



HAWKINS WRIGHT



Mega trends shaping the global pulp market

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Agenda

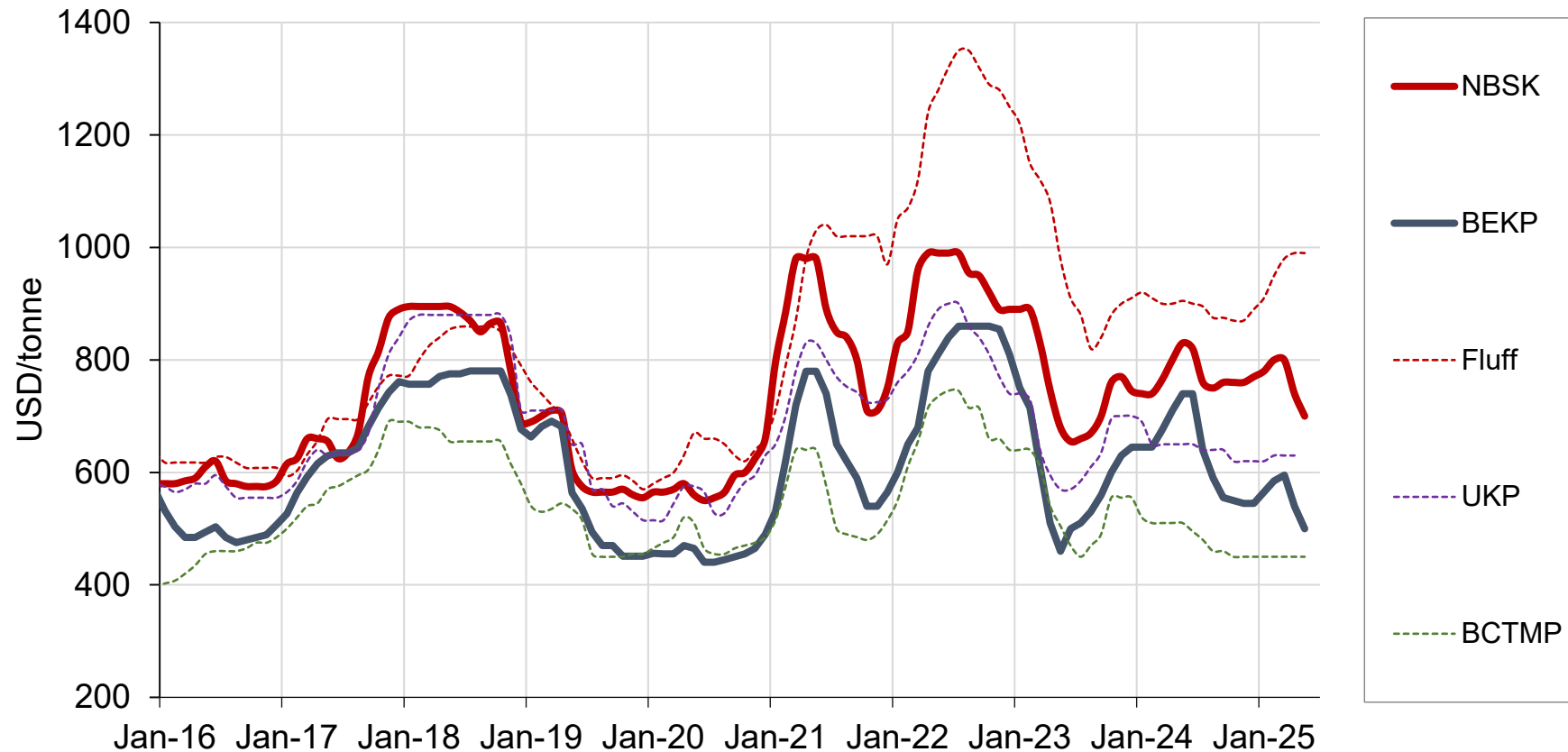
- Quick summary of the here and now.
- Chinese pulp demand
 - Macro economic challenges
 - Industry level challenges stemming from oversupply of P&B and increased domestic pulp production
- Marginal cost of supply
- Innovation

(Unless otherwise stated, all data sourced from Hawkins Wright Ltd)



Three cycles since 2020

Pulp prices, cif China

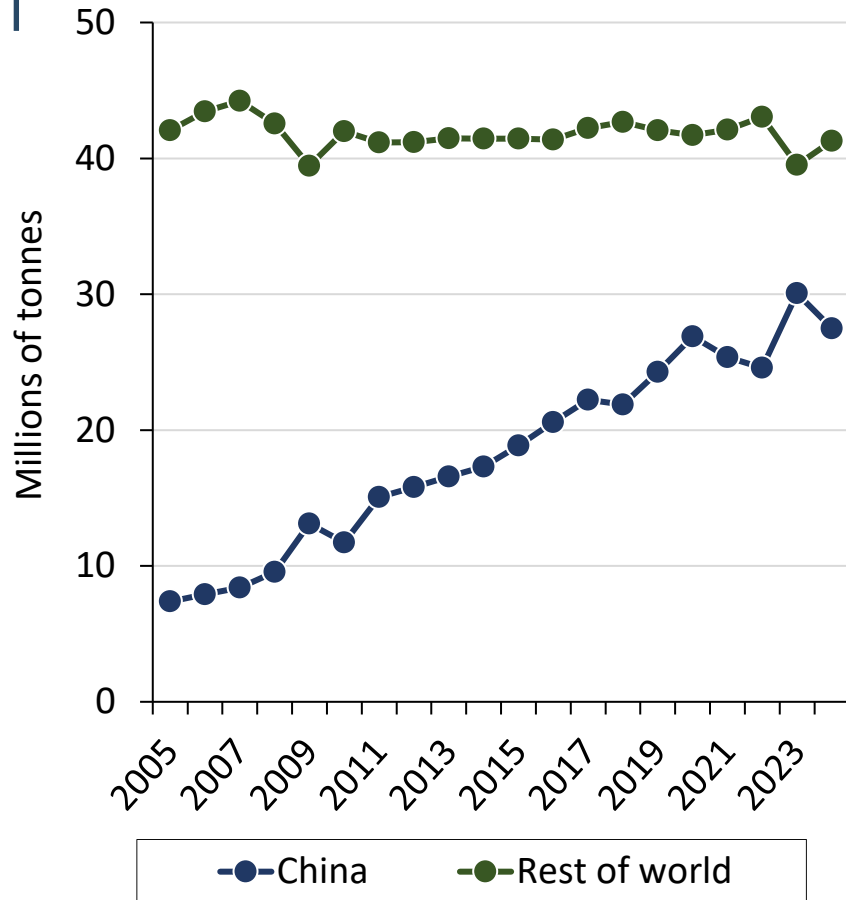


- Volatility caused by COVID-19 and logistics crisis, Russia-Ukraine and energy crisis, trade war and increasing influence of China ...
- Prices stable in China, with BEKP at \$500-\$510/t net and NBSK at \$700-\$710/t net. Traders and integrated producers buying some volume again but no restocking yet..

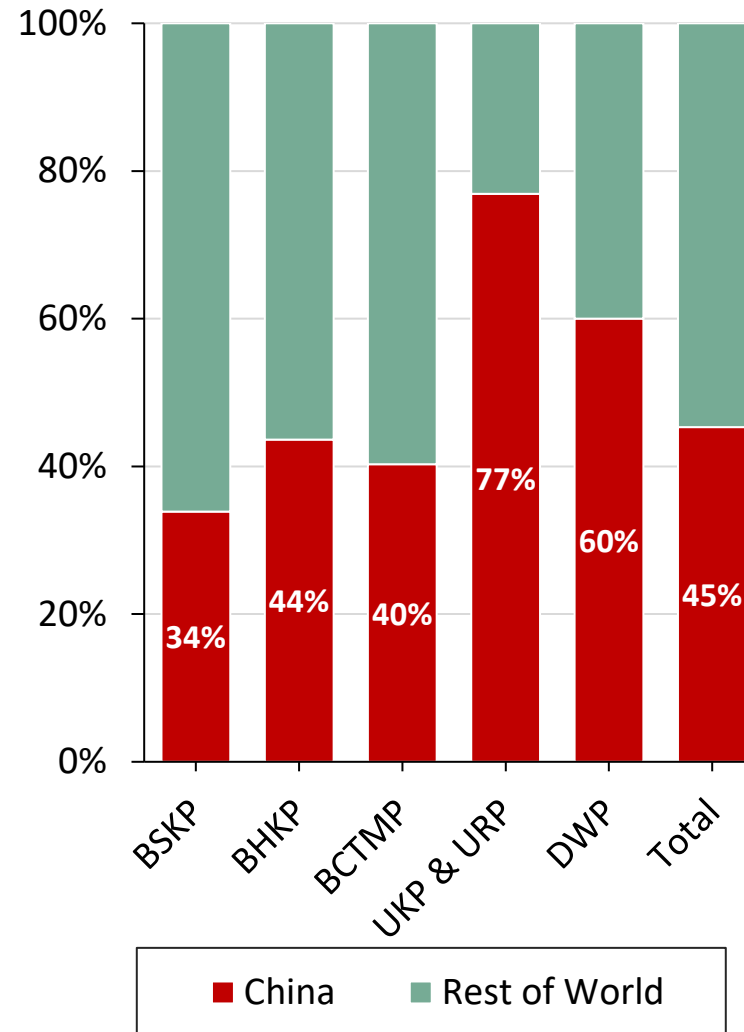


China dominates global pulp markets

Global market pulp demand by region



China's share of global demand by grade, 2024



Market pulp demand growth 2014-2024:

China +10Mt (+5%pa)

Rest of world -155Kt (-%pa)

Approx. US\$30 billion invested in new market pulp capacity globally since 2014 (excluding forestry resource)

China's macro headwinds

Structural Slowdown – Sluggish shift from investment and export-led to consumption-driven growth

Property Sector Crisis – Ongoing real estate downturn dampens household wealth and confidence

Demographic Headwinds – Ageing population and shrinking workforce strain long-term growth

Youth Unemployment – Persistent joblessness among graduates weighs on consumption

Local Government Debt – Fiscal stress from overleveraged local authorities and falling land sales

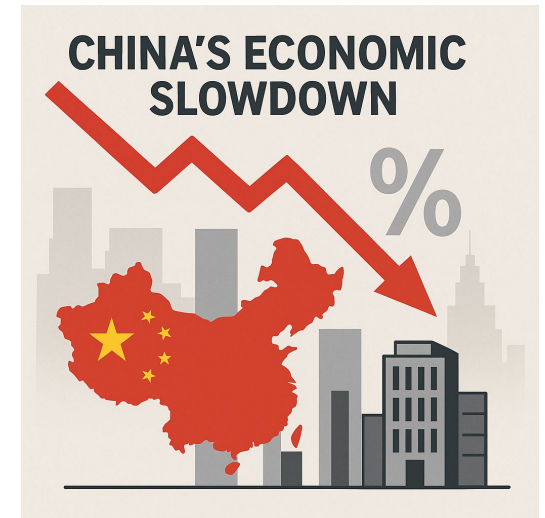
Private Sector Weakness – Confidence hit by regulatory crackdowns and state dominance

Export & Manufacturing Strains – Rising global competition and soft external demand

Tech Constraints – Limited access to advanced chips and tools hampers innovation

Green Transition Risks – Balancing growth with energy security and carbon targets

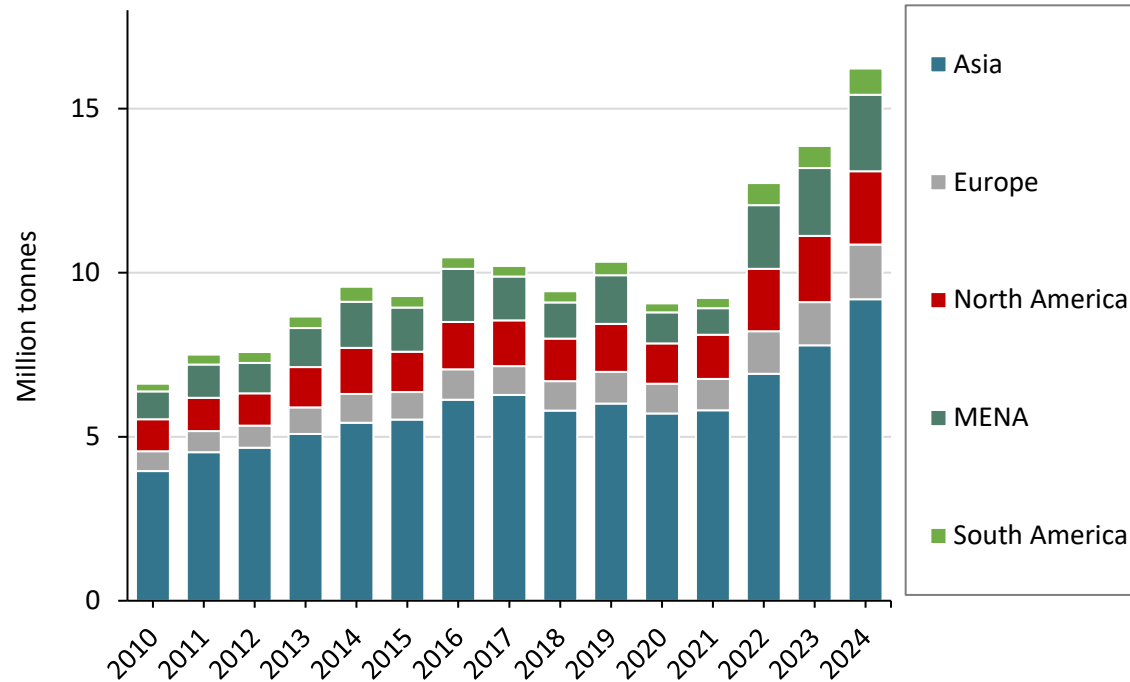
Geopolitical Pressures – US-led decoupling, tech restrictions, supply chain shifts & tariffs!





China has increased its dependence on exports

Chinese exports of paper and board by destination (tonnes)

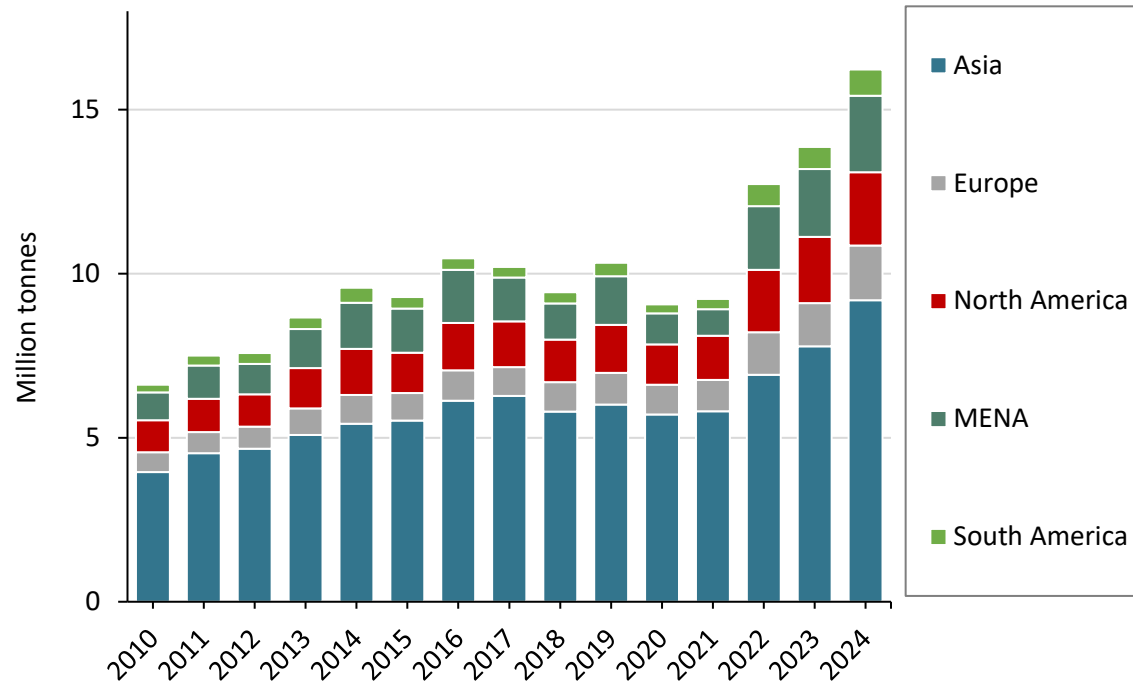


Of **16Mt** P&B exports, approximately **8Mt** is non-converted material and **8Mt** is semi-converted (i.e. bags, cartons, boxes, tissue products).

