



Analysis and Forecasts of the International Pulp Market

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- *Woodfree prices in Hong Kong edged up US\$10 in December. Producers were able to push through some of the increase they sought citing rising pulp cost pressures and relatively balanced markets. In spite of the impact of the US investigation on exports from China and Indonesia, coated woodfree markets remained reasonably balanced.*
- *We have revised our forecast and we are predicting that producers will manage to push through one more increase in the first quarter under the weight of high pulp costs; coated woodfree prices are then expected to lose ground for the remainder of the year, while uncoated paper prices come under pressure in the second half. The declines will result from excess capacity and some easing in pulp prices.*
- *With negotiations finished, we are showing a US\$15 increase in average newsprint transaction prices in Hong Kong for the first quarter of 2010, leaving them at US\$530. Producers wanted more, but newspaper publishers were able to push back due to continuing sluggish demand and ample inventories. Our forecast still shows a gradual increase in prices in 2010 as demand recovers and the market tightens a bit with little new capacity expected in the region. Cost pressures will also be a factor.*
- *In December, prices in Hong Kong for all three containerboard grades witnessed their biggest price increase in 2009. Kraft-top liner prices increased US\$80 and recycled corrugating fluting prices rose US\$45. Meanwhile, prices for virgin fiber kraftliner board (KLB) moved north by US\$25. For 350gsm recycled coated duplex board, prices jumped a hefty US\$35 from last month, the second biggest price increase in the year. Rising fiber and energy costs and the pick up in both domestic and external demand are the major reasons behind the latest price movement in Asia.*
- *Prices for all four packaging paper grades in Hong Kong are forecast to increase through most of 2010, although there will be some bumps in the road on a quarterly basis, mirroring the general recovery in the Asian/world economy this year.*

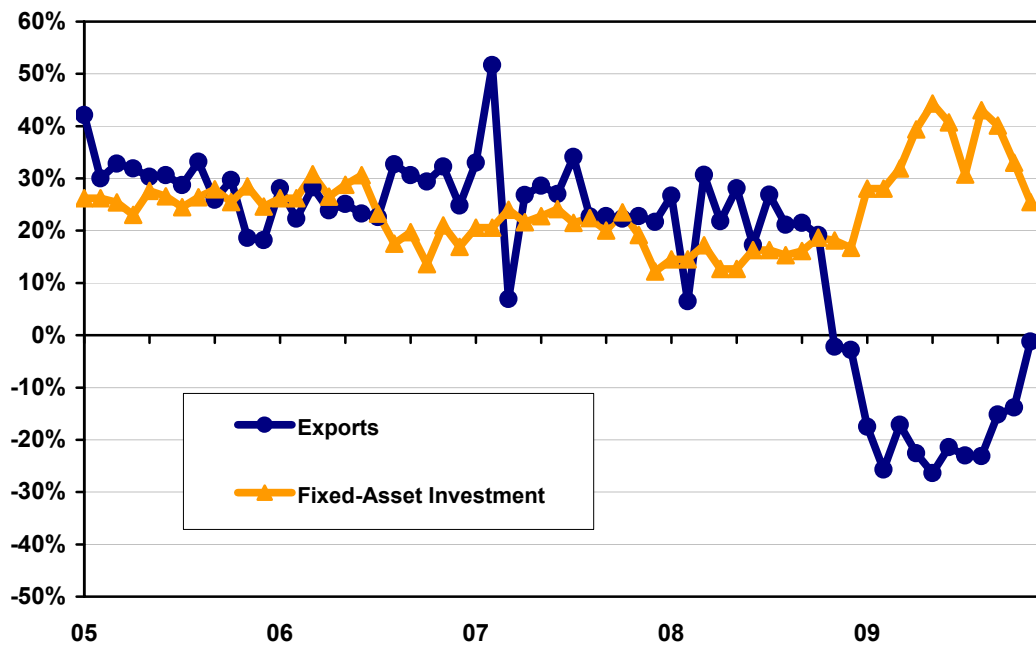
Economic Outlook

China Continues to Surprise on the Upside

The effectiveness of government stimulus on economic growth has been impressive in China. Despite sharp declines in exports and no significant growth in household consumption, China is expected to have delivered 8% growth in 2009. China's growth was primarily driven by fixed-asset investment, which had increased by over 30% for the year through November and more than made up for the drop in exports (Figure 1). The original stimulus package in China was scheduled to last until the end of 2010 and we only expect minor tweaks in policy in the near term.

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Figure 1
Chinese Investment Driving Growth, Not Trade
 Year-over-Year Percent Change



Chinese industrial output accelerated to 19.2% growth on a year-over-year basis in November and the trend in production has been steadily up. Our original forecast of 10% growth in output, which seemed robust at the time, is likely going to prove too conservative.

We do expect US demand for Chinese goods to improve over the course of 2010 and that will help China's external sector along. Exports in November were down by just 1.2% from a year ago, but this is still far from the growth levels we would expect if the US consumer were healthier. Our forecast for China's real GDP growth remains unchanged this month. We still expect growth to reach 8.6% in 2010 and 8.7% in 2011.

Newsprint

Current Conditions

Negotiations are still ongoing for first quarter contract newsprint prices in parts of Asia, while in others they are just finishing. We have heard of offer prices in Hong Kong ranging from US\$520 to US\$560 for 45gsm and 48gsm newsprint. Most of the Chinese suppliers are at the high end of the range and no sales are being made at this level. The low end of the range is from Europe and may just be for small volumes. It appears that many transactions were around the US\$530 mark and this is where we are estimating average transaction prices will be for 48.8gsm newsprint in Hong Kong for the first quarter. This is a US\$15 increase over the average in the fourth quarter of 2009. Other Asian markets like Taiwan and Singapore are at similar or slightly higher levels. In India, prices have not yet been settled -- negotiations are proceeding with buyers seeking prices of US\$555-560 and sellers looking for US\$570 or so.

Most suppliers were not happy with the level of prices that came out for the first quarter as cost pressures have remained intense. ONP prices have been climbing sharply due to supply issues -- bad weather in Europe affecting collections there, North American newspaper demand down so much that supplies are naturally reduced relative to a year ago, and reduced availability of containers. Higher freight rates have also been a factor. We have heard that prices in China for ONP are currently at US\$210. These high costs explain why the Chinese have remained

on the sidelines of the export markets -- costs there reportedly exceed US\$500 and could be closer to US\$520-530 for the most efficient producers.

Hampering the push by producers to gain larger increases has been the sluggish demand conditions. Buyers returned to the market in the second half of 2009 and restocked inventories. This contributed to the turnaround in prices. However, with inventories again at sufficient levels, many publishers are willing to consume from inventories rather than accept higher prices, which gave them the edge in negotiations this quarter. Further, demand still remains at subdued levels as a true recovery in consumption due to growth in advertising has not yet occurred. It appears that the economies need to build a bit more momentum for this to occur. An important question is how much demand will not return, either due to newspaper closures or loss in advertising to electronic media.

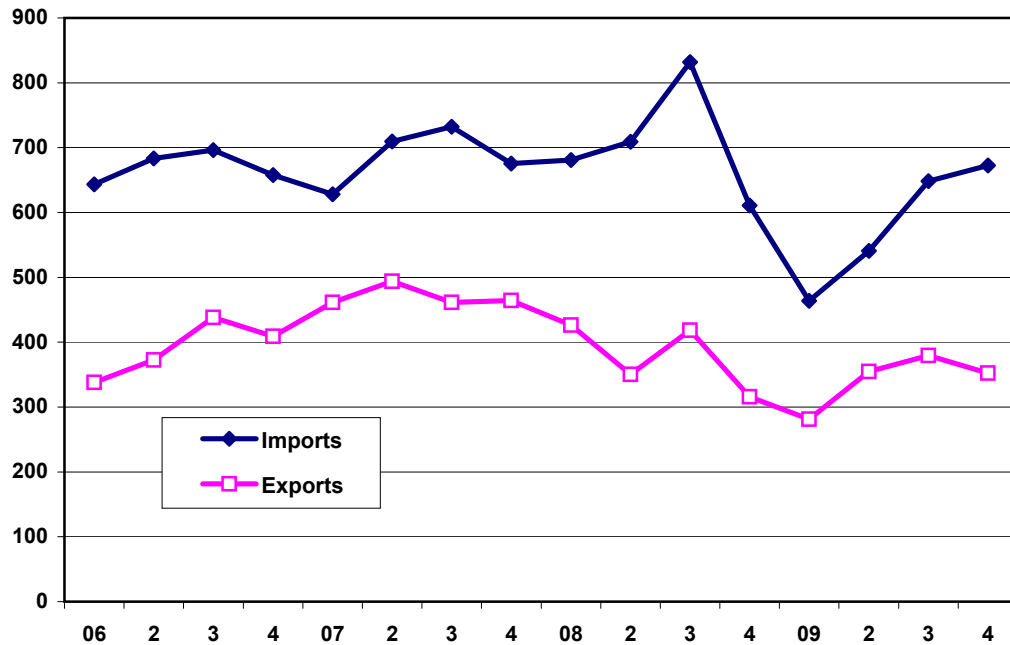
Word from China is that this market is out of balance, with too much supply coming on in recent years and demand not yet fully recovered. As a result, producers have indicated that they will stop producing for the entire New Year Holiday -- from February 5th through the 28th.

For the fourth quarter of 2009, the newly available data continue to show partial recovery in demand in many countries. Most countries in the region have seen demand following a similar pattern -- very weak levels starting late in 2008 and lasting through May or June 2009. Demand levels then picked up in the middle of the year, but have remained virtually steady since then. Also, generally the average levels over the second half of the year have been running a bit lower than the averages in 2008 (prior to the start of the financial crisis).

