



Packaging Prices Moving Faster Than Budgets Can React



By Iain Clements

At the start of the year, the packaging market looked as though it might soften. Demand was not as high as it could have been, there was spare capacity in the market, and prices looked like they might start to come down.

Then the Iran and Middle East situation changed the picture.

With oil spiking, the impact on packaging has been immediate. It directly affects a lot of plastic packaging, but it also indirectly affects other areas where there is high energy usage, transport cost or manufacturing intensity. In packaging, very little sits in isolation. Oil, energy, transport, raw materials, supplier stock and lead times all feed into the price a client eventually sees.

To understand what is happening, I track two key areas. The first is LDPE, low density polyethylene, which is a useful marker for plastic packaging. The second is EUWID, which tracks paper and corrugate markets, giving a view of what may be happening with boxes and related products.

The movement in LDPE has been significant. From January to the end of May, LDPE had gone up by 67.5%, with most of that movement happening through March and April. Some in the market think it may have peaked, but that depends heavily on what happens next. If the situation escalates again and oil rises further, we could see more movement.

That uncertainty is already changing buying behaviour.

When people become nervous, they start to stock up. That pushes lead times out, and when suppliers go back to replenish their own stock, they are sometimes being given only 48 to 72 hours to accept a price.



That pressure then comes through to clients. The message becomes: this is the price, take it or leave it - because in 72 hours, it could be different again.

We are seeing different supplier approaches. Some are dealing with increases case by case. Others are applying blanket increases from a certain date. In consumable plastic packaging, increases are typically around 10-15%. But for products such as pallet wrap and shrink film, increases can be much higher (around 30-40% in some cases).

Corrugate is also moving. Paper mills have been quick to push prices up, often pointing to energy and transport costs. Test paper increased by £80 per tonne in April, and kraft paper increased by £37.50 per tonne in May.

For clients, that has translated into increases of around 8-10% in some areas.

Supplier type also matters. Manufacturers tend to feel increases earlier because they are buying materials directly. Merchants, who buy in packaging and hold stock before supplying clients, may have several months of stock in place, which can delay the impact. That means two businesses buying similar products may see increases at different times depending on their supplier model.

Some supplier letters have included double-digit increases across tapes, foams, flexible polythene products, pallet wrap and shrink films. That is why clients need to look beyond the headline percentage and understand what is actually driving the increase.

In this market, the important thing is to make sure increases are reasonable. Costs are genuinely moving, but that does not mean every increase should be accepted without challenge.

Sometimes the right advice is not to change supplier immediately. If prices are moving between quote and implementation, the benchmark itself keeps shifting. In some cases, it is better to work with the current supplier, monitor the market, challenge increases and wait for more stability before making a move.

Good cost management is not always about changing supplier. Sometimes it is about knowing exactly what is driving the increase, whether it is justified, and whether now is the right time to act.

For more information, please speak to your ERA consultant.