

German paint sector faces up to sluggish yr-on-yr growth

By Barbara Bierach

Continuing supply chain problems, worsened by COVID-19 and price hikes for raw materials have depressed the outlook for sales faced by the German paint business in 2021. Germany's Verband der deutschen Lack- und Druckfarbenindustrie (VdL), the industry association for coatings, paints and ink production, predicts that overall sales will have fallen 4% in 2021 compared to 2020, partly because 2020's DIY boom, fuelled by pandemic lockdown orders, has run out of steam.

The second half of 2020 saw a significant rise in demand for architectural colour paints and coatings. Sales volumes grew 6.7% in the third quarter and 14.1% in the fourth yr-on-yr, leading to an overall 3% annual increase in sales volumes compared to 2019. By contrast, with those DIY projects completed, in 2021 demand did not keep up with "turnover in hardware stores and in general retail diminishing notably", said Christoph Maier, VdL Chief Economist. "Continuous distortions in the supply chain, problems with logistics and price hikes for raw materials add to the stress," Maier added.

■ GROWTH RATE SLOWED FURTHER IN 2021

Moreover, after a growth rate of 1.9% in the second quarter of 2021, the German economy has seemingly failed to bounce back robustly from 2020's COVID-19 inspired slump when the economy contracted by 4.9%. Indeed, growth in the third quarter of 2021 slowed to an anaemic 1.8%, according to Destatis (Statistisches Bundesamt), the German government's statistical office.

The sluggish general growth rate though, is not the only reason that worries the German paint industry, said Maier.

For the professional segment for architectural paints and coatings, including rendering and putty products, the VdL expects "low one-digit percentage growth" in 2021. A 30% hike in demand for wood preservation products in 2020 will now be followed by a decrease of 20% in 2021.



Germany's government is focused on the 'Energiewende' transition to renewable energy, with the resulting construction of wind farms and solar parks – all requiring major coatings purchases

■ STRONG OVERSEAS SALES FOR BOTH COATINGS AND INKS

Given these problems, it is perhaps fortunate that the industry has shored up its position through strong overseas sales, which Maier said is largely responsible for an increase in 7% for the volume of coatings and paints produced in Germany in the first half of 2021: "This is mostly due to a rise in exports, not to domestic consumption," said Maier. The value of exports to the German paint sector was €2.72bn (US\$3.09bn) in 2020, according to a September 2021 analysis from Statista, a German company specialising in market and consumer data. Statista said that Germany currently (as per 2020 data) produces about 2.03M tonnes of coatings, paints and putty worth about €12bn (US\$13.67bn) a year, the largest segment being emulsion and interior wall paints.

It is a similar picture for Germany's market and industry for printing ink. Its domestic sales shrank between 4% and 5% in 2021, according to the VdL. Nevertheless, thanks to good export results, printing ink production levels only declined 2% yr-on-yr.

In general, growth in demand for industrial coats and paints has been depressed, with an overall decline in sales of 4% yr-on-yr anticipated for 2021, with a decline of 11% in the segment for automotive coats and paints. Germany's automotive coatings industry saw a growth in sales of 17% in the first two quarters of

2021, followed by a catastrophic decline of 34% in the third quarter, with demand and supply crushed by new COVID-19 lockdowns and the shortage of microchips increasingly required for auto production. "Demand for car coatings rises and falls parallel to the numbers in car production," noted Maier. Compared to 2018, the market for automotive coatings to date has shrunk by 40%, according to the VdL. Expectations for 2022 are moderate, with a projected increase of 8%.

The order books for German manufacturing industries in general still look soft. They saw a yr-on-yr decrease of 6.9% in October (2021). This is a "warning shot over the bow of the economy", commented Analyst Jens-Oliver Niklasch, from the Landesbank Baden-Württemberg, a state bank in Germany's industrial heartland of Baden-Württemberg, where key industry players including Mercedes, Porsche and Bosch have their headquarters.

The coronavirus crisis halted or postponed many planned investments in the construction or renovation of many German industrial facilities, said Maier. In 2021, the architectural paints and corrosion protection segment was slowly recovering, with corrosion protection sales, for example, seeing an increase of 2% year-on-year, according to Maier. Also growing was the paints and coatings market for the electrical industry. VdL expects to see growth here of 6% for 2021 and in 2022, 5%.

