

CEPE Article



While the pandemic continues, raw materials are running short in the coatings industry.

After a year marked by the COVID-19 pandemic, our industry faces serious challenges again in 2021 due to the rise in raw material prices. In simple terms, we face a supply and demand imbalance with strong implications for our sector. There is no sign of relief, not least because additional problems make the situation even more complicated.



André Vieira de Castro
CEPE Chairman

How is our industry affected by this?

As paints and coatings are mixtures of different ingredients, our industry is comparatively heavily dependent on a large number of raw materials. The current shortage and price hikes unfortunately concern core ingredients.

The price for epoxy resins has risen by 60 percent in Europe since January 2020; we use them as binders which hold the pigments (colours) in place and binds all the ingredients of the coating together. We also experience shortages for the colours, pigments for white (titanium dioxide), red and yellow (iron oxides) are scarce. Some coatings applications require solvents, these prices went through the roof. Since last year, the prices increased for acetone (123%), n-butyl acetate (91%), IPA (41%) and n-butanol (54%). We also face shortages for polyester resin which helps to elevate performance requirements, for instance in the

automotive or aerospace sector. To remain optimistic, I should probably refrain from naming other relevant petrochemical raw materials for which we encounter shortages: Polypropylene glycols, acrylic acids, acrylic resin, UV resins, polyurethane resins.

And all of this before our product even leaves the factory.

Limited transportation resources

To ensure safe transportation of our products these must be adequately packaged. With plastic polymers and tin plates in short supply, we encounter additional cost drivers.

On the import side, the situation is even worse. The industry obtains many raw materials, by container, from Asia. However, the COVID-19 pandemic did lead to erratic demands for international trade

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which affected the shipping container movements. The current global shortage of containers in the right places has led to a sharp increase in transportation costs: prices of containers between China and Europe have risen more than 400% since Q4 2020.

How did we get here?

Individual events in the international supply chain are widespread and can be absorbed. However, we are already moving in critical area as the figures show.

On the one side, demand is fuelled by the anticipated economic recovery. China, for example, was hit hard by the COVID 19 pandemic in early 2020, but still grew by 2.3 percent. Economic growth of over 6 percent is forecasted for 2021. This also creates greater domestic supply in a key producing country.

The COVID 19 pandemic however also impacted the supply capacity. With a decrease in mobility and a drop in global consumption of oil (aviation, automobile, etc), also quantities supplied were reduced. This has led to all subsidiary petrochemical products - solvents, acrylics, etc. - being in shortage and in price hyperinflation. Furthermore, recent OPEC decisions resulted in oil price rising, further multiplying the effect.

The supply capacity was further reduced by either extreme weather conditions or disruptions at producers in Asia and Europe due to factory closures or plant incidents causing suppliers of raw materials to invoke force majeure. The transportation problem was already mentioned.

What can we do?

Where possible, we must seek to mitigate higher costs via internal process optimisation measures, alternate sourcing, and increase efficiencies. In other words, we must bear with the situation.

What does the situation mean for Europe's competitiveness?

Overall, the coatings industry is very concerned with the developments of the present supply and demand imbalance. We are closely following the developments in the supply chain, which by its global nature, can be impacted by many different factors, including geopolitical, logistical, pricing and capacity components.

While the coatings industry seeks to cope as much as possible with the current uncertainties, the world market pressure should give European decision-makers pause for thought. While increased sustainability is undeniably the way forward, global competition should not be ignored in the measures of the EU Green Deal. Europe's all-encompassing growth strategy is set to profoundly revise EU chemicals law, despite already having the strictest chemical legislation in the world. With the European chemicals industry accounting for an ever smaller part of the global industry, it is essential for Europe to have a strong chemicals industry with factories based in Europe in order to be more self-sufficient, otherwise it is the European economy as a whole which is under threat.