- In South Korea, demand came in weak again in November, but this reflected another major reduction in producer inventory. As in October, consumption showed a relatively better year-over year comparison, falling just 3% compared to November 2008, and was also relatively healthy at 77,000 tonnes versus a monthly average of 65,000 tonnes in January through September. However, consumption still was not back to the 81,000 tonnes per month averaged in 2008. For the year through November, demand was off 19%.
- In Taiwan, October demand held fairly steady with levels since July, when demand bumped up from the low levels of the first half of the year -- first half demand averaged 18,000 tonnes per month, but for July through October demand averaged 24,000 tonnes per month. Still, demand was below the 30,000 tonnes per month averaged in 2008 prior to when the financial crisis affected demand in November. For the year through October, demand was down 30%.
- In Hong Kong, demand came in at a solid 25,000 in November, the highest level for the year by a small margin. Still below the 30,000 tonnes per month averaged in 2008 prior to when the financial crisis first impacted demand in November. For the year through November demand is off 29%.
- In Japan, November demand came in very weak (off 10% versus a year ago). Generally, demand has been weak all year, with no real signs of recovery. For the year through November demand was off 6%.
- In Singapore, demand in October held with the average of the previous four months at 13,000 tonnes. It is still running well above the average of the first five months of the year (when it averaged less than 7,000 per month). By comparison, demand averaged 14,000 tonnes per month in 2008. For the year through October, demand was down 25%.
- For India, based on source country data, newsprint imports continued to post modest monthly gains, coming in at an estimated 94,000 tonnes in October. Still, newsprint imports are running below the 112,000 tonne monthly average that occurred in 2008 in January through October (prior to the slump that occurred in November).

As for export levels, Chinese newsprint exports remained at very low levels in November. External shipments were just 6,000 tonnes, similar to their October level as Chinese producers pulled back from the market rather than sell at prices below their variable costs. South Korean exports were at a fairly healthy level of 63,000 tonnes in November.

Figure 2
Asian Newsprint Imports and Exports
 Thousand Tonnes



It is interesting to look at who is supplying the Hong Kong market. The biggest suppliers in 2009 were no longer the Chinese, despite their proximity. The Chinese were the leading suppliers in 2007 and 2008 (over 30% share), but dropped to 4th (just 13% share) for the year through November 2009 behind the Canadians (ranked 2nd in previous two years), the South Koreans and the Indonesians.

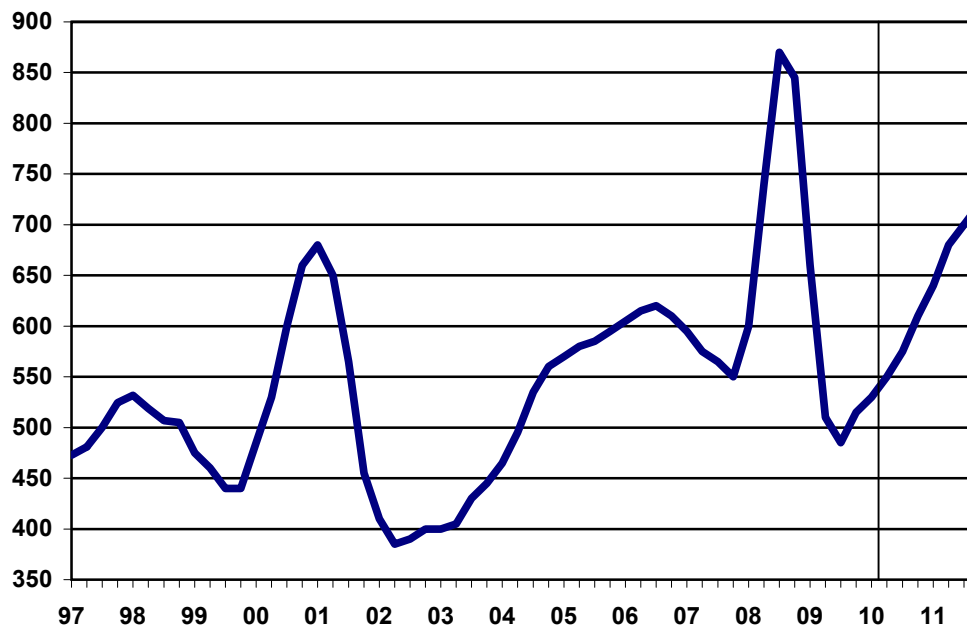
Looking at who is supplying the Asian market as a whole, Asian suppliers gained back share in 2009 as did European suppliers, while North American and Russian suppliers lost share. While not yet a trend, the October data suggest that the North Americans and Russians were starting to put a little more back into the region, partly as the Chinese pull out. We still estimate that Asian imports rose in the fourth quarter, but Asian exports likely edged lower (see Figure 2).

Forecast

We are still forecasting a gradual increase in newsprint prices in Hong Kong in 2010. However, we are now showing a slightly lower level of increase in the second quarter. We expect that producers will continue to push for healthy increases and will meet with some success, but buyers will be able to put up some resistance due to sluggish demand conditions. An important factor impacting the success will be the level of tonnage available from outside the region -- we expect that excess capacity will be available, and some of this tonnage will make it into Asia and hold down price increases.

We are predicting healthier gains in newsprint prices during the second half of 2010, when we are anticipating more robust demand growth after the economic recovery has had a chance to filter through to advertising. This will help tighten the market balance a bit, with little new capacity planned in the region until the fourth quarter of 2010. Throughout the year, pressure from costs will also be a factor helping producers to win gains. Overall, we show newsprint transaction prices in Hong Kong averaging US\$566 in 2010.

Figure 3
Hong Kong Newsprint Price
 US\$ per Tonne



Printing and Writing Paper

Current Conditions

Hong Kong woodfree paper prices ended 2009 on an upward note thanks to rising material costs. Major suppliers started to increase coated woodfree prices in Hong Kong in the third week of December, and other smaller suppliers followed suit. Buyers, however, fought the price increases and took the bet that prices will weaken after the new machines are installed in the second half of 2010. As a result, the US\$20-30 price increase proposed by the suppliers was only partially implemented in December. Overall, we show coated woodfree and uncoated woodfree prices increased US\$10 per tonne in Hong Kong in December.

In summary, after falling at the beginning of 2009, woodfree **prices** in Hong Kong began to climb in May and rose continuously through September. This price rally was supported by rising pulp prices and strong Chinese coated woodfree exports. Coated woodfree prices moved lower in November due to the US dumping investigation, while uncoated prices remained flat before both edged higher again in December. Overall, woodfree prices were 6% higher in December 2009 than they were in December 2008 and 20-22% higher than their lows in April 2009.

China's domestic coated woodfree market has remained tight since the second quarter of 2009 due largely to the lack of new capacity and healthy demand. Robust retail, automobile and real estate sales were the keys to an improving advertising business, which in turn boosted coated woodfree demand in China. Moreover, strong coated woodfree exports from China kept supplies tight. It was reported that Chinese producer inventories were largely under control at the end of 2009, especially compared to the same time last year, and operating rates have improved as a result of increasing sales. This was particularly true in the third quarter of 2009 when both domestic demand and exports were strong.

Things became less rosy in the fourth quarter when Chinese coated woodfree exports lost ground. In November, the US International Trade Commission ruled in favor of the petitioners, making a preliminary determination that imports from China and Indonesia caused injury and calling for a full investigation. However the Commerce

Department's determination on the CVD case against China/Indonesia was postponed from December 17th to February 22nd, 2010.

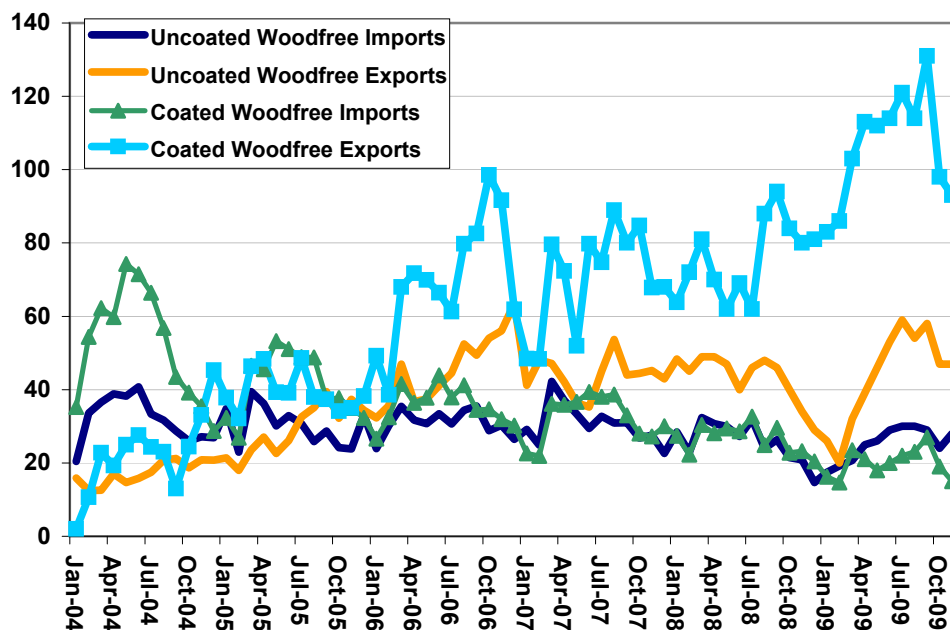
Because of this case, Chinese coated woodfree exports have seen a retrenchment since October. According to Chinese customs data, monthly average Chinese coated woodfree exports fell 26,000 tonnes (-21%) in October and November compared to where they were in the third quarter. This was largely due to a loss of sales to the US market. According to US customs data, US coated paper imports from China retreated 28% in October compared to September (a 6,000 tonne loss) and plunged 38% versus the same time last year.

Waning exports dampened supplier confidence in raising coated woodfree prices, but increasing pulp prices forced them to try. As stated in previous issues, Chinese producers piled up huge market pulp inventory in early 2009 when prices were low and they continued to replenish their stocks as pulp prices rose. This strategy gained Chinese suppliers an edge to keep their production costs lower than other producers for much of the year and enabled them to price competitively and win orders over other international players in offshore markets. However, pulp prices went through the roof in the fourth quarter of 2009 and Chinese producers have finally slowed their pulp buying. It was reported that prices for certain market pulp grades have jumped nearly 90% in December compared to their lowest point in March (when they were just US\$360). Chinese imports of BKP declined 30% (or 300,000 tonnes) in November 2009 compared to September and were 200,000 tonnes lower than average monthly import level in the first three quarters of 2009. Market insiders indicated that China pulp imports continued their downward trend in December. As a result, Chinese producers' cost advantage is disappearing.

