



HAWKINS WRIGHT



Market pulp outlook

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Threats to global pulp & paper trade are increasing

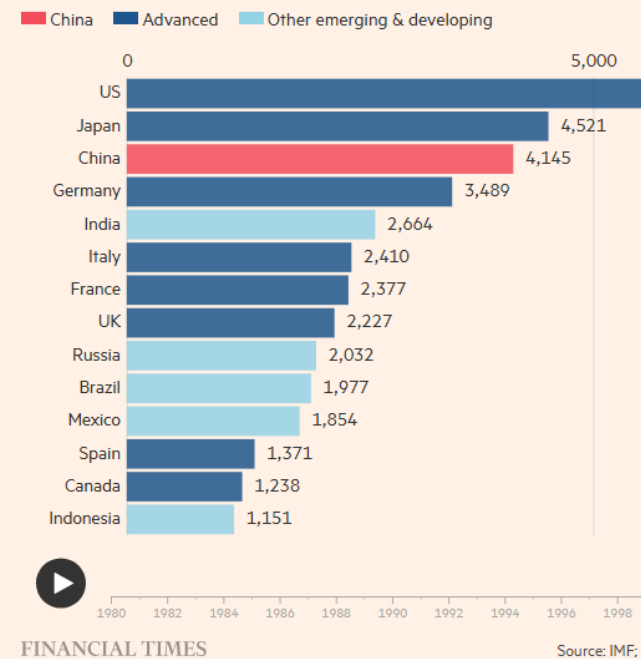
- Structural changes in the industry (e.g. integration)
- Non-tariff barriers (e.g. EUDR, CBAM)
- **Tariffs and trade wars, rising geo-political tensions and supply-chain anxiety**



Changing world order – China joins WTO in 2001

China's rise to become the largest economy in the world in PPP terms

Ranking of real GDP at purchasing power parity, 1980 to 2023, with IMF forecasts to 2029. (\$bn in 2017 values)



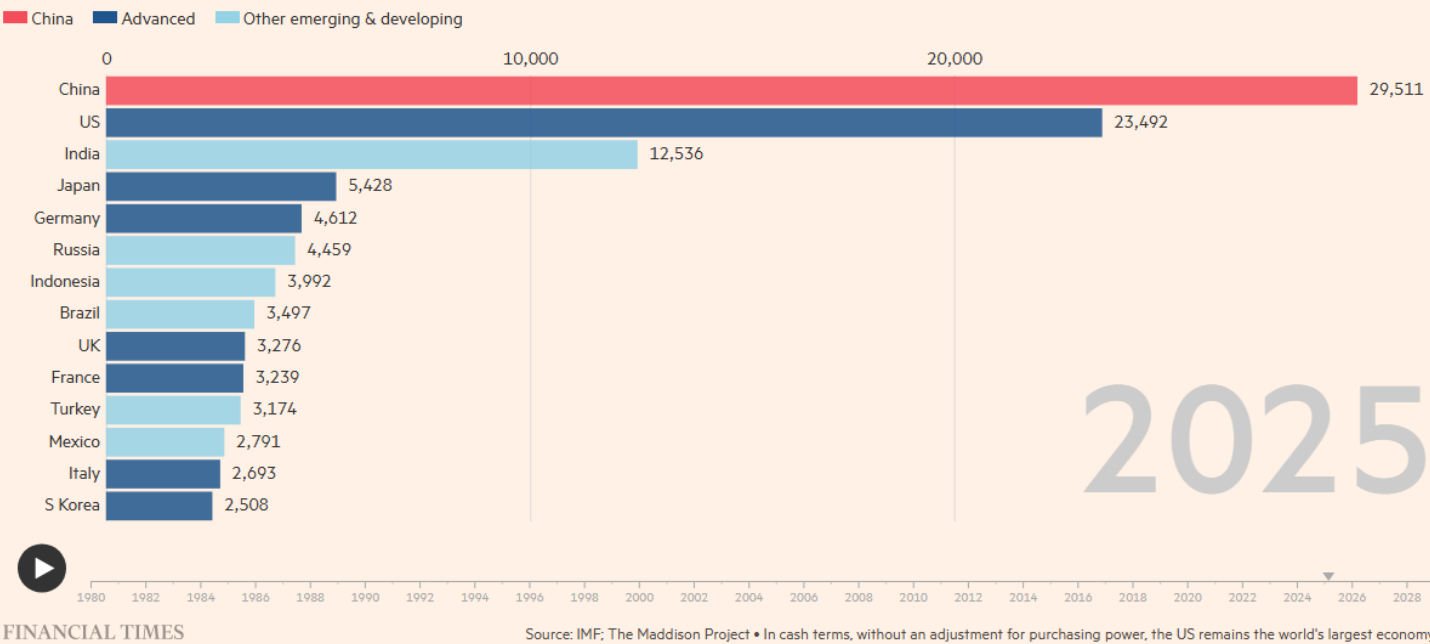
1999

In 1999 BRICs occupied #3, 5, 9, 10 (14)

Now #1, 3, 6, 8, (7)

China's rise to become the largest economy in the world in PPP terms

Ranking of real GDP at purchasing power parity, 1980 to 2023, with IMF forecasts to 2029. (\$bn in 2017 values)

