

# Pulp *WATCH*

Monthly news and analysis of the international pulp market

## Pulp prices surge on logistical constraints, low stocks, and a speculative rally in China

- In China, softwood prices increased by \$50/t across the board during December, taking Canadian NBSK net prices to \$680/t. Meanwhile BEKP prices traded within a range but ultimately converged at \$500/t net by month's end. More increases have been slated for virtually all grades in January.
- In Europe, NBSK list prices rose by \$30/t to \$910/t while BEKP list prices were left unchanged once more, trading at \$680/t. Softwood suppliers are aiming for \$960/t in January, and BEKP suppliers have slated a \$70/t increase, to \$750/t.
- In North America, NBSK list prices increased by \$25/t, reaching \$1,155/t by month's end. BEKP prices were unchanged at \$900/t gross. Here too suppliers are targeting higher prices for NBSK (\$1,180-1,190/t) and BEKP (\$970/t).

SUPPORT FOR PULP prices has strengthened dramatically during recent weeks, underpinned by supply and logistical constraints, coupled with a speculative rally in China and a weakening US-dollar.

Softwood prices have benefited the most, as local resale prices in China followed the rocketing futures contracts on the Shanghai exchange. Import prices inevitably followed, and by the end of December Canadian NBSK prices reached \$680/t net, up \$50/t compared to November. Although there was not the same demand-pull from Europe and North America, the strength in China was sufficient to tighten market conditions and allow suppliers to implement the previously announced hikes, meaning NBSK increased by around \$25-30/t, taking list prices to \$910/t in Europe and \$1,155/t in North America. Further hikes of \$20-50/t have been announced for these market in January, although some suppliers to China will be pushing for gains of nearly \$100/t.

Hardwood fundamentals benefited from many of the same macro-economic forces and logistical bottlenecks, and the \$500/t (net) target slated by several Latin American suppliers in China was largely achieved in December, and most report already selling their January volumes at \$530/t this week. Even bigger increases have already been pushed through in peripheral spot markets, and further hikes are inevitable. BEKP list prices in North America and Europe were left unchanged at \$680/t and \$900/t respectively during December, but a \$70/t increase has been announced in both markets for January business.

### China

Chinese P&B fundamentals remained mixed through December as papermakers continued to face weak overseas demand, whilst domestic demand started to wane ahead of the LNY holiday. With the notable exception of ivory board where mills are running full, operating rates amongst small-to medium- sized papermakers have fallen as over-supply became increasingly visible. Some have also faced mandated shuts to curb emissions (e.g. around Zhejiang). Fine paper producers are trying to pass on the rapidly inflating fibre costs to their customers, but can only achieve this through production curtailment which, in turn, implies lower pulp consumption at least until demand picks up after the lunar New Year, falling on 12th February.

Nevertheless, supply reductions amongst softwood suppliers due to extended maintenance shuts, swings to UKP and DWP, and a lack of containers from North America and Europe, coupled with APP's current position as a net buyer have more than offset the tepid underlying demand. Port

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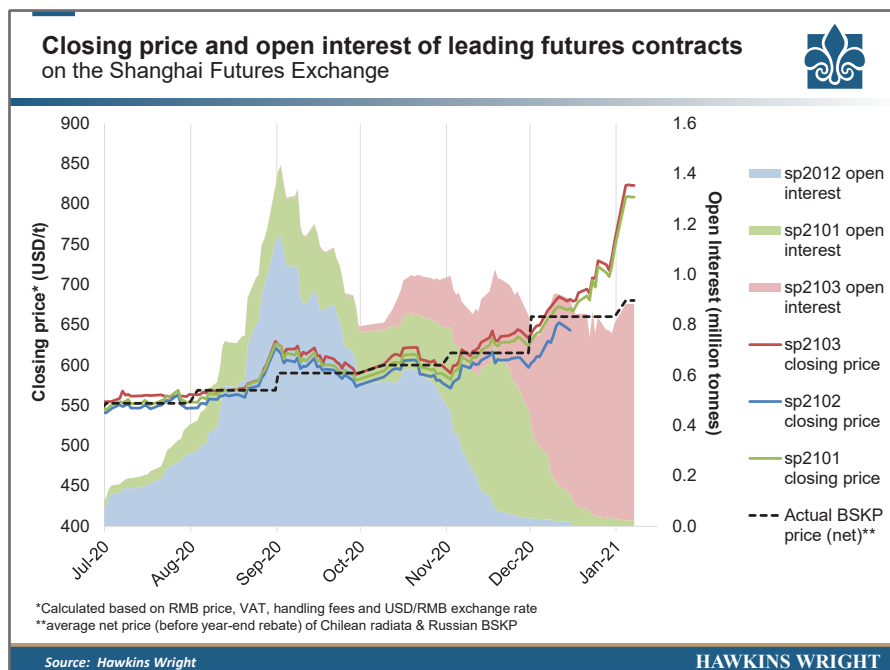
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# Market commentary

stocks were drawn down, and traders' inventory also appears low. Furthermore, recent weeks have seen another formidable speculative rally on the Shanghai Futures Exchange. At the time of writing, the futures contract for January reached a dollar equivalent of \$790/t (up from just \$630/t in early December), while the February and March contracts were trading upwards of \$800/t and \$810/t respectively (up by ~\$170/t since early December).

