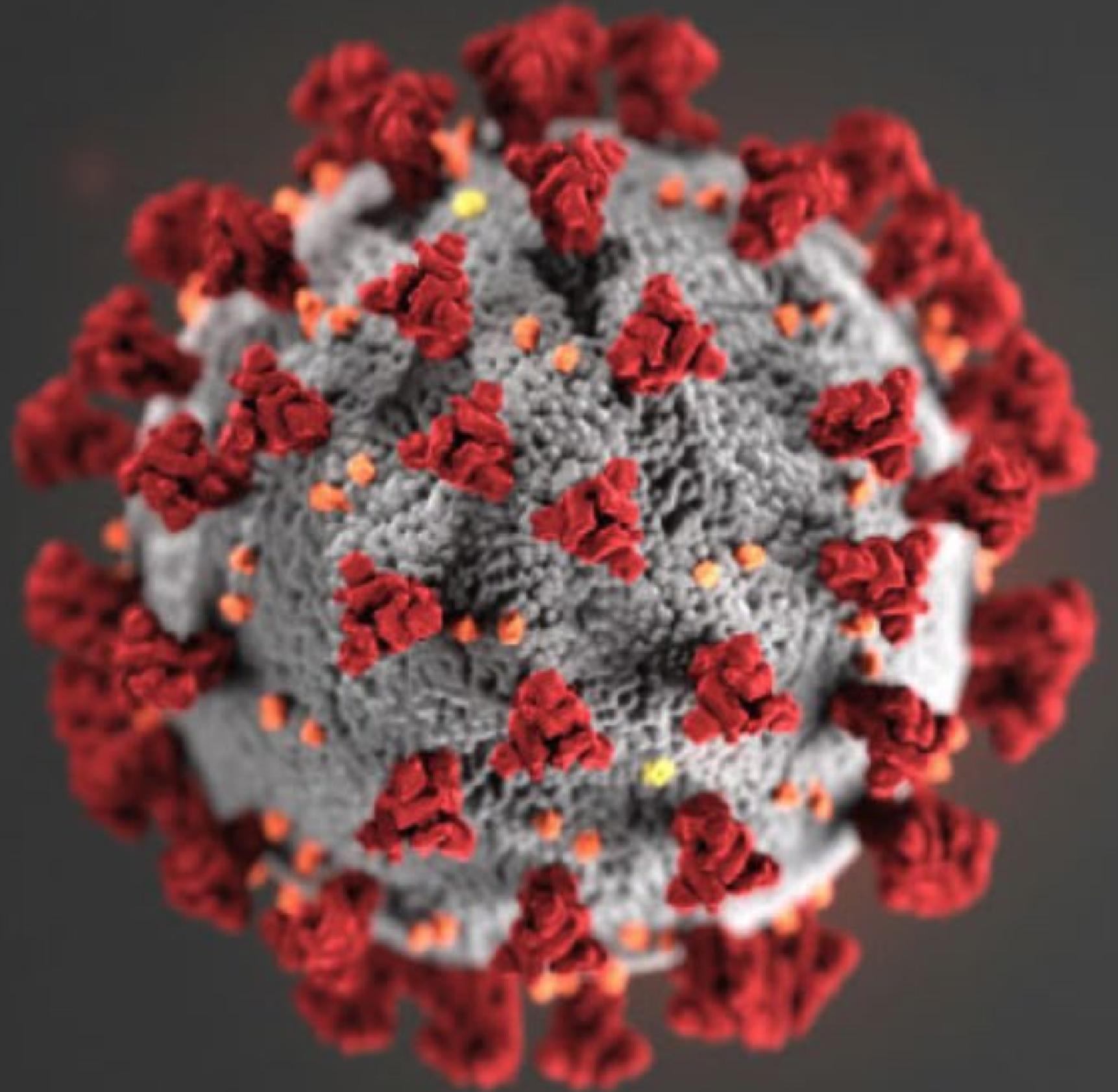




Corona virus – Impact Assessment – Packaging

April 2020



Impact Assessment : Rigid and Flexible Packaging

Advisory Insights

- Demand for essential services such as personal and healthcare products is witnessing a spike which can impact both rigid and flexible packaging products, especially HDPE containers, pumps and pharmaceutical bottles, however, demand from packaging of non-essential industries is declining gradually with many countries under lockdown and restricted movement across countries
- Rigid and Flexible packaging categories that cater to essential services are still operational with mandated precautionary measures for COVID-19 indicating no significant supply disruptions
- Regional label suppliers who do not cater to food and healthcare industries can witness reduced demand owing to shutdowns all over the globe. However, key global players such as Avery Dennison and CCL Labels continue their business operations with focus on essential business such as healthcare and food with priority
- Impact of COVID-19 on China is slightly improving with manufacturing units resuming to function, however majority of the countries such as US, UK, Italy, India etc. are in complete lockdown, indicating a dip in overall demand. Restriction of movement across countries curbs opportunities for cross country sourcing