As for uncoated woodfree paper, the biggest news in 2009 was the several new machines that were installed in China in the third quarter. Some of the new capacity replaced old machines --machines that were being closed because they were not meeting environmental standards and lacked competitiveness. Nevertheless, Hunan Tiger's 400,000 tonne machine and MCC Yinhe's 200,000 tonne machine had some negative impact on the overall demand/supply in China's domestic market and slowed the rise in prices.

Elsewhere in the region, the demand picture was mixed in the fourth quarter of 2009. Based on two months of data, fourth quarter printing and writing paper demand slipped 2% in Japan versus the monthly average demand in

Figure 4
Chinese Woodfree Imports and Exports
Thousand Tonnes



the third quarter, and fell 8% versus the same time in 2008. In contrast, South Korean printing and writing paper demand showed some positive signs in the fourth quarter, increasing 5.8% in the first two months of the fourth quarter versus the monthly average demand in the third quarter and 5.2% relative to the same period in 2008.

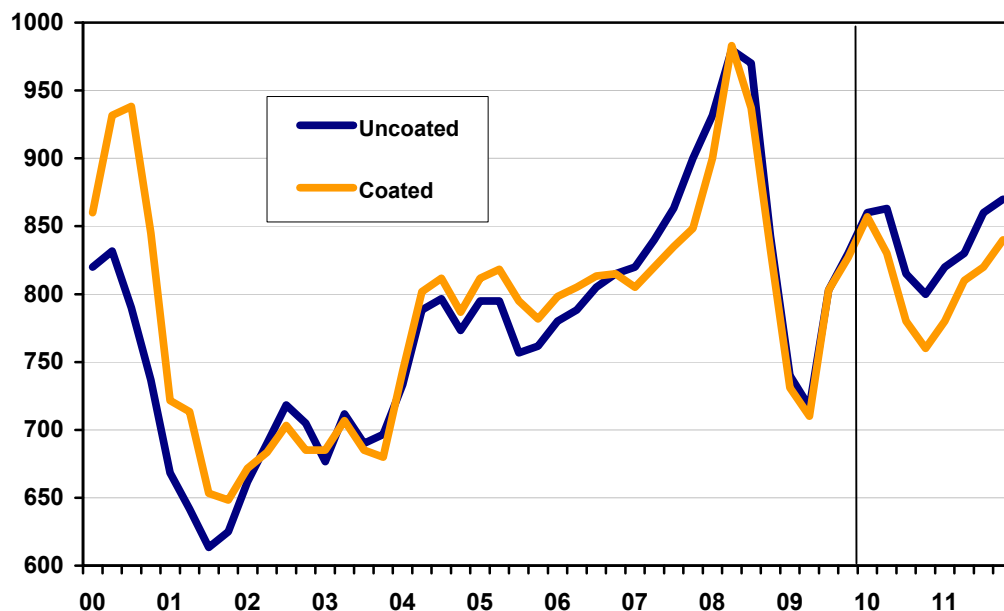
Forecast

We are anticipating that woodfree paper prices in Hong Kong will increase US\$30 in the first quarter of 2010 from their December price levels before weakening for the remainder of the year. This is because we expect that Chinese suppliers will push aggressively to raise prices before the new machines start in the second half of 2010. By doing this, producers feel this will give them room reduce prices and not completely ruin margins when the market loses balance when the new capacity starts up. Overall in 2010, prices in Hong Kong are projected to average US\$807 for coated and US\$835 for uncoated woodfree paper, representing a 5% and 8% increase relative to 2009, respectively.

Two factors that drove up coated woodfree prices in 2009 -- rising pulp prices and robust exports -- will likely lose effect after the first quarter of 2010. Moreover, the wave of new capacity in China will loosen the market balance. For uncoated woodfree, Chinese uncoated woodfree is not very active in offshore markets and prices in Hong Kong are influenced by Indonesian and Thai suppliers. Therefore, uncoated woodfree paper prices will most likely fluctuate with pulp prices. One downside risk will be if Chinese producers become more involved in the market after the new capacity comes online.

One major upside risk to the forecast will be if Chinese suppliers take machine downtime in 2010 in the face of rising material costs and struggling paper prices. This did not happen in 2009 when the financial crisis took its toll on the consumer side, but 2010 could be different. In 2009, Chinese producers kept their machines running at almost full speed as they felt that inventory of high cost materials had to be consumed; hard sales were needed to generate cash flow when their warehouses ended up filled with finished products made from high cost materials. Moreover, Chinese mills benefited from low market pulp prices, which gave them an edge to compete with international suppliers in offshore markets.

Figure 5
Quarterly Woodfree Average Transaction Prices in Hong Kong
 US Dollars per Tonne



Entering into 2010, things are different. This time Chinese suppliers have a problem with higher pulp prices and difficulties in passing the rising costs on to their customers. By taking machine downtime, Chinese producers could gain some power to negotiate with pulp suppliers as their market pulp consumption would also be reduced accordingly. Further if machine downtime does happen in 2010, it could help producers in the second half of the year to lock in any hard won price gains from the first half of the year.

Containerboard

Current Conditions

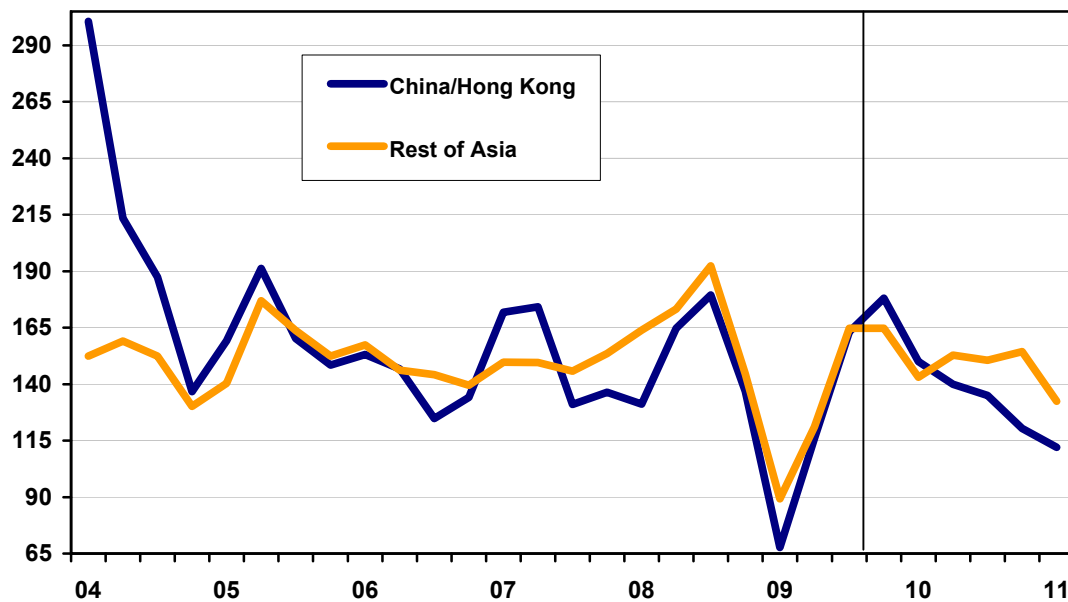
In December, prices for all three containerboard grades we track in Hong Kong witnessed their biggest price increase in 2009. Prices for 175gsm virgin fiber based KLB jumped US\$25 from November to reach US\$500. Prices for the two recycled fiber based containerboard grades reversed their slide since September and jumped a hefty US\$80 and US\$45 for 125gsm kraft-top liner and 110gsm corrugating medium to reach US\$475 and US\$375, respectively. For kraft-top liner, December prices reached the same level as in April 2008, well before the economic and financial crisis hit. Meanwhile, the December price for corrugating medium almost hit the price level reached in September 2008 (at US\$385), right before the crisis erupted. All prices are quoted on a CIF Hong Kong per tonne basis.

Market reports indicated that before the Christmas holidays, the two major Chinese containerboard producers announced their intentions to increase prices for both recycled linerboard and corrugating medium by US\$45-50. Immediately after Christmas, they decided to increase the prices for both recycled liner and fluting another US\$30-40. We were informed that transaction prices for the recycled liner and fluting from these two major Chinese producers were up by a total of US\$80-85 from last month to reach US\$475-480 for 125gsm liner and US\$405-410 for 110gsm fluting. For second tier Chinese producers, December prices were around US\$460 for linerboard and US\$390-400 for fluting. Liner prices from non-Chinese mills were around US\$460-470 in December. Depending on customers and suppliers, prices for 110gsm corrugating medium from non-Chinese producers ranged between US\$330 and US\$380, with a wide variance in prices between different suppliers and for different qualities: prices were at the US\$330-335 level from South Korean mills, US\$350 from Taiwanese mills, US\$360 from Australian mills and US\$380 from major Indonesian mills.

What caused this latest round of price increases in Hong Kong? We attributed the price increase to several factors, the first of which was rising fiber prices. According to the December 21 issue of RISI's *PPI Asia*, the price of AOCC based on CIF China increased to an average of US\$180-190 in mid-December, up from US\$175-180 per tonne in November, the highest price since the AOCC market collapsed in November 2008. Secondly, energy prices such as coal and electricity also increased substantially and the recent cold weather just worsened the situation. Third, as the Chinese Lunar New Year holiday (this year from February 13-20) is about two months away, domestic demand for consumer goods has begun to pick up, driving the domestic containerboard demand upward. On the external side, China's total November exports in US dollar value terms still recorded a negative 1.2% drop year-over-year. However, that drop was the smallest decline in 2009, indicating China's exports are improving as well, offering fresh evidence that the China's economy is well on the road to recovery and also suggesting global demand is improving.

The Purchasing Managers' Indices (PMI) for China, India, South Korea and Taiwan all showed continued expansion of manufacturing in December. In China, the PMI was 56.6 in December, 1.4 higher than November's record, marking the 10th straight month of expansion in manufacturing activity. Meanwhile, a separate PMI compiled by HSBC rose to 56.1 from 55.7 in November, the highest level recorded since April 2004. In India, the manufacturing PMI rose to 55.6 in December from 53.0 in November, its fastest growth since May 2009. HSBC's PMI for South Korea edged up to 52.8 in December, from 52.6 in November, marking its 10th consecutive month above the 50 level. Similarly, the PMI for Taiwan rose to 58.7 in December from 58.4 in November, with new exports orders picking up.

