jenvey reports from Durban on the SA coatings market and the factors affecting it

Sales within the South African home paint market are expected to reach US\$416.6M (South African Rand ZAR5.96bn) in the year to December 2019, up from US\$358M (ZAR5.12bn) in the previous year, but industry association officials fear this growth could be hit by South Africa's weak general economy in the coming year. The health of this coatings segment is important, given that statistics provided to *Polymers Paint Colour Journal (PPCJ)* by London-based market research provider Euromonitor International indicate that decorative paints sales have been growing fast in recent years – to US\$375M (ZAR5.36bn) from US\$354.1M (ZAR5.06bn) in 2018, while sales of home lacquers and varnishes remained relatively stable at US\$41.6M (ZAR594.99M) against USD41.4M (or ZAR592.13M) in the same period one year earlier. “Consumers expect and demand products that have a strong brand heritage based on trust, quality, durability and reliability. Private label offerings are no match for these brands,” Euromonitor stated. However, the anticipated yr-on-yr growth for 2019 of 5.3% was significantly lower than the 2017/2018 yr-on-yr growth of 10.5%, as economic hardships and diminished income levels have forced consumers to continue seeking out DIY solutions.

■ CHALLENGING YEAR

Aggie Argyrou, Chairman of the South African Paint Manufacturing Association (SAPMA), says 2018/2019 was “a challenging year” for the country's coatings industry, given escalating raw material costs and electricity tariffs, the national economic slump (GDP growth in 2019 is projected to be an anaemic 0.8%) and other disruptive factors, such as “load shedding”, or government-mandated rolling electricity blackouts.

As a trade association, SAPMA states it represents 90% of the paint manufactured in South Africa with membership including manufacturers, raw material and services suppliers, retailers and contractors.



Image: www.gbcsa.org.za

Executive Director Deryck Spence says the body represents the country's ZAR10bn (US\$700M) industry and supports a supply chain distribution network worth ZAR150bn (US\$10.5bn) and employing 12,000 people. Market researcher ResearchAndMarkets, however gives a more generous assessment – with its statistics – see <https://www.businesswire.com/news/home/20190606005389/en/R13-Billion-Paint-Industry-South-Africa-2019> – assessing the size of the industry at ZAR13bn and employing 15,000 people.

Addressing SAPMA's annual general meeting in September, Argyrou said transport costs were negatively affected by the rising fuel price, currency depreciation and the difficulty in recovering excess costs from “already financially-struggling consumers”. He was worried about potential sales declines next year, given DIY home improvement paint sales are “invariably one of the first market categories to show a decline” in an ailing economy. However, he still hopes 2019/2020 will reflect improved business conditions – which would pose less risk for home paint sales.

One problem for the industry association, highlighted by Spence at the meeting is that members often fail to supply “meaningful statistics” for analysis. Only 14 of the organisation's 200 members had submitted statistics to assist the

industry with future planning by highlighting trends. Without the statistics, SAPMA cannot disseminate information to identify marketplace changes, including the shift from solvent-based road marking paint to water-based and thermo-plastic products, he stressed.

“If armed with industry statistics, we can assess the average price of raw materials to know if we need more affordable suppliers. It will also give ammunition to justify price increases to customers; see how other companies in the industry are coping with health and safety issues or environmental preservation pressures and inform management about the level of confidence in the industry,” Spence said.

■ ONGOING ISSUES

In a discussion with *PPCJ*, SAPMA Technical Committee Chairman Bobby Bhugwandin said the SA coatings industry is currently tackling four ongoing issues. These include rules set by the South African Department of Agriculture, Forestry and Fisheries (DAFF) regarding registration and labelling; debate with the South African Bureau of Standards (SABS) on independent testing; the long-running and challenging discussions with the government over lead content in paint and the quest for a recognised volatile organic content (VOC) limit in coatings.

Currently DAFF insists that any paint sold with claiming the product controls the environment with regard to bacteria, yeast, moulds or insects requires registration and labelling, but SAPMA argues that preservatives used for self-preservation should be exempt.

Bhugwandin adds that SABS has “taken heed” of calls for independent testing and the gap left by the organisation when it stopped testing products in 2015. New SABS paint testing laboratories were accredited in mid-year with road marking paints among the first retested and SABS recertifying older certificates that had lapsed.

Linked to this issue is guidance on VOC limits, as the country lacks VOC standards. Bhugwandin says the industry has engaged with SABS to recommend adopting the Green Building Council of South Africa VOC limits when drafting its own standards. Also, SAPMA wants to obtain its own accreditation for independently testing VOCs, proposals the government is considering.

