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Protective Coating Prices Face Global Spike

Friday, February 25, 2011



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Fasten your seatbelts. The price of protective and marine coatings is about to spike again globally—perhaps to record highs—and no relief is in sight, manufacturers report.

PPG Industries, Jotun, International Paint (also known as International Protective and International Marine) and Hempel have all recently announced global price increases in their protective and marine coatings products.

The manufacturers blame a perfect storm of forces outside their control: growing global demand; raw materials price hikes and shortages; and skyrocketing crude-oil prices that recently hit a three-year high.

And none of these factors is likely to improve soon.

“This situation will worsen in 2011,” says Jotun.

The grim outlook appears unanimous.

‘Alarming Rates’

“As economies recover from the global recession, prices for basic commodities such as copper are increasing at alarming rates,” said Thomas Mauck, PPG vice president, protective and marine coatings (PMC).

“Also, prices for epoxy and other processed raw materials that PMC uses are rising to account for the high costs of basic commodities. Based on current information and conditions, we forecast these inflationary trends will continue during 2011.”

Pittsburgh-based PPG said Thursday (Feb. 24) that its PMC business was “raising prices globally, as permissible by contract.”

At International Paint, owned by global coatings leader AkzoNobel, “the cost of raw materials critical to the manufacture of both our marine and protective coatings’ product ranges increased significantly” in 2010, Paul Westcott, marine & protective coatings commercial director, said in a statement Wednesday (Feb. 23).

“Unfortunately, the increase in costs shows no sign of abatement, and therefore—regrettably—we now have little choice but to initiate a program of product price rises.”



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International Paint

Rising costs "show no sign of abatement," says a spokesman for International

Protective Coatings (International Paint), owned by AkzoNobel.

Jotun: Market Imbalance

Jotun reported Feb. 7 that the market price of epoxies, titanium dioxide, acrylics, metal-based materials and other major raw materials used in coatings had increased by up to 50% in 2010. Global shortages of these and other raw materials for coatings were reported throughout last year.

Shortages of methyl methacrylate (MMA) and titanium dioxide (TiO₂), two critical ingredients in acrylic-based traffic paint, stalled shovel-ready road projects worldwide throughout last spring and summer. Just as those supplies were easing, the bottom dropped out of thermoplastics, a key component of yellow and white line marking coatings

Jotun currently reports a worldwide imbalance in the raw materials market for coatings, due to "surprisingly high global demand coupled with the downscaling of capacity following the 2007 financial crisis."

"The industry-wide escalation in raw material prices has unfortunately been too big for us to absorb through other cost-containment measures," said Frank Nordby, Jotun's Divisional Marketing Director.



High global demand and reduced post-2007 capacity have shaken the balance of the raw materials market, says Jotun's Frank Nordby.

The company cites "a familiar inflationary cycle" across a broad spectrum of raw materials markets. Shortages in raw material feedstocks, general destocking in the supply chain, reduced manufacturing capacity and supply outages are all squeezing the supply side, while post-recession demand continues to rise, especially in emerging economies—and, in most cases, from industries outside the coatings market.

Fueling the fire are skyrocketing oil prices and "investor activity in the commodity spot markets," the company says.

Hempel, PPG

At Copenhagen-based Hempel A/S, which has a vast protective and marine portfolio, the view was the same.

The company said that the average price of the key raw materials it uses had increased by up to 60% in the last year and that "the substantial increases in crude-oil prices" would "continue to negatively influence the cost of petrochemical-based products industry-wide."

Hempel's Klaus Møller, Group Vice President, Marketing, was unable to offer a silver lining.

"Looking ahead, we foresee continued raw material price inflation as well as shortage in availability of key raw materials," he said. "This is extremely unfortunate."

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Hempel's Klaus Møller predicts continuing price increases and shortages.

'Tremendous Cost Pressure'

Companies sought to assure their customers that the forces driving the increases were beyond their control and that they were doing everything they could to control costs and absorb some of the hit.

The impact of rising raw materials prices on companies' bottom lines has been a common refrain in every recent industry earnings report.



PPG Industries

Prices for basic commodities "are increasing at alarming rates," says the vice president of PPG Protective & Marine Coatings.

"We are acutely aware that all industries are under tremendous cost pressure," said Westcott, of International Paint.

Westcott said the price increases would be limited to products "directly affected" by the market forces, but he did not say which, if any, would be spared.

Protective and marine coatings manufacturers Valspar, Asian Paints and Sherwin-Williams have not announced price increases.

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