Quite a BOPP on the head for film industry

In the last five years, average CAGR growth in global consumption of bi-oriented polypropylene (BOPP) films has averaged 6.2%, almost twice-average global GDP growth.

A global recession and economic downturns is not a new phenomenon for the BOPP film industry but this trend seems set to continue, according to PCI Films Consulting's latest review of global BOPP film market trends.

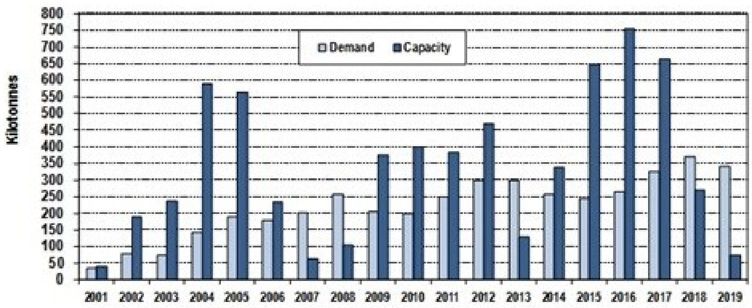
PCI's Managing Director Simon King says, "While demand growth in mature BOPP film markets, such as Western Europe, North America and Japan has been lacklustre, demand in emerging markets such as China and India continues to grow strongly while new markets, such as Vietnam and Myanmar, have seen rapid expansion in their domestic flexible packaging industries."

The following factors have been identified by PCI as having driven global BOPP film volume growth:

- Higher sales of packaged food, stimulated by the growth in multiple food retailing and higher personal disposable incomes.
- Growth in convenience foods packaged in BOPP films such as fruit and vegetables, salads, snacks and confectionery.
- The substitution of other flexible packaging materials such as BOPET, BOPA and other speciality films, speciality coated and label papers and aluminium foils.
- Investment in new converting and packaging equipment allowing BOPP film to be used in a larger number of applications.
- Environmental legislation, which has pushed rigid packaging, formats towards flexible packaging.

However, the big story of the last five years continues to be the expansion in the Chinese BOPP film industry. The numbers often beggar belief and despite numerous industry conferences held in China to slow investment and inform prospective investors of the threats of oversupply, rapid growth continues.

Chinese Supply/Demand Annual Volume Changes



Since 2000 the Chinese BOPP film industry has expanded 10-fold, 4 million tonnes of capacity, accounting for 57% of all installations of new film extrusion capacity globally. Illustrating the total lack of industry planning in plastic film production, domestic consumption of BOPP film in China has only grown by 2.8 million tonnes over the same period, with exports only expanding by 100,000 tonnes. It is little wonder then that the industry is suffering from low margins and underutilised capacity.

It is because of this uncertainty in the long term security of some Chinese sources that PCI strongly recommends the use of local sourcing partners to help reduce these risks.