



Flexible Packaging Association *‘Pulse of the Industry’ Report*

Q3 2023

By PTIS, LLC

Prepared for the Flexible Packaging Association
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About the Survey

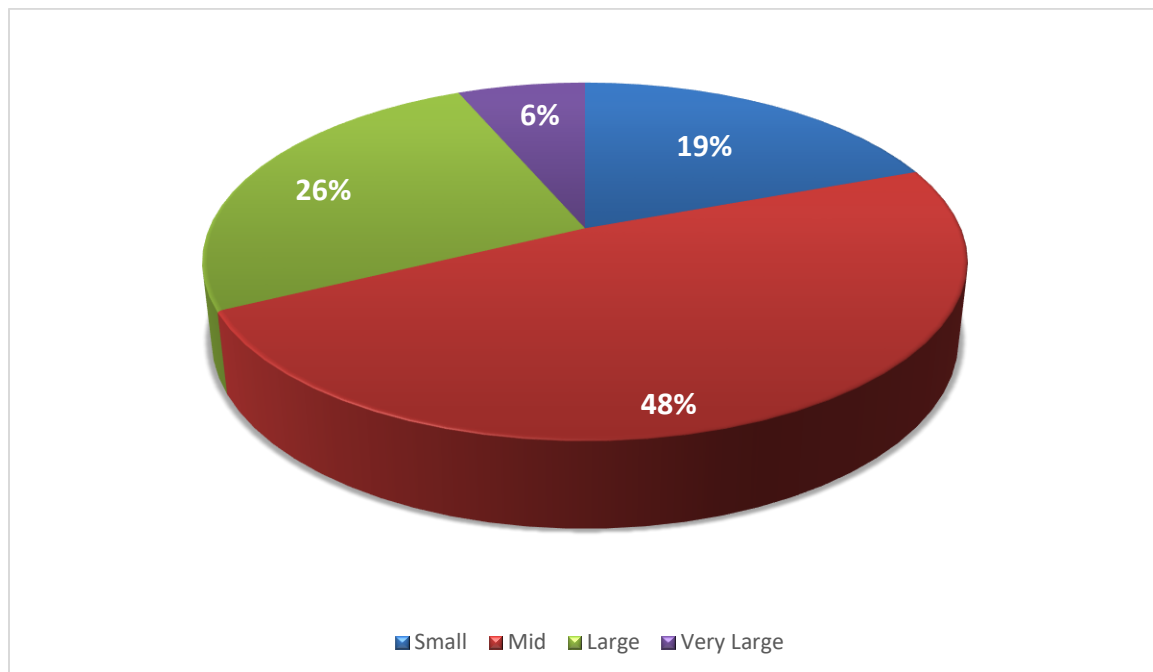
The following is the Flexible Packaging Association's (FPA) **Third Quarter 2023 'Pulse of the Industry' Report**. The focus of the report is principally short-term, looking at the third quarter 2023 versus the second quarter 2023 and versus the same period a year ago (third quarter 2022). Completion of the survey is voluntary. The 'Pulse of the Industry' is intentionally broad in scope, examining relative performance for net sales, volume, profitability, inventory levels, capital spending, and capacity utilization. In addition, information is included to examine expectations for sales and volume performance.

For the third quarter 2023 'Pulse of the Industry' survey, FPA received responses from 31 converter member companies. This represents a 38% participation rate for all converter members and an annual revenue of \$8.6 billion (approximately 20% of the \$42.9 billion total flexible packaging industry sales).

The responses for Q3 2023 were captured as the country was still experiencing relatively high rates of inflation at 3.7% for September, though this was down from the 8.2% inflation rate of a year ago. The U.S. GDP was up 4.9% for the 3rd quarter of 2023, indicating a fairly robust economy overall for the U.S. market.

Overall survey participation was led by "medium-sized" companies which made up nearly half (48%) of all respondents. With only two "very large" companies responding to the survey, data will not be reported for that category.

Survey Participants by Size



The survey responses represent a broad cross-section of companies within the flexible packaging industry. Participating companies were classified into four distinct categories as follows:

- Small: under \$10 million in annual revenue (6 respondents)
- Mid: \$10-\$150 million in annual revenue (15 respondents)
- Large: over \$150-\$1 billion in annual revenue (8 respondents)
- Very large: over \$1 billion in annual revenue (2 respondents)

To enable reporting on a particular category, there must be at least 3 participating-sized members for each company size; thus, with only 2 respondents in the “very large” company category, those results will not be published, but are included in the overall aggregate reporting.

Highlights from the third quarter 2023 ‘Pulse of the Industry’ Report include:

Net Sales	% Lower	% Same	% Higher
3rd Q ‘23 vs. 2nd Q’23	62%	10%	28%
3rd Q ‘23 vs. 3rd Q’22	73%	7%	20%

Volume	% Lower	% Same	% Higher
3rd Q ‘23 vs. 2nd Q’23	55%	10%	35%
3rd Q ‘23 vs. 3rd Q’22	66%	3%	31%

Profitability	% Lower	% Same	% Higher
3rd Q ‘23 vs. 2nd Q’23	59%	14%	27%
3rd Q ‘23 vs. 3rd Q’22	62%	0%	38%

Overall, it was a fairly challenging quarter for flexible packaging converters with most survey participants reporting lower sales, volume, and profitability compared to the previous quarter and previous year. This is a trend that follows the results of the previous *Pulse* survey from the second quarter of the year.

In separate questions about expectations for the fourth quarter of 2023, respondents are quite tepid with similar results for both sales and volume. Around thirty-five percent (35%) believe both sales and volume will be higher, with approximately forty percent (40%) anticipating both to stay the same as the third quarter, and a quarter saying sales and volume will be lower in the final quarter.

Additional details for the third quarter of 2023 versus the second quarter of 2023 and third quarter 2022, as well as topics such as inventory levels, capital spending, and capacity utilization, can be found on pages 8-14.

Short-Term & Long-Term Comparison Highlights

The following graphs (A-B) provide:

- Third quarter 2023 versus second quarter 2023
- Third quarter 2023 versus third quarter 2022 comparisons for sales, volume, and profit

Exhibits (C-D) on the following page provide second quarter versus the prior period 2023 and prior year second quarter for the last ten years (2013-2023).

