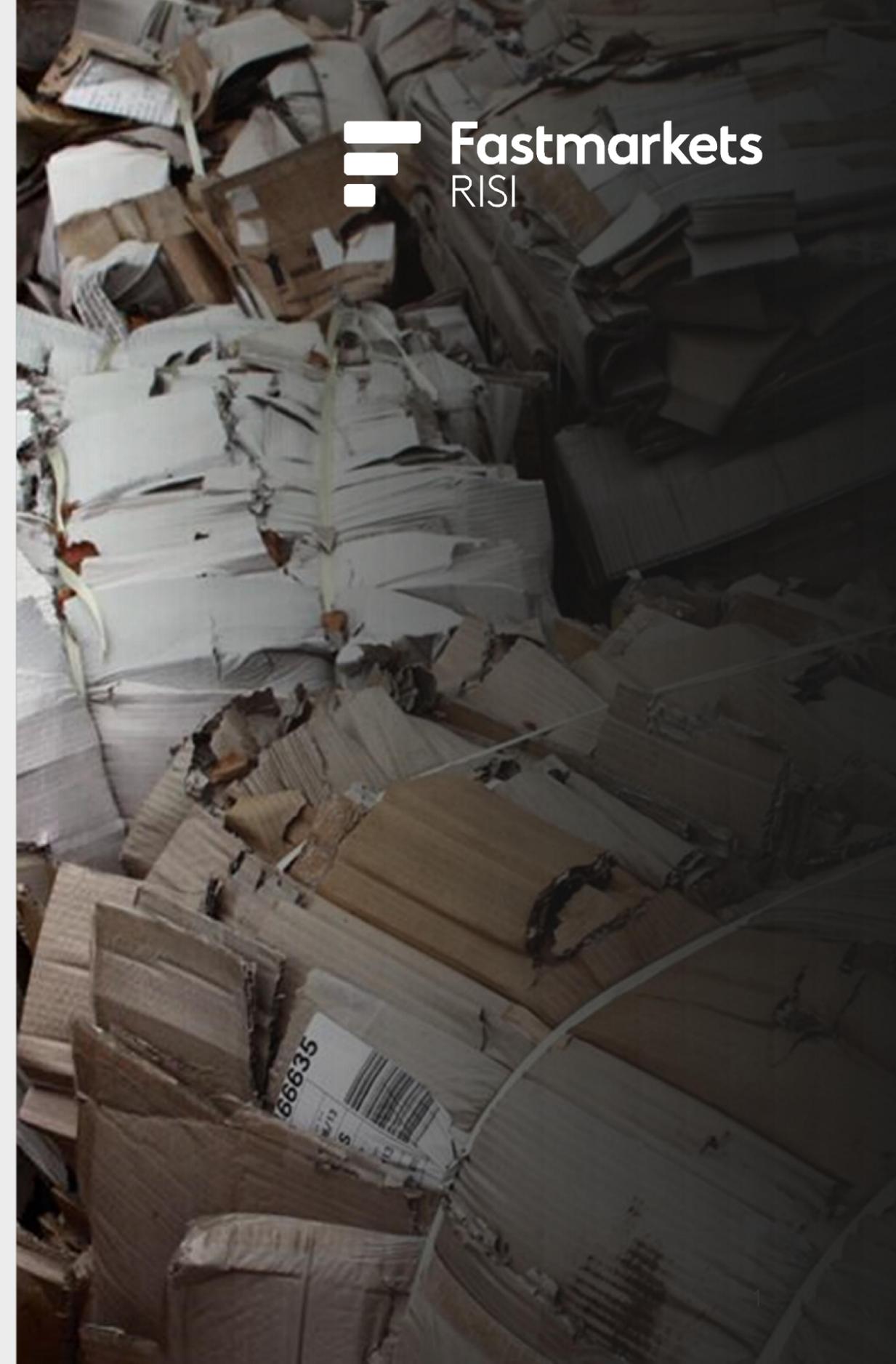


Outlook for the Global RCP Markets

Asian Conference 2023

Hannah Zhao

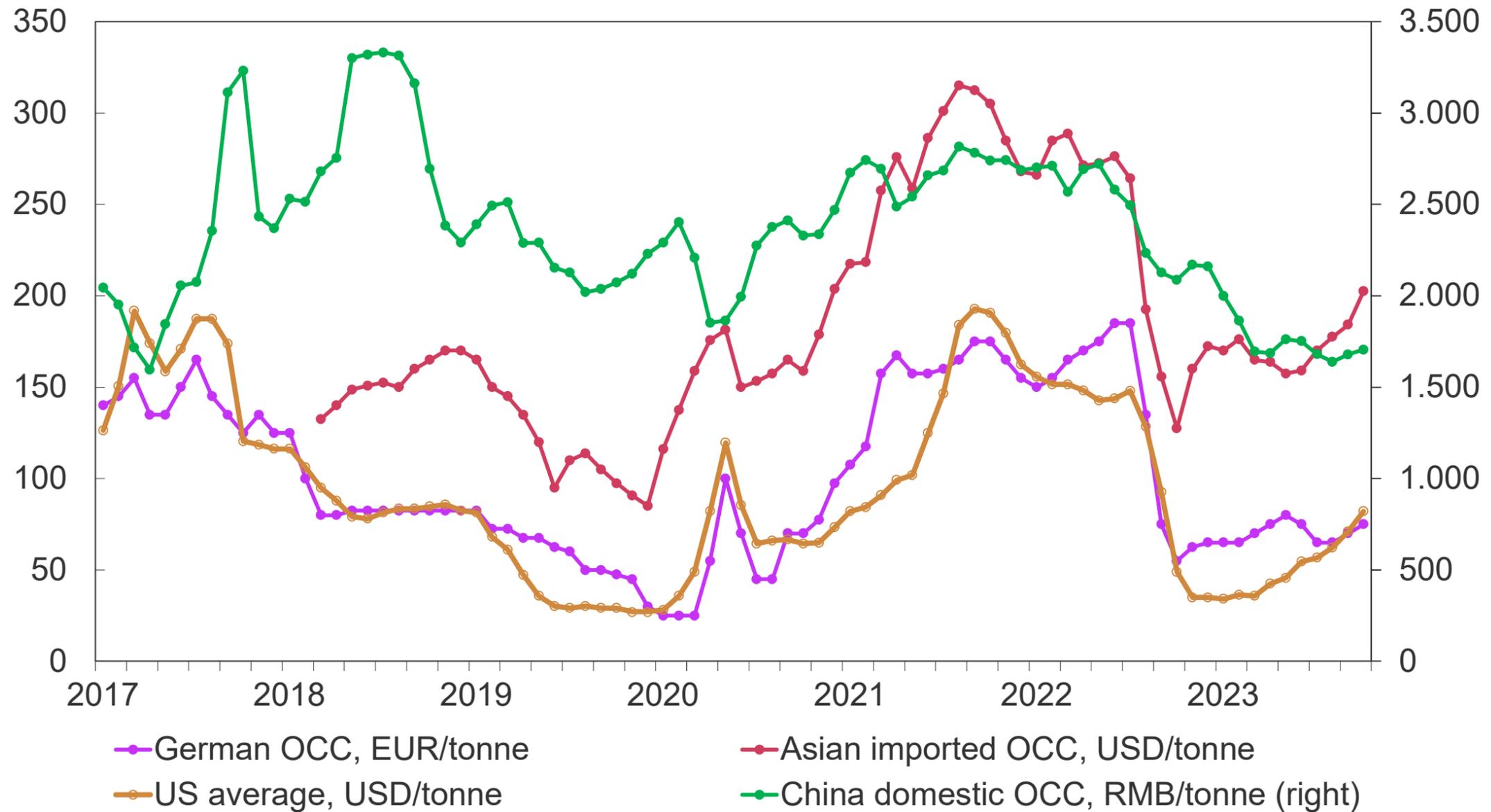
Director, Fiber
Fastmarkets RISI



OCC markets showed signs of stabilization and rebounding

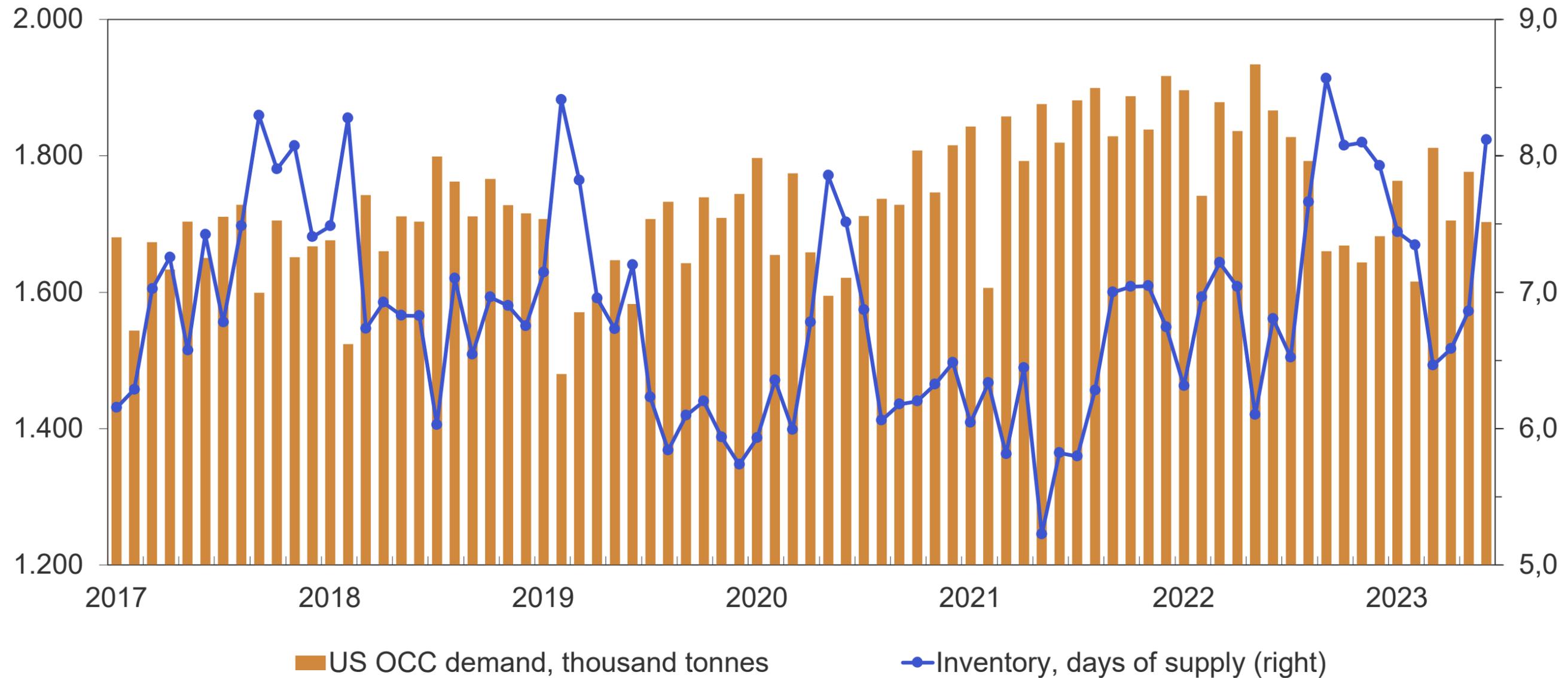


