



Sectoral Impact of COVID-19 on the European Plastics Converting Industry

A general template to collect and share information

We have prepared some questions to help us understand the current situation. To the extent possible, please answer them with as many figures as you can (we understand of course this is often a difficult task). Qualitative data and anecdotal evidence is also highly appreciated, since it can help re-assessing existing estimates. If you have any forecast or scenario-based assessment of future developments, please share them with us.

1 General situation

- Has the outbreak in countries outside the EU (e.g. China) already affected companies in your sector?

Yes, the outbreak in China has already affected parts of the plastics converting industry. While the supply of raw materials is secure, companies that source (semi) finished goods in China have experienced delays and shortages.

- Has the outbreak in EU Member States already affected companies in your sector?

Yes, the COVID-19 crisis and the restrictive measures taken by the national governments have far-reaching consequences on the entire plastics converting industry. The effects differ strongly from sector to sector. While the packaging sector is experiencing strong demand for food packaging and hygiene-related applications (disinfectants, soap, etc.), the production of medical devices such as masks, gloves and other protective clothing is running 24/7 to supply these much-needed products.

The production in other sectors, especially the construction and automotive sector, has declined sharply due to a lack of demand from the downstream customers. Building sites are closed as well as car manufacturing plants e.g. in Germany.



- Which problems are companies in your sector currently facing? Among them, which are the most relevant?

The most relevant problem for plastics converting companies currently is the lack of demand from their downstream customers who have partly stopped production due to the restrictive measures adopted by the national governments. In addition, almost all companies report difficulties in the organization of their logistics because of delays at the borders and a reduction of capacity in the transportation sector.

While the food industry has been classified as a critical industry, there is also insecurity about the status of the plastics converting industry in many countries. While France and Italy have classified the packaging industry as systemically relevant, this is missing for most other countries.

Other problems include the implementation of export restrictions for certain items by some countries, and the implementation of different national measures in Member States that are also a problem for companies that operate EU-wide.

2 Demand

- Can you quantify the losses due to the decrease in demand in countries outside the EU?

Companies that export to countries outside of the EU have reported a decrease in demand of 10-30%. Sectors especially strongly affected such as e.g. the building sector report decreases of around 50%.

- Can you quantify the losses due to the decrease in demand within the EU?

Depending on the sector, the changes in production are different. Demand in packaging applications has increased by about 30%, while the construction and automotive industry experience a severe decline in demand of 25%-70% in building & construction and 50%-100% in the automotive industry. Many companies have closed their production.



3 Supply

3.1 Supply Chains

- Can you quantify the damages due to delays or disruptions in supply chains (both upstream and downstream)?

Delays occur but are at the moment still manageable for the companies. Costs caused by delays and increased transportation prices cannot be assessed yet. In some sectors, companies with supply chains in China will have experienced at least 6 weeks production loss (from start of outbreak) and then lower capacity for a further 4 weeks.

- Which specific inputs are likely to disrupt the production process of companies in your sector? Please be as specific as possible, e.g. give an HS classification.

Depending on the future development, most companies report that the supply of raw plastics material could become a problem either through shortages in supply due to plant closures, or through transportation issues. While supply with virgin raw materials seems to be relatively secure, supply of recycled raw materials is already becoming an issue due to potential closures of the sorting centers (e.g. in France this is already happening).

For companies that also source (semi) finished goods, many different inputs could cause disruptions. Listing them here is impossible as they depend too much on the different sectors.

- How much does the firms' access to inputs depend on production in countries affected by the outbreak (as a share of total input)? Which countries?

Difficult to state as the proportions differ widely from company to company. All the most relevant markets EU, China, North America are affected now.

- Is it possible to substitute this input? If so, with what?

Recycled raw materials can be substituted with virgin material.



- Is it possible to find alternative suppliers? If so, where?

No, not in a short amount of time, as this is linked to extensive technical requirements and takes substantial time and resources.

- Have firms in your sector already faced shortages of inventory? For which inputs? Do they expect that to happen in the next weeks?

