

Sector Overview – Packaging and related Industries

1. Introduction

1.1 Core Business /Principle activities

- 1) Design, Development, Converting and processing the package
- 2) Packing and Coding
- 3) Labeling, testing and validation
- 4) Storing and transporting
- 5) Dispensing/Disposing/Recycling/Reusing

1.2 Sector Vision

The Packaging sector to be the most vibrant & effective value addition for the export sector of commodities from Sri Lanka whilst serving the local market , ensuring Sustainable Production in line with Sustainable Development Goal 12 to Ensure sustainable consumption and production patterns.

1.3 Sector Mission

The Packaging sector to be a significant contributor while contributing 10% to the GDP in 03 years (approx. USD 8 - 9 Bn) .

1.4 Subsectors

- 1) Flexible Packaging Manufacturing Industry (Laminated)
- 2) Corrugated Packaging Manufacturing Industry
- 3) Rigid Plastic Packaging
- 4) Printed Paper Board Packaging Manufacturing Industry
- 5) Glass Packaging Manufacturing Industry
- 6) Metal Packaging Manufacturing Industry
- 7) Packaging Machinery
- 8) Labelling/ Adhesive tapes/closures
- 9) Woven Polysacks/Non-woven Polybags

1.5 Institutions and trade Associations operating under the subsectors

- 1) Sri Lanka Institute of Packaging
- 2) Association of Laminated Flexible Packaging Manufacturers
- 3) Lanka Corrugated Manufacturers Association
- 4) PET Bottle Manufacturers Association
- 5) Sri Lanka Association of Printers
- 6) Polymer Manufacturers & Recyclers Association

Major players

Corrugated Packaging Manufacturing Industry

- 1) Star Packaging (Pvt.) Ltd
- 2) Ex-Pack Corrugated Cartons PLC
- 3) Uni Dil Packaging
- 4) Packman Packaging
- 5) Mount Packs (Pvt.) Ltd

Glass Packaging Manufacturing Industry

- 1) Piramal Glass PLC

1.6. Number of employees (local/ foreign/Gender wise)

Table 1: Employment

| Subsector | No. of Companies | No. of Employees |
|---|------------------|-----------------------|
| Flexible Packaging (Laminated) | Data N/A | 2500 |
| Flexible Packaging (Monolayer) | Data N/A | 4000 |
| Woven Polysacks | 13 | 2000 |
| Corrugated Packaging Manufacturing Industry | 35-40 | 2500 |
| Rigid Plastic Packaging | Data N/A | 1500 |
| PET Bottles and polybags | 900 | 350,000 |
| Printed Paper/ Board Packaging | Data N/A | 8000 |
| Metal Packaging | Data N/A | 1000 |
| Glass Packaging | 01 | 700 |
| Total | 954 | Approx 372,200 |

1.7. Contribution to GDP by the Sector - 3%

2. Production and Consumption

2.1. Annual Domestic Production and Consumption

Table 2: Annual Domestic Production and Consumption

| Subsector | Production (Mt) (Monthly) | Domestic Consumption(Monthly)(Mt) |
|------------------------------------|---------------------------|-----------------------------------|
| Flexible Packaging (Laminated) | 2000 - 2200 | 1200-1400 |
| Flexible Packaging (Monolayer) | 3000 - 3200 | 2000-2200 |
| Woven Polysacks/Non woven Polybags | 12,300 | 11,100 |
| Corrugated Box Manufacturing | 34,000 – 36,000 | 14,500 |
| Rigid Plastic Packaging | 1400 -1500 | 1200-1400 |
| PET Bottles | 2000 | 1500 |
| Printed Paper/ Board Packaging | 2500 | 1800 |
| Glass Packaging | 5000 bottles | 2000 bottles |

