



Development of the Coatings Market in SEA

Presented at the ASEAN Coatings New Technology Summit 2024

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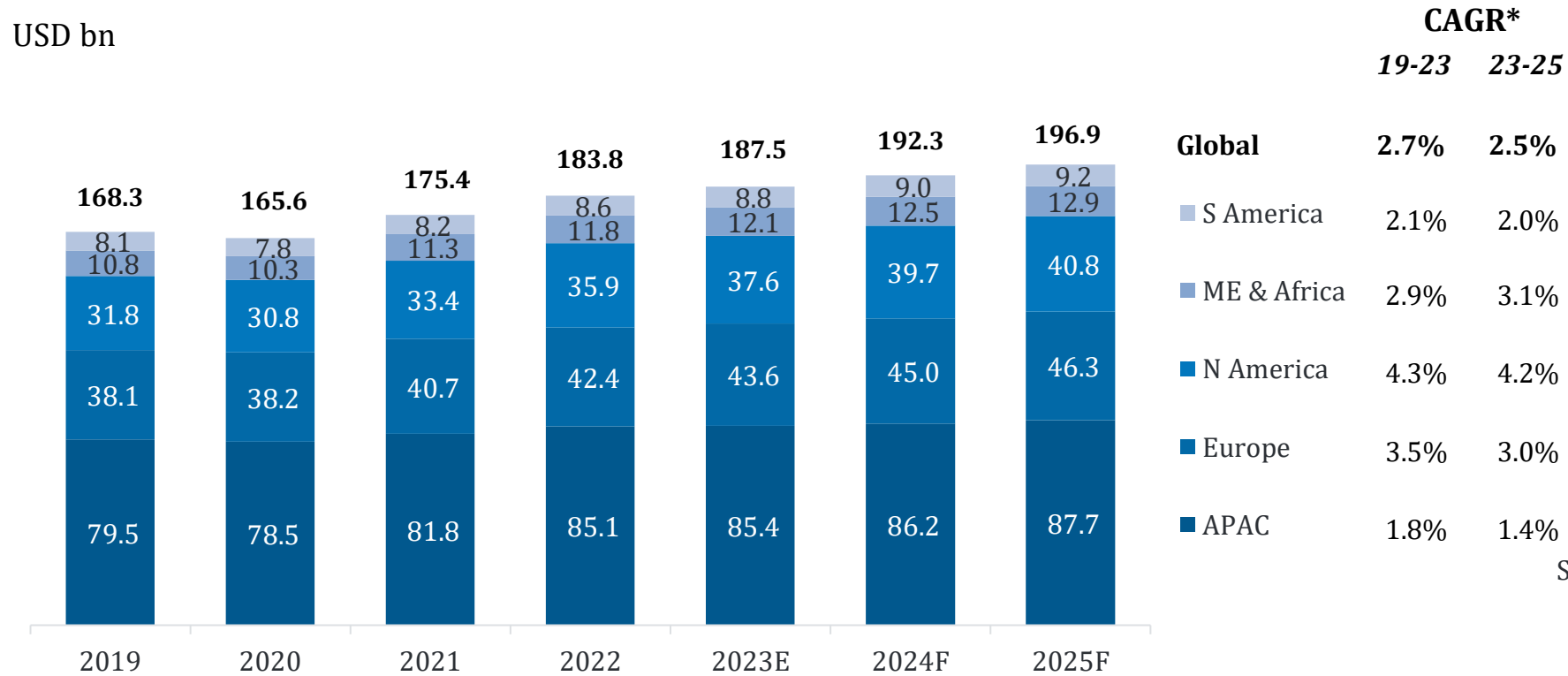
June 18, 2024

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APAC is an important part of the a global coatings industry recovering from COVID, with a higher expected growth rate than the world average in the coming years

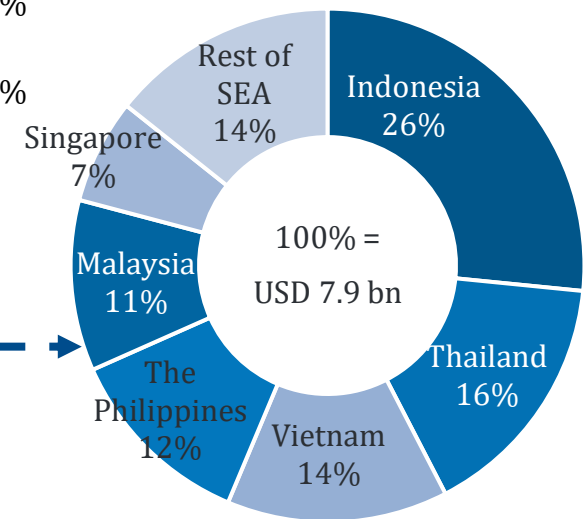
Global Coatings Sales by Geography, 2019-2025



Key Notes

- The global coatings market growth has been moderate
- SEA was ~ 4% of the global coatings market in 2023
- CAGR in the SEA coatings market is estimated nearly 6% for 2024-2028

