

# Fastmarkets Global Paper Packaging Trends



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**The industry has  
overinvested in  
capacity**



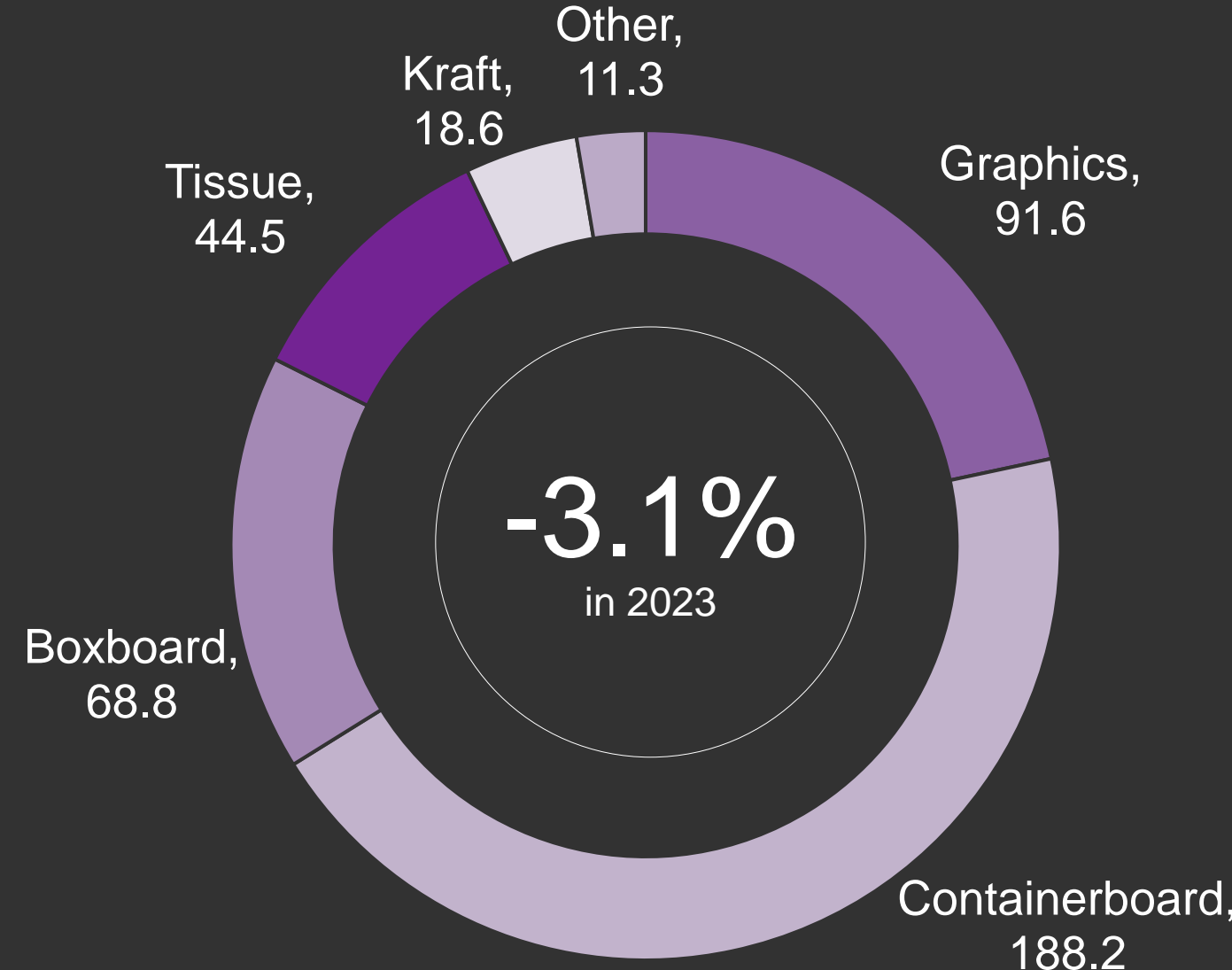
**Lackluster  
demand**



**Growth  
opportunities**

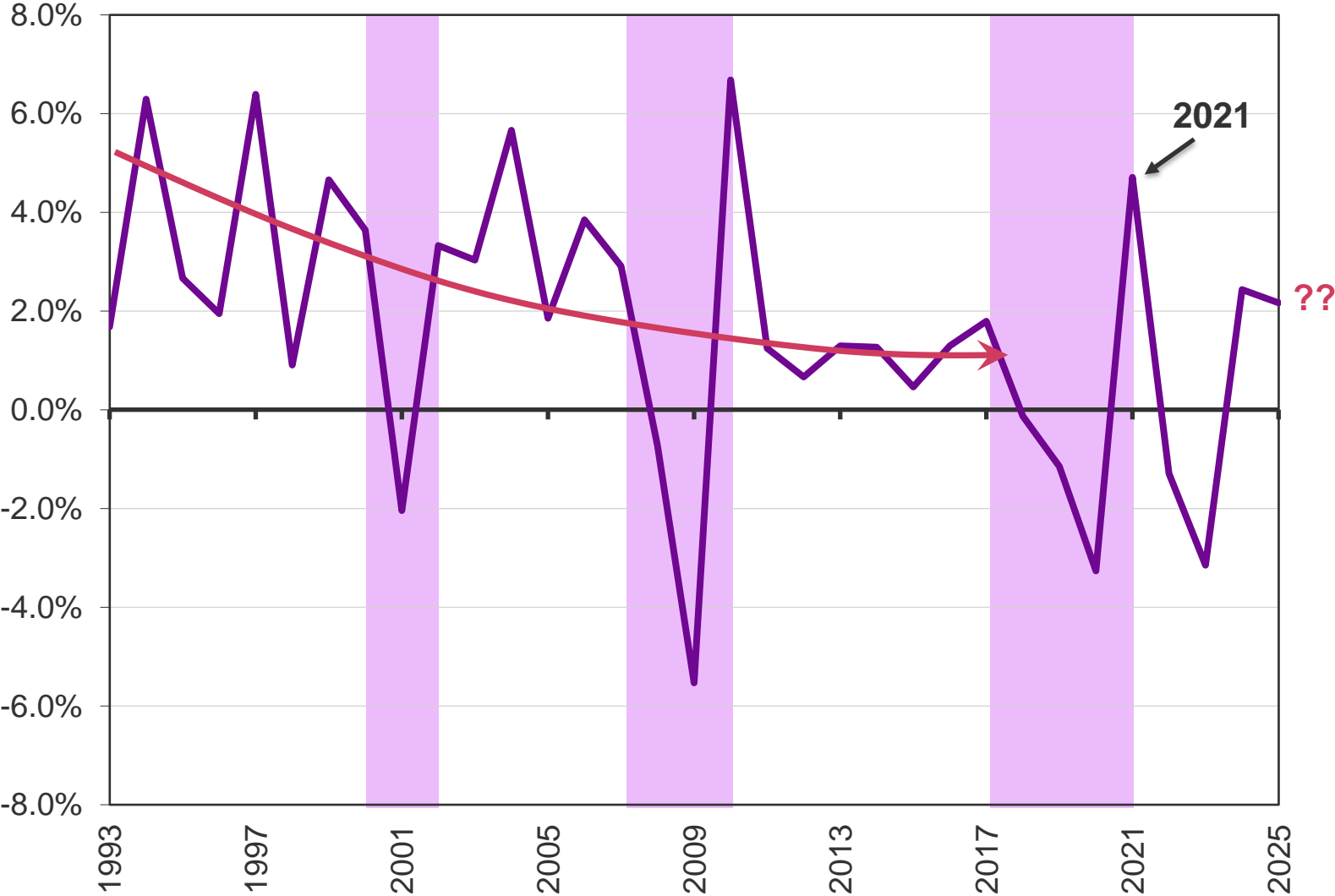
# Global paper & board

409.7 million tonnes in 2023, down 3.1% from 2022



The 4.7% growth posted in 2021 was above normal for the past 10 years, but not unusual after a crisis period

