



EUROPEAN LABEL MARKET DEVELOPMENTS

Online European Label Forum, 31 May 2021

The association for the European self-adhesive labelling and adjacent industries

1. Labelstock statistics report 2020
2. FINAT RADAR #15 preview
3. Concluding remarks



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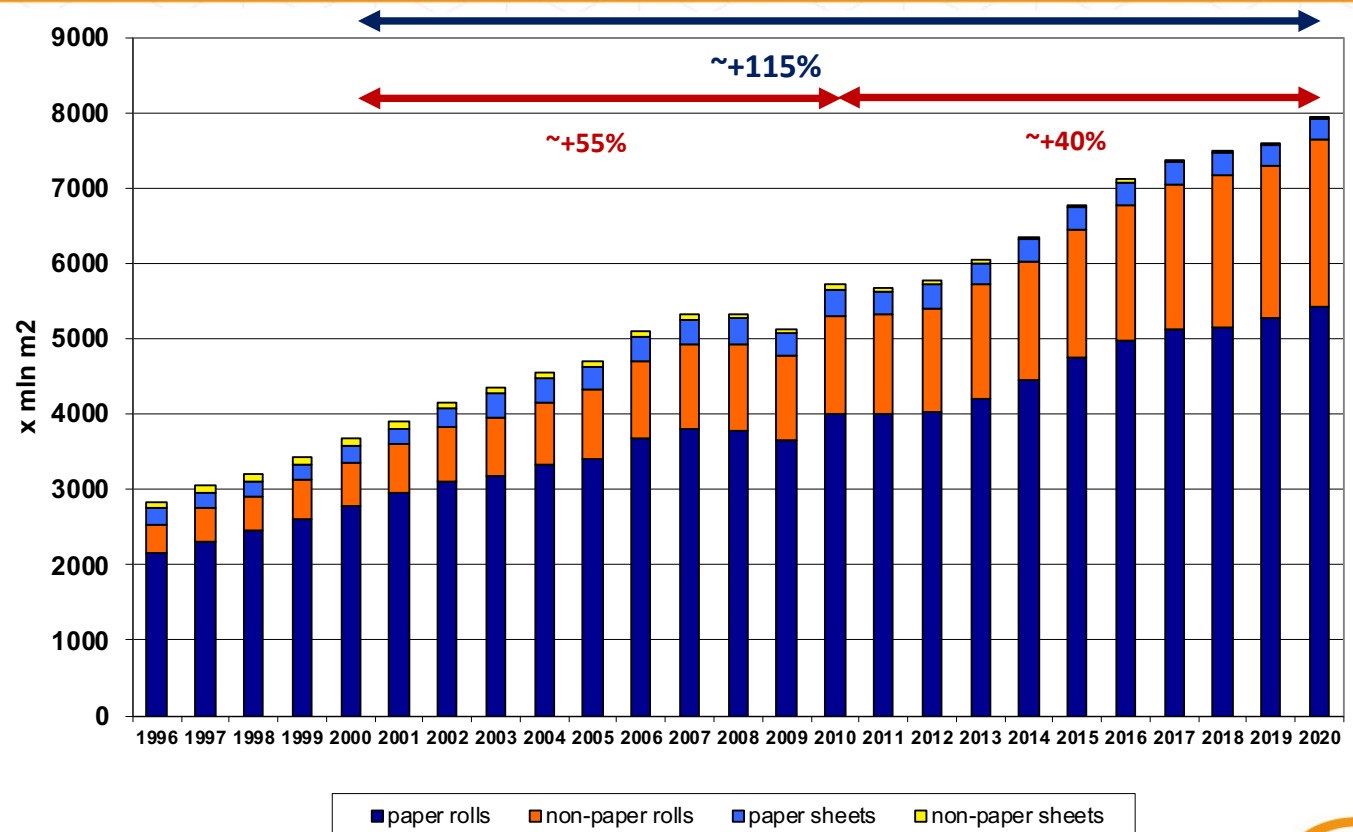
Linking the Label Community



