

Solventbased paints still dominate

An overview of the Ukrainian paint and coatings market

Contact:

Taras Karavayev
Kyiv National University
of Trade and Economics
T +380 67 684 27-20
karavayev@meta.ua

The ecological aspects of the production and use of paints, varnishes and coatings are becoming vitally important. Ukrainian manufacturers are also part of this process. The Ukrainian paint and coatings industry is relatively young and modern because manufacturing takes place at businesses established in independent Ukraine, as virtually no Soviet-era plants remain. According to the Ukrainian Paint and Coatings Association (UPCA) there are more than 130 paints and coatings producers in Ukraine today. The top 15 producers account for more than 75 % of the total production volume.

The difficulties in analysing Ukraine's paints and coatings market stem from the large number of small producers. This leads to differences between the official statistical data provided by the State Statistic Committee of Ukraine and UPCA data, which are more than 20-30 %.

The majority of paints and coatings products manufactured in Ukraine are for the so-called "do it yourself" market, created for a wide range of individual consumers. At the same time, the Ukrainian paint industry can also manufacture paints and coatings products for industrial or special use. However, the demand for these products from the state and business customers remains low, due to the fact that the main criterion here is the price and not the properties of coatings. The use of alkyd paints in

important infrastructure and industrial buildings, rather than special paints and coatings with high corrosion and atmospheric resistance, is common. This situation does not provide a sound basis to develop production of paints and coatings for industrial use. Ukrainian producers of paints and related products do not cooperate closely with industrial users of their products. This is the negative factor that can result in the loss of not only the industrial market, but also the retail sector.

Production dropped almost 25 %

According to official data from the State Statistic Committee the total volume of paints and coatings production in Ukraine was almost 250,000 tons in 2007 (Figure 1). This was the highest volume for more than 15 years. Starting in 2008 the volume of production has gradually declined to 186,200 tons in 2011. The drop is thus almost 25 %.

It is very important to pay attention to the abovementioned official data, because according to UPCA data the volume of production in 2011 was 241.6 tons of paints and coatings, more than 55.4 tons (about 30 %) higher than the official data. In 2007 this difference was more than 60,000 tons.

The data analysis shows that for the period 2003-2008 the production of water-dispersion paints and coatings more than doubled (from 38,300 to 96,300 tons). However, the production of solvent based paints and coatings in 2003-2007 increased by only 25 % (from 140,000 to 170,000 tons). In 2011 the production volume of water dispersion paints and coatings increased to 80,200 tons compared with 2007, while production of solventbased-paints and coatings fell by 37 %, from 168,000 to 106,000 tons (Figure 1).

A positive trend has been the growth in the share of waterdispersion paints in the total Ukrainian paints and coatings production from 22 % in 2003 to 43 % in 2011. This trend shows the reduction in the production of solventbased-paints and coatings in Ukraine and the growth of ecological water-dispersion paints and coatings.

Imports grow

Paints and coatings imports also influence the formation of the domestic Ukrainian market. Total paints and coatings imports in 2011 stood at 60,100 tons, a 13 % increase on 2007, when they totalled 53,100 tons (Figure 2).

Total paints and coatings imports fell in 2009 and 2010 due to a reduction of water dispersion paints and coatings imports. However, 2011 saw a significant growth in the volume of imports of solventbased-paints and coatings. In our

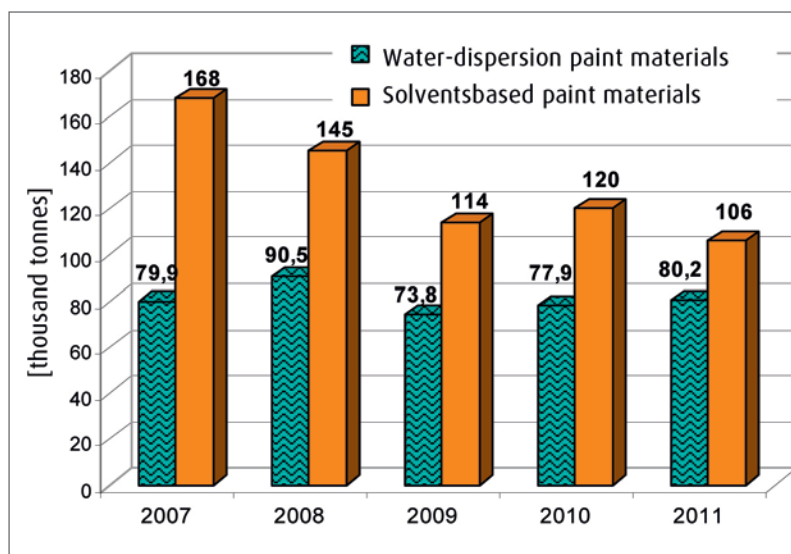


Figure 1: The dynamics and structure of paints and coatings production in the Ukraine in 2007 - 2011

Source: Ukrainian State Statistic Committee

opinion, this was reasoned in industrial paints and coatings, which are used in the automobile-, machine- and ship-building industries, as well as during preparations for UEFA-EURO 2012. The same trend was seen in the first six months of 2012, and this allows us to conclude that the structure and the volume of paints and coatings imports into Ukraine will remain unchanged in 2012.

Starting from 2009, the share of water dispersion paints and coatings in the total import has fallen, while the share of solvent based paints and coatings has increased. This can be explained by the introduction over the last three years in Ukraine of modern facilities for the production of waterdispersion paints with a total capacity of more than 50,000 tons. This meets the market demand through domestic production, reducing the volume of imports.