■ INDUSTRIAL COATINGS MARKET PROJECTED TO GROW

Mordor Intelligence, an India-based market research company, is optimistic about the German industrial coatings market's medium-term health, projecting growth over the period to 2026 (based on the year 2020), at a compound annual growth rate (CAGR) exceeding 4%. In a note, it highlighted upcoming infrastructure projects – Germany's government is focused on the 'Energiewende' transition to renewable energy, with the resulting construction of wind farms and solar parks – all requiring major coatings purchases. The ongoing transition "to a low carbon,

environmentally sound, reliable, and affordable energy supply” promotes the production of alternative fuels and wind energy and greater efficiency standards for buildings and cars, also driving demand for innovative high-performance coatings and paints, said Mordor Intelligence.

Similar high-tech coatings sales growth may come from the civil aviation industry, for instance, BASF’s co-operation with the Lufthansa Group to lower the frictional resistance of its aircraft and hence fuel consumption. From 2022, Lufthansa Cargo will equip all its Boeing 777F freighters with AeroSHARK, an innovative surface film that mimics the fine structure of a shark’s skin, made by BASF Coatings, based in Münster. Its Beyond Paint unit is developing innovative, functional films such as this shark-like riblet surface.

As a result, Lufthansa estimates a drag reduction of more than 1%. For a fleet of 10 aircraft, this translates to annual savings of around 3700t of kerosene and just under 11,700t of CO₂. “This is



Application of BASF’s AeroSHARK riblet film on an aircraft. Photo: Lufthansa Technik AG

an excellent example of sustainability in practice, achieved through partnership-based collaboration and innovative technologies,” commented Markus Kamieth, BASF board member in a statement to the German media. **PPCJ**

References

1. <https://www.industryarc.com/Report/18991/south-africa-paints-and-coatings-market>

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

Evonik supports its customers to make more sustainable coatings and inks

Sustainability in the coatings and inks industry is often reduced to “bio-based solutions.” However, to evaluate a coating’s true environmental impact, many more aspects need to be considered than only assessing if a solution is “bio-based.” To address this challenge, Evonik has developed a strategy that goes far beyond its own additives by putting the formulation and the final product itself as the focus of all its activities. Under the claim “Sustainability goes deeper than the surface,” Evonik’s Coating Additives business line introduces its new holistic approach to sustainability that minimizes the environmental footprint and maximizes the handprint of the final coating.

“Sustainability is about so much more than just being green,” says Gaetano Blanda, Head of Evonik Coating Additives. “It’s about the consistent viability of saving time, materials, and energy. We are convinced that to produce truly sustainable products the formulation itself must be more environmentally friendly and safer.” Accordingly, Evonik Coatings Additives bundles its new sustainability approach into seven so-called handprint effects. “The handprint of a product is the difference between an established and an improved condition of a single environmental impact,” describes Tim-Frederic Sloot, Head of Sustainability at Evonik Coating Additives. “For example, when our product enables the formulator to significantly reduce the VOC content in a coating’s footprint – then the difference to the VOC content in the



reference coating is the handprint of our additive.” The business line has defined seven different effects which outline potential handprints for its products and solutions. These seven handprint effects influence different steps of the value chain – from the manufacturing, via the end use of coated or printed articles to the disposal or recycling.

■ **THE ROLE OF HANDPRINTS IN THE COATINGS INDUSTRY**

There are four handprint effects that focus mainly on the formulation and application step of coatings and inks. These four effects are “Safe Use,” “Production Efficiency,” “VOC Reduction,” and “Sustainable Feedstocks.” Concerning safe use, Evonik’s Coating Additives team proactively carries out individual actions to reduce safety related risks of its portfolio, for example by replacing hazardous components. To improve production efficiency, solutions are offered that optimize and reduce the

amount of material and utility needed from customers, for example by reducing energy usage during the grinding step of a formulation. Providing solutions for VOC reduction is already a core competency of Evonik, and the existing portfolio of additives and resins that serve this purpose is continuously expanded. The increasing number of bio-based products included in Evonik’s portfolio further addresses the growing need to replace fossil raw materials with more sustainable feedstocks.

The next two handprint effects of “Durability” and “Labels/Compliance” have their highest relevance in the end use phase of coated articles. A more durable coating significantly reduces the need for maintenance or replacement, resulting in substantial savings of raw materials and emissions. Evonik’s high-performance additives improve corrosion, scratch, and/or burnish resistance. To address the “Labels/Compliance” effect, Evonik’s regulatory experts evaluate the suitability of relevant products for compliant coatings and inks, providing customers with extensive regulatory information for the whole portfolio.

The seventh and last handprint effect, “Circular Solutions”, focuses on the end of life of coated and printed articles. As a key member of Evonik’s Circular Plastics Program, the Coating Additives business line focuses the development of its portfolio on circular solutions for paints, coatings and inks.

For more information, please visit www.coating-additives.com.