



# Paints & Coatings

The Canadian Paints and Coatings industry consists of paints, varnishes, lacquers, shellacs, and stains. The industry is divided in two unique sub-sections architectural and industrial. Each subsection is approximately equal in size in terms of shipments and total value of sales. The architectural coatings sub-section depends largely on the construction sector performance while the industrial sub-section is closely connected to the automotive, industrial equipment and major appliances sectors. The industry is heavily dependent on raw materials due to the many types of formulas and compounds.

The Paints and Coatings industry in Canada employs approximately 6,320 people in 137 businesses. In 2007, Canada's paints and coatings market was valued at US\$ 2.2 billion and had shipments of US\$ 1.7 billion, up from US\$ 1.6 billion in 2006. Canada imported more than US\$ 992 million in paints and coatings products, of which US \$821 million or 83 % were from the U.S. Estimates indicate that Canadian imports will increase another 3 % of the market share. Germany is Canada's second largest supplier with approximately 1.7 % of the market share, followed by the U.K at approximately 1.1 %. Other notable partners include France at 0.75% and Italy at 0.72%.

## Market Demand

As a mature market, Canada's Paints and Coatings industry is highly competitive. However, with both end user sectors (architectural and industrial) growing there is lucrative potential for U.S. products in the market. For example:

- ▶ In 2007, Canadian new and resold housing sales improved over 2006 levels at 228,343 and 520,000 units, respectively - real estate market expected to remain stable through 2008.
- ▶ New automotive sales reached 1,690,548 units – Canada's second highest recorded levels. Growth will continue into 2008.
- ▶ Industry Canada expects higher technology areas of the industrial sub-sector to fuel demand. These include environmental sustainability, construction and maintenance, equipment manufacturing, coatings and road marking paints.

## U.S Relationship

- ▶ Heavy cross border exchange of paints and coatings goods between U.S and Canada
- ▶ In 2007, approximately 83% of total Paints and Coatings imports into Canada originated from U.S and 91% of total exports were destined to the U.S.
- ▶ U.S imports have grown steadily from 2004 to 2007, showing a 13.5% growth, expanding 4% in 2007 alone - U.S-based businesses have always been the foremost supplier of paints and coatings inputs to Canada.

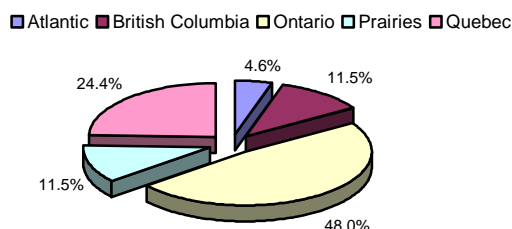
Source: Industry Canada – [www.ic.gc.ca](http://www.ic.gc.ca)  
Exchange Rate: US\$ 1 = CDN\$ 1

## Market Size, 2007

	2006	2007	2008 (Estimated)
Total Market Size	2,131	2,195	2,261
Total Local Production	1,631	1,680	1,730
Total Exports	463	477	491
Total Imports	963	992	1,022
Imports from the U.S.	797	821	846

(Millions of U.S. dollars; exchange rate \$1.00 US = \$1.00 CDN, Unofficial estimates)

## Regional Distribution of Establishments, 2007



Approximately 72% of all Paints and Coatings production in Canada occurs in Ontario and Quebec.

## Best Prospects

- ▶ **Paints or Coatings enhanced by Nano-materials**- expected to drive demand.
- ▶ **Smart Bio-Coatings**- plastics enhanced by enzymes.
- ▶ **Coatings with Molecular Surface Control** – trials with photosensitive chemicals.
- ▶ **PUR Coatings**- one and two-component waterborne PUR coatings are expected to be key growth area.