

UTIPULP

Group of European Market Wood Pulp users

8 October 2020

Update of the synthesis of the questionnaire pertaining to the impact of the covid-19 crisis on market pulp supply

18 delegates have responded to the questionnaire (17 companies, 1 national association).

1. Regarding the pulp supply, has the situation improved or worsen since the last inquiry (16 July)?

The synthesis of this question is easy to do: all delegates mention that there is no issue with pulp supply.

Some nuances could be done nonetheless:

- For the majority of the delegates, the situation was already good during the last survey (July) and is then unchanged.
- For some others, the situation has improved, with a good availability from spot offers. One delegate is even more specific and mentions that the improvement relates to hardwood.

2. On the short/medium term, do you anticipate that the covid epidemic will still have consequences on the pulp supply?

The analysis of the questionnaire shows that there are no substantial concerns regarding the future pulp supply conditions.

Nonetheless, even if the delegates are not pessimistic, the following concerns are mentioned.

- 1) Several respondents mention that the situation seems to worsen after the improvement of the summer break (second wave arising?), especially with the winter in the Northern hemisphere. The consequence of this could be the stop of some pulp mills.
- 2) The epidemic could also result in some logistics constraints if countries implement restrictions on the circulation of trucks/drivers.
- 3) Due to postponed maintenance from the first half to the second half of 2020, pulp supply might become tighter.

Although the “mood” is good among the pulp buyers, some foresee potential risk and prefer to maintain their pulp inventories at a high level.

Besides these concerns, the main question, shared by half of the delegates, is the consequence of a lower demand for many paper grades on the pulp market. The imbalance of the pulp market, and the associated low prices, will at a certain point in time result in a reduction in pulp production. On the medium term, the situation will also depend on the demand from China.

This pulp cut of pulp production on the medium term will trigger increasing prices, and volatility.