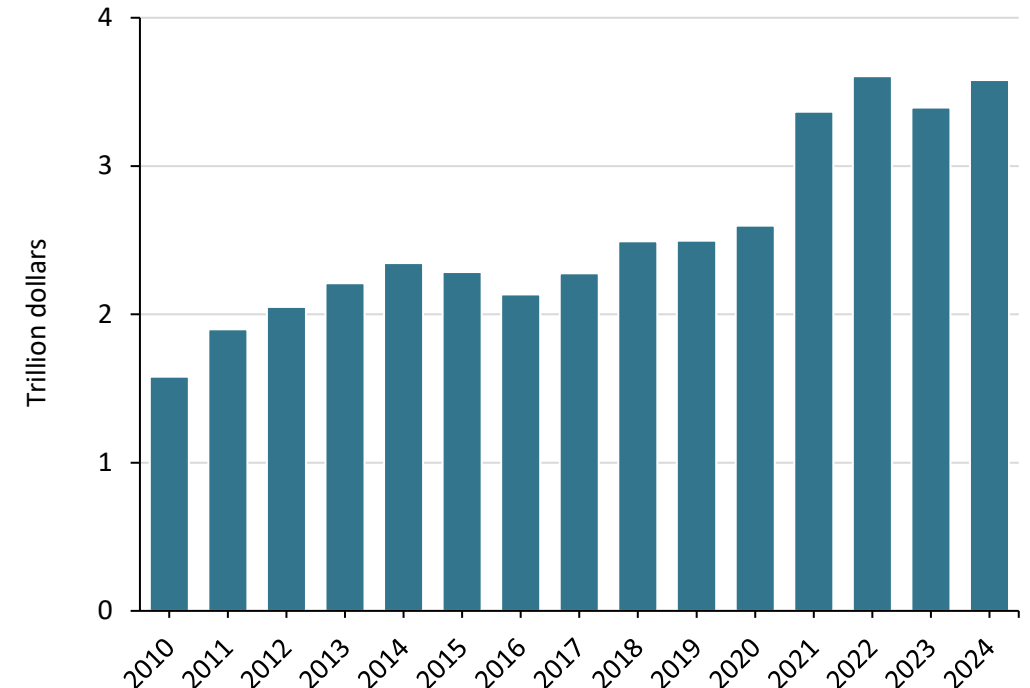


China has increased its dependence on exports

Chinese exports of paper and board by destination (tonnes)



Chinese exports of all goods (USD)



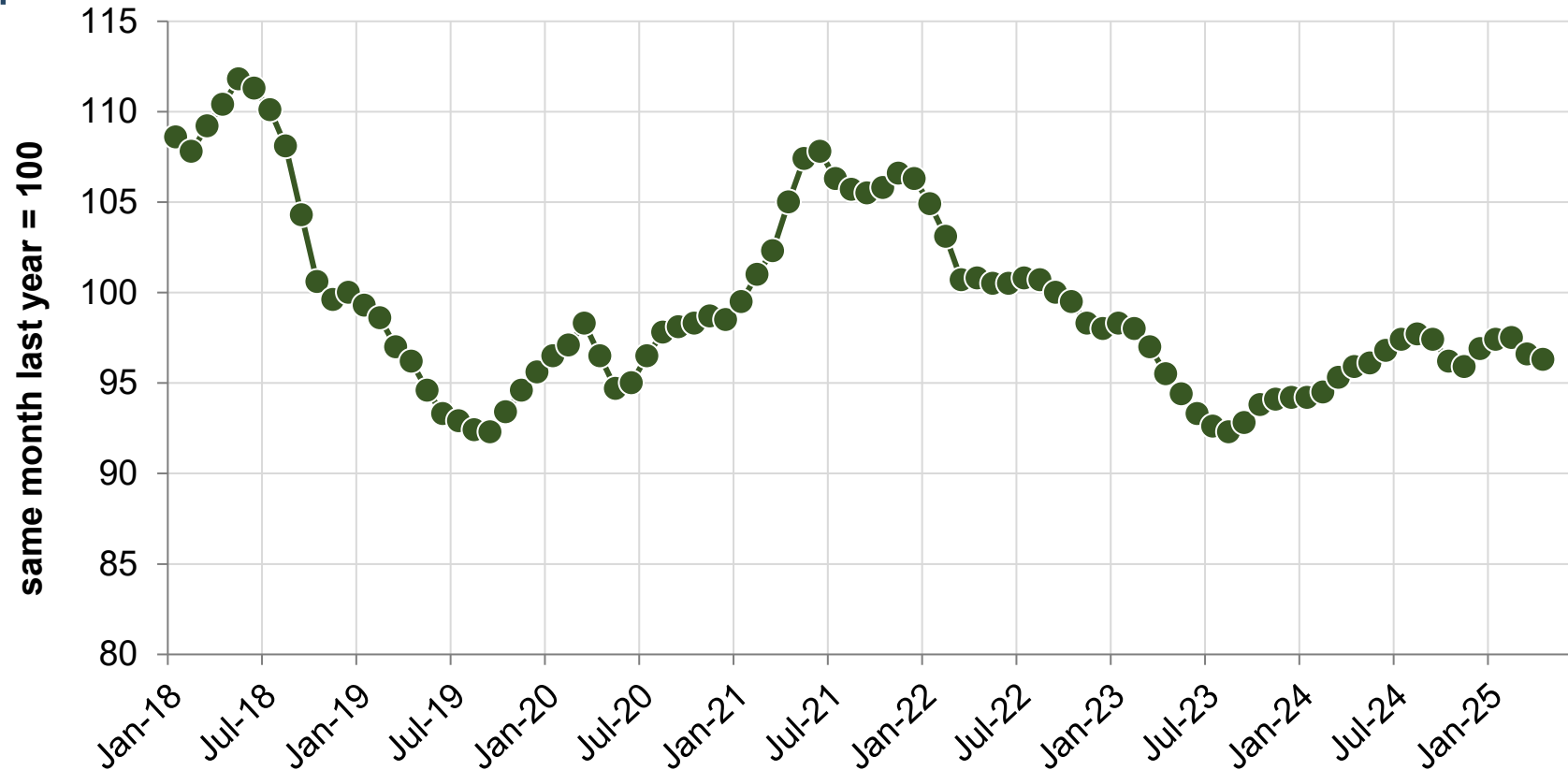
Of **16Mt** P&B exports, approximately **8Mt** is non-converted material and **8Mt** is semi-converted (i.e. bags, cartons, boxes, tissue products). A significant volume of P&B is also exported in the form of packaging for China's huge export sector. Although some of these exports are bulk goods shipped in containers, a high proportion are packaged in paper boxes (e.g. furniture and electronics). In addition to the packaging, much of these goods are accompanied by guarantees and manuals. It is challenging to measure precisely how much paper and board is correlated to this, but we estimate an additional **10Mt**.

By implication, as much as 26Mt of Chinese P&B production is leveraged to the export sector.



