Import Substitution Opportunities In Paint Manufacturing

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CZI INDUSTRIAL & ECONOMIC RESEARCH

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Enterprise Leadership Service

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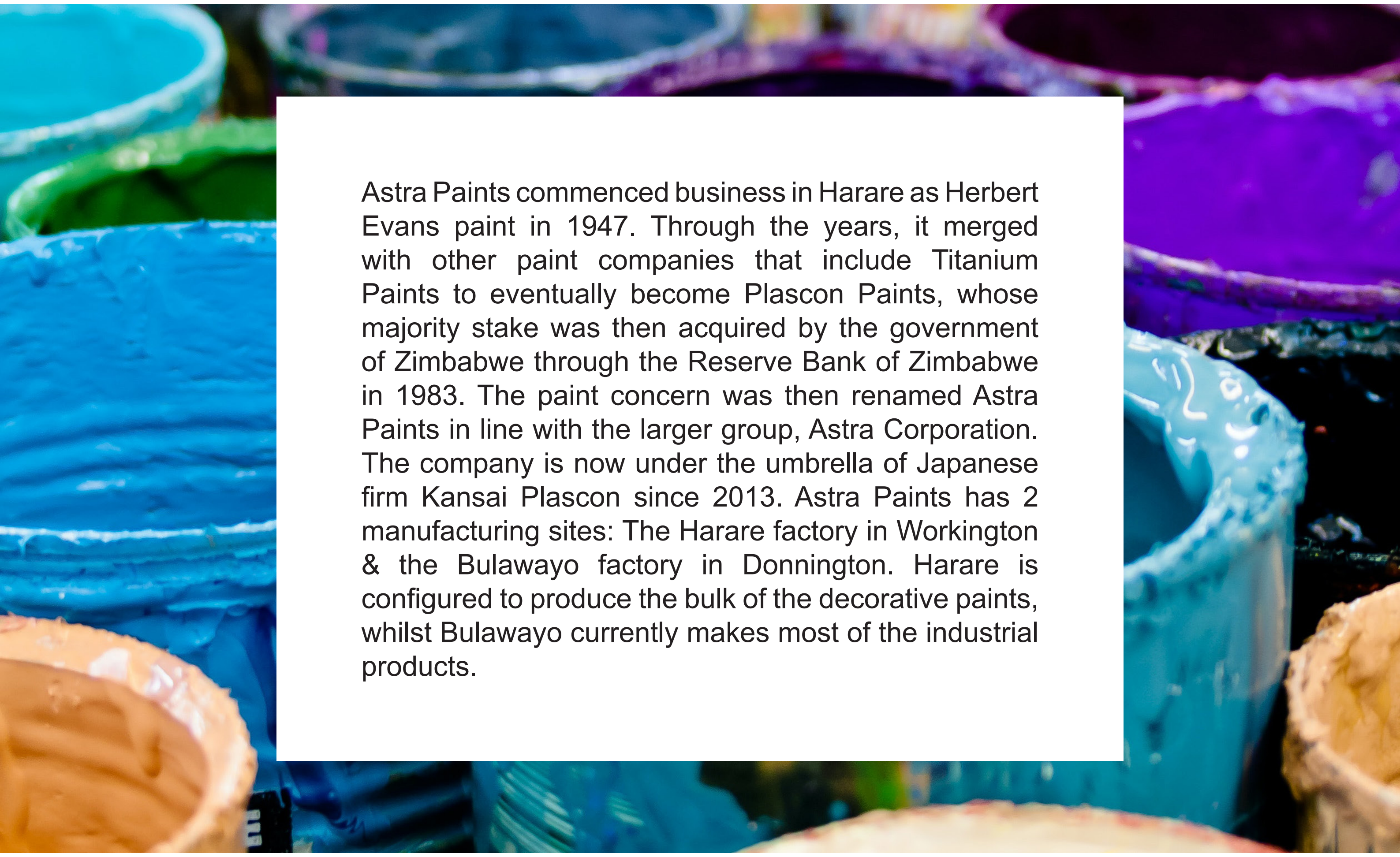
1 Introduction

Despite the entrance of new players or paint brands in the paints production sector, local producers import virtually all raw materials from South Africa and other markets to the tune of at least US$9 million annually. This means that the demand for foreign currency continues to grow and overdependence on imports becomes entrenched. The purpose of this document is to highlight opportunities for manufacturing for the local manufacturing (raw material production) to import substitute, save foreign currency, create local jobs, and improve local industry complexity in preparation for the Africa Free Continental Frees Trade Area (AfCFTA). The document can be key in highlighting opportunities for investment (local or foreign) in the local industry for a ready-made market and explored market. Lastly, the document helps to characterise the sector in terms of players and general information.