2.2. Required raw materials and Product types

Table 3: Required raw materials and Product types

| Plastic Packaging - Rigid Plastic Packaging | | |
|--|---|--|
| Material Type | Product Type | End-User Industry |
| PE - HDPE & LDPE, PP, PET, PVC, PS and EPS | Bottles and Jars (Containers), Caps and Closures, Bulk-Grade Products - IBC, Crates & Pallets | Food, Beverage, Industrial and Construction, Automotive, Cosmetics and Personal Care |
| Plastic Packaging - Flexible Plastic Packaging | | |
| PE, BOPP, CPP | Pouches, Bags, Films and Wraps | Food, Beverage, Pharmaceutical, Cosmetics and Personal Care |
| Corrugated Packaging | | |
| White Top Kraft Liner Brown Kraft Liner Fluting Paper, Medium Paper Corn Starch Building Thread Stitching Wire | Folding Carton, Corrugated Boxes, Single-use Paper Products | Food, Beverage, Industrial & Electronic, Cosmetics & Personal Care, Healthcare, HouseholdCare, Transportation of Automobile Components, Machinery. |
| Metal Packaging | | |
| Tin and Aluminum Sheets | Cans (Food, Beverage, Aerosols, Others), Caps and Closures | Food, Beverage (Alcoholic, Non-Alcoholic), Personal Care and Cosmetics, Pharmaceuticals |
| Glass Packaging | | |
| Soda ash (Sodium carbonate, Na ₂ CO ₃) Silica sand (silicon dioxide (SiO ₂)) / known as quartz sand Limestone (calcium carbonate CaCO ₃) chemical compound of aluminium and oxygen / Al ₂ O ₃ . Magnesium Oxide Cullet | Glass bottles | |

3. Turnover

3.1. Export earnings

Table 4: Export earnings

| Description | 2019 | | 2020 | | 2021 | |
|---|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|
| | Quantity | Value (Rs.) | Quantity | Value (Rs) | Quantity | Value (Rs) |
| Uncoated Kraft paper, paper board | 3,347,266 | 283,184,100 | 1,485,579 | 131,753,121 | 2,403,817 | 331,443,583 |
| Other Uncoated Kraft paper,paper board | 13,092,557 | 980,855,541 | 11,421,273 | 786,374,739 | 3,911,714 | 517,447,380 |
| Cartons, boxes,cases bags | 18,322,809 | 5,445,565,377 | 13,271,201 | 4,178,652,579 | 14,401,665 | 6,164,288,622 |
| Aluminium foil | 1,572,319 | 781,040,347 | 834,858 | 369,188,384 | 2,080 | 979,779 |
| Total | 36,334,951 | 7,490,645,365 | 27,012,911 | 5,465,968,823 | 20,719,216 | 7,014,159,364 |
| Printing | | | | | | |
| Plastic plates, sheets, film, foil | 764,222 | 281,647,061 | 559,587 | 198,730,051 | 990,692 | 502,212,989 |
| paper and paper board | 823,509 | 205,212,100 | 725,533 | 163,994,037 | 672,913 | 204,691,388 |
| paper and paper board labels | 2,819,534 | 2,193,004,268 | 3,800,207 | 2,569,479,433 | 3,935,495 | 2,895,865,675 |
| Transfers | 27,316 | 306,282,134 | 26,538 | 385,723,187 | 66,029 | 1,059,877,772 |
| Total | 4,434,581 | 2,986,145,563 | 5,111,865 | 3,317,926,708 | 5,665,129 | 4,662,647,824 |
| Laminated and Flexible Packaging | | | | | | |
| plates,sheets,film,foil,tape | 1,296,127 | 556,455,645 | 1,019,104 | 484,453,434 | 1,512,287 | 881,862,942 |
| plastic conveyance or packing | 15,171,822 | 6,364,347,162 | 11,888,527 | 5,483,834,500 | 13,221,125 | 6,862,866,193 |
| prepared binders for foundry | 1,943,430 | 424,410,646 | 13,224,480 | 608,355,629 | 2,301,283 | 572,576,045 |
| Total | 18,411,379 | 7,345,213,453 | 26,132,111 | 6,576,643,563 | 17,034,696 | 8,317,305,180 |
| Metal Packaging | | | | | | |
| Tanks,casks,drums,cans, boxes | 3,839,570 | 629,636,706 | 1,623,978 | 265,993,645 | 163,719 | 159,993,955 |
| Stoppers, caps and lids | 1,097,387 | 625,126,289 | 1,018,860 | 672,255,269 | 218,351 | 187,278,558 |
| Total | 4,936,957 | 1,254,762,995 | 2,642,837 | 938,248,914 | 382,071 | 347,272,513 |
| Glass Packaging | | | | | | |
| carboys, bottles flasks | | | | | | |
| jars,pots,phials | 30,780,635 | 2,689,139,855 | 22,301,770 | 2,412,746,936 | 26,938,249 | 3,602,629,046 |
| Total | 30,780,635 | 2,689,139,855 | 22,301,770 | 2,412,746,936 | 26,938,249 | 3,602,629,046 |

