

COVID-19

Impact on the Packaging Industry

Covid-19 has had a mixed impact on the packaging industry with increase in demand experienced by selected end-markets such as food and healthcare. While sustainable packaging is likely to remain the primary focus of packaging companies in long term, the current focus has shifted to plastics

Impact of Covid-19 on the Packaging Industry

SHIFT TOWARDS PLASTICS



Longer shelf life, better suitability to prevent contamination and the ability to be disinfected without damaging the packaging or the end product has resulted in a spike in demand for plastic packaging materials. With the current situation demanding a longer shelf life for both commodities and packaging materials, plastics are expected to be the go to materials at least till the pandemic is under total control

PAUSE IN FOCUS ON SUSTAINABLE PACKAGING



While sustainability has been the key trend for the sector, the pandemic and the resultant crisis has led to a dependence on traditional materials. The focus on sustainable materials, given the infant stages of development which they are at, has come to a momentary halt. While this trend is expected to pick up, the speed of adoption may be slow paced even in the post-covid period

SUDDEN SPUR IN DEMAND FROM SELECT END-MARKETS



Packaging manufacturers are witnessing higher demand from sectors such as Food & beverages, Pharmaceuticals and other essential commodities such as hand sanitizers, soaps, disinfectants since these categories are currently considered essentials and consumers stocking up these items.

REALIGNMENT OF SUPPLY CHAIN



Amid the Covid-19 outbreak, the industry has witnessed disruptions in its supply chain and manufacturing capabilities due to overreliance on China. The manufacturers will be more inclined towards accessing their supply-chain vulnerabilities and reduce dependence on China and focus more on domestic suppliers alongside considering other dependable options.

OPPORTUNITIES FOR E-COMMERCE PACKAGING COMPANIES



With most physical retail stores being shut during lockdown, online portals are in a boom period. Retailers who never had online presence have been forced to shift their business to e-commerce to ensure survival. While Post-covid, many consumers will return to physical retail, the sector could witness a longer-term change in shopping habits with more reliance on e-commerce platforms for essentials as well. This is expected to positively influence the companies specialized in e-commerce packaging

