

THE PHILIPPINES



Jens Kastner reports on how Philippine coatings manufacturers have good prospects but are facing short term demand restrictions

The Philippines: Good times ahead

The Philippines paint and coatings sector may be growing robustly – at an average of 6.5-7% over the past two years to reach US\$900M in 2018, according to market researchers Frost & Sullivan – but the local manufacturers think they could do a lot better.

Industry executives talking to *APCJ* have noted the delayed approval of the Philippines' 2019 national government budget until April, which put several public work projects on hold. Also, a mandatory public works project ban was put in place from March until the midterm elections in May, halting existing projects and preventing the approval of new ones.

■ BUILD BUILD BUILD

These hold ups have worsened the slow roll out of the government's so-called 'Build, Build, Build' infrastructure programme, which was launched in 2017 with the aim of modernising the country's crumbling infrastructure in six years, with a planned combined investment of approximately Philippines Peso PHP8trn (US\$156.4bn). Indeed, construction of only two of the programme's 75 flagship projects has so far been completed, with another nine currently under construction.

"Our industry had been enjoying strong growth since 2012 but the trend has suddenly changed this year and 2019 has been an unexpectedly sluggish year for the Philippine paint industry," said Johnson Ongking, Vice-President of Pacific Paint (Boysen) Philippines, in an interview with *APCJ*.

Vergel V Dyoco, the Philippine Association of Paint Manufacturers' Technical Director, however, is more optimistic about the medium-term outlook. While agreeing there are some macro-economic headwinds, he pointed out that President Rodrigo Duterte's 'Build, Build, Build' directive is still very much

in effect. According to Dyoco, this is a major driver for demand, especially of road-marking paints for several projected infrastructure developments.

Frost & Sullivan points out that the Philippines has more building work ongoing and planned than most other South East Asian countries, with residential and non-residential/infrastructure construction growing by 7-9% and 8-9% respectively on average in the past two years. This, noted Mahendra Chahar, a Frost & Sullivan Senior Consultant for the Asia Pacific region, had helped increase demand for protective coatings, "primarily due to the construction of numerous bridges in recent years."

Another business booster is the rise of the country's offshore gambling sector of POGOs (Philippine Offshore Gaming Operator), which has generated "growing demand for office and residential spaces," Dyoco said.

That said, such an increase in demand is not necessarily being met by the Philippines paint industry, with Dyoco noting that the Philippine market is now experiencing an increase of imported products, as well as locally-manufactured foreign brands, with sales growing in big box stores and builder depots.

■ AN INCREASE IN DECORATIVE

Another market researcher, London-based Euromonitor International noted that rapid urbanisation is taking place in the Philippines, with an increasing number of multi-storey buildings and condominiums being built in the capital Manila, where the concentration of middle- and upper-class households is the highest – all of which is boosting sales of paints and coatings.

Furthermore, with the increasing number of short-term rentals for domestic and inbound tourism, more property owners are preparing their homes for renting out, increasing sales of decorative paints for

repairs. "Decorative paints sales have been growing due to demand from new homeowners, often millennials, that are willing to experiment and try out different shades of colours," said Euromonitor International Senior Analyst Ili Rahan. "The demand is also coming from existing homeowners purchasing paints to replenish the walls of their homes, whereas lacquers and varnishes are declining as they are mainly used to protect the exterior of wood-based home furniture and most consumers are too time-starved to do the additional work of protecting their furniture," she added.

Looking ahead, the Philippines paint and coating sector is leveraging online connectivity in the country. Boysen's Pacific Paint Philippines subsidiary and a leader in the national market, released last December an updated version of a lifestyle mobile app that helps consumers make informed choices on buying paints, for instance.

Such innovation by a major Philippines paint manufacturer is smart, given there is an increasingly "wider availability of online retailers from where consumers can purchase paints," Rahan said. One major e-tailer Lazada has been conducting robust marketing campaigns through promotions and deals, including of paints and coatings. Homecare retailer Wilcon Depot in January (2019) entered the online space, selling paints and coatings along with other home renovation supplies.

Also, Rahan thinks the 'Build, Build, Build' programme will gather steam next year, with Euromonitor International expecting housing construction growth to be sustained for the next year as the government actively works with property developers to build outside Manila's metropolitan region, in part to ease worsening traffic and pollution. These developments and additional demand following the occupation of residences by

consumers wanting to change wall colours and touch up paints, will boost sales within the coming two years.

This decorative growth is good news for some manufacturers, given Chahar noted that the government's imposing of heavy excise taxes on beverages with sugar content is expected to reduce domestic demand for can coatings.

■ LEAD SAFE PAINT

Meanwhile, the Philippines paint and coatings industry managed a mandatory phase-out of lead in paints by the end of 2019 [see news story below]. One problem they will need to handle with care, said

Rahan, is handling excess inventory of paints that still contain lead – how will this be disposed of or sold?

