

UTIPULP

Group of European Market Wood Pulp users

Answers to the questionnaire on pulp supplies

March 30, 2023

21 answers have been received (20 companies and 1 national association).

1. Regarding your pulp supply, has the situation improved or worsen since September 2022?

For all respondents, in comparison to September 2022, **the pulp procurement has “improved” or even “improved significantly”**.

One respondent reports that “only with specific suppliers delays in shipment occur”. Except for this statement, all other respondents indicate that we are now in a “buyers” market mood” with a much better availability of pulp and falling prices.

2. In H2 2023, according to your forecasts, will the pulp supply improve or worsen?

All respondents consider that the market pulp supply will either remain good (as it is) or even improve in H2 2023. Reasons for this are to be found both on the demand and the supply side.

On the supply side:

- Two major capacities will come online for Euca, UPM Paso de los Torros, and ARAUCO MAPA a bit later (some show a lower degree of confidence on the start in time of the ARAUCO project).
- Although it has been less frequently mentioned, the start of the new capacity of Mestsa Fibre (Kemi), in H2 (August?), is also seen as adding volumes of NBSKP on the market.
- The absence of shipping constraints facilitates pulp supplies.
- One respondent mentions that capacities will shut down in Canada, but that it will be compensated by European capacities shifting to softwood (as Russian birch pulpwood is not available anymore).
- One respondent also considers that pulp producers worldwide tend to diversify their presence in different markets that in the past were not considered strategic.

On the demand side

- A low demand for all grades of paper and board will contribute to maintain a high availability of pulp. Indeed, as demand is weak in all segments, many companies are forced to cut production.
- This low demand is the combination of two causes.
- Firstly, supply chains are full, and customers keep orders at a minimum, as they have high inventories of reels/cut sizes and expect prices to decrease. Secondly, the macro-economic situation, with a high inflation rate, causes a slowdown of the economy. This would imply that the current weakness will last longer than expected.
- On the short term, one respondent mentions that Easter vacation will reduce the demand for some grades.

- Besides this European situation, many respondents question the impact of the Asian (Chinese mostly) demand. The question mark is indeed whether the re-stocking of pulp by Asian paper mills will impact worldwide supply balance.

3. What key changes will influence the pulp consumption in the different countries during the 12 coming months ?

The main question highlighted by the respondents is the economic outlook in the coming months. There is a consensus that the weak demand for paper and board is not only caused by the destocking along the supply chain. The question is then whether economic activity will restart in H2 or later. Respondents have split views on this pace of the recovery.

A “black scenario” would be that activity in China booms in H2, even if European paper activity remains low. Paper makers would then suffer a poor paper activity and high pulp prices due to Chinese demand.

Energy issues and risks of chemical disruptions are not seen as a major threat for H2, but several express a “cautious” rather optimistic viewpoint, as there is a high unpredictability of economies.

It is also noted by one respondent that high pulp & paper prices in 2022 have led end users to find lower-cost alternatives which may have a structural impact on our industry.

Regarding the capacity changes in Europe, no major changes are noted , even if so shut-downs of paper mills are reported.

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