UTIPULP

Group of European Market Wood Pulp users

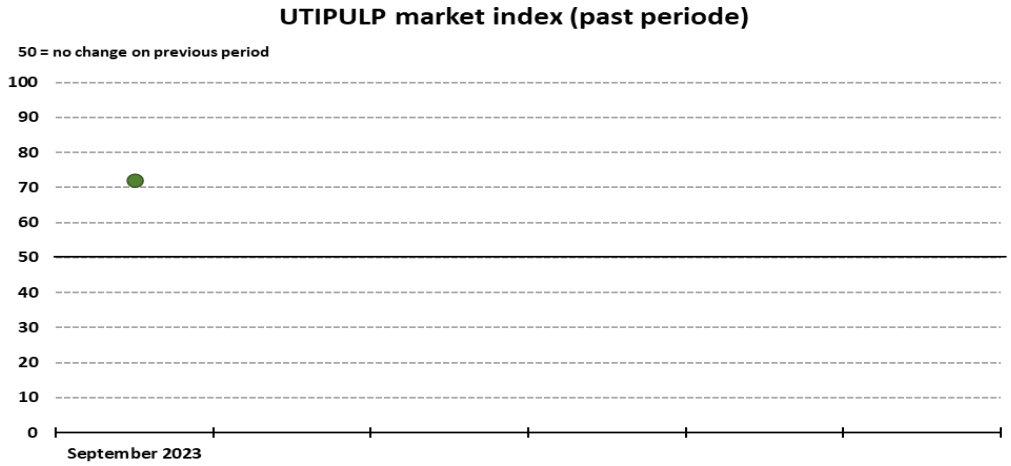
UTIPULP Market questionnaire

September, 2023

17 answers have been received (all of them from company representatives).

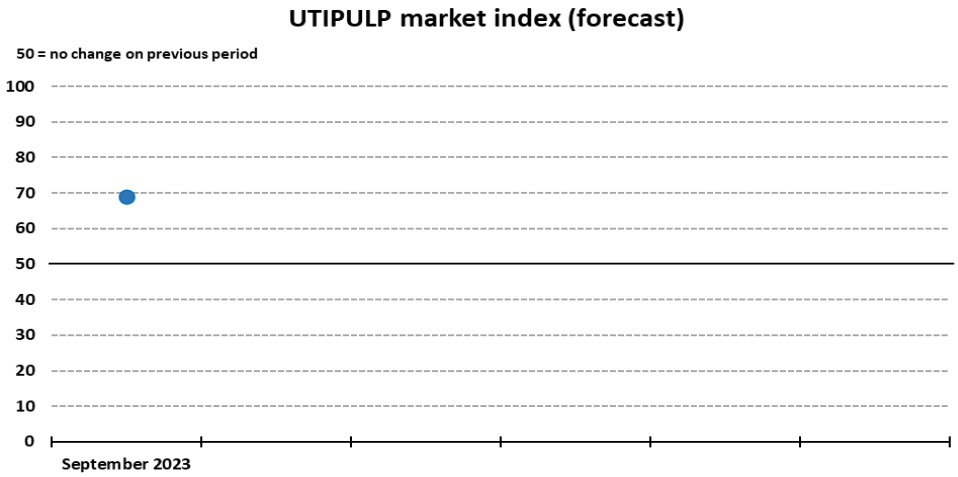
1. **Regarding your pulp supply, has the situation improved or worsen since the last meeting (April 2023)?**

   - Index reaches 72.
   - One answer reports "slight deterioration". All other answers report "steady, slight or strong improvement".



2. **In H1 2024, according to you forecasts, will the pulp supply improve or worsen?**

   - Index reaches 69.
   - All answers report "steady, slight or strong improvement".



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3. Please specify the reasons of your forecast

Answers are very similar regarding the evolution of the pulp supply, but more heterogeneous as regards the demand.

In the light of a growing supply a pulp, the demand will play an even more significant role in the coming months to balance the market.

Regarding the pulp supply:

- All respondents forecast and increase of the pulp supply. Most of them anticipate that the increased capacities will be more substantial for hardwood than for softwood pulp.
- For hardwood pulp, UPM (Paso de los Toros) and Arauco (MAPA) capacities will be ramped up. One answer refers to the upgrade of Guaiba. For softwood, Metsä (Kemi) will be on the learning curve.
- It is also mentioned that if prices increase, that might bring back idled integrated capacity, in particular in China. One delegate also mentions that North America is expected to still struggle with high wood costs and a low availability of pulpwood, resulting in no additional supply from this part of the world.
- Regarding the wood procurement conditions, on respondent mentions that, in some European countries, a reduced wood chips availability (low business in the sawmill industry and strong competition of energy=pellets), coupled with restricted imports from Russia, could challenge pulp production.

Regarding the pulp demand, respondents have different forecasts, depending on either macro-economic drivers (global economic rebound, recovery in China …) or the prospects of the paper demand (see paragraph below). Even if there as slight variations, the perception is all in all not very optimistic regarding a prompt and quick increase of the paper and board production.

4. What key changes will influence pulp consumption in your country during the 12 coming months?

Several respondents consider that a key driver for the paper and board consumption will be an improvement of the economic situation and a situation where inflation is "back to normal" (= pre-covid levels). Such a rebound would trigger a revival of activities for packaging, P&W (advertising) and tissue (both at Home and Away from Home).

The bottlenecks that were mentioned during the first half of 2022 (shipping problems, shortage of some chemicals …) are not reported in any of the answers.

If the poor economic situation keeps on as it is, some expect that some mills will have to be shut down.

Besides some minor changes in paper capacities, nobody reports substantial changes. In the tissue business, no substantial new capacity is coming. On this market is expected a slight but stable increase. However, printing and writing business is forecast to decline, mostly due to lower consumption (digitalisation impact).

One final remark: "*It's more visible today that market tends to reach its balance in all segments. Time for M&A or some structural changes*."

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