Coatings Sales in SEA Countries, 2023



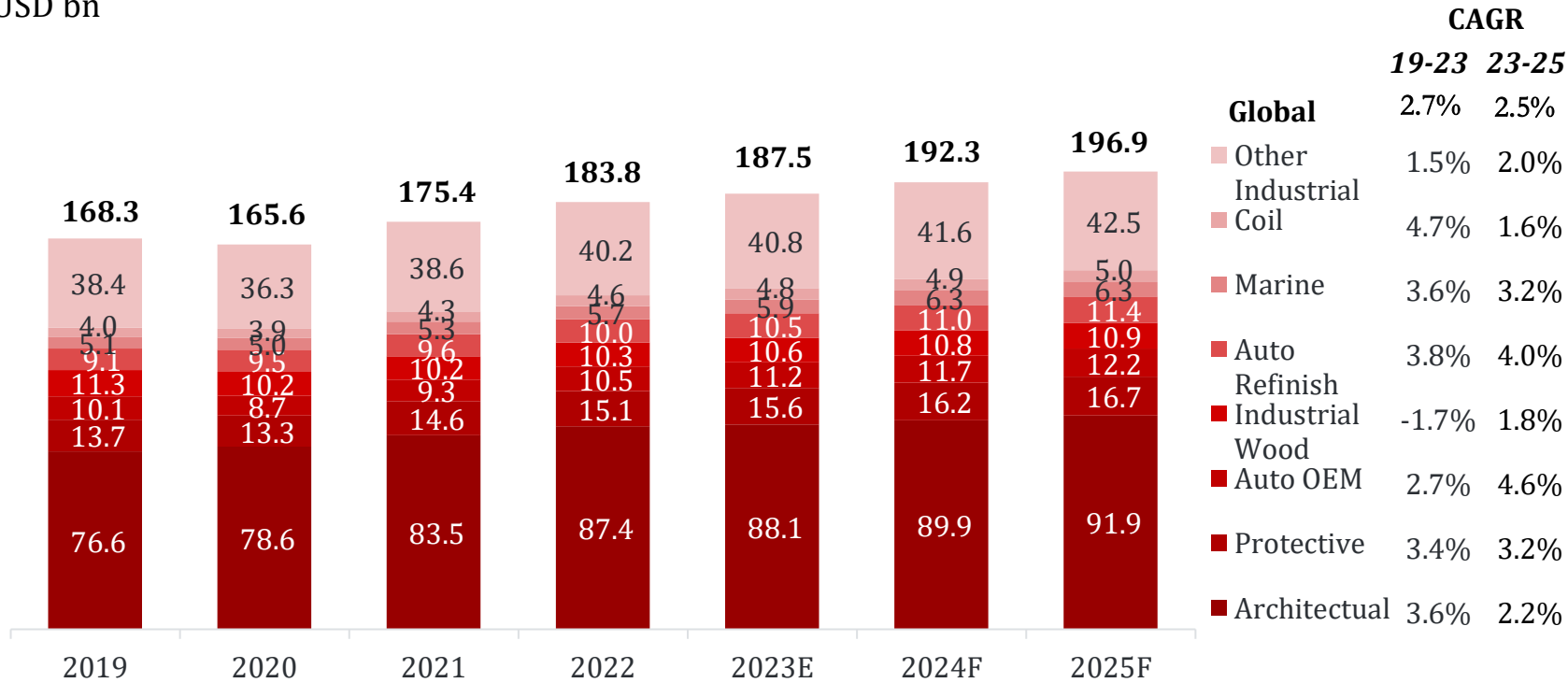
* Compound Annual Growth Rate

Source: associations of coatings and paints; company annual reports; trade journals; Hoover's; Martec analysis

Architectural coatings are the largest application, followed by automotive and protective coatings, globally and in SEA

Global Coatings Sales by Application, 2019-2025

USD bn

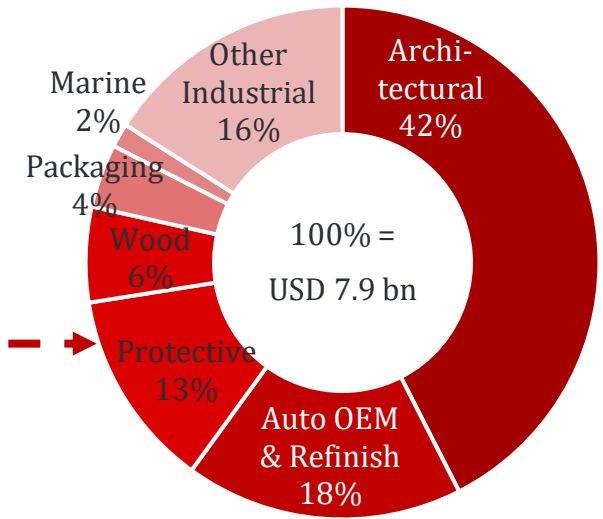


	CAGR	
	19-23	23-25
Global	2.7%	2.5%
Other	1.5%	2.0%
Industrial	4.7%	1.6%
Coil	3.6%	3.2%
Marine	3.8%	4.0%
Auto Refinish	-1.7%	1.8%
Industrial Wood	2.7%	4.6%
Auto OEM	3.4%	3.2%
Protective	3.6%	2.2%
Architectural		

Key Notes

- Architectural coatings are 42% of the market in SEA, lower than its 47% share to its share globally
- Auto OEM and refinish coatings are 18% of the SEA, compared with 12% globally

Coatings Sales in 6 SEA countries, 2023



Source: associations of coatings and paints; company annual reports; trade journals; Hoover's; Martec analysis

Coatings are becoming more eco-friendly and functionally enhanced driven by regulations, standards and advancements in technology

Sustainable and technically more advanced coatings are seeing increased adoption across various key sectors in SEA, driven by the need for enhanced performance, durability, and compliance with stringent regulations

Sustainable and Eco-Friendly Coatings

Low-VOC and water-based coatings are becoming more popular, driven in SEA by

- Regulations and standards, e.g.,
 - ASEAN SHINE
 - Regulation No. 41/1999
 - VOC Emission Standards
 - Environmental Quality Act
- Green certifications, e.g.,
 - LEED (Leadership in Energy and Environmental Design)
 - EcoLogo (UL Environment)
 - Green Label Indonesia
 - MYHIJAU Mark
 - GreenRE

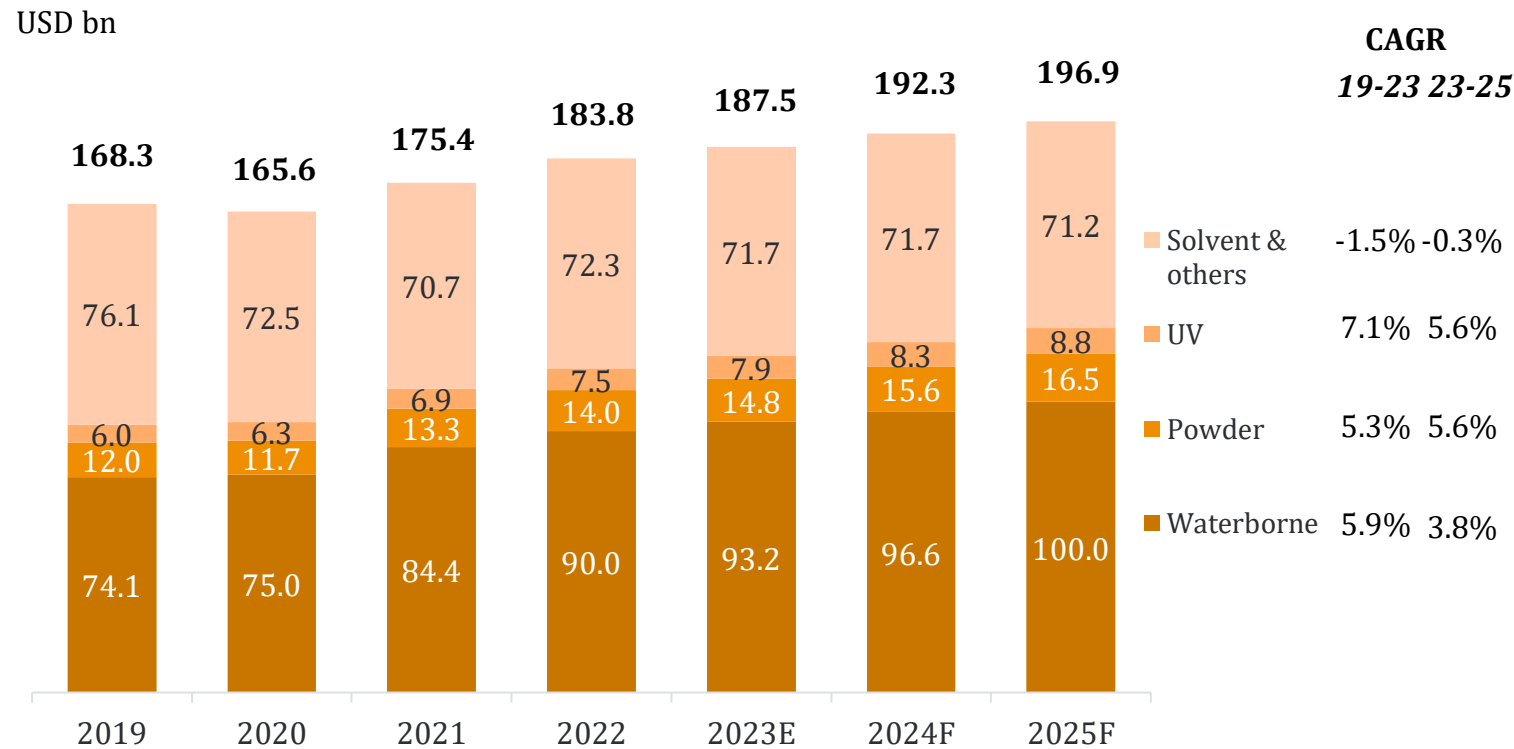
Technological Advancements

Innovative and smart coatings in SEA are in the early stages of adoption, with more traction seen in O&G, automotive, industrial, and select construction projects.