Exhibit A. Q3 2023 vs. Q2 2023 for All Participants

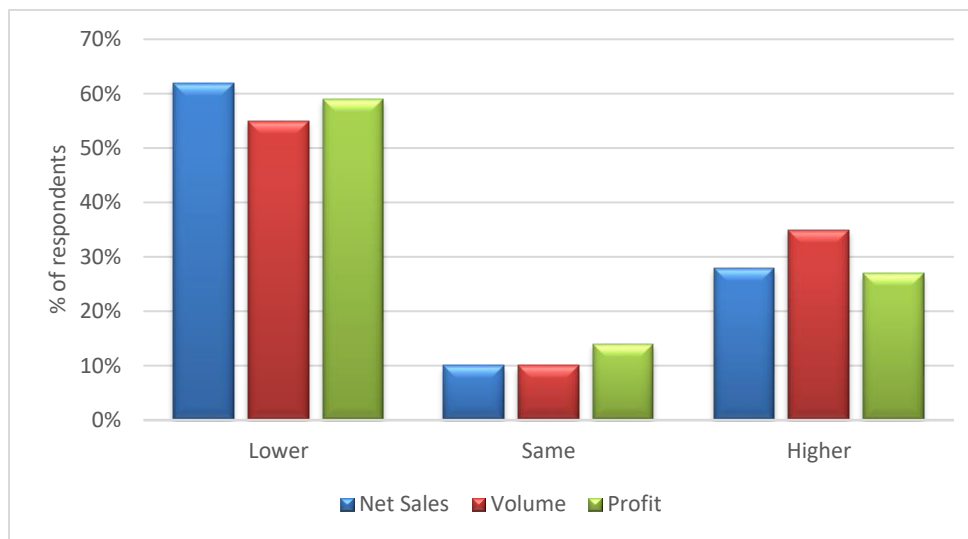


Exhibit B. Q3 2023 vs. Q3 2022 for All Participants

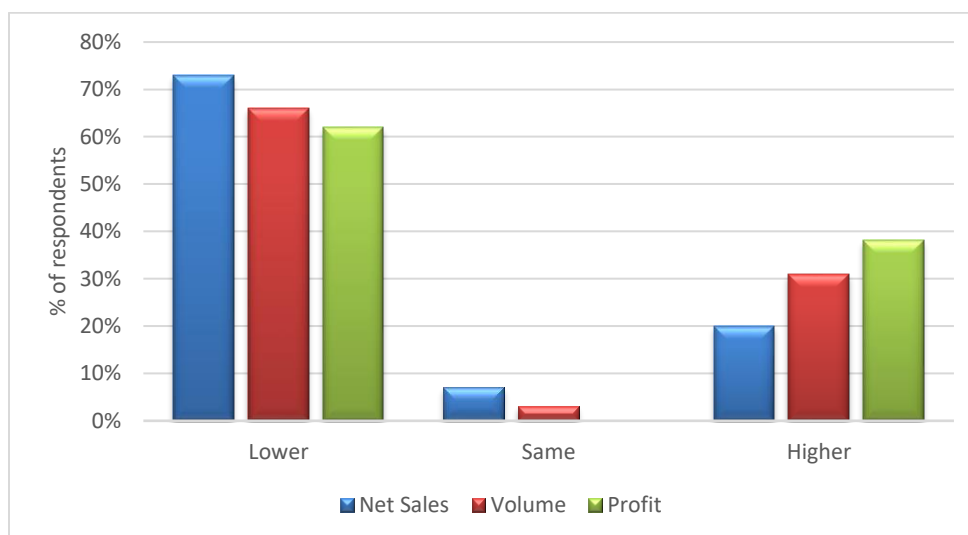


Exhibit C. 2013-2023 Comparison, 3rd Quarter 'Higher' vs. Previous 2nd Quarter

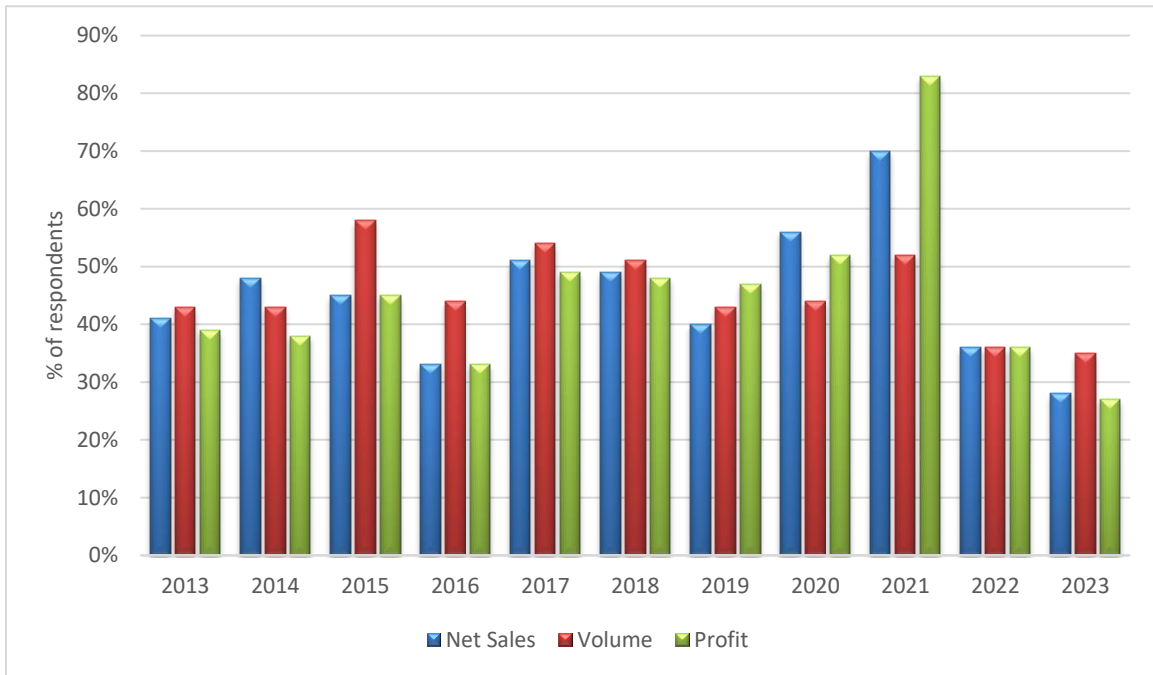
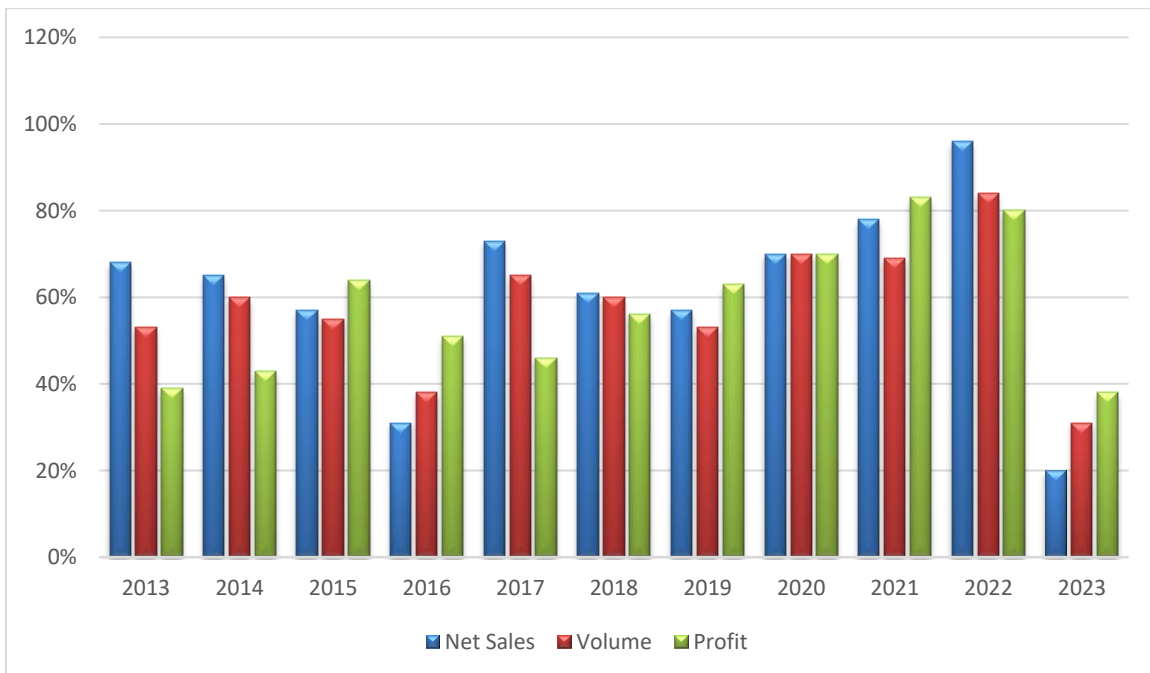
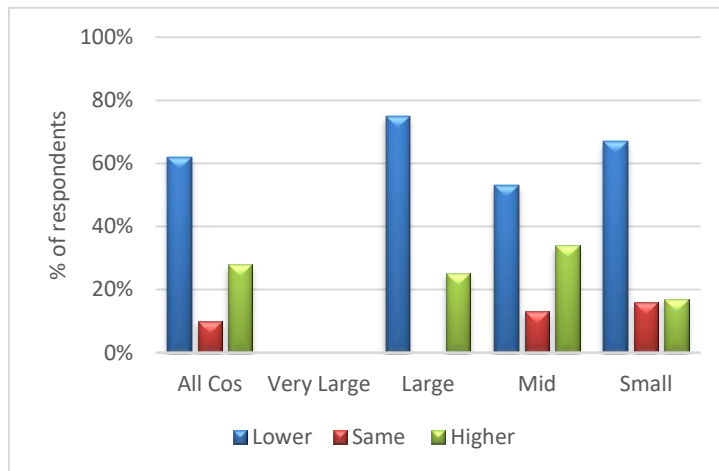


Exhibit D. 2013-2023 Comparison, 3rd Quarter 'Higher' vs. Previous Year 3rd Quarter



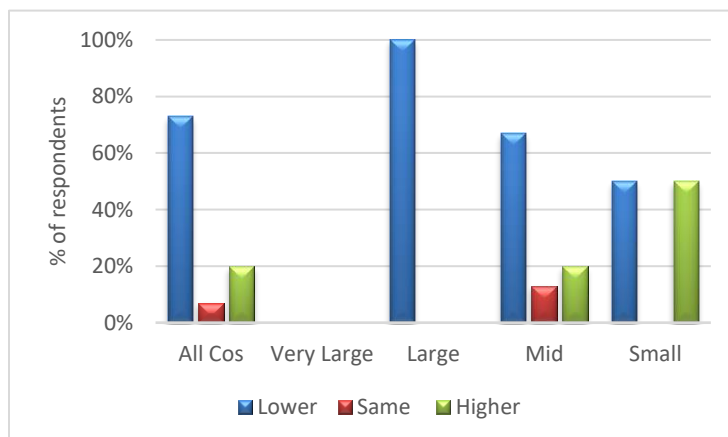
Net Sales Comparisons

Exhibit E. Flexible Packaging Net Sales, Q3 2023 vs. Q2 2023 by Company Size



