



Q&A: Epoxy resin formulated are getting squeezed between high feedstock costs and the long terms they have to offer to customers

Janos Gal is ICIS's expert on the European epoxy resins markets. We talk to Janos about trends affecting the market.

Q: What are epoxy resins used for?

A: Epoxy resins are used in a wide range of applications, from circuit boards and other electronic applications through to automotive paints and coatings, construction and can coatings.

Q: So, demand for epoxy resins is driven by the overall economy?

A: Yes, when the economy slows, the overall demand for epoxy resins falls.

Q: Have prices been falling in Europe?

A: Yes, they have, and producers are cutting production rates to try to match demand. As a result of high feedstock costs, margins have halved in the first half of the year. Demand from the automotive coatings is down by about 11% in Europe in the first half of the year compared with the same period last year. Overall demand for epoxy resins is down by about 25% and capacity utilisation is running at about 70-80% along the chain. However, it is not all bad – the aerospace industry is doing well. This is a relatively small, but high value epoxy sector.

Q: Is there a direct link between epoxy resin producers and end-users?

A: No. There is an intermediate layer of companies. They buy from epoxy producers and formulate epoxy systems or paints that are sold to end-users. Formulators find themselves squeezed between their suppliers, who typically want payment within 30 days of delivery, and their customers, who typically demand 60-day terms. When things are moving well, it can take 90 days for a payment to get all the way along the chain from the end-user to the company that made the resin components. The firms in the middle are feeling the pain at the moment.

Q: If there's a lag, what happens in the markets? What is different about this year?

A: This year it is harder than ever for companies to get the credit they need to make the payments. This can slow the movement of cash along the chain back to the formulators and the epoxy producers. This can put financial strain on companies that have made commitments.

Q: What are companies doing about this?

A: Several companies have taken advantage of low interest rates in some eurozone countries to refinance their borrowings.



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