

Proposed Changes to Asian Graphic Paper Assessments

September 29, 2017

Summary

RISI is proposing to adjust the coverage of fine paper grades in **Asian Pulp and Paper Monitor (APPM)** and **PPI Asia** to reflect better the current market situation and as part of an ongoing effort to separate its price assessment and forecasting activities.

Currently **APPM** publishes monthly assessments and forecasts for coated and uncoated woodfree sheets delivered Hong Kong. These Hong Kong prices have over time become much less prevalent. At the same time, trade in Southeast Asia warrants more regular coverage than currently given in **PPI Asia** and **APPM**. There will also be changes to the China prices covered in **APPM** to improve consistency with **PPI Asia**.

Details of proposed changes

Modify Price Series in **APPM**

From January 1, 2018, **APPM** will modify the price coverage for uncoated and coated woodfree paper reported in **APPM** to match the East China prices provided in **PPI Asia**. As a result:

- China Uncoated (80-120g), 10-30% Virgin Fiber will be discontinued and replaced with East China, uncoated woodfree, reels, 70-100g mixed chemical/mechanical pulp
- China Uncoated (80-120g), 100% Virgin Fiber will be discontinued and replaced with East China, uncoated woodfree, reels, 70-100g, 100% chemical pulp
- China Coated (128-157g) will be discontinued and replaced with East China, coated woodfree (C2S), reels, 128-157g, commodity

At the same time, from March 31, 2018, **APPM** will stop assessing Hong Kong prices for the following grades:

- Uncoated woodfree sheets (70-80g)
- Coated woodfree sheets (128-157g)

Subscribers looking for an alternative reference price to the discontinued Hong Kong price assessments can replace them with the **PPI Asia** and **APPM** East China price assessments and forecasts for uncoated and coated woodfree grades as per the table below.

| Discontinued Price Series | Proposed New Reference Price Series |
|--|---|
| APPM HK Uncoated Woodfree Sheets 70-80g | PPI Asia East China Uncoated Woodfree Reels (100% chemical pulp) 70-100g mid-point and APPM forecast |
| APPM HK Coated Woodfree Sheets 128-157g | PPI Asia East China Coated Woodfree Reels (commodity) mid-point and APPM forecast |
| APPM China Uncoated (80-120 g), 10-30% Virgin Fiber | PPI Asia East China Uncoated woodfree reels (mixed chemical/mechanical pulp) 70-100 g mid-point and APPM forecast |
| APPM China Uncoated (80-120g), 100% Virgin Fiber | PPI Asia East China Uncoated Woodfree Reels (100% chemical pulp) 70-100g mid-point and APPM forecast |
| APPM China Coated (128-157g) | PPI Asia East China Coated Woodfree Reels (commodity) mid-point and APPM forecast |

The prices currently in **APPM** are ex-mill and reflect tendencies in main markets in China. The prices in **PPI Asia** are specific to East China and are ex-distributors mill. The differences are relatively minor, especially when evaluating the trends, and these changes will improve consistency.

To help subscribers make the transition, **APPM** will continue to publish Hong Kong graphic paper prices alongside **PPI Asia**'s China and Southeast Asia assessments for a period of three months.

Increase coverage of Southeast Asia

From January 1, 2018, **PPI Asia** will increase the frequency of the following price assessments from quarterly to monthly:

- Southeast Asia Uncoated woodfree 70g (Price ID 1140)
- Southeast Asia Coated woodfree 100g (Price ID 1141)

RISI will change the definition of these price assessments to remove the reference to Hong Kong. This does not represent a material change in methodology and will not affect price levels.

APPM will also introduce new forecast series for fine paper grades in Southeast Asia from January 1, 2018.

Illustration of the transition

Timeline

| Series | Current | January 2018 | April 2018 | July 2018 |
|---|--|--|--|-----------------------|
| Hong Kong coated and uncoated woodfree sheets | Shown in APPM (Table 11) | Shown in APPM (Table 11) | Removed from APPM Table 11 with explanation in the footnote | Footnote discontinued |
| China Uncoated (80-120g), 10-30% Virgin Fiber | Shown in APPM (Table 11) | Replaced with East China , uncoated woodfree, reels, 70-100g mixed chemical/mechanical pulp in APPM (Table 11) | | |
| China Uncoated (80-120g), 100% Virgin Fiber | Shown in APPM (Table 11) | Replaced with East China , uncoated woodfree, reels, 70-100g, 100% chemical pulp in APPM (Table 11) | | |
| China Coated (128-157g) | Shown in APPM (Table 11) | Replaced with East China , coated woodfree (C2S), reels, 128-157g, commodity in APPM (Table 11) | | |
| Southeast Asia coated and uncoated woodfree sheets | Assessed quarterly in PPI Asia . Not shown in APPM . | Assessed monthly in PPI Asia . Forecast in APPM (Table 11). | | |

(continued...)