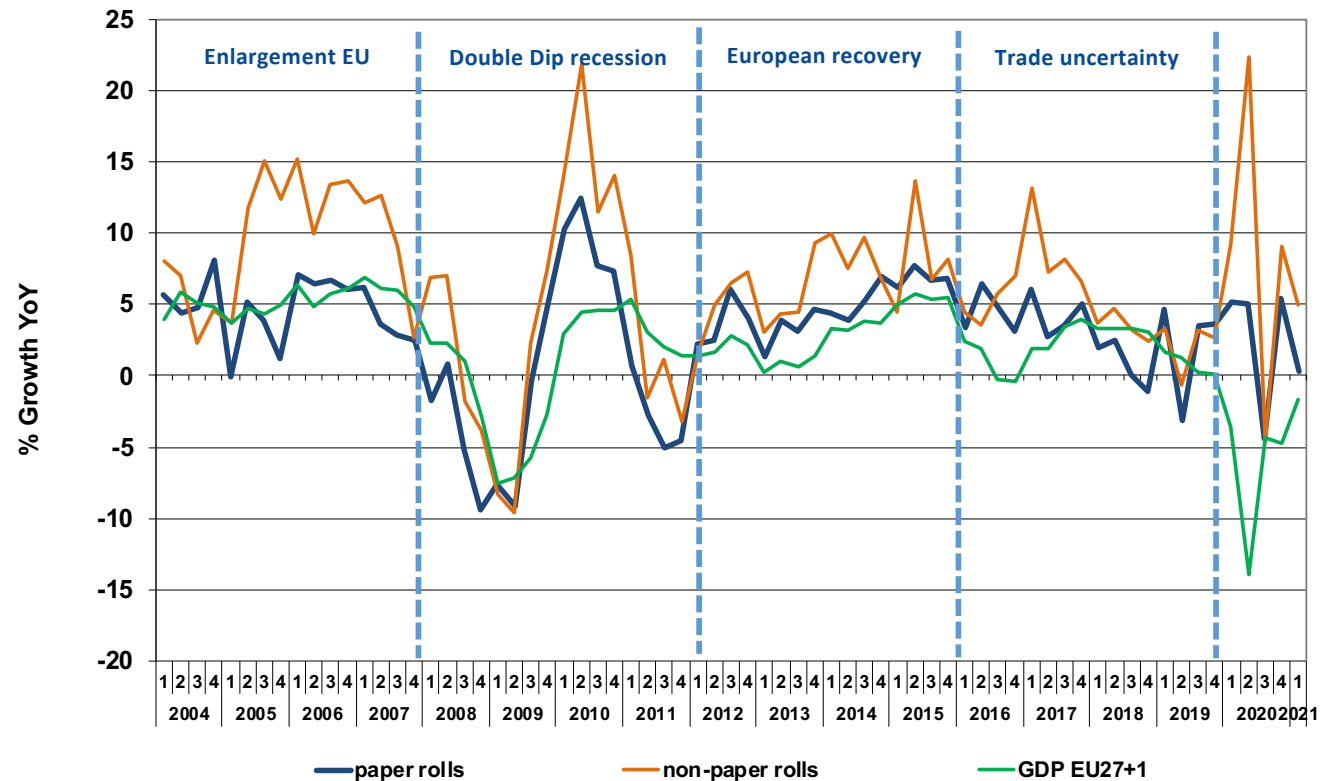
I. LABELSTOCK TRENDS – UPDATE 2020

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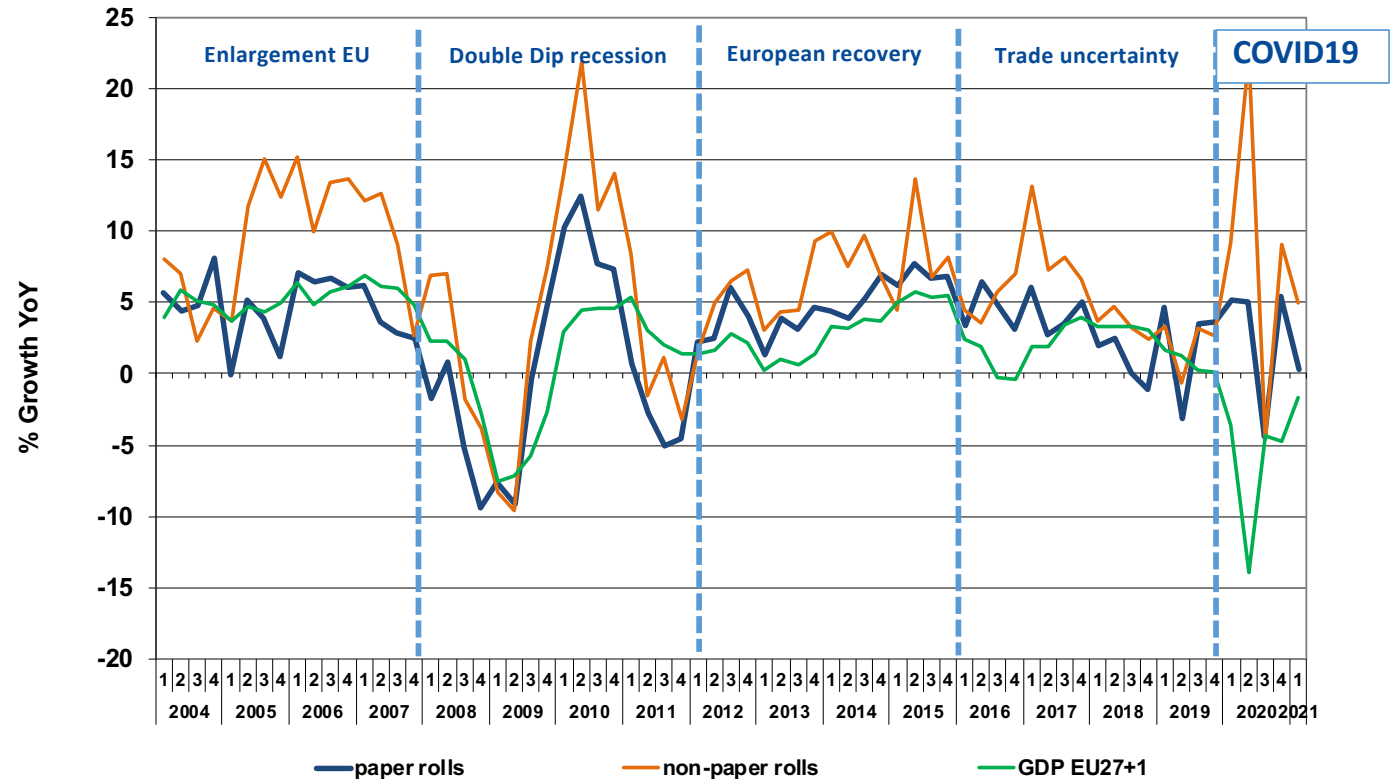
- 2020 was Covid dominated year: **+4.3%** (against +1.5% YoY previous 2 years)
- Total consumption 2020 **7.94 bln. m2**
- Non-paper roll label materials now **>28%** of total labelstock demand (15% in 2000)
- Eastern Europe now **~24%** of total demand (12% in 2003)
- Since 2000, the European market has **more than doubled in size**
- **Paper rolls** (coated white, direct thermal, uncoated white, other): **+2.8% in 2020** (+2% in 2019)
- **Non-paper based** roll label materials (PP, PE, others): **+9.1% in 2020** (+2.1% in 2019)