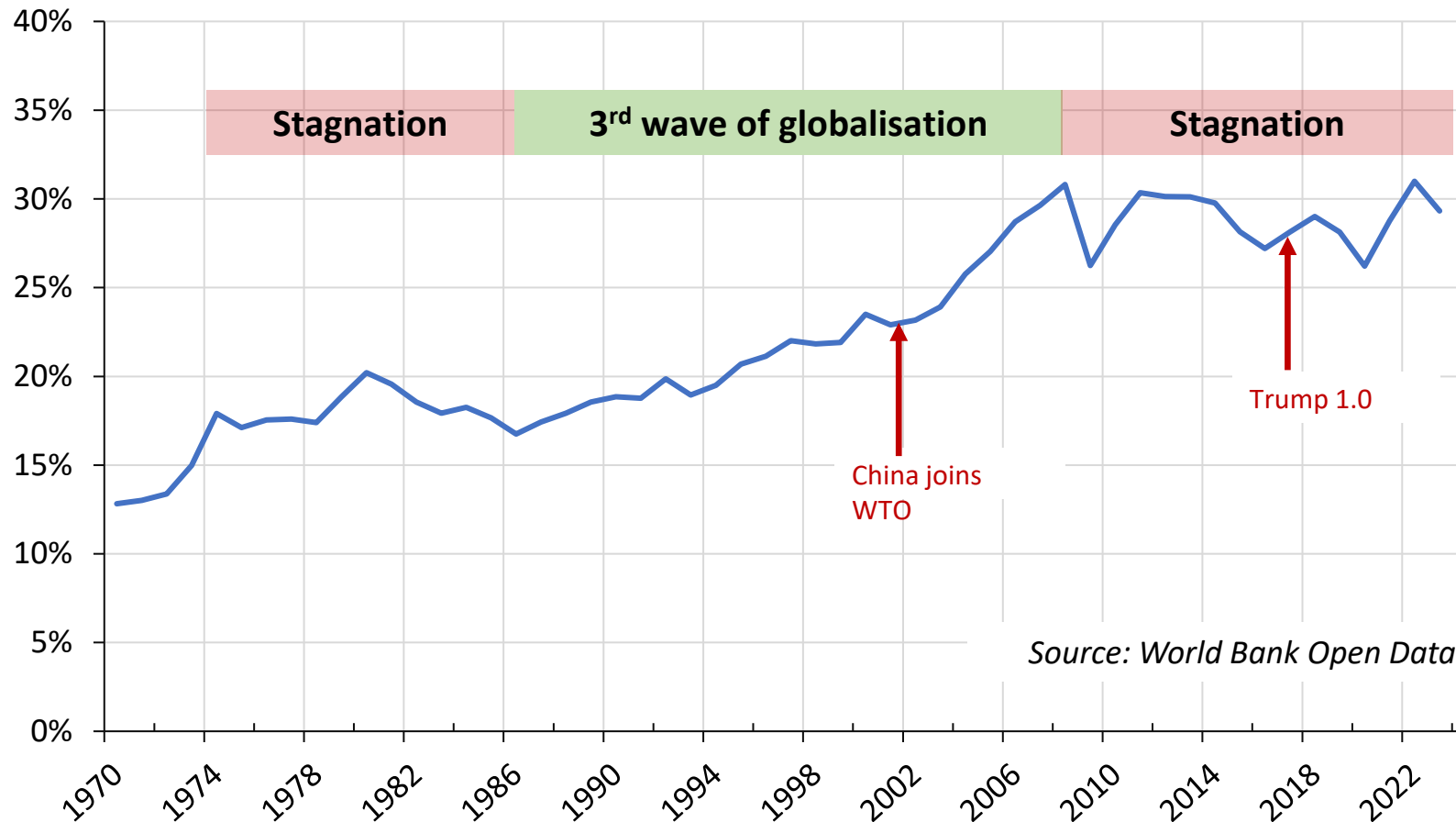


2025



Globalisation has stagnated for 15 years

Global exports as % of GDP

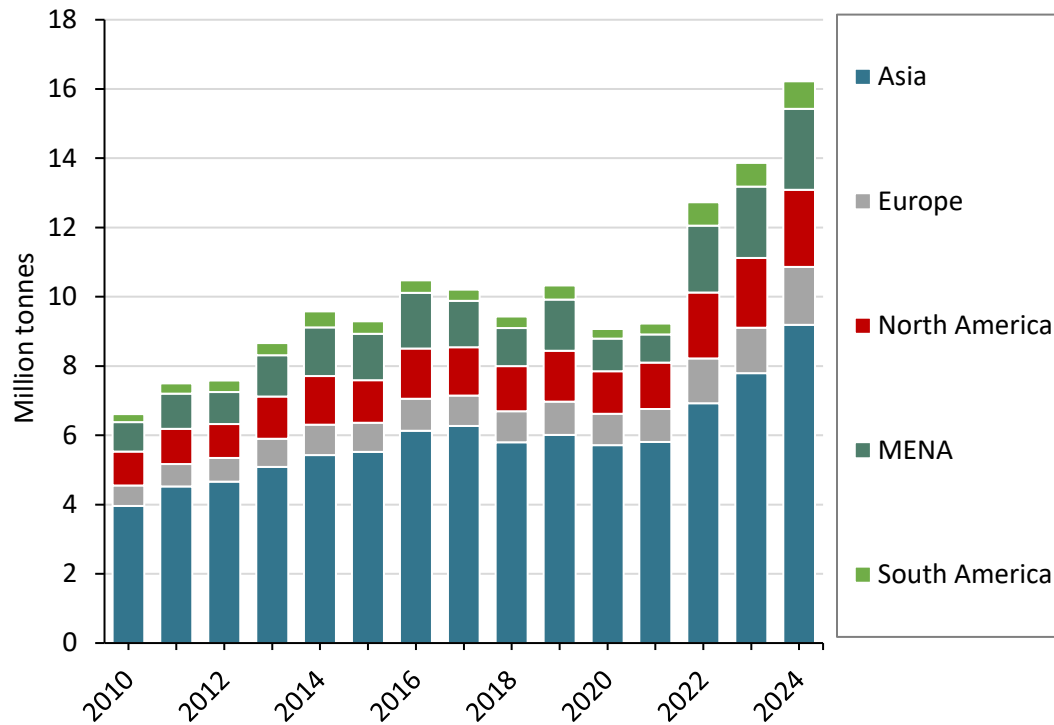


- China overtook US in 2016 as world's largest economy in PPP terms
- Protectionism has been rising for over a decade, and precede Trump's first Presidency
- Global financial crisis, COVID-19, Russian sanctions, China's economic slow-down, energy security, resource nationalism...