- Weak Chinese market
- Sluggish European market
- US market was relatively tight



Source: Fastmarkets.

US domestic OCC demand weakened further in 2023 but new capacity helped hold the market relatively tight

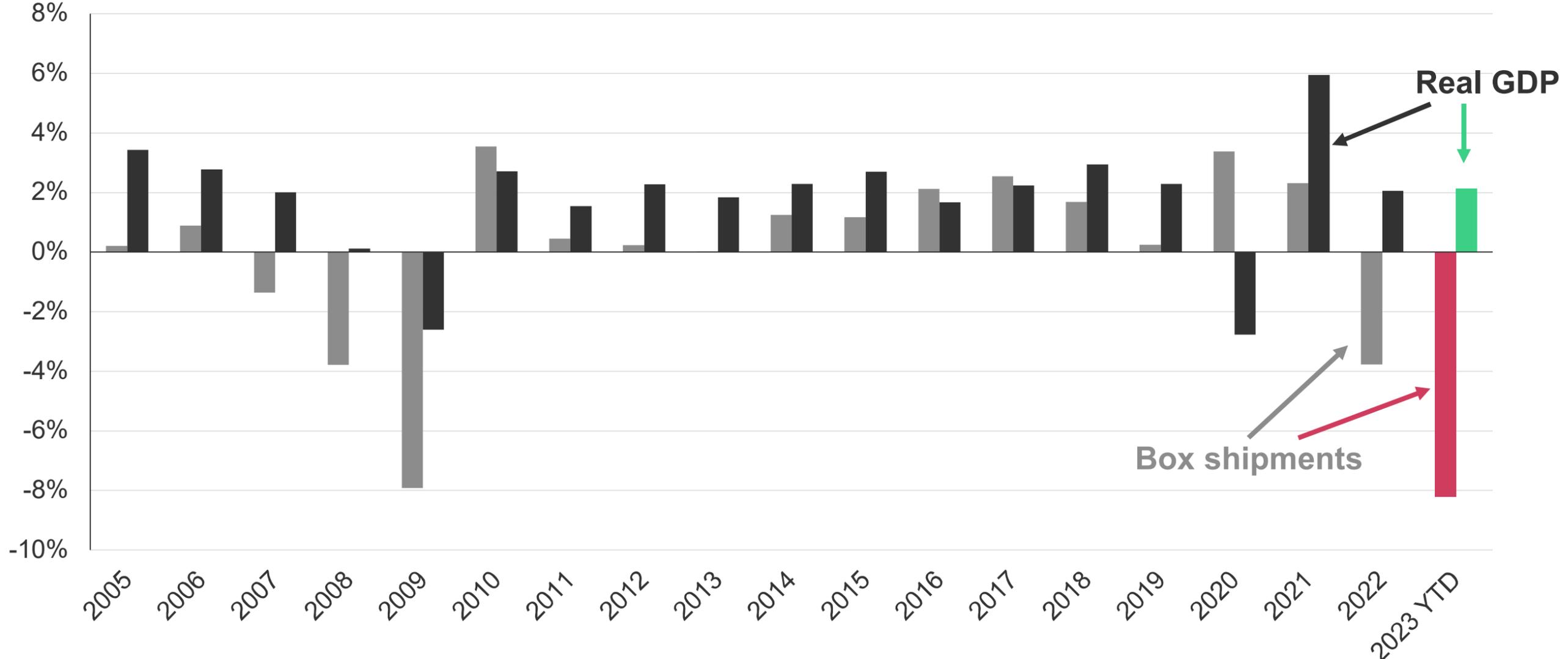


Source: AF&PA.