China is battling with huge oversupply in P&B

Chinese paper & board price index

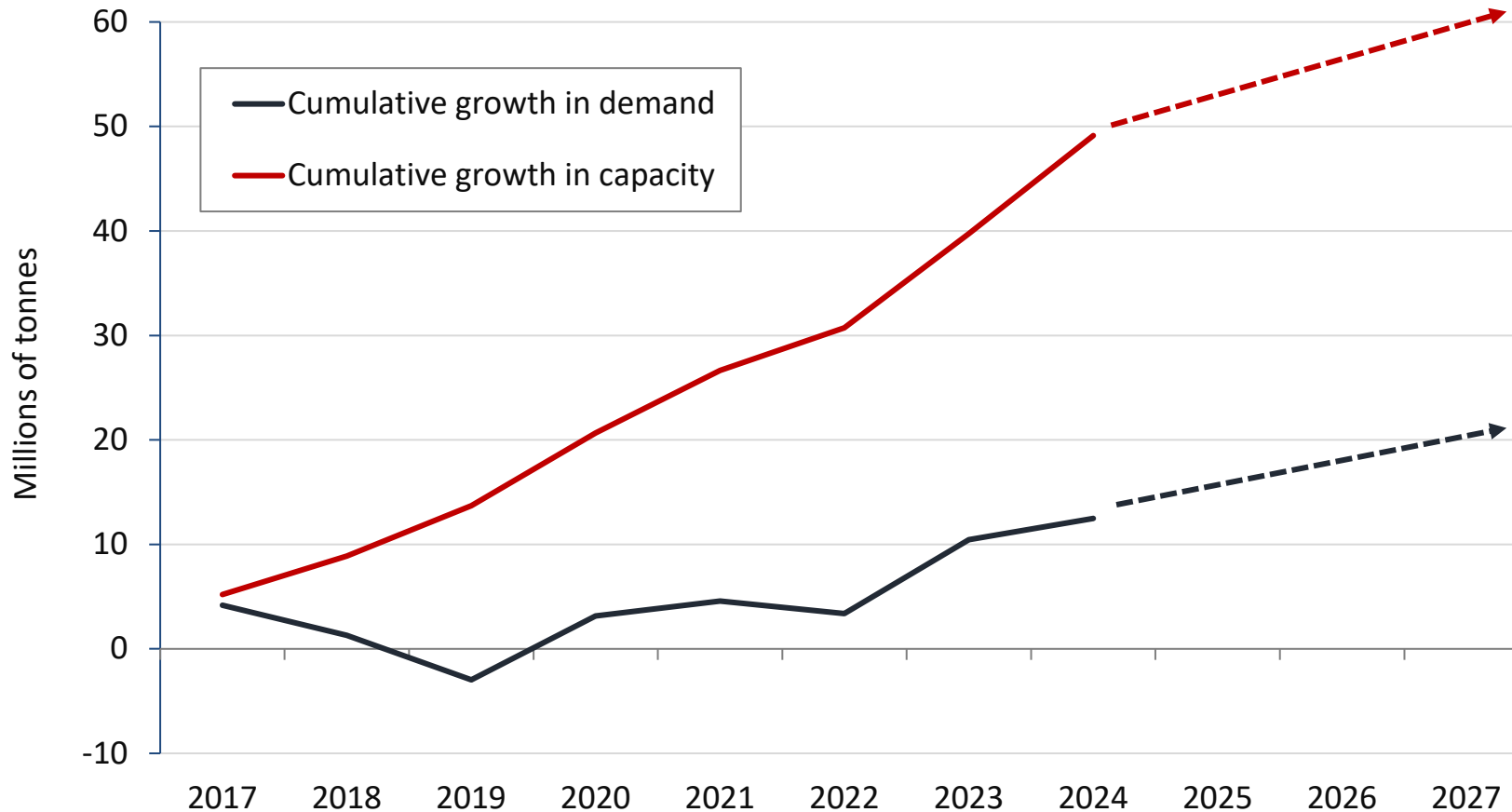


Source: National Bureau of Statistics

- China's P&B industry has been running at 55-70% of capacity.
- Oversupply has depressed P&B prices, undermined profitability and prompted some capacity closure (e.g. Chenming).
- This is a global problem



Growth in Chinese P&B demand vs. capacity

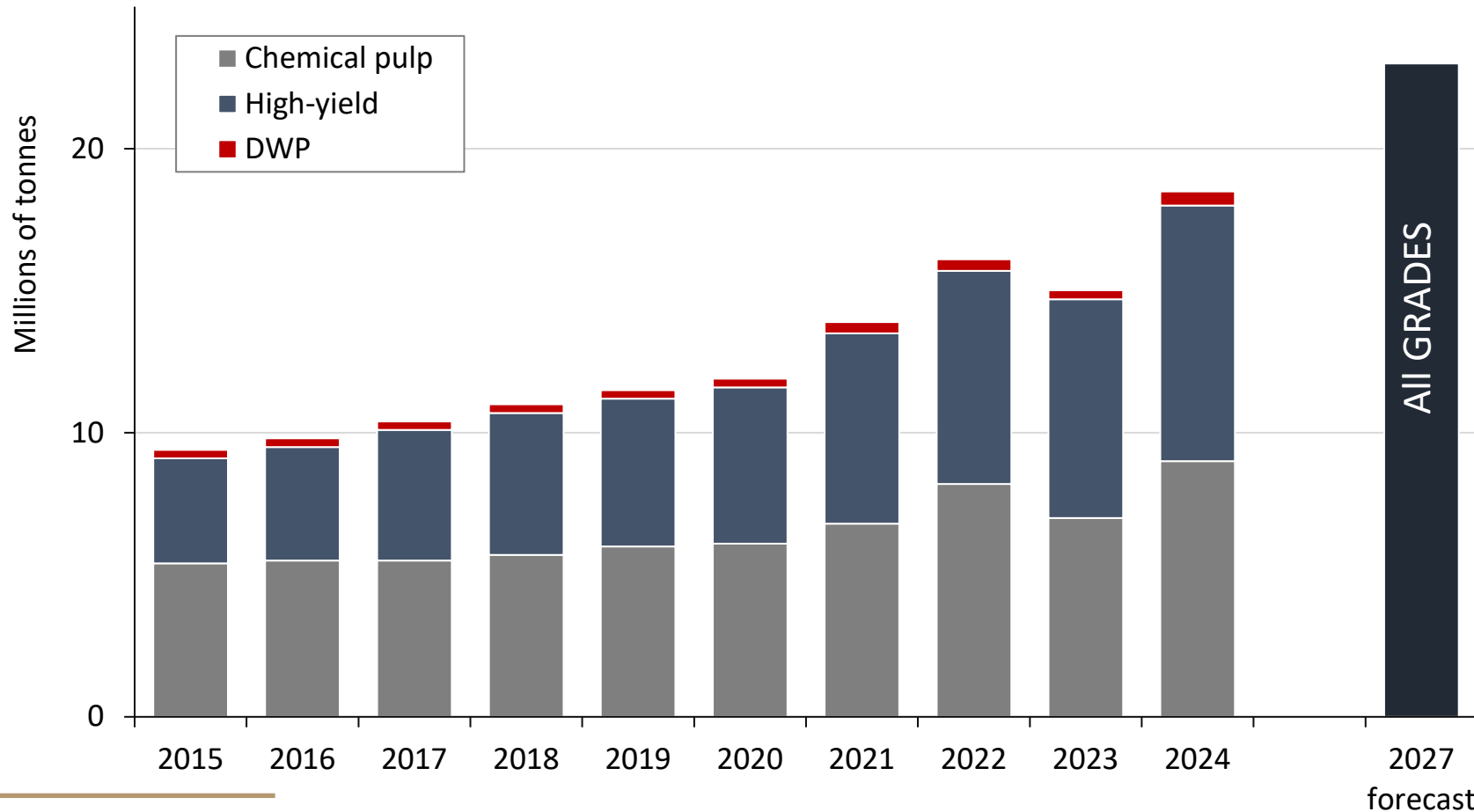


- Growing disparity between capacity and demand will place even greater dependency on exports to maintain operating rates.
- A global trade war will pose a significant challenge to this.



China's rapidly expanding pulp industry

Chinese pulp production by grade



Chinese market pulp demand is increasingly vulnerable to Chinese investment in domestic pulp production.