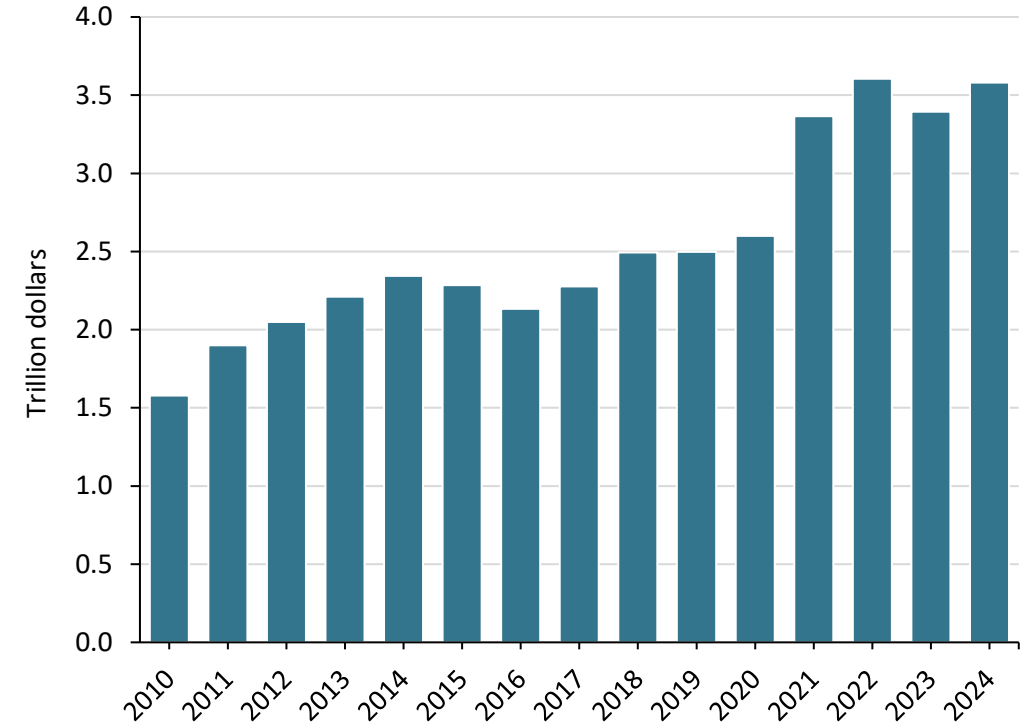
But China has increased its dependence on exports dramatically...

Chinese exports of paper and board by destination (tonnes)



Of 16Mt P&B exports, 4.8Mt is coated P&B rolls and sheets, and 8.3Mt is semi-converted (i.e. bags, cartons, boxes, tissue products)

Chinese exports of all goods (USD)



\$3.5 trillion dollars of manufactured goods (electronics, toys, textiles, etc). Trade surplus hit \$1 trillion last year.



Sino-US trade war summary

United States:

- 30% on all imports from China (reduced from 145% on 12th May)
 - US imported 0.9Mt P&B from China last year, (0.4Mt tissue and 0.5Mt other semi-converted P&B products)
- 10% on all other goods (including NBSK from EU and BEKP from Latin America)
- Canada and Mexico exemptions under USMCA

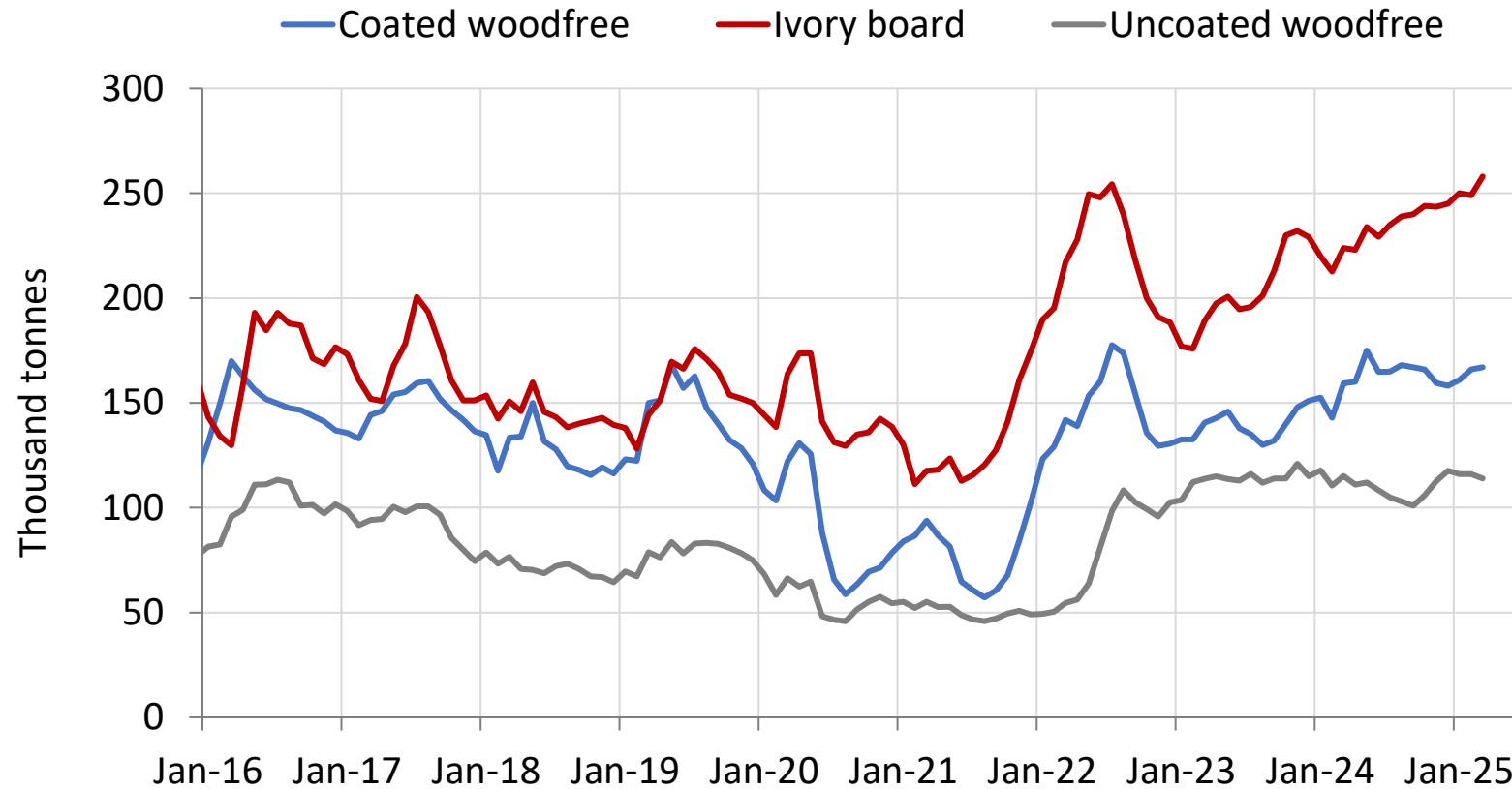
China:

- 10% on US goods (reduced from 125% on 12th May)
- China imported 1Mt BSKP from USA in 2024, 130kt dissolving pulp
- China imported 1Mt P&B from USA (mostly kraftliner)



Chinese P&B exports continued to rise through Q1

Chinese exports of coated P&B & UWF

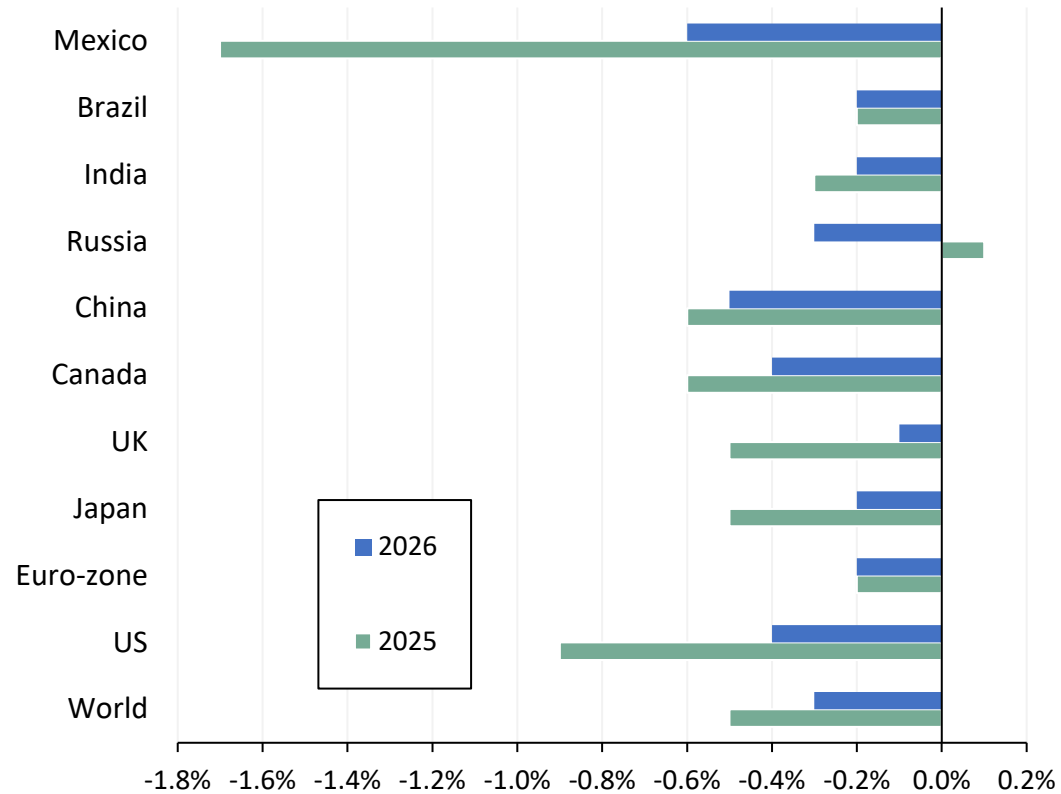


Source: GTT



Macro impact of the trade war

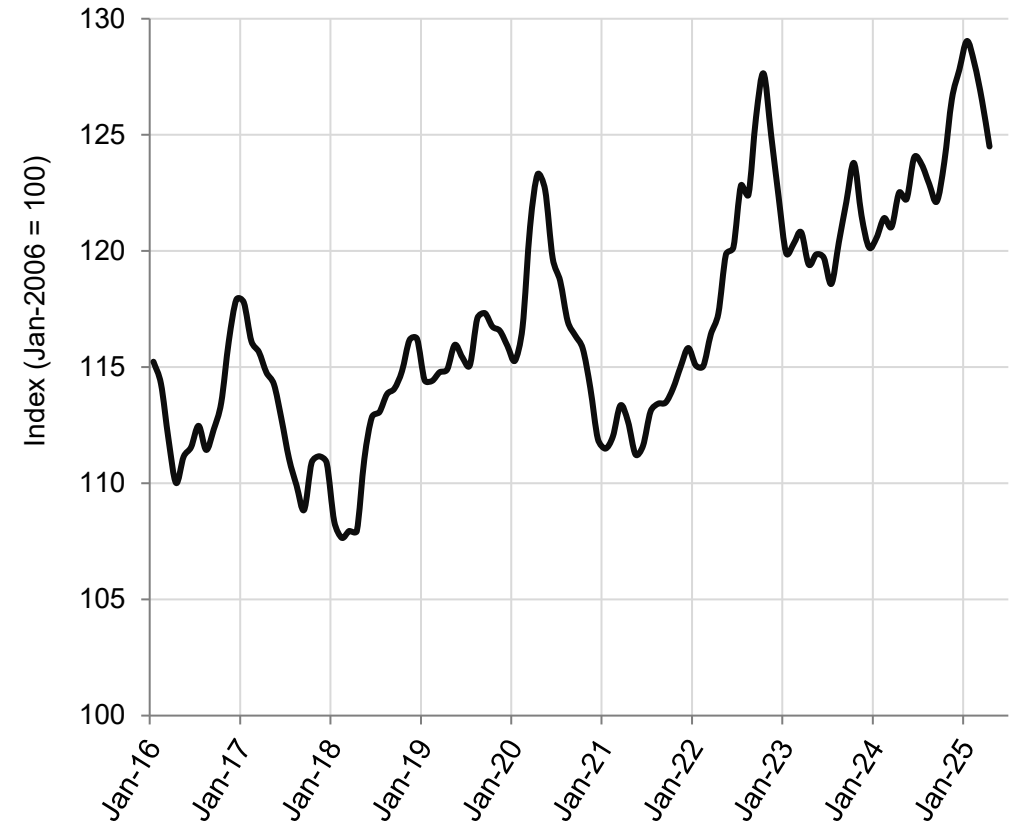
IMF GDP revisions from January to April (22nd)



