



PRESS RELEASE

Paint industry under pressure: price explosion for epoxy resins - supply shortages exacerbate situation on raw materials market

The German paint industry is struggling with peak prices for epoxy resins. For the sector, prices on the world market have risen so sharply in recent weeks that, in addition to the corona pandemic, they are having a massive impact on companies' business results. Dramatic supply shortages are exacerbating the situation, particularly for manufacturers of powder coatings.

Frankfurt, 15.12.2020. The German coatings, paints and printing inks industry is struggling with sharp price increases for some raw materials. For roughly 250 companies, prices on the world market, particularly for epoxy resins and polyester resins, have gone up so dramatically in recent weeks that they are having a lasting impact on business results. This is shown by a membership survey of the German Coatings and Printing Inks Association (VdL).

According to the survey, in particular the prices for epoxy resins - important binders for many paints and coatings - have exploded recently. In the last two months alone, costs have risen by up to 60%. The main reason is increased demand for epoxy resins in Asia and Europe. In consequence, high prices for these products persist, especially in China. Good capacity utilization and disruptions at bisphenol A producers in Asia and Europe are significantly tightening supply. Moreover, there is currently a global shortage of containers, which has caused a major rise in transport costs from Asia to Europe and further hampers exporters.

Even high prices do not safeguard reliable supplies. At present, supply chains from Asia are partly collapsing, the availability of epoxy resins on the market is limited, and there have been some panic purchases which are reported by manufacturers of powder coatings in particular.

At the same time, the important market for polyester raw materials is picking up tremendously. Disruptions in Europe and Asia are making access more difficult. Here, too, prices in China are well above the European level. Increased demand in Europe due to the lack of imports brings an increase of up to 45%. In view of uncertain markets, paint manufacturers have introduced monthly prices instead of the usual quarterly quotations.

The economic upturn, particularly in Asia, has led to a broad-based increase in demand for raw materials for paints and coatings: for example, prices for titanium dioxide are pointing upwards again. High demand for the important pigment in Asia and, once more, freight costs are causing prices to rise. The situation is problematic for some solvents: Production problems together with stronger demand have triggered price jumps of up to 100% with extremely limited availability. Isocyanates are also experiencing supply difficulties due to increased demand from the automotive market.

This complex blend of high demand, capacity problems and scarce transport resources is reflected

in rising uncertainty in the market. Raw material prices are crucial for the coatings and inks industry, as they account for more than half of costs - an immense burden for the sector, which partly has been hit hard by the Corona pandemic.

The Association of the German Coatings and Printing Inks Industry (VdL) represents over 200 mostly medium-sized manufacturers of coatings, inks and printing inks in Germany. Over 90 percent of the industry is organized in the VdL. The industry generated sales of around 8 billion euros in 2019 and currently employs ca. 25.000 people.

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