The following analysis will give an overview of the global industrial coatings market. It provides insights into the relevant segments of industrial coatings—analyzing the segment-specific growth drivers and regional growth trends.

The industrial coatings market (i.e. OEM and Special purpose coatings) is a stable and mature industry, characterized by high entry barriers (formulation know-how, strong distribution network and relationships with large customers, high brand recall), asset light but distributed manufacturing set-up and companies with global presence but with ability for local customization.

This article aims to assess the growth across select sub-segments of coatings (not paints) in 2022, based on results announced by major coatings producers and analyze the underlying growth drivers for 2022. Identifying growth dynamics across select regions also aids in providing a perspective of the outlook for 2023.

**AUTOMOTIVE OEM COATINGS**

The global automotive OEM market is estimated to be ~EUR 8.35 billion [1]. It is a consolidated industry, with top 5 players (i.e., PPG, BASF, Axalta, Kansai and Nippon) accounting for more than ~75 %+ of global automotive OEM coatings market.

In 2022, the production of light vehicles (i.e., passenger cars and light commercial vehicles) grew by ~6-7 %, driven by strong growth in ASEAN and India and single digit growth in USA and China. The shortage of semiconductor chips continued, but things improved vis-à-vis 2021, leading to higher production. The automobile production, however, slowed down in Europe (primarily Eastern Europe). The overall global production though remains below the pre-Covid-19 level.

Overall, the automotive OEM segment displayed strong growth in 2022, both in volume and revenues terms. Axalta and Nippon reported ~18 % and ~22 % growth respectively in their mobility coatings sales in 2022, driven by higher volume and price realisation. For PPG, the sales grew by more than 10 %, led by higher selling prices in all regions and higher sales volumes in US and Latin America.

In the first nine months of FY22 (i.e. Apr-Dec 22), Kansai reported ~26 % growth in sales of automotive coatings, compared to same period in FY21. There was impressive growth across all regions, with sales in India growing at stupendous 65 %, followed by North America and Africa (both up 40 %). Asia and EU also reported increase in revenue (22 % and 25 % respectively) and lastly Japan (11 % up).

Nippon reported revenue growth of 23.5 % in 2022 (vis-à-vis 2021), with Americas, China and Asia (ex-China) growing at 38 %, 31 %, and 29 % respectively. Japan was mostly flat. BASF’s sales within coatings segment – of which ~80% is from transportation segment - reported ~23 % growth in 2022, with ~5.1 % of this from volume and ~12.4 % from increase in selling price. The Americas region (including MEA) reported impressive growth of ~39 %, while Asia Pacific and the EU grew by 14 % and 12 % respectively.

Global auto production growth should be in positive territory in 2023. Vehicle production is improving gradually as the supply of chips improves (firms using alternatives, general-purpose products, etc.). According to Standard & Poor, the global light vehicles sales is expect-
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The companies in this segment delivered impressive results. In 2022, CMP reported 17% growth in sales of marine coatings in 2022, driven by 14% growth in ship repairs segment and ~4% growth in new ship builds. All the regions (except South Korea) reported double digit growth, with Japan, China and EU/USA increasing sales by 17%, 12% and 30% respectively. Similarly, Jotun reported sales growth of ~44% for their marine coatings segment. In case of Jotun, sales in Europe, Asia, Americas and ‘Middle East, India and Africa’ grew by 30%, 51%, 44% and 44% respectively. Hempel reported sales growth of ~35% for its marine coatings segment, reaching revenue of EUR 626 million, the highest ever revenues for this segment. According to Hempel, companies in this segment would continue to see good business momentum across all regions as dry docking increases and new ships get on the water. This momentum is expected to continue into 2023, as a number of new ship build projects are tendered over the next three years.

In case of new builds segment, the growth was on account of higher selling prices (in turn driven by increase in raw material prices) and growth in new ship builds. In ship repairs, the growth was primarily driven by increase in orders for ship repairs and the product mix e.g. increase in demand of value added products such as premium high performance hull coatings, which help in reduction of fuel consumption and thereby improves energy efficiency. We expect the ship owners and ship managers to continue to invest in high-performance, premium hull coatings to reduce emissions. Over longer term, the growth would also be driven by increasing fleet renewal due to decarbonisation regulations and ageing fleet. E.g. one third of the existing fleet for crude oil (i.e. VLCC, Suezmax and Uncoated Aframax) are 15 year+ old while ~40% of the fleet for 25-125 dwt products is 15 year+ old. Overall, we expect 2023 to be an another good year for this segment, supported by a strong pipeline for new shipbuilding and increase in dry-docking and protective opportunities that have been limited due to the Covid pandemic.

