Judul : Plastics industry gains from pandemic, but long-term risks remain
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Plastics industry gains from pandemic, but long-term risks remain

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The plastic packaging industry is benefiting from delivery services, a market that has grown rapidly as consumers shop from home to reduce the risk of catching COVID-19.

Booming food and beverage delivery services are making up for the losses plastic packaging manufacturers had sustained as a result of the reduction in plastic bags used in supermarkets, according to Fajar Budiono, secretary-general of the Indonesian Olefin, Aromatic and Plastic Industry Association (Inaplas).

"At the start of the pandemic, and because of a ban on plastic [bags], there was a decline," Fajar told *The Jakarta Post* in a phone interview on Monday.

"But [demand] has now recovered in the new market of delivery services."

With the pandemic compelling many people to stay at home, the gross merchandise value of the Indonesian food and delivery market is estimated to have risen by 183 percent to US$11.9 billion in 2020, Singapore-based tech consultancy firm Momentum Works said earlier this year. Indonesia is the largest market for such services in the region.

The plastic packaging industry has also benefited from an increased use of plastic bags at traditional markets, said Fajar, as some sellers had begun to put chilies in plastic bags of 50 grams or 100 grams to minimize contact with customers.

Previously, sellers would usually let customers decide how much they wanted, weigh the chilies and then place them in a plastic bag.

The e-commerce boom, meanwhile, had led to an estimated increase between 10 and 20 percent in demand for plastic bubble wrap, Fajar added.

However, capacity utilization was still only 80 percent of the normal level, Fajar explained, partly because of restrictions imposed by the government on the number of workers allowed to work at any given time, even though the industry was considered essential as it supported food and beverage businesses. That marks a rebound from just half of the normal capacity utilization in the February-to-April period last year.

Before the pandemic, plastic bag production exceeded 600,000 tons a year, according to an estimate from Inaplas.

"People suddenly could not move about, so there was a slight decline [in sales]," Fajar said when asked about the impact of the most recent emergency curbs.

"But we expect [sales] to start normalizing again."

Antara/Syifa Yulinnas

Go green: A Banda Aceh Environment and Sanitation Agency employee holds up an ecologically friendly shopping bag at a shopping center during a campaign to limit single-use plastic bags in Banda Aceh on June 10.

Consultancy company Wood Mackenzie estimated that plastic packaging production in Indonesia had contracted 1.9 percent last year, reversing the 4.4 percent growth seen in 2019.

But as the world moves to eliminate unnecessary plastic and improve its recyclability, up to one-fifth of the demand for polymers in packaging is expected to be displaced by efforts to eliminate, substitute or reuse packaging by 2050, according to Wood Mackenzie research director Guy Bailey. That figure is estimated to be equal to 20 trillion drinking bottles.

"While the pandemic benefited some sectors in the short term, this effect is likely to be eroded in the medium-to-long run by these broader trends running through the industry," Bailey told the *Post* in an email on Wednesday.

The government has also been considering a duty on plastic products as part of a tax reform this year, but it is currently reviewing the plan, including the rate. Last year, the government said the rate would be Rp 200 (1.4 US cents) per sheet or Rp 30,000 per kilogram.

"We are still reviewing it together with [the Fiscal Policy Agency], related agencies and ministries. Many factors must be taken into account, including the potential," Askolani, the customs and excise director general at the Finance Ministry, told the *Post* in a text message on Tuesday.

The plastic duty would add Rp 1.6 trillion to state revenue, according to the government's estimate. Similarly, Institute for Development of Economics and Finance (Indef) economist Andry Satrio estimated it could generate between Rp 1.5 trillion and Rp 2 trillion in revenue.

"The essence is to reduce negative externalities," Andry told the *Post* in a voice note on Wednesday, adding that the duty should be higher for single-use plastic products than for recycled ones.

"I think the potential is huge."