THE U.S. PAINT & COATINGS INDUSTRY, 2006-2011

A Multiclient Study

NOW AVAILABLE

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CONTINUING TO CHANGE WITH INCREASING DEMANDS

In the five years since our 2001 study, the U.S. economy has weathered the effects of September 11 and two wars, seen the accelerated move of manufacturing activity to Asia, had a boom in residential and commercial construction, experienced a sharp rise in energy and other commodity prices, and had a moderate expansion in GDP growth. In 2006, U.S. coating consumption stood at 9.5 billion dry pounds worth $23.8 billion. Volume is up 16% since 2001 and dollar value about 30%. Year-end 2006 saw a weakening of the U.S. economy, a sharp decline in the housing industry, and a continued fall-off in domestic car production. Coating volume is forecast to increase at a 1% annual rate through 2011. However, the mature growth rate masks the many changes that are occurring in supplier structure, pricing, technology, materials, and regulation.

Architectural is the largest coating segment with 52% of the dry poundage and 40% of the dollars. It is the coating segment that has had the highest growth since our last report, largely because of the housing boom. Architectural coatings are facing growing VOC regulation at the state level, and will shortly have a new EPA national regulation. A mature 1% annual growth rate is forecast through 2011, but products with lower VOCs and odor will gain.

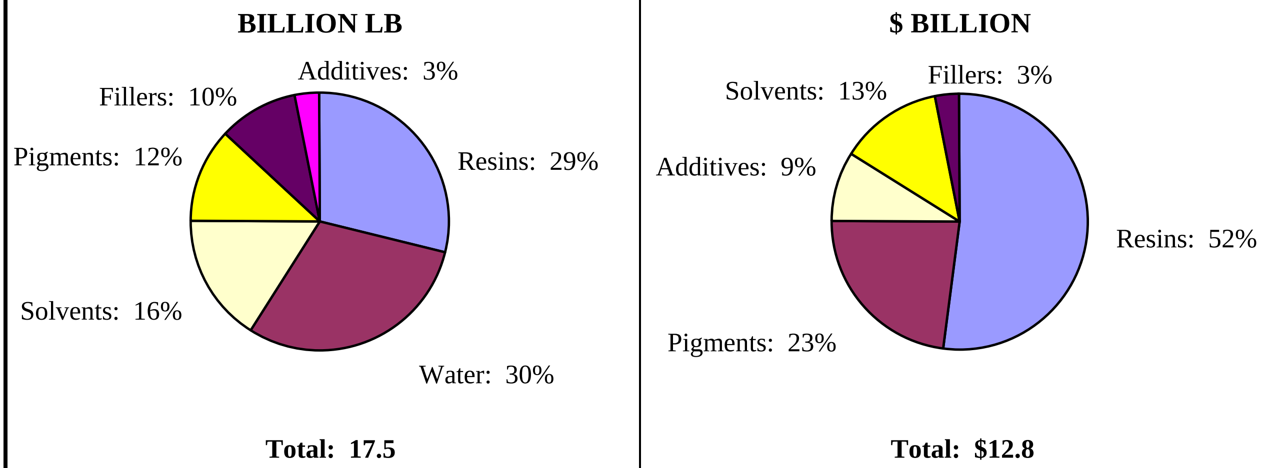
OEM coatings are second in volume and dollars with 26% of the solids and 36% of the value. OEM applications which have had little growth, or have declined, in recent years include auto OEM, residential wood furniture, metal containers, magnet wire, magnetic media, and electrical insulating. Most other OEM applications have experienced GDP, or slightly higher growth. The OEM coating supplier base continues to consolidate, but many end uses now have a limited number of suppliers.

Special purpose coatings were 23-24% of the solids and dollars. As was the case with architectural, many applications are facing more restrictive state regulations and a new EPA AIM rule. Increased usage of higher solids, water-based, and 100% solid technologies are forecast. Some end uses will employ more aggressive solvents in their SB coatings to obtain lower VOCs; exempt solvents are increasingly being used in the solvent mix. WB coatings are seeing a growing use of coalescents which do not contribute to VOCs.

Raw material usage in U.S. consumed coatings was 17.5 billion lb worth $12.8 billion in 2006. Volume is up 13% since our 2001 study, but dollar value is up 45% owing to the run-up in raw material prices. Price increases largely occurred over the last 2-3 years, and most is attributable to the increase in oil price. Commodity metal prices are also up sharply and coatings which use metals as a component (e.g.: zinc rich primers, antifoulants and certain pigments) are up significantly in price. Raw material costs were roughly 54% of the coating sales value in 2006, up from less than one-half of the sales total in 2001. Figure 1 shows the 2006 consumption of coating raw materials by type in both pounds and dollars. Solvents have seen the greatest increase in price, followed by resins.