3.2. Export destinations

- Corrugated Manufacturing -Bangladesh,Kenya,India,Ethiopia,Indonesia
- Printing – Bangladesh,Kenya,India,U.A.E., Maldives
- Laminated and Flexible Packaging - U.S.A.,France,Indonesia,U.K.,India
- Glass Packaging – India, Australia,U.S.A.,Canada, Mexico
- Metal Packaging – Canada, Oman, U.A.E.,Bahrain, India

4. Government Policy on Sector

Packaging sector has been identified as a thrust Industry.

5. Sector Strategies

- 1) Invite investment in Raw Material Packaging manufacturing with the objective of 80% exports to South Asian countries. This includes Resins(LDPE/HDPE/PP/PET/PS/PVC), Paper & Plastic(PET/BOPP)
- 2) Encourage Sri Lankan exporters to use locally manufactured Printed Packaging materials.

6. Sector Goals identified with KPIs

- 1) Contribute USD 9-10 Bn annually to the GDP in 03 years.
- 2) Expand the Industry to manufacture Raw Materials and supply the South Asian region.
- 3) To be a reliable Packaging Industry to cater the 1.8 Bn South Asian market.

8. PESTLE Analysis

Political : Inconsistent government policies since independence in all sectors which is broadly affecting the Packaging Sector also. Democratic governance has not yielded, improved the social or economic status of the 22.5Mn population scattered in 24 districts. 1.5Mn public service , Free education & Free health service are observant.

Economic : The economy is contracted in 2022 by 11% and expected to contract in 2023 also by 3.5%. The general headline inflation is over 40% and Food inflation is over 50%. The finance cost or bank interest is above 25%. Electricity tariff is increased by 100%. New Tax laws on VAT, personal tax, corporate tax will affect significantly to the Packaging sector. All these indicators will be prevalent in 1st half of 2023 as Industry sector has declined by 21% from the total contraction. This is compounded with the Global recession which is affecting exports & relocation of exporters outside Sri Lanka.

Social : The social indicators are also following same path with the sliding economic indicators for the current year. Unemployment is increased to double digit & 6.2 Mn of the population entered below poverty line. Government is expecting restructuring of SOEs and send all who are above 60 years of age into retirement. The pressure for the public servant and Tax hike for the private sector employee would further add pressure to the private sector credit growth & consumer spending. This would significantly affect the Packaging volume for production.

Technology: The technological challenges to the Industry could be divided into two areas Raw Materials & Finished goods. The manufacturing technology for essential Raw materials are not available for Polymer resin manufacturing of LDPE/PP/PS/PET in Sri Lanka where feedstock are not available. Other Raw materials , Paper , Paper Board, Aluminum and Tin are also not manufactured in Sri Lanka which places our Packaging Industry less competitive.

The technology available for converting raw material to Printed Packaging is at satisfactory level which is good enough to compete in the International market. majority of investments have been done by the private sector with the support of commercial banks in Sri Lanka. The machinery sector in Processing Packaging & Labeling has contributed positively to achieve this status. The Packaging Capacity building has been effectively supported by the Ministry of Industries/Ministry of Finance with the Tariff protection granted in 2007 onwards. Technology advancement, Innovation in Packaging has been observed with the International awards received by Sri Lankan Industries in Worldstar competition conducted by the World packaging Organization.

Legal : Common laws & regulatory framework for businesses are applicable to Packaging but frequent changes are detrimental for the Industrial stability. This includes frequent changes to laws/regulations applicable to Taxation /Food Act/Labeling/Environmental license/Import tariff & Labour .

Environmental : The impact on changes to Environmental regulations without in depth study on sustainability & without Life Cycle Analysis is detrimental to arrive at a workable solution for the Packaging Industry. It is important that authorities are evaluating the regulations after LCA study & following Global initiatives such as World Packaging Organizations objectives to Minimize Food Waste / Minimize Packaging Waste. The Global Food Waste is generating 12% of Green House Gases which is significant and need attention. Initiative on circularity in Packaging would minimize the GHG which need to be considered by all brand owners.

