



ACCA'S 4TH MANAGEMENT COMMITTEE MEETING (2017–2019)

WAS HELD IN @ GRAND PARK JIAYOU HOTEL SHANGHAI, CHINA ON 7TH APRIL 2019

ACCA PRESIDENT CUM CHAIRMAN OF MEETING welcomed all the attendees and the ACCA Secretary read and confirmed Minutes of the ACCA's 3rd Management Committee (2017-2019) Meeting held on 3rd September 2018 at Bangkok - Thailand, then we introduced our new 4 members, but only 2 new members attended the meeting.

LOCAL CORRUGATED ACTIVITIES CHINA

Mr. Zhang Yaoquan (CPF) presented China's economy and the local corrugated industry.

Overview of Paper Packaging Industry in China

China's paper packaging industry is outlined from three aspects. The first is the economic operation of China's paper packaging industry in 2018. The



First Mr. Tran Trang Binh from Bien Hoa Packaging Joint Stock Company (Sovi) introduce himself and the organization follow with Mr. Kyaw Than from Silver Sea Carton Box Production Co., Ltd presented Myanmar market.

second is the situation and the challenges facing the industry. The third are thoughts on the future development direction of the packaging industry.

Part I: Economic Operation of China's Paper Packaging Industry in 2018.

In 2018, the paper and cardboard container industry had 2,391 enterprises above designated size (all industrial with main business no less than 20 million yuan), increased by 79 over the last year; rendering an accumulated business income of 291.105 billion yuan. In 2018, the national paper and cardboard container manufacturing industry achieved a total import and export volume of US\$ 4.875 billion. An increase of 7.15% over the previous year.

The cumulative output of box cardboard of the country was 11.74 million tons, with year-on-year growth of 6.70%. The cumulative nationwide output of paper products was 57,748,900 tons, with year-on-year growth of 2.42%. The national corrugated box industry achieved a total output of 27,334,600 tons, with year-on-year decrease of 3.99%.

Part II: Situation and Challenges Facing the Industry

The year 2018 was not easy. The current economic situation is



the result of the long and short-term as well as internal and external factors. The Chinese economy is shifting from a high-speed growth stage to a high-quality development stage, and the external environment has undergone profound changes. Some policy effects need to be further released. Now a modern packaging industry system has been basically established. In recent years, although the paper packaging industry has maintained sustained growth, they are facing various challenges, such as rising costs, green environmental protection, transformation and upgrading with the global economic downturn, the doubled increased pressure of environmental protection, the overall fluctuation of paper prices and the intensification of market competition. The momentum of small profits has not decreased. We believe that the current main reason is that the overall consumption of packaging materials has

decreased, and the situation that production exceeds sales has led to the formation of disorderly competition.

- The first is shrinking in order and difficulties in cash flow.
- The second is low price tender and unstable raw paper price.
- The third is alternative solutions of paper packaging come out.
- The fourth is that paper-making enterprises expanded downstream.

Part III. Some Thoughts on the Future Development Direction of the Packaging Industry

First of all, we must clearly understand that China's economic and social development has a broad prospect, which is beyond doubt. At the same time, we still face many difficulties and challenges, and the task of innovation and development is very enormous. Great changes will surely take place in the hard process. What is more important is that we should return to the original intention of product packaging, position the development direction correctly, and solve the transformation from traditional packaging manufacturing industry to supporting packaging services. In the future of the packaging industry: The first is to scale up,

become bigger and stronger, and improve the overall strength; the second is to be personalized, to be specialized and to develop professional packaging services; the third is to do the whole chain of the industry, to do upstream and downstream, to do cooperation and to share win-win development; the fourth is to provide third-party services and platforms to form new formats for packaging.

CHINESE TAIPEI

Mr. Brendon presented Chinese Taipei region latest economy and its local corrugated industry.



Economic Overview

GDP will grow to 589.5 billion USD in 2018 from 574.9 in 2017 and estimated will grow to 595.2 Billion USD in 2019. While the yearly economic growth decline 2.63% in 2018 and will decline further 2.27% in 2019 which make the yearly growth in 2019 only 2.5%. Export value increase to 336 from 317 in 2017 while import also increase from 259 become 286. Labour cost keep increasing and reach US\$ 1.685 in 2018.

