

# Analysis on the Impact of Rising Crude Oil Prices on the Heat Shrinkable Film Industry



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As a critical consumable in the global packaging sector, heat shrinkable film plays an essential role across industries such as food, daily chemicals, electronics, and logistics. Known for its excellent properties—including moisture resistance, dust protection, sealing, and product stabilization—heat shrinkable film has become an indispensable material in modern supply chains.

However, the industry is currently facing significant external pressure due to the continuous rise in international crude oil prices. As crude oil remains the fundamental raw material for petrochemical derivatives, its price fluctuations are directly transmitted to the production costs of heat shrinkable films. This trend is reshaping the cost structure, competitive dynamics, and long-term development direction of the industry.

Against this backdrop, leading manufacturers such as **Shantou Mingca Packing Material Co., Ltd.** are actively responding through innovation, sustainable materials, and strategic partnerships, positioning themselves ahead in an increasingly challenging market.

## **II. Industrial Chain Link Between Crude Oil and Heat Shrinkable Film**

The production of heat shrinkable film relies heavily on polyolefin resins such as polyethylene (PE) and polypropylene (PP), both of which are derived from crude oil refining. As a result, crude oil sits at the

very top of the industry chain, influencing every downstream segment.

When crude oil prices rise, the cost of upstream petrochemical raw materials increases accordingly. This cost pressure is then passed down to heat shrinkable film manufacturers, directly affecting production expenses. Due to this strong correlation, fluctuations in crude oil prices often serve as a key indicator for pricing trends within the shrink film market.

### **III. Key Impacts of Rising Crude Oil Prices on the Industry**

#### **1. Surge in Production Costs and Profit Margin Compression**

Raw materials account for more than 70% of the total production cost of heat shrinkable film, making them the most critical cost factor. As crude oil prices climb, suppliers of polyethylene and polypropylene continuously raise their prices, significantly increasing procurement costs for manufacturers.

While large enterprises may absorb part of these costs through economies of scale, many small and medium-sized manufacturers face severe margin compression. Due to intense market competition and strong bargaining power from downstream clients, it is often difficult to fully pass on increased costs, leading to shrinking profit margins across the industry.

#### **2. Rising Product Prices and Downstream Demand Pressure**

To maintain operational stability, manufacturers are compelled to gradually increase product prices. However, higher prices inevitably impact downstream industries such as food packaging, logistics, and consumer goods.

As packaging costs rise, some customers reduce order volumes or explore alternative materials with lower costs. This results in short-term demand fluctuations and increased uncertainty in order volumes, placing additional pressure on manufacturers.

#### **3. Accelerated Industry Consolidation**

The impact of rising costs varies significantly depending on company size and operational efficiency. Large-scale manufacturers benefit from strong capital reserves, bulk procurement advantages, and optimized production processes, enabling them to better withstand cost fluctuations.

In contrast, smaller enterprises often struggle with limited financial resources and lower production efficiency. Some may be forced to reduce output or exit the market altogether, accelerating industry consolidation and strengthening the position of leading companies.

#### **4. Reduced Competitiveness in Global Markets**

China is one of the world's largest producers and exporters of heat shrinkable film. However, rising crude oil prices are eroding the cost advantages that Chinese manufacturers traditionally enjoy.

At the same time, global energy price increases are dampening purchasing demand in international markets. This dual pressure—higher costs and weaker demand—has led to increased challenges for export-oriented companies, particularly in price-sensitive regions.

### **IV. Industry Response and Strategic Adjustments**

In response to these challenges, heat shrinkable film manufacturers are adopting multiple strategies to maintain competitiveness:

- **Optimizing raw material procurement** through long-term contracts and diversified sourcing
- **Improving production efficiency** via advanced technologies and process upgrades
- **Shifting toward high-value-added products** to enhance profit margins
- **Strengthening partnerships with downstream clients** to share cost pressures and stabilize demand

Among these strategies, innovation and sustainability are emerging as the most important long-term solutions.

## V. Mingca's Competitive Edge: Innovation and Sustainability

Founded in 1990, **Shantou Mingca Packing Material Co., Ltd.** has over 30 years of experience in the plastic packaging industry, specializing in polyolefin shrink films and related machinery. With a production base covering 20,000 square meters, multiple advanced production lines, and an annual output exceeding 10,000 tons, Mingca has established itself as a professional and reliable manufacturer in China.

One of Mingca's key strengths lies in its strong R&D capability and commitment to innovation. The company has built long-term partnerships with global industry leaders, including in-depth cooperation with ExxonMobil. After four years of dedicated development, Mingca successfully launched a **Non-crosslinked Recyclable PEF Shrink Film**, marking a significant breakthrough in sustainable packaging materials.

## VI. Recyclable PEF Shrink Film: A Game Changer

PEF shrink film offers multiple advantages that directly address current industry challenges:

- **Recyclability**, aligning with global environmental regulations and sustainability trends
- **Non-crosslinked structure**, making it easier to process and reuse
- **High performance**, maintaining strength, clarity, and shrink properties
- **Reduced environmental impact**, supporting circular economy initiatives

As governments and industries worldwide push for eco-friendly materials, PEF shrink film represents a forward-looking solution that not only meets regulatory requirements but also enhances brand value for downstream customers.

By investing in such innovative products, Mingca is effectively reducing its reliance on traditional petrochemical-based materials and mitigating the impact of crude oil price volatility.

## VII. Strong Production and Global Service Capability

Mingca's competitive advantage is further reinforced by its robust manufacturing and service infrastructure. With more than 3,000 partners worldwide, the company has built a strong global network and reputation.

Its integrated business model—covering R&D, production, sales, and after-sales service—ensures consistent quality and reliable delivery. Professional technical teams and advanced equipment enable

Mingca to maintain high production efficiency while adapting to diverse customer requirements.

## VIII. Future Outlook: Transformation Driven by Pressure

Although rising crude oil prices pose significant short-term challenges, they are also accelerating the transformation of the heat shrinkable film industry. Companies are being pushed to improve efficiency, adopt sustainable materials, and enhance technological capabilities.

In the long run, the industry is expected to move toward:

- **Sustainable and recyclable materials**
- **High-performance and specialized products**
- **Large-scale and efficient production models**
- **Stronger global supply chain integration**

Companies like Shantou Mingca, which combine innovation, sustainability, and manufacturing strength, are well-positioned to lead this transformation.

## IX. Conclusion

The continuous rise in crude oil prices is reshaping the heat shrinkable film industry, affecting everything from raw material costs to global market competitiveness. While the challenges are significant, they also present opportunities for forward-thinking companies to innovate and differentiate.

Through its strong industry experience, advanced production capabilities, and pioneering development of recyclable PEF shrink film, **Shantou Mingca Packing Material Co., Ltd.** demonstrates how manufacturers can turn challenges into growth opportunities.

As the global packaging industry moves toward a more sustainable future, Mingca is set to play a leading role in driving innovation, enhancing value, and building a greener, more resilient supply chain.



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