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Inside: Powder Coatings

Inside: Marine Coatings



Beautiful inside and out
Architectural and decorative coatings in Asia Pacific

SMART COATINGS • RESINS • ADDITIVES

Douglas Bohn, Orr & Boss Consulting Incorporated, gives an overview of the decorative coatings market in Asia Pacific

Decorative coatings in Asia Pacific: Before, during and after COVID-19

The Asia Pacific decorative coatings market is a large, diverse market that covers more than 50% of the world's population and a third of global GDP. With a value of US\$26bn in 2020, the Asian decorative coatings market is the largest geographic-segment in the global coatings industry. Asia has also been the fastest growing decorative coatings region in the world. Given the wide geographic expanse of Asia, there is lot of diversity in this segment with different countries and markets with different needs. The large size, fast growth rate and diversity results in this market being attractive to paint and coatings manufacturers.

OVERVIEW OF THE ASIAN DECORATIVE COATINGS MARKET

The Asian decorative coatings market is estimated to have a value of US\$26bn and 11.7bn litres. Orr & Boss segments the market into five major sub-regions within Asia: Greater China; Japan & Korea; South Asia; South East Asia; and Australia & New Zealand. Each of these five sub-regions could be sub-divided further into their various country segments.

The five sub-regions are defined as:

- Greater China, which includes mainland China, Taiwan, Hong Kong and Macau;
- Japan & Korea includes Japan and Korea;
- South Asia, which includes India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan, Afghanistan and the Maldives;
- South East Asia, which includes Indonesia, Malaysia, Thailand, Vietnam, the Philippines, Singapore, Myanmar, Cambodia, Laos, Brunei and Timor-Leste;
- ANZ includes Australia, New Zealand and the Pacific islands.

Of the five sub-regions, Greater China is the largest, with just more than half of the Asian market. South Asia is then the next largest segment. A summary of each of these markets is given in **Figures 1 & 2**.

SEGMENTS OF THE MARKET

The DIY portion of the Asian decorative coatings market is about 15%. This is smaller than other regions like North America and Europe, where DIY is 40-50% of the decorative coatings market. The amount of DIY in the markets varies widely, with China and India and some of the South East Asian countries having less than 10% of the market as DIY. In Japan & Korea, DIY is closer to 20% of the market. In Australia & New Zealand, the percentage of DIY is similar to that found in Europe and North America, at close to 50% of the market being DIY.

Within the professional market, most of the paint is sold for residential applications. Some of the markets do have a significant amount of commercial building which drives a significant amount of paint in these segments but overall, the market is such that about 70% of the of the market is residential.

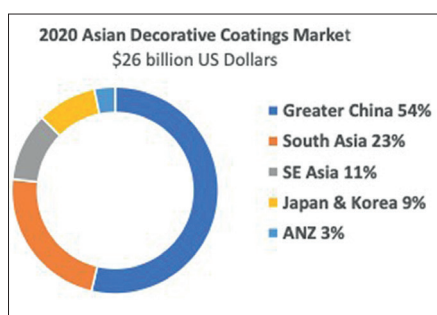


Figure 1. Breakdown by region

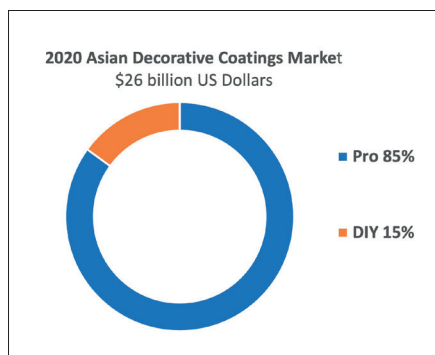


Figure 2. DIY versus professional

IMPACT OF COVID-19 ON ASIA'S DECORATIVE MARKETS

Like all markets in the paint and coatings industry, the COVID-19 pandemic had a significant impact on the Asian decorative coatings market. The impact varied by market sub-region. **Figure 3** shows figures for 2019, 2020 and our expected or forecasted 2021 growth.

The estimated size of each of the sub-region markets is given in **Table 1** for 2019-2021 and a summary of each region's sub-regional market is given below:

Greater China

In 2020, the Chinese decorative market had an up and down year. The year started off with lots of optimism but by the end of January, it became clear that the COVID-19 pandemic was going to be a significant event.

As lockdown began, Q1 saw the strongest decline in the market in recent memory. As the lockdowns ended, however, demand surged in Q3 and Q4. We estimate the Chinese decorative market ended up about +3.5% in value terms in 2020. We expect that in 2021, the Greater China decorative coatings market will increase by about 8% in value terms.

South Asia

South Asia is the second largest decorative coatings market within Asia at an estimated US\$6 bn. India and the other countries of South Asia had a very tough lockdown and decorative coatings sales declined dramatically, but they came back strong in the second half of the year. For the full year 2020, decorative coatings sales were down 4%.

In 2021, we expect that the pent-up demand will be strong and that sales growth will return to its pre-pandemic rate of above 10% per year. One trend that we have noticed, however, is that the market is converting more and more to economic or lower-priced paints due to the recession and the economic hardship caused by the pandemic.