Forecast growth for 2023-25 increasingly at risk



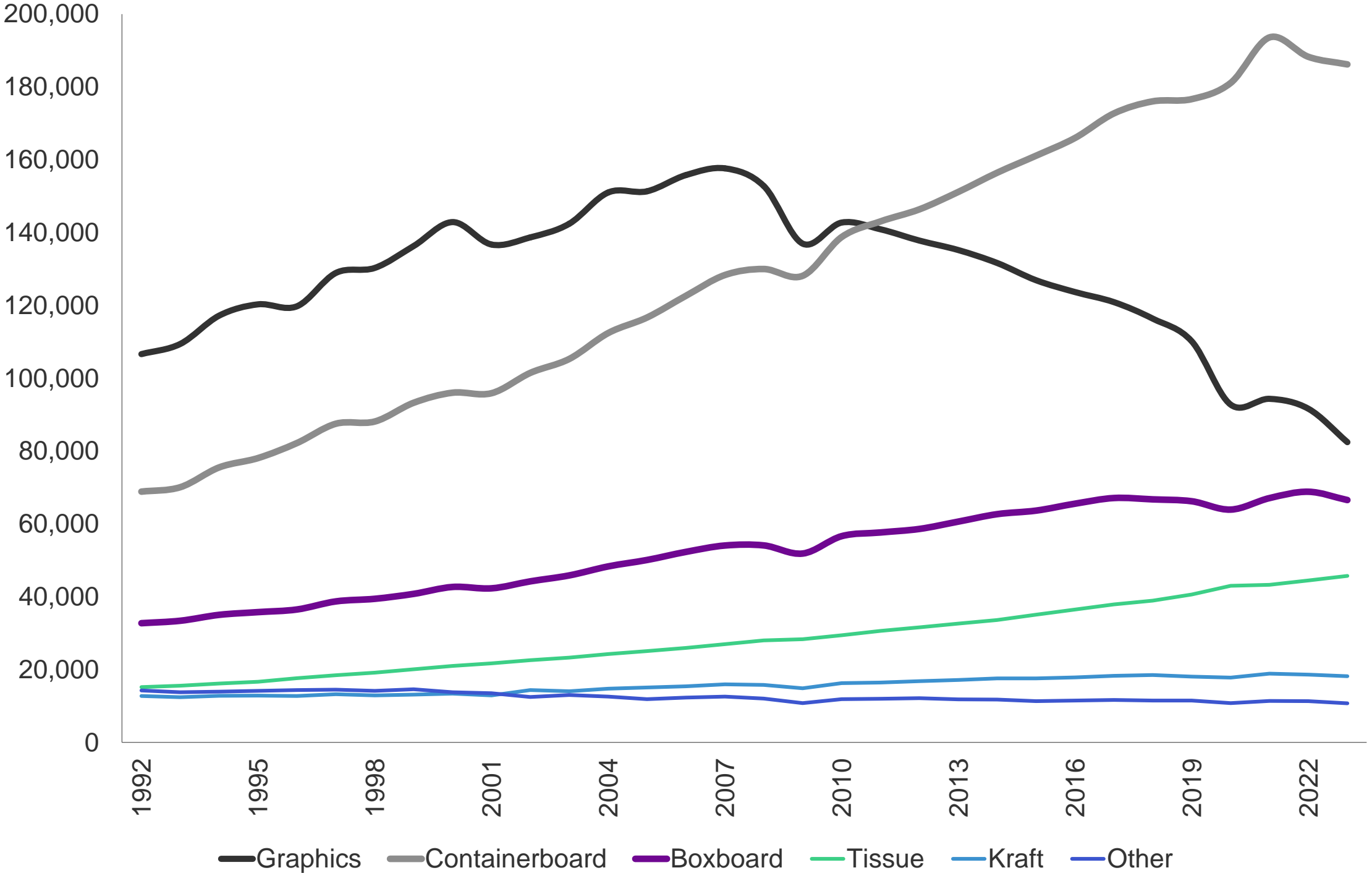
# Packaging papers doing better



Packaging papers account for 65% of global paper and board demand

Containerboard alone represents 45% of the total

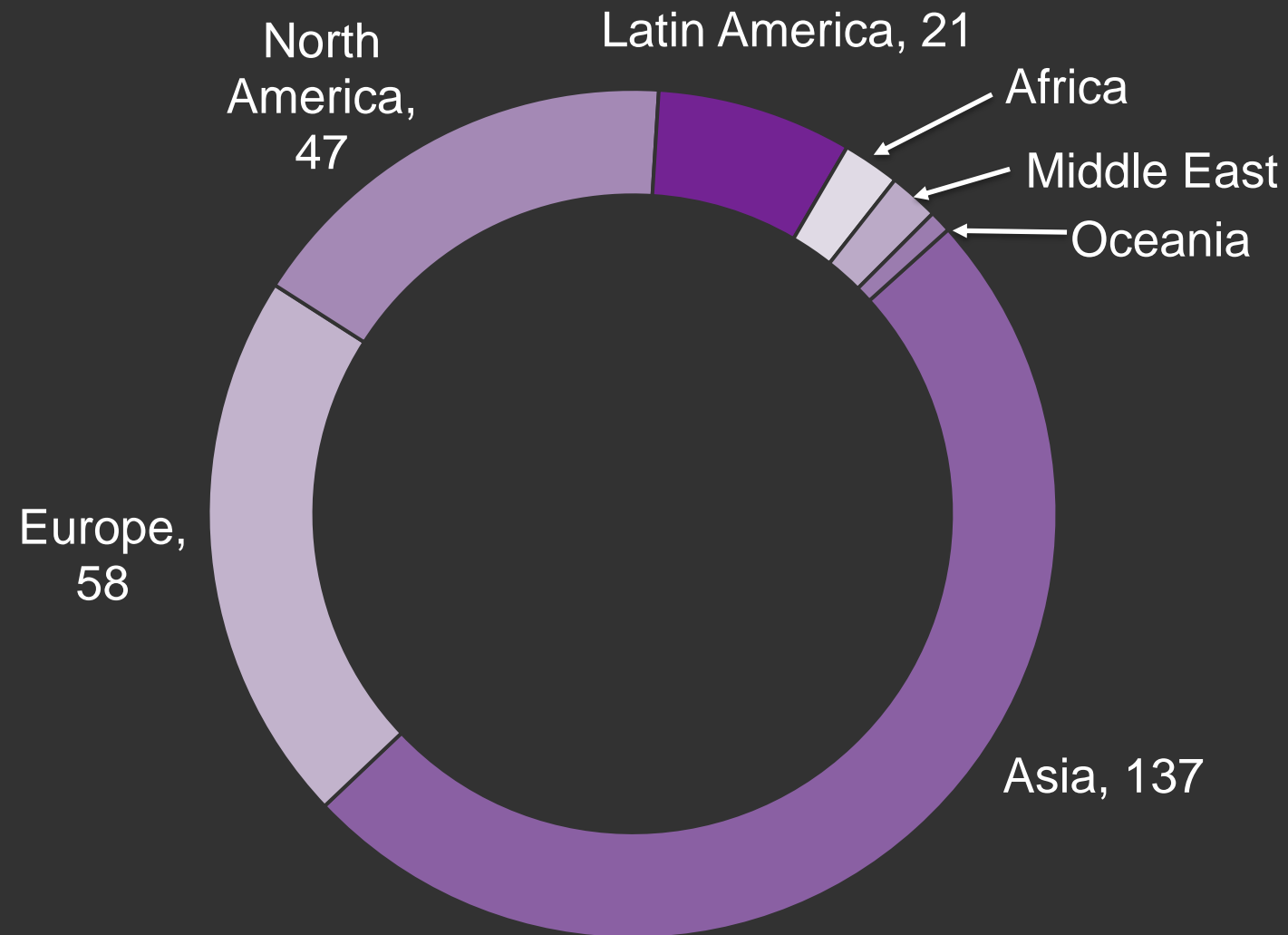
Every grade performed better in 2021, but the containerboard jump was more obvious... leading to the overreaction seen during the great destocking of 2022-23