Packaging Categories	Impact Assessment
Plastic Bottles and Caps	
Glass Containers	
Labels	
Pouches and Bags	
Plastic Films	

Supplier News

- Some of the segments catering to hygiene, medicines etc., have received a sales boost with mounting demand, and since most of the global suppliers are operational, there is no significant indication of supply disruptions
- Demand for non-essential services is gradually declining with lockdowns
- Cross country sourcing is shut down by many countries thus limiting the trade significantly
- China is regaining functionality of its manufacturing units, however other major countries are still under halt



Impact Assessment : Paper Packaging

Advisory Insights

- In China, Most pulp and paper facilities in Hubei province, the center of China’s COVID-19 outbreak, have restarted operations after shuts of up to two months. The pulp and paper industry in the province has gradually recovered from the prolonged stoppage after non-essential enterprises including all pulp and paper mills, closed in late January as the provincial capital Wuhan and then the rest of Hubei were placed under lockdown. With the number of new cases falling sharply this month, the local authorities have begun to allow businesses to reopen from March 10 on the condition that sufficient protective measures against the virus, including masks for personnel, are in place
- In India, despite the availability of exemptions for paper and board production during India’s national anti-COVID-19 lockdown, most of the mills in the country are out of operation. Most mills are closed, and the ones that are open are facing logistical issues as truckers being unwilling or unable to work through the shutdown. This is causing a build-up of recovered paper imports at ports, choking furnish supply to mills and leading to demurrage fees high enough that local media has warned importers may start abandoning tonnages there
- In Latin America, the increasing number of confirmed COVID-19 cases has forced local governments to close borders, order lock downs and demand people to stay at home and industrial operations have been imposed new health standards to slow the virus’ spread. In this scenario, pulp and paper expansion projects in the region have begun to be affected, as major construction sites gather thousands workers and companies focus on keeping their current production unaffected. In the recycled paper market, there are fears over the supply of recovered paper supply as there is uncertainty on how the recovered paper chain will react to the lock downs and restriction of people circulation in several cities of Brazil
- In Newzealand, the Covid-19 pandemic has somewhat disrupted pulp production in New Zealand since the country locked itself down for at least four weeks starting last Wednesday, shutting all non-essential businesses. However, the terms of the lockdown do not mandate that all pulp and paper facilities shut down
- In Europe, following calls from the packaging industry, the European Commission has confirmed that the transportation of packaging materials, including paper-based cartons and carton board, for essential industries such as food and pharmaceuticals, will be able to use its ‘green lanes’ and has updated its ‘Guidelines for Border Management’ to reflect the recommendation

Supplier News:

- In Brazil, the expansions projects of Klabin (Puma II, Brazil), WestRock (Três Barras, Brazil), UPM (Paso de los Toros, Uruguay), and Arauco (MAPA, Chile) are halted.
- New Zealand’s leading pulp and paper producer, Oji Fiber Solutions (OFS), has confirmed the firm has kept its flagship Kinleith mill running. The plant can produce 340,000 tons/yr. of containerboard and 280,000 tons/yr. of radiata pine, which is mainly exported to China and other Asian markets
- Shandong Chenming Paper Holdings’ pulp mill in Huanggang city reopened on March 20. The operating rate of the sole 500,000 ton/yr. kraft pulp line at the site had reached 80%. However, the company’s paper mill in Wuhan, which has 220,000 tons/yr. of tissue, specialty paper and graphic paper capacity, remains shut without a set date for reopening

Commodity / Category	Impact Assessment (Short Term)
Corrugates	
Folding Cartons	
Pulp	





Knowledge First

T: +971 50 7383984

Email: info@kcorp.net

Website: www.kcorp.net