FIGURE 1

U. S. CONSUMPTION OF COATING RAW MATERIALS, 2006



THE STUDY

THE U. S. PAINT & COATINGS INDUSTRY characterizes U. S. consumption of coatings during 2006 and estimates consumption in the year 2011. This 1,200 page report is a comprehensive analysis of formulated products, resins, pigments and solvents. A thorough business analysis is provided which includes profiles of leading formulators. Significant trends, new developments, regulatory implications, supplier structure, mergers and acquisitions, and technology are covered in detail.

Subscribers will find **THE U. S. PAINT & COATINGS INDUSTRY** the definitive reference work. Current participants, and those contemplating entry, will find the study essential in their planning process. Firms contemplating introducing new materials and technologies will find the study particularly attractive.

THE U. S. PAINT & COATINGS INDUSTRY is based on over 1,500 interviews with formulators, raw materials suppliers, equipment manufacturers, end users, and trade associations. Additionally, available literature was reviewed and analyzed. Kusumgar, Nerlfi & Growney's extensive knowledge of the industry, gained over the last three decades, insures an accurate and comprehensive report.

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OUR QUALIFICATIONS

Kusumgar, Nerlfi & Growney is a consulting firm specializing in market research and business analysis for the polymer and chemical industries. Members of the firm possess some 70 years of experience analyzing the coating, ink, and adhesive industries. Kusumgar, Nerlfi & Growney is dedicated to providing comprehensive and accurate information and insight on technology driven markets.

The information and analysis contained in **THE U.S. PAINT & COATINGS INDUSTRY, 2006-2011** was developed by Michael Growney, Steven Nerlfi and Minesh Kusumgar. No outside contractors were employed. Our expertise has been gained from conducting over 35 multiclient and numerous proprietary studies.

ADDITIONAL SERVICES

Kusumgar, Nerlfi & Growney's current project is **ASIAN COATING ADDITIVES**. Completion of the study is expected in the second quarter of 2008. Upon completion, Kusumgar, Nerlfi & Growney will begin work on its **ASIAN ADHESIVES AND SEALANTS** study. Interested parties should contact Kusumgar, Nerlfi & Growney for further information on these studies. Additionally, Kusumgar, Nerlfi & Growney recently completed **RADIATION-CURED PRODUCTS, 2005-2010** which provides a thorough characterization of this technology in coatings, adhesives, and inks. Kusumgar, Nerlfi & Growney also welcomes inquiries for projects of a proprietary nature.

SUBSCRIPTION INFORMATION

THE U.S. PAINT & COATINGS INDUSTRY, 2006-2011 is available through subscription. The price of the study is $14,000 and includes eight copies of the report. Additional copies are available upon request. To subscribe, please complete the contract on the following page and return to Kusumgar, Nerlfi & Growney. For additional information please contact Kusumgar, Nerlfi & Growney at 973/439-0030 or nerlfikng@cs.com.

CONTRACT FOR THE U.S. PAINT & COATINGS INDUSTRY, 2006-2011

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Please initiate our participation in **THE U.S. PAINT & COATINGS INDUSTRY, 2006-2011**. We understand our subscription entitles us to eight copies of the final report.

We agree that for a period of three years from publication to:

1. Not reproduce the study, in whole or in part, by any means.
2. Restrict use of the study to our own employees.
3. Prevent the disclosure of its contents, to the best of our ability, to any other firm or person.

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Kusumgar, Nerlfi & Growney will take reasonable precautions to prevent disclosure of the contents of this study, except to subscribers, for a period of three years after it is issued.

We understand the fee for **THE U.S. PAINT & COATINGS INDUSTRY, 2006-2011** is $14,000 (U.S. dollars).

Kusumgar, Nerlfi & Growney will invoice us for the full amount upon acceptance of our participation, after a countersigned copy of this contract is returned to us for our records. We will pay this invoice within thirty days.

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Name ______________________	Name ______________________
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POLYMER AND CHEMICAL BUSINESS ANALYSIS AND MARKET RESEARCH

ADDITIONAL SERVICES

THE U.S. PAINT & COATINGS INDUSTRY, 2006-2011 is Kusumgar, Nerlfi & Growney's twelfth multiclient study. Studies immediately available, or scheduled for completion, include:

- **WATER-BASED PRODUCTS**, July 2000
- **ADHESIVES IN DEVELOPING REGIONS**, December 2003
- **ADDITIVES, 2003-2008**, September 2004
- **THE ASIAN COATINGS INDUSTRY,** September 2005
- **RADIATION-CURED PRODUCTS, 2005-2010**, July, 2006
- **ASIAN COATING ADDITIVES**, Due 2008
- **ASIAN ADHESIVES & SEALANTS**, Due Late 2008

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