

# Midweek Briefing: Impacts of the Mideast Conflict on Asian Containerboard Markets



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# Asian containerboard markets face three major questions



**Mideast  
conflict**

**What will be the direct and indirect impacts of the conflict and the resulting energy shock?**

**Market  
balance**

**How will the current oversupply situation be resolved?**

**Margin  
trends**

**Given the low operating rates, who absorbs the higher costs?**

# Impacts of the Middle Eastern conflict on Asia will be substantial



## Direct impact on the economic growth within the region

- Many Asian countries highly dependent on the Middle East to supply energy needs
- Will lead to higher costs for manufacturing and inflationary pressures for consumers as impacts ripple through the supply chain
  - Affecting food costs due to impact on fertilizer
  - Affecting gasoline and energy costs

## China may be less affected than other regional economies

- China more insulated than other regional economies due to higher usage of coal
  - Government has large oil strategic reserves and policies to subsidize gasoline prices at the pump
- Japan, South Korea & India as well as much of Southeast Asia are more dependent on Middle East for oil and gas;
  - Some have reserves but still will be difficult to avoid inflation
  - Subsidies and/or price controls may be used but has implications for government finances

## Direct impacts on costs for paper and board suppliers

- Add up when consider energy, chemicals, OCC plus transport (fuel surcharges and insurance) and local transport

# Asian countries are highly dependent on Middle East for energy

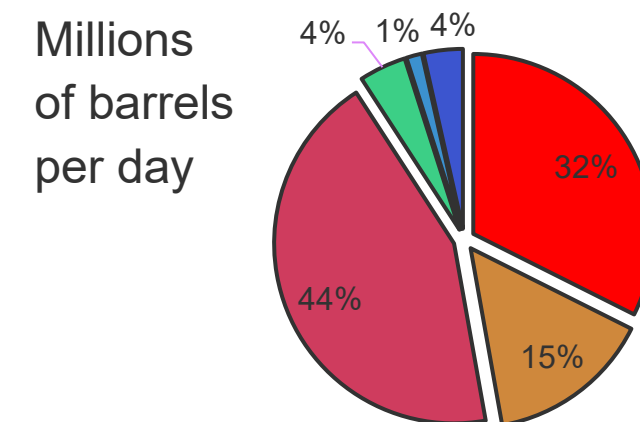


|                            | Share of total energy supply <sup>1</sup> |     |     |      | Net imports' share of supply by energy type |              |      |      |
|----------------------------|---|-----|-----|------|---|--------------|------|------|
|                            | Energy imports                            | Oil | Gas | Coal | Crude oil                                   | Oil products | Gas  | Coal |
| Japan <sup>2</sup>         | 87%                                       | 37% | 21% | 26%  | 100%  | 26%          | 99%  | 100% |
| South Korea <sup>2,3</sup> | 84%                                       | 37% | 20% | 22%  | 99%   | -13%         | 100% | 101% |
| China                      | 24%                                       | 18% | 8%  | 61%  | 74%   | 6%           | 39%  | 10%  |
| India                      | 37%                                       | 25% | 5%  | 46%  | 88%   | 6%           | 49%  | 26%  |
| Indonesia <sup>3</sup>     | -45%                                      | 26% | 16% | 36%  | 35%   | 38%          | -27% | -69% |
| Thailand <sup>3</sup>      | 58%                                       | 41% | 27% | 12%  | 80%   | -7%          | 46%  | 79%  |
| Vietnam                    | 45%                                       | 25% | 6%  | 50%  | 57%   | 51%          | 0%   | 51%  |

Source: International Energy Agency.

1. Shares for oil, gas and coal will not sum to 100%. Energy sources not shown include nuclear, hydropower, wind, solar, biofuels and waste.
2. Data for Japan and South Korea are for 2024, while data for other countries are for 2023.
3. Negative percentages indicate a net exporter.

