

PERSONAL ARCHIVE



**BY RAFAEL BARISAUSKAS**

Rafael joined Fastmarkets in 2019 as the Latin America economist, analyzing the regional pulp, paper and packaging markets, as well as the local economies. He has worked with economic forecasts since 2013 and has a deep understanding of the global commodities trade business and industrial organization. He is also an Economics Professor at FECAP University (Brazil), and has a Master's degree in Economics from KU Leuven in Belgium, focusing his research on analyzing global value chains in the pulp and paper industry

# GROWTH EXPECTED IN BRAZILIAN CORRUGATED BOX SHIPMENTS IN 2024

We are optimistic that shipments of corrugated board boxes, accessories and sheets in Brazil, as projected by Fastmarkets, will grow around 200,000 tons in 2024 and reach a record 4.2 million tons by the end of the year, as reported in our latest *Latin America Pulp and Paper Products Monitor*. There are three reasons to believe that, despite the timid increase of 0.67% seen in 2023 and the lackluster performance of the local packaging market last year, we will see better consumption conditions than in 2022-23, a positive industrial performance and continued strong food exports in 2024.

Last year, total shipments of corrugated board boxes, accessories and sheets grew only 0.67% after dropping 1.1% in 2022, a result that was only positive because of a strong recovery in the last quarter of the year that came in above market expectations, following a similar performance trend observed in the country's industrial production and food exports. The local industry grew 0.2% in 2023, with a strong

recovery in the last quarter, while food exports rose the entire year but recorded a surge in December.

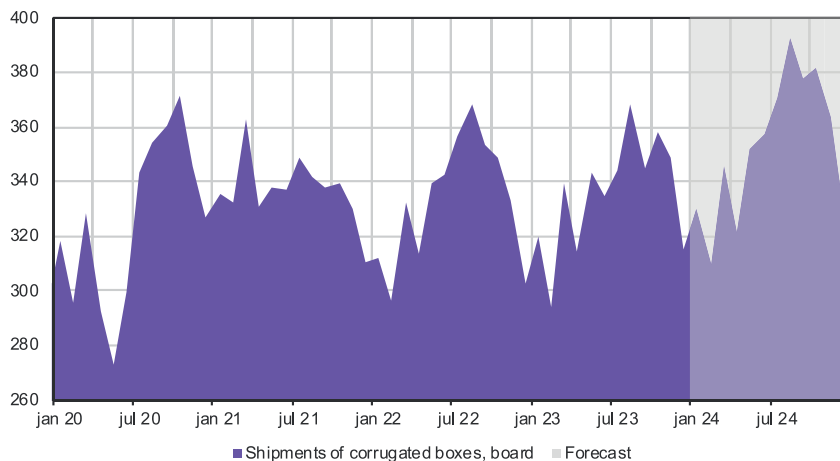
If not for this jump, total shipments would have declined in 2023 for the second year in a row, something that had only happened once before, between 2015 and 2016 when a severe economic crisis hit Brazil. Still, it was no coincidence that in those same two years industrial production dropped 8.3% and 6.4%, respectively, while inflation grew 7.8% and 9.7%.

In summary, Brazilians should see better consumption conditions in 2024 than in the past two years, which should boost overall retail sales and stimulate local production. Nevertheless, we project that the country will continue to expand its food production, especially amid milder El Niño effects in the second half of the year, which should also raise consumption of corrugated board boxes in the country in 2024.

### Consumption to resume in 2024

We project that local consumers will increase their consumption levels in 2024 compared to levels seen in 2023

**Figure 1**  
Brazilian shipments of corrugated boxes, board  
Thousand tons



Source: Empapel. Forecasted by Fastmarkets

and 2022, as the country kicks off the year with a more solid macroeconomic situation than in the past two years and because of debt renegotiation programs, lower interest and inflation rates, and more social programs.

