



HOUSING MARKET DRIVES GROWTH

The global industrial wood coatings market. By Douglas Bohn of Orr & Boss Consulting.

Industrial wood coatings are used in a variety of applications including furniture, flooring, paneling, cabinetry, and other wood building products. These coatings are applied at the point of manufacture; not site applied and thus differ from wood stains and other wood coatings products that are applied on-site by either a contractor or DIY consumer.

The industry has undergone significant shifts over the last several decades with furniture manufacturing moving to Asia in 1990s as well as continued conversion and interest in more environmentally friendly coatings. The rest of this article discusses the size, growth rates, end use markets, and technologies used in this important coatings market.

MARKET SIZE AND GROWTH RATES

Orr & Boss estimates the total industrial wood coatings market size to be EUR 9 billion in value and 2.65 billion liters in volume. Most of the market is based in Asia. Orr & Boss estimates the Asian industrial wood coatings market to be 62 % of the global value or EUR 5.6 billion with China accounting for about 70 % of that value.

As mentioned above, the furniture manufacturing moved to China, Vietnam, and other Asian countries in 1990s. This trend was felt most significantly in North America where much of the wood furniture manufacturing industry has left and the remaining portion of the industrial coatings market is cabinets, flooring, paneling, and other wood building products. In Europe, some of the wood furniture manufacturing left Europe for Asia in the 1990s as well but not quite to the same extent that it occurred in the United States and North America. Italian

and other high-end furniture manufacturers were able to keep their manufacturing plants competitive in Europe. Thus, Asia is the largest industrial wood coatings market at 62 % (EUR 5.6 billion) and Europe is the second largest industrial wood coatings at 23 % (EUR 2.1 billion) of the market. The other regions are shown in figure 1.

Going forward the growth rate is very much dependent upon housing and new construction in each of the regions. Housing and construction is the key underlying driver of the growth rates. There are some other drivers that are market specific. For example, films and foils have been used in Ready To Assemble (RTA) furniture for a number of years and they have been gradually eating into the use of liquid coatings as their appearance improves in items like office furniture and other low to medium end wood products. Also, powder coatings are used in some wood applications and thus have displaced liquid industrial wood coatings in some applications but their use is limited (less 1 % of the market) so their impact has not been great. On the positive side, there is increased demand for higher end furniture in Asia and other developing markets where the middle class has continued to grow. Taking all factors together, we expect a 2018-2023 CAGR of 4.5 %. Most of the growth will occur in Asia where the combination of the rising middle class and faster growing GDP values will result in growth rates approaching 6% per year. North American and European growth rates are expected to be in the 1.5-2.0 % range.

END-USE MARKETS

The end use markets for these products include furniture, cabinets, flooring, paneling, and other products. Globally we estimate the mar-

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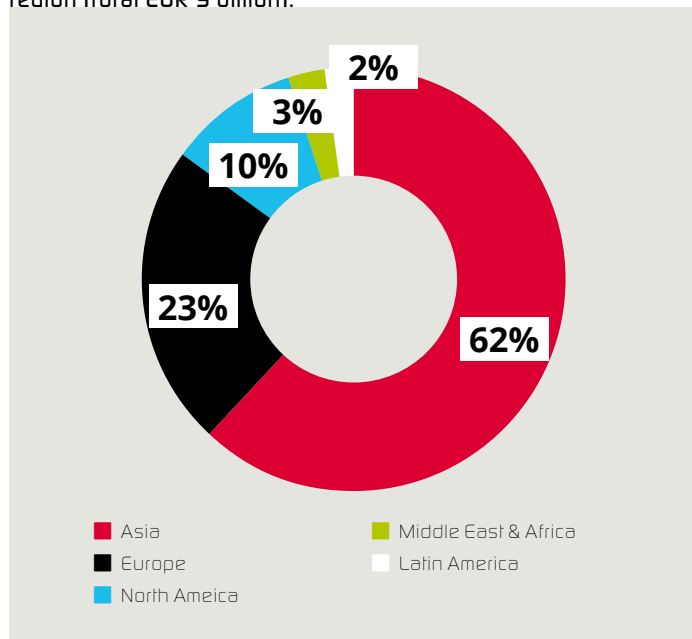