Figure 6
Asian Kraftliner Imports
 Thousand Tonnes



Depending on customers and suppliers, transaction prices for imported 175gsm KLB delivered in Hong Kong/South China generally moved upward by US\$20-30 in December. Prices for the highest quality US KLB grades closed in the US\$530-540 range, while the majority of the volumes from North American producers were traded between US\$490-520, and most of the realistic deals from Australian and New Zealand producers were concluded in the US\$475-485 range. So we decided to raise the December prices for 175gsm KLB in Hong Kong by US\$25 to an average of US\$500.

We attribute this latest round of KLB price increases mainly to strong Asian economic recovery and attempts by Asian customers to build inventory in response to recent North American capacity closure announcements as well as the expiration of the black liquor tax credit. Increased freight costs between the USA and Asia also add a few dollars in this latest KLB price increase. Continuous inventory building in the region is apparent in the quarterly KLB import figures into Asia (see Table 6). Based on the latest available data, Asian KLB imports plunged by -43% in the first quarter of 2009 relative to fourth-quarter 2008, but then jumped 51% in the second quarter and 38% in the third quarter (relative to the previous quarter). The combined China/Hong Kong KLB quarterly imports followed the same pattern: down 51% in the first quarter, but then climbing 71% and 41% in the second and third quarters, respectively.

Forecast

We still expect average KLB prices in Asia will move up from the December 2009 level by about US\$25 during much of 2010. This should occur even though we do not believe North American producers will fully achieve their original US\$50 price increase (for details, please see RISI's December *Paper Packaging Monitor*, which provides analysis and forecast of the North American paperboard and kraft paper markets). This is mainly because changing dynamics for exports of US made kraftliner following the expiration of the black liquor tax credit last December, since exports will be less attractive to producers at the current price levels. In addition, the announced capacity closures in North America will constrain the KLB supply, which will limit export volume available to Asia, leading to some upward pricing pressure. The sustainable economic recovery in the Asian region will also contribute to this round of KLB price increases. However, we believe the KLB price movement will be constrained by competition with the abundant supply of locally made recycled grades. Thus we forecast

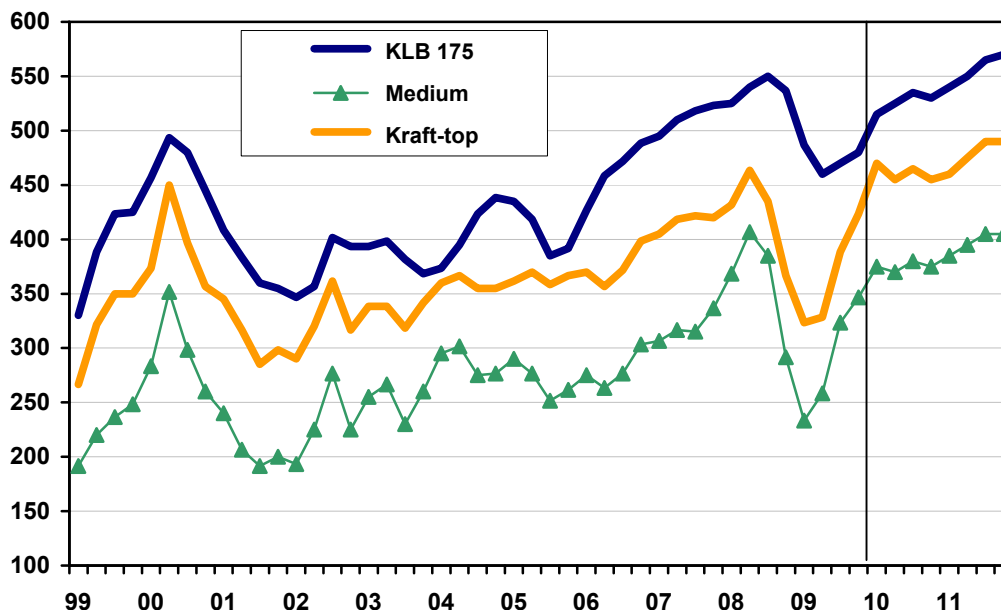
the price gap between 175gsm imported KLB and Asian made 125gsm kraft-top liner will narrow gradually during this period -- from an estimated average of US\$108 in 2009 to an average of US\$65 in 2010. Overall, we show 175gsm KLB prices in 2010 averaging US\$526, an increase of 11% over 2009.

Please note, however, that we forecast that overall Asian KLB imports in 2010 will increase to 1.15 million tonnes, 8% higher than their 2009 level. But the share provided by US mills will decrease, mainly filled by Russian and Australian tonnage.

There are some downside risks to our KLB price forecast for 2010. First, as the US economy is still forecast to recover very slowly from its worst recession since the Great Depression, the speed of the recovery in the US domestic containerboard market is still a big question mark. Second, as new KLB machines start up in 2010, such as the Visy's PM10, supply in the Asian region will become abundant, and to win orders producers may tend to compete on prices.

For the two recycled containerboard grades in Hong Kong, we increased our price forecast this month mainly due to the huge price increase in December 2009, as well as the increased fiber price forecast for both AOCC and UKP (see Table 6). For the first quarter of 2010, which is usually the seasonally weak demand period in Asia, especially from the external side, we expect the average price for kraft-top liner to stand at US\$470, US\$5 lower than the December price, while the price for fluting is expected to be flat at US\$375 from its December level. Entering into the second quarter of the year, an estimated 0.5 million tonnes of new Asian containerboard capacity will kick in. This will be in addition to the 750,000 tonnes of capacity already started in the first quarter, which will try to run at full capacity in this quarter. Meanwhile, UKP costs are expected to retreat in the second quarter. All of this should lead to some minor price retreats for the two recycled fiber based containerboard grades. Prices will rise again in the third quarter before turning soft in the last quarter of 2010 mainly due to an estimated 2.65 million tonnes (2.25 million tonnes from China) of new Asian recycled containerboard capacity that is scheduled to come online during that quarter. Overall, kraft-top liner prices are projected to have averaged US\$366 in 2009 and move up to an average of US\$461 in 2010. Meanwhile, corrugating medium prices have averaged an estimated US\$290 in 2009 and will average US\$375 in 2010.

Figure 7
Quarterly Hong Kong Containerboard Prices
 US\$ per Tonne



The major downside risk to our recycled containerboard price forecast is that most Asian nations continue to have economic development models that are heavily driven by the export sector, which could be problematic if the recovery in the consumer segments of major overseas markets is more anemic than we currently forecast.

Boxboard

Current Conditions

In December, prices for our benchmark 350gsm coated duplex board in Hong Kong jumped a hefty US\$35 from last month. This marked the second biggest price increase in 2009 (the previous one was recorded in July when price skyrocketed US\$50). Chinese producers, the region's dominant players, closed their orders between US\$570-590. Prices from South Korean producers increased to US\$570, while major Southeast Asian producers increased their prices to US\$580. Thus we decided to show the average transaction price for our benchmark grade, 350gsm coated duplex in Hong Kong, at US\$570 per tonne.

Several factors contributed to this latest round of price increases in Hong Kong, the first of which was rising fiber prices. According to the December 21 issue of RISI's *PPI Asia*, the price of AONP based on CIF China increased to an average of US\$185-190 in mid-December, up from US\$175-180 per tonne in November, the highest price since the market collapsed in November 2008. Imported BHKP from Brazil and Chile, another key component in duplex board, soared to more than US\$640-660 price in December in China, compared with just US\$420-450 a year ago. Secondly, energy prices such as coal and electricity also increased substantially and the recent cold weather just worsened the situation. Third, from the supply side, one of the major duplex board producers in the Guangdong area switched its 300,000-tonne machine from duplex to ivory board in early December. Lastly, as the Chinese Lunar New Year holiday (this year from February 13-20) is about two months away, domestic demand for fast moving consumer goods has begun to pick up, driving the duplex board demand upward.

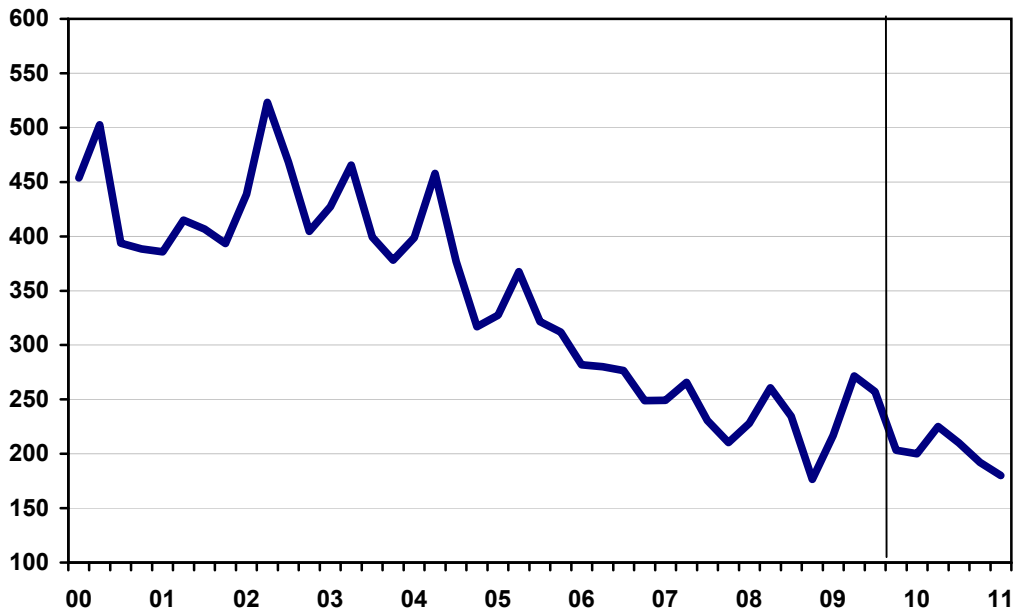
Let's turn the focus to the region's other major duplex board players. The resilience of Japan's nascent economic recovery was thrown into doubt by a stark downward revision last month of its third quarter GDP growth figure from 1.2% to a mere 0.3%. The core CPI, excluding volatile fresh food prices, fell 2.2% in October year-over-year, the eighth consecutive month of declines. The deflation is hurting Japan's domestic demand. Thus, the effects of the weak economy have pulled down overall Japanese boxboard demand. Cumulative boxboard demand fell a hefty 10% year-over-year during the first 10 months of the year.