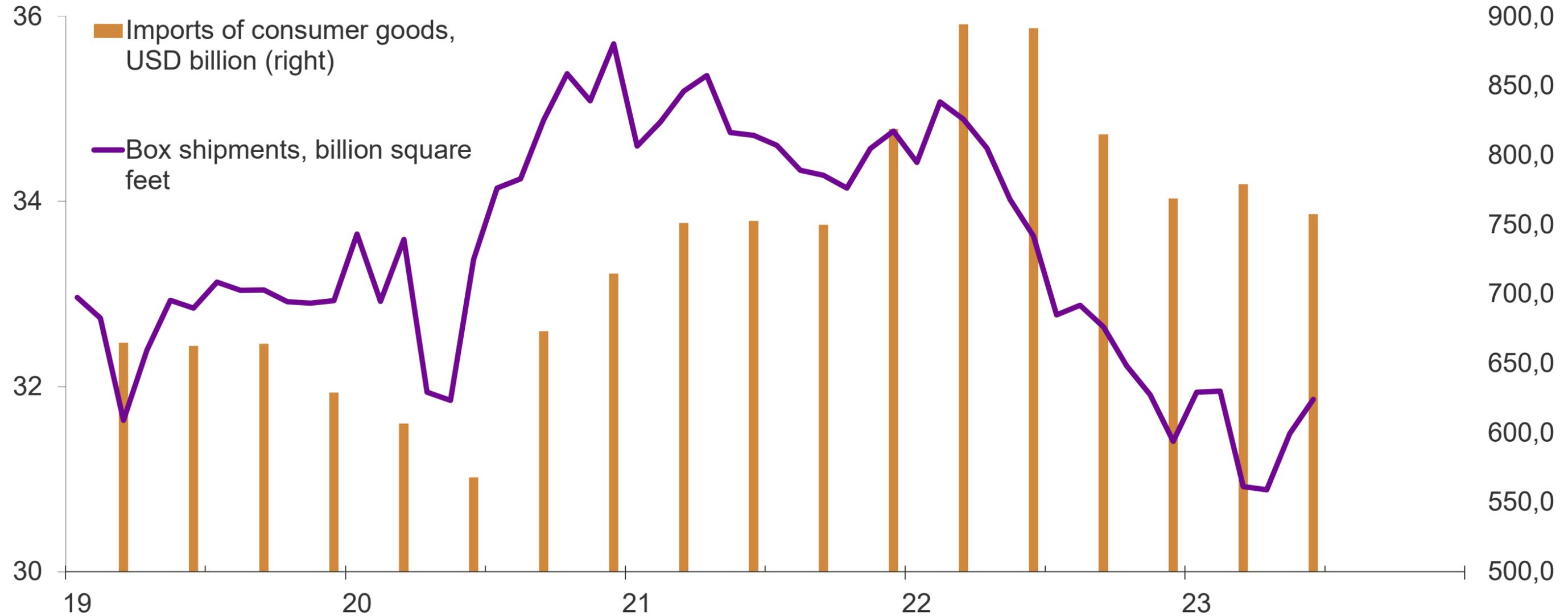
Weakness in US box shipments comes despite strength in overall economy

US corrugated box shipments and real GDP, percent change



Source: Federal Reserve, Fibre Box Association.

Low generation helped balance the US OCC market



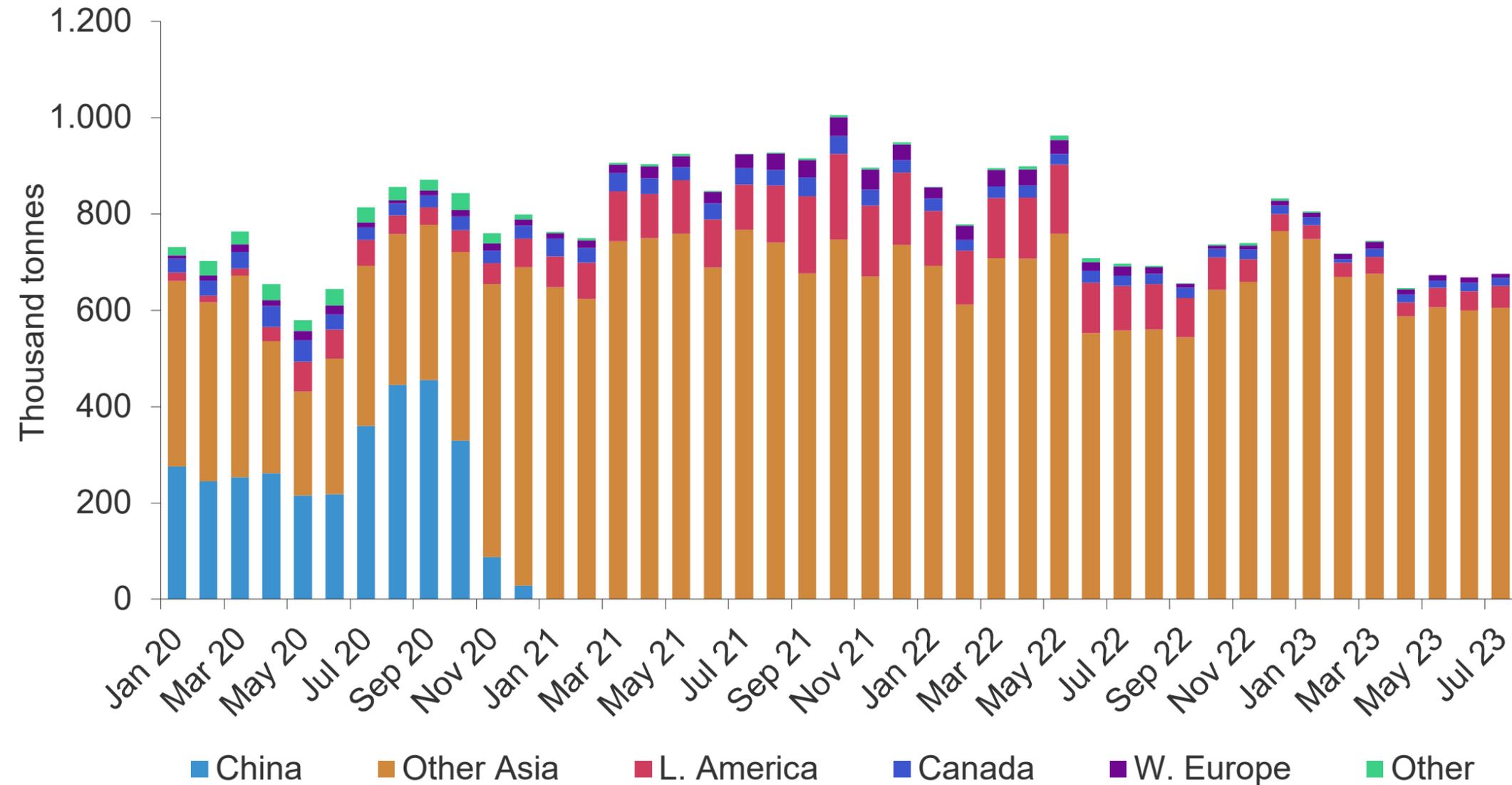
Source: Fibre Box Association, U.S. Bureau of Economic Analysis, Fastmarkets.

Low generation limited US RCP exports in 2023



- US OCC exports down by 17% year-on-year between January and August
- Exports to both Asia and Latin America declined significantly