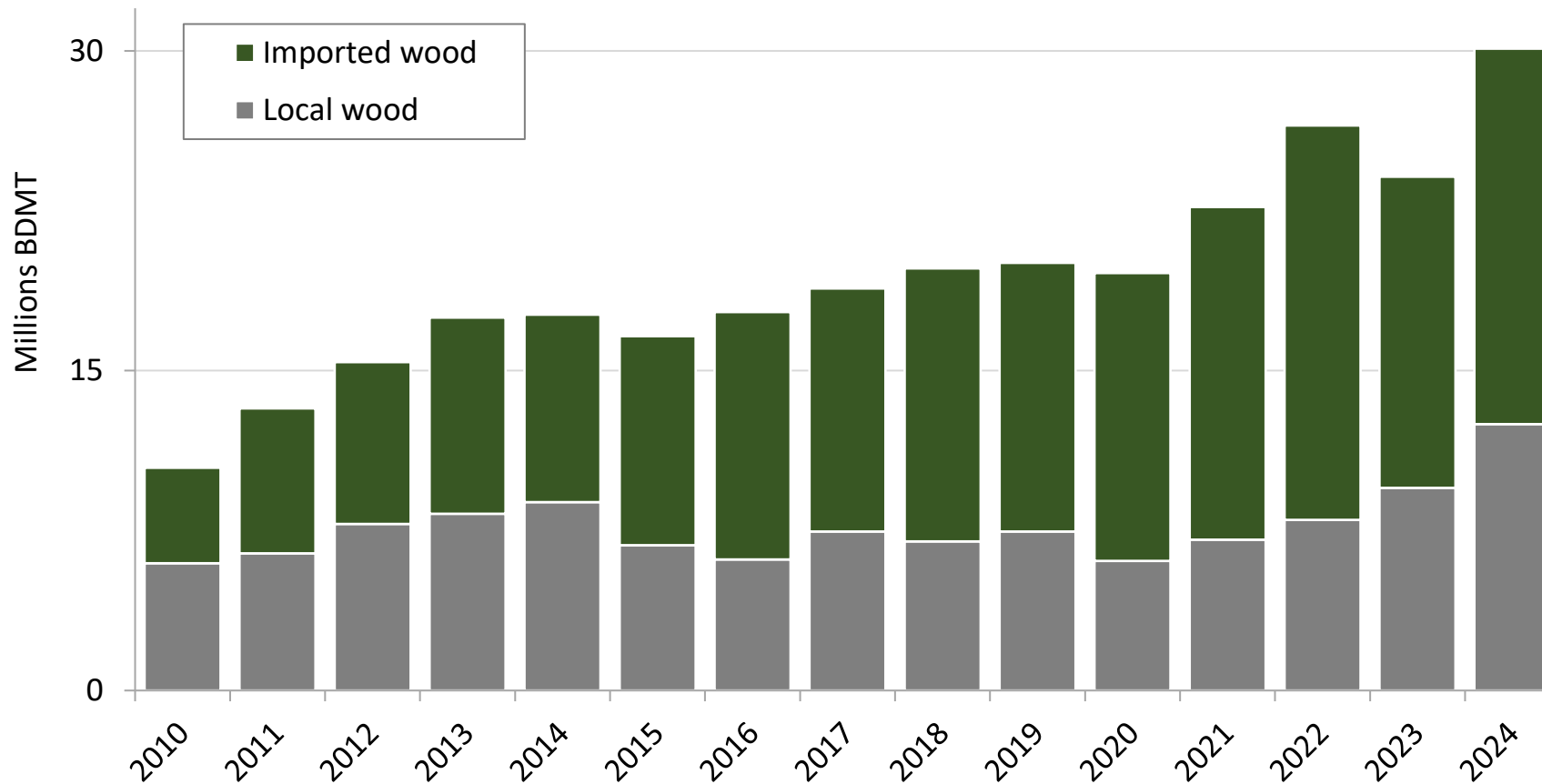
- Approx. 4Mt of production growth in 2024 (excluding semi-chem).
- Significant further investment is planned '25-'27:
 - Kraft pulp +3.4Mt/yr
 - High yield pulp +3.3Mt/yr

PULP NATIONALISM?



Does China still have a fibre deficit?

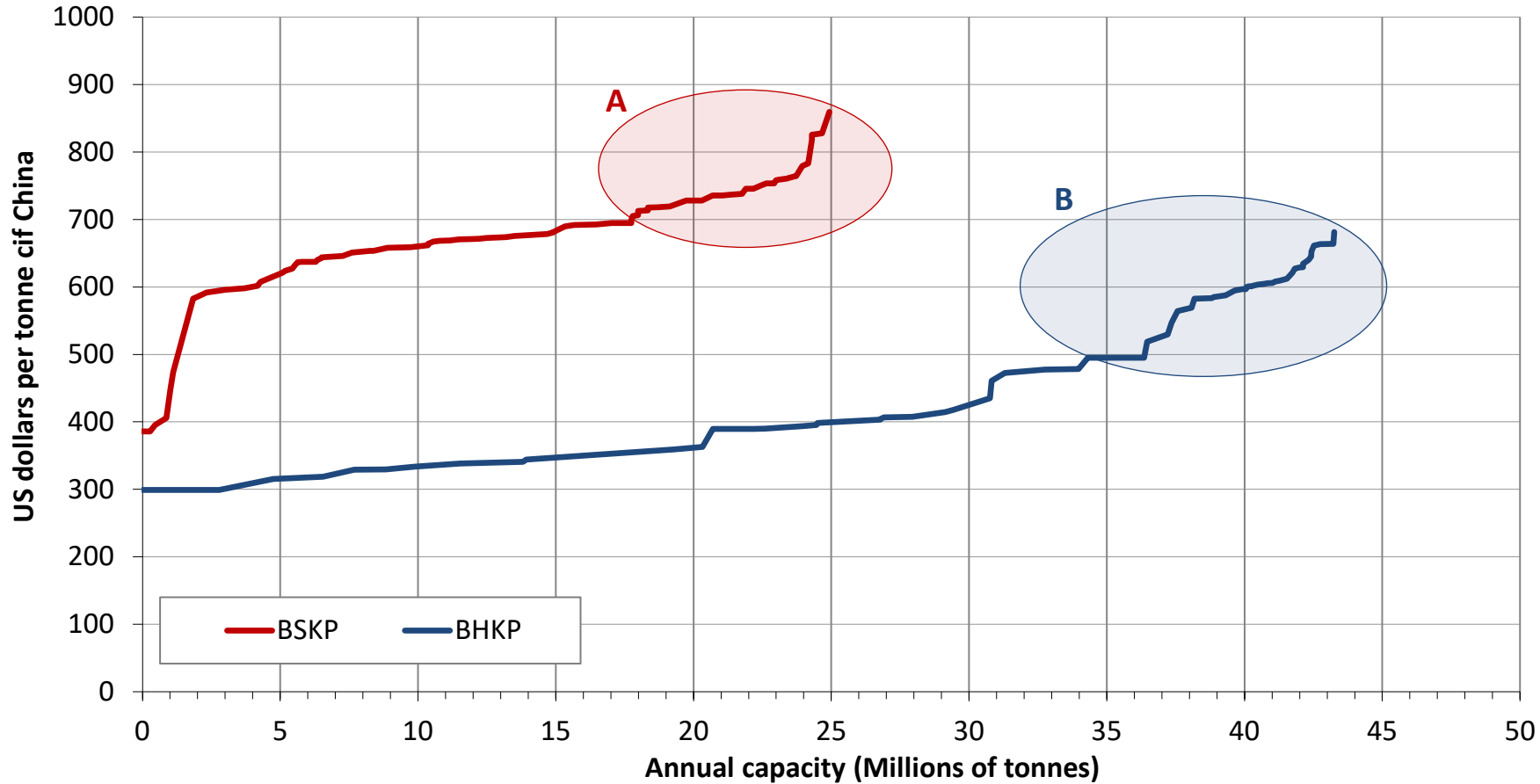
Chinese pulpwood demand by origin



- Yes! Chip imports totalled 18 million BDMT in 2024.
- But chip prices have been stable at relatively low levels for more than 12 months.
- Domestic wood supply has grown due to:
 - Expansion of plantation area.
 - Temporary increase in harvesting due to disease and change in government policy
 - Reallocation of fibre from other wood consuming sectors to pulp industry



BSKP and BHKP cost curves, CIF China

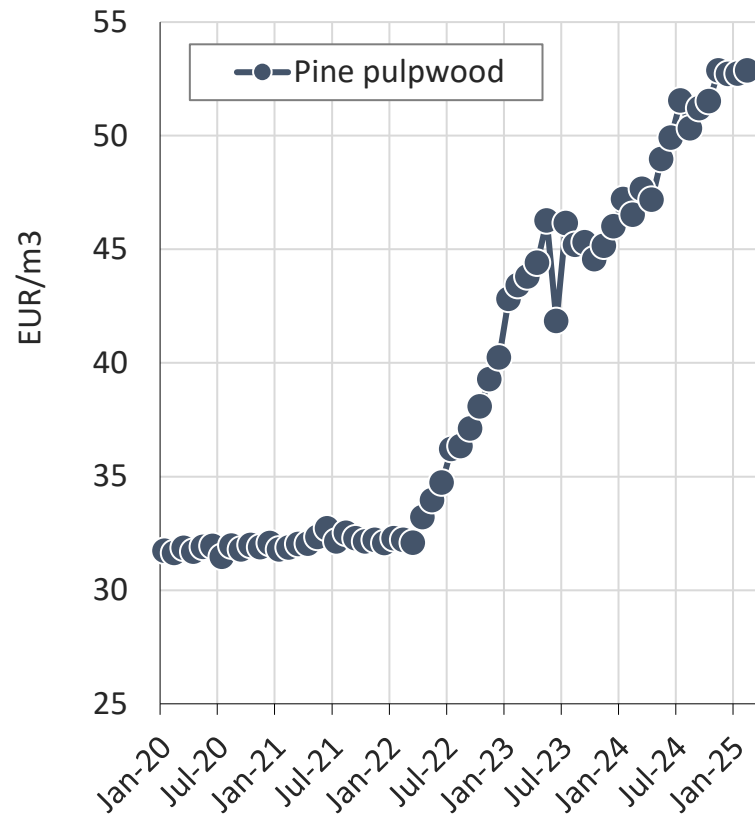


- Approximately 7.1Mt of BSKP capacity (A) and 6.9Mt of BHKP capacity (B) are operating below cash costs.
- Current pricing is unsustainable for ~14Mt of BCP capacity