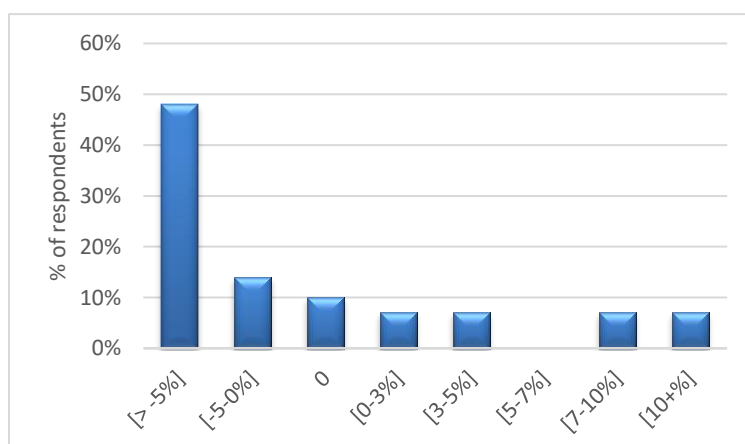
Over 60% of respondents reported lower sales in Q3 compared to the previous quarter. The results were similar across all three company sizes (large, medium, small) that reported, though most pronounced among large companies, where three-quarters of the companies saw reduced net sales.

Exhibit F. Flexible Packaging Net Sales, Q3 2023 vs. Q3 2022 by Company Size



The values were similar when compared to last year, with 72% of respondents saying they had lower sales than the previous year. This was a large flip from last year's (Q3 2022) *Pulse* report when 96% of companies reported higher sales than Q3 2021.

