

Press release of

CEPE, the European Council of Paint and Printing Ink producers.

Brussels, 21 October, 2011

For 2012 no relief foreseen for cost increases of the main paint and printing ink raw materials; with TiO₂ as the main cause.

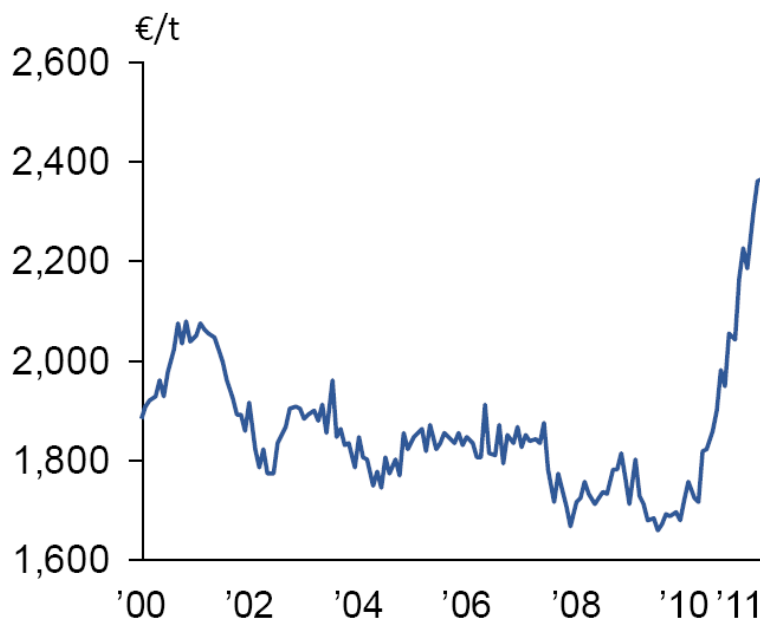
During a dedicated session at CEPE's recent annual conference in Dublin, the attending paint and printing ink producers were informed by industry experts on the possible price trends in the EU for the Raw Materials for their paint and ink products. With the slowdown of the economy, some producers were hoping that prices and availabilities would ease.

But according to these experts, price reductions in 2012 were considered to be an illusion. Even with a slowdown in demand in the EU, paint and ink raw materials prices are expected to rise next year.

Titanium dioxide: the shock

Titanium dioxide, the white pigment which is one of the high value raw materials in the formulation of paints and inks, has seen its price rise by more than 60/70% between beginning 2010 and end 2011, meaning an average increase of +30% per year.

WE intraregional pricing (CIF): 2000-2011 June



Source: TZMI database

This situation is the result of two factors which are expected to continue throughout 2012 and beyond:

- a very stretched global supply/demand balance as a consequence of capacity shutdowns and no new investment during the period 2000 to 2010 with an acceleration of closures after the worldwide crisis of 2008/2009, followed by a rebound of demand in emerging countries, especially in Asia.
- The second factor is linked to the sharp rise (well over 20%) in TiO₂ ore prices (ilmenite). In fact, the historical supply sources of this TiO₂ feedstock are depleting, and because of underinvestment to find new mines the supply of ilmenite is expected to remain very tight during the coming year.

Therefore the pressure on paint and ink producers is expected to go on, unless a deep worldwide recession scenario would change the whole picture.

The intensity of this pressure was said to depend on the speed and strength of the global growth or slowdown. A slowdown in growth as well as reformulations to partially replace TiO₂ may somewhat ease the supply/demand balance.

Binders: volatility

On the front of the other main components of a paint and ink formula, the binders, be it emulsions or resins, which are mainly derived from petrochemicals feedstock, the increases over the last 12 months have been 20 to 40%, depending on the type. Again for similar reasons: capacity constraints on monomers and feedstock.

Demand in regions other than the EU is expected to remain strong.

In addition, the oil price, the ultimate feedstock, will continue to fluctuate widely, with the uncertainty characterising the global economy in the coming months.

As a consequence, a lot of volatility is anticipated with wide variations month by month in the feedstock of binders, resulting in shorter validity of price agreements on emulsions and resins.

In conclusion

By the end of this session, it became clear to all participants (and underlined by the experts) that in the year to come, the paint and ink producers will each have to look for ways to deal with these pressures now that most of them have made their own internal efficiency improvements in recent years.