US OCC exports

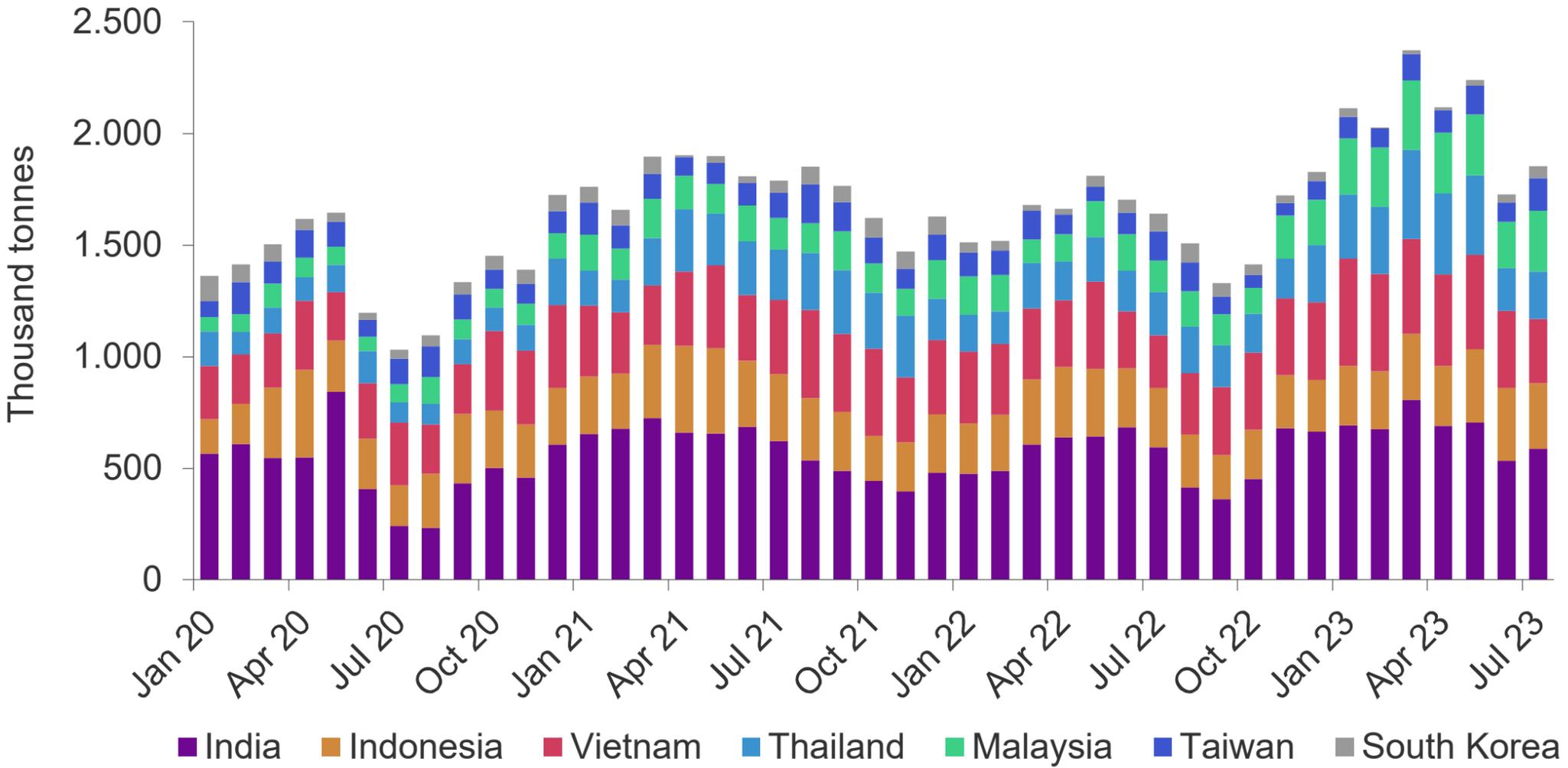




Asian RCP imports softened in the 2nd quarter after strengthening in late 2022 and early 2023

- Asian imports were relatively strong in early 2023
 - Expected Chinese demand recovery
- Asian imports slowed in the 2nd quarter as demand softened
- Asian RCP imports increased by about 25% year over year in the first seven months of the year
- Asian imports from North America dropped

Asian RCP net imports

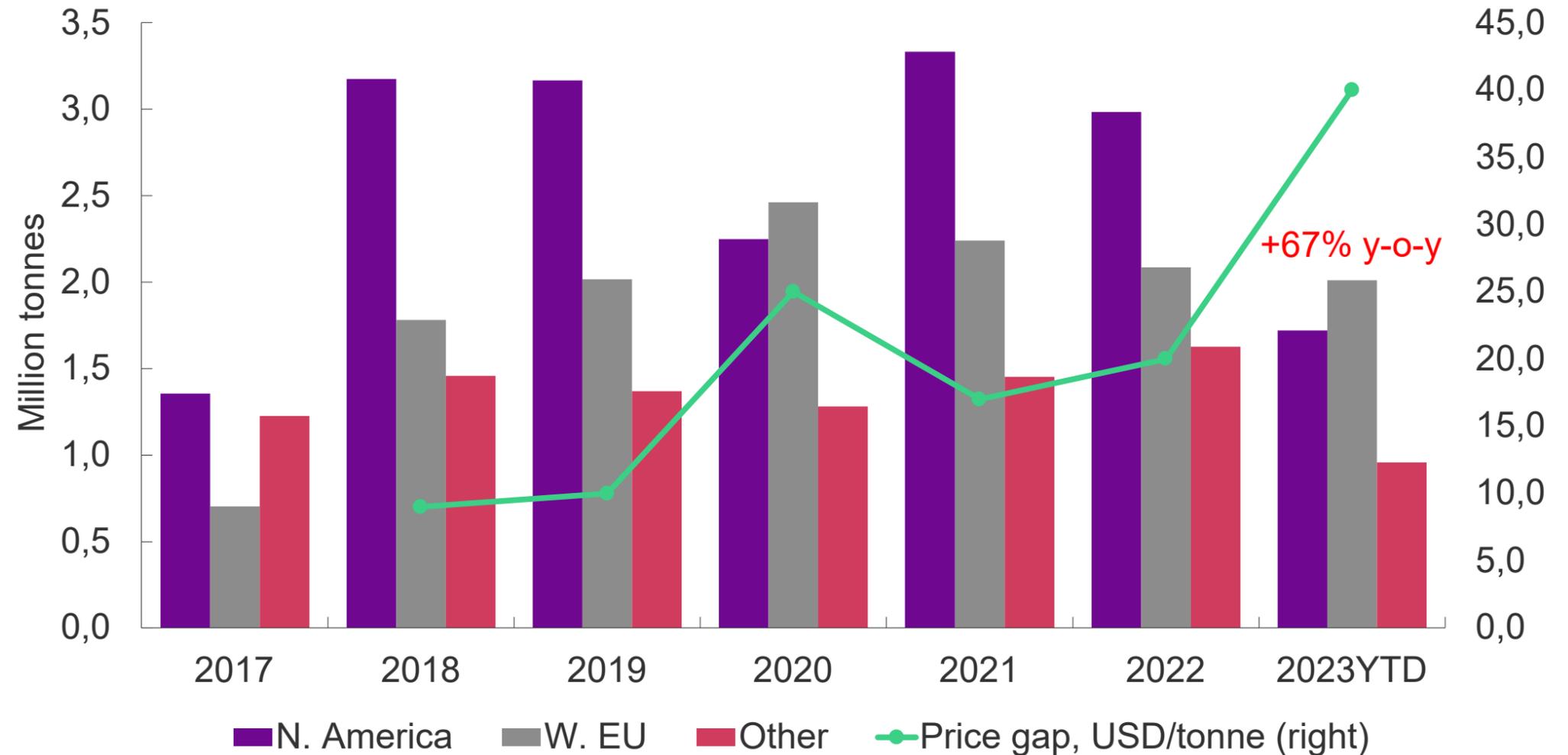


Is US RCP losing share to RCP from other regions?