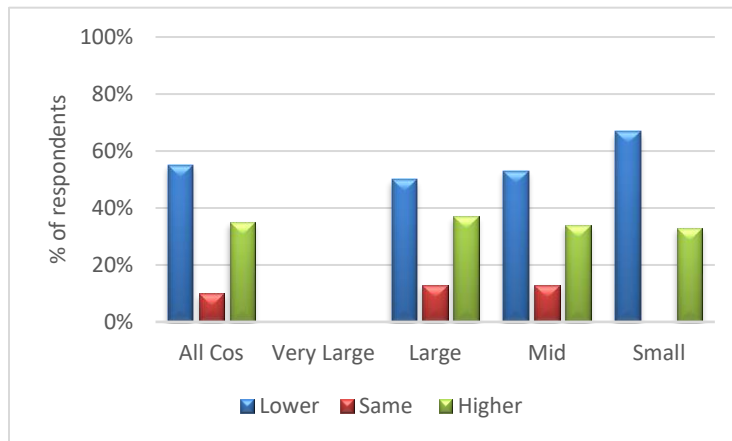
Exhibit G. Company Net Sales Rates, Q3 2023 vs. Q2 2023, All Flexible Pkg Converters



When looking at net sales by growth rate compared to Q2 2023, most respondents experienced negative growth (62%), with a fall in sales of over 5% as the most widely selected category. Only 14% of respondents reported a sales growth of over 5% for the quarter.

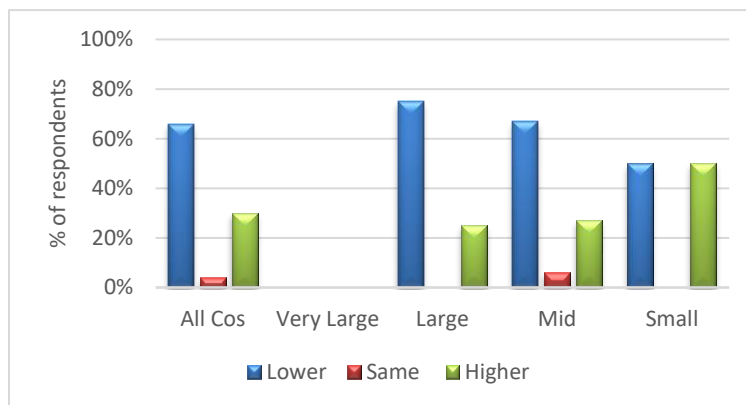
Volume Comparisons

Exhibit H. Flexible Packaging Volume, Q3 2023 vs. Q2 2023 by Company Size



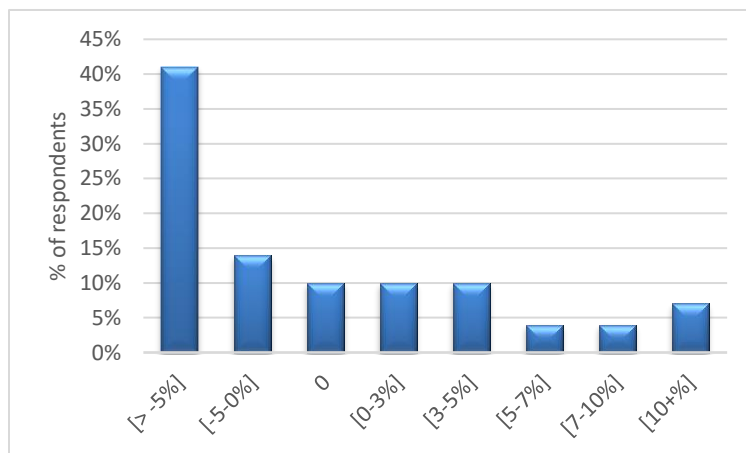
When comparing volume to Q2 2023, the results generally mirror the sales values. Over half (55%) of respondents reported lower volumes and another 10% with unchanged volumes. About one-third of respondents experienced volume growth over the previous quarter. This is quite similar to the previous *Pulse* survey in Q2 where 55% reported lower volume – indicating an overall slowing for the industry.

Exhibit I. Flexible Packaging Volume, Q3 2023 vs. Q3 2022 by Company Size



In comparing volume vs. a year ago (Q3 2022), approximately two-thirds (66%) reported lower volume. This is in sharp contrast to last year's *Pulse* survey where 80% reported higher volumes than the previous year, further highlighting the turn that has been noted in the past few quarters from the positive notes of 2022.

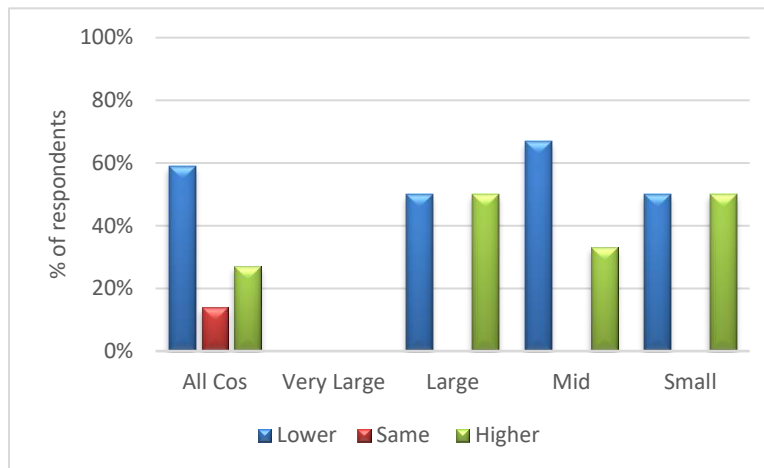
Exhibit J. Volume, Q3 2023 vs. Q2 2023, All Flexible Packaging Converters



Over 40% of survey respondents reported volume decreases of greater than 5% compared to the previous quarter. This closely mirrors the 48% that reported this same decrease in net sales. About a third of respondents reported volume growth, but those tended to be toward the low single digits.