# Global packaging papers\*

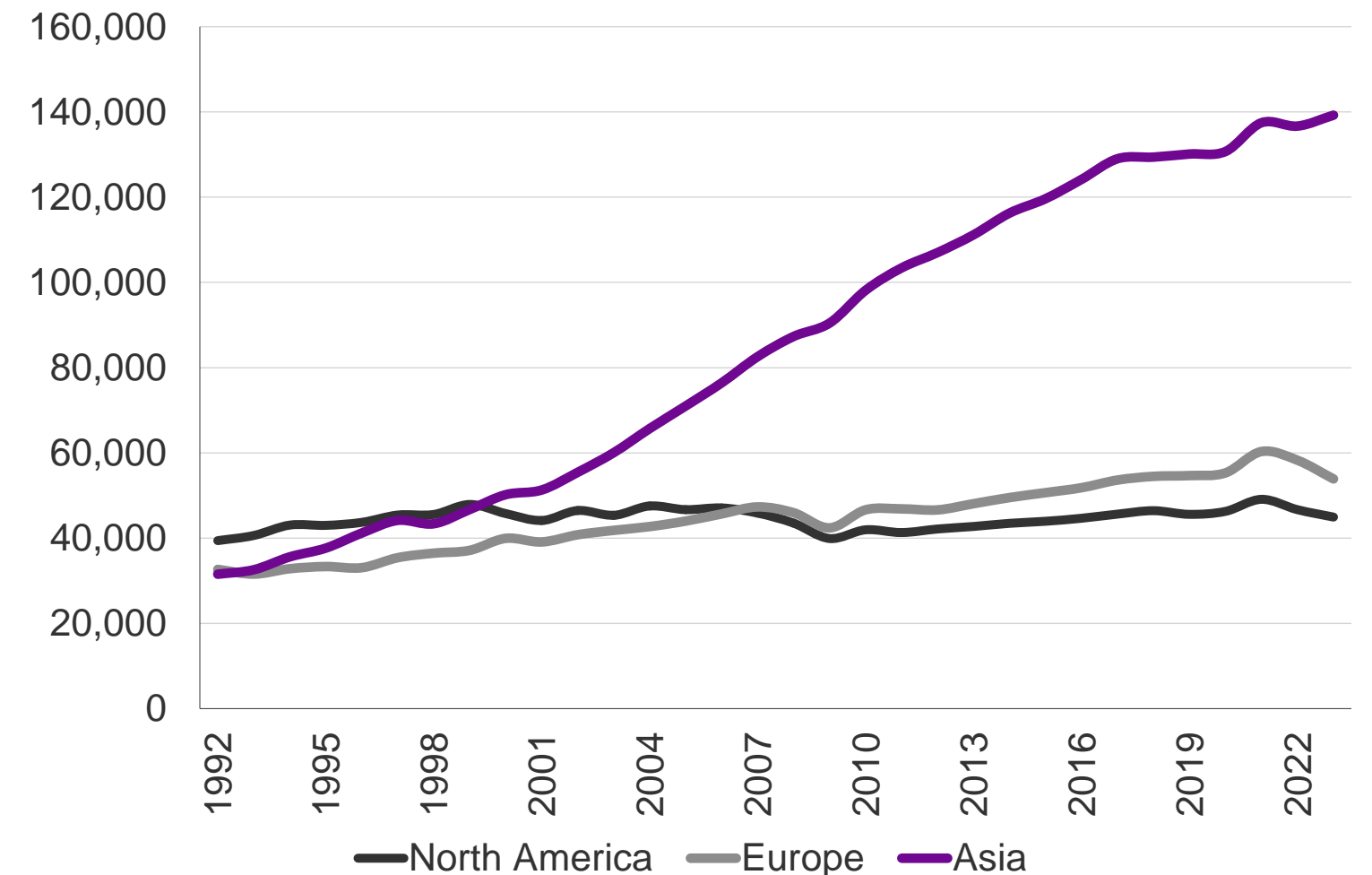
Top 3 account for 88% of global consumption

\* Global packaging defined as containerboard, cartonboard and kraft papers



Asia only accounted for 28% of global packaging papers in the 1990s. Now, it accounts for 50% of the total.

Asia will continue to grow twice as fast as Europe and North America.





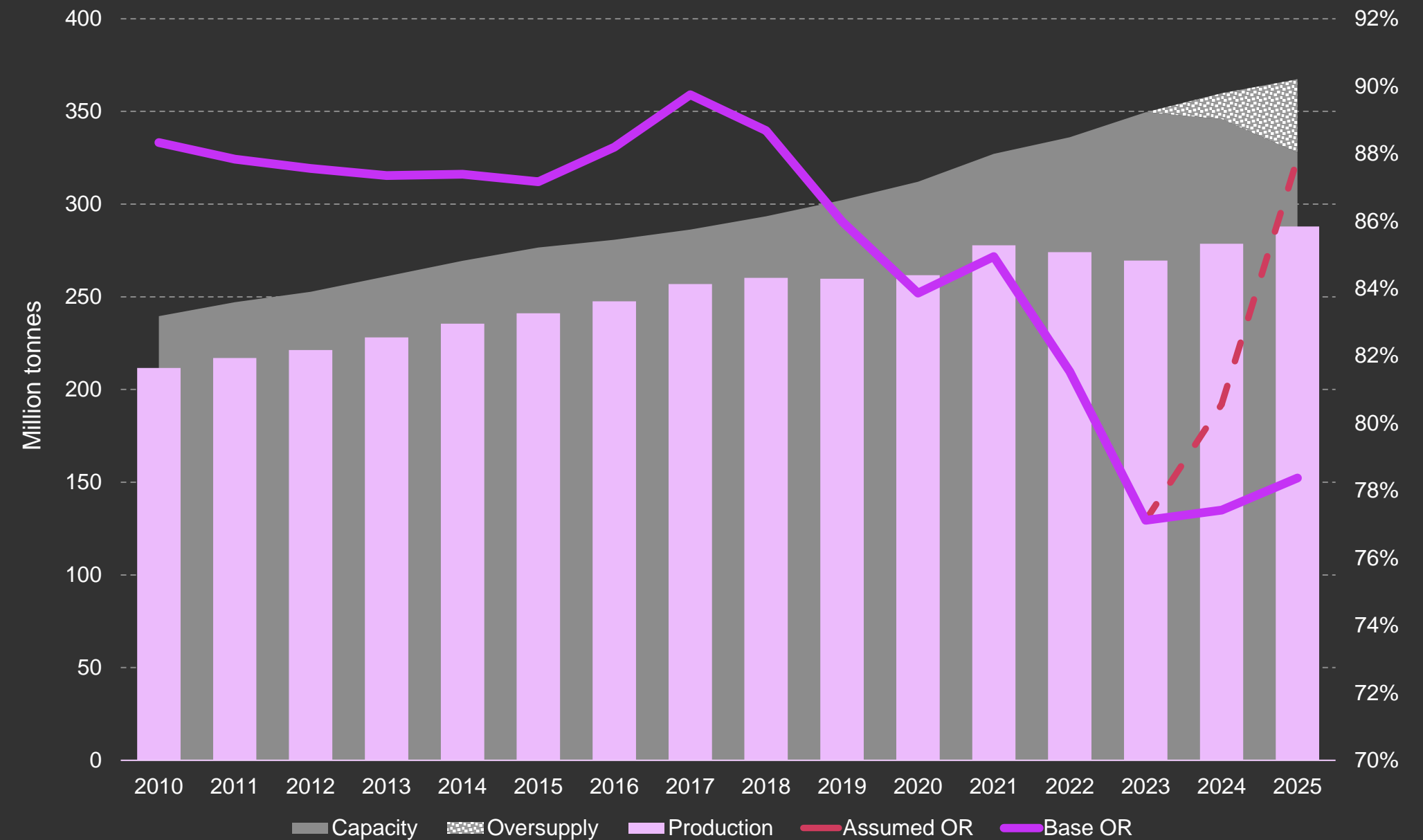
# Excess supply



**40** million tonnes

Assumes markets returning to historical 88% operating rate

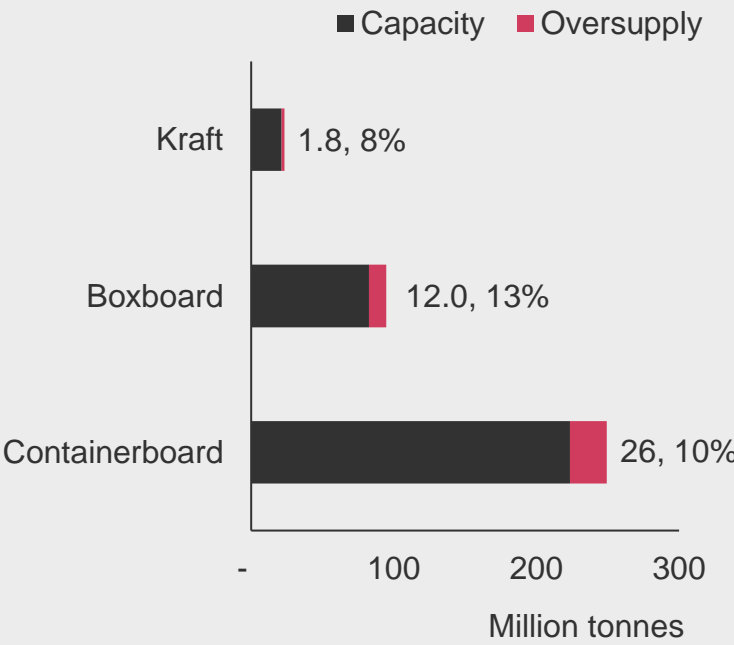
## Global packaging papers supply and demand