Corrugated Market Situation
Total corrugated output keep

increase from 2016 (2022 million sqm) 2017 (2082 million sqm) 2018 (2137 million sqm). Recovered Paper in Taiwan Area Consumption of recovered paper in 2018 reach 3,955,000 tons. Corrugated Industry Trend and Challenge

1. Digital Technologies In Manufacturing
2. To Absorb An Increase In Labor Costs
3. Concern For Higher Power Prices
4. Tougher Environmental Regulations

HONG KONG

Mr. Larry Szeto (HKCPMA) made a PowerPoint presentation on the update of the corrugated industry in the Guangdong, Hong Kong, Macao Greater Bay Area (GDHKMC or GBA).

GBA Fast Facts:

- Total Population: 68M
- Area: 56000 square KM
- Total GPD: USD1.4Trillion
- GDP 12% of China

Recent Event

- China US Trade War
 - » Impact to business
 - » Many customers move or expanding to South East Asia
- Government is trying to stimulate economy
 - » Lowering of VAT from 16%→13%
 - » Many tax cuts initiatives

Analysis

- Volatile paper prices
- Excessive Production Capacity
- Slow market drives paper prices down: high stock levels
- Local prices affected by Import Paper prices
- Government continues to limit Imported OCC
- Paper mills' profits is under pressure

MALAYSIA

Mr. Lee Poh Chuan (MACCMA) presented the PowerPoint slides on the update of Malaysia's corrugated industry.

The Malaysian economy advanced 4.7 percent year-on-year in the fourth quarter of 2018, following a 4.4 percent expansion in the previous three month period and matching market expectations. It was the strongest growth rate since the first quarter of the year, as net external demand contributed positively to GDP growth, while private consumption, government spending, and investment slowed. For 2018 as a whole, the economy grew 4.7 percent, compared to a 5.9 percent expansion in 2017.

Malaysia's consumer prices fell 0.7 percent year-on-year in January 2019, after a 0.2 percent rise in the previous month and compared to market consensus

of a 0.2 percent drop. It was the first decline in consumer prices since November 2009, mainly due to a slump in cost of transport on cheaper fuel. Also, prices decreased for miscellaneous, communication, recreation and culture while they rose faster for food products.

Wages in Manufacturing in Malaysia decreased to 3575 MYR/Month in November from 3625 MYR/Month in October of 2018. The last 6 months Ringgit has dropped 4% against US\$. Average paper price since last October down 15-18% Economic Developments & Challenges

- Lingering unresolved US-China trade disputes slowing global economic growth.
- Proposed EU ban on palm oil-based biofuels may have adverse impact to Malaysian economy.

- Increase in new corrugating capacity exceeding short-mid term market growth in Malaysia.
- New paper mill investments from China expected to widen choice of materials for the corrugated industry.
- Increasing labour cost continues to add pressure with recent adjustment of minimum wages by 10% up.

SINGAPORE

Mr. Phua Thye Hin (CBMA) presented the PowerPoint slides on the update of Singapore's corrugated industry. The Singapore GDP economy expanded by 3.2% in 2018, slower than the growth of 3.9% in 2017 amid growing protectionist tension around the world. 2019's growth forecast at 1.5% -2.5%, growth expected to come

INDONESIA

Mr. Jeffrey Tan (PICCI) presented the update of Indonesia's economy and its corrugated industry. Since 2016 Indonesia yearly growth in 5% and expected this year will be 5.4% while inflation will go down

to 3.2%. And corrugated production also growth even more than GDP. Paper price on the first quarter 2019 down to USD 470 for medium and US\$ 510 for testliner. Domestic OCC also down to US\$ 160.

2014	2015	2016	2017	2018
3.400.000	3.200.000	3.300.000	3.426.000	3.575.000
6.8 blo/m ²	6.4 blo/m ²	6.6 blo/m ²	6.85 blo/m ²	7.15 blo/m ²

at mid-point at 2% headwind includes Brexit, slow down the major economies of USA, EU and China. Non-oil Domestic Exports (NODX) was very erratic in 2018. It declined 10.1% in Jan19 from a year ago and on a month to month seasonally adjusted basis NODX declined 5.7% from Dec 2018. Both electronics and non-electronics shown decline.