Source: IMF economic outlook

USD index

Strong dollar = low pulp price

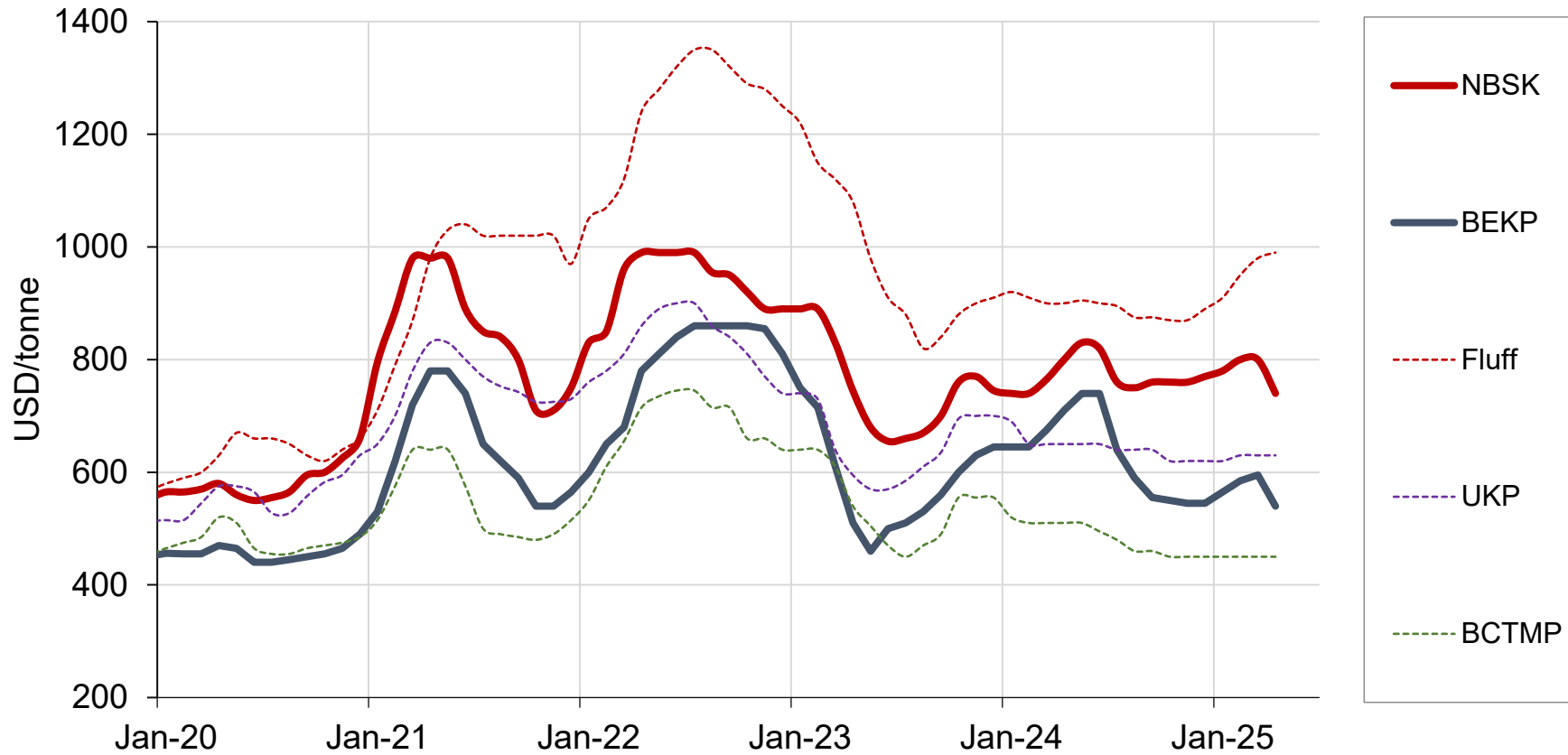


Source: Federal Reserve



Three major cycles since 2020

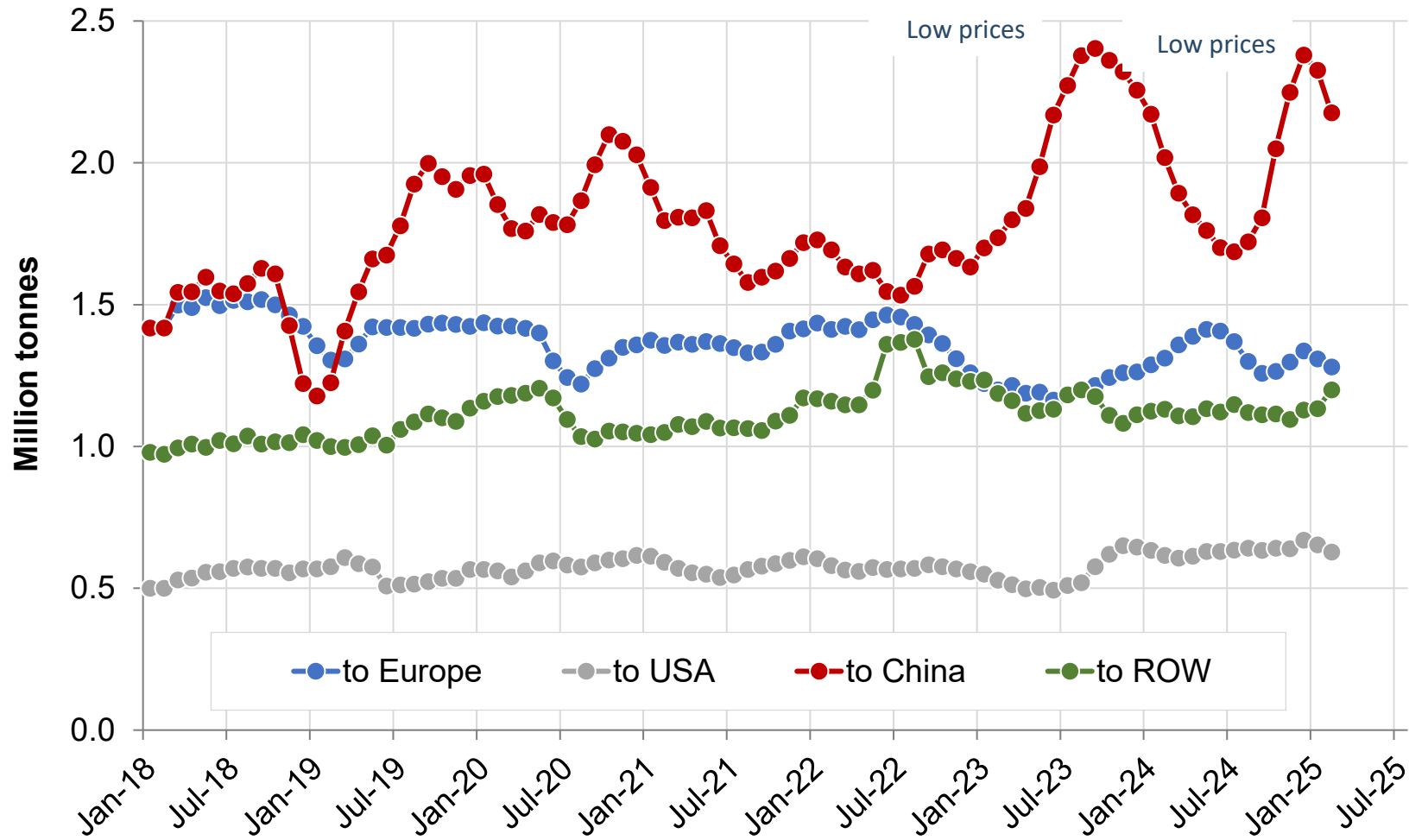
Pulp prices, cif China



- Volatility caused by COVID-19 and logistics crisis, Russia-Ukraine and