RISI

# World Pulp & Recovered Paper Forecast – Excerpt

April 2008

## 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.

For additional information, please e-mail us at sales@risiinfo.com.

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### *International Recovered Paper*

Table A28 Eastern Europe Recovered Paper Demand Summary

## 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 |
|---|---|---|---|---|---|---|---|
| **WORLD** | | | | | | | |
| **APPARENT CONSUMPTION** | | | | | | | |
| 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 |
| **PRODUCTION** | | | | | | | |
| 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 |
| **CAPACITY AND UTILIZATION RATES** | | | | | | | |
| 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 |