9. SWOT Analysis

| Strengths | Weaknesses |
|--|--|
| <ul style="list-style-type: none"> ▪ Island nation with more than 80% literacy rate, 23 Mn mobile penetration & excellent geographical location connecting to main sea routes to Fareast / Middle east. ▪ The population is exposed to advance technologies, higher financial literacy & higher grasping capacity on new technologies. ▪ Satisfactory education & health systems in operation which is funded by the go vernment. ▪ Acceptable Legal, Regulatory & Banking system in operation. ▪ Liberalized economic policies in operation. ▪ Satisfactory infrastructure when compared to South Asian region. | <ul style="list-style-type: none"> ▪ Inconsistent political and economic policies which either nonexistent or changes at regular intervals without consultative process. ▪ Lack of prioritizing objectives essential for basic stability in the economy which affects the political, social & cultural stability also. This gives irrelevant & non value added objectives taking priority in governance. ▪ Failure to provide basic infrastructure facilities & dedicated economic zones with ready clearance (Ease of doing business) by the government to entrepreneurs, investors & foreign investors. |

| | |
|--|--|
| | <ul style="list-style-type: none"> ▪ Poor infrastructure on Energy supply/Road network/Railroad network / inadequately prepared Tech savvy workforce. ▪ Stringent labour laws, Regulatory delays, Environmental laws & limitation for investors to expatriate profits in comparison with other countries in the region. ▪ All Raw material inputs have to be imported & all Capital goods for the Industry are imported. ▪ Relatively small domestic market & inability to access neighbouring markets with a population of 1.8Bn. |
|--|--|

| Opportunities | Threats |
|--|--|
| <ul style="list-style-type: none"> ▪ Huge opportunity to access the neighboring market of 1.8Bn in India/Pakistan/Bangladesh with bilateral trade agreements & elimination of border controls exercised by the partners. ▪ Raw material manufacturers for Packaging to be invited to locate in Sri Lanka with an objective of catering 20% to the local market while ensuring a 80% export market from Sri Lanka. This is to ensure manufacturing scale of the plants for raw materials & obtain the advantage on maritime acceptability. ▪ Create a regional hub for Packaging development & Incubation once the 1st two steps are at maturity stage. ▪ Create a waste recovery programme for all types of waste but the Packaging community could actively participate in circularity to be established in view of maximum recovery of raw materials imported for packaging. ▪ Packaging sector to be actively involved in Food waste reduction which will contribute in achieving Food Security. | <ul style="list-style-type: none"> ▪ Relevance of Packaging when economic contraction is observant in the country. ▪ Investors are looking for other destinations of low cost manufacturing. ▪ Global economic crisis with a recession recorded with many countries which are major trading partners for Sri Lanka. |

Forecast for the Packaging sector

| Financial year | GDP growth | Packaging volume growth | Packaging value growth |
|----------------|------------|-------------------------|------------------------|
| 2022/23 | -10% | -20.25% | 15 -20% |
| 2023/24 | -3% | -6-8% | 10-15% |
| 2024/25 | 2-3% | 4-6% | 10-15% |
| 2025/26 | 5-6% | 10-12% | 20-25% |

Assumptions:

USD-LKR exchange rate

2022/23 - Rs. 375

2023/24 – Rs. 400

2024/25 – Rs. 400

2025/26 – Rs. 425

3. Other indicators

| Financial year | Inflation | Inflation (food) | Interest Rates | Energy cost |
|----------------|-----------|------------------|----------------|-------------|
| 2022/23 | 50% | 66% | 30% | 25% |
| 2023/24 | 30% | 40% | 20%-22% | 25% |
| 2024/25 | 20% | 30% | 15%-18% | 0% |
| 2025/26 | 20% | 30% | 15%-18% | 0% |

On a qualitative note; correction to Tourism Industry /Apparel sector growth/ Traditional export commodities/ Value added mineral & industrial exports /BPO service sector growth should continue to grow over 10% & foreign labor remittances should grow over 15%. The required government incentive for the investors & regulatory assistance is imminent in order to see a positive economic outlook. It is also expected that restructuring of SOEs is implemented & Debt moratorium is granted to Sri Lanka. It is also assumed that Chinese rollover loans are granted for in the medium term until economic recovery is on sight.

11. Global Market Value - USD 369.2 Bn (2022)

12. Global Packaging Consumption - USD 980.4 Bn (2022)

13. CAGR - 4.2%

