The European paint and coatings market

The global economic downturn of the past several years has had a significant impact on the European paint and coatings market. While faring better than the North America coatings marketplace, Europe lags behind Asia-Pacific and the overall global market in terms of growth.

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From 2004 to 2009, European coatings segment shrank approximately 5% in volume. Over this same time period, however, the global market grew by nearly 14%. The vast majority of this increase occurred in Asia-Pacific, particularly China. During this same time frame, the global market value increased by roughly 18%. In contrast, the European market grew by only 4% over this five year period. Despite the growth disparity, the European paint and coatings market remains a vital part of the overall industry. The market in Europe is estimated to represent approximately 30% of the EUR 64 billion global value of all coatings. In terms of market volume, the European region comprises approximately 24% of the 27 billion liter global coatings volume. (Note that for comparison purposes, powder coatings have been converted to liquid equivalents at the rate of 1.5 liters of liquid paint per kilogram of powder coatings.)

Another interesting comparison to be made is the difference in market growth between Western Europe (WE) and Central and Eastern Europe (CEE). From 2004 to 2009, coatings volume in WE declined by nearly 10%. Conversely, coatings volume in CEE grew by over 5%. An ever greater disparity exists in value growth. During this period investigated, CEE coatings value grew by over EUR 1 billion, a 24% increase in value, whereas WE market value declined by nearly 2%. The significant increase in value is in part due to volume growth, but is also the result of an ongoing shift in the CEE market to higher value coatings products. It is important to note, however, that WE still represents the vast majority of the coatings market in Europe, accounting for approximately 69% of the market volume and 73% of the market value. Figure 1 illustrates the relative position of the WE and CEE coatings market value in relation to the overall market.

Market segments
Decorative coatings comprise a majority of the European coatings market representing 58% of market volume and 50% of market value. This is similar to the overall global market. The decorative coatings market in Europe is the largest in the world, comprising nearly 35% of global decorative coatings revenues. Much has been made of the impact of the economic downturn on the housing market, and subsequently on the decorative coatings market. Owing to the importance of repaint and repair to the decorative segment, and the significant growth experienced in CEE, the decorative coatings market in Europe has essentially been flat over the past five years. This is in stark contrast to the North American market, historically the world's second largest decorative coatings market, which has experienced significant decline as a result of the housing slump. The result of this decline in the North America decorative coatings market, concurrent with continued growth in Asia-Pacific, is that Asia-Pacific has overtaken North America as the second largest decorative coatings market behind Europe.

The industrial coatings market in Europe has demonstrated patterns similar to the decorative segment. Overall, the industrial market has been relatively flat. This, however, has been the result of growth in CEE offsetting decline in WE. Also, similar to the decorative segment, the European industrial coatings market has fared much better than its North American counterpart, although significantly lagging Asia-Pacific in terms of growth. While overall industrial coatings demand is important, to fully understand the market, each of the nine industrial sub-segments is examined in detail in the recently published IPPIC global market study. Of all the individual sub-segments that comprise the European industrial coatings sector, only four of the sub-segments have experienced significant growth: Industrial Maintenance &amp; Protective Coatings and Transportation Coatings. Of these sub-segments, Powder Coatings has experienced the greatest growth, posting compound annual growth in excess of 6% in terms of both volume and value. While only experiencing modest volume growth, both Industrial Maintenance &amp; Protective Coatings and Transportation Coatings have shown significant revenue growth over the analysis period. This revenue growth, to a large extent, can be attributed to a shift to higher value coatings products in Central and Eastern Europe. Figure 2 depicts the relative position of the volume and value of each of the industrial sub-segments within the European industrial coatings sector for both 2004 and 2009.

Forecast
The good news for the European coatings market is that it is expected to grow, albeit at a low rate, for the short to mid-term. With regards to volume, the market is forecast to grow at a compound rate of less than 2% annually to 2014. This will result in forecast consumption in Europe of approximately 7.4 billion liters. Over the same period, the value of the European market is forecast to grow at a compound rate of over 3% annually, resulting in 2014 revenues of approximately EUR 23 billion. The growth forecast for Europe is expected to lag other regions of the world. Growth in Asia-Pacific and Latin America, for example, are forecast to continue at their historically high levels. Growth in North America is forecast to exceed Europe, primarily because that market has fallen so dramatically in the past several years. High levels of growth in North America, particularly in key areas such as Decorative coatings and Transportation coatings, will simply return the market to pre-recession levels. Figure 3 illustrates forecast growth rates by region for 2009 to 2014.
Summary
The European coatings market is a large and vibrant component of the global coatings industry. While growth has been flat of late, and has lagged the growth seen in developing markets, the European market has outperformed the North American market in recent years. Growth in Central and Eastern Europe has been critical to the region's performance, both in terms of volume growth and in terms of migration to higher value coatings. The European coatings market is forecast to continue expand and will show modest, steady growth to 2014.

The International Paint and Printing Ink Council (IPPIC) has recently published the latest edition of its highly acclaimed Global Paint and Coatings Industry Market Analysis. As with the earlier version, IPPIC has retained Orr & Boss to research and prepare this comprehensive in-depth market analysis. The coatings market data presented in this article is based on information contained in the IPPIC global market report.

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