	Greater China		Japan & Korea		South Asia		SE Asia		ANZ		Total Asia	
	Volume (Mlit)	Value (US\$M)	Volume (Mlit)	Value (US\$M)	Volume (Mlit)	Value (US\$M)	Volume (Mlit)	Value (US\$M)	Volume (Mlit)	Value (US\$M)	Volume (Mlit)	Value (US\$M)
2019	4642	13,477	546	2499	4181	6239	2134	2956	169	803	11,672	25,973
2020	4806	3952	524	2423	4062	5990	1963	2779	175	839	11,530	25,983
2021	5094	15,068	550	2593	4469	6709	2120	3056	179	873	12,411	28,299

Table 1. Note: Volume in the table is provided in millions of litres and value is provided in millions of US dollars

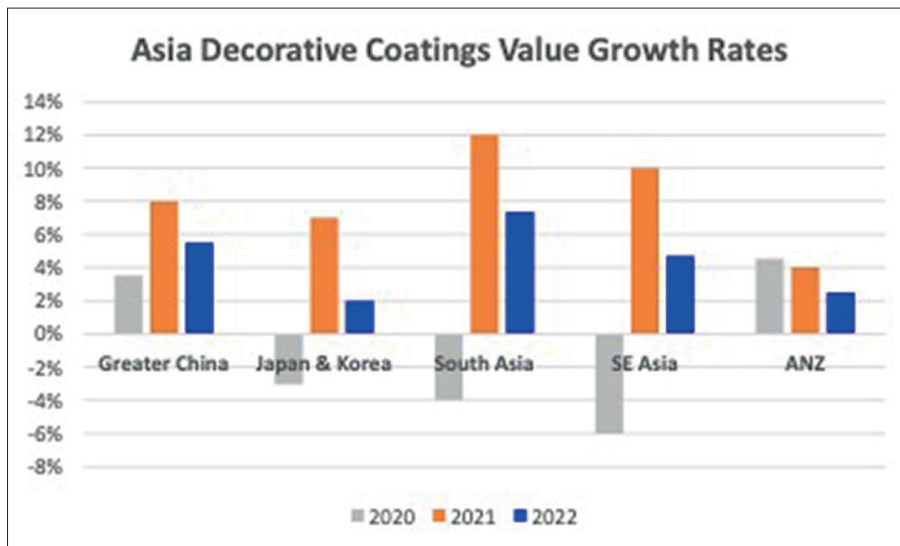


Figure 3. A breakdown of growth rates for the five sub-segments of the market

Japan & Korea

Japan & Korea is the highest priced market within the Asian decorative coatings market. Traditionally, it has not been a fast growing market but its relatively high prices and the fact that it is worth US\$2.4bn, makes it interesting. The market was down about 3% in 2020 but we expect it to bounce back this year, as GDP growth is expected to be strong.

South East Asia

The decorative coatings market here was down 6% in 2020 but we expect a strong recovery in 2021 – overall, we expect sales to be up 10%. Similar to South Asia, the markets fell significantly in Q2 and then came back up in the second half of the year and pent-up demand from 2020 is being fulfilled in these markets. Also, similar to South Asia, we saw a shift to economic or lower-priced paints in these markets, due to the economic hardship created by the COVID-19 pandemic.

Australia and New Zealand

The decorative paint market in Australia and New Zealand increased by more than 4% in 2020. This was mainly the result of strong DIY growth in the region. As homeowners stayed home and did not travel, they focused on fixing up their homes and DIY paint sales benefited.

We saw a similar effect in North America and Europe.

MARKET TRENDS

There are several key trends occurring within the market. First, there is certainly interest and strong demand for antimicrobial and antiviral paints. This is occurring across all segments of the paint and coatings market but is especially prevalent in the decorative market. Commercial buildings, where a large number of people occupy the building during the day, are especially good places for antimicrobial and antiviral coatings. We are also seeing a significant uptick in demand in residential applications for antimicrobial and antiviral paints.

Another interesting trend is the increased interest in special effect or artisan paints for interior applications. As people are spending more time at home, they are looking for ways to differentiate their interior living spaces, so distinctive artisan paints with a slightly different colour, special effect or faux finish are starting to become popular.

The final trend that we have noticed is the increase in DIY. As noted above, DIY is not as large in Asia as in the United States or Europe, but it does have its place. As homeowners have been staying home

more than usual, they have been focusing more on upgrading their home and this has led to a surge in DIY paint sales in the countries with a strong DIY market, most notably Australia and New Zealand.

RAW MATERIALS

Overall, sales of Asian decorative coatings should be relatively strong this year but like other parts of the world, raw materials are in short supply and prices are increasing. The main factor driving this is the significant turnaround in demand. In 2020, as sales declined some raw material suppliers decreased their inventories and curtailed production. Then with demand turning around so quickly, the supply chain needed to be restocked and this has led to shortages and price increases. We do expect the availability and price situation to moderate in the coming months and are hopeful that by Q3 and into Q4, the raw material shortages and price increases that the industry is facing now will moderate themselves.

FINAL THOUGHTS

The Asian decorative coatings market is a large and diverse market. It is the single largest geographic-segment in the global coatings industry. Due to its size and its diversity, there are many opportunities for coatings companies. Large markets like China, India and Japan present opportunities but there are many other countries that still have sizable markets, such as Vietnam, Indonesia, Malaysia, Bangladesh and others. Also, the overall Asian decorative coatings market has been growing faster than the global average, with the markets of South Asia and South East Asia growing especially quickly. All these factors lead to the Asian decorative coatings market being considered one of the most attractive markets in the global paint and coatings industry.

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