



# ACCA VIRTUAL MEETING

## JULY 2020

COVID 19 has changed the world: the economy, the way we live, the way we do business. Though most of us suffered in a way during this pandemic season, some people get tremendous benefits, such as the owner of ZOOM got billions of dollars just in 3 months, as we are all use ZOOM for our virtual meeting. Afterwards, of course, some other software are also capable to do virtual meeting, too.

I attended so many Webinar, in a way I got benefit to get more knowledge just from my laptop, or even from my mobile phone. No need to travel, no plane ticket, no hotel bill for attending conference in all over the world. ACCA in July 2020 also have their first VIRTUAL meeting with ZOOM. We do not have the opportunity to meet each other personally, but we are still capable to see and hear each other as well as exchange the market situation as of below report.

### CHINA

The performance of the Chinese paper packaging industry in the first half of the year.

**I. Due to Covid-19**, in the first quarter of the year, total accumulated business income reached 55.455 billion yuan, down by 21.39% compared with the same period in the last year. From January to March, within the whole industry, the enterprises above designated size recorded a profit of 2.073 billion yuan, down by 31.35% compared with last year, with a profit margin of 3.74%, down by 0.54%. Also, during these 3 months, total accumulated loss of the industry was 34.11%, up by 15.2%.

**II.** For the time being, we don't have the data for the second quarter of the year and we expect to be receiving it from the National Bureau of Statistics

between the end of July, or the beginning of August. Recently, we have carried out an investigation about part of the enterprises in the East, South, Northeast and Northwest of the country. As the pandemic is now under control and the whole country returned to work and production, the economy of China has gone from a decrease of 6.8% in the first quarter to an increase of 3.2% in the second quarter. As one of the supporting industries, packaging is also recovering. The problems set upon many enterprises now are insufficient orders and volatile paper prices. It is estimated that, by the 4th quarter of the year, the whole industry may return to normal.

## CTCCA

### 1. Economic Overview

- GDP Forecast in 2020 will down to 1.67% to US\$ 640.5 from US\$ 610.9 in 2019
- Export in 2019 down to US\$ 329 from US\$ 334 in 2018, while import increased a little bit from US\$ 285 in 2018 to US\$286 in 2019.
- Labor cost keep increasing from 2014 – from about NT 28.000 to NT 50.480 and become NT 53.657 (US\$ 1,820) in 2019.

### 2. Corrugated Market Situation

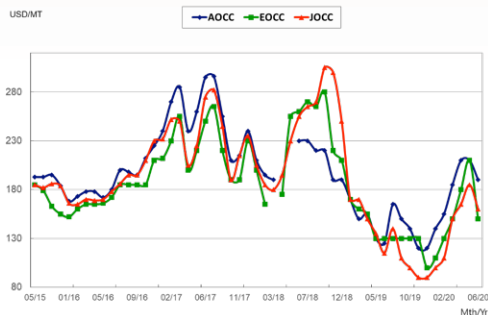
Total Corrugated Products Output remain stable 2,082 in 2017, 2,138 in 2018 and 2,091 in 2019 (millions m2).

#### Classification of shipment by end-user

- |               |     |
|---------------|-----|
| • Food        | 19% |
| • Beverage    | 16% |
| • Paper       | 18% |
| • Agriculture | 8%  |
| • Electronic  | 4%  |
| • Chemical    | 6%  |
| • Textile     | 5%  |
| • Others      | 24% |

### 3. Recovered Paper in Taiwan Area -

TOCC 67.3%, JOCC 7.2%, AOCC 19.4%, Others 6%. AOCC/JOCC/EOCC Price Trend (2014.01~2019.02) Consumption of Recovered Paper increased from 3,534,000 tons to 3,955,000 tons in 2018 and become 4,041,000 tons in 2019.



### 4. Corrugated Trend and Challenge

1. Digital Technologies In Manufacturing
2. Concern For Higher Power Prices
3. Tougher Environmental Regulations

### HONG KONG (Guangdong Hong Kong Macao Greater Bay Area)

- Exports market in decline in GBA • Competition is still very severe (over 1800 Corrugators), as market declines, we are experiencing a price war

### Recent Events

- China's Covid 19 response
  - » Most factories cannot open until March
  - » Most back to normal in April onwards
  - » Domestic market still strong
  - » Any travel from HK to China still need 14 days quarantine
- US China relationship intensifies
- Hong Kong issues:
  - » Recent National Security Law brings calm to the city

## Paper Prices

- Fluctuating Paper Prices
- Prices rose sharply during March due to collapse of supply chain
- Prices dropped sharply in April and May due to weak market
- Prices rose sharply in July due to shortage of OCC