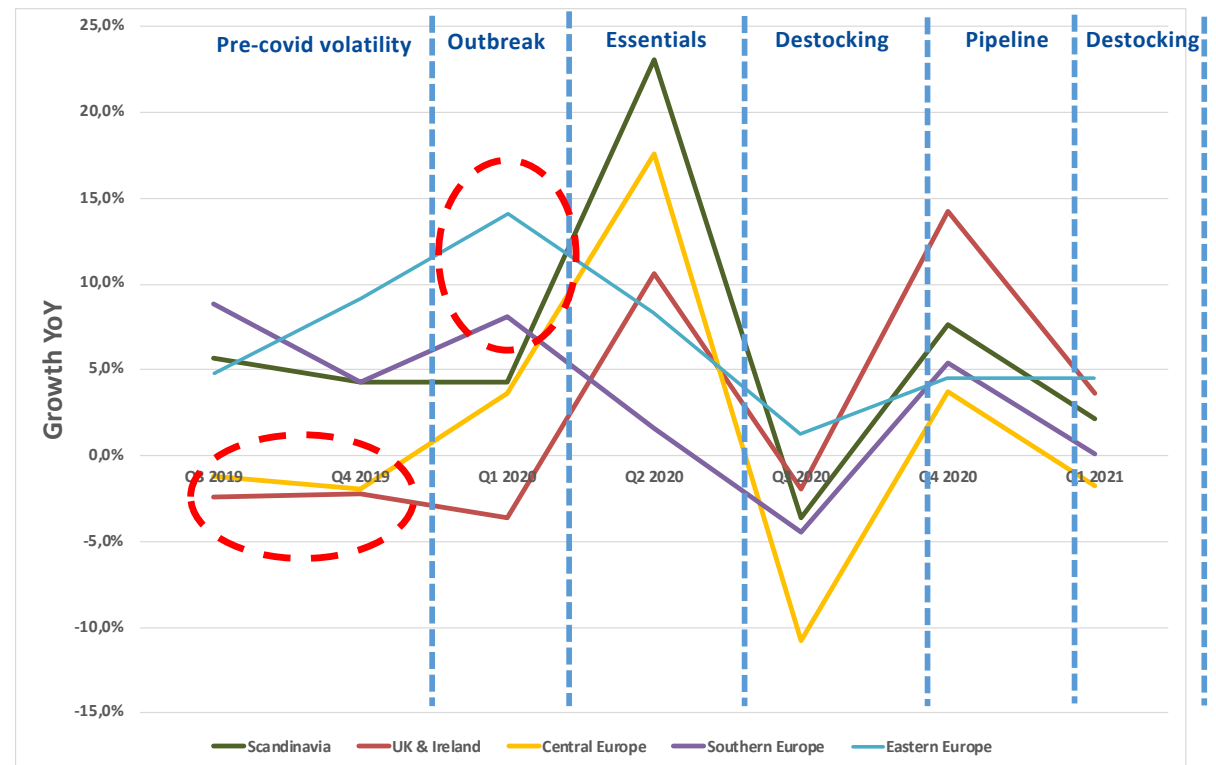
- Regression analysis: **roll label demand as significant indicator** of economic development
- **FOUR PHASES PRIOR TO 2020:**
 - **2004-2007:** from EU 15 – EU 27, emergence Eastern European markets, western European maturity, internet revolution, globalization,
 - **2008-2012:** credit crunch, debt crisis, Euro crisis, agility Eastern European markets and material innovations as cushion against volatility
 - **2012-2015:** slow European recovery against global uncertainty surrounding Europe (migration crisis, terrorism, Russia-Ukraine)
 - **2016-2019:** trade uncertainty caused by Brexit, America First, deglobalisation
- And then came **the Pandemic....**



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- Distorting the correlation: Q2 and Q4 2020 **were contrary to GDP**
- **Convergence** labelstock-GDP in **Q1 2021**: permanent or temporary?



- **ZOOMING IN ON 2020**
- Covid 19 outbreak March 2020 followed **volatile 2019** (declines in UK/Ireland and Central Europe)
- With the exception of UK & Ireland (Brexit), **2020 Q1 was still positive (+6.6% YoY)**
- After the **outbreak in Q2 2020**:
 - Lockdowns, transportation issues, prioritizing essential goods and services, green lanes
 - Excess demand for labels in **essential sectors** food (home consumption), personal hygiene (disinfectants), pharma/medical (Covid related), retail & transport (e-commerce, home shopping), signage. Also **panic buying** ('toilet paper effect')
- As a result, the **label industry faced stress test**:
 - **Raw materials supply** issues (sourcing, lead times)
 - End-product **delivery issues** (excess demand)
 - **Staff quarantine** issues (capacity)
- Since then:
 - **De-stocking** after first wave in Q3
 - Process Q2-Q3 **repeated at lower scale** in Q4 2020/Q1 2021 after second wave
 - In 2021 **wave 3 compounded by specific incidents** in raw materials, trade and infrastructure
- Pandemic has **exposed global interdependence of delivery chains** – lessons to be learned going forward



Some quotes:

“Our industry has passed the stress test by showing flexibility, resilience and agility in overheated markets with understaffed workforce”

“Covid-19 has made us aware that innovation can also relate to the service we are providing, or the way we are organised. (..) The crisis has confirmed the importance of solidarity in solving things together.”