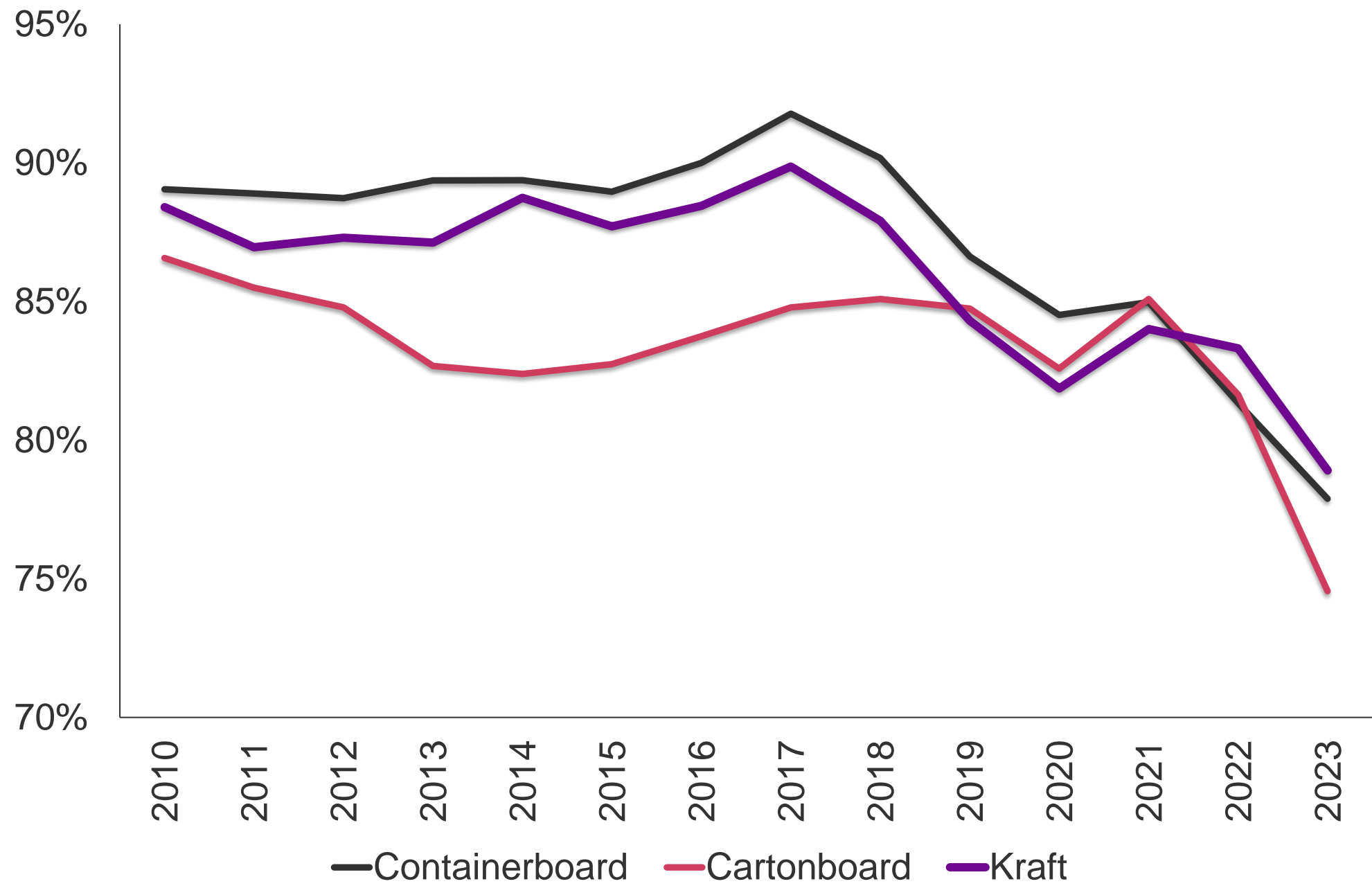


# Boxboard is carrying the most oversupply

Containerboard accounts for 65% of all oversupply in the market



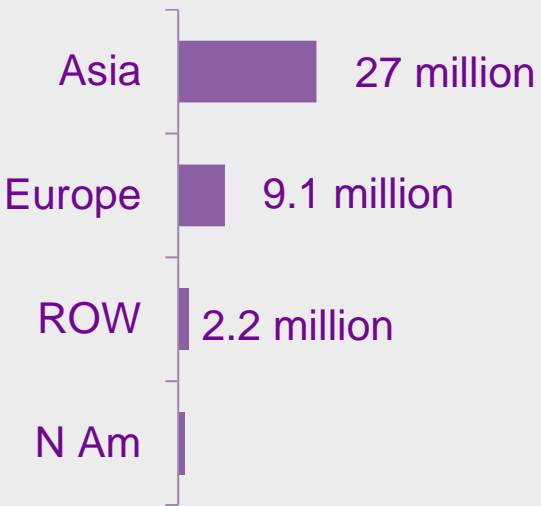
Containerboard is also the largest packaging paper segment



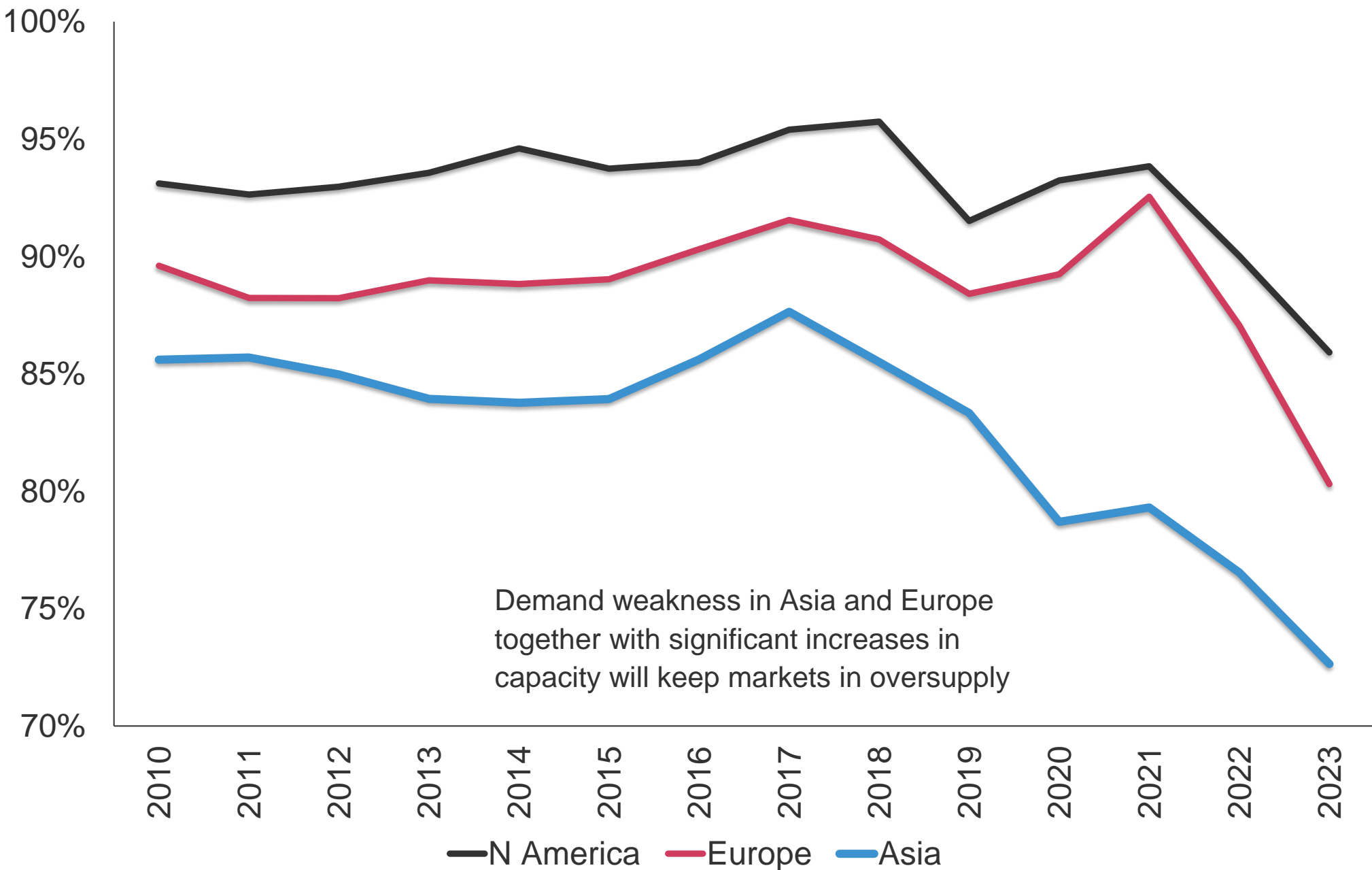
# Oversupply heavily concentrated in Asia