**Oil Shipped thru Strait of Hormuz, 2025**



# Severity of economic impacts likely worsening as conflict extends



## Most initial scenarios assumed conflict might last a few weeks, but Strait of Hormuz remains virtually closed with timing of resolution unclear

- Many of the forecasts issued in early April such as the IMF and ADB showed minimal impact and some were even higher than 6 months ago as 2025 outperformed expectations

## March “consensus” suggested modest impact on GDP

- For China could shave 0.1-0.3 percentage points (pp) off GDP if moderate duration, 0.3-0.7 pp if conflict is prolonged
- For other parts of Asia could shave 0.2-0.5 pp off if moderate; 0.6-1.2 pp if prolonged

## ADB issued revised economic outlook in late April; IMF also indicated outlook weaker

- 2026 GDP forecasts lowered by 0.5-0.7 pp for most of Asia; down 0.2 pp for China, but they were already pessimistic
- 2026 inflation outlook rose by 2.6 pp in South Asia, 1.3-1.5 pp in developing SE Asia and Advanced Asia and 1.0 pp in China

## Diesel and gas prices under some control but may not be sustainable

- In late April, levels are down from peak, but benchmarks have been volatile

# Revisions by Asian Development Bank to its GDP & inflation outlook



|  | GDP Outlook <sup>1</sup> |      |      |      |      | Inflation outlook <sup>1</sup> |      |      |      |      |
|--|--------------------------|------|------|------|------|--------------------------------|------|------|------|------|
|  | 2025                     | 2026 | 2027 | 2026 | 2027 | 2025                           | 2026 | 2027 | 2026 | 2027 |
| <b>Advanced APAC<sup>2</sup></b>             | 2.5%                     | 2.2% | 1.8% | 1.5% | 1.4% | 2.5%                           | 2.6% | 1.9% | 4.1% | 2.4% |
| Japan  | 1.2%                     | 0.7% | 0.6% |      |      |                                |      |      |      |      |
| Australia                                    | 2.0%                     | 2.0% | 2.9% |      |      |                                |      |      |      |      |
| South Korea                                  | 1.0%                     | 1.9% | 1.9% |      |      |                                |      |      |      |      |
| <b>Developing East Asia<sup>3</sup></b>      | 5.0%                     | 4.6% | 4.5% | 4.4% | 4.1% | 0.0%                           | 0.6% | 1.0% | 1.6% | 1.5% |
| China  | 5.0%                     | 4.6% | 4.5% |      |      |                                |      |      |      |      |
| <b>South Asia<sup>4</sup></b>                | 6.8%                     | 6.3% | 6.8% | 5.7% | 6.7% | 2.9%                           | 5.0% | 4.6% | 7.6% | 5.7% |
| India  | 7.6%                     | 6.9% | 7.3% |      |      |                                |      |      |      |      |
| <b>Developing Southeast Asia<sup>5</sup></b> | 4.8%                     | 4.7% | 4.8% | 4.2% | 4.1% | 2.3%                           | 3.2% | 2.8% | 4.5% | 3.6% |
| Indonesia                                    | 5.1%                     | 5.2% | 5.2% |      |      |                                |      |      |      |      |
| Malaysia                                     | 5.2%                     | 4.6% | 4.5% |      |      |                                |      |      |      |      |
| Philippines                                  | 4.4%                     | 4.4% | 5.5% |      |      |                                |      |      |      |      |
| Thailand                                     | 2.4%                     | 1.8% | 2.0% |      |      |                                |      |      |      |      |
| Vietnam                                      | 8.0%                     | 7.2% | 7.0% |      |      |                                |      |      |      |      |

Source: Asian Development Bank, *Asian Development Outlook April 2026* and *ADB Briefs, The Impact of the Middle East Conflict on Asia and Pacific: An Updated Analysis, April 2026*.

1. Grey shading is April 2026 outlook; light blue shading is updated analysis from late April.
2. Advanced Asia and Pacific includes Australia, Hong Kong SAR, China, Japan, South Korea, New Zealand, Singapore and Taiwan.
3. Developing East Asia includes China and Mongolia
4. South Asia includes Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka
5. Developing Southeast Asia includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Thailand, Timor-Leste and Vietnam

