



ASIAN CORRUGATED CASE ASSOCIATION 27TH ANNUAL GENERAL MEETING 13th July, 2023

This year the ACCA Annual meeting was held at Shanghai - China on 13th July 2023. The annual meeting was attended by delegation from CPF – China, Hong Kong Corrugated Paper Manufacturers Association (Guangdong Hong Kong Macao Greater Bay Area), Asosiasi Kotak Karton Gelombang Indonesia (Indonesian Corrugated Cardboard Association), Lanka Corrugated Carton Manufacturer's Association (LCCMA– Sri Lanka), MACCMA – Malaysia, and TCG & Thai CPA.

To-date, ACCA has 30 registered members of which, 7 are country/region Association Members. The Group and Corporate Members form the remaining number of memberships covering international organizations of the corrugating or related businesses in Asia and the world. Together, ACCA has tens of thousands of individual companies all across Asia and globally as ACCA members. ACCA elected new President and Management Committee once every two years. Presently, Mr Xu Xiaoguang of Hexing Packaging Printing Co., Ltd representing China Packaging Federation (CPF) of China, holds the Presidency for the term Year 2021 to 2023.

Country /Region Association Representative Update :

CHINA

Country/Region Economic

2022 An extremely extraordinary year

- A complex and severe international environment
- Continuous impact of COVID 19
- Significantly increased disadvantages
- Extremely unusual economic development



Under the correct leadership of the Central Committee of the Communist Party of China, the Chinese paper packaging industry has made joint efforts, overcome difficulties and proactively assumed

responsibility. With original intention of the paper packaging industry, we have made due contributions to serve the healthy development of the national economy.

Packaging Industry / Corrugated Industry Update

There are over 130,000 paper packaging enterprises nationwide, including 2,827 up-scale enterprises and 3,685 corrugated production lines. In 2022, the cumulative production of paper products in China reached 73.79 million tons, a year-on-year increase of -4.65%.

Corrugated Industry 's Challenge and Trend

The main problems in China's paper packaging industry are:

- Overcapacity and intensified competition
- Due to the impact of exports, number of orders have decreased.
- The normalization of fluctuations in raw paper prices with downstream users bidding at low prices and the only profit momentum remains unchanged.

HONGKONG

About the GBA

The GBA Consists of 9 Chinese Cities and 2 SARs (Special Administrative Regions).

- Area: 56000km²
- Population: 86 Million
- GDP: 13 trillion in 2022 (25% of China)

China and Paper Industries Updates

- China reopen to the world
 - » Business activity is set to recover rapidly as mainland China reopens
- According to the latest report from HKSAR, HK GDP growth 4.6% and GBA growth 6.1% in 1st quarter 2023
- The customs statistic shows in 2023 1st Quarter recorded 73.16W tonne import liner and 81.72W tonne imported medium, 38%, 46% increase year to year respectively.
- Paper price continue to stay at a survival line
 - » ASEAN Trade agreement allow zero custom tax for import papers.
 - » Weak export in South East Asia causing SEA papermill price war with China

- » Cheaper and better sourcing specially in allowing USA OCC importing into SEA region vs China giving price advantage on SEA mills
- » Local China Paper Mill is facing temporary shutdown due to low in demand and excess inventory

Corrugated Industry in GBA

- As of 2023 March, GBA have over 20,000 packaging manufacturers causing daily competitions and less bargaining power to the customers.
- Current situation traditional market for Exports
 - » Low end manufacturing sector continue to move out of GBA
 - » Weak exports market continue decline in GBA.
 - » Excess capacities leading to price war.

Corrugated Packaging Companies

- A total of 15647 Packaging Companies related to Corrugated Paper Products
- Of those 5113 Companies of investments of over 1 Million RMB
- Estimated over 2000 corrugators (1.8m or above).

Opportunities

- China government green initiative
 - » 2030 peak carbon dioxide emissions
 - » 2060 carbon neutrality
- Increase paper packaging consumption due to recyclable material (FSC, GSR)
- Online consumer behaviour continue to increase
- Leading brand start to look at company ESG



INDONESIA

Corrugated Industry Updates

1. Demand of corrugated boxes in Q2/23 still on a downward trend about 10 – 20 % since Q1/23.
2. Stronger pressure on boxes selling prices from big national and multinational brand owners at this current market condition.
3. Some small & medium size paper mills already start to reduce their production output.
4. On the other hand, big paper mill groups still put the expansion project in the pipeline.

Corrugated Industry Challenges & Trends

1. Domestic paper rolls prices has been dropping continuously due to lower demand :
 - A. Domestic medium liner price at current price =US\$ 340 – \$ 365/MT
 - B. Domestic test liner price at current price = US\$ 370 – \$ 400/MT
2. Domestic OCC price has been dropping too and current price at US\$ 140 - \$ 150/MT.