Astra Paints commenced business in Harare as Herbert Evans paint in 1947. Through the years, it merged with other paint companies that include Titanium Paints to eventually become Plascon Paints, whose majority stake was then acquired by the government of Zimbabwe through the Reserve Bank of Zimbabwe in 1983. The paint concern was then renamed Astra Paints in line with the larger group, Astra Corporation. The company is now under the umbrella of Japanese firm Kansai Plascon since 2013. Astra Paints has 2 manufacturing sites: The Harare factory in Workington & the Bulawayo factory in Donnington. Harare is configured to produce the bulk of the decorative paints, whilst Bulawayo currently makes most of the industrial products.

2 Sector Brief

The paints and coatings subsector in Zimbabwe is enjoying growth in sales in line with a boom in the real estate and construction sectors. In effect, market size is growing due to increase in population and demand for housing especially in urban areas. Similarly, increase in imports of motor vehicles has created massive demand for automotive paint. It is estimated that the local market requires 10 million litres of paint per annum. The sector earns a portion of its revenue in foreign currency with retailers also accepting the local currency (ZWL$). Historically, from 1980 to 2000, Astra Paints and Dulux dominated the sector with minor competition from Shield Cote and Prestige paints. The period after the year 2000 saw the entrance of various players and increased level of informalization especially in the retailing of imported brands.

Currently, there are at least 11 paint manufacturers on the local market and a host of distributors and retailers who are key in pushing the product to the consumers. Astra Paints (now part of Kansai Plascon) is the largest paint and protective coatings manufacturer in Zimbabwe and commands a market share of about 44% with Dulux in second place. Other producers include NASH Paints, Chroma Paints, Splash Paints, Atrack Paints, and International Coatings Company (ICC). The sector got real competition when NASH paints started operations in 2010. The new entrant has managed to gain market visibility and market share in automotive and decorative paints. NASH is also making forays into neighbouring countries such as Botswana, Zambia and Mozambique. As such, there are bright prospects for exporting Zimbabwean made paint into the region or setting up shop there.

Key capacity constraints in the sector include:

- Shortage of foreign currency on the formal market,
- Foreign exchange losses,
- High levels of inflation which impact consumer demand,
- Lack of capital at competitive interest rates,
- Obsolete equipment which affects which costs more to run and maintain, while impacting export competitiveness.

3 Raw materials used in paint manufacturing

As depicted in Table 1 below, most of the raw materials used in paint manufacturing locally are imported from South Africa, with South Africa exporting 88.34% of the raw materials used in paint manufacturing locally. China (Including Hong Kong and Taipei)) comes a distant second on import sources with 6.24% while other countries as far as India and Germany also feature despite the cost of shipping from those countries.

Paint is composed of **pigments, solvents, resins, and various additives**. Pigments give the paint colour; solvents make it easier to apply; resins help it dry; and additives serve as everything from fillers to anti fungicidal agents.

Pigments: Exists in both natural and synthetic form. There is the basic white pigment called titanium dioxide and black pigment is commonly made from carbon black. Other pigments used to make paint include iron oxide and cadmium sulphide for reds, metallic salts for yellows and oranges, and iron blue and chrome yellows for blues and greens.

Solvents: are low viscosity, volatile liquids which include petroleum mineral spirits and aromatic solvents such as benzol, alcohols, esters, ketones, and acetone.

Resins: most used natural resins are Linseed, coconut, and soybean oil, while alkyds, acrylics, epoxies, and polyurethanes number among the most popular synthetic resins.

Additives: serve many purposes for example calcium carbonate and aluminium silicate, are simply fillers that give the paint body and substance without changing its properties. Other additives produce certain desired characteristics.

Table 1: Paint Raw Material Imports by Country

	Raw Material	Source Country	Import Value in 2021 (US$)
1	Pigments (iron oxide, titanium dioxide, cadmium sulphide, metallic salts & iron blue)	South Africa	461,000
		China	413,000
		India	106,000
		Taipei	62,000
		Others	49,000
2	Solvents (benzol, alcohols, esters, ketones & acetone)	South Africa	5,325,000
		United Kingdom	59,000
		Germany	24,000
		Others	19,000
3	Additives (calcium carbonate & aluminium silicate)	South Africa	1,401,000
		Zambia	142,000
		China	67,000
		Others	74,000
4	Epoxy Resins (Lin seed, coconut, soybean oil, alkyds, acrylics, epoxies & polyurethanes)	South Africa	735,000
		Hong Kong	18,000
		Others	13,000
	Total		**$8,968,000**

Source: Statistics from Trade Map

4 Types of Paint

There are different types of paints that are available in the local market depending on the use cases on the customer end. The following types are available on the Zimbabwean market.