## LCCMA – SRI LANKA

Total number of Corrugators - Around 30  
No of High Speed Corrugators -10  
No of Single Facer Box Makers - 20  
7 Companies control - 70% of the market  
Total Production Capacity- 200,000 Tons/  
Annum  
Current Market Requirement - 150,000  
Tons/Annum

## Market Trend

1. Market production capacity vs available capacity - 20,000 Tons  
Capacity vs 12,000 Requirement
2. Automation – 4 New corrugated plants installed on existing factories
3. 5 New Flexo Printers (some are in liner) added to production capacity
4. 5 Ply Boxes converting to 3 ply for cost reduction

## Challenges

- Labor shortage
- Standardization – LCCMA working with government
- US Dollar getting weaker – currently SLRs 189/-
- Rupee depreciated by 2.5% during last 6 months
- High paper stock as Sri Lanka is importing paper.
- Unpredictable volatility of paper market
- Heavy competition among industry players.

## Paper Imports – 2019 Statistics

Total Imports : 152,000 Mts  
From Asian Countries : 52,000 Mts  
From Europe/USA/Australia etc : 68,000 Mts  
Local Paper : 32,000 Mts

## MALAYSIA

Malaysia Q1 GDP growth rate weakest since 2009. Malaysia's economy grew by 0.7 percent year-on-year in the first quarter of 2020, the weakest space of expansion since the third quarter of 2009 and compared with market expectations of a 1.5 percent contraction, reflecting the negative impact of measures taken both globally and domestically to contain the spread of the COVID-19 pandemic. On a seasonally adjusted quarterly basis, the economy shrank by 2 percent, the first contraction since 2009.

## Malaysia Corrugated Supply Vs Demand ('000 MT)

Demand increased in slow space from 1030 in 2014 to 1260 in 2019 and forecast down to 1130 in 2020, while supply in the last 3 years increased a lot from 1380 in 2018 to 1600 in 2020 ('000 MT). Domestic Paper Price Trend is fluctuating. Down 7-8% from April to November 2019 and increased again in March to June 2020. Kraft RM2500, Testliner RM 2030 and Medium RM1800.

## Industry Developments & Challenges

- Global economic plunged due to Covid-19 pandemic.
- Lingering unresolved US-China trade war continues to soften market.
- Intense competition from over-capacity.
- Volatile paper prices due to uncertainties amid corona virus outbreak tough for costing.
- Minimum wages increased by 9% in major cities and towns in Malaysia.

- E-commerce will continue to be the trend as on-line sales grow exponentially in the new normal.
- Technology-based E&E sector expected to grow when 5G is launched worldwide.

## PICCI

### GENERAL UPDATE OF COVID-19

- First case announced on March 2, 2020
- Early April 2020, the large scale social restrictions implemented in the country's regions
- Starting from early June 2020, the large scale social restrictions has been relaxed few times in order to save the economy
- New corona virus cases have been rising since then with more than 1000 cases daily
- Data as per July 2014, 2020
  - » \*Corona virus case = 78.572 (now more than 160.000)
  - » \*Death = 3.710 (now more than 6000)
  - » \*Recovered = 37.636

### INDONESIAN CORRUGATED BOX INDUSTRY IN GENERAL

- Q1/20 is better than Q1/19
- Q2/20 dropped 30-40%
- Most Corrugated box plants discontinued the contract-based workers
- No corrugated box plant closed down
- General paper roll prices

#### Paper Price Q1/2020

Medium liner \$ 440 – 465,

Test Liner \$ 460 – 485

#### Paper Price Q2/2020

Medium liner \$ 385 – 405,

Test Liner \$ 405 – 425

## THAILAND

- High growth in E Commerce packaging >>> Positive for paper packaging – RSC type
- Brand owner have more concern on Hygiene production process and logistic .
- Consider to invest Automation in the factory .

### Prepare for Business continuity under COVID situation

- Care for Employee
- Build customer trust and confidence
- Build a contingency plan : prepare for worse case scenario

### Corrugated product for COVID 19

#### U – Space



#### SCG NEWS CHANNEL





We have a lunch break, then followed by Virtual Exhibition of Sino Corrugated Folding Carton in Dongguan. Indeed quite surprise to learn how many people (local) attended the exhibition. Reed also attended the interview with some manufacturers – so we got informed of their new technology.



17 years development with series of 2.8 m 200, 250 and 400 mpm. Special offer for overseas – short delivery time, good quality and rock bottom price.



Com Auto - Almost 40 years in corrugated industry 1981 and have 2 customer used the robot for MHL.