- Innovative Materials
 - Enhanced durability
 - Resistance to corrosion, and other functional properties
 - Properties suitable for changed substrates
- Smart Coatings
 - Self-healing (e.g., O&G)
 - Self-cleaning (e.g., automotive)
 - Antimicrobial (e.g., marine, healthcare)
 - Wear resistant (e.g., automotive)
 - Thermo- & photochromic (e.g., construction)

Low-VOC coatings keep gaining in penetration at the expense of solvent-based ones, and their further adoption in SEA needs more industry and government support

Global Sales of Coatings by Type, 2019-2025



Factors Affecting Adoption Rate

- Cost
- Awareness
- Regulatory support
- Infrastructure
- R&D

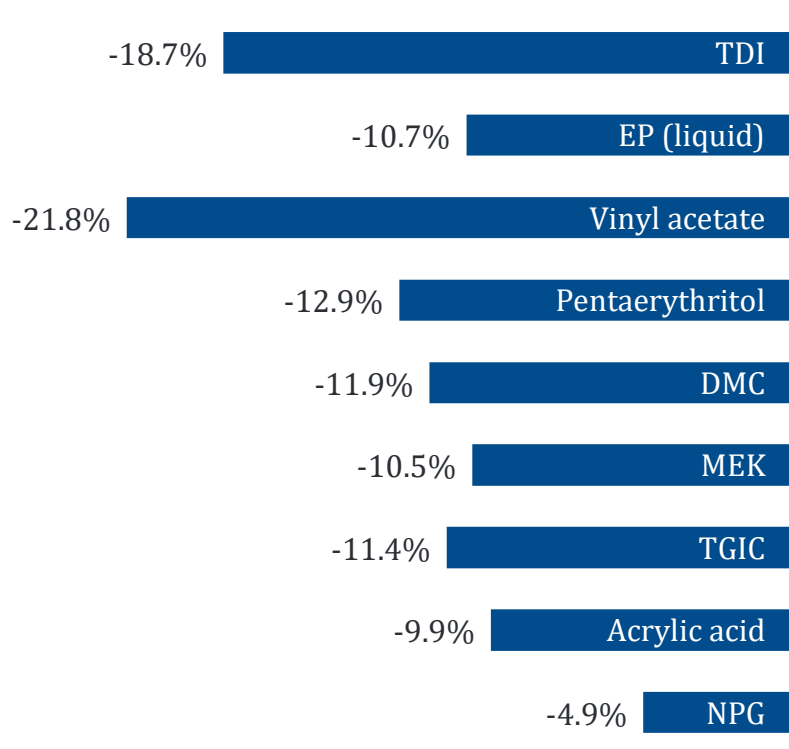
Examples of Application in SEA

- Oil and gas: Petronas (Malaysia)
- Marine: Keppel Offshore & Marine (Singapore)
- Automotive: Proton (Malaysia)
- Construction: Marina Bay Sands (Singapore)
- Aerospace: ST Engineering (Singapore)
- Consumer Electronics: Samsung (Vietnam)
- Healthcare: Singapore General Hospital
- Infrastructure: MRT (Singapore)

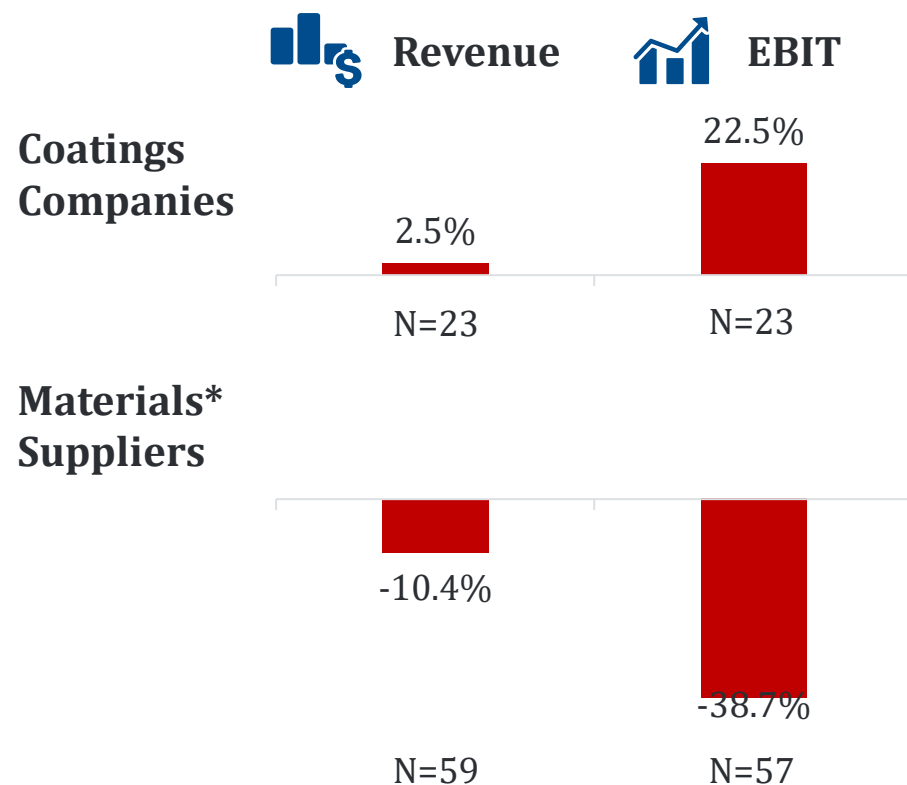
Source: associations of coatings and paints; company annual reports; trade journals; Hoover's; Martec analysis

Market performance of coatings companies improved last year thanks to cost reduction in major raw materials as a result of falling oil prices

Prices of Select Coatings Raw Materials, December vs January 2023



Year-on-Year Growth of Public Companies, 2023 vs 2022



* Including titanium dioxide, synthetic resins, coating additives, colorants and solvents and other upstream industries

Sources: Wind; company annual reports; Martec analysis

M&A and partnership activities have been important to help coatings companies achieve market expansion and specialization in 2023 & 2024

