



COVID-19 Trends Industry Outlook & Market Data Report

Report Summary

2020

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Overview

The past decade has been a challenging one for converters in the folding carton industry, with average annual growth declining by 1.2% on a tonnage basis. Since the recession, this downward trend was halted only twice, in 2014 and 2017. In the last five years, growth declined 2.0% in 2015 and 0.7% in 2016, largely due to the ongoing headwinds facing major processed food and consumer product companies. Further contractions in shipments of 2.1% and 0.2% were recorded in 2018 and 2019, respectively. In aggregate, folding carton demand has eroded 17.4% from its pre-recession peak in 2007.

The flat to negative trend in folding carton shipments has been completely reversed with COVID-19 and the associated trends in consumer spending on processed food and industrial production. In 2020, the performance of folding carton shipments has been nothing short of extraordinary, recording 5.6% and 8.2% growth in the first two quarters of the year, respectively. Fastmarkets RISI is forecasting year-over-year shipment volume growth will finish the year at 4%. However, the impact of the pandemic has not been unified across end-use markets. Strong growth was evident in cereals, dry foods, frozen foods and cleaning supplies. Meanwhile, food service is one of the most depressed end users of folding carton, as consumer spending at limited service eating places is projected to plummet 11.9% for the year.

Following the acceleration of shipments in 2020, Fastmarkets RISI forecasts that folding carton shipments will continue their positive trend given the anticipated improvement in economic conditions and the ongoing

environmental tailwinds. Our macroeconomic outlook calls for the economy to expand at a 1.2% average annual growth rate from 2021-2024. This recovery will be associated with downward pressure on unemployment rates, which will resonate in the broader consumer spending dynamics. However, the growth in discretionary household spending will face some resistance by a more conservative consumer psychology following the pandemic and the recession.

End-use market summary

While more favorable macroeconomic factors will result in carton demand growth over the forecast, the carton pricing environment will limit carton demand relative to other packaging alternatives, particularly in the sectors that use recycled boxboard. Over the forecast period of 2020-2024, we estimate that folding carton demand growth will average 1.9% annually. Following the anticipated 4.0% demand shock in 2020, folding carton shipment growth is forecast to stabilize at an average annual rate of 1.3% in 2021-2024.

Gains in folding carton demand are mainly driven by the restocking seen during the lockdowns as well as the ongoing war on plastic packaging, especially in the food service and retail carry-out sector. Although food service has been significantly impacted by the pandemic, the improving demand for takeout leveled off the free-fall in shipments. Headwinds will come from the increasing competition with e-commerce and corrugated packaging taking share. Additional headwinds include changing consumer behavior and the increasing demand for non-carton-intensive products, such liquid soaps and detergents.

Table 1

Growth of folding carton shipments

Percentage change

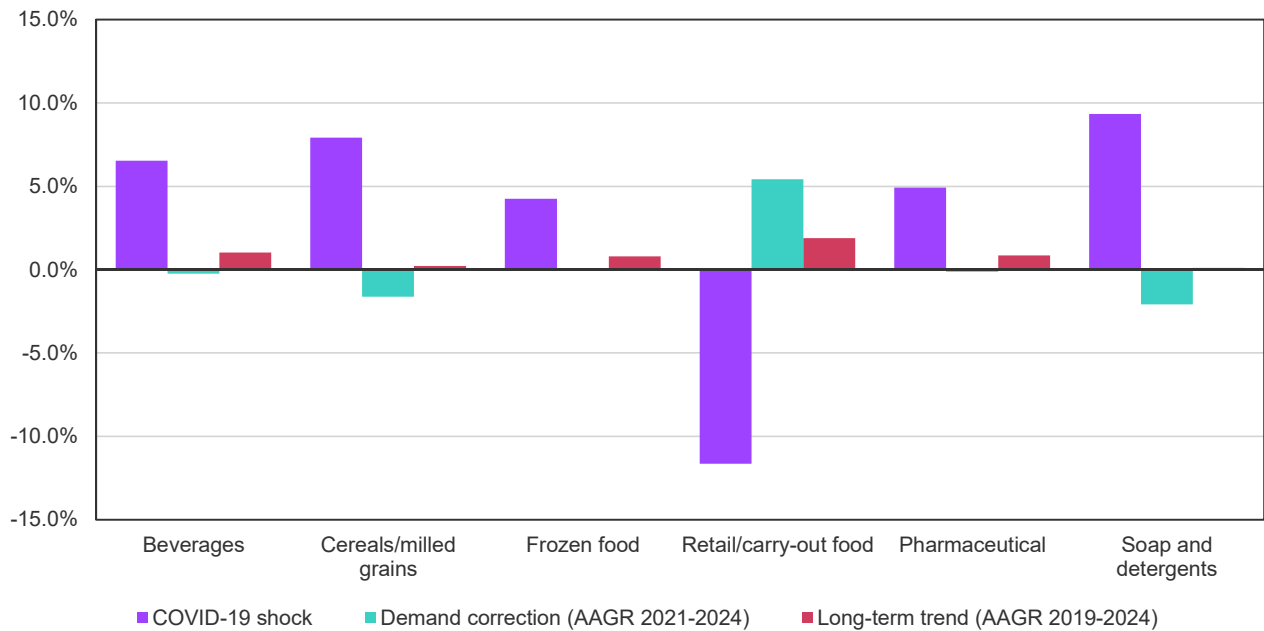
	2010-2014	2015-2019	2020-2024
Thousand tons	-1.5%	-1.0%	1.9%
Million dollars	0.3%	-0.3%	3.9%
Average value per ton	1.8%	0.7%	2.0%

All forecasts and analysis presented by Fastmarkets RISI, Inc.

Figure 1

A wide range of growth potential exists between the various markets

Annual and average annual growth in carton shipments



Market	COVID-19 shock	Demand correction (AAGR 2021-2024)	Long-term trend (AAGR 2019-2024)
Beverages	6.5%	-0.3%	1.0%
Cereals/milled grains	7.9%	-1.6%	0.2%
Frozen food	4.2%	-0.1%	0.8%
Retail/carry-out food	-11.7%	5.4%	1.9%
Pharmaceutical	4.9%	-0.1%	0.9%
Soap and detergents	9.3%	-2.1%	0.1%

For more information on how to join PPC so you can access the full COVID-19 Trends Industry Outlook & Market Data Report, contact Emily Leonczyk at 413-686-9193 or emily@paperbox.org.

This overview contains some key information from the COVID-19 Trends Industry Outlook & Market Data Report, a compilation and analysis of industry data prepared for the Paperboard Packaging Council by Fastmarkets RISI, an independent economic consulting firm. The forecasts and outlook analyses in the Report are prepared solely and exclusively by Fastmarkets RISI without input from the Paperboard Packaging Council.