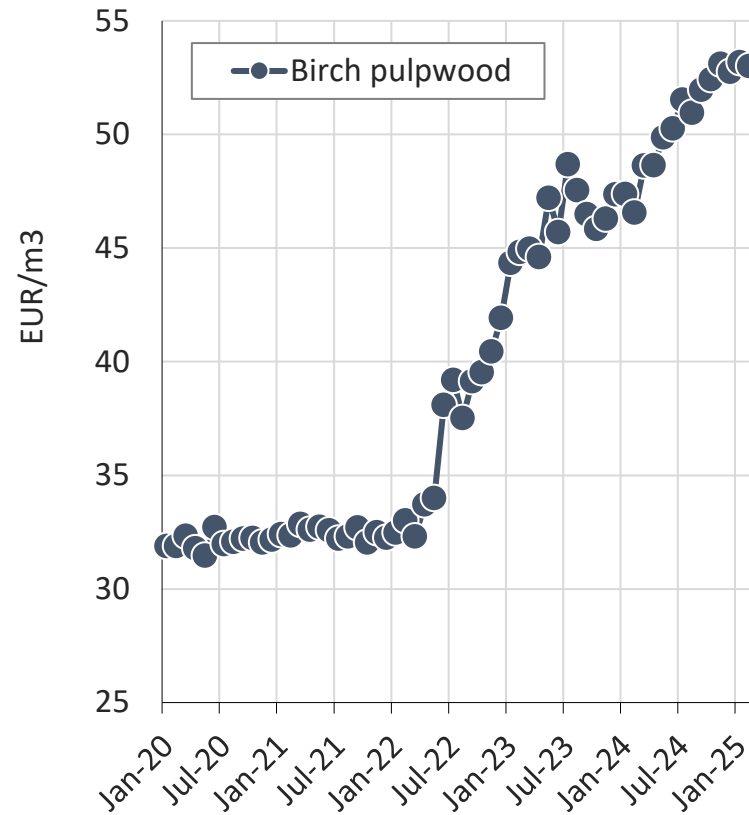


Wood cost inflation has raised the cost base

Finnish roundwood prices



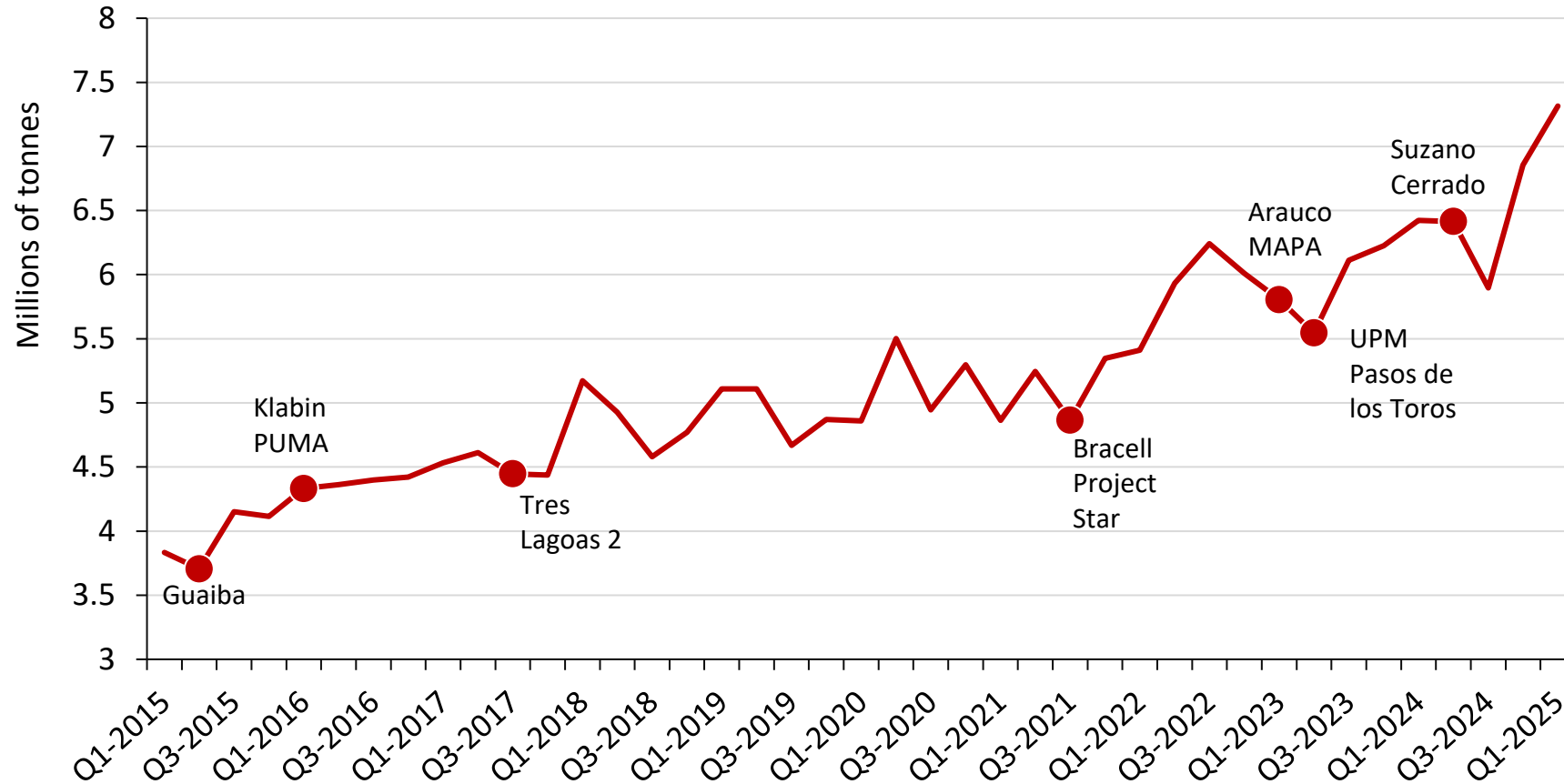
Source: Luke.fi



- Pulplog costs in Canada and Scandinavia remain near to or at historic highs. More mills closures likely, especially in West Canada.
- More than 4Mt of market pulp capacity closures globally since 2022, many prompted by fibre shortages/high costs.
- Strengthening € accentuates the cost inflation when denominated in USD