Demand for waterbased paints increases

Total paints and coatings use in Ukraine fell from 290,000 tons in 2007, which was the highest figure for the 15 years, to 220,000 tons in 2009 (Figure 3). The total decrease in paints and coatings use was almost 70,000 tons, or 24 %. The drop in solventbasedpaints and coatings use was about 28 %, while for water dispersion paints and coatings it was only 16 %.

The following period saw a small growth in paints and coatings use to 227,000 tons in 2010 and 233,000 tons in 2011 in both market segments (excluding use of paints and coatings manufactured by private enterprises, accounting for almost 30 %). This trend remains in the first half of 2012, during which paints and coatings use in Ukraine was at about 160,000 tons.

Structural changes in paints and coatings use in Ukraine occurred in this period. They concerned the 5 % increase in the share of waterdispersion paints and coatings in total use, from 36 % in 2007 to 41 % in 2011 and the corresponding reduction in the share of solventbasedpaints and coatings to 59 % respectively. This can be explained by the greater awareness of the safety of modern paints and coatings use among individual consumers. Unfortunately, such a tendency is not observed in the use of modern industrial paints.

Market still dominated by solventbased paints

Paints and coatings demand in Ukraine in 2011 was met mainly by domestic production. The share of domestic solventbasedpaints and coatings products was about 70 % of total use and the share of water dispersion paints and coatings was about 82 %.

In spite of the positive trends in Ukrainian paints and coatings manufacturing (an increase in the production of waterdispersion paints and coatings) these data indicate that the domestic market is still largely filled by general-use solventbasedpaints and coatings. This is the single biggest negative factor influencing the further development of Ukraine's paints and coatings industry. Manufacturing so-called "outdated", "not environmentally-friendly" paints and coatings will not allow domestic producers to compete on the domestic or outside mar-

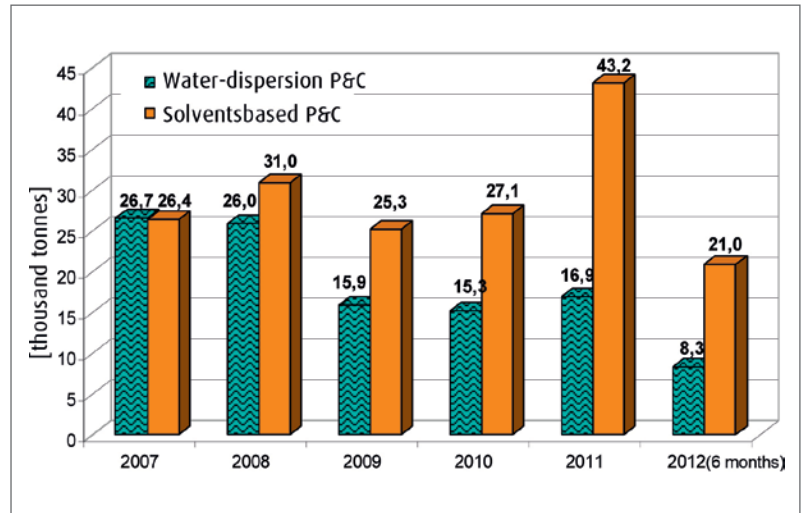


Figure 2: The dynamics and structure of import of paints and coatings in the Ukraine in 2007 – 2012

Source: Ukrainian State Custom Service

kets. Ukrainian paints and coatings producers must remember that the consumer society is quickly becoming more demanding toward paints and coatings products and this is clearly evident.

The main problems of the Ukrainian paints and coatings market are:

- » Small share of industrial paints and coatings in the domestic production and lack of positive trends in this;
- » Big share of solventbasedpaints and coatings that do not meet EU ecological requirements (e.g. the contents of the LOC, heavy metals (lead, cobalt, etc), etc.) in the structure of use;
- » Discrepancies (20-30 %) between official statistical data and the actual paints and coatings production volume data in Ukraine;
- » Insufficient regulatory body activity in ensuring the safety of chemicals used in the production paints and coatings and paints and coatings import. ◀

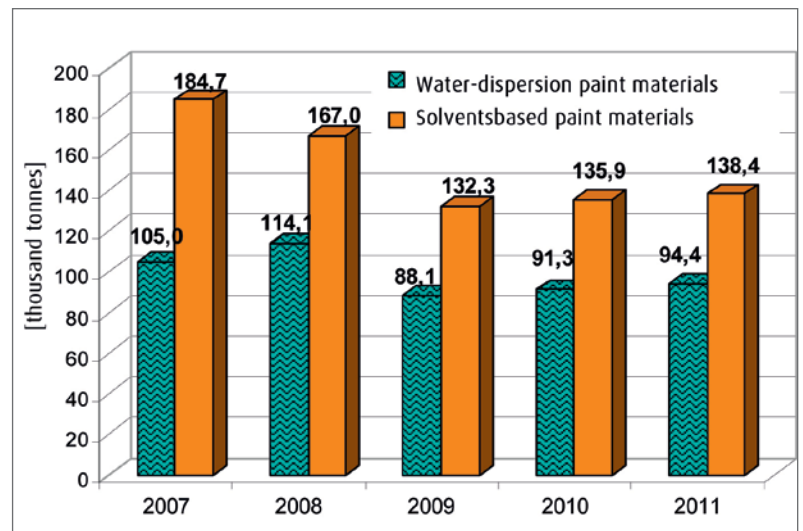


Figure 3: The dynamics and structure of paints and coatings usage in the Ukraine in 2007 – 2011

Source: Ukrainian State Statistic Committee