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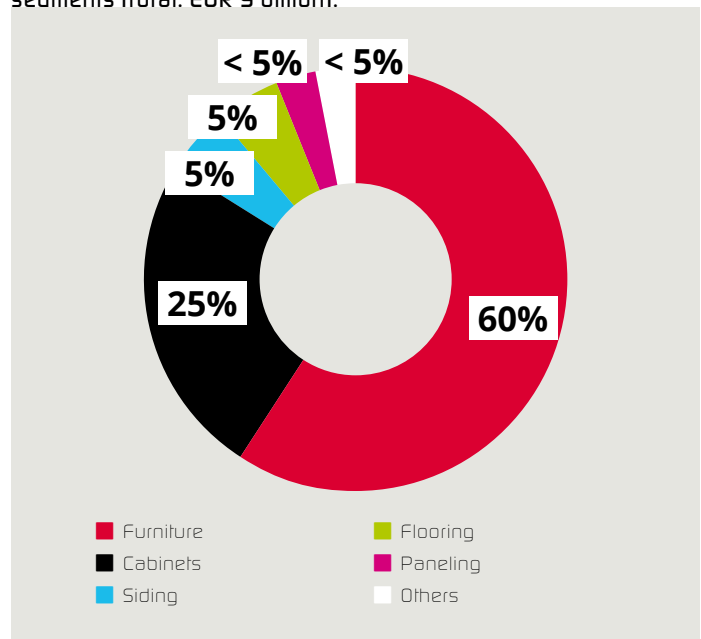
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Figure 1: Global industrial wood coatings market in 2018, by region (total EUR 9 billion).



Global industrial wood coatings market in 2018, by end use segments (total: EUR 9 billion).



ket to be 60 % furniture and 25 % cabinets with the remaining 15 % to be various flatstock applications.

The breakdown of the market depends upon the region. In Asia, over half of the market is wood furniture. In North America, the situation is reversed with over half the market being cabinetry, flooring, and other wood flatstock applications. These are products that run on high-speed lines and thus the labor costs as a percent of the overall finished goods product costs is lower than in furniture. Furthermore, in some cases, the end product is customised. These two factors have led the manufacturing of the end product to mostly remain in the United States and Canada. In Europe, the market is more mixed. About half the market for wood coatings is furniture and the other half is for flooring, paneling, cabinetry, and other applications.

Solvent-borne coatings continue to be the primary technology used in this segment. This is especially true in the furniture segment where over 80 % of the global market is still solvent-borne. In the flooring, paneling, siding, and other wood flatstock market segments UV is used to a larger extent. These production facilities tend to be higher speed automated facilities where the near instantaneous cure of the UV product is valued. Also, there is no shadowing effect for these products. Water-borne products are valued due to their environmental friendliness but their use is much smaller than that of the solvent-borne products. Globally, Orr & Boss estimates that 75% of the liquid wood coatings market is solvent-borne, 20 % is water-borne, and 5 % is UV. In the US and Europe, the amount of UV is higher (10-20 % of the market). Also, in Europe the amount of water-borne is higher. Depending upon the market the amount of water-borne wood coatings in Europe is in the 40-60 % range. Some of the Northern European countries like Germany and Scandinavian countries have a very high water-borne component (>50 %) whereas other regions of Europe have lower water-borne usages.


FUTURE INNOVATIONS AND TRENDS

Some of the main trends impacting the global industrial wood coatings market has been touched on above. The primary trend is the continued slow shift to water-borne, in particular water-borne UV. This

has already been occurring the slow migration to water-based products is expected to continue. As environmental regulations in China become more stringent, we would expect this trend to continue.

Another trend is the rising middle class in China, India, and over developing countries that will continue to drive high rates of construction in those countries. Furthermore, the higher incomes are allowing consumers in those countries to purchase more high-end wood furniture products which is driving demand in Asia. Most of the growth in the global growth in the liquid wood coatings market will be concentrated in Asia. Another trend is the increased use of UV products. Finally, bio-based materials may grow in use in this market. Currently, their use is quite small given the higher price of these materials. But given the interest in sustainability issues, their use may increase.

CONCLUSION

The global industrial wood coatings is estimated to be EUR9 billion and growth from 2018-2023 is estimated to be about 4.5% per year. The market in the North America is mostly cabinetry and flatstock products like flooring, paneling, shelving, and other products whereas in Asia, the market is mostly wood furniture. Europe is in between the two regions with about half the market being furniture and the other half being cabinets and wood flatstock. The trend is mostly positive for the liquid wood industrial coatings markets due to increased consumption of wood furniture and other products, especially in Asia. As is the case in other coatings market, environmental friendliness and sustainability are expected to continue to increase the trends towards water-borne and UV coatings consumption in this market. 



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