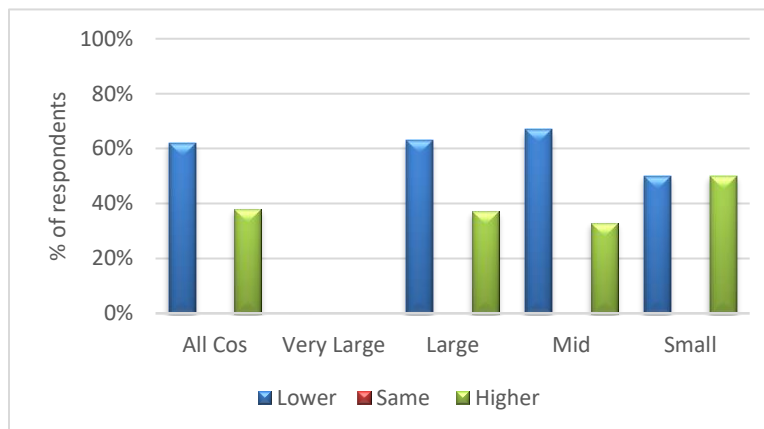
Profitability Performance Comparisons

Exhibit K. Flexible Packaging Profit, Q3 2023 vs. Q2 2023 by Company Size



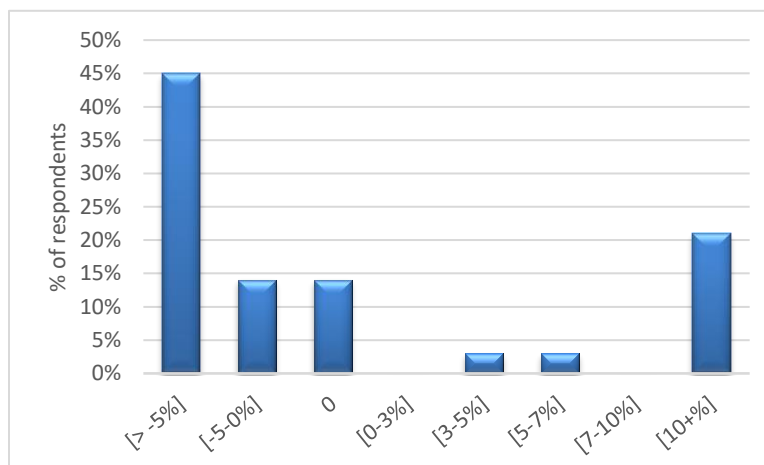
Profitability was lower in Q3 than in Q2 for nearly sixty percent (59%) of all respondents. All categories had respondents with 50% citing lower profitability, but the trend was most pronounced with mid-sized companies where two-thirds experienced lower profitability.

Exhibit L. Flexible Packaging Profit, Q3 2023 vs. Q3 2022 by Company Size



Profitability values are quite similar when compared to the previous year, with 62% of all respondents reporting lower profitability than a year ago. Again, the results were quite similar across companies of all sizes.

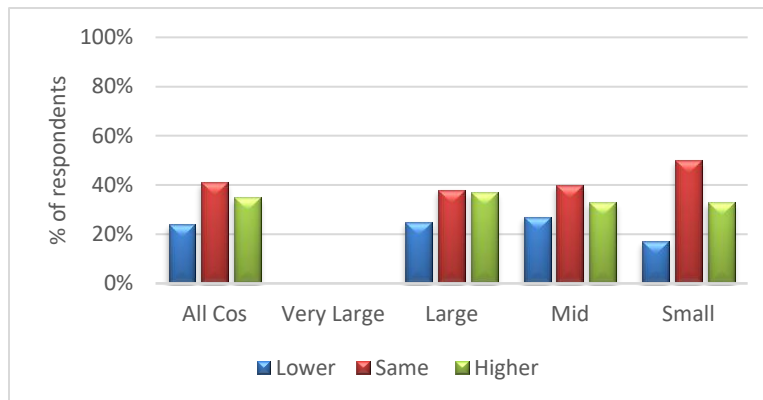
Exhibit M. Profitability, Q3 2023 vs. Q2 2023, All Flexible Packaging Converters



When looking at the rates in Q3 vs. Q2, almost half (45%) of respondents reported profitability had decreased by greater than 5%. This is very similar to the 48% who saw a profitability decrease in the Q2 2023 *Pulse* survey. Incidentally, in both this and the previous survey, about 20% saw profitability increase by over 10%, defying the general industry trend.

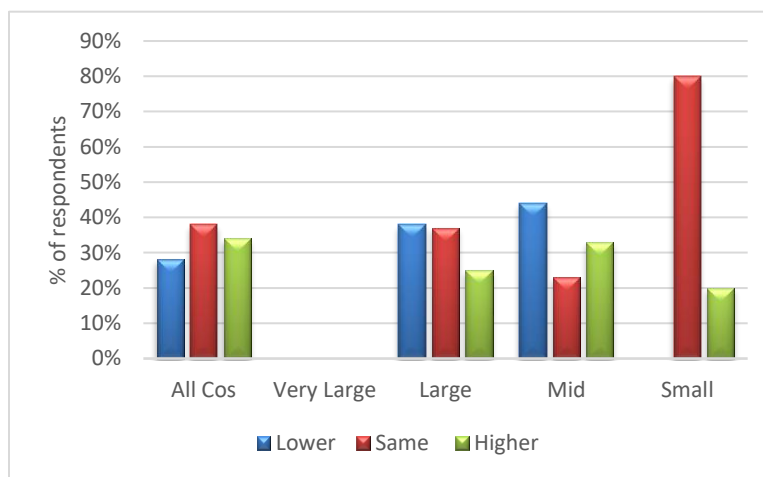
Q4 2023 Expectations

Exhibit N. Flexible Packaging Sales Expectations, Q4 2023 vs. Q3 2023 by Company Size



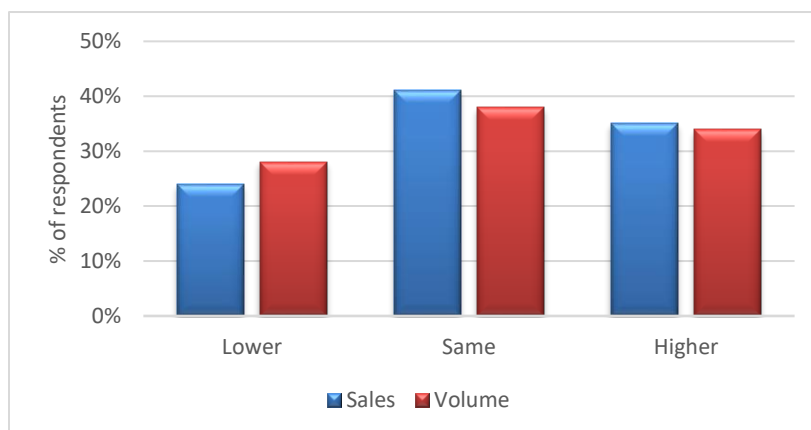
In looking at the upcoming quarter, respondents see a brighter scenario, though remains tepid, with 41% anticipating sales to remain the same and 35% predicting a boost in sales.

