

Indonesia Flexible Packaging Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Indonesian Flexible Packaging Market is valued at USD 3.80 billion in 2021 and is expected to reach USD 5.02 billion by 2027, registering a CAGR of 4.74% over the forecast period (2022-2027). The economic growth in Indonesia has resulted in the production and consumption of flexible packaging products that have increased steadily over the years. The flexible packaging market is witnessing growth and contributing significantly to the economy due to the increasing demand for suitable packaging materials that can be used to pack anything.

Key Highlights

Over the years, the demand dynamics of the packaging industry in the country have been significantly influenced by the local food, beverage, and pharmaceutical industries. Indonesia's food and beverage industry is a top contributor to its growth. The flexible packaging industry of Indonesia plays a pivotal role as the country moves towards sustainability with a gradual shift in focus from single-layer plastic films to multilayer, high-barrier, recyclable packaging material. The industry drives the country's increasing population and high demand for low-cost, flexible packaging.?

As these products are generally designed to be durable, portable, and lightweight, flexible packaging is a famous option for packing such products. Firmest growing areas of snack foods, both in terms of processed foods and fresh items, are anticipated to govern the demand for flexible packaging from the food and beverage industry of the region.?

Also, the advanced packaging styles, such as collapsible/reusable pouches and bag-in-box, are raising the usage of flexible packaging in combination with rigid packaging formats. Products, such as pouches, liners, bags, and shrink wraps, are opening an extensive range of new applications to the flexible packaging market in the country.

The market is evolving to be highly competitive with technologically advanced vendors that deliver wide varieties of aseptic, retort, anti-counterfeit, and child-resistant flexible packaging. The healthy growth of end-users, such as coffee, pet food, and fresh foods, has increased production. However, the total cost of ownership for flexible packaging manufacturing is significantly higher

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in the studied country, which further acts as a barrier to entry for new entrants. The capital-intensive nature of the studied market, added to the increasing competition, is a significant market challenge in the current market scenario. Also, in Indonesia, the government has rolled out a fiscal stimulus worth trillions of rupiah and widened its state budget deficit beyond the 3% legal limit to afford a fight against the COVID-19 outbreak. This factor is expected to help sustain the country's existing flexible packaging market players. However, new entrants may find unprecedented challenges to break even.

Indonesia Flexible Packaging Market Trends

Bi-orientated Polypropylene (BOPP) to Drive the Market Growth

Biaxially oriented polypropylene (BOPP) is one of the few plastics used for packaging purposes in Indonesia, mostly in the food and beverage industry. Flexibility, portability, weight, ease of cleaning, and protection against moisture are a few of the major properties of BOPP films, which makes them appropriate for packaging purposes. ?

Also, low toxicity, low handling hazards, and the absence of bisphenol A (BPA) and heavy metals are other factors that allow BOPP to be used for food packaging. Increasing household and commercial applications for plastic bags, seal, and graphic labels, among others, are expected to drive the consumption demand for BOPP in the packaging sector during the forecast period.?

In addition, other specialty BOPP films in the current marketplace, including anti-scratch films, provide improved resistance to conventional and regular films to scratches and scuffs. Certain bacteria-resistant films also help eliminate bacteria that come into contact with the film surface. The antibacterial properties make it uniquely suitable for applications in the medical field, personal care product packaging, food service, and childcare.

The disposition of Indonesian BOPP resin appears to be diverse. Home market sales increased as a share of total shipments during the historical period, while exports to the United States decreased as a share of total Indonesian shipments. ?Moreover, it is used in the packaging and wrapping of short shelf-life products, such as ice cream, chocolate bars, candies, cookies, and biscuits.

There have been various expansion activities by companies in the market to enhance their geographical presence and position.

For instance, in December 2021, PTL launched a BOPP line in Indonesia as a part of its Southeast Asia expansion plans. With the start-up of the new BOPP film line, a 10.6-meter line, the company aims to further strengthen the cost-effectiveness of the operations in Indonesia due to economies of scale and improve its industry positioning in the geography.

BOPP films are further being used in the tobacco industry. The good heat seal strength and good hot slip provided by BOPP-based cigarette overwraps are the major reasons for their application in tobacco packaging.

Food and Beverage Industry to Witness Highest Growth

The demand for flexible packaging solutions is mainly driven by millennial customers in Indonesia, as they prefer single-serving and on-the-go food. As these products are primarily designed to be portable, durable, and lightweight, flexible packaging is a well-suited option for packing such products.

Increased spending on bakery and cereal bars, short-run ready meals and coffee or hot chocolate sticks and pouches, dehydrated foods (instant soup, gravy and sauce packets, rice, and food mixes), snack foods and nuts, chocolates and sweets, ice-cream novelties, have increased considerably in Indonesia during the past few years.

One critical step by industry insiders was establishing the Indonesian Packaging and Recycling Association for Sustainable Environment (PRAISE). It is a non-profit organization founded by Coca-Cola Indonesia, Indian Food Sukses McMar, Nestle Indonesia, Tetra Pak Indonesia, Tirta Investama and Unilever Indonesia Foundation. The focus was on creating and promoting a sustainable ecosystem and transforming plastic packaging waste into high-value resources that would bring economic, social, and environmental benefits to Indonesia in 2030.

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However, the rapidly adopted trend of lightweight packaging material alongside the inclination toward reduction of production, shipment, and handling costs is driving the flexible packaging of beverages. Furthermore, the demand is driven by the rise of e-commerce focusing on visually appealing packaging trends.

Driven by sustainability solutions, bag-in-box packaging for high-alcohol content spirits is expected to become a stagnant alternative to traditional packaging during the forecast period for companies moving toward eco-friendly solutions. Among products used for beverage packaging, spouted stand-up pouches are expected to see increasing deployment for liquid packaging during the forecast period, as they stand up easily on store shelves for more effective and efficient display.

Beverage producers are increasingly looking to differentiate their products from their competitors. This factor and the emergence of modern retail, which highly favors BOPP packaging due to ease of handling and low cost, have resulted in the steady growth of flexible plastic packaging in the country's beverage packaging industry.

Indonesia Flexible Packaging Market Competitor Analysis

The firm concentration ratio is expected to record higher growth during the forecast period as several players look at this market as a lucrative opportunity to consolidate their product offerings. The firm concentration ratio is expected to grow considerably over the forecast period. However, short product development cycles and relatively high exit barriers affect firms in this market. Overall, the competitive rivalry is expected to be high.

March 2022 - ePac announced a major expansion plan to expedite its growth with plans to develop plants in North America's north-east, mid-west, south-east, and south-west. Also, the company said it would open its second location in the US' Mountain states and increase its existing operations' print and pouch-making capacity.

February 2022 - Vishakha Polyfab invested in a new flexible packaging plant in Indonesia, with the execution and commissioning of the PT Flextech Packaging large-scale plant in Indonesia, a joint venture with the Wilmar group. Wilmar already has a strong manufacturing and distribution base for food commodity products in Indonesia and the region, which is expected to drive the company's presence in the country.

December 2021 - Polyplex commissioned its 60,000MT BOPP facility in Indonesia. In addition, the company is also planning to expand a 50,000MT BOPET facility in the US and a 4,392MT of blown PP films capacity in Turkey. The company will incur a CAPEX for setting up coated film facilities in Turkey and the US.

Additional Benefits:

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

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