South Korea is one of a handful of developed countries to have avoided a technical economic recession. In fact, in the first week of December, it adjusted its third quarter GDP upward from the preliminary 2.9% to 3.2% from the previous quarter. Like most Asian nations, South Korea is heavily dependent on exports for its economic growth. Growth in exports was in negative territory from November 2008 through November 2009, but exports finally increased 33.7% in December year-over-year. Based on South Korean Paper Association's data through November, cumulative boxboard demand fell just 1% year-over-year.

Demand in Taiwan has been hurt by a deceleration in industrial production and weakening exports, as external demand for its manufactured goods continuously shrunk. In fact, the island nation has experienced 14 consecutive months (through October 2009) of falling exports. Taiwan's food industry accounts for a large share of boxboard consumption. Based on the government's food production index through November, production has been down a mild 1% year-over-year. Based on the Taiwan Paper Industry Association's data through November, cumulative boxboard demand (for both coated and uncoated) fell 8% year-over-year.

On January 1, 2010, the world's largest free trade agreement (FTA) in terms of population between China and 10 member states of ASEAN came into force, as most goods flowing across the borders between China and ASEAN attracted zero to little tariff. In terms of GDP, the FTA is only smaller than the EU and NAFTA. The 10 members of ASEAN include Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam, Laos, Myanmar and Cambodia. Trade between China and ASEAN hit US\$166 billion through October 2009 and China has replaced the US as the third largest trade partner for ASEAN, after Japan and the EU. According to our estimate,

Figure 8
China/Hong Kong Boxboard Imports
 Thousand Tonnes; Quarterly Rates



total Chinese boxboard exports (mainly recycled coated duplex and virgin fiber based ivory board) to ASEAN through November reached 98,000 tonnes, accounting for about 18% of total Chinese boxboard exports. We forecast that with the removal of trade duties, trade volume between China and ASEAN countries will grow at a double digit pace in 2010-2012, boosting Chinese boxboard exports both directly (exports of paper) and indirectly (through packaging industrial goods).

Forecast

We increased our price forecast this month mainly because of the US\$35 price increase in December 2009, as well as the increased fiber price forecast for both AONP and BHKP (see Table 8). For January 2010, we expect duplex board prices in Hong Kong will continue to rise by US\$10-15 as customers restock their inventory before the upcoming Chinese New Year holiday. Prices are then expected to soften mildly in February due to the long holiday and then move up further again in March, bringing our quarterly average price to US\$585. Generally prices should rise continuously during the second and third quarters of 2010, mainly based on our macroeconomic forecast that the Asian economy will gradually strengthen in 2010, tracking the projected growth in the US economy. The expected increase in fiber prices, especially imported AONP, will also be a contributing factor. Boxboard prices in Asia are expected to soften mildly in the fourth quarter of 2010 mainly because two machines with a combined capacity of 900,000 tonnes (one from Nine Dragons and another from Zhengda) will start up at the end of the year. Those capacity changes will increase the supply for Asian coated recycled duplex board, and may force Asian producers to compete more on prices to get additional orders in late 2010.

The major downside risk to our Asian boxboard price forecast would be weaker than anticipated external demand in Asia and China since most Asian nations continue to have economic development models that are heavily driven by the export sectors.

Figure 9
Quarterly Hong Kong Coated Duplex Transaction Price
US\$ per Tonne

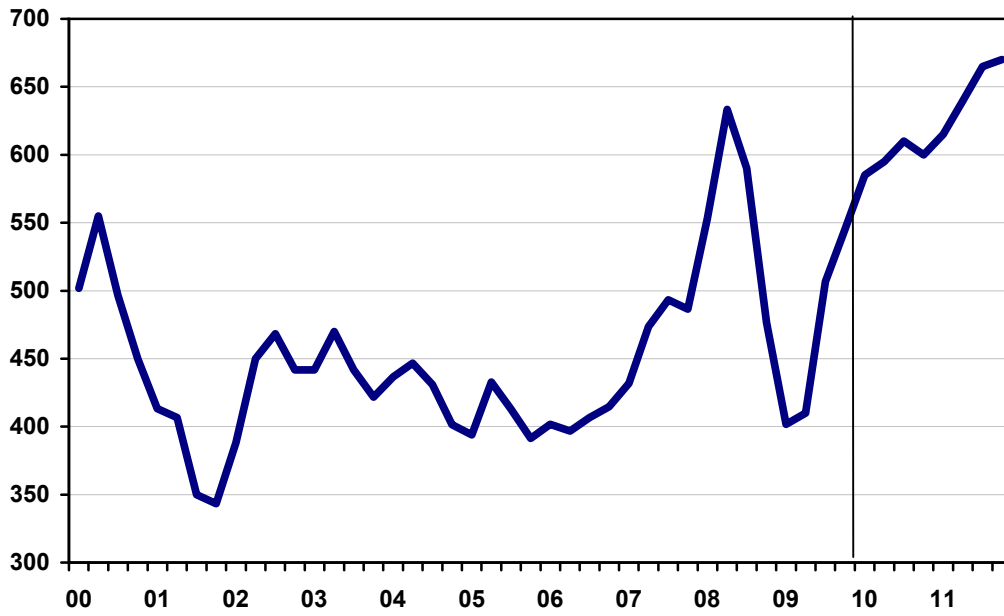


Table 1
Newsprint Monthly Summary
US Dollars Per Tonne and 000 Tonnes

	Jan 2009	Feb 2009	Mar 2009	Apr 2009	May 2009	Jun 2009	Jul 2009	Aug 2009	Sep 2009	Oct 2009	Nov 2009	Dec 2009
Transaction Prices in Hong Kong												
Standard 48.8gsm	660	660	660	510	510	510	485	485	485	515	515	515
Unit Import Values (CIF)												
Hong Kong	809	766	678	632	587	524	513	522	503	496	504	--
Taiwan	846	780	703	675	619	520	516	504	503	494	--	--
China	862	742	690	525	605	556	443	671	478	527	--	--
Singapore	847	851	672	649	523	520	518	485	484	486	--	--
Unit Export Values (FOB)												
South Korea	685	581	536	500	442	435	430	430	437	459	471	--
ONP Delivered to Asia *												
	113	120	123	130	133	140	147	165	168	175	178	179
Japan												
App. Consumption	297	279	295	286	297	275	289	307	282	297	274	--
Imports	9	14	9	15	9	10	18	2	15	11	12	--
Exports	10	8	8	6	5	10	11	8	13	12	13	--
Production	299	273	294	277	293	275	281	312	279	297	275	--
South Korea												
App. Consumption	83	62	69	69	84	60	64	60	56	57	68	--
Imports	0	0	0	0	0	0	0	0	0	0	0	--
Exports	26	39	48	53	48	68	61	58	76	61	63	--
Production	110	100	117	122	132	128	124	118	132	118	131	--
Taiwan												
App. Consumption	14	16	19	21	19	19	25	23	25	25	--	--
Net Imports	14	16	19	21	19	19	25	23	25	25	--	--
Production	0	0	0	0	0	0	0	0	0	0	--	--
Asian Newsprint Imports												
Japan/S. Korea/Taiwan	23	30	29	36	28	29	43	25	41	37	--	--
China/Hong Kong	14	17	15	20	24	26	27	18	27	24	--	--
Malaysia/Singapore	23	16	23	17	18	30	35	18	36	--	--	--
Subtotal	61	63	67	73	70	85	105	61	103	--	--	--

* Price of ONP (old newspapers), CIF China and SE Asia from the USA.

Table 2
Newsprint Forecast
US Dollars Per Tonne and 000 Tonnes

	Quarterly								Annual			
	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2008	2009	2010	2011
Transaction Prices in Hong Kong												
Standard 48.8gsm	510	485	515	530	550	575	610	640	764	543	566	685
Cost Indicators												
ONP Delivered to Asia *	134	160	171	173	185	201	210	223	228	146	192	241
Macroeconomic Indicators (% change, year ago)												
Real GDP Growth												
Japan	-7.1%	-4.4%	-1.0%	2.5%	2.0%	1.3%	1.3%	1.5%	-0.7%	-5.3%	1.8%	1.9%
East/Southeast Asia **	-1.7%	0.4%	4.0%	5.7%	3.8%	1.5%	3.5%	3.1%	3.5%	-0.4%	3.6%	5.0%
Regional Capacity												
Japan	970	970	970	952	952	952	952	926	3,901	3,882	3,809	3,702
China	1,059	1,059	1,059	1,094	1,116	1,116	1,166	1,205	4,637	4,394	4,493	4,900
Other Asia	1,182	1,195	1,201	1,194	1,198	1,202	1,204	1,209	4,696	4,758	4,799	4,838
Total	3,211	3,224	3,230	3,240	3,267	3,271	3,323	3,340	13,233	13,034	13,100	13,440
Market Balance: Major Net Exporters ***												
App. Consumption	316	298	321	327	345	344	355	346	1,491	1,253	1,371	1,429
Imports	8	15	8	9	8	7	6	5	18	39	30	23
Exports	249	272	268	259	265	253	268	257	912	966	1,045	1,040
Production	557	556	581	577	602	590	617	598	2,385	2,180	2,386	2,446
Operating Rate	82%	82%	86%	85%	89%	87%	91%	88%	87%	81%	88%	90%
Asian Newsprint Trade												
Imports	541	649	672	640	681	658	691	682	2,892	2,325	2,670	2,705
Exports	355	379	352	347	377	373	405	389	1,511	1,368	1,501	1,653
Net Imports	186	269	320	293	304	285	287	293	1,381	958	1,169	1,051

* Price of ONP (old newspapers), CIF China and SE Asia from the USA.

** Includes South Korea, Indonesia, Taiwan, Malaysia, Singapore, Thailand, Hong Kong and Philippines. Weighted by GDP at purchasing power parity exchange rates in 2000.