Asia accounts for almost 70% of the 40 million tonnes of overcapacity



Asia also accounts for roughly half of the global market





# Market not being given a respite from overinvestment in capacity

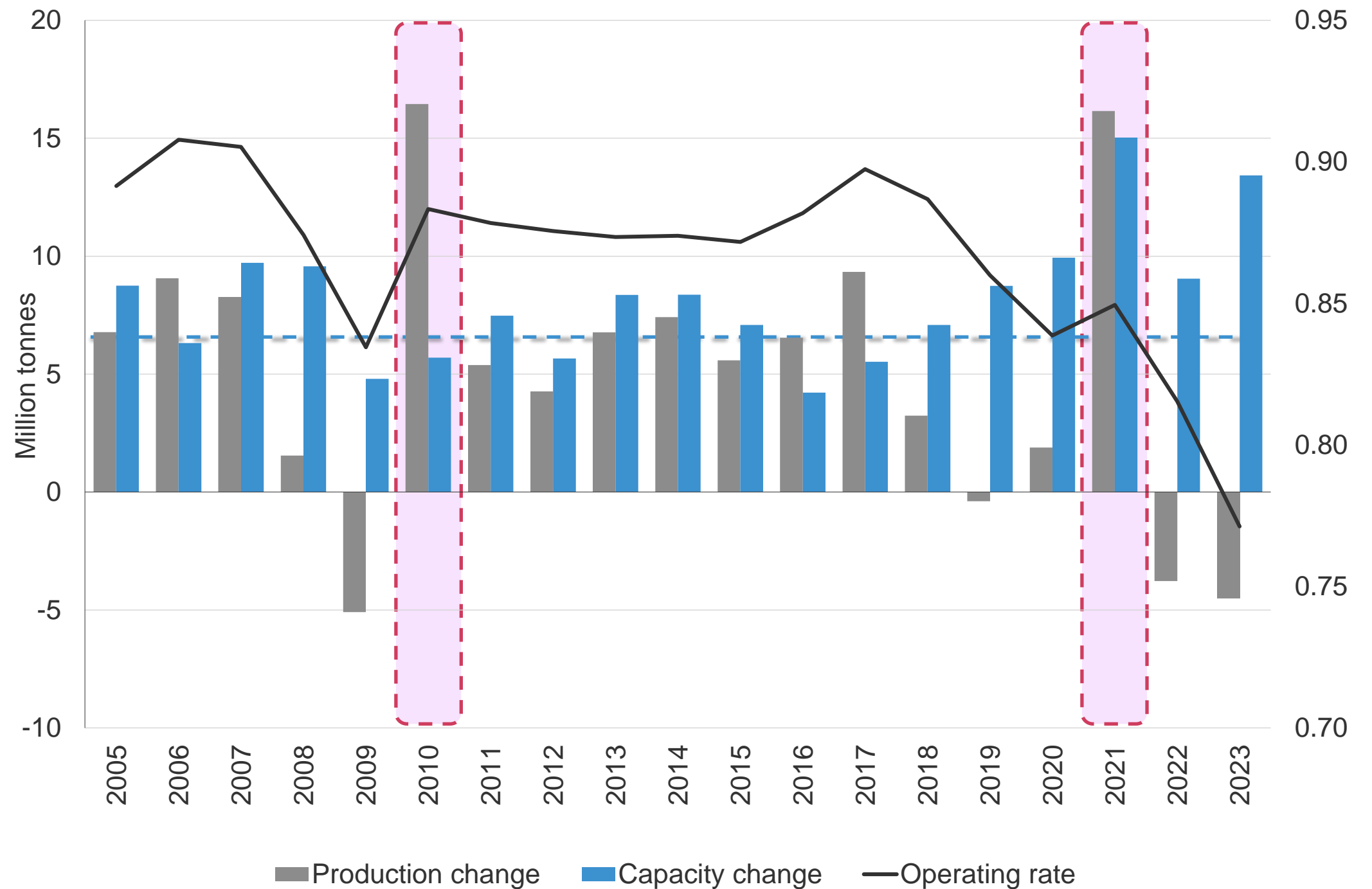


In 2010, production grew, but not capacity... giving time for capacity to be absorbed.

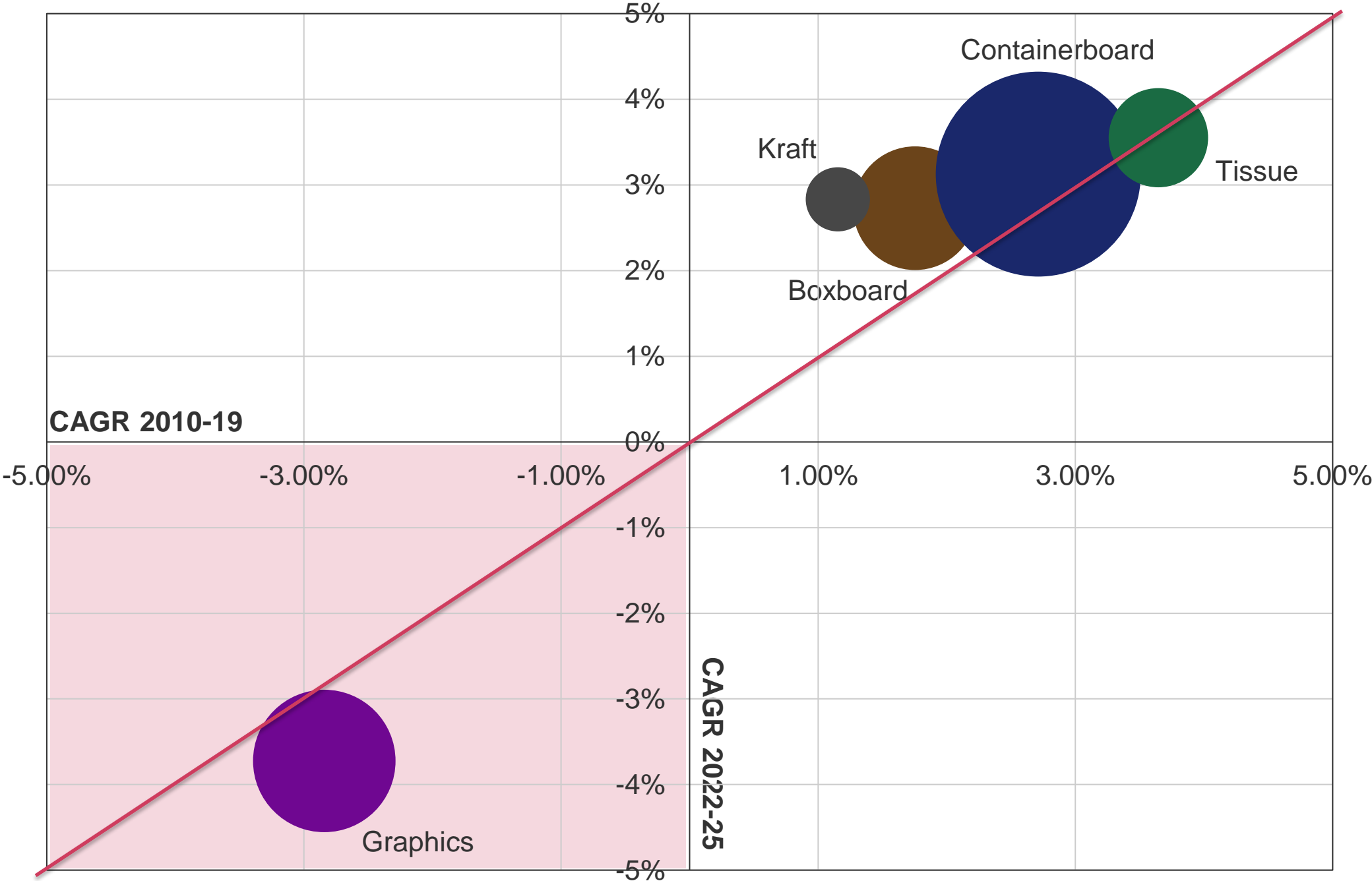
In 2021, this was not the case, leading to a collapse in operating rates