- US OCC became more expensive relative to OCC from other regions
 - Overall tight OCC demand/supply balance in the US
- US OCC will remain attractive to Asian mills: high virgin fiber content

Indian RCP imports



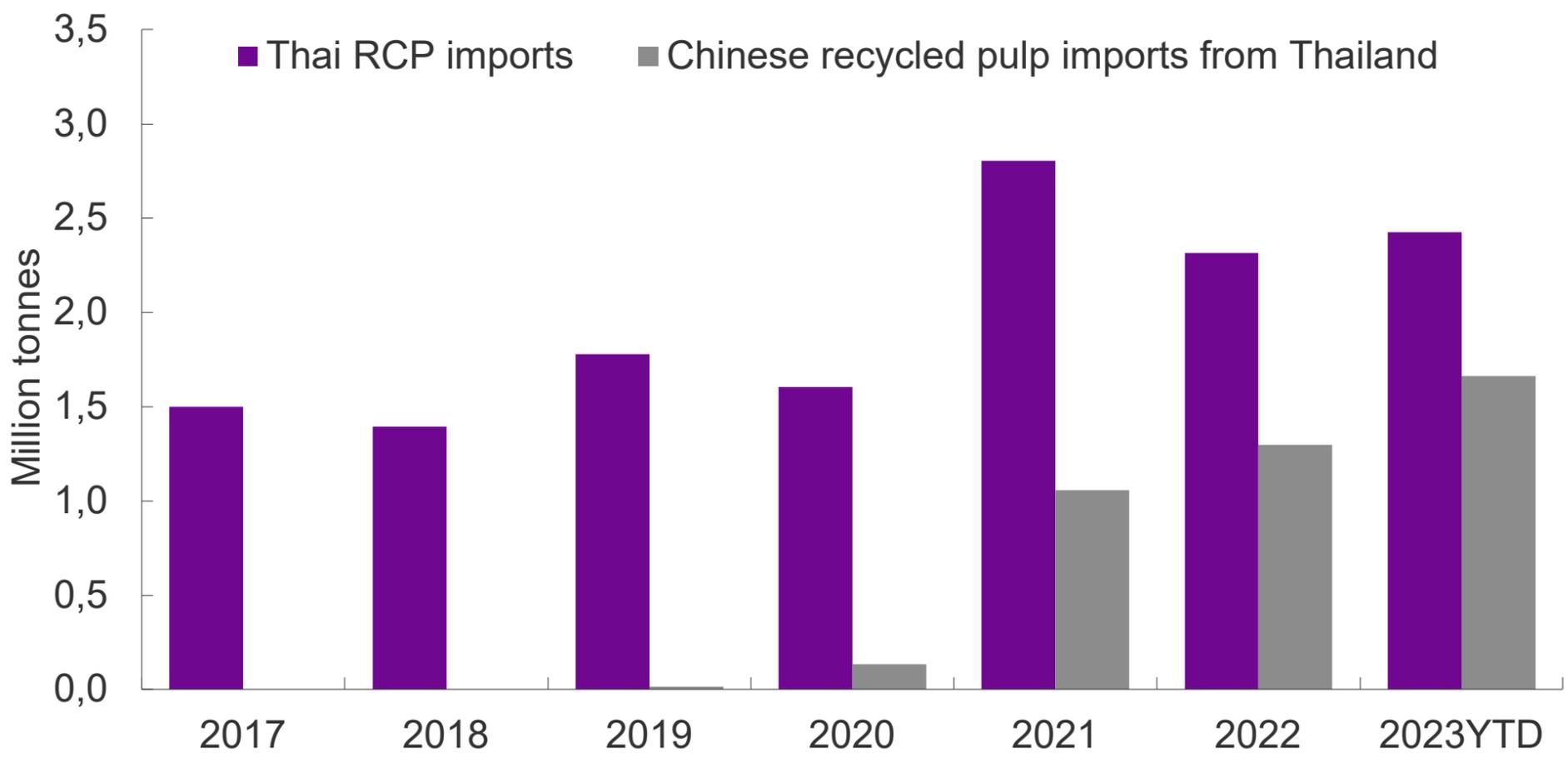
YTD: January-July.



Thailand RCP imports surged in 2023 together with its exports of recycled pulp to China

- Thailand RCP imports increased sharply by 61% year over year in January-August
 - Imports from the US grew by about 106% during the same period
 - Chinese recycled pulp imports from Thailand surged by 114% in January-August
 - New recycled pulp capacity in Thailand

Thailand RCP imports



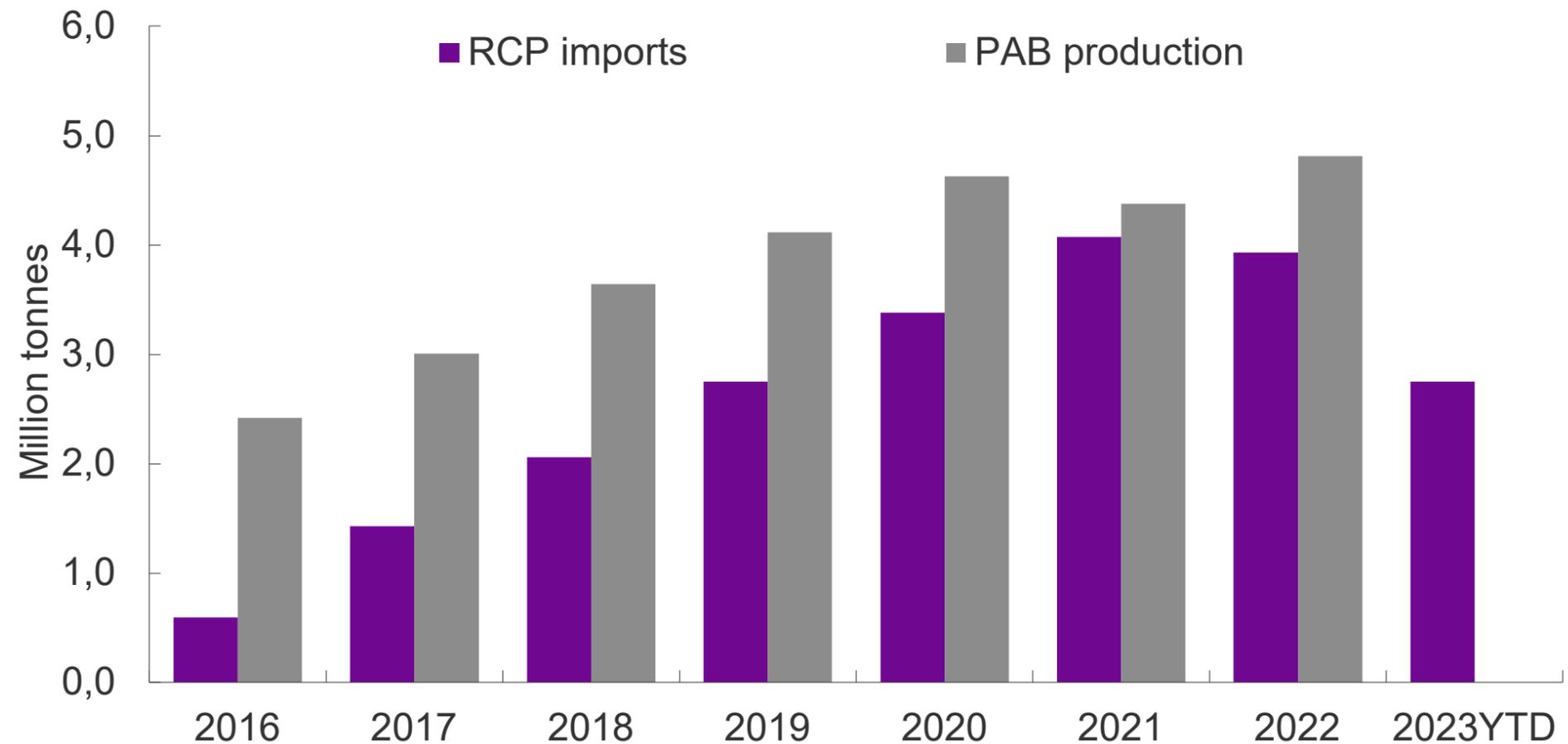
YTD: January-August.