*** Includes South Korea, Indonesia and the Philippines.

Table 3a
Printing & Writing Paper Monthly Summary
US\$ per Tonne and 000 Tonnes

	Jan 2009	Feb 2009	Mar 2009	Apr 2009	May 2009	June 2009	July 2009	Aug 2009	Sep 2009	Oct 2009	Nov 2009	Dec 2009
Woodfree Transaction Prices in Hong Kong (sheets)												
Hong Kong (US\$ per Tonne)												
Uncoated (70-80gsm)	770	740	710	690	720	740	760	820	830	830	830	840
Coated (128-157gsm)	750	730	715	690	710	730	760	810	840	840	820	830
China (RMB per Tonne)*												
Uncoated (80-120gsm)												
10-30% (virgin fiber)	5,500	5,400	5,400	5,500	5,600	5,800	6,100	6,300	5,300	5,200	5,200	5,200
100% (virgin fiber)	6,600	6,600	6,400	6,400	6,550	6,700	6,800	7,000	6,800	6,500	6,400	6,400
Coated (128-157gsm)												
	5,400	5,500	5,300	5,200	5,400	5,800	6,000	6,300	6,500	6,700	6,900	6,900
Exchange Rate												
RMB per US\$	6.84	6.84	6.84	6.8304	6.82	6.83	6.83	6.83	6.83	6.83	6.83	6.83
Japan												
App. Consumption	743	670	784	843	868	824	820	825	821	807	807	--
Net Imports	29	29	46	55	63	62	59	38	41	18	47	--
Production	714	641	738	788	804	762	762	787	781	789	760	--
South Korea												
App. Consumption	155	163	178	166	175	167	188	190	193	203	211	--
Net Imports	-53	-52	-65	-67	-71	-69	-70	-62	-62	-58	-52	--
Production	209	215	242	233	246	236	258	252	255	261	263	--
Taiwan												
App. Consumption	40	44	58	53	57	60	57	60	62	65	--	--
Net Imports	-2	2	4	-5	-5	-1	-2	3	-1	1	--	--
Production	42	41	55	58	62	61	59	57	62	64	61	--

* includes VAT

Table 3b
Printing & Writing Paper Imports
 Thousand Tonnes

	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Annual	
	2008	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2007	2008
China														
Coated Woodfree	20	16	15	23	21	18	20	22	23	27	19	25	392	319
Uncoated Woodfree	15	17	19	21	25	26	29	30	30	29	24	28	367	312
Coated Mechanical*	3	4	9	5	10	2	2	3	3	2	--	--	101	113
Uncoated Mechanical*	3	1	1	1	2	1	1	1	1	1	--	--	25	54
Hong Kong														
Coated Woodfree	6	2	8	7	10	11	8	8	9	8	12	11	128	116
Uncoated Woodfree	12	7	12	14	18	15	13	15	16	14	19	19	194	177
Coated Mechanical*	2	3	3	5	4	2	2	3	2	2	3	--	105	86
Uncoated Mechanical*	0	0	1	1	1	1	1	1	1	1	1	--	12	12
Japan														
Coated Woodfree	8	15	13	23	24	27	29	30	29	29	30	36	109	99
Uncoated Woodfree	30	35	31	36	37	38	44	43	37	34	40	43	364	389
Coated Mechanical	18	21	27	30	35	37	38	43	38	43	36	45	214	178
Uncoated Mechanical	4	4	5	5	5	4	5	5	3	8	8	6	49	63
South Korea														
Coated Woodfree	3	3	4	4	3	2	2	4	2	2	1	2	50	39
Uncoated Woodfree	16	11	15	17	17	15	16	20	20	19	22	23	266	236
Coated Mechanical	4	7	7	4	4	6	7	6	7	9	4	6	77	84
Uncoated Mechanical	0	0	0	0	0	0	0	0	0	0	1	1	8	4
Taiwan														
Coated Woodfree	9	5	10	13	11	12	14	13	16	13	13	--	129	145
Uncoated Woodfree	8	6	10	11	7	8	8	9	12	9	11	--	124	138
Coated Mechanical	1	1	1	0	1	0	1	1	2	2	2	--	17	27
Uncoated Mechanical	1	0	1	3	1	1	1	1	1	1	1	--	21	15

* Derived from reporting countries exports to destination country.

Table 3c
Printing & Writing Paper Exports
 Thousand Tonnes

	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Annual	
	2008	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2007	2008
China														
Coated Woodfree	81	83	86	103	113	112	114	121	114	131	98	93	844	907
Uncoated Woodfree	29	26	20	32	39	46	53	59	54	58	47	47	525	523
Coated Mechanical	32	28	21	24	20	21	26	27	27	31	29	31	478	390
Uncoated Mechanical	4	3	3	5	4	3	4	3	4	5	5	6	55	95
Japan														
Coated Woodfree	21	15	18	17	15	13	19	23	23	30	31	32	307	331
Uncoated Woodfree	21	13	12	14	13	14	16	17	20	19	28	20	340	305
Coated Mechanical	16	16	15	15	17	15	20	22	24	24	36	30	164	317
Uncoated Mechanical	0	1	1	1	1	1	1	1	1	1	1	1	12	7
South Korea														
Coated Woodfree	67	80	80	82	82	87	85	91	84	82	80	79	1,046	981
Uncoated Woodfree	6	5	7	8	9	7	9	9	8	6	5	5	79	97
Coated Mechanical	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Uncoated Mechanical	1	2	3	4	1	0	0	0	0	1	1	1	5	15
Taiwan														
Coated Woodfree	12	8	12	15	15	16	16	16	18	17	14	--	179	168
Uncoated Woodfree	6	5	7	9	10	10	10	9	8	9	10	--	62	59
Coated Mechanical	0	0	0	0	0	0	0	1	1	1	1	--	0	3
Uncoated Mechanical	0	0	0	0	0	0	0	1	1	1	1	--	4	3

Table 4a
Printing & Writing Paper Forecast
US Dollars Per Tonne and 000 Tonnes

	09 Q2	09 Q3	09 Q4	10 Q1	10 Q2	10 Q3	10 Q4	11 Q1	Annual			
	2008	2009	2010	2011								
Woodfree Transaction Prices (Sheets)												
Hong Kong (US\$ per Tonne)												
Uncoated (70-80gsm)	717	803	830	860	863	815	800	820	931	773	835	845
Coated (128-157gsm)	710	803	827	857	830	780	760	780	913	768	807	813
China (RMB per Tonne)												
Uncoated (80-120gsm)												
(10-30% virgin fiber)	5,633	5,900	5,200	5,200	5,100	5,100	5,200	5,300	6,442	5,542	5,150	5,300
(100% virgin fiber)	6,550	6,867	6,433	6,300	6,200	6,000	6,200	6,400	7,529	6,596	6,175	7,000
Coated (128-157gsm)	5,467	6,267	6,833	6,750	6,400	6,200	6,200	6,400	7,333	5,992	6,388	6,700
Exchange Rate												
RMB per US\$	6.83	6.83	6.84	6.83	6.83	6.83	6.82	6.80	6.95	6.83	6.83	6.68
Cost Indicators: Pulp Prices Delivered to Asia *												
BSKP from Canada	500	544	616	695	664	650	664	686	716	542	668	722
BHKP from Indonesia	400	450	533	615	520	520	560	595	665	456	554	656
Macroeconomic Indicators (%CHYA)												
Real GDP Growth												
Japan	-7.1%	-4.4%	-1.0%	2.5%	2.0%	1.3%	1.3%	--	-0.7%	-5.3%	1.8%	1.9%
East/Southeast Asia **	-1.7%	0.4%	4.0%	5.7%	3.8%	1.5%	3.5%	--	3.5%	-0.4%	3.6%	5.0%

* Weighted average of unit import values for China and South Korea for bleached softwood kraft pulp from Canada and bleached hardwood kraft pulp from Indonesia.

** Includes South Korea, Indonesia, Taiwan, Malaysia, Singapore, Thailand, Hong Kong and the Philippines.

Table 4b
Printing & Writing Paper Forecast
 Thousand Tonnes

	Annual							
	2004	2005	2006	2007	2008	2009	2010	2011
China								
App. Consumption	13,627	14,345	15,194	16,934	17,765	18,590	19,477	20,643
Net Imports	627	-5	-906	-1,017	-1,115	-1,460	-1,707	-2,313
Production	13,000	14,350	16,100	17,951	18,880	20,050	21,184	22,956
Capacity	14,904	16,332	17,931	19,000	20,409	22,214	23,711	25,726
Operating Rate	87%	88%	90%	94%	93%	90%	89%	89%
Japan								
App. Consumption	11,664	11,763	11,805	11,579	11,272	9,903	10,220	10,277
Net Imports	280	288	233	-87	-231	611	204	29
Production	11,384	11,475	11,572	11,666	11,503	9,292	10,015	10,248
Capacity	12,096	11,977	12,143	12,215	12,334	12,205	11,841	11,841
Operating Rate	94%	96%	95%	96%	93%	76%	85%	87%
Other Asia								
App. Consumption	9,615	10,184	10,721	11,345	11,687	11,446	12,091	12,788
Net Imports	-1085	-1094	-1093	-1253	-1142	-1367	-1450	-1702
Production	10,700	11,278	11,814	12,598	12,828	12,813	13,541	14,489
Capacity	12,086	12,445	12,938	13,755	14,286	14,987	15,737	16,689
Operating Rate	89%	91%	91%	92%	90%	85%	86%	87%