APPM Changes

Hong Kong Prices to be discontinued from **March 31, 2018**

Table 11
Printing & Writing Paper Forecast
US Dollars per Tonne, Thousand Tonnes

| | Quarterly | | | | | | | | Annual | | | |
|--|-----------|-------|-------|-------|-------|-------|-------|-------|--------|-------|-------|-------|
| | 16Q3 | 16Q4 | 17Q1 | 17Q2 | 17Q3 | 17Q4 | 18Q1 | 18Q2 | 2015 | 2016 | 2017 | 2018 |
| Woodfree Transaction Prices (Sheets) | | | | | | | | | | | | |
| Hong Kong (US\$ per Tonne) | | | | | | | | | | | | |
| Uncoated (70-80 gsm) | 727 | 725 | 747 | 793 | 800 | 797 | 762 | 772 | 772 | 728 | 784 | 773 |
| Coated (128-157 gsm) | 660 | 660 | 675 | 693 | 690 | 687 | 662 | 662 | 685 | 660 | 686 | 665 |
| China (RMB per Tonne) | | | | | | | | | | | | |
| Uncoated (80-120 gsm) | | | | | | | | | | | | |
| (10-30% Virgin Fiber) | 5,000 | 5,115 | 5,798 | 6,407 | 6,257 | 6,032 | 5,882 | 5,882 | 5,150 | 5,029 | 6,123 | 5,944 |
| (100% Virgin Fiber) | 6,100 | 6,217 | 6,783 | 7,117 | 6,883 | 6,617 | 6,492 | 6,492 | 6,240 | 6,129 | 6,850 | 6,529 |
| Coated (128-157 gsm) | 4,645 | 4,845 | 5,788 | 6,438 | 6,138 | 5,847 | 5,697 | 5,697 | 4,830 | 4,690 | 6,053 | 5,734 |
| Exchange Rate | | | | | | | | | | | | |
| RMB/USD | 6.84 | 6.89 | 6.89 | 6.86 | 6.80 | 6.85 | 6.90 | 6.95 | 6.28 | 6.65 | 6.94 | 7.09 |
| Cost Indicators: Pulp Prices Delivered to Asia* | | | | | | | | | | | | |
| BSKP from Canada | 595 | 586 | 581 | 597 | 639 | 651 | 638 | 619 | 658 | 591 | 617 | 598 |
| BHKP from Indonesia | 497 | 488 | 511 | 551 | 617 | 650 | 643 | 560 | 598 | 512 | 582 | 575 |
| Macroeconomic Indicators (% CHYA) | | | | | | | | | | | | |
| Real GDP Growth | | | | | | | | | | | | |
| Japan | 1.1% | 1.6% | 1.5% | 1.2% | 1.0% | 0.9% | 0.8% | 0.8% | 1.2% | 1.0% | 1.1% | 0.7% |
| East/Southeast Asia** | 3.7% | 3.8% | 3.1% | 3.0% | 3.5% | 3.8% | 3.8% | 4.0% | 3.5% | 3.7% | 3.4% | 4.0% |

* 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. For projections of pulp prices in Asia, please refer to the *World Pulp Monthly*.

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

Please note that these prices are not actual assessments and are for indicative purposes only!

(continued...)