Brazil's macroeconomic situation was quite messy in 2022 and 2023, mostly on account of internal reasons but also due to external factors. Internally, 2022 and 2023 marked the last year of one presidential term and the start of a new administration with different approaches and policies, which increases uncertainty and reduces economic agent projections for the future, thus holding back investments and consumption. Externally, the start of armed conflicts elsewhere in the globe affected global currency markets, bringing instability and volatility to exchange rates and also interest rates, increasing uncertainty about developing countries and commodity exporters, such as Brazil.

However, 2024 started off with a completely different storyline. The second year of the new presidential term offers some stability, which should boost investments and consumption as well as lower the likelihood of protests or strikes due to dissatisfaction or disapproval. Current economic policies seek social inclusion through consumption, reducing social inequality through demand stimuli.

The current economic stimuli provided by the government include, in a nutshell, several consumer-debt renegotiation programs, lower interest rates and expansion of certain social programs. One good example of a debt renegotiation program was *Desenrola Brasil*, launched in the second quarter of 2023, which helped 10.7 million Brazilians renegotiate BRL 29 billion (about USD 5.8 billion) in debt.

Interest rates in Brazil, albeit defined independently by the Central Bank, fell from 13.75% in January 2023 to 11.25% per year in January 2024. The drop may seem small and current levels high, but the outlook is for rates to further decline to 9% by the end of the year, which would be the lowest since December 2021.

The economic stimuli that the government can currently provide are quite low compared to other moments in Brazil's history, such as during the pandemic or during the 2000/2010s commodities boom cycle, when the government had room to increase its spending. Still, the country ended 2023 with an increase in public debt and a deficit due to higher spending.

Finally, we project in our *Latin America Pulp & Paper Forecast* that inflation will continue to drop in Brazil in

2024 to 3.8%, slowing the erosion of Brazilians' purchasing power. Inflation ended 2023 at 4.62%, lower than the 5.79% seen in 2022 and the lowest since 2020.

### Industry to perform better in 2024 than in 2023

The improved consumption conditions expected for the country in 2024 should be the main demand driver to boost local industrial production. Brazilian industrial producers should enjoy higher consumer demand and increase their production of manufactured goods. Of course, the ongoing de-industrialization of Brazil's economy since the start of the 2000s suggests lower industrial growth rates, as the country prioritizes extractive industries rather than manufacturing and high-tech industries. Nonetheless, current exchange rate levels and better consumption conditions should be enough to increase local industrial production in 2024, supporting consumption of corrugated board boxes, accessories and sheets. We project in our *Latin America Pulp & Paper Forecast* that the industrial sector will grow 2% in 2024, much stronger than the timid growth of 0.2% in 2023.

### Milder El Niño effects after July should boost food production

Finally, we also expect that the country's de-industrialization process will not be completely negative for the corrugated board industry, as food exporters consume corrugated packaging to ship production globally. Therefore, the expectation of further expansion in food production should reflect an increase in domestic consumption of corrugated materials, thus supporting our optimistic forecast for the sector.

Furthermore, we also anticipate that weather phenomenon El Niño will ease up in the second half of the year, which should allow for better harvests. If this additional food production finds a market abroad, even if it causes prices to drop amid stable demand and a slight increase in supply, it should boost corrugated packaging consumption, thus reinforcing our analysis. If prices drop too much, they will likely stimulate international buyers to increase consumption, or exporters may prefer to sell volumes domestically; either scenario will require corrugated packaging for transport. This could cause inflation to drop even more than expected, thus improving overall consumption conditions and supporting our whole analysis cycle.

In a nutshell, the three main reasons we believe that shipments of corrugated board boxes should grow in Brazil in 2024, despite the weak 2023 and the drop in 2022, are backed by several others — which may or may not happen — and that is the key to understanding this analysis. The likelihood of these three key factors happening is high, which causes us to be confident about our forecast. ■



Fastmarkets is the most trusted cross-commodity price reporting agency (PRA) in the agriculture, forest products, metals and mining, and new generation energy markets. We give our customers the insights to trade today and plan for tomorrow. **Learn more about our studies and research at: [www.fastmarkets.com](http://www.fastmarkets.com)**