# Economic outlook for the region already had been facing headwinds



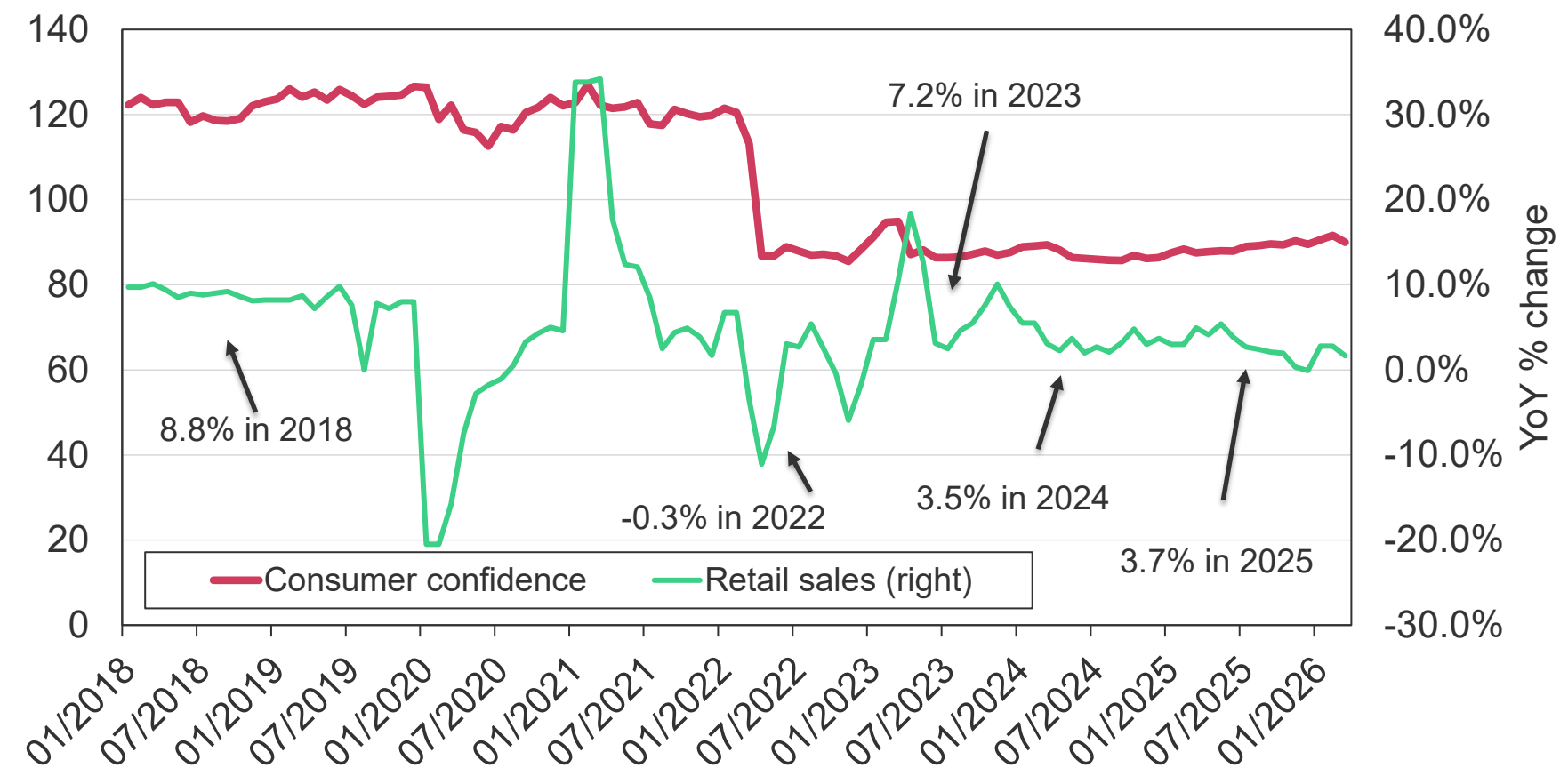
## CHINESE DOMESTIC DEMAND IS STILL WEAK

- Wealth effect from property market
- Sluggish income growth
- High youth unemployment

## EXPORTS COULD CONTINUE TO SURPRISE TO THE UPSIDE

- Status of US tariffs?
- Can the rest of the world continue to absorb more from China?