energy crisis, and increasing influence of China ...
- But prices have moved in a narrower range over the past two years, especially for NBSK and other grades



BCP shipments to...

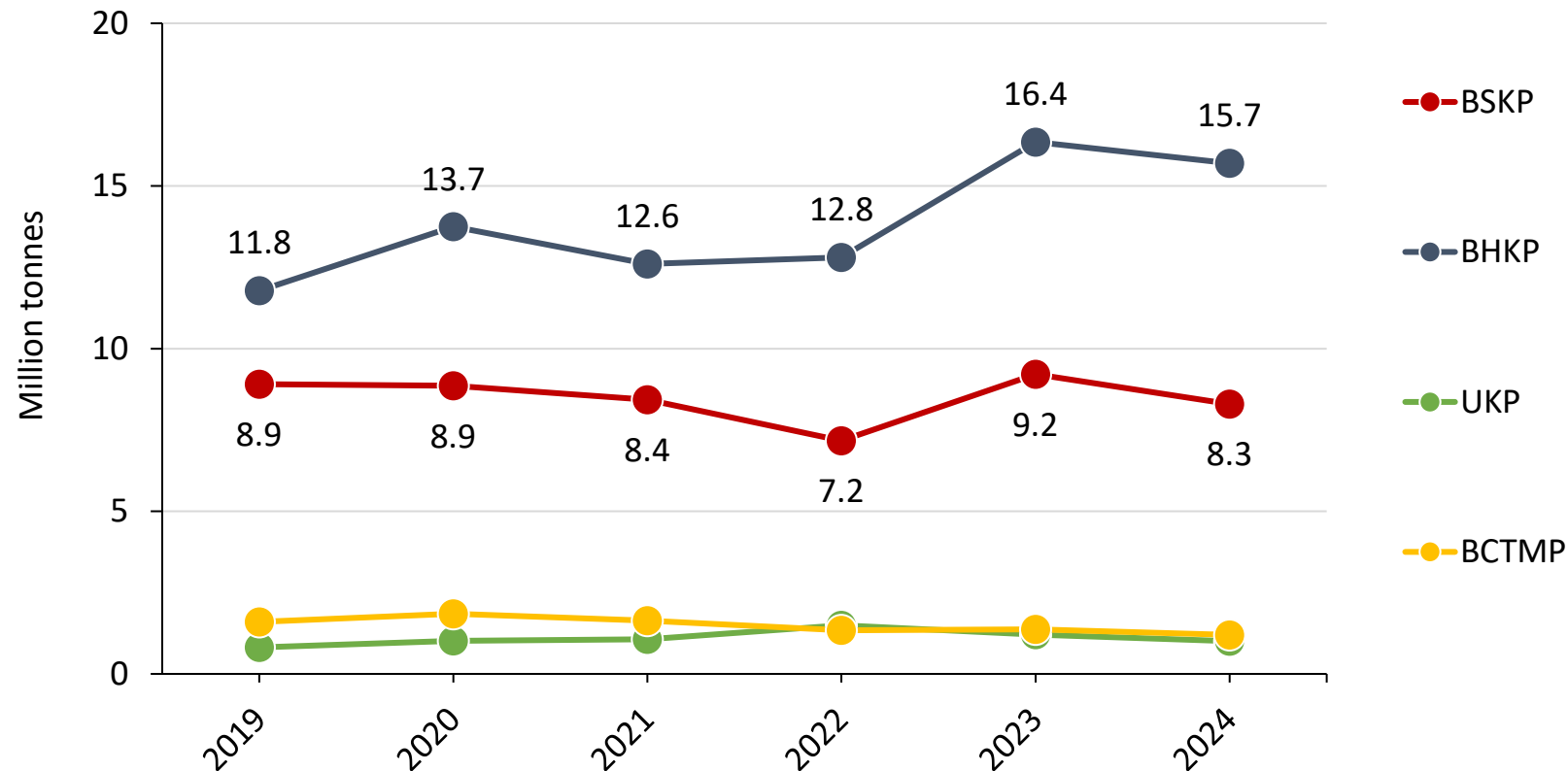


- Demand fluctuations in Europe and North America are less impactful on the statistics



