

## Overview

Below are the Table of Contents, List of Tables and selected excerpts from chapters from the *World Pulp & Recovered Paper Forecast*.

While the emphasis of this report is on the international pulp market, the *World Pulp & Recovered Paper Forecast* also includes an analysis of downstream products. The report contains detailed forecasts through 2012 of the major world economies and the international paper and board markets in addition to worldwide coverage of wood pulp and international recovered paper. Considerable emphasis is placed on analyzing the cost structures of the major pulp producing regions, including: US South, US Pacific Northwest, British Columbia, Eastern Canada, Sweden, Finland, Portugal, Spain, Brazil, Chile and Indonesia. This cost analysis supports the dynamic forecasts of volatile pulp prices on a delivered basis into North America and western Europe.

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### **Excerpt - Economic Outlook**

The global economy is clearly losing momentum following two straight years of 5.3% real GDP growth in 2006 and 2007. Economic weakness had its genesis in the United States (which is now in a recession) and has started to spread to Japan and Europe (albeit to a lesser extent). The US recession started in the housing sector and has since broadened. Moreover, all of the major advanced economies have suffered due to surging commodity prices and tighter credit conditions. By the end of 2008 we expect that higher commodity prices and weaker external growth will trigger an economic slowdown in the emerging economies in Asia - most notably China. We expect global commodity producers such as Russia, Brazil and the OPEC countries to be the last dominos to fall in the global slowdown.

### **Excerpt - International Paper and Paperboard**

Steady but modest demand growth of 2.3% for world paper and board markets will continue into 2008 after a similar performance in 2007. Falling demand in North America, combined with flat

markets in western Europe, are keeping the growth far below the five-year historical trend of 3.5%.

### **Excerpt - International Pulp**

The upward trend in market pulp prices has continued since our last forecast, driven higher by a number of shocks to the market, including strong economic growth (outside the United States), increased scarcity of wood and the plunging US dollar. The downturn that we were looking for in second half 2007 now appears likely to happen over the next two quarters. Forecast risks are substantial and center on the uncertain financial and economic environment in the US and Europe, and on critical wood fiber supply issues in Indonesia and Europe. These situations have reduced visibility in terms of the pricing outlook for market pulp. Our current scenario shows prices adjusting downward over the next two quarters. The next sustained upward move in prices is expected in late 2009 and into 2010.

### **Excerpt - International Recovered Paper**

US prices for most bulk grades surged to their highest levels in more than a decade in first quarter of 2008, including the largest-volume grade, old corrugated. The buildup in inventory ahead of new recycled containerboard capacity in China and high softwood fiber costs sustained the demand pressure under old corrugated prices.

**Table A4**  
**Paper Grade Wood Pulp Summary**  
 Thousand Tonnes

	2006	2007	2008	2009	2010	2011	2012
<b>WORLD</b>							
<b>APPARENT CONSUMPTION</b>							
Total Paper Grade	175,399	176,696	180,226	185,306	190,830	192,828	193,694
%CH	1.9	0.7	2.0	2.8	3.0	1.0	0.4
Bl. Softwood Kraft	38,398	38,054	38,056	38,536	39,026	38,701	38,643
Bl. Hardwood Kraft	54,905	56,138	58,713	61,510	64,563	66,042	66,931
Sulfite	4,038	3,951	3,807	3,748	3,634	3,540	3,387
Unbl. Kraft	34,773	35,255	36,250	37,360	38,535	39,017	39,258
Semichemical	6,306	6,304	6,312	6,347	6,343	6,277	6,144
Mechanical	36,979	36,995	37,088	37,805	38,729	39,250	39,331
<b>PRODUCTION</b>							
Total Paper Grade	174,947	176,696	180,226	185,306	190,830	192,828	193,694
%CH	1.8	1.0	2.0	2.8	3.0	1.0	0.4
Bl. Softwood Kraft	38,106	38,054	38,056	38,536	39,026	38,701	38,643
Bl. Hardwood Kraft	54,819	56,138	58,713	61,510	64,563	66,042	66,931
Sulfite	4,059	3,951	3,807	3,748	3,634	3,540	3,387
Unbl. Kraft	34,739	35,255	36,250	37,360	38,535	39,017	39,258
Semichemical	6,306	6,304	6,312	6,347	6,343	6,277	6,144
Mechanical	36,918	36,995	37,088	37,805	38,729	39,250	39,331
<b>CAPACITY AND UTILIZATION RATES</b>							
Total Paper Grade	189,820	194,651	200,966	206,245	210,846	214,588	217,743
Utilization Rate	0.922	0.908	0.897	0.898	0.905	0.899	0.890
Bl. Softwood Kraft	40,060	40,795	41,565	41,445	41,565	41,725	41,750
Utilization Rate	0.959	0.933	0.916	0.930	0.939	0.928	0.926
Bl. Hardwood Kraft	57,750	60,454	64,439	67,679	69,929	71,704	73,418
Utilization Rate	0.951	0.929	0.911	0.909	0.923	0.921	0.912
Sulfite	4,590	4,395	4,335	4,225	4,135	4,080	4,005
Utilization Rate	0.880	0.899	0.878	0.887	0.879	0.868	0.846
Unbl. Kraft	37,600	38,528	39,495	40,897	42,200	43,157	44,238
Utilization Rate	0.925	0.915	0.918	0.914	0.913	0.904	0.887
Semichemical	6,995	7,020	7,030	7,060	7,058	7,051	7,045
Utilization Rate	0.902	0.898	0.898	0.899	0.899	0.890	0.872
Mechanical	42,825	43,458	44,101	44,939	45,959	46,871	47,286
Utilization Rate	0.863	0.851	0.841	0.841	0.843	0.837	0.832