Chinese consumer confidence plummeted with 2022 lockdowns and has not returned

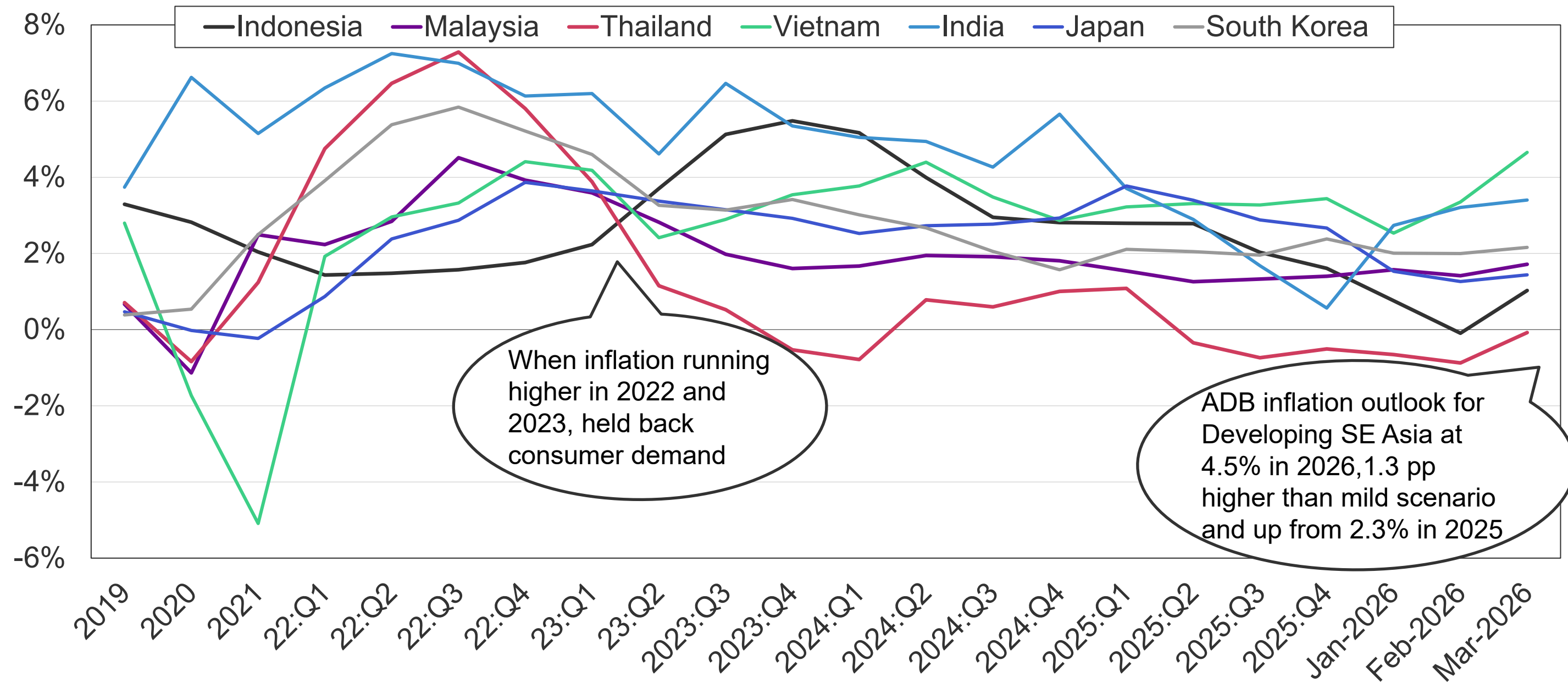


Source: NBS, CEIC.