Exhibit O. Flexible Packaging Volume Expectations, Q4 2023 vs. Q3 2023 by Company Size



When considering volumes in Q4 2023, it is a similar story with 38% of survey participants expecting the same volumes and nearly the same, 34%, expecting volumes to grow in Q4.

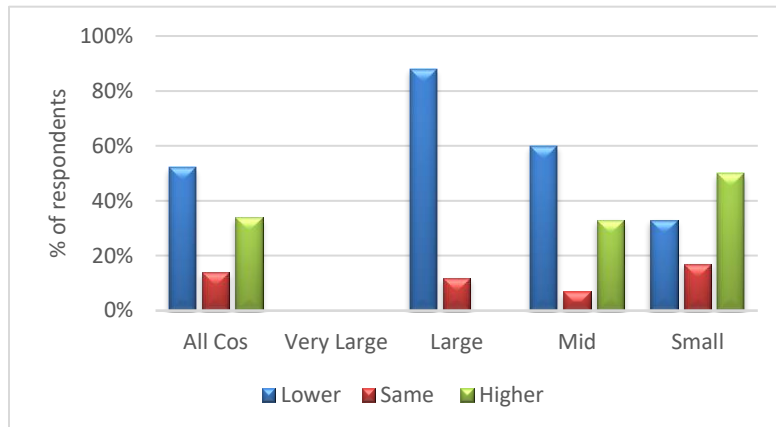
Exhibit P. Flexible Packaging Sales/Volume Expectations, Q4 2023 vs. Q3 2023, All Flexible Packaging Converters



In looking at both sales and volume for Q4, respondents had very similar responses for both categories. For context, in the previous *Pulse* survey, about 22% anticipated lower sales and 20% lower volumes for this quarter, when, it turned out that about 60% experienced both lower net sales as well as volumes.

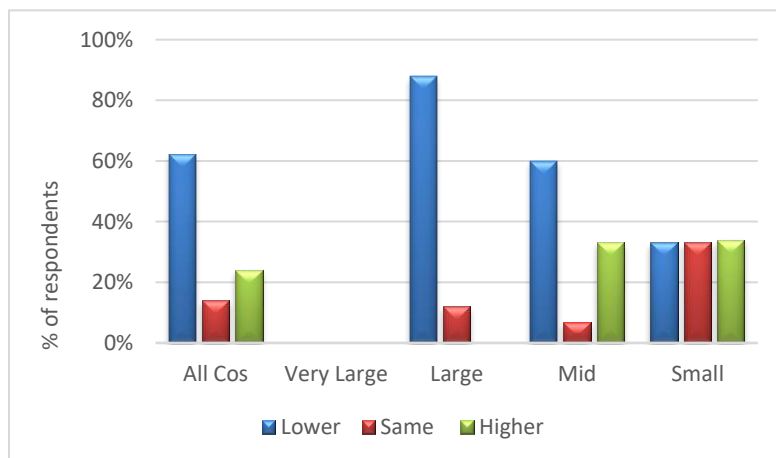
Inventory Performance

Exhibit Q. Flexible Packaging Inventory, Q3 2023 vs. Q2 2023 by Company Size



From an inventory standpoint, just over half (52%) were carrying lower inventory levels in Q3 2023 than in Q2. Large companies were most likely to report lower inventory levels with 88% of respondents reporting this to be the case. In contrast, 50% of small companies claimed to have higher inventory levels compared to the previous quarter.

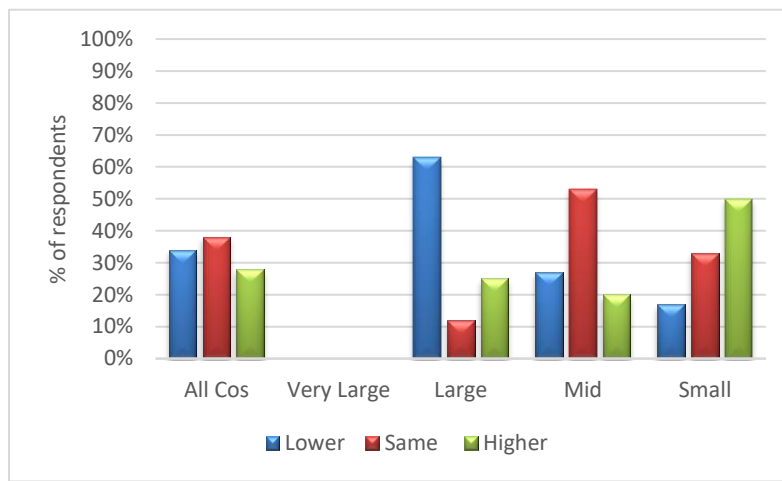
Exhibit R. Flexible Packaging Inventory, Q3 2023 vs. Q3 2022 by Company Size



Compared to a year ago, 62% of respondents had lower inventory levels in Q3. Fifty-two percent reported inventory levels dropping greater than 5% compared to the previous year (see Table 11 for additional breakdown).

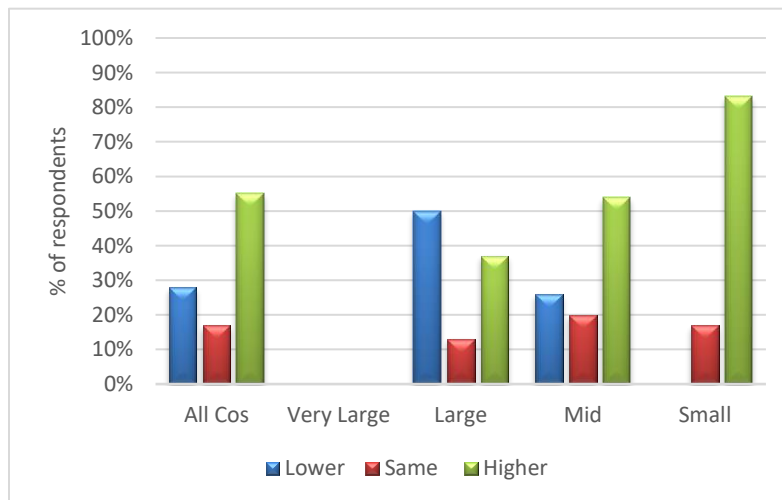
Capital Spending

Exhibit S. Flexible Packaging Capital Expenditures, Q3 2023 vs. Q2 2023 by Company Size



When looking at capital spending, it was mixed, with one-third reporting lower spending, 38% reporting the same spending levels, and 28% increasing spending levels over the previous quarter. This is a bit of a pullback from the previous *Pulse* survey where 48% reported increased capital spending.