The sensitivities are significant, and a wrong move could damage a brand, she noted, given how Philippines consumers are today not just concerned that consumers purchase and use products that are value for money, they want them produced sustainably and without high concentrations of toxic chemicals, said the Euromonitor Analyst. Pacific Paint was in 2016 one of the first companies in Asia to have its brands (Boysen, Virtuoso, Nation and Titan) receive the 'Lead Safe Paint' international certification. "There is a growing demand for greater transparency

and for businesses to show to their consumers, either through outreach or clear labels on their paint packaging, on how their products do not pose any harmful side effects," Rahan said. If manufacturers and brands respond effectively, they should be able to stake a claim on a significant slice of the Philippines' growing paint and coatings market. ■

For more information, contact:
Keith Nuthall, International News Services
www.internationalnewsservices.com
Tel: +44 (0)207 193 4888

Philippines successfully completes phase-out of all lead-containing paints

The phase-out of all types of lead-containing paints in the Philippines is an excellent example of a successful chemical policy directive aimed at preventing and reducing children's exposure to lead, a highly toxic substance, from paints.

The EcoWaste Coalition and the Philippine Association of Paint Manufacturers (PAPM) marked the historic transition of the country's paint and coatings industry to full non-lead production, effective January 1, 2020, with the completion of the phase-out period for lead-containing paints used for industrial applications.

Under the Department of Environment and Natural Resources (DENR) Administrative Order 2013-24, or the Chemical Control Order for Lead and Lead Compounds, manufacturers of lead-containing paints for industrial uses were directed to phase out such paints by December 31, 2019. Lead-containing architectural, household and decorative paints were phased out at an earlier time on December 31, 2016.

Lead paints are paints or other similar surface coatings containing lead compounds in excess of 90 parts per million (ppm).

"The conclusion of the phase-out period for lead-added industrial paints wraps up a positive process of replacing lead-based additives, particularly pigments, with non-lead raw materials for all paint formulations," said Ely Kenneth Ong Sue, President, PAPM. "The industry-wide shift to lead-free paint manufacturing is a superb way to usher in 2020. It's a milestone made possible by unique government, industry and civil society collaboration," he added.

For his part, Johnson Ongking, Vice-President, Pacific Paint (Boysen) Philippines, Inc and former PAPM President, said:

"Our fruitful experience in the Philippines in eliminating lead paints and coatings clearly shows that any developing country paint manufacturers can create colourful and commercially viable products without poisonous lead-containing pigment, drying accelerator or rust and corrosion protector.

"Our paint makers have gained competitive advantage by complying with the comprehensive ban on lead paints and by offering quality lead-safe products."

Eileen Sison, President of the EcoWaste Coalition, an active member of the International Pollutants Elimination Network (IPEN), which is campaigning for a global ban on lead paint, said: "The complete phase-out of lead-containing paints is very significant for our children's health and our nation's future, as childhood lead exposure can cause reduced intellectual development and limit educational attainment, as well as hinder socio-economic advancement. We recognise our partners in the public and private sectors for this collective feat that will redound to a lead-safe environment, especially for young children, pregnant women and workers," she said.

Jeiel Guarino, Global Lead Paint Elimination Campaigner, IPEN, added: "With the national ban on lead-added paints for all product lines in effect, we urge paint dealers to take old non-compliant paints off the shelves and to stock up on lead-safe paints. To assure paint consumers that a product conforms with the maximum 90ppm total lead content limit, we encourage more paint companies

to participate in the third-party Lead Safe Paint® certification programme."

The DENR, PAPM, Pacific Paint (Boysen) Philippines, Inc, EcoWaste Coalition and IPEN are partners of the Global Alliance to Eliminate Lead Paint (a voluntary partnership formed by the UN Environment and the World Health Organization) whose overall goal is "to prevent children's exposure to lead from paints and to minimise occupational exposures to lead paint."

According to the UN Environment, "lead is a multisystem toxicant for which no safe level of exposure has been identified. Lead exposure can cause chronic and debilitating health impacts in all age groups but it is particularly harmful to young children. This is because their developing nervous systems can be damaged by lead, resulting in reduced cognitive abilities, poor educational attainment, attention deficit disorder and anti-social behaviour. In adults, lead exposure can cause hypertension, renal impairment and damage to the reproductive organs," the agency said.

To promote the mandatory use of lead-safe paints in the Philippines, national and local authorities, including the Department of Interior and Local Government, Department of Education, Department of Social Welfare and Development and the Quezon City Government, have adopted policies in support of DENR AO 2013-24.

Recognising there is still much work to be done, the EcoWaste Coalition and the PAPM last year wrote to the Environmental Management Bureau proposing for a review of how DENR AO 2013-24 is implemented in order to identify successes, determine gaps, and pinpoint further steps to improve its implementation. ■