

CHINA PACKAGING MACHINERY INDUSTRY REPORT



Ministry of Foreign Affairs
and International Cooperation

ITCA 
ITALIAN TRADE AGENCY

EXECUTIVE SUMMARY

Industry Overview

- The total market size of China's packaging machinery grew rapidly to Euro 5.0 billion (RMB 39.4 billion) in 2018, almost close to tripling the 2009 market size of Euro 2.2 billion (RMB 17 billion). The demand is expected to reach Euro 6 billion by the end of 2020.
- Between 2014 and 2018, China's packaging machinery industry market size grew with a 3% CAGR, complemented by an equally robust growth (~14.2% CAGR) in domestic industrial output within the same period.
- Currently, the local administration brings up with the so-called 'Made in China 2025' strategy, which aims to transform China from a manufacturing giant into a world-class manufacturing power, driven by innovation and emphasizing quality over quantity, to narrow the gap with international advanced levels and strengthening the own developmental power.
- In such a context, the imports volume of China's market is hitting a record low. The local China's enterprises are keeping be around to challenge the dominance of the traditional international foreign giants in its home market.
- From the perspective of the market demand, forming/filling/sealing machinery remains the most widely used product category in China, and it is forecasted to remain the top category in 2021.
- Consumer products such as F&B, pharmaceutical, tobacco accounts for more than 70% of total packaging market demand; F&B downstream market is and will continue to pose the largest demand for packaging in China.
- From 2019 onwards, packaging machinery imports are expected to keep steady, more in line with the overall global economic situations, driven by the modular demand growth in each of packaging machinery's downstream markets in China.
- Italy ranked #2 in overall packaging machinery imports in 2019; Germany and Japan are the other two countries among the top 3 exporters to China. The trend of China's imports and exports with Italy is generally in line with China's total imports and exports as well as the overall domestic market value.

Competitive Landscape

- The China packaging machinery sector is fragmented with around 7,916 domestic enterprises in 2019; domestic production is mainly concentrated in the low to mid-end packaging machinery segment.
- About 60 established domestic enterprises, such as Guangzhou Tech-Long, dominates the low- and mid-end segments, catering to more price sensitive domestic customers and key export markets.

- Many well-known international packaging machinery manufacturers have already established a solid presence in China, including Krones (Germany), Bosch (Germany), KHS (Germany), Coesia Group (Italy) and Tetra Pak (Sweden).
- Most of the high-end segments in the forming/filling/sealing, wrapping/bundling/palletizing and labeling & coding machinery categories are dominated by well-known foreign brands and corporations.
- There are many other small to medium-sized foreign packaging machinery manufacturers in the China market; many of the players from Japan and Taiwan are small and medium-sized enterprises.

Demand Analysis

- The largest market for packaging machinery still remain and will continue to be the F&B packaging sector; consumption for prepackaged F&B products are expected to increase quickly as number of urban middle class households increase over the next decade.
- Main customers include OEM packaging service providers, large integrated logistics companies, large F&B enterprises like Wahaha, Yili, household product manufacturers like P&G, Unilever as well as players in the industrial sector, such as cement manufacturing, agricultural chemical companies, etc.
- Large retailers with significant control over their private label/own-brand products production will also be customers with the need for high quality packaging machinery; these retailers usually developed integrated supply chain and logistic networks that involves the use of primary and secondary packaging in the process.

Key Market Trends and Dynamics

- International players value more for the benefits of enterprise value in the long term while the domestic players highly rely on the government subsidies. Both of the international players and the domestic players target their customers in the similar bases. But they still tend to have different positioning and heading in details.
- German, Italian, Japanese, U.S. and Swedish players shared the majority of domestic demand for high-end packaging machinery due to a lack of viable alternatives from the domestic players. However, a few leading domestic players are investing in technology and innovation.
- Consolidation of small domestic manufacturers is expected to be most evident from 2020 onwards when the technological gap between what domestic players can supply and what the domestic market requires is most prominent.
- Automated large-scale packaging machinery lines will also see robust growth as rising labor costs in China becomes one of the key impediments for manufacturing enterprises in boosting profit margins.

Impact of COVID-19

- Although at this point the full impact of the COVID-19 pandemic on the world economy remains unclear, the pandemic is impacting the packaging and processing machinery sector in an obvious way.
- The increasing needs for packaged F&B items due to confinement, home working and less eating out are boosting the usage of packaging machineries.
- The pharmaceutical industry is anticipated to make a significant growth due to the medical needs from COVID-19. There is an increasing number of contracted manufacturing of pharmaceutical products and the introduction of several new regulatory standards on packaging are driving the segment growth.


Considerations for Italian Players


- Italian machineries are known in China for their excellent packaging performance, sophisticated appearance and generally lower costs as compared to their competition from Germany, U.S., etc.
- Italian manufactures are encouraged to cooperate with Chinese players to open the market for advanced technology and environment-friendly and sustainable equipment.
- However, China high-end packaging machinery market is dominated by various large, well-established international players with strong brand awareness. Market entry for Italian (especially small and medium) enterprises may require substantial investments and time.



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