LATAM exports of BEKP by quarter



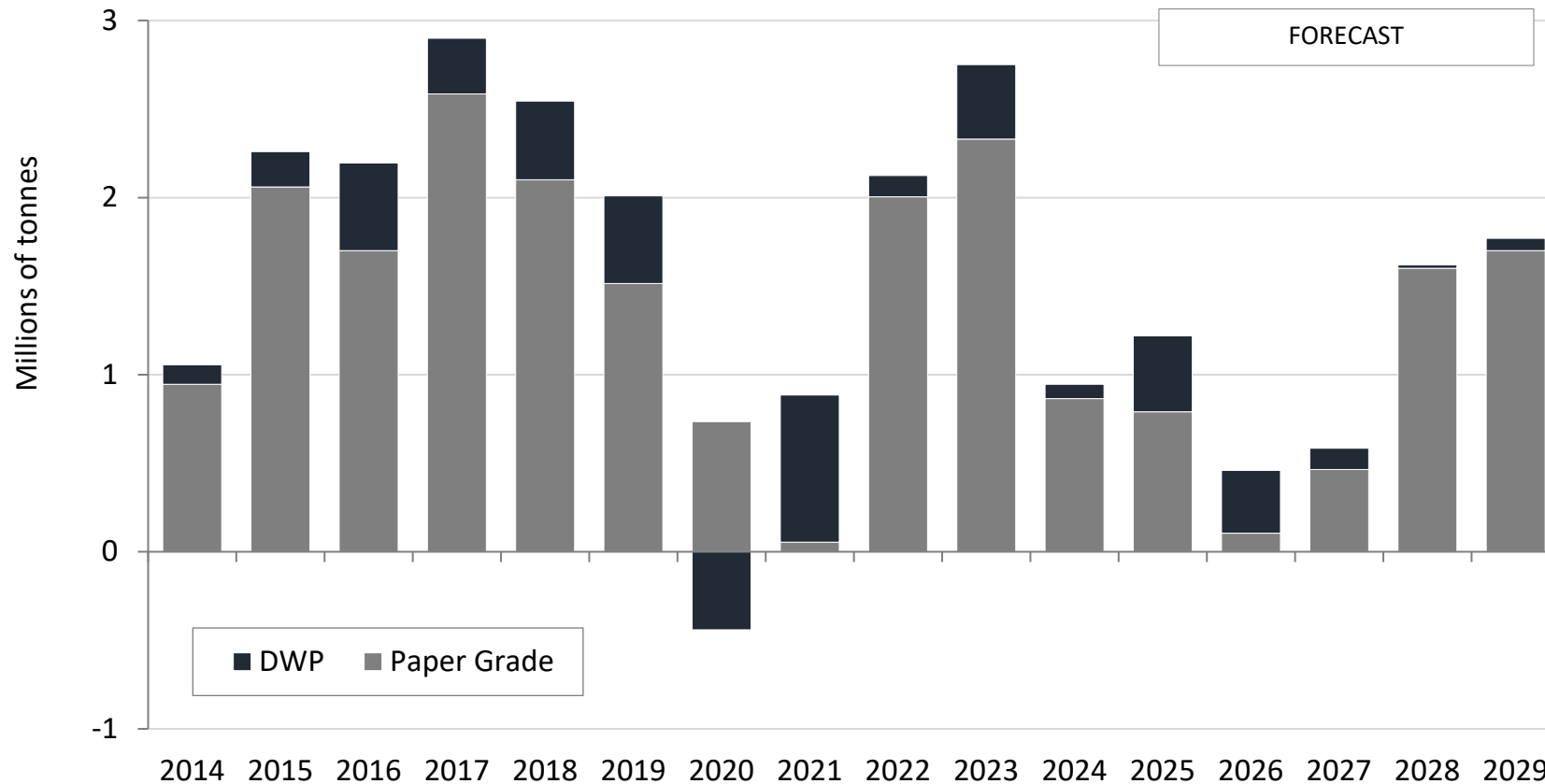
Note: red dots highlight new capacity being added. LATAM = Uruguay, Chile and Brazil

- While average wood costs in LATAM remain low, the marginal cost of supply has inflated significantly in recent years.



New investment wave in LATAM pulp capacity?

Confirmed net additions to bleached paper grade kraft pulp and DWP capacity, 2009-2029



OKI 2 in Q3-26?

Arauco Sucuriú Q3-27

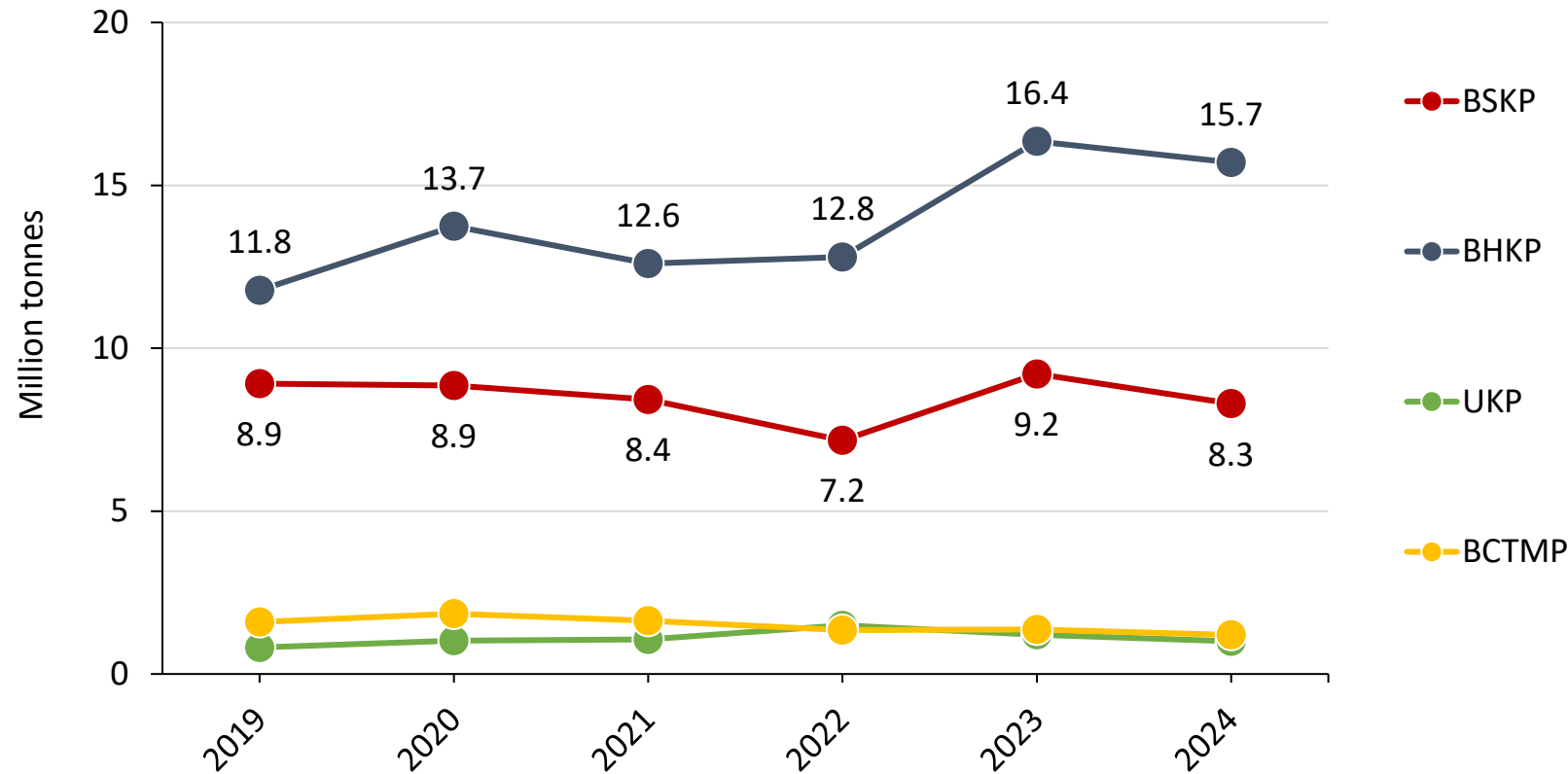
+ 10Mt of UNCONFIRMED PROJECTS:

- Bracell Agua Clara 2.8Mt/yr BEKP
- CMPC Natureza 2.5Mt/yr BEKP (*working on its environmental licenses*)
- Eldorado Vanguarda 2.2Mt/yr BEKP (*short term focus on deleveraging*)
- Paracel 1.8Mt/yr BEKP
- Klabin Santa Catarina 0.6Mt/yr fluff pulp



Chinese paper pulp import growth is slowing

China pulp imports by grade, 2019-2024



Source: Chinese customs data

- Total pulp imports have grown by 3 million tonnes over last five years, equivalent to 600,000t/yr (all BHKP)



Time to deleverage from China?

Kimberly-Clark sells majority stake in international tissue unit to Brazil's Suzano

Suzano acquires 15% of Austrian company Lenzing for R\$1.3bn

Brazilian company enters textile sector, negotiates acquisition of Internacional Paper

Motivations may vary, but outside China we see significant examples of integration of pulp mills (Suzano, Bracell, APP, APRIL, Navigator) and/or M&A by pulp suppliers into downstream sectors including tissue, packaging, viscose, lyocell and moulded fibre (Suzano, RGE, APP, Altri)

- Slower growth prospects are encouraging market pulp suppliers to deleverage from China.
- This has prompted a battle for market share in other markets, especially for contractual business with tissue producers.
- In a quest to deleverage, some pulp producers will look to backward integrate more

Product innovation



Tree
to
Textile



Product innovation is enabling pulp suppliers to reduce their reliance on commodity-grade markets.

A few examples:

- Eucalfluff
- Moulded Fibre
- 2nd and 3rd generation wood-based textile fibers
- Unbleached hardwood and short fibre linerboard
- Nanocellulose and Micro fibrillated Cellulose (MFC)
- Recycled content DWP
- Bamboo fluff pulp



Thank-you for your attention!