Average growth in capacity will slow down, allowing for a gradual recovery in operating rates

Average capacity growth – 7 million tonnes



# Underperforming graphics stimulating companies to shift to packaging paper grades



**Graphics** declining at the same pace as before

**Containerboard** will grow a little faster, but there is a lot of capacity coming in

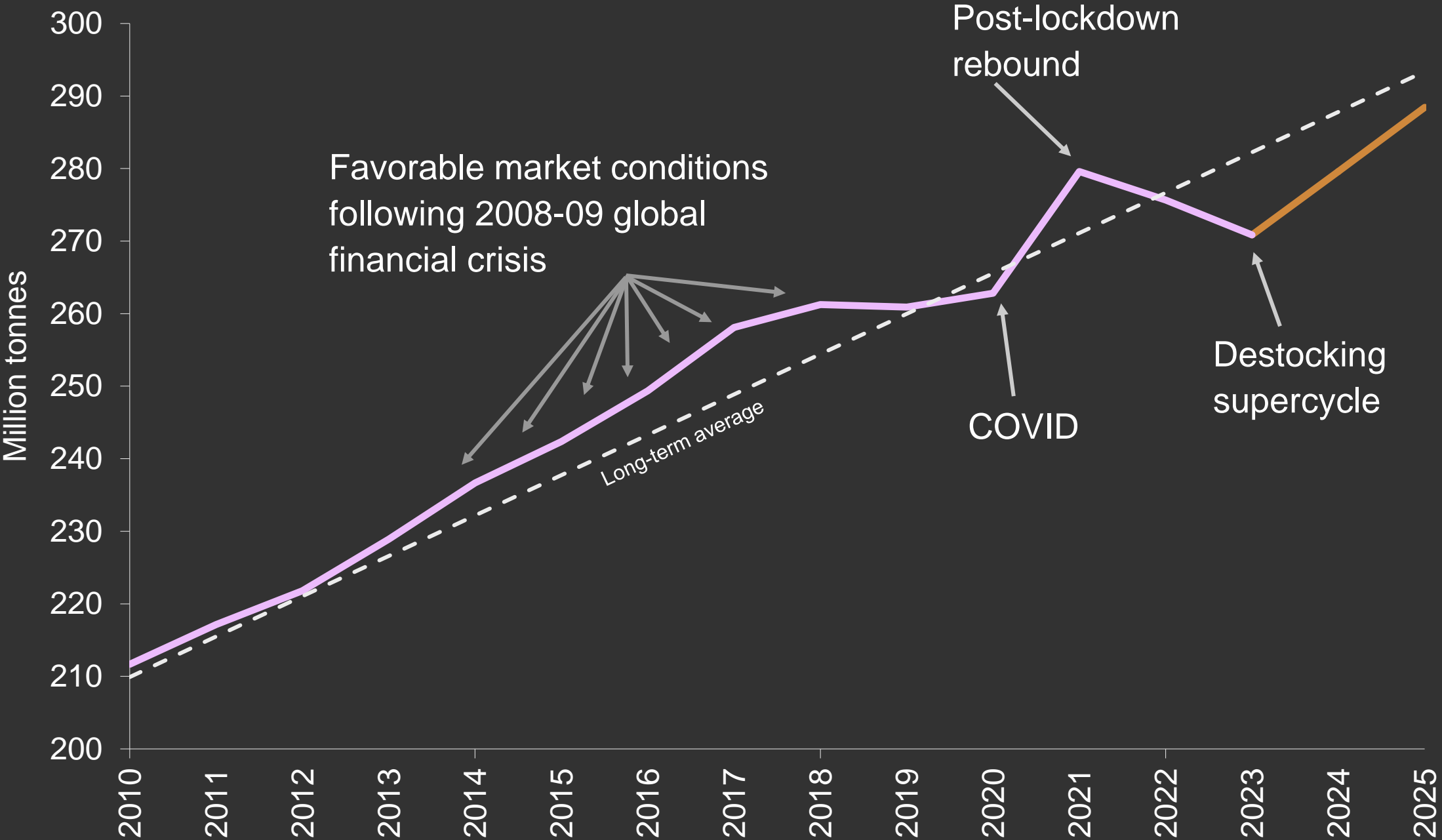
**Boxboard** growing faster — plastic substitution?

**Kraft paper** demand will accelerate the fastest — plastic substitution?

# Packaging paper demand still below trend in 2025



**Lackluster demand?**







Can I afford it?

Eat-in vs eat-out

Order online

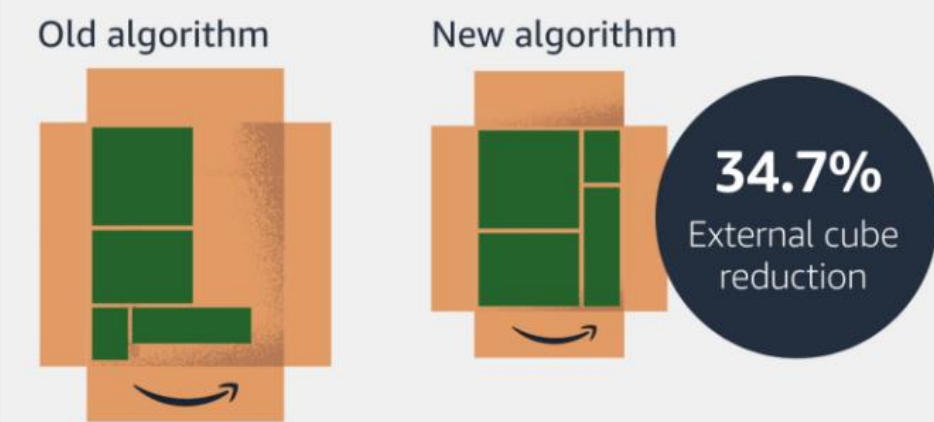
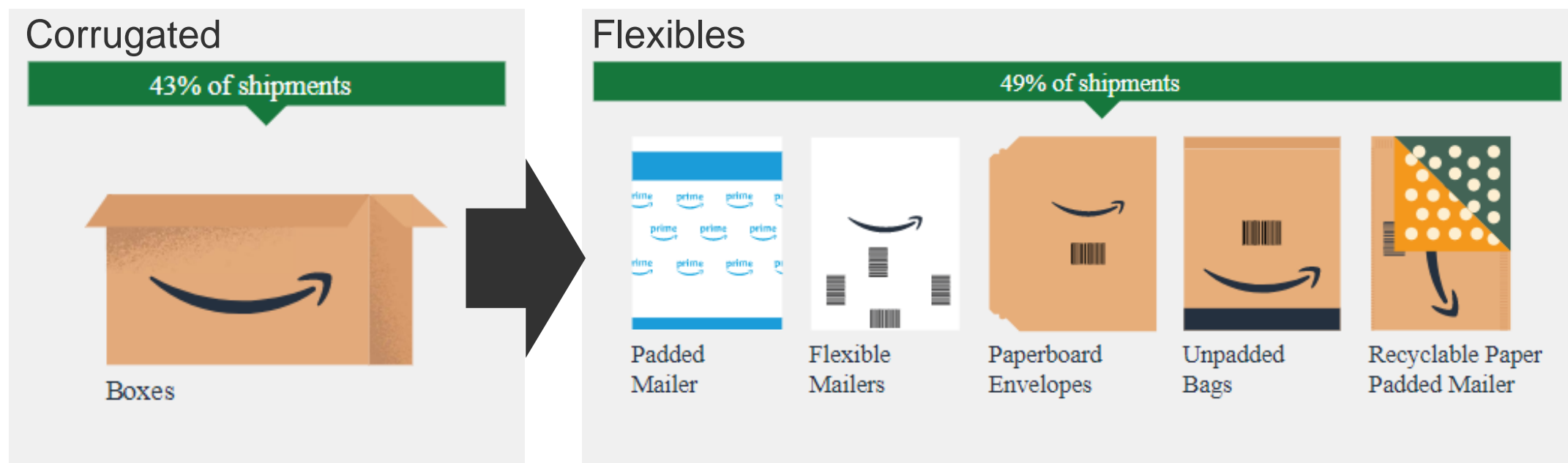
Private label vs premium brand

