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

Market Report | 2023-01-23 | 105 pages | Mordor Intelligence

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Report description:

The South African packaging market is expected to reach a CAGR of 7.8% over the forecast period. The market is being driven by an increasing number of young consumers, increased demand for consumer goods, and a growing economy in South Africa.

Key Highlights
The rising household disposable income is another factor driving demand for convenient food products, further propelling the market for fresh food packaging. According to South African Reserve Bank, the households in the country had an average disposable income of ZAR 50,000 (USD 2756.22) in 2021, which was ZAR 47,830 (USD 2636) in 2020.
With augmented urbanization and mobility becoming the standard in societies in the country, the move towards small packs and multipacks is becoming more significant. For manufacturers, this trend will create opportunities to encourage brand switching. Traders will adopt these products as they save shelf space and depend on attractive packaging to encourage and boost sales.
Rapidly growing urbanization and better health awareness have also seen an increase in the consumption of food and products, as well as alcoholic and non-alcoholic beverages, creating demand for different packaging solutions. This accounts for fluctuations in packaging trends with glass containers and bottles. According to Statistics of South Africa, as of May 2022, the Consumer Price Index (CPI) in South Africa is at 105.5 points regarding food and non-alcoholic beverages, which has increased by 7.4 points from the previous year.
However, the growing concern about the environment and recycling is hampering the market growth. As a result, the demand for sustainable packaging solutions is increasing with rising raw material prices of alternative packaging solutions.
The country's food supply chain and processing have been affected by the current COVID-19 pandemic due to the lockdown restrictions. The disruption of manufacturing and logistics activities, except for essential products and services, reduced the demand for packaging solutions. Furthermore, the challenges associated with the production and distribution of food affected the food consumption patterns of different households, negatively impacting the market.

South Africa Packaging Market Trends

Growing Urbanization in the Country

South Africa's access to processed and fast food has increased due to economic expansion and rapid urbanization. Due to busy lifestyles and a large population of working-class professionals, the country has a high market penetration of ready-to-eat meals, which is also anticipated to support the expansion of bags and pouches-based packaging solutions during the forecast period.
Major global beauty and cosmetics companies are capitalizing on the industry growth expected in Sub-Saharan Africa, which is regarded as the sector's "next frontier." Due to a burgeoning population expected to double to 2.4 billion in 2050, the rising middle class and increased urbanization have positioned the country to that status, with which the beauty market is projected to double over the next decade.
In urban areas, consumers are adapting to new trends and consumption behaviors. In Sub-Saharan Africa, the number of people aged between 12 to 24 has steadily risen, reaching a significant of the population in the country, according to World Bank. Such a rise in the young population that usually spends more on beverages, i.e., alcoholic and non-alcoholic and on-the-go food, will further be expected to add demand for packaging growth.
Moreover, the trend for smaller families and urbanization is causing homes to become smaller, with less storage space, making consumers more appreciative of space-efficient packaging where carton packaging has become the suitable solution, as it is space-efficient to maximize logistical performance.

Food and Beverage Industry to Add Significant Growth to the Market

The government of South Africa is prioritizing the food and beverage sector, which are the most significant components of South Africa's manufacturing industry. The government actively encourages further development of agriculture and the agro-processing sector.
Several innovations have enabled the development of sustainable and customized flexible packaging solutions, resulting in an unprecedented rise in the packaging market. Food and consumer goods imports into Africa account for a sizable portion of the country's packaging solutions. Rising demand for packaged foods, a need to keep costs down, and investments in food processing propel packaging growth.
For instance, in May 2021, Huhtamaki, a key manufacturer of sustainable packaging solutions, announced that it is setting up a new manufacturing unit in KwaZulu-Natal in South Africa to serve its existing and new egg packaging customers in the KwaZulu-Natal area with a broad range of locally produced packaging solutions. The new facility will be close to one of South Africa's main export ports, enabling competitive exports of egg packaging for customers across East Africa.
Moreover, there has been an increased demand among younger consumers for products such as energy drinks. One of the most important trends in the beer market is the shift in consumer preference toward low and non-alcohol beers and craft beers. Furthermore, due to premiumization, which has significantly impacted the market in recent years, beer producers across the country have focused more on quality than quantity. In addition, the removal of all restrictions in January 2022 on the sales of alcohol by the government is expected to raise the sale of alcohol, positively impacting the glass packaging.
Moreover, retail sales in South Africa increased rapidly with the expansion of the food retail sector. According to the US Department of Agriculture, in 2021, South African retail food sales totaled USD 40 billion as the South African economy began to recover from the influences of the COVID-19 pandemic. The growth followed the easing of COVID-19 regulations and rising in-store shopping rates.

South Africa Packaging Market Competitor Analysis

The South African packaging market is fragmented, with the presence of many players that constitute a considerable share of the market. These major players with a prominent market share are focusing on expanding their customer base worldwide and leveraging strategic initiatives to increase their market share and profitability.

October 2022 - ALPLA Group, an Austrian plastic packaging and recycling firm, merged its five previous South African facilities under one roof, at the newly opened production site in Lanseria, near Johannesburg, valued at USD 50 million. The company's new headquarters in Sub-Saharan Africa feature 35,000m of covered production, administration, and storage space.
July 2022 - Ardagh Glass Packaging announced the commissioning of ZAR 1.5 billion (USD 95 million) extension of its Nigel production facility in Gauteng, South Africa. The investment doubles the facility's capacity to provide sustainable glass packaging to support its customers' current and projected demand growth and incorporates a new furnace and production lines. It also offers significant energy, water efficiency, and environmental benefits, representing another vital step in AGP - Africa's journey to de-carbonize the glass production process and reduce emissions.

Additional Benefits:

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

Table of Contents:

5.2 Market Challenge
5.2.1 The Rising Environmental Concerns

6 MARKET SEGMENTATION
6.1 By Packaging Material
6.1.1 Plastic
6.1.2 Paper and Paperboard
6.1.3 Metal
6.1.4 Glass
6.2 By Product Type
6.2.1 Bottles
6.2.2 Bags and Pouches
6.2.3 Corrugated Boxes
6.2.4 Metal Cans
6.2.5 Other Product Types
6.3 By End-user Industry
6.3.1 Food and Beverage
6.3.2 Household and Personal Care
6.3.3 Pharmaceuticals and Healthcare
6.3.4 Other End-user Industries

7 COMPETITIVE LANDSCAPE
7.1 Company Profiles
7.1.1 Constantia Afripack Sacks (Constantia Flexibles)
7.1.2 Berry Astrapak
7.1.3 WestRock
7.1.4 Huhtamaki Springs South Africa
7.1.5 Mondi Merebank (Mondi PLC)
7.1.6 Sonoco Products Company
7.1.7 Tetra Laval Group
7.1.8 Win-Pak
7.1.9 Detpak
7.1.10 Dalgen Packaging cc
7.1.11 ACS Promotions (Pty) Ltd
7.1.12 Clear Crafts

8 INVESTMENT ANALYSIS

9 FUTURE OF THE MARKET

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