Hawkins Wright was established over thirty years ago to provide independent market research and business consultancy for the global pulp and paper industry. Our services for this sector range from market due diligence assignments on behalf of project developers and financial institutions, to multi-client reports which typically provide market analysis on issues of supply and demand, costs, and prices (including forecasts). Our expertise covers all grades of pulp and paper, across all regions.

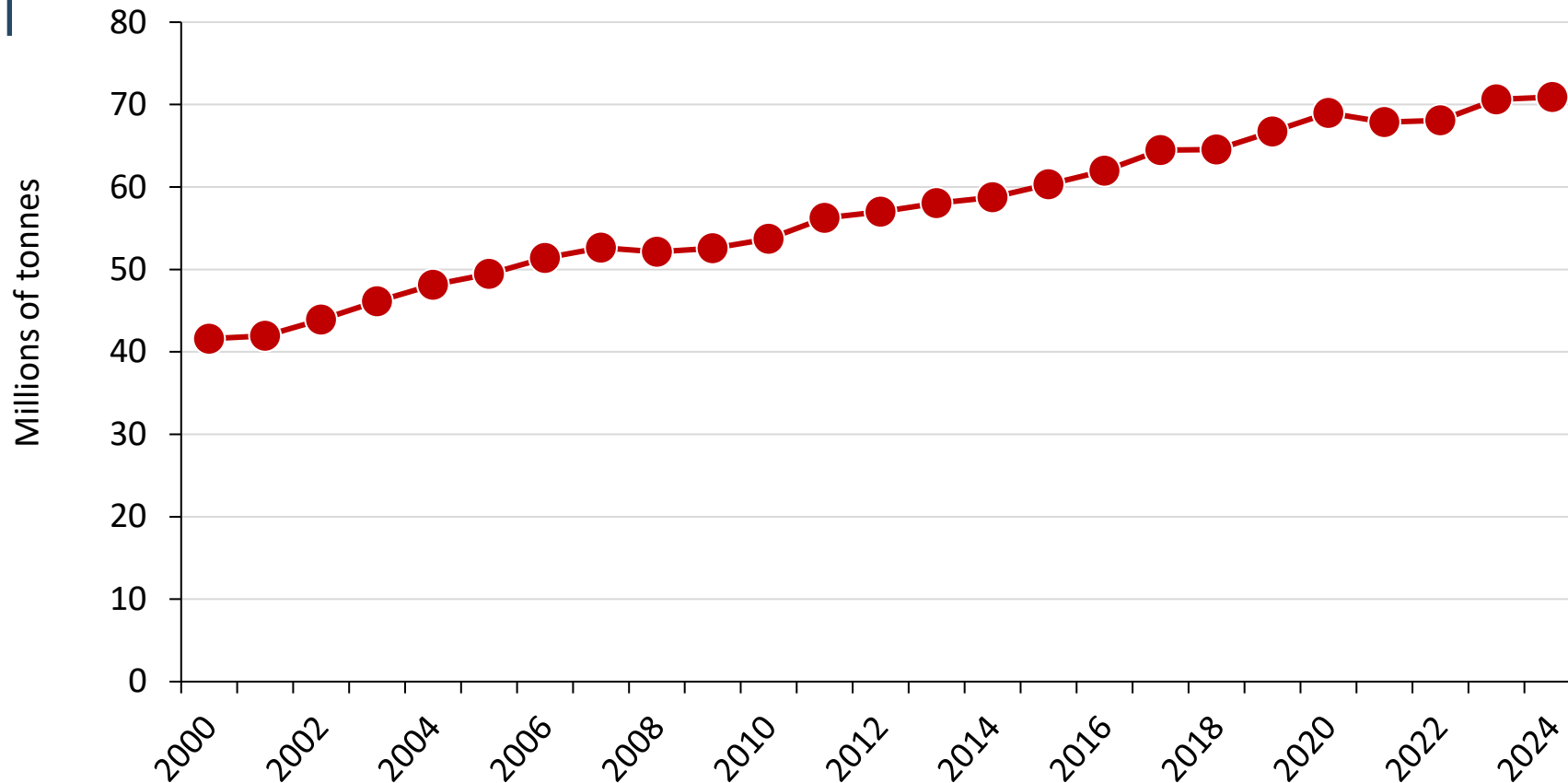
If you'd like to explore how we can assist your business, feel free to reach out to me.

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Global market pulp shipments: all grades

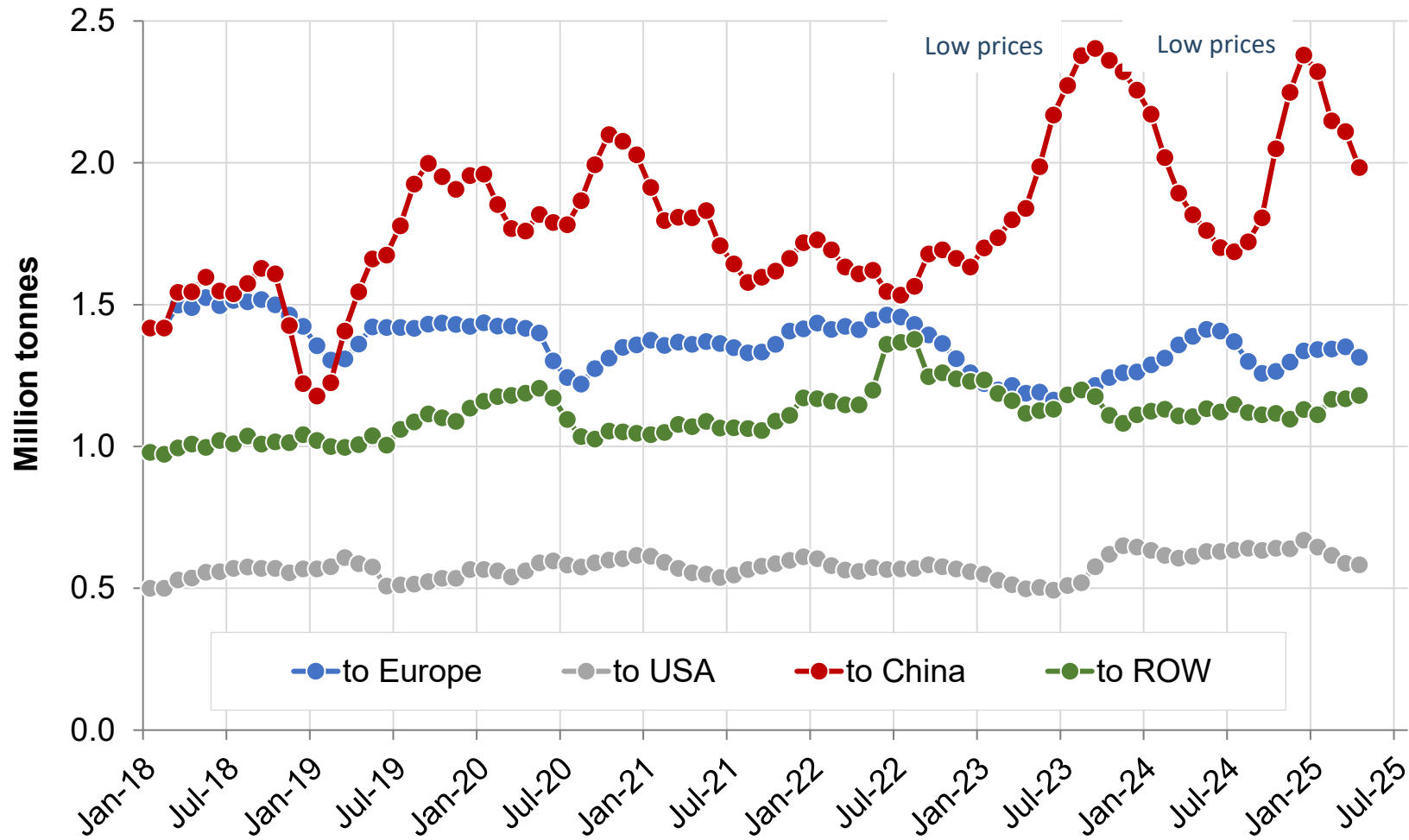


Notes: all grades comprises BCTMP, UKP, Sulphite, BSKP, BHKP

- Global shipments have grown by 29Mt since 2000, at 2.2% pa



BCP shipments to...



- Demand fluctuations in Europe and North America are less impactful on the statistics