Sustainability  
(bio/organic/local)





# Machine learning behind the evolution of e-commerce packaging



Machine learning is helping to identify which smaller products are suitable for flexible packaging, such as padded mailers and bags.

Over the past five years, these algorithms have reduced the use of corrugate boxes by more than 35%.

Algorithms also determine the optimal fit to reduce packaging for shipments with multiple items.

Since 2015, Amazon has reduced per-shipment packaging weight by 41% and eliminated over 2 million tons of packaging.

*Panic buying and fear of supply shortages drove consumers and companies to keep high stocks*



*inventories*

3Q 20    4Q 20    1Q 21    2Q 21    3Q 21    4Q 21    1Q 22    2Q 22    3Q 22    4Q 22    1Q 23



*Sudden demand  
weakness keeping  
inventories high*







There are opportunities



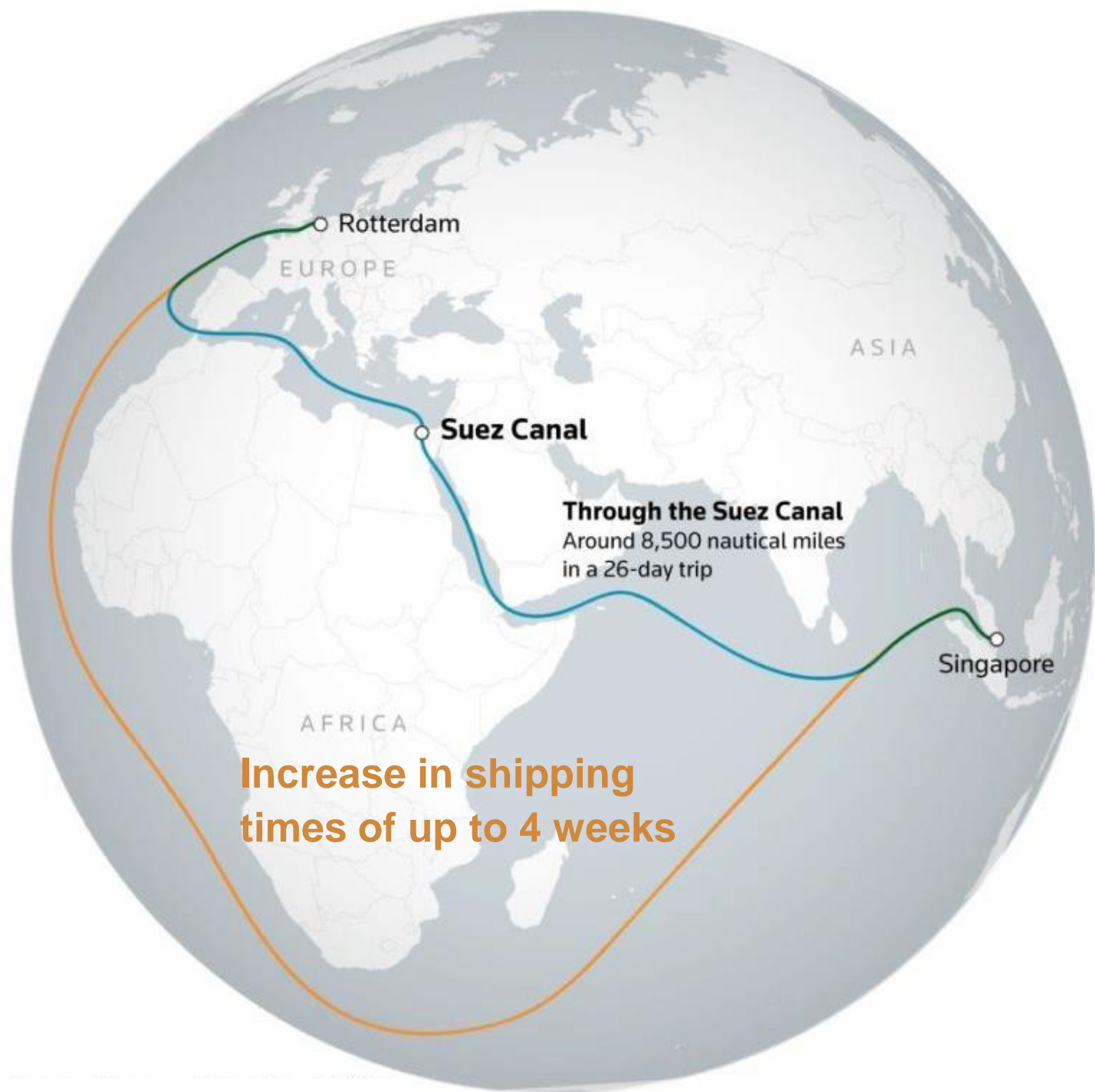




But there are also threats

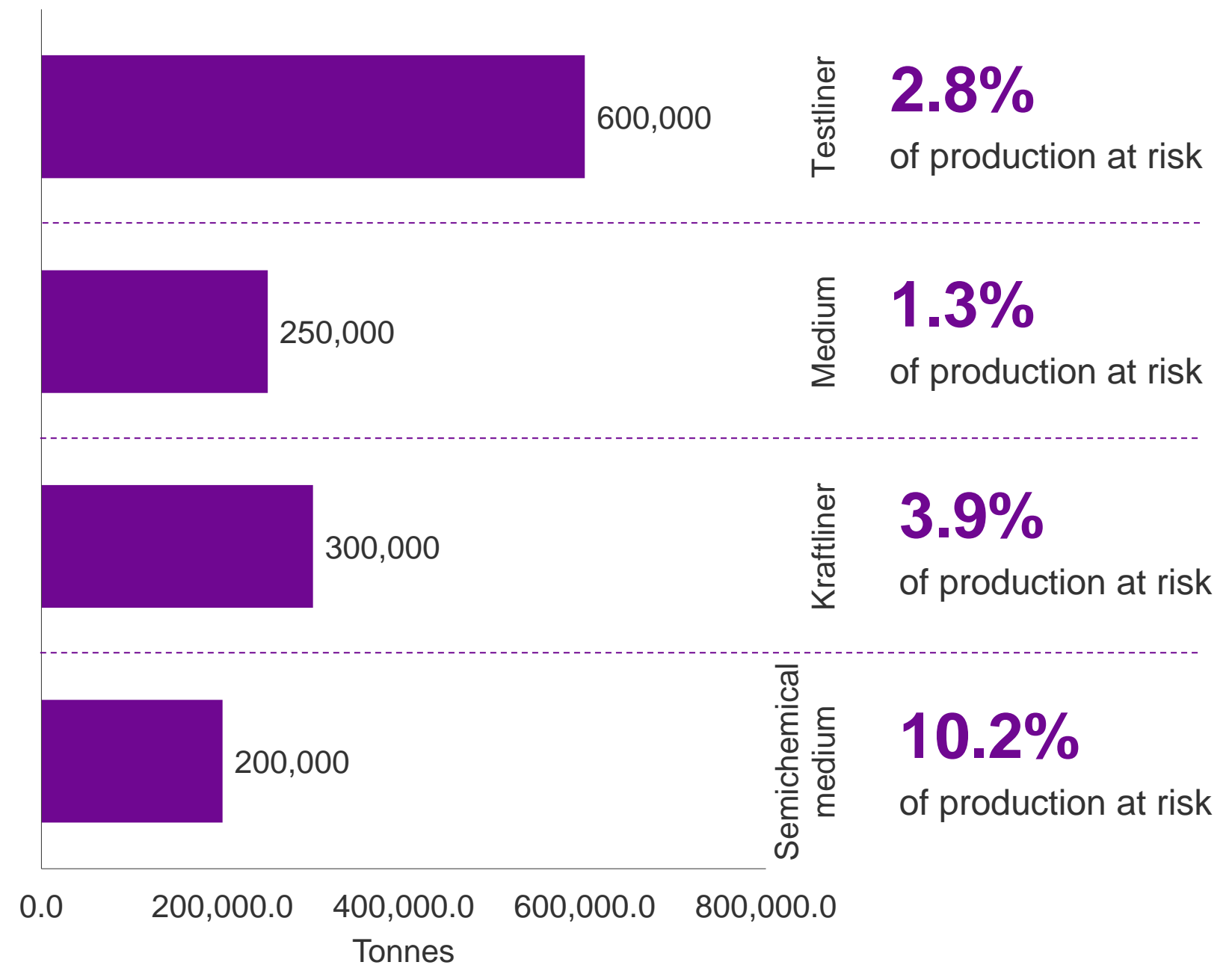






Source: Fastmarkets.

Containerboard net exports from Europe (excluding Russia) to Middle East and Asia is close to 1.4 million tonnes — about 50% of total European exports



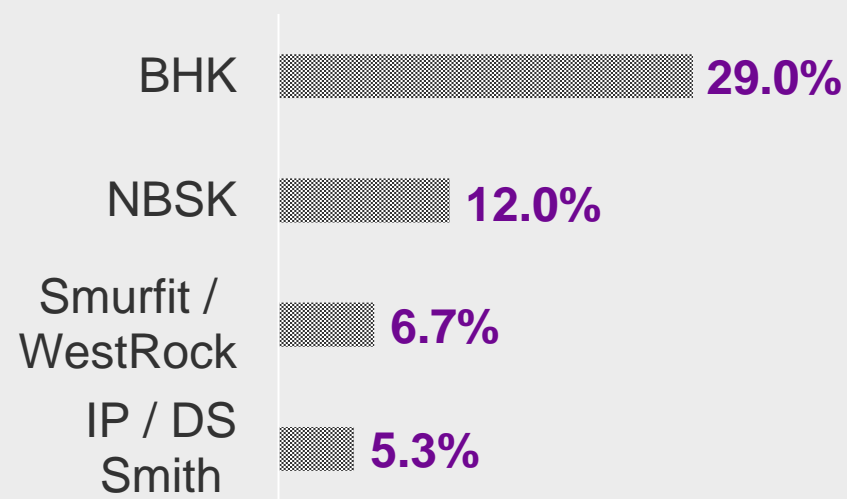


# Growth opportunities



# Global M&A becoming a trend

- Weak demand and global oversupply reducing appetite for capacity expansions
- A way to increase vertical integration