Feb '23



Jun '23



Nov '23



Feb '23



Jun '23



Jan '24



Feb '23



Aug '23



Feb '24



Apr '23



Oct '23



Apr '24



May '23



Oct '23



May '24



May '23



Oct '23



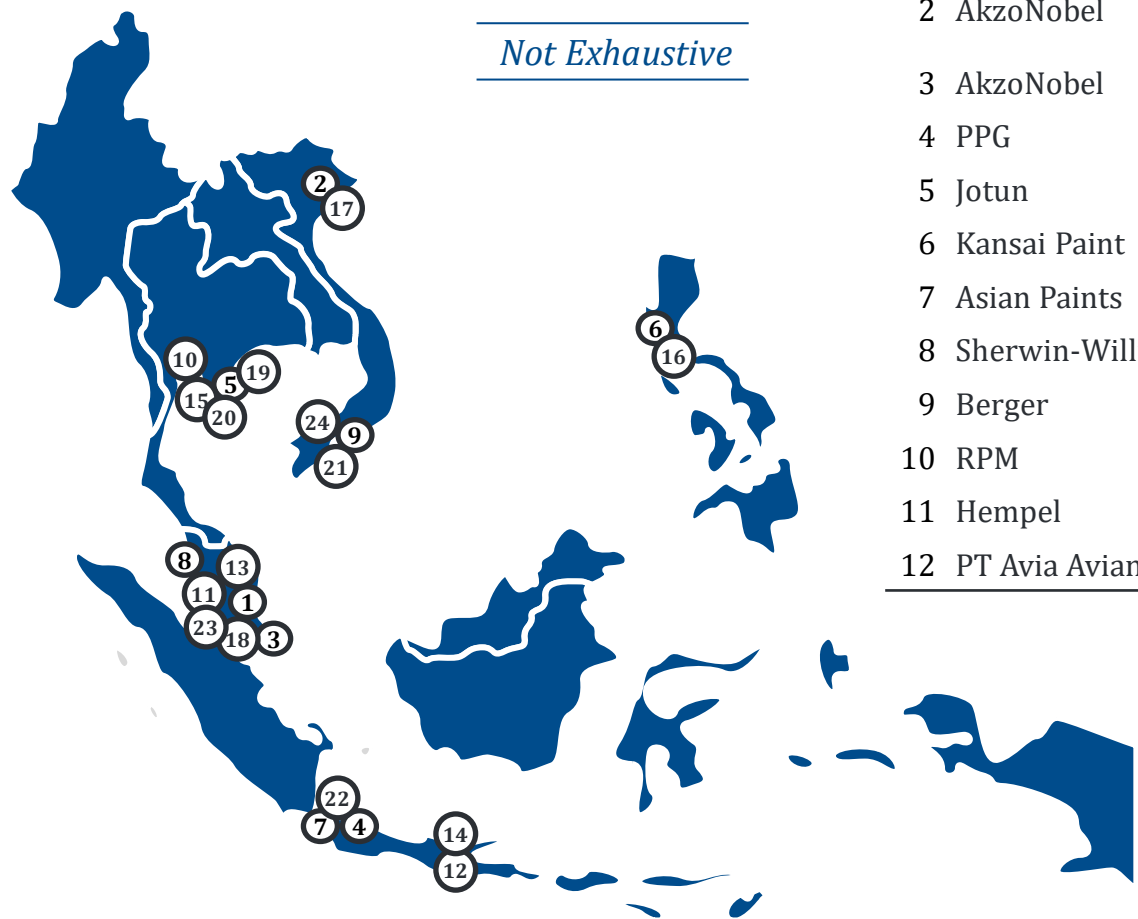
Not Exhaustive

M&A

Partnership

Leading global and regional coatings players are doubling down on their investment in SEA to build stronger footholds

Expansion of Major Coatings Players in SEA since 2018



#	Company	Type	Year	#	Company	Type	Year
1	Nippon	R&D; Mfg	2021	13	PT Avia Avian Tbk	Mfg	2020
2	AkzoNobel	Mfg	2019	14	PT Avia Avian Tbk	R&D	2024
			2024 Exp	15	TOA Paint	Mfg	2019
3	AkzoNobel	R&D	2020	16	Pacific Paint (Boysen) Philippines	Mfg	2022
4	PPG	Mfg	2022	17	Tesa	Mfg	2023
5	Jotun	R&D; Mfg	2020	18	SKSHU	R&D; Mfg	2021
6	Kansai Paint	Mfg	2018	19	Oriental Yuhong	Mfg	2020
7	Asian Paints	R&D	2021	20	Oriental Yuhong	Mfg	2024
8	Sherwin-Williams	Mfg	2023	21	Carpoly	Mfg	2019
9	Berger	R&D; Mfg	2019	22	Yip's	R&D	2022
10	RPM	Mfg	2022	23	XJ Paint	Mfg	2018
11	Hempel	R&D	2020	24	Clivia	Mfg	2024
12	PT Avia Avian Tbk	Mfg	2018				

Key Trends

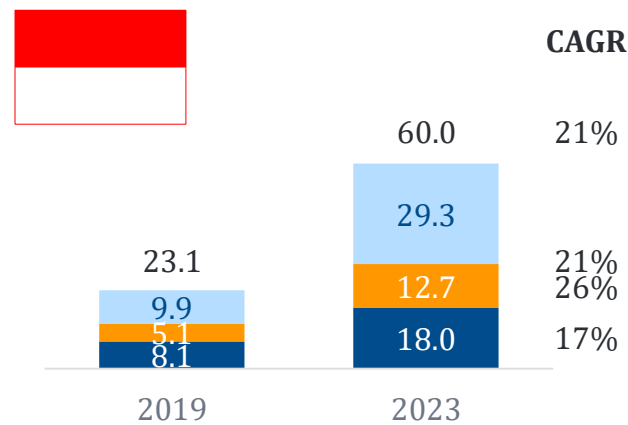
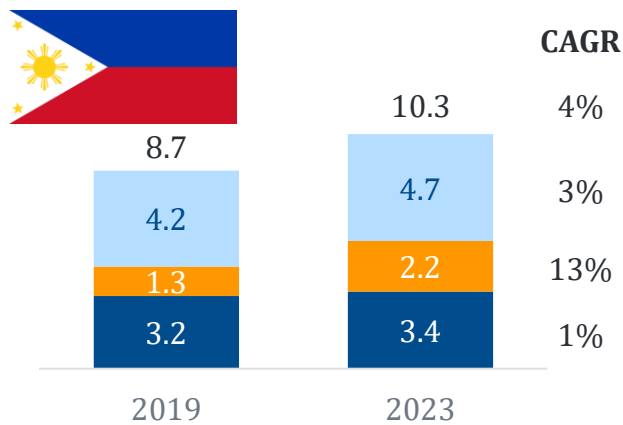
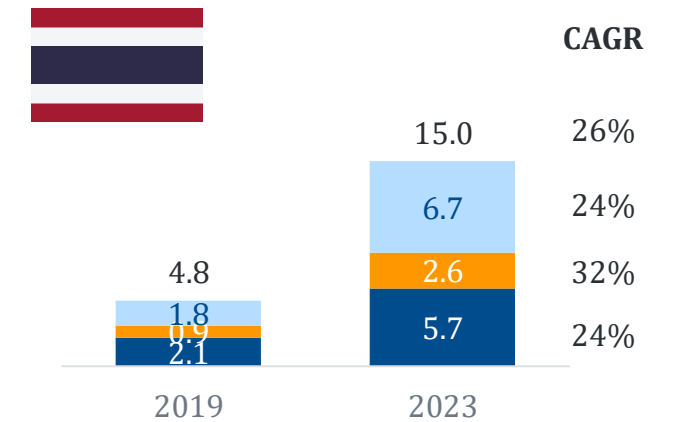
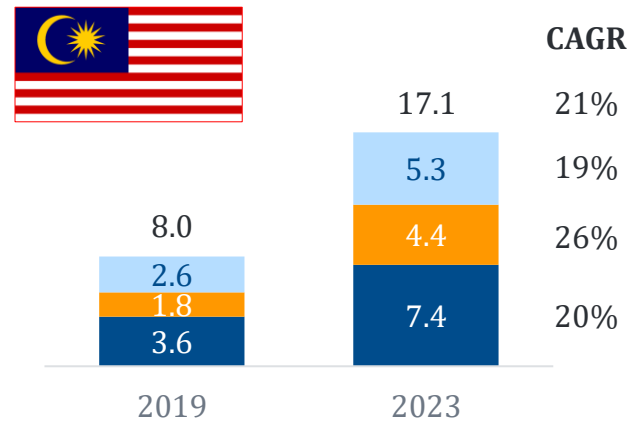
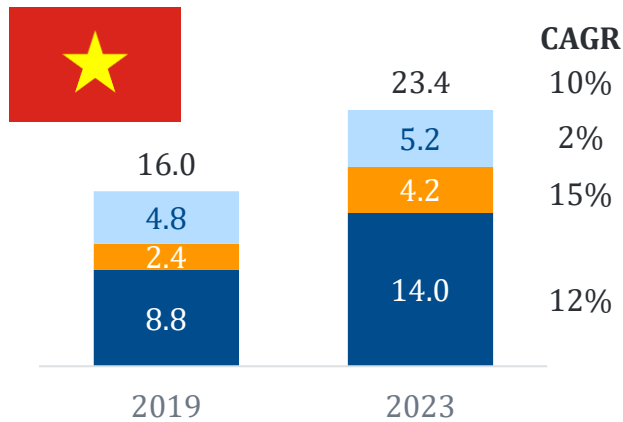
- The expansions of coatings companies highlight the strategic focus on leveraging SEA's economic growth and market potential to expand R&D and production capabilities for sustainable and high-performance coatings.
- The added capacities are concentrated in southern Thailand, southern Vietnam, Peninsula Malaysia, and Java, Indonesia