Table 5
Containerboard Monthly Summary
US Dollars Per Tonne and 000 Tonnes

	Jan 2009	Feb 2009	Mar 2009	Apr 2009	May 2009	Jun 2009	Jul 2009	Aug 2009	Sep 2009	Oct 2009	Nov 2009	Dec 2009
Transaction Prices in Hong Kong												
Kraftliner 175gsm	500	485	475	465	460	460	465	470	470	470	475	500
Kraft-Top Liner	330	325	315	320	320	345	375	385	405	400	395	475
Corrugating Medium	240	240	220	230	255	290	310	320	340	335	330	375
Unit Import Values (CIF)												
Kraftliner												
Hong Kong	615	1,081	576	803	832	700	927	694	678	486	722	--
Singapore	535	551	469	564	451	464	479	482.95	491.01	466	--	--
South Korea	575	570	516	517	505	487	491	481	484	493	503	--
Testliner Delivered to Hong Kong from Taiwan	--	--	--	--	--	--	--	--	--	--	--	--
Unit Export Values (FOB)												
South Korean Testliner	314	297	275	266	283	301	291	317	332	368	--	--
South Korean Medium	253	230	212	217	215	226	244	259	278	306	313	--
OCC Delivered to Asia *	103	114	118	135	140	154	159	188	161	168	173	--
Japan												
App. Consumption	615	576	635	738	676	710	754	653	706	798	--	--
Kraftliner Imports	6	2	2	3	2	2	3	4	5	7	--	--
Other Net Imports	3	2	5	3	6	4	5	4	8	6	--	--
Production	606	572	629	731	668	704	746	644	692	786	--	--
South Korea												
App. Consumption	234	219	269	271	299	288	278	283	331	312	303	--
Kraftliner Imports	2	2	4	4	4	5	4	6	9	7	7	--
Other Net Imports	-19	-21	-28	-28	-28	-32	-39	-43	-35	-35	-29	--
Production	251	238	294	295	323	315	313	319	357	340	325	--
Taiwan												
App. Consumption	82	98	122	118	128	130	142	131	132	134	126	--
Kraftliner Imports	1	1	3	2	4	6	4	6	3	3	3	--
Other Net Imports	-35	-45	-45	-45	-44	-45	-37	-46	-39	-37	-39	--
Production	116	141	164	161	168	169	175	171	168	169	162	--

* Price of OCC (old corrugated containers), CIF China and SE Asia from the USA.

Table 6
Containerboard Forecast
US Dollars Per Tonne and 000 Tonnes

	Quarterly								Annual			
	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2008	2009	2010	2011
Transaction Prices in Hong Kong												
Kraftliner 175gsm	460	470	480	515	525	535	530	540	538	474	526	556
Kraft-Top Liner	328	388	423	470	455	465	455	460	424	366	461	479
Corrugating Medium	258	323	347	375	370	380	375	385	363	290	375	398
Cost Indicators: Fiber Prices Delivered to Asia												
OCC *	143	169	173	182	188	202	206	213	198	149	194	224
Unbleached Kraft Pulp **	394	442	514	555	520	520	555	580	517	444	538	613
Macroeconomic Indicators (% change, year ago)												
Industrial Production Growth												
Japan	-27.6%	-19.9%	-8.7%	17.4%	9.2%	2.6%	2.2%	2.7%	-3.4%	-23.1%	7.5%	3.1%
East/Southeast Asia ***	-10.7%	-3.8%	6.1%	14.2%	3.8%	1.7%	2.0%	3.3%	1.0%	-7.7%	5.1%	6.8%
Regional Capacity												
Japan	2,600	2,525	2,913	2,550	2,570	2,580	2,591	2,550	10,584	10,393	10,291	10,291
China	8,865	9,092	8,625	9,324	9,477	9,547	9,765	10,269	33,293	35,332	38,113	41,273
Other Asia	4,576	4,551	4,936	4,595	4,628	4,615	4,947	4,711	17,756	18,428	18,784	19,199
Total	16,041	16,169	16,474	16,468	16,675	16,742	17,302	17,530	61,633	64,153	67,187	70,763
Market Balance: Major Net Exporters ****												
App. Consumption	2,190	2,284	2,262	2,216	2,265	2,328	2,289	2,300	8,965	8,674	9,098	9,161
Kraftliner Imports	34	41	36	33	35	42	35	34	166	130	144	159
Other Net Imports	-396	-416	-378	-363	-388	-438	-414	-377	-1,379	-1,528	-1,604	-1,367
Production	2,552	2,659	2,603	2,546	2,619	2,724	2,668	2,644	10,178	10,072	10,557	10,369
Capacity	3,192	3,175	3,142	3,132	3,168	3,171	3,248	3,223	12,375	12,543	12,719	12,434
Operating Rate	80%	84%	83%	81%	83%	86%	82%	82%	82%	80%	83%	83%
Asian Kraftliner Imports												
China/Hong Kong	116	163	178	150	140	135	120	112	621	525	545	585
Other Asia	121	165	165	143	153	151	154	133	627	540	601	669
Total	237	328	343	293	293	286	275	245	1,248	1,065	1,146	1,254

* Price of OCC (old corrugated containers), CIF China and SE Asia from the USA.

** Weighted average of unit import values for China and South Korea.

*** Includes South Korea, Indonesia, Taiwan, Malaysia, Singapore, Thailand, Hong Kong and the Philippines. Weighted by GDP at purchasing power parity exchange rates in 2000.

**** Includes South Korea, Taiwan, Indonesia and Thailand.

Table 7
Boxboard Monthly Summary
US Dollars Per Tonne and 000 Tonnes

	Jan 2009	Feb 2009	Mar 2009	Apr 2009	May 2009	Jun 2009	Jul 2009	Aug 2009	Sep 2009	Oct 2009	Nov 2009	Dec 2009
Transaction Prices in Hong Kong												
Coated Duplex 350gsm	420	400	385	395	405	430	480	510	530	530	535	570
Unit Import Values for Coated Duplex Delivered to Hong Kong (CIF)												
From South Korea	479	400	383	371	384	390	395	431	436	488	506	--
From Taiwan	391	371	385	--	--	--	--	--	430	--	--	--
From Indonesia	--	--	--	--	680	748	765	--	769	--	847	--
Unit Export Values for Coated Duplex (FOB)												
South Korea	451	440	432	443	451	462	503	506	556	588	610	--
Taiwan	381	333	356	339	346	366	385	411	447	463	--	--
ONP Delivered to Asia*	113	120	123	130	133	140	147	165	168	175	178	--
Japan												
App. Consumption	150	139	146	148	148	157	158	148	161	171	--	--
Imports	20	16	17	16	20	21	22	18	18	20	--	--
Exports	1	1	1	1	2	2	2	2	2	2	--	--
Production	131	124	130	133	129	138	138	131	145	153	--	--
South Korea												
App. Consumption	43	43	49	45	55	56	53	56	58	58	56	--
Exports	47	56	59	59	56	55	60	55	51	53	52	--
Production	88	96	106	102	108	107	108	107	105	108	105	--
Taiwan												
App. Consumption	26	30	38	37	47	41	43	45	41	43	41	--
Imports	2	2	2	3	5	4	5	5	4	4	4	--
Exports	19	30	36	36	31	33	39	34	36	35	35	--
Production	43	58	72	69	73	69	77	75	73	75	72	--
China/HK Imports **	49	76	90	88	88	95	94	80	83	83	--	--

Note: Data do not include liquid packaging.

* Price of ONP (old newspapers), CIF China and SE Asia from the USA.

** Data for China/Hong Kong imports are RISI estimates.

Table 8
Boxboard Forecast
US Dollars Per Tonne and 000 Tonnes

	Quarterly								Annual			
	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2008	2009	2010	2011
Transaction Prices in Hong Kong												
Coated Duplex 350gsm	410	507	545	585	595	610	600	615	563	466	598	648
Cost Indicators: Fiber Prices Delivered to Asia												
ONP Delivered to Asia *	134	160	177	187	201	215	226	237	228	147	207	249
BHKP from Indonesia **	400	450	533	615	520	520	560	595	665	456	554	656
Macroeconomic Indicators (% change, year ago)												
Industrial Production Growth												
Japan	-27.6%	-19.9%	-8.7%	17.4%	9.2%	2.6%	2.2%	2.7%	-3.4%	-23.1%	7.5%	3.1%
East/Southeast Asia ***	-10.7%	-3.8%	6.1%	14.2%	3.8%	1.7%	2.0%	3.3%	1.0%	-7.7%	5.1%	6.8%
Regional Capacity												
Japan	470	484	529	490	450	485	473	461	2,014	1,954	1,899	1,854
China	3,060	3,062	3,065	3,166	3,186	3,198	3,346	3,443	11,645	12,238	12,896	13,866
Other	1,941	1,927	1,907	1,940	1,967	1,955	1,986	2,011	7,467	7,690	7,848	8,104
TOTAL	5,471	5,473	5,501	5,597	5,604	5,638	5,805	5,915	21,125	21,881	22,643	23,824
Market Balance: Major Net Exporters ****												
App. Consumption	631	676	670	640	657	663	669	652	2,481	2,497	2,628	2,752
Net Imports	-328	-320	-295	-288	-311	-308	-292	-278	-1,131	-1,264	-1,200	-1,147
Production	959	995	964	928	968	971	961	930	3,612	3,761	3,828	3,899
Capacity	1,119	1,105	1,085	1,088	1,105	1,088	1,117	1,092	4,189	4,403	4,396	4,403
Operating Rate	86%	90%	89%	85%	88%	89%	86%	85%	86%	85%	87%	89%
China/HK Imports	272	257	203	200	225	210	192	180	907	948	827	725

Note: Data do not include liquid packaging

* Price of ONP (old newspapers), CIF China and SE Asia from the USA.

** Weighted average of unit import values for China and South Korea.

*** Includes South Korea, Taiwan, Malaysia, Singapore, Thailand, Hong Kong and the Philippines. Weighted by GDP at purchasing power parity exchange rates in 2000.