- A way to expand to new markets and segments



## A new market leader will emerge (boxboard & containerboard)

Ranking	Company	Market share
1	Nine Dragons Paper Industries	7%
2	International Paper	4%
3	WestRock	4%
4	Asia Pulp & Paper	3%
5	Smurfit Kappa Group	3%
6	Lee & Man Paper	2%
7	Shanying International	3%
8	Stora Enso	2%
9	Oji Holdings Corporation	2%
10	PCA	1%
11	DS Smith	1%
12	Shandong Sun Paper Industry	2%
13	SCG Packaging	1%
14	Georgia-Pacific	1%
15	Longchen Paper & Packaging	1%
16	Graphic Packaging International	1%
17	SAICA	1%
18	IP	1%
19	Nippon Paper Industries	1%
20	Rengo Co, Ltd	1%



The combined company formed by the merger of the two manufacturers will probably become the new market leader, surpassing Nine Dragons and increasing its market share to almost 7%

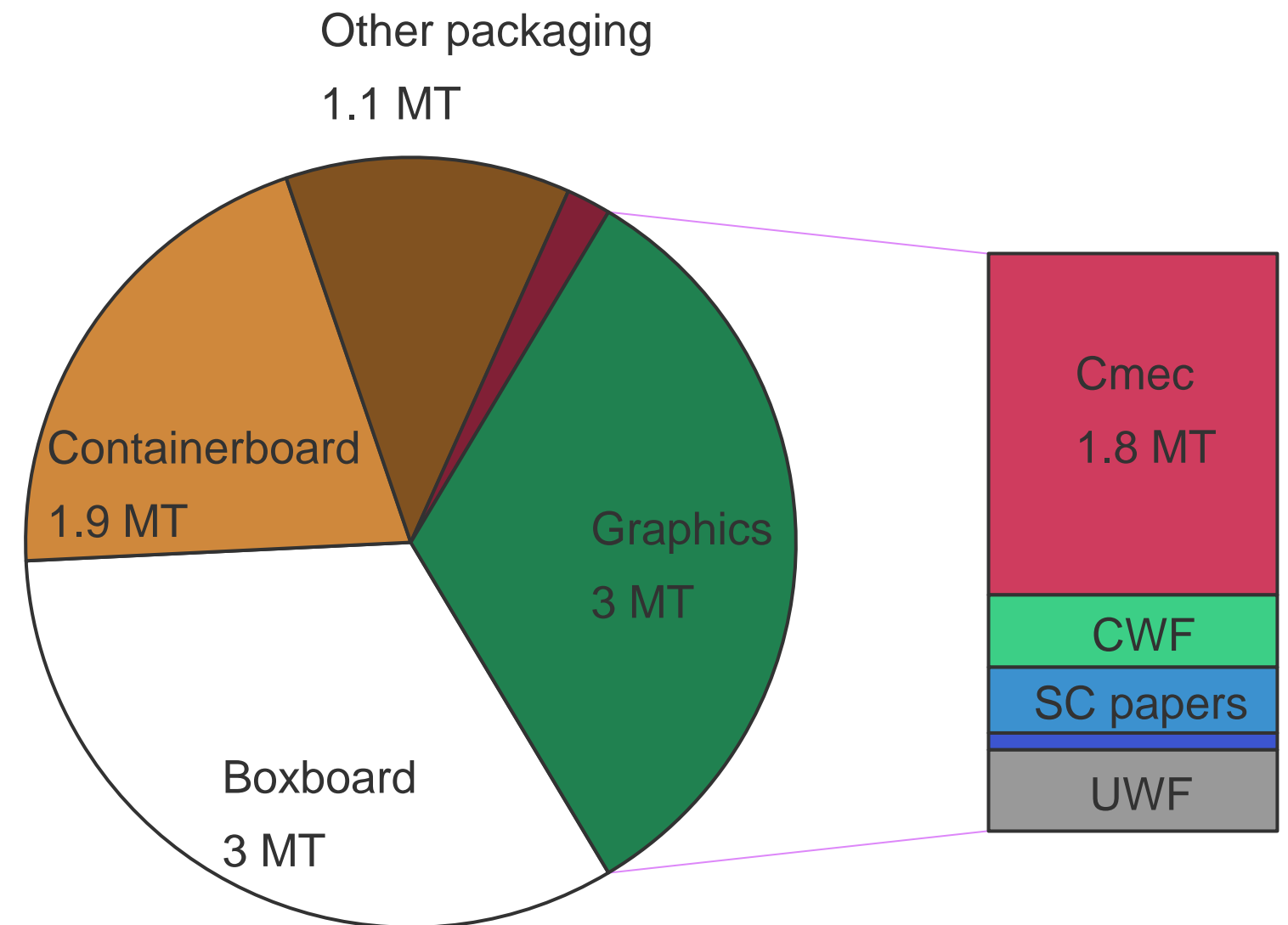


# Strikes in Finland

- Strikes set to extend for almost a month (03/11 – 04/08)
- Port activity and logistics severely disrupted

## P&P firms adjust production:

- Stora Enso declares force majeure for its Finnish packaging division, ramping down graphic paper production at Anjala mill
- UPM declares force majeure, Kymi and Kaukas mills shut
- Metsä Group's pulp and bioproducts mill in Kemi, Finland, suspended operations
- MM Board & Paper's Kotkamills also down







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