One key industry concern remains the proposed deadline of December 31, 2019, for labelling and testing components for compliance with South Africa’s current regulation that allows 90 to 600 parts per million (ppm) lead levels in paints – a comparatively lax regime that

the government is preparing to tighten by imposing a 90ppm cap in 2020. Bhugwandin said the industry wants such assessments and labelling only to be compulsory for paints that have historically contained lead, including alkyd enamels, industrial, protective coatings and road marking paints. Decorative water-based paints have been lead-free for nearly 40 years and should be exempt from the labelling laws, he said.

The new levels are in line with the International Persistent Organic Pollutants Elimination Network (IPEN) guidelines, whereby signatories may ban the manufacture, import, export, distribution, sale and use of paints with total lead concentrations greater than 90ppm – a value IPEN states can occur in paints due to indirect contamination during the production cycle.

■ **THREE DISTINCT DECORATIVE TRENDS**

In its Home Improvement in South Africa report, released in June 2019, Euromonitor stated the country experiences three distinct trends regarding the purchase of decorative paints and coatings – premium housing trends shifting towards contemporary design and associated colours; a competitive landscape following

French homeware and home improvement retailer Leroy Merlin’s successful entry into the market in 2018; and international paint brands Plascon and Dulux holding their lead in the home paint market, but with local company Duram gaining ground. Combined, the three players account for 48% of the total value of home paint sales in South Africa. Leroy Merlin competes against Massmart-owned Builders Warehouse, as well as Cashbuild and Brights Hardware stores.

The Euromonitor International Home and Garden in South Africa report, also released in June 2019, stated that as consumers increasingly familiarised themselves with online purchasing, Massmart’s brands Builders Warehouse, Game and Makro were benefiting from their investment in an e-commerce presence.

With such positive market and regulatory changes in play, the SA coatings sector is well positioned to thrive – but only if the country’s overall economy recovers.

PPCJ

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PPG collaborates with Dow on Sustainable Future Program to reduce carbon impacts

PPG has announced a collaboration with Dow and its Sustainable Future Program, developed to accelerate adoption of low-carbon technologies. The partnership focuses on advances in anti-corrosion coating products for steel designed to deliver reduced greenhouse gas (GHG) emissions through increased energy efficiency, while helping to lessen the high maintenance costs of steel infrastructure.

Based on Dow’s next-generation polysiloxane technology, PPG’s two-coat PPG PSX™ coatings, which have a 25yr track record of performance, require fewer coats to achieve the same level of protection from a traditional three-coat system. This results in less energy-intensive production and application and a corresponding reduction of GHG emissions, fulfilling the Sustainable Future Program’s goal of advancing best in class technologies that deliver tangible sustainability gains to society.

Compared to alternative systems, PPG PSX coatings offer better long-term adhesion and toughness, as well as corrosion, weathering and chemical resistance under even the most aggressive

exposure conditions. While other coating technology often requires three coats – primer, intermediate layer and topcoat – PPG PSX coatings are simple two-coat systems with a zinc primer and polysiloxane topcoat. Polysiloxane requires fewer recoats over time compared to traditional topcoat technologies, resulting in lower maintenance costs for the building owner and a lower associated environmental impact.

The PPG PSX portfolio includes PPG PSX 700 two-component coating, PPG PSX One single-pack acrylic siloxane and PPG PSX805 epoxy siloxane with a satin sheen. Each of these patented products uses Dow polysiloxane resin technology.

“Through this first-of-its-kind collaboration, we are combining PPG and Dow expertise to drive measurable change through carbon mitigation projects backed by Dow’s Sustainable Future Program,” said Christopher Welch, PPG Global Business Development Director, Protective and Marine Coatings. “Together, we have the common goal of protecting steel, one of the world’s strongest building materials,

while contributing to a more sustainably built environment for the future.

“From the skyscrapers that shape our skylines, to the bridges that connect our roads in the transportation networks, to marine vessels that transport goods and people, steel is the backbone of modern society,” said Dr Nicoletta Piccolrovazzi, Circular Economy Market Director for Dow and Global Technology and Sustainability Director for Dow Olympic & Sports Solutions. “As a leading materials science company, we can provide solutions that help extend the life span of infrastructure and reduce the environmental impact of steel manufacturing and maintenance over the long term. Together with PPG, we are providing paint and coating formulators with the ability to offer architects and property developers a next-generation steel coating solution that encourages partners across the value chain to adopt technologies with a lower carbon impact.”

For more information, visit: www.ppgpmc.com; www.dow.com/en-us/sports/sustainability