**** Includes South Korea, Taiwan and Indonesia.

Table 9
Bleached Kraft Pulp Monthly Summary
US Dollars Per Tonne and 000 Tonnes

	Oct 2008	Nov 2008	Dec 2008	Jan 2009	Feb 2009	Mar 2009	Apr 2009	May 2009	Jun 2009	Jul 2009	Aug 2009	Sep 2009	Oct 2009	Nov 2009
Bleached Softwood Kraft														
Unit Import Values (CIF)														
Japan Average	808	735	708	673	614	614	601	596	576	589	605	636	630	--
China Average	711	664	555	511	504	497	480	483	490	510	534	559	583	609
S. Korea Average	751	748	702	648	577	540	566	534	525	540	552	569	599	632
Received from:														
Canada	708	662	553	518	505	505	505	501	509	538	555	583	617	--
USA	803	780	781	697	625	604	599	565	539	556	564	593	602	--
Chile	719	678	580	524	508	499	481	479	483	508	531	555	576	--
RUSAsia	671	551	493	458	463	447	436	460	482	509	470	533	576	--
Import Volumes														
Japan	81	66	68	60	58	59	64	64	57	77	69	68	68	--
China	306	225	259	327	413	427	375	461	531	475	385	432	338	300
South Korea	39	39	41	28	38	41	43	45	51	48	44	63	44	46
Subtotal	425	330	368	416	509	527	482	570	640	600	499	563	450	--
Received from:														
Canada	159	92	134	149	163	181	129	171	164	124	136	157	97	--
USA	114	93	71	73	81	92	102	107	138	136	140	128	126	--
Chile	60	57	80	79	136	107	103	132	124	145	88	139	93	--
RUSAsia	55	39	53	54	53	54	47	54	62	53	58	50	66	--
Other	38	50	30	60	77	94	101	105	151	142	77	88	69	--
Bleached Hardwood Kraft														
Unit Import Values (CIF)														
Japan Average	773	688	618	504	456	438	420	422	413	439	458	489	507	--
China Average	689	635	477	428	429	406	389	385	393	418	448	475	501	531
S. Korea Average	724	714	686	603	531	495	449	438	431	436	452	482	506	537
Received from:														
Indonesia	689	609	503	458	447	417	392	406	403	426	454	471	501	--
Canada	745	670	583	513	491	442	417	426	425	448	467	495	508	--
Brazil	728	682	586	487	434	411	395	386	389	409	433	467	493	--
USA	734	726	680	611	607	551	676	424	430	421	462	483	517	--
Import Volumes														
Japan	44	49	49	46	33	36	35	45	38	48	56	46	43	--
China	229	242	299	351	575	470	555	583	580	465	405	598	472	431
South Korea	123	93	88	113	114	115	106	113	138	120	112	118	115	128
Subtotal	396	385	436	509	722	621	696	741	756	633	573	763	630	--
Received from:														
Indonesia	164	130	191	223	198	188	168	115	109	118	116	102	116	--
Canada	36	31	35	37	33	58	59	50	61	55	55	58	44	--
Brazil	87	91	79	77	253	195	252	351	363	212	203	309	255	--
USA	28	21	16	21	29	13	17	23	55	47	44	80	65	--
Other	81	111	115	151	209	168	200	202	168	201	155	213	150	--

Table 10
Bleached Kraft Pulp Quarterly Summary
 US Dollars Per Tonne and 000 Tonnes

									Annual			
	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2005	2006	2007	2008
Bleached Softwood Kraft												
Unit Import Values (CIF)												
Japan Average	758	792	774	792	754	634	591	609	550	620	737	778
China Average	730	740	746	743	647	503	485	533	507	582	775	722
S. Korea Average	721	737	757	762	733	582	541	555	519	586	706	747
Received from:												
Canada	735	752	754	748	643	509	505	560	512	591	720	726
USA	754	772	779	788	790	639	565	571	572	619	732	782
Chile	724	735	744	738	651	509	481	531	503	573	709	719
RUSAsia	712	724	733	735	575	447	436	484	484	573	700	695
Import Volumes												
Japan	227	232	232	229	215	178	185	214	963	1,004	924	909
China	747	916	905	941	790	1,168	1,367	1,292	2,912	2,772	3,073	3,552
South Korea	151	158	142	143	119	106	139	155	592	534	566	562
Subtotal	1,125	1,306	1,280	1,314	1,123	1,452	1,692	1,662	4,466	4,309	4,562	5,023
Received from:												
Canada	398	448	416	415	385	493	464	417	1,761	1,709	1,608	1,664
USA	279	290	276	326	278	246	348	405	822	833	961	1,170
Chile	158	204	242	218	197	321	358	372	664	568	787	861
RUSAsia	143	167	164	170	146	172	182	168	609	588	585	648
Other	147	197	182	184	118	221	340	300	610	610	628	680
Bleached Hardwood Kraft												
Unit Import Values (CIF)												
Japan Average	643	687	709	749	690	470	418	462	494	552	611	711
China Average	629	664	701	721	590	421	389	449	486	542	596	675
S. Korea Average	635	666	709	737	710	542	438	456	489	542	601	704
Received from:												
Indonesia	630	666	694	715	595	442	399	449	479	541	596	668
Canada	645	690	723	747	667	475	422	470	502	544	616	707
Brazil	610	648	691	725	668	433	389	440	489	536	578	686
USA	648	673	715	730	718	546	433	461	497	548	618	709
Import Volumes												
Japan	175	161	152	186	142	116	118	150	850	831	702	641
China	689	873	1,013	1,070	770	1,396	1,718	1,469	2,613	2,953	2,966	3,726
South Korea	395	406	357	362	305	342	357	350	1,482	1,464	1,493	1,429
Subtotal	1,259	1,439	1,522	1,618	1,217	1,853	2,193	1,969	4,946	5,249	5,161	5,796
Received from:												
Indonesia	423	418	478	516	484	610	392	337	2,148	1,906	1,759	1,897
Canada	193	185	133	130	102	128	169	168	658	744	612	551
Brazil	276	424	427	455	257	525	966	723	1,111	1,454	1,229	1,564
USA	94	100	113	111	66	68	103	172	400	372	374	389
Other	272	311	371	406	307	523	562	569	630	773	1,186	1,395

Table 11
Other Wood Pulp and Recovered Paper Monthly Summary
 US Dollars Per Tonne

	Nov 2008	Dec 2008	Jan 2009	Feb 2009	Mar 2009	Apr 2009	May 2009	Jun 2009	Jul 2009	Aug 2009	Sep 2009	Oct 2009	Nov 2009
Unbleached Kraft Pulp													
Unit Import Values (CIF)													
China	472	440	434	420	399	384	389	402	412	451	460	491	510
South Korea	564	531	521	444	417	401	396	407	419	444	469	500	531
Old Corrugated Containers													
Unit Import Values (CIF)													
China Average	201	148	102	103	114	117	122	132	144	150	161	167	168
S. Korean Average	256	217	173	151	156	161	161	165	176	183	193	201	202
Received from:													
USA	214	144	113	113	125	130	136	146	158	164	177	181	180
Europe/Japan	189	154	97	96	107	111	115	124	136	147	153	158	162
Old Newspapers													
Unit Import Values (CIF)													
China Average	262	204	124	117	122	128	129	129	140	147	154	163	171
S. Korean Average	286	250	193	155	142	135	134	136	141	148	154	164	177
Received from:													
USA	286	226	135	117	122	131	136	134	142	148	156	168	176
Europe/Japan	264	236	120	123	126	128	124	125	137	144	150	158	168
Asian Recovered Paper Imports *													
Japan	4	4	3	3	4	4	3	3	4	4	4	4	--
China	1,920	1,992	1,506	2,024	2,404	2,746	2,438	2,716	2,616	2,149	2,569	1,947	2,085
South Korea	87	80	65	48	56	80	101	108	121	91	111	96	104
Taiwan	14	11	7	9	23	23	61	87	75	69	70	48	--
Indonesia	121	113	158	134	219	220	179	232	152	208	127	--	--
Thailand	42	50	78	67	91	63	64	60	93	101	99	89	64
Subtotal	2,188	2,250	1,817	2,285	2,797	3,136	2,847	3,207	3,061	2,622	2,981	--	--
Received from:													
USA	868	868	704	632	905	1,108	1,001	1,196	1,212	979	1,157	--	--
Europe	812	814	710	986	1,096	1,096	1,028	1,093	1,064	948	1,025	--	--
Japan	226	252	141	372	468	575	482	504	402	343	393	--	--
Other	282	316	262	294	328	357	336	414	383	351	406	--	--

* These six countries accounted for 90% of Asian recovered paper imports in 2007.

Table 12
Other Wood Pulp and Recovered Paper Quarterly Summary
 US Dollars Per Tonne

									Annual			
	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2005	2006	2007	2008
Unbleached Kraft Pulp												
Unit Import Values (CIF)												
China	568	523	511	509	477	414	390	440	434	487	571	508
South Korea	608	568	558	558	548	450	402	448	426	484	612	559
Old Corrugated Containers												
Unit Import Values (CIF)												
China Average	210	227	247	231	192	107	124	152	149	144	184	224
S. Korean Average	241	257	275	268	250	160	163	185	182	177	218	263
Received from:												
USA	223	236	259	248	206	118	138	166	163	155	202	237
Europe/Japan	203	203	240	252	175	101	117	145	139	135	172	216
Old Newspapers												
Unit Import Values (CIF)												
China Average	197	219	377	272	249	121	129	147	148	143	182	250
S. Korean Average	210	88	199	96	282	168	135	147	150	149	192	267
Received from:												
USA	200	223	357	286	268	124	134	149	155	148	187	259
Europe/Japan	204	215	261	263	255	124	126	143	139	137	179	247
Asian Recovered Paper Imports *												
Japan	17	16	15	15	15	10	10	--	77	72	72	61
China	5,156	5,918	6,290	6,105	5,896	5,934	7,901	--	17,032	19,623	22,562	24,209
South Korea	331	305	297	411	294	170	289	323	1,350	1,210	1,130	1,307
Taiwan	230	262	248	271	53	39	172	--	675	763	982	974
Indonesia	549	603	556	552	369	510	631	--	1,958	2,082	2,225	2,207
Thailand	284	295	383	376	164	235	187	--	946	1,003	1,016	1,217
Subtotal	6,567	7,399	7,789	7,730	6,792	6,899	9,189	--	22,038	24,753	28,033	30,391
Received from:												
USA	2,800	3,140	2,960	3,056	2,763	2,241	3,305	--	5,047	10,479	11,202	10,183
Europe	1,863	2,356	2,709	2,525	2,383	2,792	3,217	--	2,810	7,121	8,780	8,348
Japan	812	793	926	1,016	724	981	1,560	--	253	3,740	3,734	2,980
Other	1,092	1,109	1,193	1,132	922	884	1,108	--	1,100	3,413	4,446	3,759

* These six countries accounted for 90% of Asian recovered paper imports in 2007.

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