Vietnam Country Report

Vietnam’s paint and varnish industries continue to grow

Michael Tatarski reports from Ho Chi Minh City, on the factors behind the country’s driving demand for paints and varnishes
Vietnam’s construction and manufacturing sectors are driving demand for paints and varnishes as economic growth remains healthy despite speed bumps last year.

While this key south-east Asian emerging market’s economic growth took a hit last year thanks to environmental issues and weak global export demand, the country’s paints and coatings industry continues to grow.

Estimates at the start of 2016 of gross domestic product (GDP) growth near 7% have fallen to about 6.3% and, while that was lower than expected, it was an impressive figure compared to global growth and reflected a significant amount of construction activity – both domestic and industrial. Vietnam’s GDP per head (in 2015) has now reached US$6022.60, according to figures from the World Bank.

Statistics provided by Euromonitor International, the market research company, show that production turnover for paint and varnishes hit roughly US$484M in 2015, the last full year for which data is available. This figure was up from 2014’s US$470M in turnover. Euromonitor’s definition of paint and varnishes includes paints, varnishes and driers, prepared pigments, enamels and glazes and printing ink.

ANNUAL GROWTH OF 6.7% FOR PAINT AND COATINGS

Meanwhile, statistics from Global Research & Data Services (GRDS), the Finnish market research organisation, claims that sales of paint and coatings in Vietnam hit US$664M in value in 2016, an increase from nearly US$530M yr-on-yr, good for annual growth of 6.7%. Every category of paint is growing in value except for polyester-based paints and varnishes (non-aqueous), which fell 8.8% last year.

GRDS estimates that the Vietnam paints and varnishes sales will grow by 6.3% through 2019. The market is dominated by the category of polymer-based paints and varnishes (non-aqueous). In 2016 these goods accounted for 54.6% of market share and will reach 56% by 2019.

Polymer-based paints and varnishes, meanwhile, make up a negligible part of the market, according to GRDS. In 2016 they accounted for just 3% of market share, a figure set to drop to 1.6% in 2019. The other two most prominent sectors are polymer-based paints and varnishes (aqueous) and vinyl and acrylic polymer-based paints and varnishes (non-aqueous).

Akihiro Kishi, Principal Analyst at the Tokyo office of IHS Markit, the London-headquartered research firm, notes that Vietnam paint and coatings manufacturers have been responding to this increase in demand – production hit about 452Mlit in 2015, while another 48Mlit of paints and varnishes were imported. This represents an average yr-on-yr growth rate in production of 6%.

GROWTH SET TO CONTINUE

Kishi predicted that growth will continue in the Vietnam paints and varnishes sector over the next few years. The four major decorative paint players in Vietnam, AkzoNobel, Nippon Paint, Jotun and Vietnam-based 4 Oranges will continue to play expansive roles in the country.

AkzoNobel, the Dutch manufacturing giant, has four coatings manufacturing facilities in Vietnam, which supply coatings to customers throughout southeast Asia. The company also announced plans in late 2015 to open a new branch in Ho Chi Minh City, while doubling the size of its powder coatings plant in the neighbouring province of Dong Nai. This will help boost Vietnam’s coatings exports, which currently account for less than 1% of production, according to Kishi.

BUILDING BOOM

Architecture and decorative wood coatings will remain the primary consumers of paints and varnishes, especially as Vietnam’s major cities continue massive building booms thanks to years of rapid economic growth. In fact, the Ministry of Construction says the construction sector grew 8.8% in the first half of 2016, the strongest growth since 2010.

Enormous high-end housing developments are altering the skylines of the country’s urban areas and the apartments housed in these buildings...
will require large quantities of paints and varnishes. According to Kishi, architectural and wood coatings account for more than 80% of the country’s coatings market.

Motor vehicle production is often a major factor in coatings usage but Vietnam’s four-wheel automotive industry is tiny. “Production is only around 200,000 units/yr, compared to Thailand’s nearly 2M annual units,” Kishi noted. Moreover, Vietnam largely imports the coatings used for its automotive industry so its impact on the domestic coatings manufacturing sector is, in any case, limited.

Exports driving motorbike production

That said, motorbike production in the country is a major coating consuming industry: “Motorbike production is increasing and this is driven by increased exports,” Kishi explains. “Exports of motorbikes from Vietnam have increased more than 10 times in five years from 31,000 units to 330,000 units.” This will continue to drive increased demand for polymer-based coatings.

Additionally, although automotive imports and sales have grown at a dizzying pace this year. According to the Vietnam Automobile Manufacturers’ Association (VAMA), 243,675 vehicles were sold in the first 11 months of 2016, up 36% from the same period in 2015. Increasing vehicles sales will lead to further demand for coatings for vehicle repairs and upgrades.

Another factor behind increased demand for polymer-based coatings is Vietnam’s electronics sector. “Samsung Electronics has moved some mobile phone plants to Vietnam from China so plastic coatings consumption for mobiles will increase,” Kishi said. In fact, the South Korean electronics giant has poured US$15bn into the country over the past few years, building enormous production facilities outside Hanoi and Ho Chi Minh City. In 2015, Samsung shipped roughly US$33bn in electronics exports from Vietnam last year.

These plants produce goods, such as mobile phones and television displays, which require polymer-based coatings. Samsung’s recent Galaxy Note 7 recall fiasco will, however, likely dampen demand, as the cancelled handset was produced at the company’s factory in Bac Ninh Province, near Hanoi.

Most of Vietnam’s paints and varnishes imports and exports take place involving Asian suppliers and buyers. Allen Irish, an analyst with the Washington DC-based American Coatings Association, said that according to the most recent data for trade in this area between the USA and Vietnam, the latter exported just US$45,000 to the former in 2014. Meanwhile, the USA exported US$3.7M in solventborne coatings and US$2.1M in waterborne coatings to Vietnam in 2014. Such small figures highlight the regional nature of Vietnam’s coatings industry.

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