



PAINTS AND COATINGS IN 2020: RESTRAINED OPTIMISM

On 27 November, a customer roundtable on The Future of Paints and Coatings took place on the SIBUR Business Practices platform.

The annual meeting of industry representatives, organised by SNKhK and SIBUR, was for the first time held online via the SIBUR Business Practices platform. Participants discussed the current situation in the paints and coatings market, the consequences of the pandemic and new industry development trends.

THE PAINTS AND COATINGS MARKET WAS PARTIALLY SUPPORTED IN 2020 BY A SIGNIFICANT DROP IN RAW MATERIAL PRICES

Margarita Sekunova, an operational team leader and marketing expert at SIBUR's Plastics, Elastomers and Organic Synthesis Division, presented a report on the current market environment. According to the report, in 2020, the paints and coatings segment was influenced by the drop in oil prices, economic volatility, trade restrictions and COVID-19. Widespread lockdowns led to a decrease in demand, GDP reduction in many countries and a global recession. The pandemic hit hard on the main consumers of paints and coatings: the construction and automotive industries. By year-end, the slowdown in the automotive industry may reach 25% in the European and American markets and 11% in China. As for construction, it is expected to shrink by 12% in Europe, but will potentially even grow slightly in China thanks to government support.

The Russian construction industry, which is the major consumer of acrylates, styrene, dioctyl terephthalate and polystyrene, has consumed 35% less year-on-year in 1H 2020, but is now recovering: specialists forecast that it will only decrease by 8%–10% year-on-year by year-end. Next year, the industry's position will remain stable, but without significant growth.



A sharp decline in the demand for cars led to shrinking sales of industrial paints and coatings.

GLOBALLY, INDUSTRY-ORIENTED COMPANIES WERE THE WORST HIT. DECORATIVE PAINTS, HOWEVER, SHOWED A SLIGHT GROWTH, WITH MANY PEOPLE USING THE LOCKDOWN PERIOD FOR REDECORATING

“Consumption of paints and coatings in Russia in Q2 was down by 20%, which is about 80 thousand tonnes,” said Yana Nikolenko from Chem-Courier. Paints and coatings showed a major drop at the beginning of 2020 following COVID-19 restrictions, but by year-end, demand recovered and even grew by 20% year-on-year. Adhesives demonstrate a completely opposite trend. At the beginning of 2020, increasing online sales and demand for packaging boosted the segment’s growth, but now the situation has turned 180 degrees. Specialists expect a 6.5%–7.5% decrease year-on-year in coatings and a 4.5%–4.6% decrease in adhesives by year-end.

The paints and coatings market was partially supported in 2020 by a significant drop in raw material prices. For instance, Chem-Courier reported a reduction in the price of butyl acrylate from USD 1,298 to USD 831 between January and June. According to analysts, the trend started before the crisis, and coronavirus only facilitated the process. Hydrocarbon-linked prices for materials also sank. The styrene price reached its two-year record low of USD 471 in April, but rose sharply afterwards, growing to USD 1,000 per tonne in October.

The price growth was driven by the rapid economic recovery in China. The 2-EHA price was less volatile, down to USD 1,261 in May and up to USD 1,511 in October.



Demand for decorative paints remained stable in 2020. Many people used the lockdown period for redecorating.

LIKE THE REST OF THE WORLD, RUSSIA DEMONSTRATES A GROWING DEMAND FOR PRODUCTS THAT ARE SAFE FOR BOTH CONSUMERS AND THE ENVIRONMENT. THIS TRANSLATES TO GREAT POTENTIAL FOR WATER-BASED PAINTS AND COATINGS

According to Stepan Samoylenko, a marketing manager at SNKhK, dispersion imports fell by 9%, driven by two key factors: the depreciation of the rouble and restrictions on logistics. Styrene-acrylic dispersions fell the furthest (by 28%) in the top consuming segments: paints and coatings and non-woven materials.

In the context of declining imports, Russian substitutes began to draw more attention to themselves. Russian players used the weaker competition to their advantage, and not only enhanced their positions in the internal market but also grew exports by 9%. Nevertheless, the global share of Russian companies remains minor.

Alena Rozhkova, RDI Director at Tikkurila, said that the Russian paints and coatings market dropped by 9.2% in terms of production, or 6.4% in monetary value. Globally, industry-oriented companies were the worst hit. Decorative paints, however, showed a slight growth, with many people using the lockdown period for redecorating.

Global development trends in paints and coatings have impacted the Russian market. Like the rest of the world, Russia demonstrates a growing demand for products that are safe for both consumers and the environment. This translates to great potential for water-based paints and coatings. Water-based paints ensure eco-friendliness and high fire safety. In 2019, the production of water-based paints and coatings increased by 6.1% year-on-year, while for other types it was only 0.2%. Water-based paints now take up 42% of the market. The rising demand for “green” paints and coatings drives further R&D studies, deeper production digitisation and the development of the circular economy. European countries are already developing mechanisms to monitor their products' carbon footprints, but the participants in the roundtable agree, in a few years such measures will be relevant for Russia too.

Despite all the volatility, the majority of players have managed to retain their market positions and demonstrate a positive financial performance by year-end. Even with its negative impact on a number of segments, the crisis has nevertheless stimulated companies to develop to a certain extent. The roundtable participants were still cautious about 2021. Manufacturers of paints and coatings plan to

increase prices, shadowing the growth in prices for raw materials and components. Further dynamics will depend on future lockdown measures and the economic situation both in Russia and globally.