“Innovation is the lifeblood of our industry. The tracking and tracing of contaminations will create an immense push for tracking and tracing at product level.”

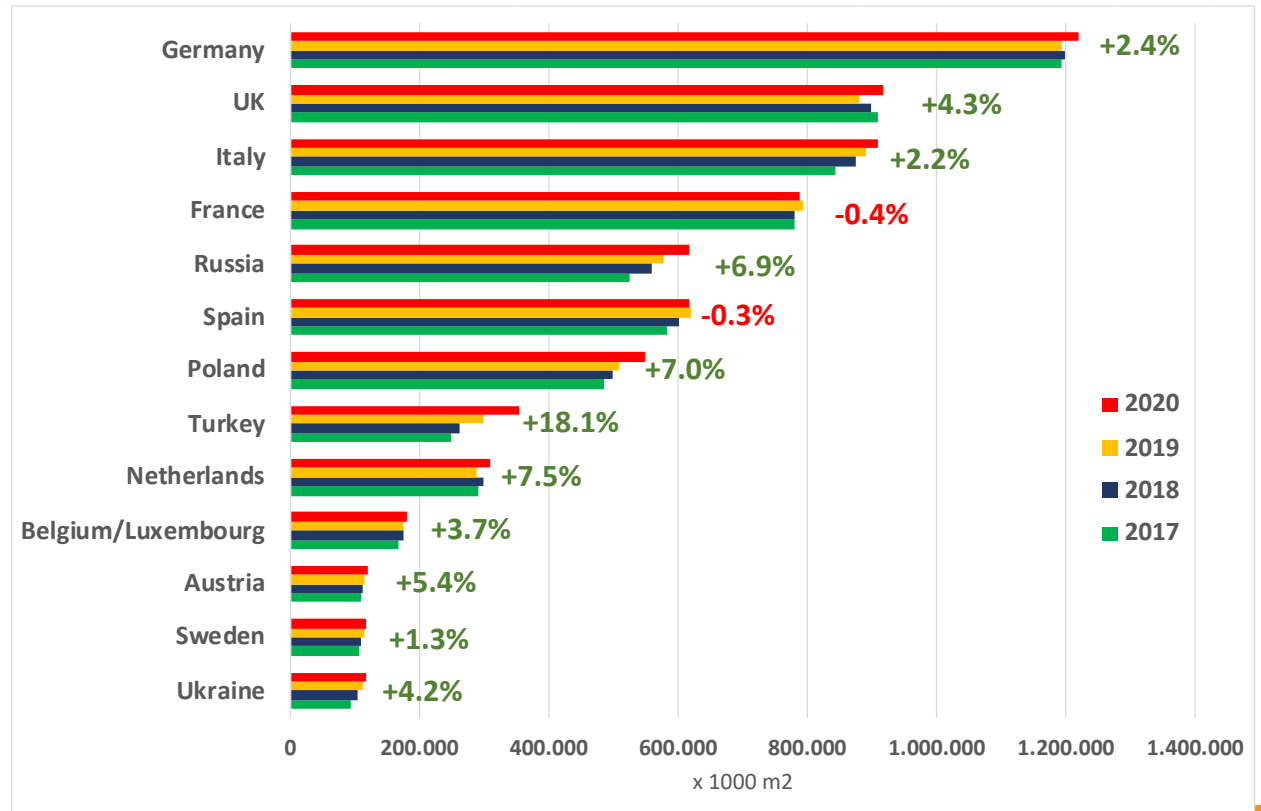
“The crisis will radically change the way we interact with our customers.”

