

Packaging Industry In China - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 100 pages | Mordor Intelligence

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Report description:

The packaging industry in China is expected to register a CAGR of 13.52% during the forecast period. The growing per capita income and the changing social climate and demographics are some of the factors that greatly influence the Chinese packaging industry. These changes have stirred the need for new packaging materials, methods, and formats.

Key Highlights

The packaging industry in China is heavily influenced by the changing demographics and social factors, such as growing urbanization, the aging population, and the rising middle class and their growing aspirations. These factors would drive the need for new packaging in different sizes, materials, and formats. Rapid urbanization has driven the demand for packaged foods in the country, thereby augmenting the market for packaging products.

The growth of the packaging industry in China is mainly driven by dynamic economic development, accelerating urbanization, and improvement in people's quality of life. Consumers have been shifting toward more safe, convenient, unique, and eco-friendly packaging. According to the National Bureau of Statistics of China, approximately 63.9% of the total population in China lives in cities. The urbanization rate has increased steadily in China over the last decades.

China's rapid economic development and increase in living standards have created a significant demand for packaged food. The economic growth of urban China has led to the migration of rural Chinese populations to urban areas such as Shanghai and Beijing. This has resulted in a growing demand for food and has made the Chinese industry one of the world's largest food and beverage industries, which is expected to drive the demand for packaging solutions in the country.

Technological innovation, sustainability trepidations, and attractive economics are prominent factors for the remarkable growth of the packaging industry in China. The way consumers view and interact with packages is rapidly changing. Due to the rising focus on sustainability, traditional rigid packaging solutions are being substituted by innovative, more sustainable, flexible packaging solutions. The growing demand for customer-friendly packages and heightened product protection is expected to boost flexible

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packaging as a viable and cost-effective substitute.

Furthermore, the market is rapidly growing, driven by rising consumer demand for packaged goods with extended shelf life.

However, the packaging industry's stringent laws and regulations limit market expansion.

With the COVID-19 outbreak, packaging solution suppliers were swamped with various problems that were only expected to last a short while. Interruptions in the supply chain, a lack of raw materials for manufacture, workforce shortages, price fluctuations that drove up production costs and caused them to exceed budget, shipping issues, etc., were a few repercussions of the lockdown.

Further, many businesses experienced supply chain interruptions due to the COVID-19 outbreak, which has Wuhan as its epicenter. Since the nation is not a significant production hub for packaging goods and materials, the influence on the whole packaging industry is somewhat smaller. Further, the Russia-Ukraine war has an impact on the overall packaging ecosystem.

China Packaging Market Trends

Plastic Packaging is Expected to Witness a Slow Growth Owing to Ban on Plastics

Plastics are one of the most preferred raw materials in packaging due to their performance, cost-effectiveness, and durability. Some of the commonly used polymers are polypropylene (PP), polyethylene (PE), polyethylene terephthalate (PET), polyvinyl chloride (PVC), and biaxial-oriented polypropylene (BOPP).

Plastic packaging is prominently used in the food and beverage sector, from airtight wraps to shelf-stable bottles and containers. Plastics have driven innovations in packaging design in the food and beverage industry. For instance, modified atmosphere packaging helps preserve food freshness by capturing the reduced-oxygen air mixture in the plastic package. These advanced and intelligent packaging techniques play a critical role in ensuring the product's integrity while also drastically increasing its shelf life.

However, plastic packaging must comply with strict regulatory requirements, particularly for the food, beverage, pharmaceutical, and drug-packaging sectors. For instance, the Government of China formulated many laws and regulations to protect foods and beverages from the adverse effects of packaging materials. Packaging companies must comply with these laws and certification policies, increasing their operational difficulties.

Also, allergen labeling in China for pre-packaged foods would become mandatory under new plans revealed by the Chinese National Health Commission (NHC). The NHC has released draft GB7718 (General Rules for the Labelling of Pre-Packaged Foods) for public consultation, which proposes amending the labeling standard to better protect consumers from exposure to potentially false or misleading information.

A new focus on the safety of the food supply chain in China during the spread of COVID-19 may increase demand for flexible plastic packaging in the country. The COVID-19 outbreak is reportedly thought to have started at a wholesale seafood and meat market in Wuhan. Thus, such markets in the future can be a breeding ground for the spread of animal-borne diseases. Further, China is significantly involved in producing considerable quantities of plastics, aiding in generating revenues from trade exports, thereby creating significant production capacities for various packaging companies. According to ITC, in 2021, China exported plastics and articles valued at about USD 131.07 billion, a 36% rise in exports from the previous year (2020), valued at around USD 96.38 billion.

Food and Beverage Industry to Hold the Largest Share

The increase in the number of middle-class people has increased the demand for imported food products. This, along with high purchasing power, is driving the growth of the packaging industry in the region.

According to the Department of Agriculture and Water Resources of Australia, China is constrained by its limited and degrading

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agricultural resources, which have raised concerns about the country's ability to meet the increasing demand for food supply from domestic production.

Henceforth, it would be imperative for the government to look for options, such as the import of food items, which would require sustainable packaging that would protect the product from any damage and degradation. This, in turn, would boost the packaging industry in the region.

The government's initiatives against food safety procedures and food scandals have led to the revision of the existing Food Safety Law, which would drive the packaging industry in the region to look for better options in terms of packaging materials.

For instance, Article 1 of the revised Food Safety Law aims at securing food safety and ensuring public health and life safety, while Article 2 specifies the applicable parties. One of which is the production and distribution of packaging materials, containers, detergents, and disinfectants used for food and of tools and equipment used for food production and distribution.

Furthermore, the beverages market is also witnessing significant growth in the country. For instance, in 2021, as per ITC data, imported beverages, spirits, and vinegar in China were recorded as USD 6.609 billion, a 30% rise in imports from the previous year (2020) valued at around USD 5.080 million.

China Packaging Market Competitor Analysis

The competitive rivalry in the plastic packaging industry is low, owing to the presence of some key players like Amcor PLC, Mondi PLC, Sealed Air Corporation, Transpak Inc., and Tetra Pak International SA. Companies can gain a competitive advantage over their competitors with the ability to constantly innovate products and introduce new products in the market that support their growth. Significant investment in research and development activities and strategic mergers and acquisitions have allowed the companies to gain a strong foothold in the market.

August 2022: Amcor added a new facility to its network of innovation centers in Jiangyin, China. Customers in the area may now leverage Amcor's expertise to hasten the development of ecologically friendly packaging solutions because of the new plant in China. The new center would provide packaging technology and more environmentally friendly material science to Asia-Pacific, supporting regional prosperity and innovation.

May 2022: A deal has been made for the US investment group Carlyle to acquire all of the shares of the Chinese cosmetic packaging manufacturer HCP Packaging (HCP). HCP, which has its headquarters in Shanghai, has ten production and manufacturing sites in China, the United States, Mexico, and Europe. HCP also invests in and conducts research into sustainable packaging solutions. The investment company would use its industry expertise in the industrial and consumer sectors to speed up HCP's operations and widen its client base.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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