

A PROFILE OF THE CENTRAL AMERICAN & CARIBBEAN PAINTS INDUSTRY

2ND EDITION

IRL is pleased to announce the publication of a new and fully updated edition of its popular *Profile of the Central American & Caribbean Paints Industry*.

This report covers the markets for paints and coatings in eight Central American countries (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama) and eight Caribbean countries (Bahamas, Barbados, Cuba, Dominican Republic, Haiti, Jamaica, Puerto Rico and Trinidad & Tobago). It segments each country market into nine mainstream coatings sectors for 2011, and also includes overall market forecasts to 2016.

Central American & Caribbean Market for Paints & Coatings, 2011 (Tonnes)

Segment	Market Size (Tonnes)
Decorative Paints	933,300
Industrial Wood Coatings	29,850
Automotive OEM Coatings	45,000
Automotive Refinishes	60,220
Powder Coatings	27,750
General Industrial Coatings	106,100
Protective Coatings	69,600
Marine Paints	30,350
Coatings for Plastics	6,720
Total	1,308,890

- Mexico is by far the largest country market in the Central American/Caribbean region, accounting for over 60% of total demand for paints and coatings.
- Guatemala, the Dominican Republic and Cuba are the second, third and fourth largest markets respectively, while Belize, the Bahamas and Barbados are the smallest.
- The market splits almost 70:30 between decorative and industrial paints and coatings.
- Most countries are net importers of paints and coatings, with the key exceptions being Costa Rica, El Salvador, Guatemala and Barbados.

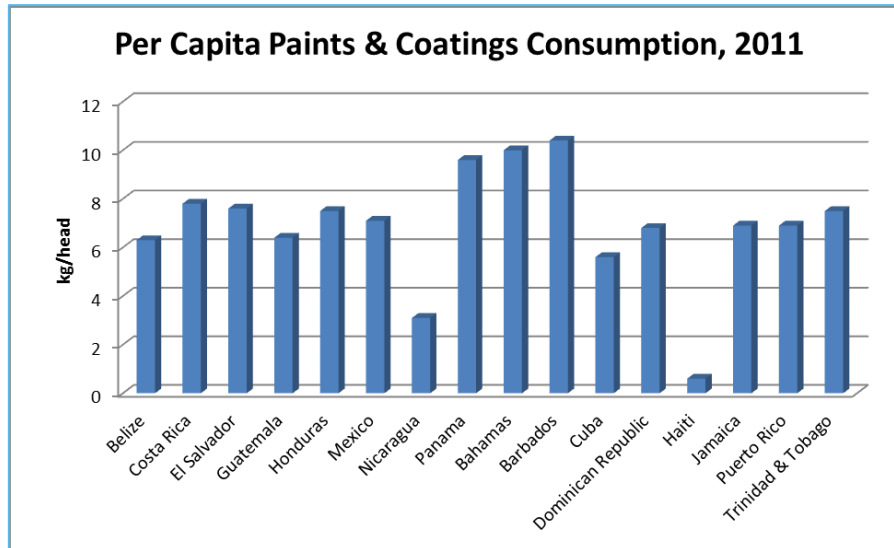
- The competitive environment is quite unique to the region, with the largest players in Central America being Pintuco of Colombia (which has recently acquired Vastalux and Grupo Kativo, both based in Costa Rica but with regional presence), Comex of Mexico (currently subject to a potential acquisition by Sherwin-Williams, subject to regulatory approval), Grupo Sur of Costa and Lanco of Puerto Rico. Grupo Solid of Guatemala is also a strong regional player in Central America.
- The Caribbean market is more fragmented, with main players including Berger (Asian Paints), Harris Paints (Barbados), Brandram-Henderson (Jamaica), Lanco (Puerto Rico), and Penta, Sissons and Kaleidoscope of Trinidad & Tobago.
- Cuba is strongly influenced by Mexican and Spanish paint brands.
- Official population statistics give a per capita paint consumption of 6.6kg for the region as a whole, with the highest levels seen in the Bahamas and Barbados. Haiti has the lowest paint consumption per person at only 0.6kg.
- The highest growth rates over the medium term are expected in Panama, where investment in expansion of the Panama Canal is aimed at allowing access to larger vessels. With canal traffic in the realm of 15,000 vessels per year or about 4% of global trade, Panama already possesses the largest trade zone in the Western Hemisphere, at Colón

There are several key drivers behind the expected future growth in the Central American/Caribbean market:

- ❖ Reconstruction after the Haitian earthquake of 2010. Already the poorest country in the Western Hemisphere with 80% of the population living under the poverty line and 54% in abject poverty, the earthquake inflicted US\$7.8 billion of damage and caused the country's GDP to contract by 5.4% in 2010. Following the earthquake, Haiti received US\$4.59 billion in international pledges for reconstruction, which has proceeded slowly thus far.
- ❖ Haiti's new US-funded industrial park at Caracol has already attracted Sherwin-Williams licensee Peintures Caraibes to set up a new production facility.
- ❖ Many of the countries in this region have strong agro-industrial sectors e.g. sugar, coffee, tobacco, shrimp. These industries will continue to demand general maintenance coatings, albeit on a relatively small scale.
- ❖ Tourism is an important contributor to many economies, particularly in the Caribbean. The demand for new hotels and improved infrastructure will continue to boost consumption of architectural and protective coatings.
- ❖ Sweeping economic reforms are highly anticipated in Cuba in the wake of leadership changes. These reforms include opening up the private property market to allow buying and selling, and elimination of the restrictive monthly ration book. In 2011 President Raul Castro announced that it would take at least five years to update Cuba's economic model, including the removal of mass subsidies on basic goods.

On-going problems for the regional paint industry include:

- ❖ Political instability
- ❖ Illegal dumping of cheap paints and coatings, particularly in Central America e.g. Honduras
- ❖ Highly competitive environment, particularly given recent acquisition activity – this will squeeze the margins of the smaller manufacturers and may force further M&A activity, or even push out some players
- ❖ Low levels of industrial development, which limits the market for industrial coatings
- ❖ High prices for raw materials



'A Profile of the Central American & Caribbean Paints Industry' is available now from IRL at the price of €3,500. It includes market data for 2011 and forecasts to 2016 for each country included in the report, plus a SWOT analysis of the paints and coatings industry overall and market splits by end-use sector. It also outlines the key industry players in each country and shows key trends in the decorative and industrial segments.