This is because SEA is one of the most vibrant marketplaces in the world

- At the crossroads of global trade, handling around a third of the its shipping and traded goods
- ASEAN the 3rd largest market in the world with 622 million people, behind only China and India
- Free trade agreements with markets of 4.2 billion people
 - ASEAN Free Trade Area (AFTA)
 - Regional Comprehensive Economic Partnership (RCEP)
 - Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)
 - ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)
 - ASEAN-China Free Trade Area (ACFTA)
 - ASEAN-India Free Trade Area (AIFTA)
 - ASEAN-Japan Comprehensive Economic Partnership (AJCEP)
 - ASEAN-Korea Free Trade Agreement (AKFTA)
 - ...
- Evolving industrial bases over the past decades
- Among the top beneficiaries of the global supply chain restructuring
- Attracts 11% of the global foreign direct investment (FDI)

SEA has seen fast-paced FDI growth, leaning heavily toward manufacturing and infrastructure development

Foreign Direct Investment in SEA Countries



Key Trends

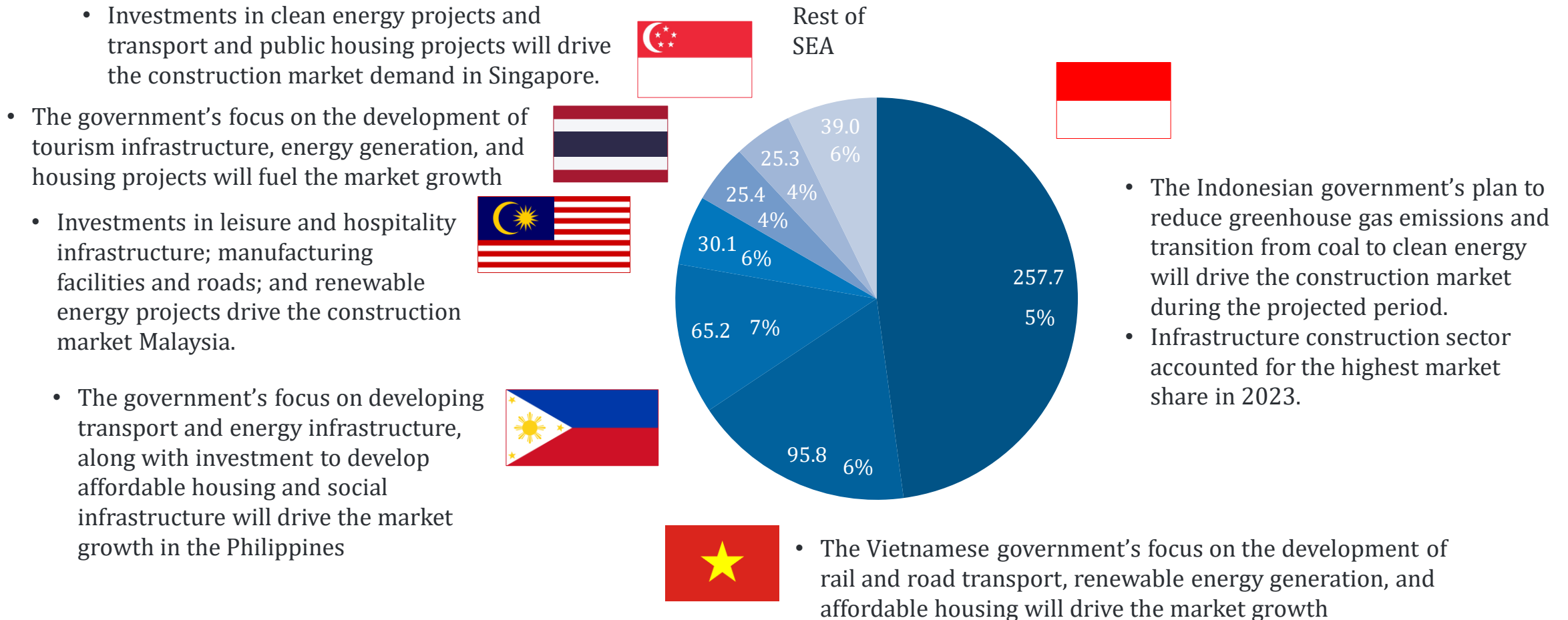
- Indonesia has received the highest FDI among the 5 countries
- Growth in FDI has been fastest for Thailand, followed by Malaysia and Indonesia
- Growth in FDI in the infrastructure and building sectors has been faster than in manufacturing and other sectors



The construction boom taking place across SEA will see continued rise in demand for architectural coatings

Construction Output Value (2023) and CAGR (2024-2028)