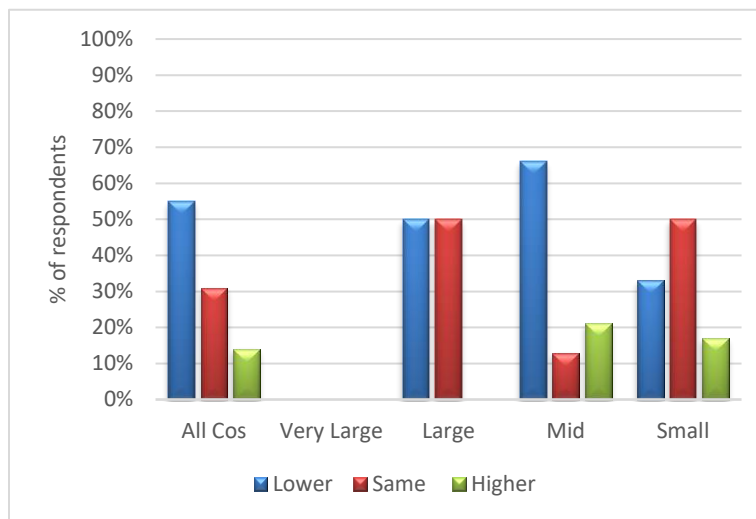
Exhibit T. Flexible Packaging Capital Expenditures, Q3 2023 vs. Q3 2022 by Company Size



Compared to a year ago, over one-half (55%) of respondents report higher capital spending. Additionally, the expenditures tended to be fairly large with an increase of 'greater than 10%' being the most selected category, with 34% of all respondents. This is a boost from the previous quarter's *Pulse* report when 44% reported higher capital spending than the previous year.

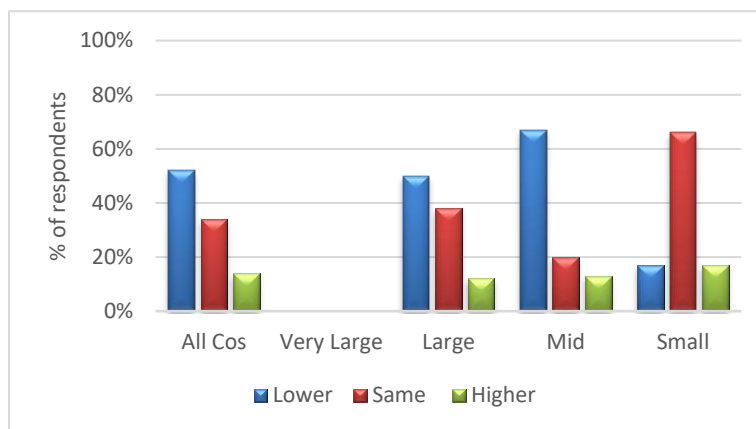
Capacity Utilization

Exhibit U. Flexible Packaging Capacity Utilization, Q3 2023 vs. Q2 2023 by Company Size



In comparing capacity utilization to the previous quarter, over one-half (55%) reported having lower utilization and another third (31%) claimed the same utilization. When looking by company size, two-thirds of mid-sized converters generally reported having lower utilization rates than the previous quarter.

Exhibit V. Flexible Packaging Capacity Utilization, Q3 2023 vs. Q3 2022 by Company Size



When compared to a year earlier, just over one-half (52%) said their utilization rates were lower; 34% said the same; and only 14% reported higher rates. This is fairly similar to the last *Pulse* report where 65% reported lower rates and only 13% claimed higher rates. This continues to show a current slowdown for flexible packaging converters.

Appendix

Table 1. Flexible Packaging Net Sales, Q3 2023 vs. Q2 2023

Shown as by percentage of participants

	>-5%	(-5-0%)	0%	0-3%	3-5%	5-7%	7-9%	>10%
All Co.	48%	14%	10%	7%	7%	0%	7%	7%
V. large	-----	-----	-----	-----	-----	-----	-----	-----
Large	63%	12%	0%	25%	0%	0%	0%	0%
Mid	40%	13%	13%	0%	7%	0%	14%	13%
Small	50%	17%	16%	0%	17%	0%	0%	0%

Table 2. Flexible Packaging Net Sales, Q3 2023 vs. Q3 2022

Shown as by percentage of participants

	>-5%	(-5-0%)	0%	0-3%	3-5%	5-7%	7-9%	>10%
All Co.	62%	11%	7%	3%	3%	7%	0%	7%
V. large	-----	-----	-----	-----	-----	-----	-----	-----
Large	87%	13%	0%	0%	0%	0%	0%	0%
Mid	60%	7%	13%	7%	0%	7%	0%	6%
Small	33%	17%	0%	0%	16%	17%	0%	17%

Table 3. Flexible Packaging Volume, Q3 2023 vs. Q2 2023

Shown as by percentage of participants

	>-5%	(-5-0%)	0%	0-3%	3-5%	5-7%	7-9%	>10%
All Co.	41%	14%	10%	10%	10%	4%	4%	7%
V. large	-----	-----	-----	-----	-----	-----	-----	-----
Large	37%	13%	13%	25%	0%	0%	0%	12%
Mid	40%	13%	13%	0%	13%	7%	7%	7%
Small	50%	17%	0%	17%	16%	0%	0%	0%

Table 4. Flexible Packaging Volume, Q3 2023 vs. Q3 2022

Shown as by percentage of participants

	>-5%	(-5-0%)	0%	0-3%	3-5%	5-7%	7-9%	>10%
All Co.	59%	7%	3%	3%	14%	3%	0%	11%
V. large	-----	-----	-----	-----	-----	-----	-----	-----
Large	75%	0%	0%	0%	13%	0%	0%	12%
Mid	60%	6%	7%	6%	7%	7%	0%	7%
Small	33%	17%	0%	0%	33%	0%	0%	17%

