



COMPETES WITH WORLD LEADERS

The Croatian long tradition of producing paint and varnishes is **marked by extremely high product quality, a wide product line and good sales network**, says Renata Patarčić from the Croatian Chamber of Economy. After the recovery in construction, the potential for increasing production and use of paint and varnishes has become visible

by **Boris Odorčić**

Statistical data show a slight fall of production in the industry of paint and varnishes for the period 2010 – 2014. This is a consequence of the crisis which caused significant problems in the construction industry – the main user of these products. However, the exit from the crisis and a slow recovery in construction activity, has the potential to increase production and use of

TWO OF THE LARGEST PRODUCERS OF PAINT AND VARNISHES, BASED ON TOTAL REVENUE FOR 2014, ARE HEMPEL AND CHROMOS SVJETLOST

paint and varnishes, as Executive Secretary to the Chemical Industry Association of the Croatian Chamber of Economy, Renata Patarčić, points out. She also added that the latest statistical data for 2015 show signs of growth in production (up 5.6% compared with 2014). In other words, 44,622 tonnes of paint and varnishes were produced in Croatia during 2014

and 47,133 tonnes in 2015. According to official data provided by Fina for 2014, a total of 46 companies were registered as paint and varnish producers with a total of 638 employees. During this same year, the industry saw total revenue of €81.64 million, which is 0.4% of total revenue of the Croatian processing industry. Croatia's long tradition of producing paint and varnishes is marked by extremely high product quality, a wide product line and good sales network. The industry is characterised by modern and automated production, high productivity, environmental awareness and modern energy structure. It should and is, able to contribute to the environment and this is why companies invest in advanced water-based products, in innovative ideas and the promotion of production techniques, all covered as investment into research and development, says Renata Patarčić. She also added that investment in new products and improvement of existing products had resulted in many new products, and due to these products companies are able to compete with the biggest foreign paint and varnish producers on the local market. Furthermore, the quality of local products has also been recognised on demanding foreign markets.

PRODUCTION EXPORTS

In 2014, the value of exported paints and varnishes totalled €411,000, mainly to neighbouring countries and in high quantities (Slovenia, Bosnia and Herzegovina, Serbia, Italy, Turkey ▶



47,133
tonnes

of paint and varnish produced
in Croatia in 2015

44,622
tonnes

produced in 2014

46
companies

registered in Croatia
as paint and varnish producers
in 2014



Influence of the recession still exists and the recovery will last longer than thought.

Ivan Krišto, manager of Iskra Zelina



We should adjust to the EU, where everything is much simpler and where there is direction, counselling and help instead of fines – everything is in the function of development and work.

Jakša Singer, member of the board and procurator of Sitolor Tvornica Boja

▶ and Macedonia). Imports were €1.4 million, which shows how much space there is for reducing imported products with local and better ones.

The largest producers of paint and varnishes based on total revenue in 2014 are *Hempel* (90 employees) and *Chromos Suvjetlost* (129 employees).

Hempel, which celebrated its 100th anniversary in 2015, specialises in the production of protective coatings for ships and shipbuilding and maintenance, plants and metal constructions in industry, yachts and boats and decorative coatings (paints and varnishes; paint thinners and other supplementary material).

Furthermore, *Chromos Suvjetlost*, with a 100-year tradition in producing paint, produces base (anticorrosive) and finishing paint for protecting metal and wood; paint for internal walls and concrete, paint for external walls and paint for horizontal signalisation as well as other products for construction purposes.

FEWER NEW PRODUCTS

Ivan Krišto, manager of *Iskra Zelina*, says that the market situation for paint and varnish products is still bad. It is clear that the influence of the recession still exists and the recovery will last longer than thought. The construction sector suffered the heaviest blow – the number of new projects, the scope of work in new building has decreased. General illiquidity is especially highlighted in the construction sector and causes a severe problem. Raw materials required for producing paint and varnishes are mainly of foreign origin, and are paid for in advance or with short grace periods. However, the deadlines for collecting payment for sales are much longer. Furthermore, the purchasing power of people is not getting any stronger,