PROTECTIVE COATINGS

Protective coatings include coatings and finishes for protection of metal and structures, related to high value assets such as bridges and...
Global market size of metal packaging coatings is about EUR 3.7 - 4.6 billion, it comprises of three major categories – beverage cans (including can ends), food packaging and aerosols. In terms of volume, more than ~95% of can volume and the balance is accounted for by aerosol coatings. This is a consolidated market, with top three producers (i.e. Sherwin-Williams, PPG and Akzo Nobel) accounting for more than 70% of the global market. Beverage can is the fastest growing category. It is estimated that ~392 billion beverage cans were shipped globally in 2022, which is about ~2% higher than in 2021. Majority of the growth was driven by APAC and Europe. The beverage can market was subdued in North America. Consumer products companies increased prices for beverages and reduced promotional spend. This coupled with reduced consumer spending, limited demand growth. Sherwin-Williams’ metal packaging grew in the mid-teens in 2022, despite higher base (as the business grew in high 20s in 2021). The growth is driven by the shift from plastic to aluminium cans due to environmental concerns, growing new product categories and a shift to non-BPA coatings. For PPG, the sales of metal packaging coating grew by high single digit percentage vis-à-vis sales in 2021, driven by better sales realization and higher volumes in US – with new business wins at several new beverage can customers and good demand for BPA free coatings. In 2023, the beverage can volumes are expected to grow at ~3-4% globally with South America and EMEA growing in mid-to-high single digits.

**GENERAL INDUSTRIAL AND POWDER COATINGS**

General industrial coatings is a large fragmented industry, with varying end markets: consumer appliances and electronics, agricultural and construction equipment (ACE), wood coatings, coil coatings, industrial maintenance, architectural extrusions (windows, doors in residential as well as commercial buildings, metal furniture, electrical insulation (electrical boxes, wires) etc. Given the diversity of end uses, the demand in this segment is driven by a wide variety of macroeconomic factors, such as growth in GDP, new residential and commercial construction, as well as industrial production. For Akzo Nobel, the powder coatings segment grew by 2% respectively (in constant currency), driven primarily by higher selling price, despite lower volumes. From region perspective, Americas region exhibited double digit growth, with subdued performance in EMEA and APAC. For Akzo Nobel, the industrial coatings sales increased by 12% in 2022 across all regions - with 55% growth in Americas, 27% growth in APAC, 24% growth in Scandinavia and Western Europe, partly offset by 17% drop in sales in Eastern Europe.

**METAL PACKAGING**

Global market size of metal packaging coatings is about EUR 3.7 - 4.6 billion, it comprises of three major categories – beverage cans (including can ends), food packaging and aerosols. In terms of volume of cans, beverage cans and food cans / containers account for more than ~95% of can volume and the balance is accounted for by aerosol coatings.

**Figure 3: Industrial coatings sales of Axalta and Akzo Nobel (in EUR million).**
For PPG, the industrial coatings sales grew by high single digit in 2022, as strong selling price increases in all regions and solid volume growth in US and Latin America were partially offset by reduced sales volumes in China and Europe, reflecting lower economic activity in those regions. For Axalta, the industrial coatings sales grew by 4.8% in 2022, due to higher average selling price (as a result of pricing actions taken to offset raw material and variable freight inflation) and lower sales volumes (on accounts of reduced industrial production in EU and China). For Jotun, the powder coatings sales grew by ~7% - slowest amongst all its coatings segments – with higher sales in China, India and Turkey offset by slower growth in other regions and closure of its business in Russia.

In the powder coatings segment, rising production costs may impact volumes in select markets (especially Europe), while in others, high inflation may slow demand for consumer goods, such as furniture and appliances. With the slowdown in global economy and the industrial production, the outlook for this segment remains subdued in most regions. Reopening of China and continued growth in India may provide growth opportunities for coatings producers.

OVERALL INDUSTRIAL COATINGS MARKET GROWTH AND REGIONAL DYNAMICS

We estimate that the global coatings market in 2022 grew by ~6-7% over 2021, primarily driven by higher selling price and/or improved product mix. The sales volume was largely flat, except in automotive coatings. Revenue variance analysis of top seven global coatings players indicate that they were able to increase selling prices in range of −10-20% with median being 13%. On the other hand, the volume growth ranged between −7% to 5% with median levels being −1%. Forex fluctuations also impacted their sales in range of -5% to 6%, median levels being 3%.

In terms of regional dynamics, Americas showed highest growth, due to better price realisation and higher volumes (e.g. automotive OEM). Demand was solid in most of the coatings segments. However, growth began to taper off in the last quarter of 2022. Asian markets were subdued for majority of 2022, largely influenced by lower demand in China. The coatings market in India grew in double digits while other Asian markets were relatively stable. Europe, Middle East and Africa (EMEA) markets declined in the last three quarters of 2022, with slowing economic growth and Russia-Ukraine conflict.

OUTLOOK FOR 2023

Industrial coatings demand is generally linked to industrial production and construction spending. According to the World Bank, the global economic growth is projected to decelerate sharply this year, to its third weakest pace in nearly three decades, overshadowed only by the 2009 and 2020 global recessions. This reflects synchronous policy tightening aimed at containing very high inflation, worsening financial conditions, and continued disruptions from the Russian Federation’s invasion of Ukraine. Standard and Poor global projects industrial production to drop from 3% (in 2022) to ~1.4% in 2023, with possibility of mild recessions in Europe and North America – economies that account for half of global output. Thus, coatings producers have entered 2023 in much sombre mood, as compared to the beginning of 2022. In China, demand for coatings products is expected to improve in 2023 supported by stronger domestic consumption and fewer mobility restrictions. China’s pent-up demand, along with continued demand growth in India should provide support to the coatings industry.

REFERENCES

[1] PPG Investor Presentation
[2] PPG Investor Presentation

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