New forecasts and assessments to be added from **January 1, 2018**

Table 11
Printing & Writing Paper Forecast
US Dollars per Tonne, Thousand Tonnes

| | Quarterly | | | | | | | | Annual | | | |
|--|-----------|-------|-------|-------|-------|-------|-------|-------|--------|-------|-------|-------|
| | 16Q3 | 16Q4 | 17Q1 | 17Q2 | 17Q3 | 17Q4 | 18Q1 | 18Q2 | 2015 | 2016 | 2017 | 2018 |
| China (RMB per Tonne) | | | | | | | | | | | | |
| Uncoated (80-120 gsm) | | | | | | | | | | | | |
| (10-30% Virgin Fiber) | 5,000 | 5,115 | 5,798 | 6,407 | 6,257 | 6,032 | 5,882 | 5,882 | 5,150 | 5,029 | 6,123 | 5,944 |
| (100% Virgin Fiber) | 6,100 | 6,217 | 6,783 | 7,117 | 6,883 | 6,617 | 6,492 | 6,492 | 6,240 | 6,129 | 6,850 | 6,529 |
| Coated (128-157 gsm) | 4,645 | 4,845 | 5,788 | 6,438 | 6,138 | 5,847 | 5,697 | 5,697 | 4,830 | 4,690 | 6,053 | 5,734 |
| Exchange Rate | | | | | | | | | | | | |
| RMB/USD | 6.84 | 6.89 | 6.89 | 6.86 | 6.80 | 6.85 | 6.90 | 6.95 | 6.28 | 6.65 | 6.94 | 7.09 |
| Cost Indicators: Pulp Prices Delivered to Asia* | | | | | | | | | | | | |
| BSKP from Canada | 595 | 586 | 581 | 597 | 639 | 651 | 638 | 619 | 658 | 591 | 617 | 598 |
| BHKP from Indonesia | 497 | 488 | 511 | 551 | 617 | 650 | 643 | 560 | 598 | 512 | 582 | 575 |
| Southeast Asia (USD per tonne) | | | | | | | | | | | | |
| Uncoated (70gsm) | na | na | na | na | na | na | na | na | na | na | na | na |
| Coated (100gsm) | na | na | na | na | na | na | na | na | na | na | na | na |
| Macroeconomic Indicators (% CHYA) | | | | | | | | | | | | |
| Real GDP Growth | | | | | | | | | | | | |
| Japan | 1.1% | 1.6% | 1.5% | 1.2% | 1.0% | 0.9% | 0.8% | 0.8% | 1.2% | 1.0% | 1.1% | 0.7% |
| East/Southeast Asia** | 3.7% | 3.8% | 3.1% | 3.0% | 3.5% | 3.8% | 3.8% | 4.0% | 3.5% | 3.7% | 3.4% | 4.0% |

* 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. For projections of pulp prices in Asia, please refer to the *World Pulp Monthly*.

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(continued...)

PPI Asia Changes

Current Price Watch table:

| PRICE WATCH: FINE PAPER AND PACKAGING | | | | | | |
|---------------------------------------|---------------------|-------|---------------------|-------|---------------------|-------|
| | 2nd quarter 2017 | | 1st quarter 2017 | | 2nd quarter 2016 | |
| Fine paper | | | | | | |
| Uncoated woodfree (70g) | 730 | - 775 | 700 | - 745 | 700 | - 745 |
| Coated woodfree (100g) | 690 | - 735 | 675 | - 720 | 670 | - 715 |
| Containerboard | | | | | | |
| Unbleached kraftliner (175g) | 595 | - 615 | 580 | - 600 | 560 | - 590 |
| Kraft-top liner (125g) | 510 | - 550 | 510 | - 550 | 460 | - 500 |
| Testliner (125g) | 395 | - 430 | 395 | - 430 | 345 | - 380 |
| Recycled fluting (110g) | 360 | - 420 | 360 | - 420 | 280 | - 360 |
| Cartonboard | | | | | | |
| Grayback coated duplex board (350g) | 490 | - 555 | 490 | - 555 | 450 | - 515 |
| Whiteback coated duplex board (350g) | 600 | - 655 | 600 | - 655 | 560 | - 615 |

Prices are in US\$/tonne, CIF, for imports to Hong Kong and main ports in Southeast Asia.

Testliner prices reflect mid-range qualities made from 100% imported recycled fiber. Lower-quality grades made from 100% recovered fiber from local sources are priced \$30/tonne below the bottom end of the price range. Higher-quality grades, which have a 'pulp-top' layer, are priced \$20-30/tonne above the top end of the price range. These are also considered to be low-quality kraft-top liner.

DISCLAIMER: While the information contained in this price index has been obtained from sources believed to be reliable, RISI does not warrant or guarantee the accuracy and completeness of the information. All prices are best estimates of prices before regular volume and contract discounts and are composite prices as opposed to median or average prices. Actual transaction prices may vary.

Southeast Asia
assessments increased to
monthly from **January 2018**

Future Price Watch Table:

| PRICE WATCH: FINE PAPER AND PACKAGING | | | | | | |
|---------------------------------------|-----------|-------|-----------|-------|-----------|-------|
| | Jan. 2018 | | Dec. 2017 | | Jan. 2017 | |
| Fine paper | | | | | | |
| Uncoated woodfree (70g) | 730 | - 775 | 700 | - 745 | 700 | - 745 |
| Coated woodfree (100g) | 690 | - 735 | 675 | - 720 | 670 | - 715 |
| Containerboard | | | | | | |
| Unbleached kraftliner (175g) | 595 | - 615 | 580 | - 600 | 560 | - 590 |
| Kraft-top liner (125g) | 510 | - 550 | 510 | - 550 | 460 | - 500 |
| Testliner (125g) | 395 | - 430 | 395 | - 430 | 345 | - 380 |
| Recycled fluting (110g) | 360 | - 420 | 360 | - 420 | 280 | - 360 |
| Cartonboard | | | | | | |
| Grayback coated duplex board (350g) | 490 | - 555 | 490 | - 555 | 450 | - 515 |
| Whiteback coated duplex board (350g) | 600 | - 655 | 600 | - 655 | 560 | - 615 |

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