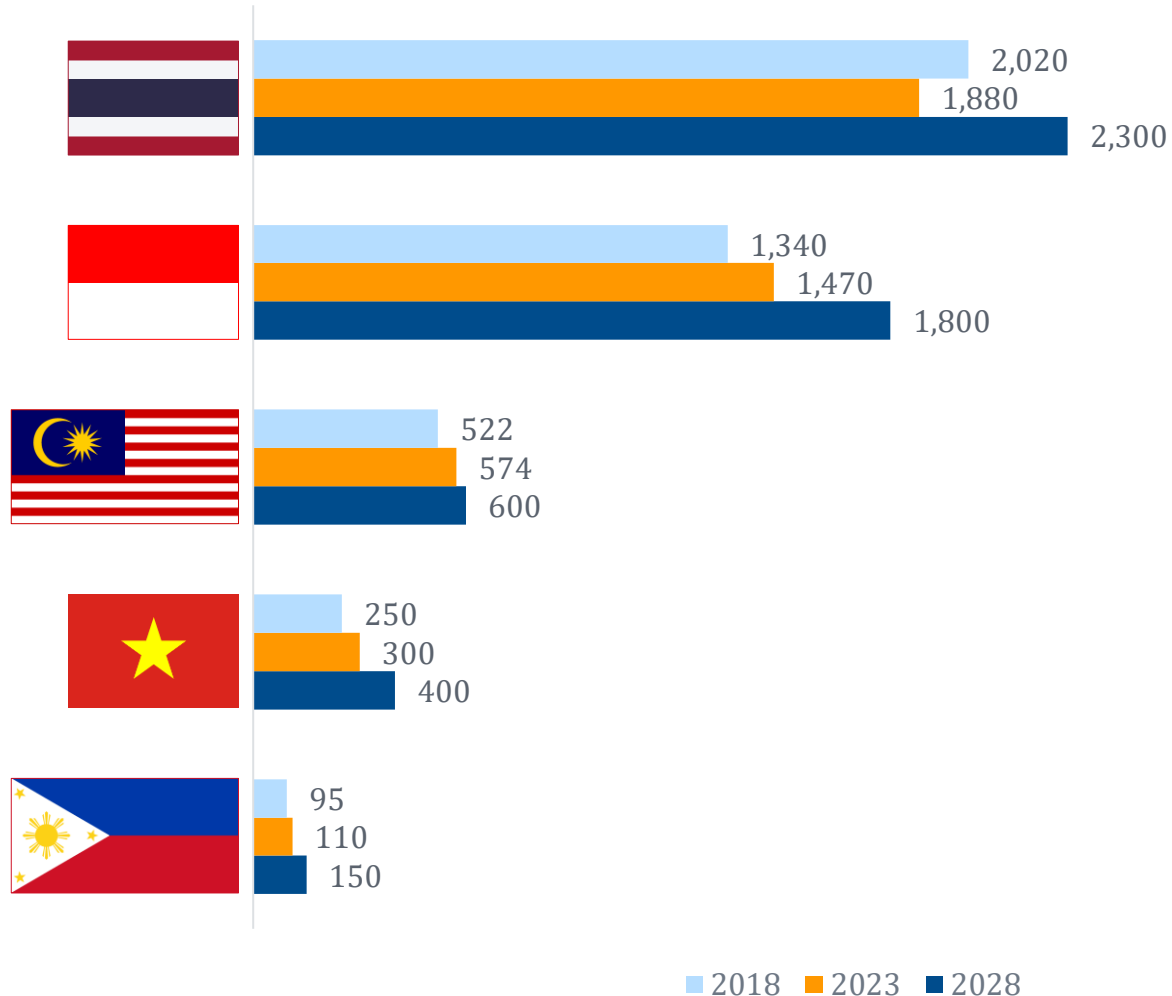
USD bn, %



The region, particularly Thailand, Indonesia and Malaysia, is also a growing automotive manufacturing base with increasing demand for auto OEM coatings

Production of Passenger Vehicles

Thousand units



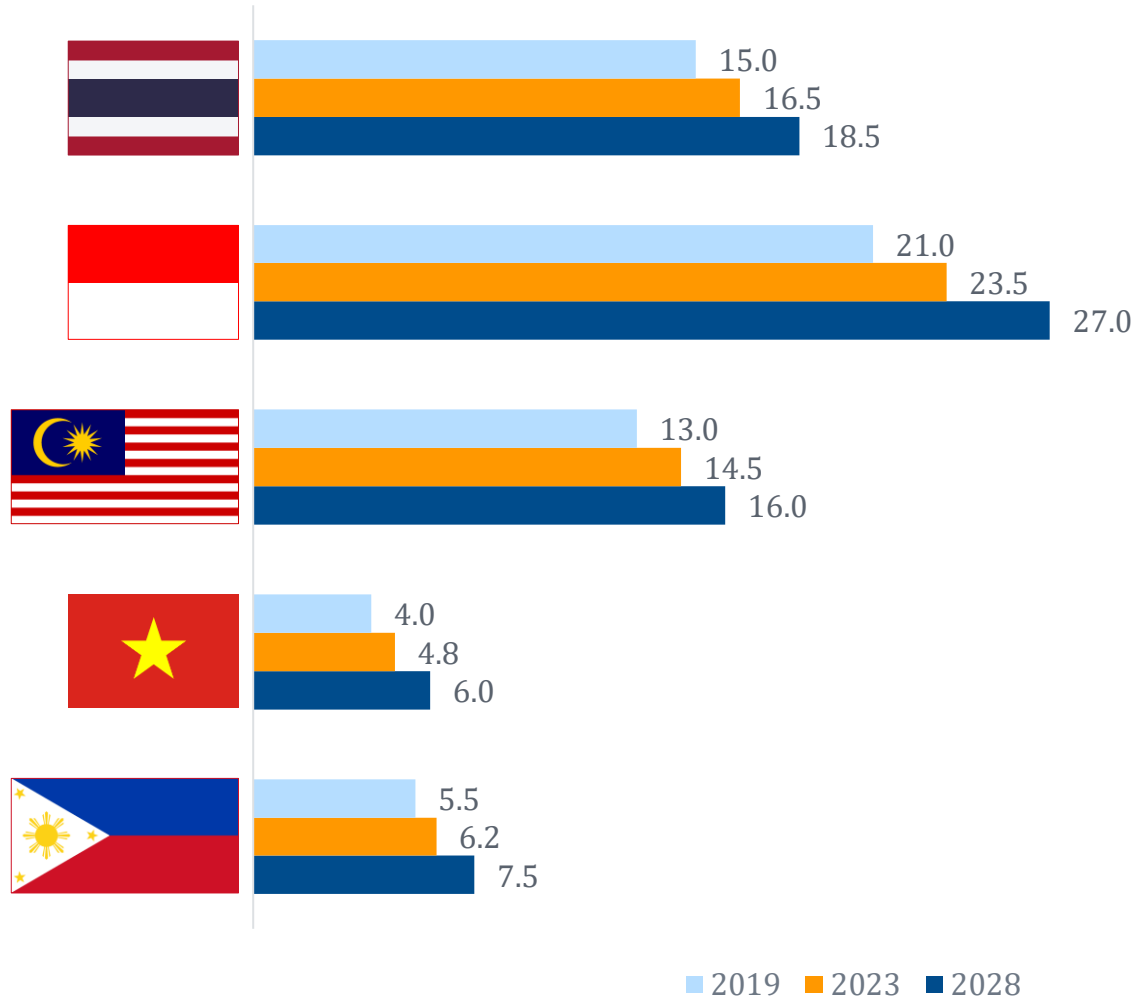
Noteworthy Trends

- Thailand has been a significant player in the ASEAN automotive market, positioning itself as a major hub for electric vehicle (EV) production and component parts by 2035
- The total industry volume (TIV) for vehicles in Indonesia has been on an upward trajectory with infrastructural development and a rise in hybrid and electric vehicle adoption
- Malaysia's focus on hybrid and electric vehicles, along with advancements in charging infrastructure, are expected to drive steady growth in vehicle production and sales volumes
- Vietnam is focusing on expanding its production bases, with the government encouraging FDIs in the automotive sector, shifting towards EVs, and improvements in EV charging infrastructure
- The automotive market in the Philippines is poised for further growth as economic conditions improve and consumer demand increases

The fast economic development will also mean an increasing number of automobiles on the road in SEA, benefiting auto refinish paints

Passenger Vehicles in Operation (VIO)

Million units



Noteworthy Trends

The following trends indicate a robust growth trajectory for the automotive industry in Southeast Asia, driven by supportive government policies, economic expansion, and technological advancements.