MALAYSIA

Malaysia Economic Outlook

Manufacturing sector has been growing in recent years and now accounts for 25 percent of GDP and more than 60 percent of total exports. Mining and quarrying constitutes 9 percent of GDP and agriculture 9 percent.

Malaysia Manufacturing PMI inched down to 47.7 in June 2023 from 47.8 in the previous month, indicating the 10th contraction in a row and the steepest fall since January 2023 as output shrank a solid pace amid the strongest moderation in new orders since January. As a result, purchasing activity continued to fall for the 10th month in a row, with the pace of reduction being moderate and the quickest seen since January. *source: Markit Economics.*

Corrugated Industry Challenges

1. Keen market competition due to market downtrend. Aggressive cross region price wars among major corrugators and converters.
2. End customers demand significant cost reduction exercise as global paper prices continuously decrease.
3. Competition from China establishments. End customers bring along their supply chain for their macro projects transferred from China to Malaysia.
4. Local paper mill price dropped drastically after 9 Dragon Paper started their paper mill operation and throw price in market. Packaging plant getting cheaper materials and fighting to grab more market shares. Hence, worsen the market competition.

Corrugated Industry Trend

1. Increase light-weight paper materials for sustainability and cost-saving.
2. FSC requirement and to fulfilled more End Customer in ESG platform.
3. Automation for high volume & fast-moving jobs by develop more newest facilities via stayed competitive and to curb labour cost.



SRILANKA

Challenges

- High Volatility Of Paper Market
- Labor shortage
- Weakening SLRS Vs USD– Currently SLRs 315/-
- Higher Conversion Cost
- Weaken Market –Locally and Internationally
- High paper stock as Sri Lanka is importing paper.
- Heavy competition among industry players.

Sri Lanka Corrugated Carton Industry

- Total Number of Corrugators : 30
- No of High Speed Corrugators : 10
- No of Single Facer Box Makers: 18
- 7 Companies Control : 70% of the market
- Total Production : 200,000 ton/annum
- Current Market Requirement : 150,000 100,000 ton/annum

THAILAND

Thailand's Economy 2023

Challenges and Outlook 2023

- US & EU Economy sluggish from inflation, spending power, and financial policy.
- Supply chain disruption from political tension ex. chip & parts
- Limited spending power from consumers
- More demand on sustainable packaging

Thailand Market Outlook H2/23

INDUSTRY	H2/23 vs H1/23	Outlook H2 2023
F&B	↑	<ul style="list-style-type: none"> • Beverage, snack and seasoning demand picks up from tourism recovery, event, and festive season. • Weak exports of frozen, canned and pet food from high inventory at end-user destination esp. in US, EU. • High season of tropical fruit (durian, mango, mangosteen).
Consumer Products	↑	<ul style="list-style-type: none"> • Purchasing power decrease due to excessive inflation. • Improving demand in domestic led by new products and promotions launches to boost market and benefit from tourism. • Exports slow down from slow demand in destination countries.
E&E	↑	<ul style="list-style-type: none"> • Sluggish domestic and export orders from low purchasing power with some producers continue to face parts shortage issues. • Improving production of air conditioner and fan during high season but still softer than normal.
E-Commerce	↓	<ul style="list-style-type: none"> • Slow growth for online shopping after shops reopening • Limit spending power from high inflation.

- More legislation on environmental ex. CBAM, %Recycle content

CORRUGATED INDUSTRY TREND IN THAILAND Trends

- More awareness of sustainable design and material
- Industries start to prepare CO2 Footprint for US & EU upcoming regulations
- Brand owner have more concern on hygiene production process, cost and logistic .
- New invest in corrugated box plants from China start from 2021.

SUSTAINABLE PACKAGING -THAILAND

Trend from MNC brand

Nestlé Thailand today announced its roadmap to reach Net Zero greenhouse gas emissions by 2050. The plan, which focuses on four key pillars Pillar :

1. Sustainable PackagingPillar
2. Water StewardshipPillar
3. Sustainable SourcingPillar
4. Carbon Reduction

100% of its packaging designed for recycling by 2025. Already in Thailand, 90% of its packaging is designed for recycling with concrete plans in place to get to 100% by 2025.



TAIPEI

Corrugated Market Situation

- Total Corrugated Products Output
 - 2020 → 2,287 million m²
 - 2021 → 2,391 million m²
 - 2022 → 2,182 million m²
- Classification of Shipment by end-use
 - Food 19%
 - Paper 18%
 - Beverage 16%
 - Agriculture 8%
 - Electronic & Appliances 3%
 - Chemical 6%
 - Textile/Yarn 3%
 - Others 26%
- Consumption of Recovered paper
 - 2020 → 4,132 ton
 - 2021 → 4,389 ton
 - 2022 → 4,040 ton

Corrugated Industry Trend and Challenge

1. Digital Technologies in Manufacturing
2. Concern for Higher Power Prices
3. Tougher Environment Regulations



