

BY MARINA FALEIROS* AND DAYANNE SOUSA**

VIRGIN DUPLEX BOXBOARD BRAZIL

Brazilian boxboard sales surge as buyers build up inventory in March

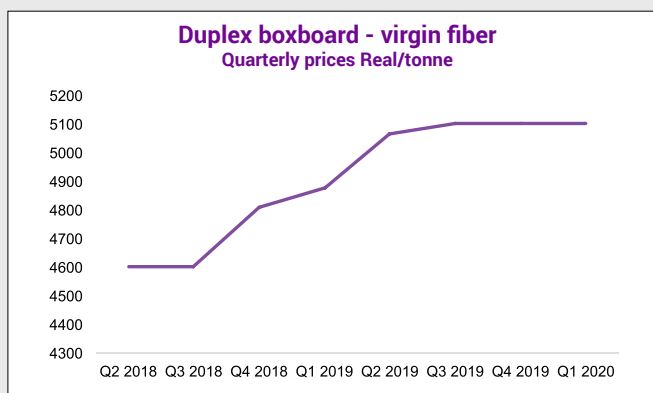
Precautions regarding potential effects of the new coronavirus (COVID-19) outbreak in the Brazilian economy has led end users to increase packaging inventory over the first three weeks of March, causing an uptick in boxboard sales in the country. The move happened as producers are in the process of implementing price hikes, leading converters to anticipate purchases as well, as a way to avoid higher prices in the next month.

After all boxboard producers in Brazil announced 6-7% price increases in the first quarter, the market is still gradually moving to new levels. The price range for all kinds of duplex is still unchanged in comparison to the last assessment in January, as Fastmarkets RISI detected that a relevant share of buyers did not receive price adjustments. They don't expect to see changes until April.

Despite solid demand recently, market players believe a decline in volumes is inevitable going forward. "I have no illusions regarding the future. I know sales will drop at some point, maybe within a week," a contact said.

Converters reported an increase in workflow. "The market up to now has been really good for the packaging industry and we are working 24 hours straight. I just do not know how long it will last."

Market players said that, so far, there has been no interruption in producers' operations or in distribution. The risk, however, is that demand could slump as Brazilian states increase restrictive



measures against COVID-19. In several regions, retail stores and services of all sorts shut down and there is a recommendation for the public not to leave their homes.

Although sales of packaging for food or hygiene products might continue to be positive during the crisis, sources comment that discretionary items have already suffered. Apparel and footwear are an example. Three sources said they see weakness in sales of low basis weigh boxboard, a product used in manufacturing shoe boxes combined with micro corrugated board.

"Clients in segments such as hygiene, cleaning products and food are not suffering any disruptions in demand or production. But the packaging industry is exposed to other segments such as footwear and car accessories, which are suffering." ■

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