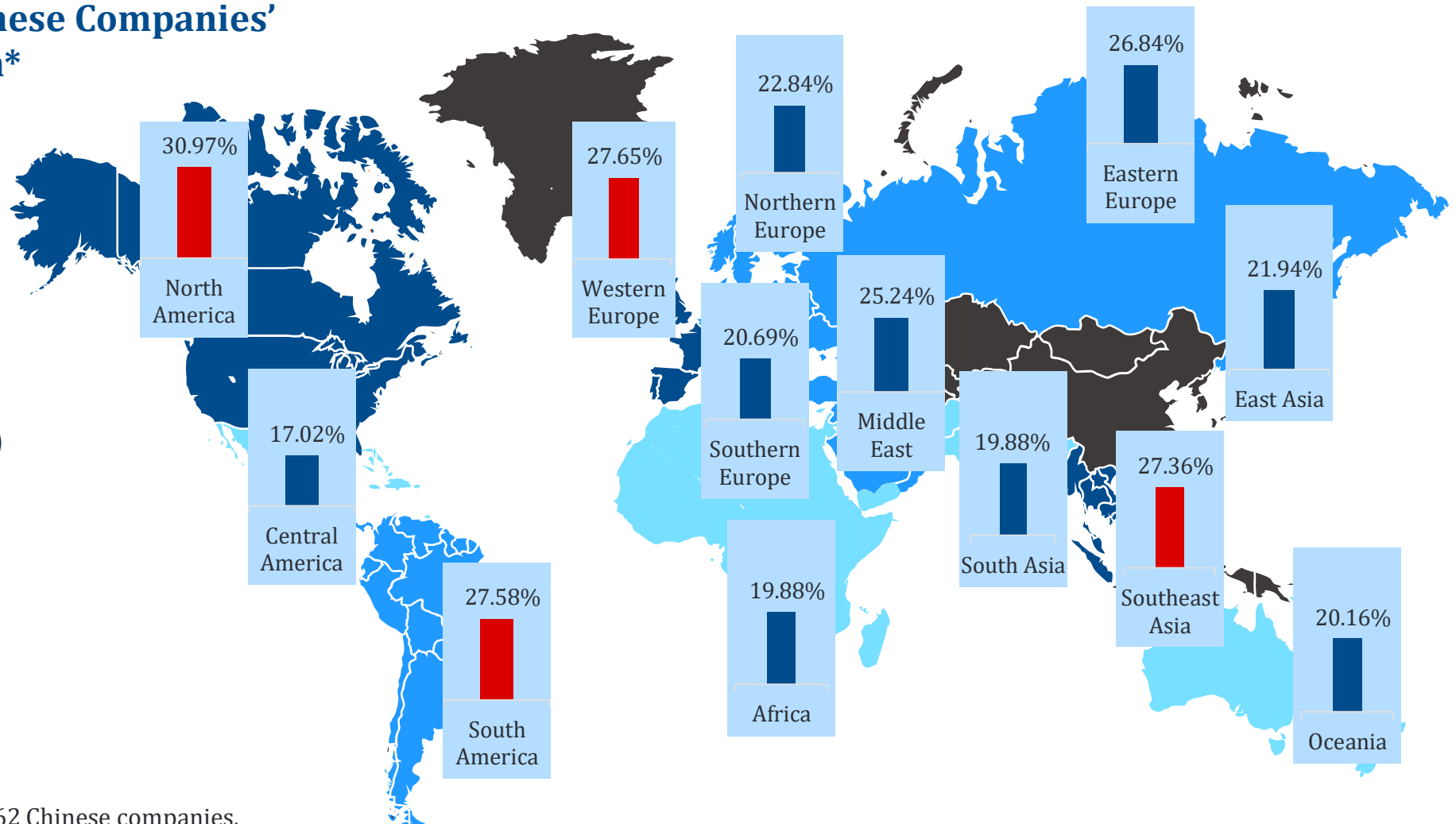
- **Government Policies:** Supportive policies, including tax incentives and investment in infrastructure, are driving growth in the automotive sector, particularly in EV adoption.
- **Economic Growth:** Increasing disposable incomes and economic growth are contributing to the rising number of vehicles in operation.
- **Electric Vehicles (EVs):** Across all these countries, there is a significant push towards increasing the number of electric vehicles. Governments are offering incentives, and automakers are expanding their EV production capacities to meet the rising demand.

The global supply chain shift has made SEA a highly popular destination for industrial expansion

Destinations of Chinese Companies' Overseas Expansion*

Driving Forces

- Excess capacity in industries
- Rising labor & land costs
- Slowing economy
- Trade friction with the West
- Supply chain players derisking

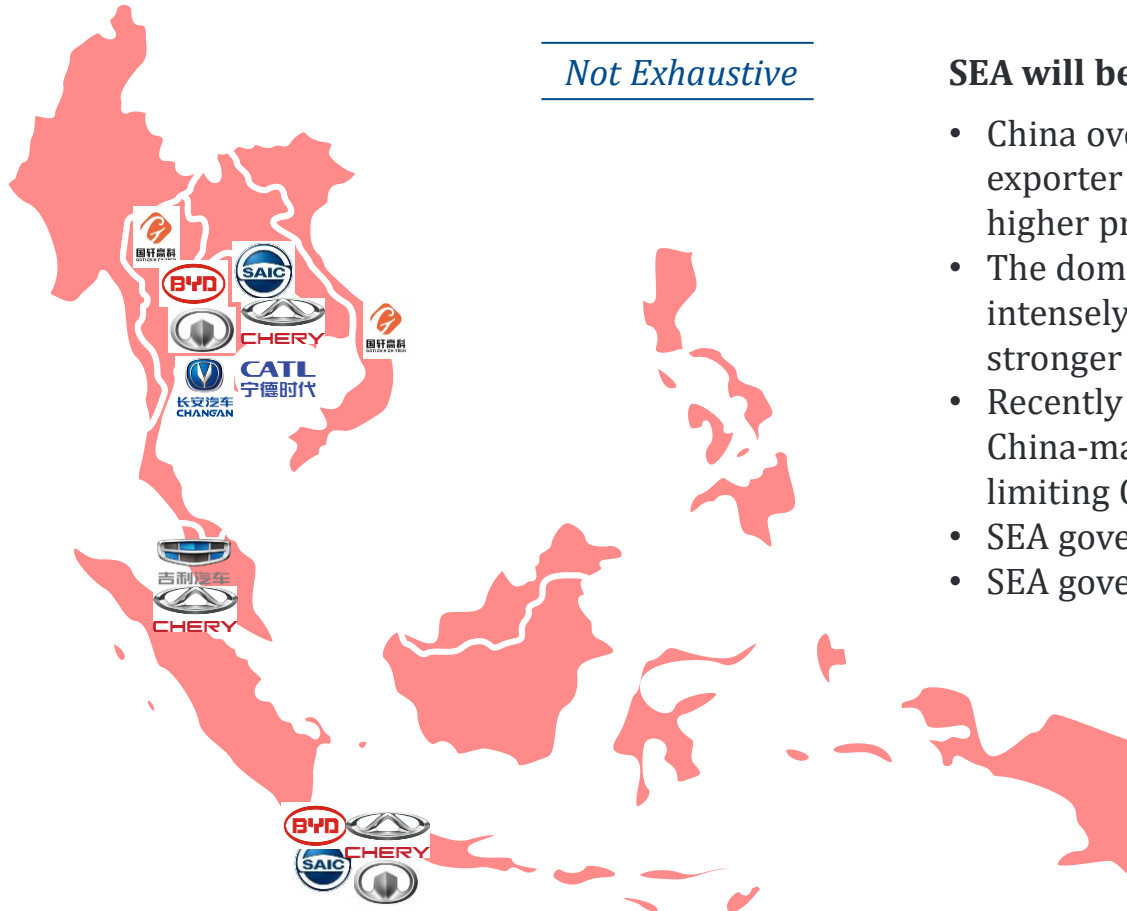


* Based on a survey among 86,162 Chinese companies.