Companies producing products that are high in demand are sometimes facing shortages, especially packaging material. For the other parts of the plastics converting industry, shortages are not an issue because of the decrease in demand.

- Are firms in your sector affected by downstream disruptions in the value chain (e.g. distribution and retail)? If so, which type of disruptions?

Yes, stopped demand from their customers due to e.g. the closure of construction sites and automotive manufacturing plants. Closures and stopped production at downstream costumers due to governmental lockdown measures.

3.2 Labour Force

- Have firms in your industry already faced a shortage of workers due to quarantine measures? Do they expect to face shortages in the near future?

This differs a lot from country to country due to the different national measures. The most problems occur in the areas most affected by the outbreak: northern Italy and Spain. Where production is reduced to the decrease in demand, this is of course less of a problem. Safety rules for social distancing have been implemented in the companies.

- Have firms in your industry already faced a shortage of workers due to strikes or other forms of protests due to the respect of safety at work?

No



- Is teleworking possible in your sector? How is it affecting your sector?

Administration can work from home but the main part of the employees are workers at the production lines and on the shop floor who need to be present to run the machines.

- Are public funds/unemployment handouts available for firms in your sector? If so, has it already been necessary to for firms to tap into them due to the spread of the outbreak?

Yes, and yes.

- Have firms in your sector fired workers? How Many (or share of total employment in the sector)?

No, not yet. Companies are applying the temporary lay-off measures provided by national legislation and state.

3.3 Finance

- Have the firms in your industry already faced liquidity problems?

Yes, especially smaller companies in sectors that are experiencing a decline of demand from their customers are facing liquidity problems due to non-incoming or cancelled orders and outstanding invoices that remain unpaid. This problem is expected to worsen over time.

- How is the banking sector supporting firms in your sector?

Banks are supporting by offering the postponement of the payment of the rates, cheap or even interest rate loss, and short term loans. While these measures are suitable to support SMEs for a short period of time, they are not effective for larger companies.



- How are other investors supporting firms in your sector?

No specific support.

- How is the government financially supporting firms in your sector?

Different national measures in the Member States, mainly directed at mitigating labour cost by providing a certain percentage of the salaries.

3.4 Infrastructure and public services

- Have disruptions in infrastructure or service provision (both public and private) affected the economic activities in your sector? (e.g. availability of fuel, access to airports, access to railways, telecommunication, maintenance services etc.)

Logistics and transportation are more difficult (see above). In some cases, travel restrictions are hindering the access of external staff e.g. for maintenance.

- Can you please list these disruptions?

4 Public support

- What type of public measures or actions would the sector need? In particular, how can the European Commission help? To the extent possible, please distinguish:
 - o Short term measures (mitigation / resilience)

Most importantly, support Member States in the provision of financial support for the industries facing demand & production shortages.

Freezing all ongoing and new regulatory initiatives for at least 12 months (and ideally 24 months). Our industry is notably affected by a number of regulatory initiatives (REACH Restrictions, SUP Directive implementation, plastics tax, etc.). While under normal circumstances we could cope with such changes, some of them require significant investments and changes in production



processes, for which we feel small companies will just not have the cash or human resources when they need to fight for their very survival.

In addition, engaging Member States to avoid all transport restrictions. Engaging Member States to classify the above-mentioned industries as essential.

- Long term measures (after the lockdown)

Provide guidelines and procedures that allow Europe to keep functioning in a crisis like this, from handling border traffic to allowing personnel to travel to keep resources (material and labour) where it is needed. How can we advocate open markets when with the first crisis we are moving back to national states?

Re-evaluate and potentially revise legislation forcefully reducing or banning plastic items, the crises shows how vital they are for the health and safety of European citizens.

- Are there any lesson learnt from this crisis?

This crisis has clearly shown the strong utility of the so-called single-use plastics especially concerning health and safety of the citizens. Banning these items would have negative effects on the ability of the European Union to handle emergency situations like this and should be reevaluated. The European industry must be self-sufficient in terms of essential goods and health care to ensure the necessary supplies, not depending too much from countries outside the EU, like China.

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