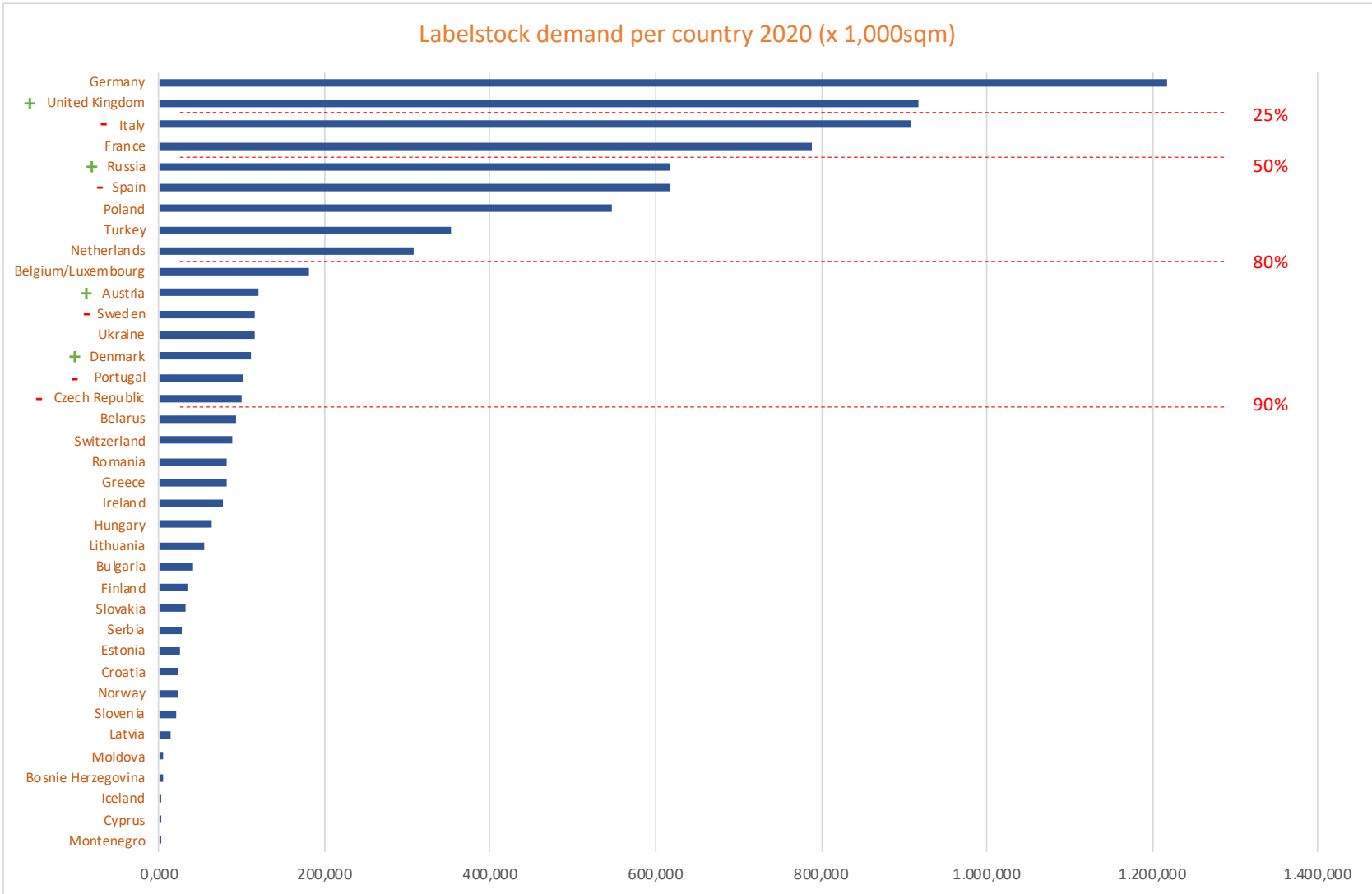
“Where I see a huge change is in the culture, the people side of our business. If we are talking about a reset of our industry, it should be about embedding the change culture in the way we educate our own people, our customers and suppliers.”

- **11 countries** with above average growth (6)
- **0 countries** with static or slow growth (4)
- **2 countries** with declining market (3)