# Inflation across most of Asia was under better control in 2025, but will re-accelerate with the Mideast conflict



Average of monthly year-over-year percent change



# Containerboard operating rates in Asia will remain low



## CAPACITY WAVE GRADUALLY RECEDING BUT NOT ENOUGH TO IMPROVE OPERATING RATES

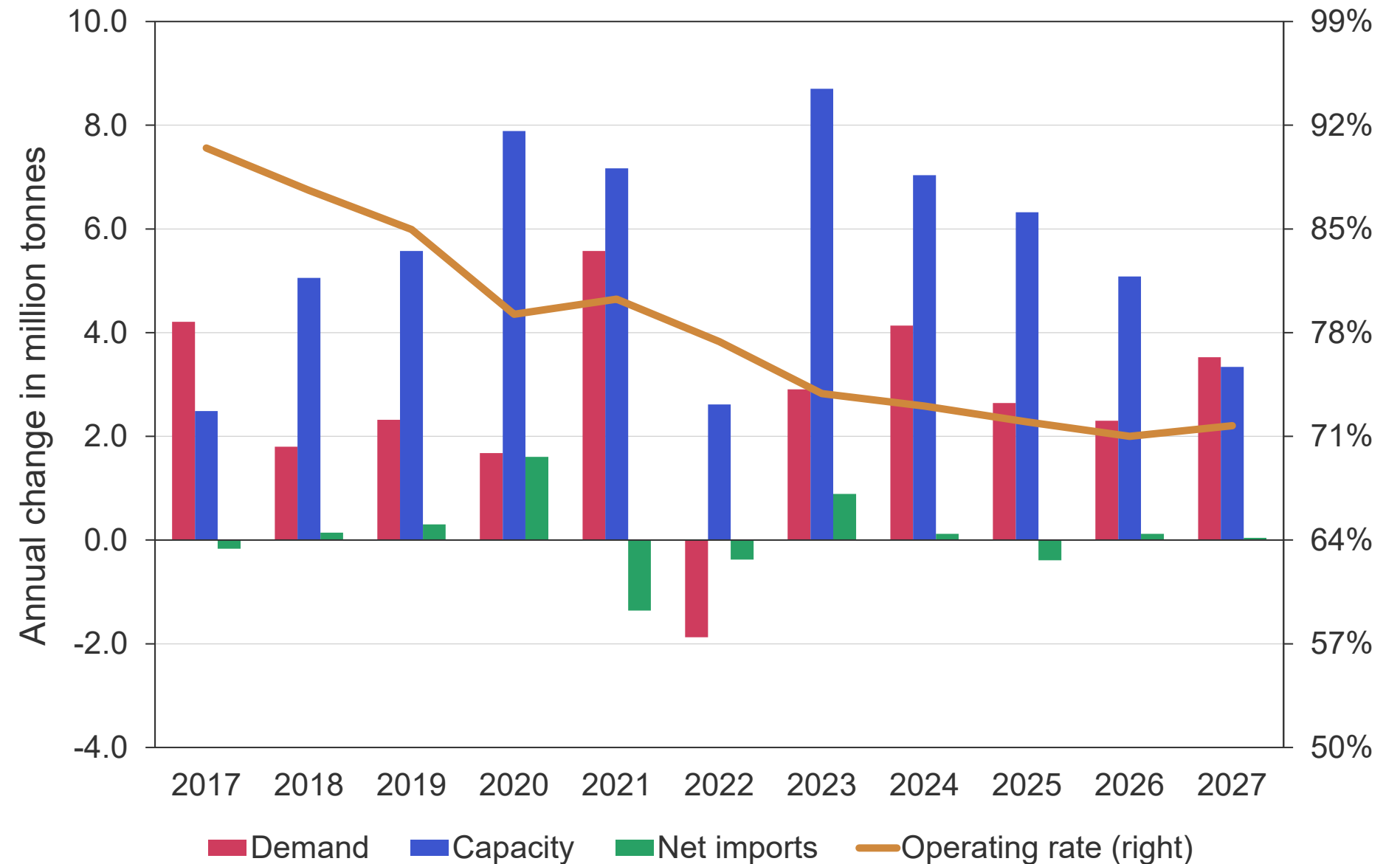
- Projects still planned in Vietnam and ramping up of other projects from 2025
- Assumes some closures in China, but can be difficult to observe

## TRADE DOES NOT PROVIDE AN OUTLET

- Most trade for Asia is intraregional

## THIS MEANS THAT ANY WEAKENING IN DEMAND CAUSED BY THE CONFLICT EXTENDS THE IMBALANCE

- Unless it prompts closures



Source: Fastmarkets.