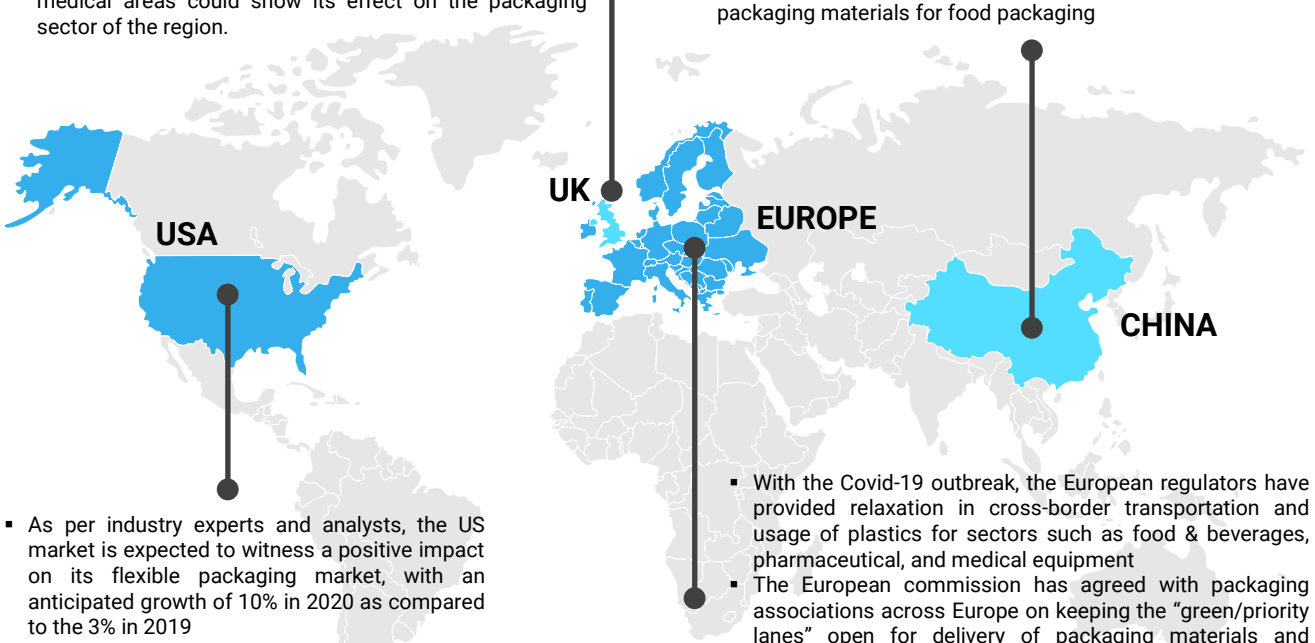
MARKET CONSOLIDATION



While the M&A activities in the sector would see a slow pace in the short term, COVID-19 is expected to create opportunities. The fall in share prices of publicly quoted companies could make them more likely takeover targets. The market is also expected to witness consolidation as businesses come together to survive and strengthen their market position

With regulators across the key markets extending support to the plastic manufacturing segment and efforts being channelized in ensuring that the production is not impacted...

- UK has also shown its support for usage of plastics in packaging amid the Covid-19 outbreak. The British Plastic Federation has urged the government to remove the ban of plastic usage for packaging of food and beverages items
- The regulators (British Coating Federation) has expressed its concern over the anticipated raw material shortages which could impact the availability for food packaging materials
- Key materials such as ethanol and propanol needed for production of inks and varnishes for consumer packaging being in high demand for disinfectants, sanitary and medical areas could show its effect on the packaging sector of the region.
- The Institute for Supply Management (ISM) stated that the manufacturing in China, one of the first markets to experience the slow-down, fell to an all-time low during the outbreak with manufacturers reporting 50% operating capacity utilization
- The impact of the slowdown in China was faced across the globe, with China being the leading exporters of Polyethylene Terephthalate (PET), a key ingredient in manufacturing of packaging materials for food packaging



While the industry is expected to witness continuous demand even in the uncertain times, the manufacturers are playing safe by taking proactive measures to cut down costs and to protect their profitability

IMPACT ON KEY SUB-SEGMENTS

Consumer Packaging



- The lockdown coupled with the fear of shortage has led to stockpiling of essentials and CPG products resulting in a spike of consumer packaging products
- Flexible, rigid and corrugated packaging solutions have currently witnessed this trend and this trend is expected to continue post-covid as well
- Although temporary, single-use packaging solutions has been the key beneficiary due to the covid outbreak with nations currently focusing on ensuring product availability as compared to sustainability

Healthcare Packaging



- Demand for the medical equipment's, medicines and medical kits for health-professionals globally is expected to drive the need for healthcare packaging
- Supplies such as gowns, swabs, and gloves are driving the demand for flexible packaging.

E-commerce Packaging



- E-commerce currently being one of the most widely preferred channel across globe is poised witness significant growth in demand of packaging solution
- With more physical retailers shifting to online sales channels is further fuelling the demand for e-commerce packaging solutions such as corrugated boxes, flexible packaging wraps and others

HOW ARE THE KEY PLAYERS POSITIONED...



With its key end use segments such as food & beverage, pharmaceuticals being positively impacted the company with its strong financial profile and thorough business continuity plan is upbeat about 2020



The group has revised its capex outlook from € 800 million to € 600 million. The company is upbeat on withstanding this slowdown and is taking proactive measures to mitigate the risks associated with the pandemic



With an aim to support the global response to the pandemic, the Tetra Laval Group has proposed to donate € 10 million to various voluntary organizations supporting the health care systems across the markets they operate in



The company reported 16% drop in Q1 2020 revenues as compared to same period 2019 owing to business closures. The company is undertaking cost reduction actions including capital expenditure reductions, recruitment restrictions and considering possible temporary lay offs

For a more detailed assessment of the impact of COVID-19 on the Packaging industry please reach out to marketing@datamaticsbpm.com.