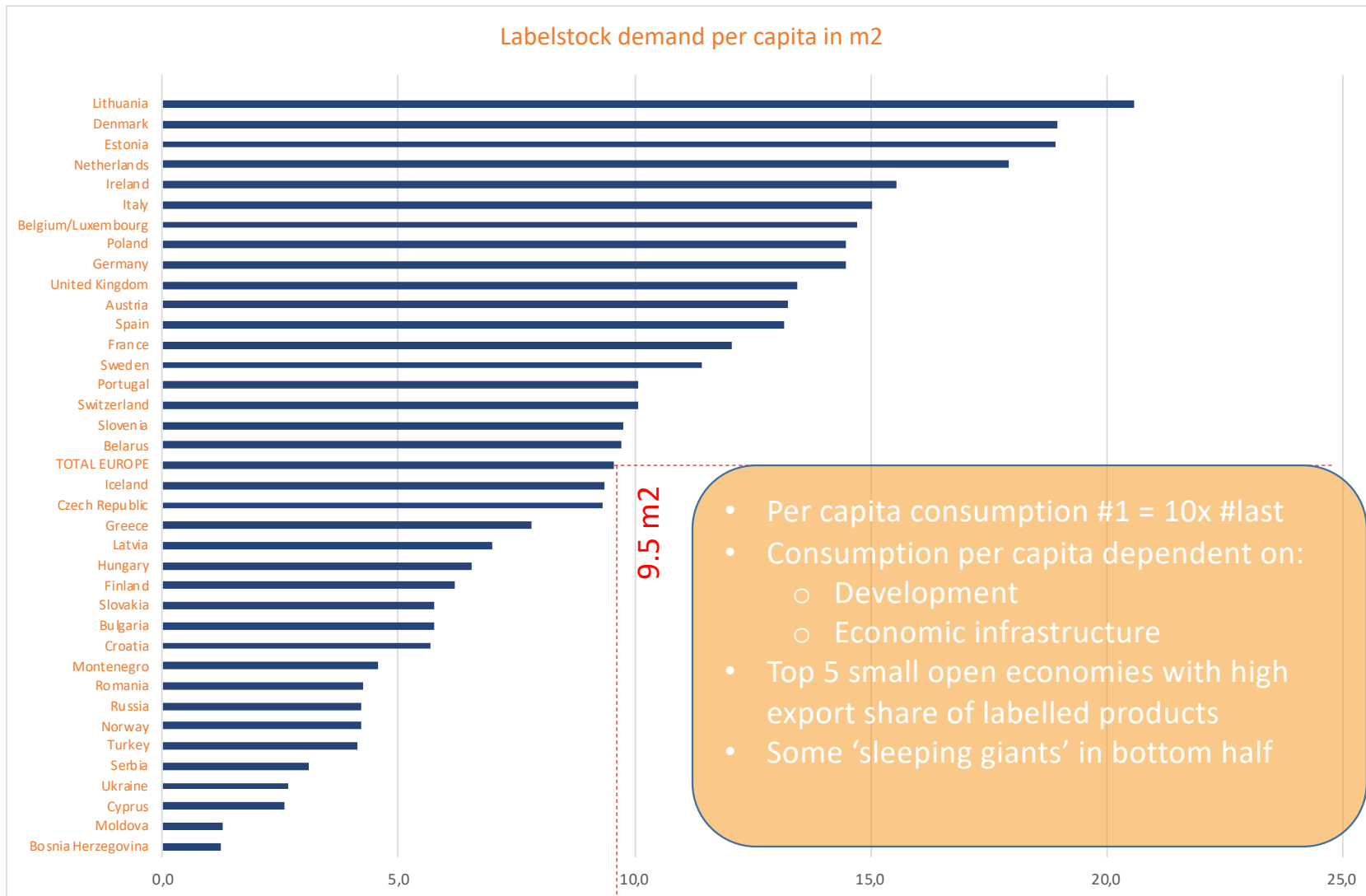
BY REGION 2020 (2019)

- **Europe overall:** +4.3% (1.6%)
- **Northern Europe (Scandinavia):** +8.2% (+2.3%)
- **UK & Ireland:** +4.6% (-1.5%)
- **Central Europe (DACH + BNL):** +3.4% (-1.3%)
- **Southern Europe (Mediterranean):** +2.8% (+3.1%)
- **Eastern Europe:** +6.9% (+4%)