- **Oil paint:** A type of slow-drying paint that consists of particles of pigment suspended in a drying oil, commonly linseed oil pressed from the seed of the flax plant. Common applications of oil paint are in finishing and protection of wood in buildings and exposed metal structures such as ships and bridges.

- **Emulsion Paint:** A water-based paint, that consists of pigment, emulsifier, coagulant, and water. It is called emulsion because the pigments are dispersed in water emulsified with an emulsifying agent. Emulsion paint is exclusively for interior walls and ceilings.

- **Enamel Paint:** A hard surfaced paint, usually referenced to paint brands of higher quality, floor coatings of a high gloss finish, or spray paints. Most enamel paints are alkyd resin based. The most common uses of enamel paints are painting metal, glass, wood, ceramic items, and interior walls and exterior walls of a room.

- **Bituminous Paint:** A special paint used in construction for waterproofing, corrosion resistance, and damp proofing applications for different structural elements. It is made from bitumen or coal tar dissolved in mineral spirit or naphtha. It is primarily used as a protective coating for buildings, structures and items constructed from iron, steel, concrete, masonry, and wood.

- **Aluminium Paint:** A general purpose, high lustre paint for metal and wooden surfaces where aluminium finish is required. It is used to safeguard surfaces like metal grills, gates, roof, and pipes from corrosion due to its water permeable nature.

Anti-Corrosive Paint: Anti corrosive paint is a composition of corrosion resistant pigments such as zinc chromate, lead chromate, zinc oxide, zinc dust, zinc chromate, or red lead. Linseed oil is used as a binder in the anti-corrosive paint. The paint is used to neutralize existing rust and prevents direct contact between water/o or fluids. It stops the reaction between the metal and the oxidization that causes corrosion. It is mainly applied on ferrous metal, cast iron and steel surfaces.

Synthetic Rubber Paint: It is mainly made from synthetic rubber. Its used for interior and exterior applications, from road or stadia markings to swimming pools. It can be painted on a variety of surfaces, including metal, concrete, road surfaces and manhole covers, and dries within a matter of hours.

Cement Paint: Cement Paint is a mixture of Portland or white cement and lime with additions of mineral extenders, accelerator, and water repellent substances. It is applied to either exterior or interior including brick work and concrete for painting wall surfaces mainly for preventing water penetration and reductions of dirt collection.

5 The Manufacturing Process

Over 20 industrial minerals are crushed and processed to make paint manufacturing raw materials. These include:

	Mineral	Availability in Zimbabwe		Mineral	Availability in Zimbabwe
1	Asbestos	X	11	Limestone	X
2	Barytes	X	12	Manganese	X
3	Calcite	X	13	Mica	X
4	Chalk		14	Ochre yellow	
5	Dolomite	X	15	Pyrite	X
6	Fluorite	X	16	Pyrophyllite	X
7	Galena	X	17	Quartz	X
8	Graphite	X	18	Red ochre	
9	Gypsum	X	19	Silica sand	X
10	Jasper		20	Talc	X

Most of which can be mined in Zimbabwe. However, due to lack of technology and proper equipment to process the minerals to the required density, the minerals are processed in other countries to produce various additives and pigments above.

The paint manufacturing process starts from sourcing various pigments, solvents, and additives in bulk quantities, making the paste, dispersing the pigment, thinning the paste, canning the paint and quality control. The paint manufacturing process itself is localised, however over 88% of the raw materials used are imported from South Africa.

Thus, the sourcing of the raw materials is done by local producers or middlemen in South Africa. Relatively, Zimbabwe remains a small market for local manufacturers to import technology and large-scale equipment that can be used to produce the above raw materials for local paint manufacturers (intermediate manufacturing). The technology also needs capital outlay to maintain, which may not be sustainable at low volumes of production.

6 Major Paint Manufacturers and Wholesalers in Zimbabwe

There are at least 11 formal manufacturers of paint, at least 5 distributors and 5 large retailers of paint in the Zimbabwean Market. Table 2 shows the players and their specialty, role in the value chain and location. The location points to the concentration of most players in Harare and limited manufacturing outside Harare.

However, distributors supply various hardware, shops, tuck shops and informal traders that sell the product to the market across the country.

Table 2: Players in the paints sector

Manufacturers	Distributors	Retailers
Astra Paints (Kansai Plascon)	Jewel Paints	Bhola Hardware
Nash Paints	Motolac*	Nations Hardware*
Dulux	Ledger Paints	Electrosales*
Chroma Paints	Kingdom Paints*	Halsteds*
Atrack Paint	Pigmento Paints*	Union Hardware
Splash Paints and Plastics		Mica
International Coatings Company		
ShieldCote Paints		
Bravo Paints		
Omega Paints		
Jewel Paints		
Ledger Paints		

Source (CZI compilation)

* Distribution & Retailing of selected imported brands

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For any further information, clarifications or insights

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