Chinese pulp import growth is slowing

China pulp imports by grade, 2019-2024

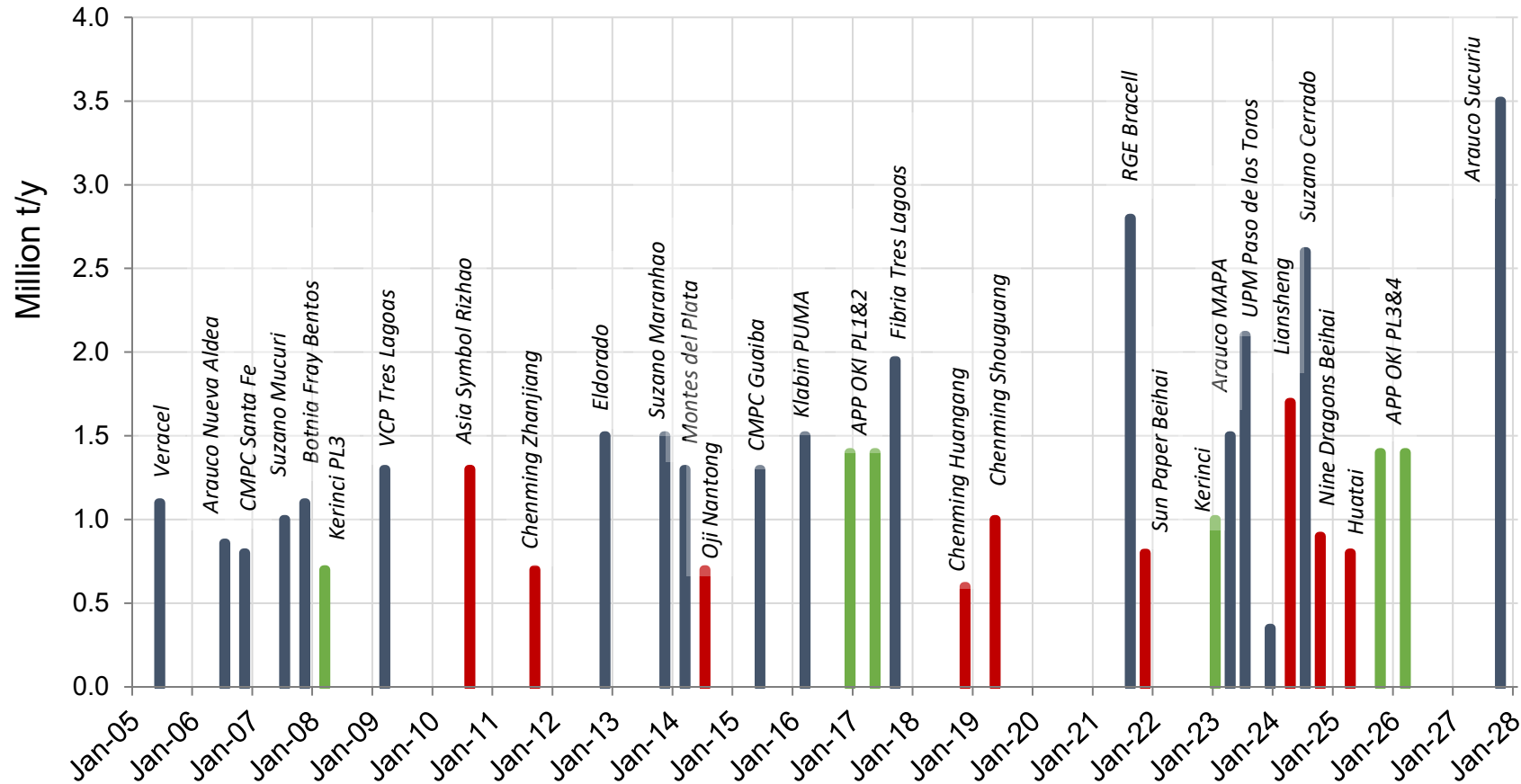


Source: Chinese customs data

- Total pulp imports have grown by 3 million tonnes over last five years, equivalent to 600,000t/yr (all BHKP)
- This reflects both a slow-down in Chinese paper and board demand, and the acceleration in domestic pulp production

BHKP capacity investment is accelerating

Major **BHKP** capacity investments since 2005



Note: Includes integrated lines. Excludes softwood, high yield & semi-chemical

And much more to come

- Unconfirmed or post-2028:
 - CMPC Natureza
 - Bracell II
 - Eldorado II
 - Klabin (softwood/fluff)
 - Paracel
 - Vietracimex
 - Other Chinese...