Source: Bailian; Martec analysis

Chinese auto OEMs and suppliers are building capabilities in SEA with a keen outward looking focus

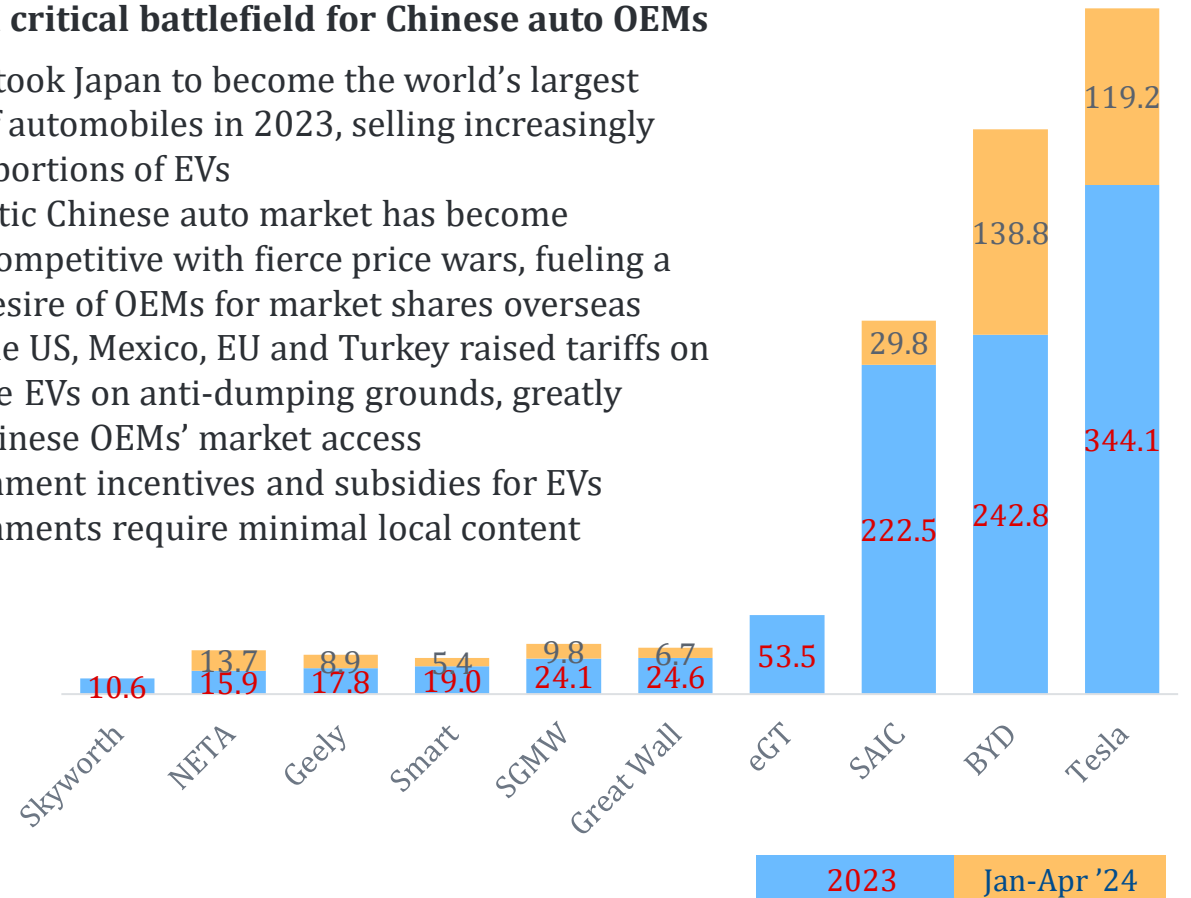
Existing and Planned Manufacturing Facilities of Chinese Auto OEMs and Battery Suppliers in SEA



Export of Passenger EVs Manufactured in China 1,000 units

SEA will be a critical battlefield for Chinese auto OEMs

- China overtook Japan to become the world's largest exporter of automobiles in 2023, selling increasingly higher proportions of EVs
- The domestic Chinese auto market has become intensely competitive with fierce price wars, fueling a stronger desire of OEMs for market shares overseas
- Recently the US, Mexico, EU and Turkey raised tariffs on China-made EVs on anti-dumping grounds, greatly limiting Chinese OEMs' market access
- SEA government incentives and subsidies for EVs
- SEA governments require minimal local content



They are in need for localized supply chain solutions in SEA but have been met with difficulties

Chinese auto OEMs must set up SEA production bases...

- Asia (mostly SEA) is Chinese OEMs' top export destinations, accounting for 36% of the total in 2023 and its proportions will further increase
- With an evolving automotive supply chain system and low labor costs, SEA has become the first choice for Chinese auto OEMs to build factories overseas

And create a localized supply chain system with rapid response and cost advantages

- Local supply chain capabilities and strategies (orders, logistics, packaging & customs duties)
- Medium and long-term cost planning (patents, contracts, and legal risks, spare parts)
- Supply chain talent construction

But they have concerns about multinational Suppliers in SEA ...

- A wait-and-see attitude towards Chinese automakers
- Slow reaction time
- Most do not have the ability to develop locally
- Higher cost

As well as Chinese Suppliers in the region

- Slow development
- Weak business risk resistance
- Excess capacity has increased the financial burden
- Not fully adjusted to the new environment
- Inadequate organizations and experience
- Inability to bring in business fast enough to support the initial investment

In summary, SEA is a dynamically growing market for coatings with clear sectoral, country and product opportunities

The Southeast Asian markets for coatings are driven by a combination of economic growth, urbanization, and increasing environmental awareness, indicating a dynamic and evolving market landscape

Marketplace Dynamics

- Economic and trade Policies
 - Trade agreements
 - Global supply chain shift bringing investment in manufacturing
- Infrastructure and industrial development
 - Construction boom across the region, particularly in Indonesia, Malaysia and Thailand
 - Automotive chief among industrial, primarily in Thailand, Indonesia and Malaysia
- Market consolidation and strategic partnerships
 - Mergers and acquisitions
 - Collaborations

Product and Technological Trends

- Sustainable and Eco-friendly Coatings
 - Regulations
 - Green Certifications
 - Consumer Demand
- Technological Advancements
 - Innovative Materials
 - Smart Coatings
- Customization and Specialization
 - Tailored Solutions
 - Specialty Coatings

However, many challenges and risks persist in SEA under the global economic uncertainty and influence of factors unique to region

The SEA markets for coatings align with global trends while being shaped by regional factors to influence market dynamics and business strategies.



In order to prosper in SEA, coatings companies must carefully develop strategies and execute them well on a number of key success factors

The strategic importance of Southeast Asia for the global coatings industry, driven by strong market growth, urbanization, and increasing demand for sustainable products, calls for companies to carefully understand and handle key external and internal business elements in the market



Grow Business

- Macro Economics
- Supply Chain Disruption
 - Market Demand
 - Competition
 - Operation



Develop People

- HR Management
- Talent Development & Retention
- Cultural Integration



Mitigate Risks

- Legal & Regulatory
 - Political
- Network Security
- Natural & Climate



THANK YOU!

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