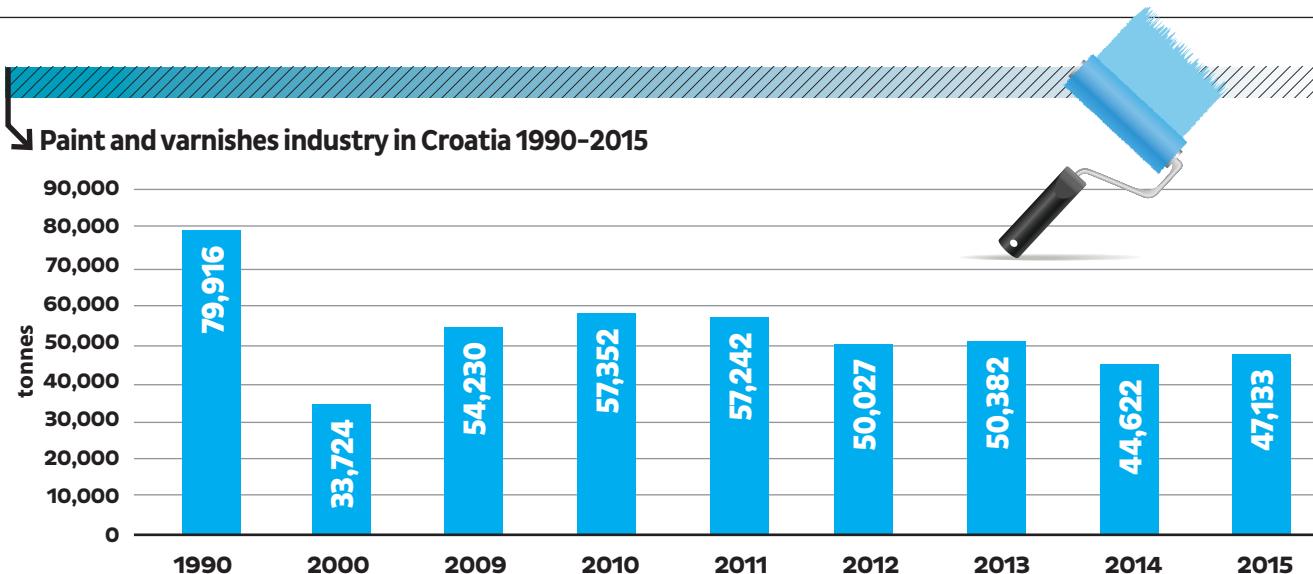
and all this reflects on the use of paints and varnishes, Krišto explains.

ALL THOSE WHO ARE ACTIVE IN THIS AREA HAVE BIG PROBLEMS CAUSED BY UNNECESSARY ADMINISTRATION, JAKŠA SINGER OPINES

Krišto claims that the preconditions for better business for all, as well as paint and varnish producers, will be created by stimulating an investment wave, increasing public purchasing power and decreasing illiquidity. The potential is hidden in better use of local resources and hiring more unemployed, especially young people who should be the generators of the economy, given the right momentum. Constant work on improving the business climate is equally important. General pessimism by the public is certainly one of the biggest reasons behind weak personal spending. Instead of spending, people opt for saving, Krišto highlights.

TEAMWORK

Even though market circumstances do not support Croatian producers, Krišto says that the Croatian producers can compete with foreign players. The quality of paint and varnishes produced in Croatia does not lag behind



Source: DZS, HGK

the quality of those from other markets. The production of paint and varnishes requires teamwork performed by highly trained experts - which we have always had. For the past couple of years, the production of eco-friendly paint and varnishes has been the focus of attention. I can confirm that Croatian producers are investing great efforts to be able to respond to this challenge, Krišto highlights. He also adds that *Iskra Zelina Kemijska Industrija* is a production company, founded in Zagreb in 1868. It has managed to survive mainly due to its staff. For the past couple of years, the factory has been going through a renaissance. Besides being one of the biggest producers of paints and varnishes in Croatia, *Iskra* is also known for producing cleaning products, glue, candles and cosmetic products for cars. We direct all our investment in developing new and inno-

LOCAL PRODUCERS HAVE A MARKET SHARE OF 15%, FOREIGN COMPANIES 25%

vative products as well as in expanding our product line. Our experts work constantly on the development and improvement of production processes and formulations so that we can offer high quality products to our customers, Krišto explains. In the middle of last year, the company launched a product line intended for decorative protection of internal and external walls in Croatia, and will offer fast drying pro-

ductive coatings for wood and metal surfaces during the first half of this year. In these ways, environmental awareness is nevertheless our main guideline, Krišto highlights.

HIGH LEVEL OF EU IMPORTS

Jakša Singer, member of the board and procurator of *Sitolor Tvornica Boja*, says that those active in this sector have serious administrative problems with many ministries – health care, environmental protection and others. Also, it is complex and time-consuming process to obtain a construction permit for a new plant since a great number of laws and regulations are intertwined, making the procedure unclear even for the institutions authorised for issuing construction permits, Singer points out.

Imports of paints and varnishes from the European Union is high, Singer continues. According to our estimations local producers have a market share of 15%, Singer highlights. Local producers, owned by foreign companies (for example *Hempel*) have 25% and producers from ex-Yugoslavian countries and Europe, 30% each.

The problem is, as Singer says, that non-EU products are not 'regular', that is, all the chemicals they contain have to be registered in the European Union and meet certain norms prescribed by specific provisions. This leads to unfair competition, Singer feels. He also adds that great potential for improving and expanding the industry is hidden in deregulation and simplification as well as in preventing non-regulated imports from non-European countries. Therefore, we should adjust to the EU, where everything is much simpler and where there is direction, counselling and help instead of fines – everything is in the function of development and work, Singer says. ■

“The sector of paint and varnishes is characterised by modern and automated production, high productivity, environmental awareness and modern energy structure.”

Renata Patarčić,
Executive Secretary to
the CCE Association of
Chemical Industry