Vietnamese RCP imports surged together with its paper and board production



- Vietnam has become the 2nd largest RCP importer in the world
 - US, Europe and Japan have been the three major suppliers
 - Vietnamese RCP imports increased by about 22% year over year in January-July of 2023

Vietnam RCP imports and PAB production



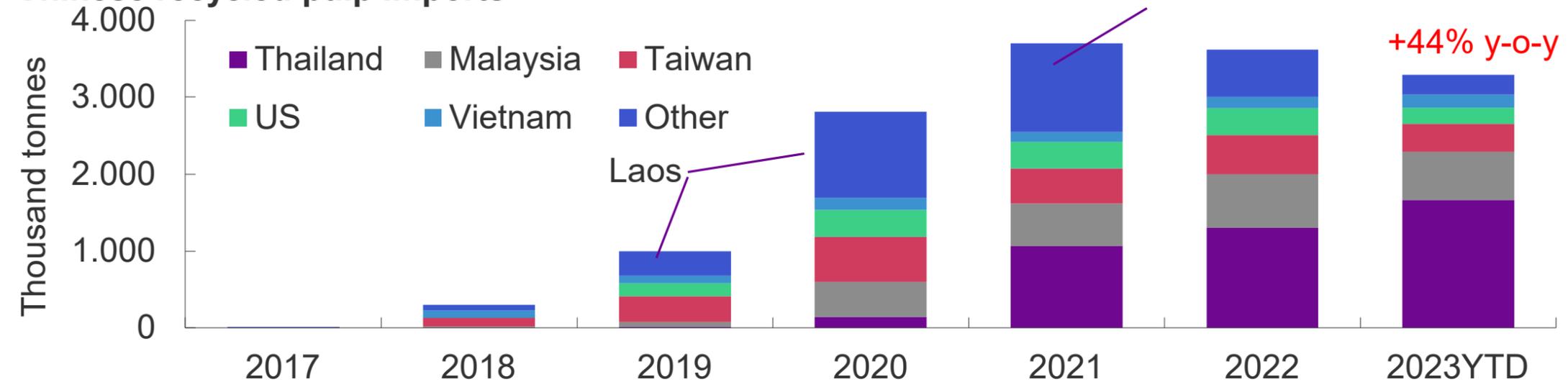
YTD: January-July.

Chinese recycled pulp imports grew significantly in 2023



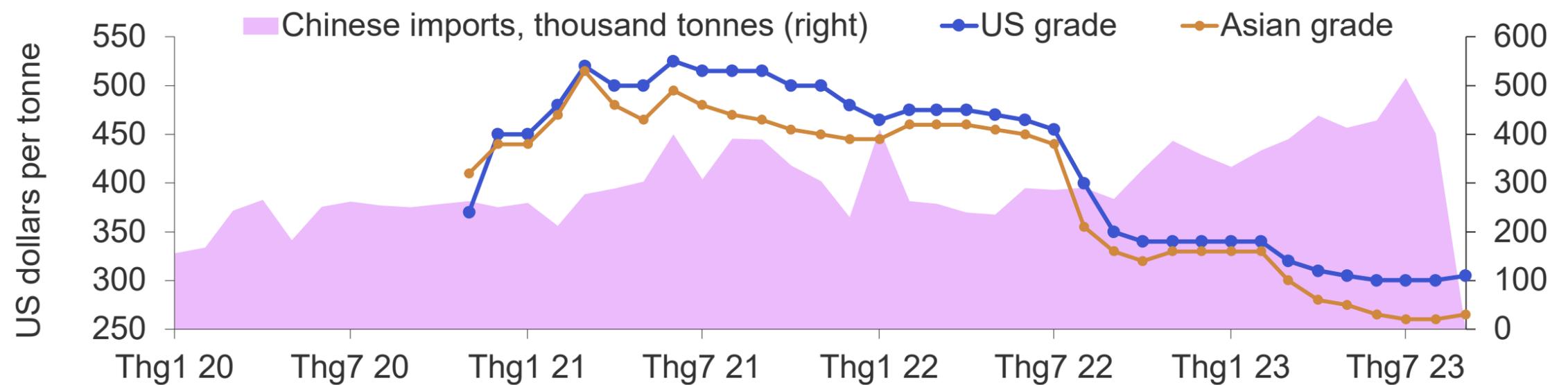
- Chinese demand for high-quality recycled fiber
- Low recycled pulp import prices
- Thailand, Malaysia, Taiwan and United States have been the top four suppliers

Chinese recycled pulp imports



YTD: January-August.