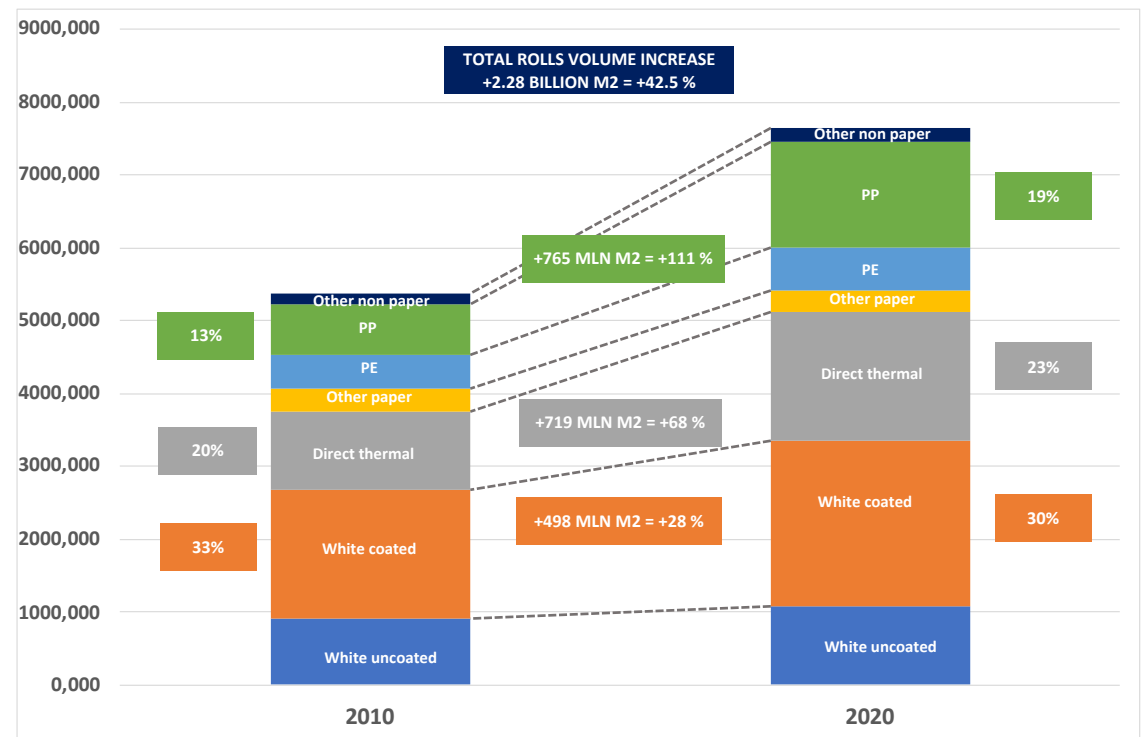


Source: FINAT



Source: FINAT, Wikipedia

- **Paper-based materials:**
 - **White coated (+3.3% in 2020):** sales of packaged consumer goods (esp. food), brand and product differentiation
 - **Direct thermal (+5.3% in 2020):** VI product identification, short-term variable data (e.g. on-line shopping, logistics, process automation, stock and inventory management etc.)
- **Filmic materials:**
 - **PP (+10.8% in 2020):** general need for high-quality product decoration films (esp. HBC, Spirits, Food), PP esp. because of better transparency (no-label-look), convertibility, cost (**PE: +8.1%**)
- **WC, DT & PP** from 66% in 2010 to 72% in 2020
 - Confirms on-going shift to higher-end applications, but all accelerated in 2020 due to Covid
- **Sheet materials (-1.9% in 2020):**
 - Better production facilities in roll-fed machines
 - Need of rolls for automatic dispensing





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II. FINAT RADAR #15 PREVIEW

Jennifer Dochstader, LPC

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III. CONCLUDING REMARKS

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ECONOMY & MARKETS

- From slowdown 2019 to 'fast-down' and recovery in 2021-2023+
- Prolonged economic recovery ('Fourth wave'?)
- From globalisation to near-sourcing
- Dealing with Brexit (esp NW Europe)



BUSINESS (CEO)

- Local government support funding to impact capital market
- Payment terms
- Credit availability
- Investor confidence
- De-globalisation of supply chains
- Bankruptcies
- Acceleration of M&A
- Private equity



OPERATIONS (COO)

- Production capacity
- Remote working
- Redundancies
- Raw materials sourcing and procurement
- Accelerated process digitalisation
- Internal & external connectivity



INNOVATION (R&D)

- Covid-19 dilemma:
>hygiene vs single use
>climate awareness
- EU Green Deal: sustainable recovery
- Acceleration circular economy targets
- Innovations in (design for) recycling, food safety, hybrid, process automation, Industry 4.0
- Business model re-design (decoupling development, design and manufacturing)
- Workforce development



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Thank you!

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