# Estimated average increase in energy costs by country and grade

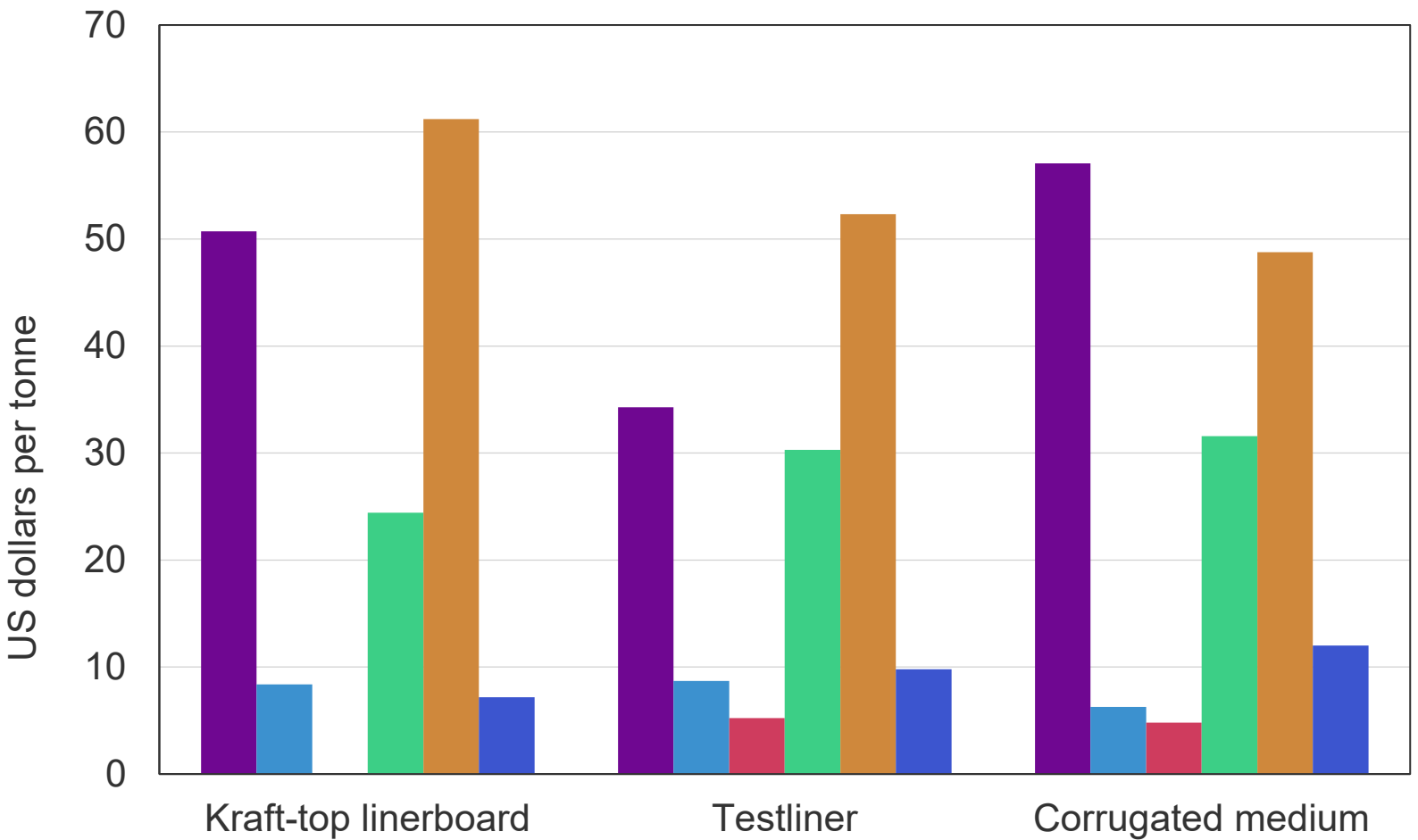
## Scenario: 100% increase in oil and gas and 15% increase in coal prices



### IMPACT RELATIVELY MODEST FOR MILLS RELYING ON COAL

- China, India and most of Southeast Asia have relative modest impacts for containerboard
- Japan, South Korea and Malaysia have more severe increase due to dependency on coal and gas