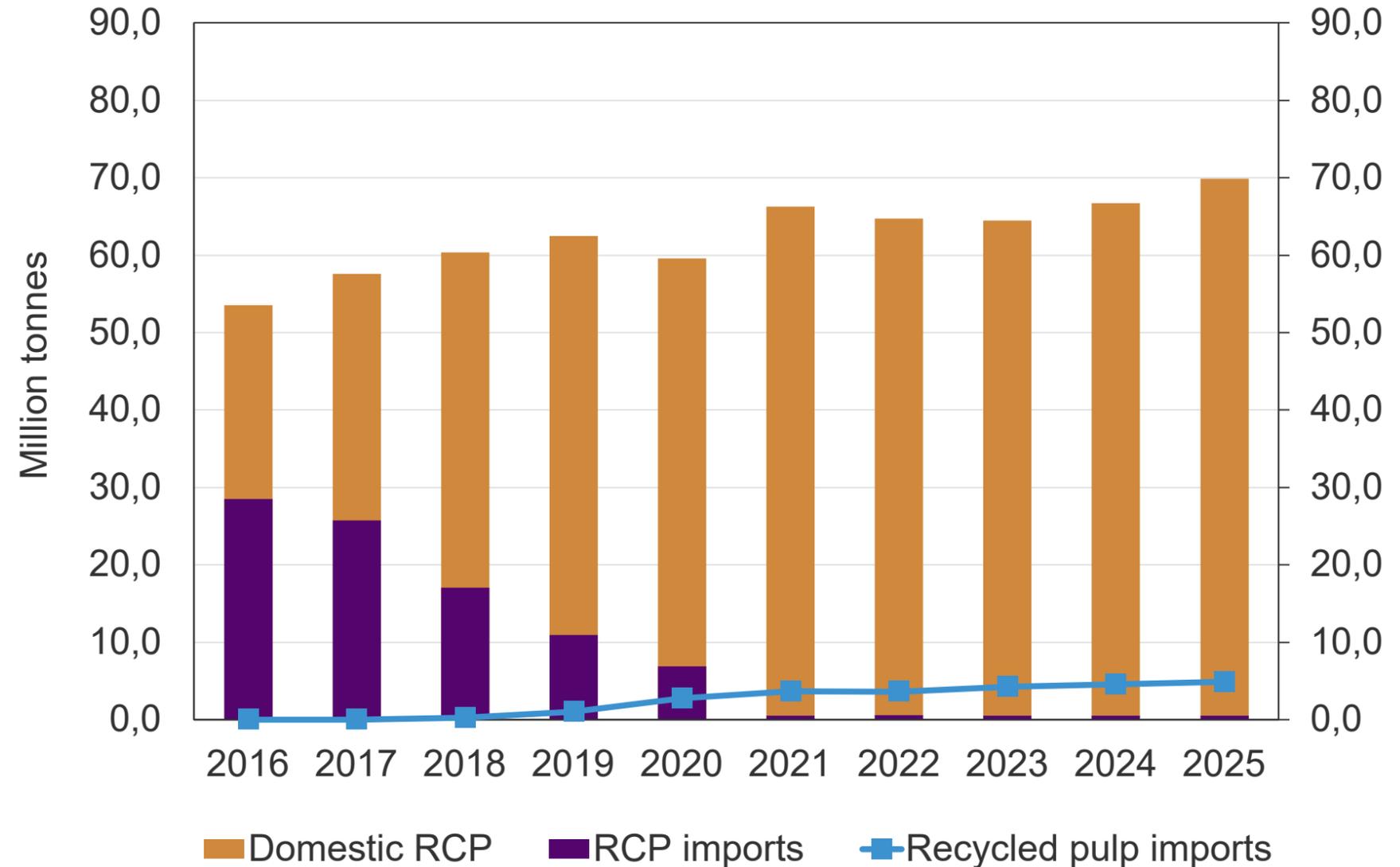
Chinese import price for recycled pulp





Chinese demand for recycled fiber will grow albeit at a slower rate

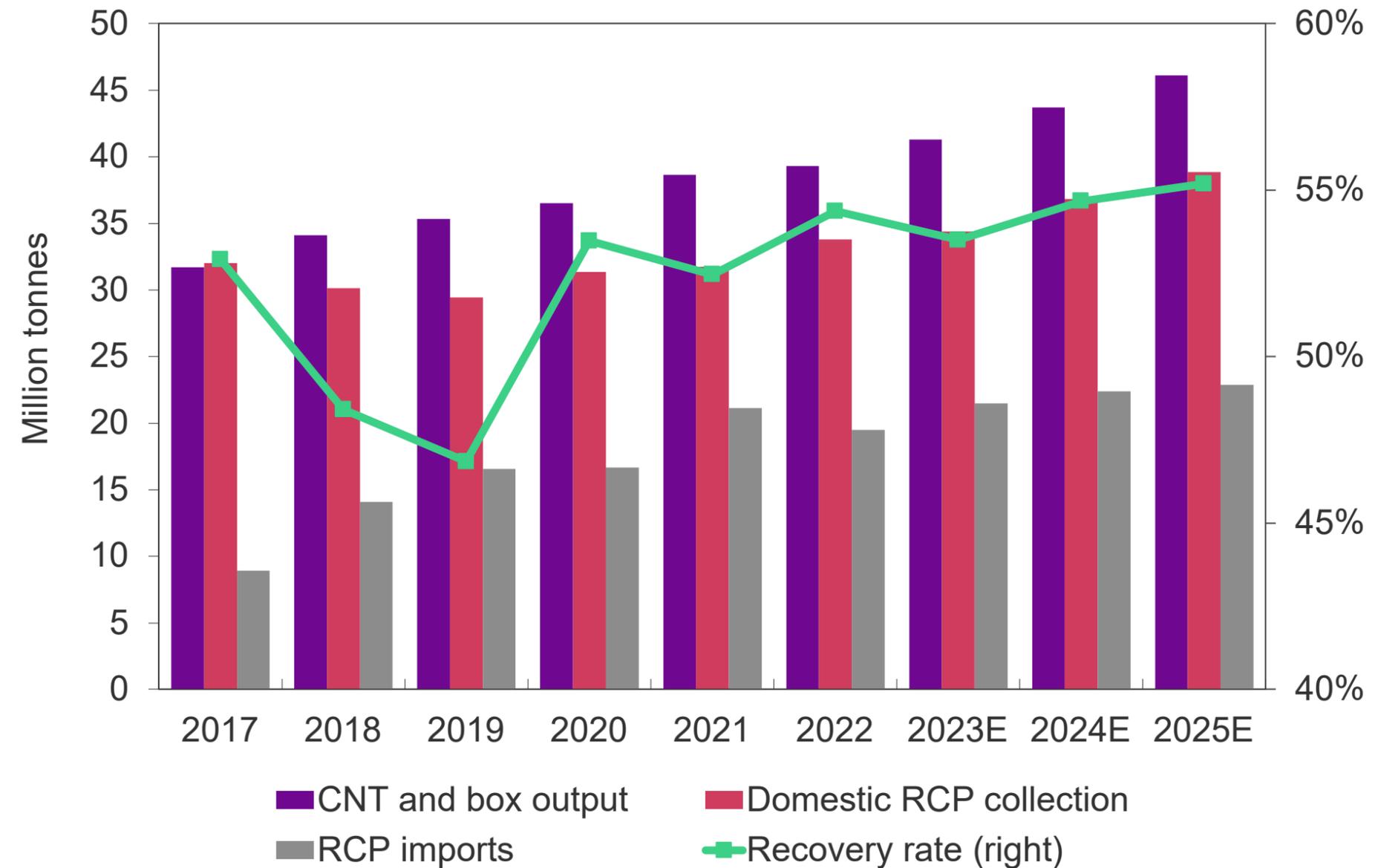
- Increasing virgin fiber usage due to lack of recycled fiber
 - Wood and nonwood
 - Imports and domestically produced
- Demand for high-quality recycled fiber (imported recycled pulp) will grow
 - To maintain the overall recycled fiber quality
 - Uncertainty related to recycled pulp imports remains?



Other Asian RCP demand will grow driven by expanding paper and board and recycled pulp production



- Growing demand
- Limited domestic RCP supply
 - Net “exports” of paper packaging materials related to exports of consumer goods
 - Less-efficient recycling systems
- More RCP imports
 - Potential obstacles: import restrictions

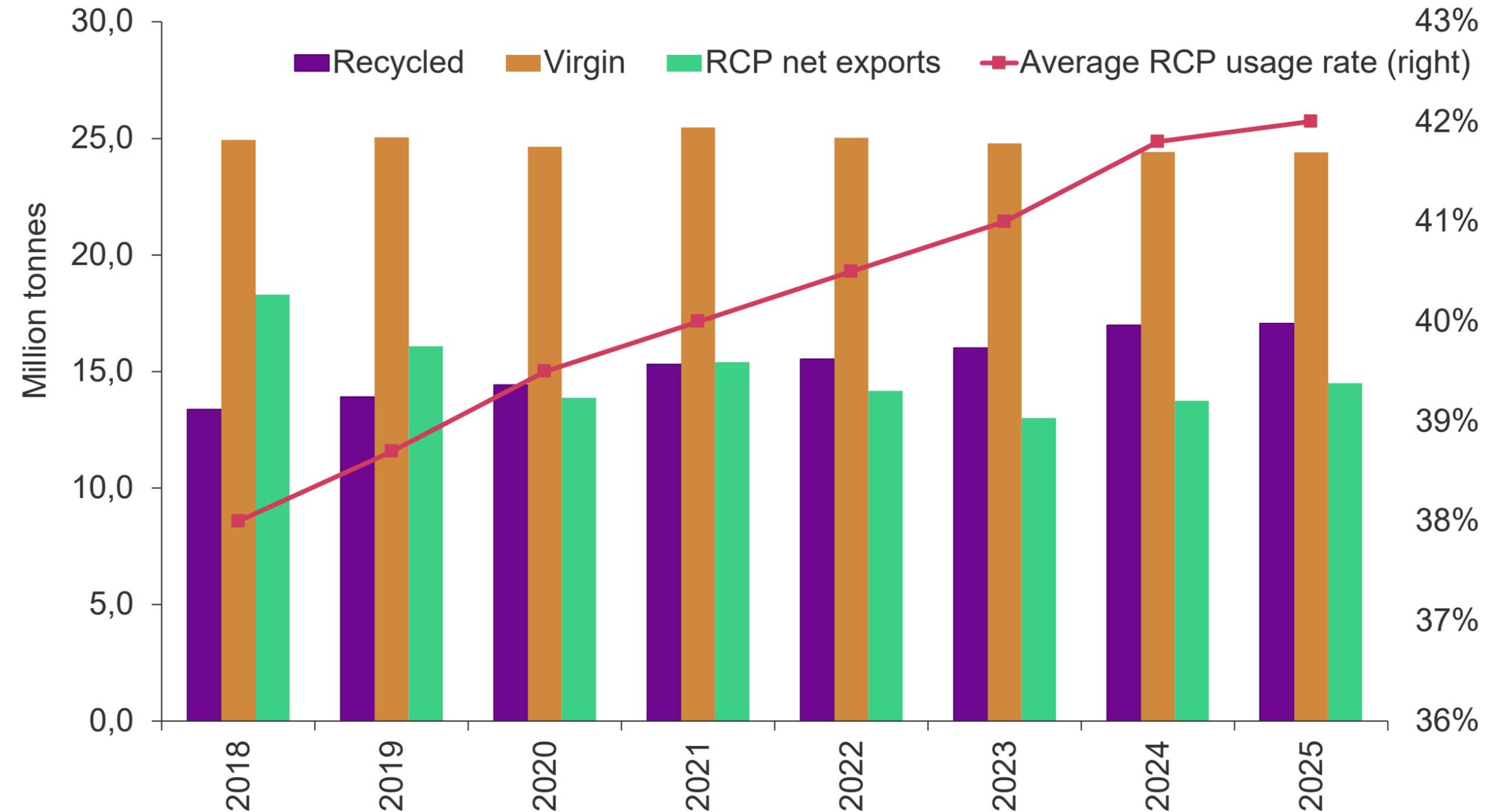


North American and European RCP demand will grow together with the expanding recycled containerboard capacity



- Growing recycled containerboard production base
- Rising average RCP usage rate
- Will growing domestic usage limit their RCP exports?