Table 5. Flexible Packaging Profitability, Q3 2023 vs. Q2 2023

Shown as by percentage of participants

	>-5%	(-5-0%)	0%	0-3%	3-5%	5-7%	7-9%	>10%
All Co.	45%	14%	14%	0%	3%	3%	0%	21%
V. large	-----	-----	-----	-----	-----	-----	-----	-----
Large	37%	13%	0%	0%	0%	12%	0%	38%
Mid	47%	20%	20%	0%	0%	0%	0%	13%
Small	50%	0%	17%	0%	16%	0%	0%	17%

Table 6. Flexible Packaging Profitability, Q3 2023 vs. Q3 2022

Shown as by percentage of participants

	>-5%	(-5-0%)	0%	0-3%	3-5%	5-7%	7-9%	>10%
All Co.	55%	7%	0%	3%	4%	7%	3%	21%
V. large	-----	-----	-----	-----	-----	-----	-----	-----
Large	63%	0%	0%	0%	13%	0%	13%	13%
Mid	60%	7%	0%	7%	0%	7%	0%	20%
Small	33%	17%	0%	0%	0%	17%	0%	33%

Table 7. Flexible Packaging Sales Expectations, Q4 2023 vs. Q3 2023

Shown as by percentage of participants

	Lower	Same	Higher
All Co.	24%	41%	35%
V. large	-----	-----	-----
Large	25%	38%	37%
Mid	27%	40%	33%
Small	17%	50%	33%

Table 8. Flexible Packaging Volume Expectations, Q4 2023 vs. Q3 2023

Shown as by percentage of participants

	Lower	Same	Higher
All Co.	28%	38%	34%
V. large	-----	-----	-----
Large	37%	38%	25%
Mid	27%	33%	40%
Small	17%	50%	33%

Table 9. Flexible Packaging Sales/Volume Expectations, Q4 2023 vs. Q3 2023, All Flexible Packaging Converters

Shown as by percentage of participants

	Lower	Same	Higher
Sales	24%	41%	35%
Volume	28%	38%	34%

Table 10. Flexible Packaging Inventory, Q3 2023 vs. Q2 2023

Shown as by percentage of participants

	>-5%	(-5-0%)	0%	0-3%	3-5%	5-7%	7-9%	>10%
All Co.	38%	14%	14%	14%	13%	7%	0%	0%
V. large	-----	-----	-----	-----	-----	-----	-----	-----
Large	62%	13%	13%	0%	0%	12%	0%	0%
Mid	40%	7%	13%	13%	20%	7%	0%	0%
Small	0%	33%	17%	33%	16%	0%	0%	0%

Table 11. Flexible Packaging Inventory, Q3 2023 vs. Q3 2022

Shown as by percentage of participants

	>-5%	(-5-0%)	0%	0-3%	3-5%	5-7%	7-9%	>10%
All Co.	52%	10%	14%	7%	0%	10%	0%	7%
V. large	-----	-----	-----	-----	-----	-----	-----	-----
Large	88%	0%	12%	0%	0%	0%	0%	0%
Mid	40%	20%	7%	7%	0%	13%	0%	13%
Small	33%	0%	33%	17%	0%	16%	0%	0%

Table 12. Flexible Packaging Capital Expenditures, Q3 2023 vs. Q2 2023

Shown as by percentage of participants

	>-5%	(-5-0%)	0%	0-3%	3-5%	5-7%	7-9%	>10%
All Co.	24%	10%	38%	11%	3%	0%	0%	14%
V. large	-----	-----	-----	-----	-----	-----	-----	-----
Large	50%	12%	13%	0%	12%	0%	0%	13%
Mid	13%	13%	54%	13%	0%	0%	0%	7%
Small	17%	0%	33%	17%	0%	0%	0%	33%

Table 13. Flexible Packaging Capital Expenditures, Q3 2023 vs. Q3 2022

Shown as by percentage of participants

	>-5%	(-5-0%)	0%	0-3%	3-5%	5-7%	7-9%	>10%
All Co.	21%	7%	17%	7%	11%	3%	0%	34%
V. large	-----	-----	-----	-----	-----	-----	-----	-----
Large	50%	0%	13%	0%	0%	12%	0%	25%
Mid	13%	13%	20%	7%	13%	0%	0%	34%
Small	0%	0%	17%	17%	16%	0%	0%	50%

Table 14. Flexible Packaging Capacity Utilization, Q3 2023 vs. Q2 2023

Shown as by percentage of participants

	>-5%	(-5-0%)	0%	0-3%	3-5%	5-7%	7-9%	>10%
All Co.	31%	24%	31%	4%	3%	0%	4%	3%
V. large	-----	-----	-----	-----	-----	-----	-----	-----
Large	25%	25%	50%	0%	0%	0%	0%	0%
Mid	33%	33%	13%	0%	7%	0%	7%	7%
Small	33%	0%	50%	17%	0%	0%	0%	0%

Table 15. Flexible Packaging Capacity Utilization, Q3 2023 vs. Q3 2022

Shown as by percentage of participants

	>-5%	(-5-0%)	0%	0-3%	3-5%	5-7%	7-9%	>10%
All Co.	48%	4%	34%	4%	0%	0%	3%	7%
V. large	-----	-----	-----	-----	-----	-----	-----	-----
Large	50%	0%	37%	13%	0%	0%	0%	0%
Mid	60%	7%	20%	0%	0%	0%	7%	6%
Small	16%	0%	67%	0%	0%	0%	0%	17%

About the Flexible Packaging Association



The [Flexible Packaging Association](#) is the voice of the U.S. manufacturers of flexible packaging and their suppliers. The association's mission is connecting, advancing, and leading the flexible packaging industry. Flexible packaging represents over \$39 billion in annual sales in the U.S. and is the second largest and one of the fastest growing segments of the packaging industry. Flexible packaging is produced from paper, plastic, film, aluminum foil, or any combination of those materials, and includes bags, pouches, labels, liners, wraps, rollstock, and other flexible products.

About PTIS, LLC



PTIS, LLC is a leading business and technology management company focused on Creating Value Through Packaging® and helping clients throughout the packaging value chain develop long-term packaging strategies and programs. PTIS, recognized for foresight, thought leadership, and the success of their 20-year *Future of Packaging* program, helps companies achieve and incorporate these elements into their innovation programs, e-commerce, holistic productivity, sustainability, holistic design, and consumer/retail insights related to packaging. To learn more about PTIS, visit their website www.ptisglobal.com