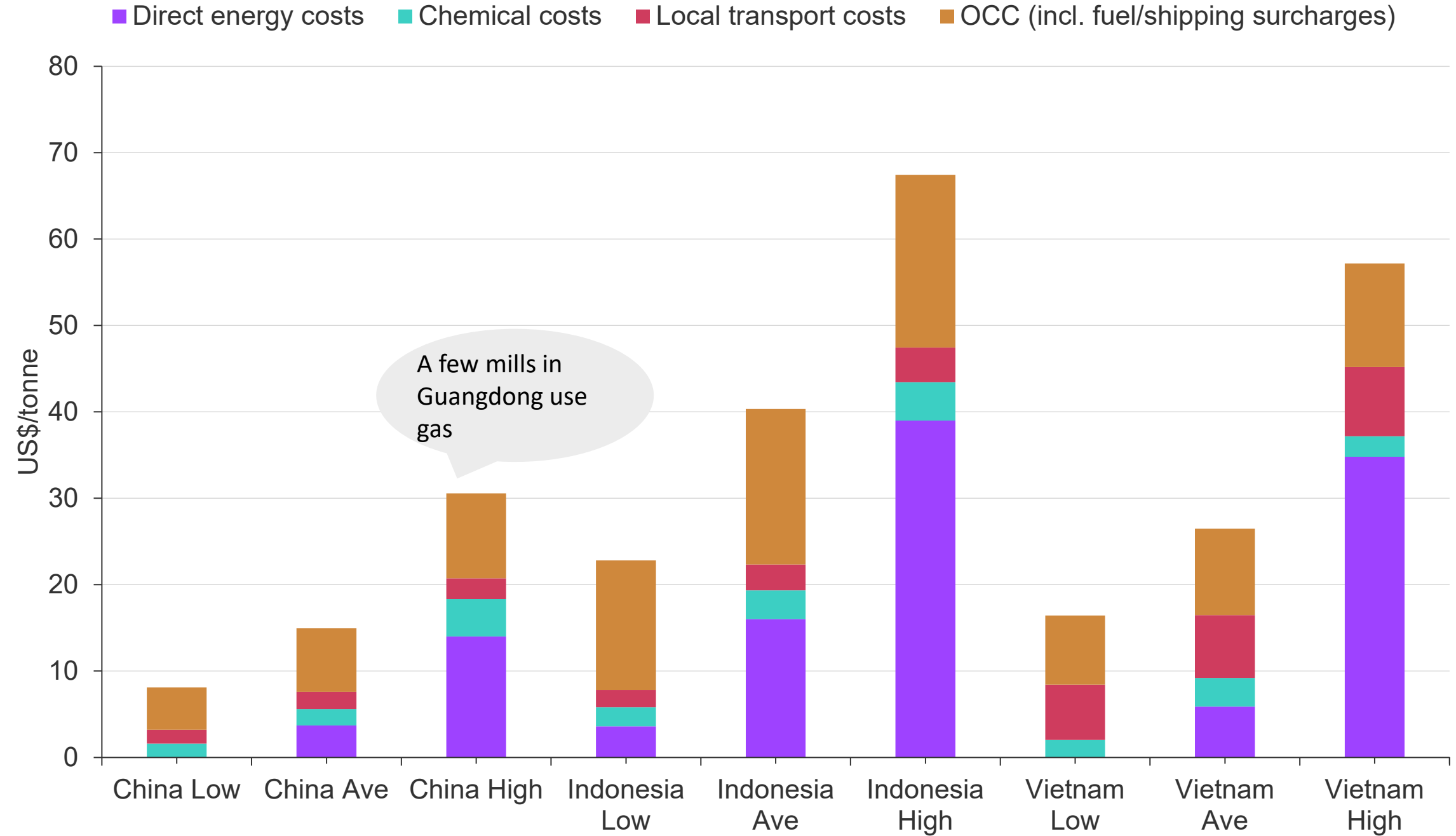
### PRESSURE FROM OTHER INPUTS ADDS FURTHER UPWARD PRESSURE



■ Japan ■ China ■ India ■ South Korea ■ Malaysia ■ Indonesia, Thailand, Philippines, Vietnam

Source: Fastmarkets..

# Cost increase scenarios for China, Indonesia and Vietnam – Testliner



**TOTAL INCREASE IS 13-24% FOR INDONESIA**

**TOTAL INCREASE FOR CHINA IS 2-8%**

**TOTAL INCREASE FOR VIETNAM IS 6%-21%**

**COST IMPACTS COULD BECOME MORE SEVERE AS TIME EXTENDS**

Source: Fastmarkets estimates.  
 May 2026 | Fastmarkets | Impacts of Mideast Conflict on Asian Containerboard Markets

# Analysis suggests margins will continue to suffer



## Demand likely to be softer than pre-conflict expectations

- Weakening consumer spending globally due to inflation and uncertainty

## Oversupply remains an issue, holding down operating rates

- Much of the supply needs to come out of China and these producers have lower cost increases

## Direct impacts on costs for paper and board suppliers

- Add up when consider energy, chemicals, OCC plus transport (fuel surcharges and insurance) and local transport
- Will be hard to raise margins in the face of operating rate pressure



# Thank you



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