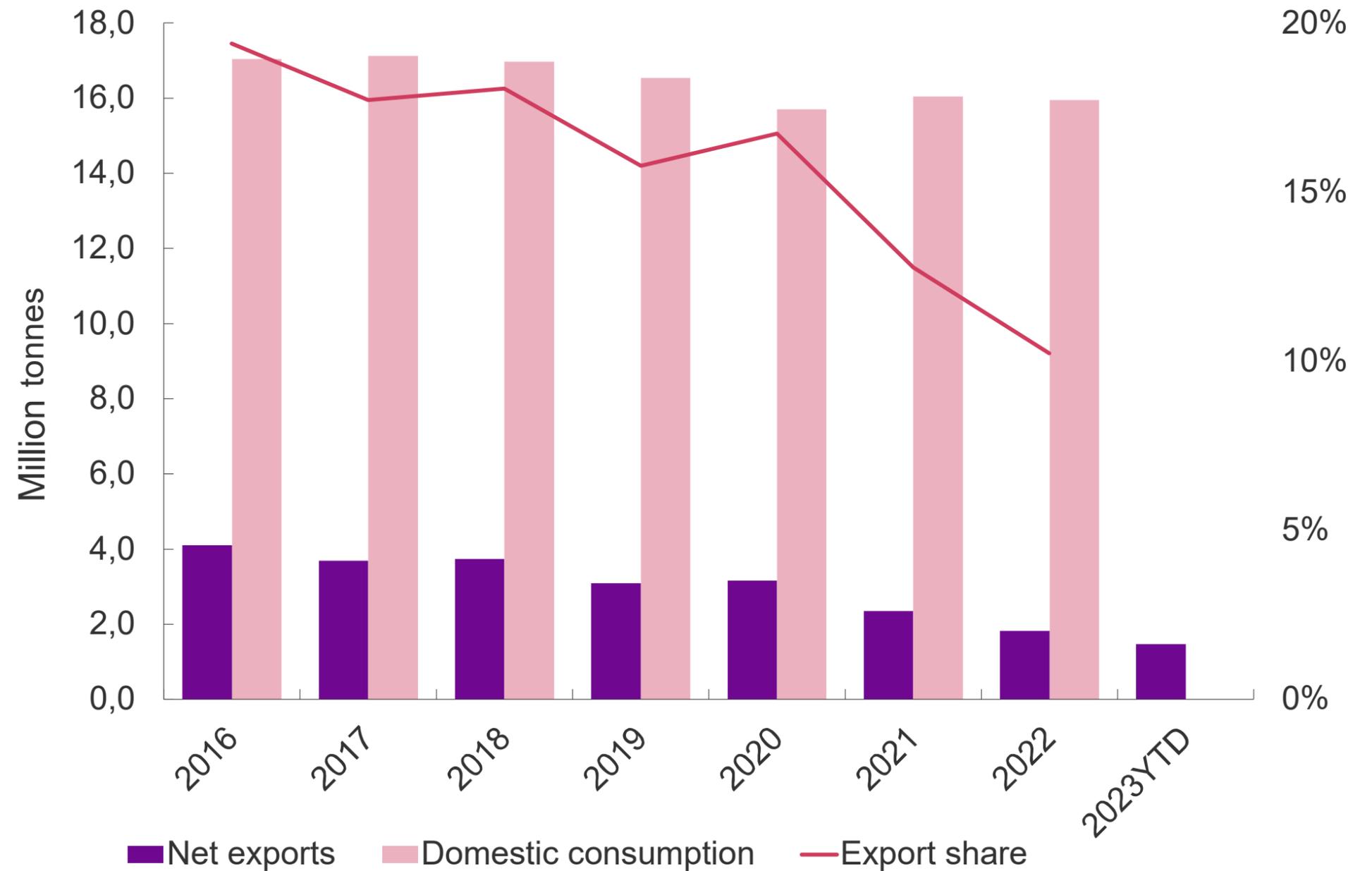
North America containerboard capacity



Japanese RCP exports will become limited as well



- Japanese RCP exports fell substantially after China's RCP import ban
- Net exports accounted for only 10% of its total RCP collection in 2022
- Vietnam has become the largest buyer of Japanese RCP
- Japanese RCP exports increased by 13% year-on-year in January – August 2023
- Future Japanese RCP exports will be limited: already very high paper recovery rate and little paper and board consumption



YTD: January-August.



There have been and may continue to be more restrictions on RCP trade, especially for mixed paper

- China's RCP import ban: January 2021
- Indonesia
 - Tightened RCP import restrictions in 2019-20: stringent inspection measures, stricter quality standards
 - Relaxed quality standards in the fourth quarter of 2021
- India announced it would limit mixed paper imports in 2020, but the restrictions were relaxed due to the fiber shortage
- Malaysia started to ban mixed paper imports and tighten inspection measures in January 2022
- Vietnam started banning mixed paper imports in January 2022
- Australia planning to ban mixed paper exports beginning July 2024
- European Union has proposed restricting exports of waste materials, including RCP
 - If so, when? And how?

Summary



- China will remain one of the key players: recycled pulp imports
- Other Asia
 - Rapid growth in RCP demand and imports but tightening controls on RCP imports?
- North America will utilize more RCP domestically to produce paper and board and recycled pulp and US OCC will remain attractive to Asian producers
- Trade will remain an important part of the global RCP markets, with continuous adjustments in regulations and trade patterns

Thank you!



For more information

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June 2022

World Recovered Paper Monitor

ANALYSIS AND FORECASTS OF THE GLOBAL RECOVERED PAPER MARKETS

Summary of the global recovered paper market

OCC
US domestic prices flattened in June and edged up in July due to limited generation. Export prices on the East Coast continued to slip in June and July, while those on the West Coast rebounded. European prices were mixed, with prices in Germany rising in June and those in other surveyed countries were flat. Asian import prices were largely stable in June but slid significantly in the first half of July as demand remained sluggish. Chinese prices for domestic old corrugated containers (OCC) declined continuously in June and July without major improvement in demand. The global markets are expected to stabilize or soften somewhat in the third quarter. While supply in North America and Europe could be limited in the summer holiday season, the demand in these two regions will continue to level off. Asian demand is likely to recover, but only moderately. China's policies regarding COVID-19 and its overall economy, the war in Europe and the record-high inflation in the United States and Europe will continue to bring considerable risks to the global OCC markets, especially on the downside.

ONP
Supply shortages caused by the decline in graphic paper consumption continued to push up prices for groundwood grades in both the US and European markets in June and July. Demand remained relatively strong as mills tried to use groundwood grades to replace high grades, whose supply has been even tighter and higher-priced. Chinese domestic old newspaper (ONP) prices dipped in June and continued to slip in July. The old newspaper/old magazine (ONP/OMG) markets are predicted to remain short-supplied in the near term.

Mixed paper
US domestic prices were mostly stable in June and July, while those in Europe rose continuously during this period as European suppliers did extra sorting to sort more deinking grades from mixed paper. Asian import prices for hard mixed paper rebounded in June but slipped again in July due to weak demand, especially from India. The mixed paper markets are projected to stabilize or soften in the third quarter, together with OCC, but the dynamics in groundwood grades could help keep the mixed paper markets relatively tight, especially in Europe.

See summary graphs on pages 2-3.

Economic insights

- Lackluster Chinese and Other Asian demand
- Softening European and American demand
- Persistent supply shortage for deinking grades

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Global Impact of China's Recovered Paper Import Regulations

OCC/UKP Market Analysis and Outlook

World Pulp and Recovered Paper Forecast

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