Blue = Latin America

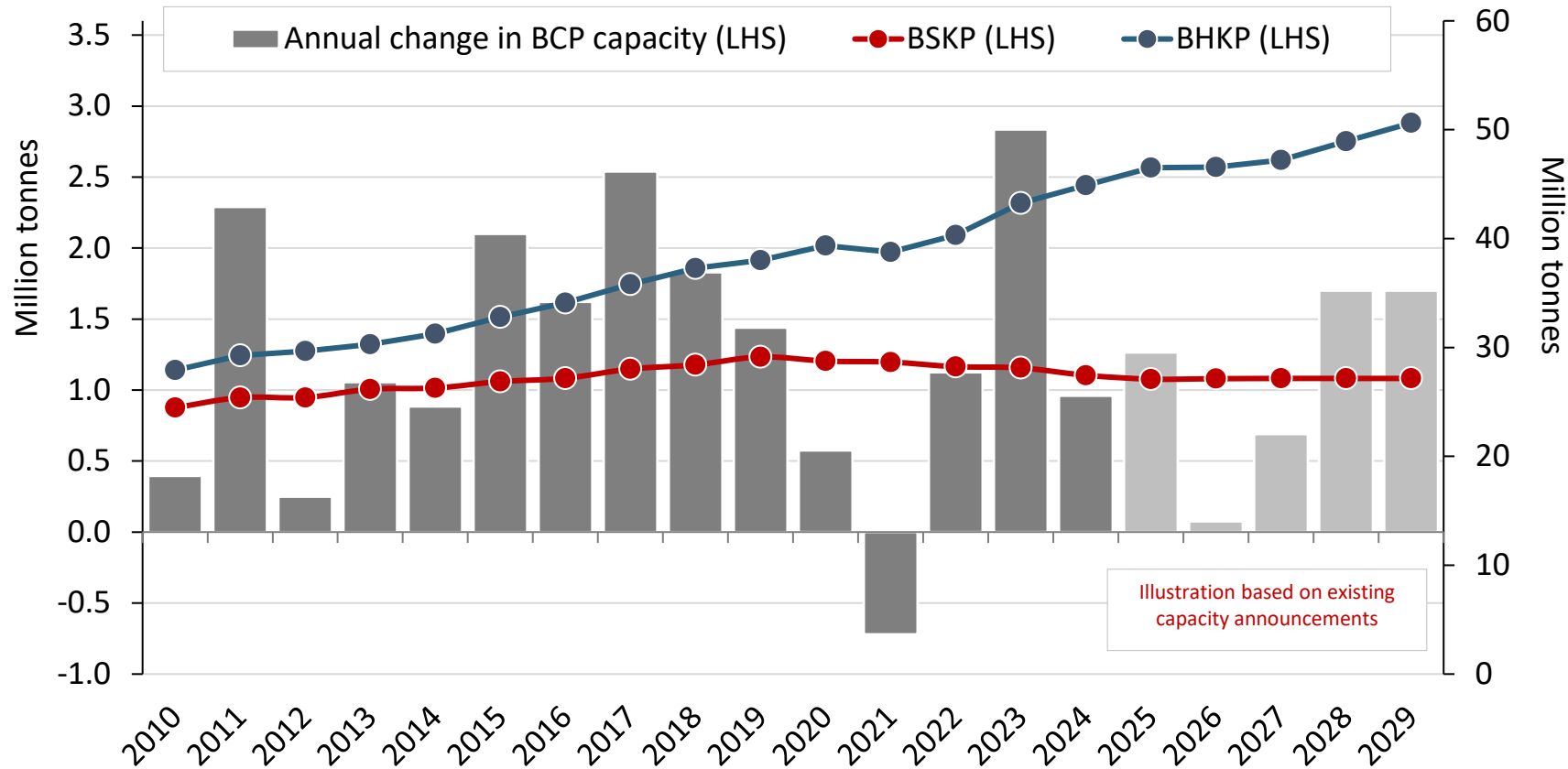
Green = Indonesia

Red = China



Bleached chemical pulp capacity

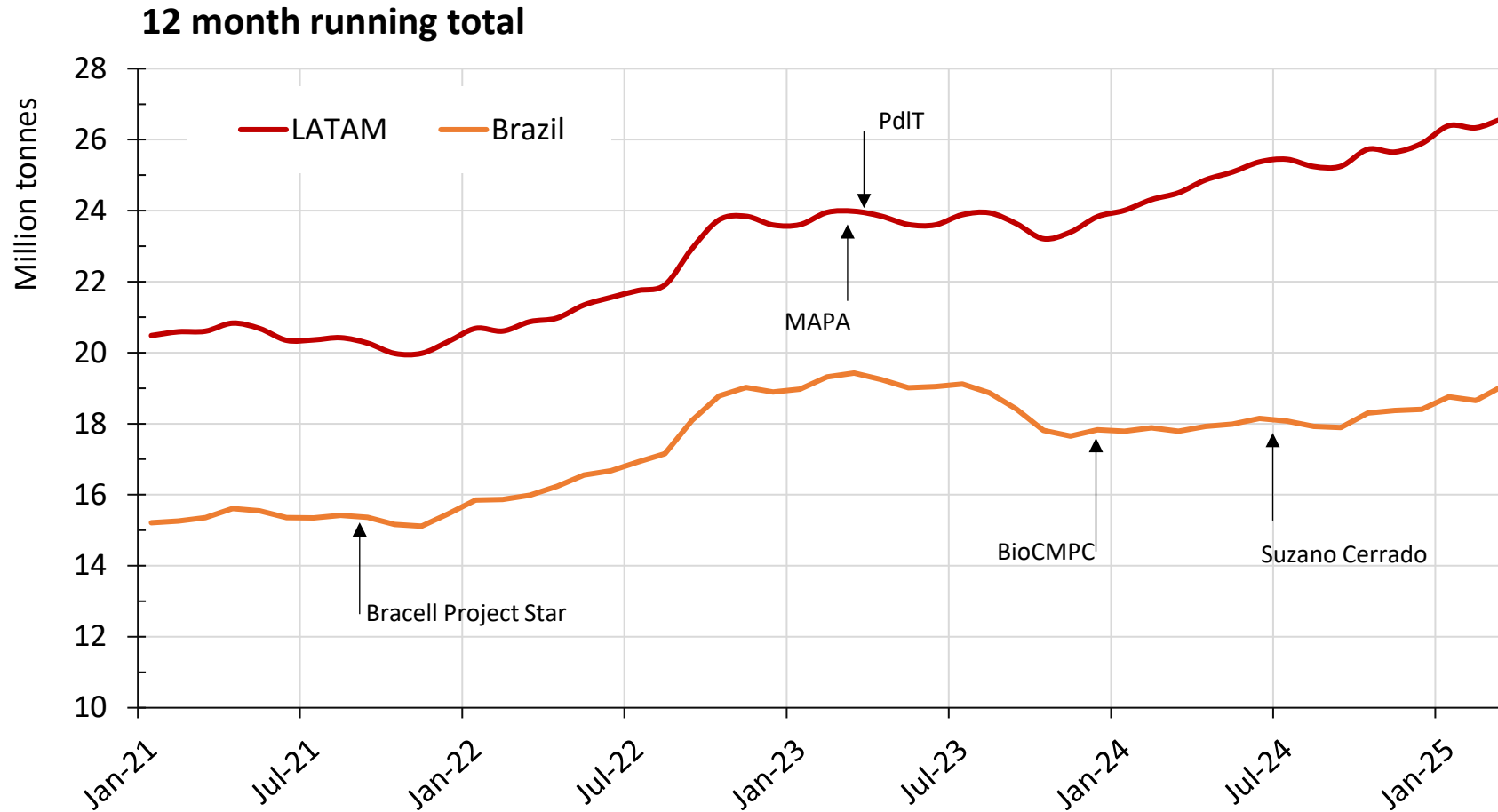
Net market pulp capacity changes



- Capacity closures, conversions, and integrations partially offset the new investments
- This year net capacity growth of 1.3Mt, unless more mill closures are announced
- Capacity growth will slow through 2026 & 2027, with OKI II the main wildcard



Latin American BEKP exports



Source: GTT

- Latin American BEKP exports have increased by 6.6 million since Q3 2021
- Market pulp capacity increased by ~8.3Mt/y
 - Bracell (2.2Mt/y)
 - Arauco (1.1Mt/y)
 - UPM (2.1Mt/y)
 - CMPC (0.35Mt/y)
 - Suzano (2.55Mt/y)



Conclusions and take-aways....

- World looks less bad this week than last week, but the new world order is changing
- Despite the rising threats, pulp and paper trade has continued to grow along with China's exports surplus
- New pulp mill investments will accelerate the structural changes in our industry
- Pulp cycles have been getting shorter and weaker over the past two years
- Where prices settle in the short term will depend on currency and sentiment...but current levels in China are unsustainable
- Unpredictable world and insufficient timely data. I wish ChatGPT well...

- Thanks for your attention!

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