Singapore's manufacturing output increased some high single digit in first half 2018 and declining to low single digit in second half 2018. Overall, the average growth was 7.2 % over previous year. The main contributors were biomedical and transport engineering. In Januari 2019, it turned negative growth of 3.1%. The NORX trend line faired better. On a year-of-year basis, it rose by 7.2 % in

Dec18 following the 9.3% in Nov 18, due to the increase in both electronic and non-electronic NORX. On a 3 months moving average, the NORX shown high double digit growth.

Corrugated Demand

2018 = 95,000Tons,
2019 F= 98,000ons

THAILAND

Khun Varna Sudasna (TCG) presented her PDF slides on the update of Thailand's corrugated industry.



Thailand's Economic Situation

-> H1/2019: Thai economy in H1/2019 will grew by +3.8-3.9%, attributed mainly to an acceleration of private

Industry Trends

1. Demand of corrugated boxes Q1/19 has been dropped quite significantly about 20%.
2. In 2018, paper mills have been enjoying good margin from high selling price of paper roll against low price of paper price. Paper mills have also exported to China and other countries in order to maintain "enough" supply to domestic market.
3. However, in Q1/19 Paper mills has started to drop the price due to lower demand but still enjoy good margin.
4. Issue of the Indonesia government would apply strict control of imported waste paper in 2019.
5. Expansion from few paper mills, will give additional capacity of medium & test liner in 2019. One paper machine is expected to run production mid of 2019 with 20.000 TPM capacity.

consumption especially durable goods continued to expand and private investment also grew. Meanwhile external demand continued to slow down affect low export.

-> H2/2019: GDP 2019 is forecasted to grow by 3.6-3.8%: Risks to growth of the Thai economy include uncertainties surrounding trade war; could be additional affected through merchandise exports channel.

Food and Beverage FFH1/2019

Domestic demand remained stable Most producers stimulated market by new products launch and marketing campaigns. Meanwhile, export continued to grow especially from frozen chicken and Canned Tuna after the EU remove the yellow flag, . Export increase from world economic recovery

(+) Food: Export of frozen chicken and canned tuna are the key driver food industry.

(-) Beverage: Seasonal low demand during rainy season; producers plan to launch new products. **Challenges:** New levy of Sugar tax on 1 Oct 2019

Electrical Appliance

Overall demand stemmed from Asia Pacific and Middle-East region while subsidiaries of MNCs tried to capture production planning from their Headquarters; mainly from

subsidiaries of Chinese and Japanese headquarters.

Positive outlook for export market

(+) Air conditioner : Risen demand thanks to export to Asia Pacific and Middle-East.

(-) Washing m/c: Slowdown demand in US resulting in manufacturing relocation.

(+) Refrigerator : Strong export from Asia and Middle-east countries while stable in domestic Challenges: US government policy and effects from Thai Election.

Consumers products

Both personal (family) and home care were projected to grow at 3-5% due hugely from exporting markets and OEM from parent companies while domestic demand slightly improved even aggressively promotional campaigns. MNC manufacturers still considered Thailand as a hub of region

(+) Skin / Hair care: Stimulate demand in Asia Oceania region.

(+) Diapers and Convenience products: New products offered to serve changing lifestyle and online channel. **Challenges:**

More wary of consumer spending.

Movement

LG increase capacity in existing plant from 1 million pcs to 1.3 million pcs in 2019. CPF invested

2 greenfield plant to increase capacity serving high domestic and export market. Unicharm Corporation has signed an agreement for it to acquire entire shares of DSG to drive growth in the Southeast Asia region

- Digital Printing Advancements

Environments Issue : 3R Reduce Reuse Recycle. Recycle : more design in corrugated.

Corrugated Industry Challenge and trend in THAILAND

- Intense Legistration and Labor shortage

In the evening we have dinner for gift exchange and during this event REED also giving award to their World Corrugated Award which they held by themselves the event.

Trends

- Sustainability (Lightweighting)
- Brand owner have more concern and growing demand on Circular Economy / sustainable packaging solutions >>> Positive for Paper Packaging