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This rally, largely driven by financial institutions and speculative investors who have followed the rise in commodity prices since early Q3 2020 – and facilitated by a weakening dollar – has provided an opportunity for traders to raise prices on the local resale markets. Although orders from end users are scarce at these prices, by selling futures to the speculators on the SFE, traders can lock-in an arbitrage profit regardless of volumes traded or price gains on the physical market. Whilst suppliers are wary of fueling a bubble, import prices have inevitably been bid up again. By month's end softwood prices had increased by about \$50/t across the board, with Canadian NBSK \$680-690/t net, and Chilean radiata \$670/t net. Further hikes will come in January, with some offers already rumored in the range \$750-800/t.

Hardwood producers successfully implemented their December price targets, although some volumes had already been sold at \$470/t prior to Suzano's announcement of \$500/t in late November. By mid-December Suzano had followed with another \$30/t hike for January, a move which has been widely supported. However, at least one supplier is aiming for \$545/t net, and Suzano's recently set \$600/t price for Southeast Asia and the Middle East is fueling rumors that another big hike is imminent for the Chinese market.

## Europe

In Europe, negotiations took place in early January as buyers and sellers returned to their desks after the holiday. Discussions are still ongoing for some, but it seems likely that NBSK list prices will rise by \$30/t, to reach \$910/t. Given the weaker dollar and some modest discount inflation, this implies net euro pric-

# Market commentary

**Pulp prices have finally broken free from the marginal cost thresholds to which they have been tied for the best part of two years**

es were flat, if not lower, than November. Two Nordic NBSK suppliers have announced publicly a list price of \$960/t in January – prompting others to follow. BEKP prices were left unchanged for the fifteenth consecutive month at \$680/t, and the focus has now turned to the proposed \$750/t for January volumes.

## North America

In North America, negotiations were dominated by the momentum in China, supply cuts at Northwood and Crofton, and renewed strength in tissue markets. Inflation in spot markets accelerated as availability dried up, allowing list prices to rise. From a flat \$1,130/t price in November, NBSK prices at first increased by about \$15/t in early December, at which point several suppliers came out with \$50/t price hikes, some with immediate effect and others slating \$1,180/t for January volumes. Similar announcements have been made for SBSK and fluff. By month's end NBSK prices were converging at \$1,155/t, a \$25/t increase against the month prior. Suzano announced its \$970/t target for January, implying a \$70/t increase from December – just as in Europe. At least three regional suppliers have also targeted prices of \$890-895/t for their mixed hardwood pulps.

## Conclusion

Pulp prices have finally broken free from the marginal cost thresholds to which they have been tied for the best part of two years. During this time, the price sensitivity of pulp supply and demand has served to restore balance to the sector, with strength in demand during Q3 and Q4 contrasting with restricted supply. These divergent trends mean that many suppliers start the year with little inventory, affording them significant pricing power for the first time in several years.

This change in market balance has already supported a \$150/t increase in Chinese softwood prices since the cyclical lows reached during last summer, while hardwood prices have jumped by \$90-100/t during the same period. With the help of currency movements, supply and demand fundamentals have been strong enough to have supported these gains alone. However, in recent weeks the growing influence of the Shanghai Futures Exchanges seems to have accelerated the price inflation in the softwood market beyond that which can be expected to be reasonably absorbed by the paper makers. This constitutes a downside risk after the Chinese New Year, as paper prices will need to jump significantly higher, or the Future's price will likely have to fall back to a level which is supported by the fundamentals. In the case of the latter, existing producer stock levels imply that such a correction might only be quite minor. The reinstatement of lock-down measures, in Europe in particular, pose a further downside risk to confidence as the distribution of vaccines will take several months. Nevertheless, historical precedent suggests that the cyclical forces which drive our industry – and that of the wider commodity sector - will continue to be dominant.

## Pulpwatch ISSN 1355-6290

Published monthly by Hawkins Wright Ltd.

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Telephone: +44 (0)20 8747 5840  
Web: [www.hawkinswright.com/pulpwatch](http://www.hawkinswright.com/pulpwatch)

Publisher: Hawkins Wright

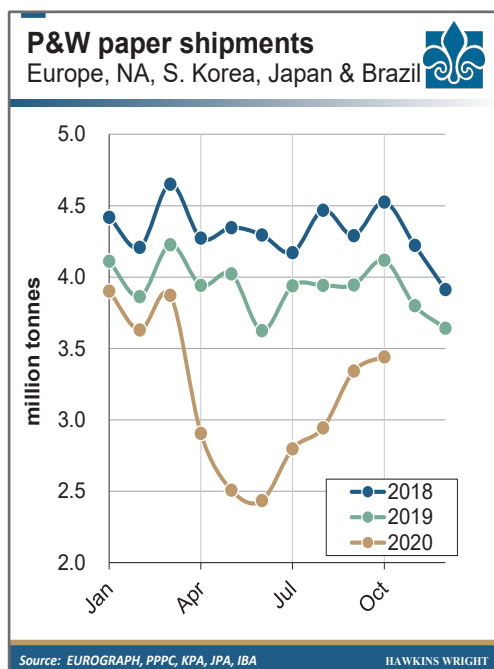
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# Printing & writing paper, tissue markets



P&W paper demand in North America and Europe weakens again as lockdown measures are reinstated; price hikes slated for Q1 look uncertain despite capacity rationalisation

THE LATEST P&W statistics from Europe (October) and North America (November) reveal the extent to which the recovery that started taking shape since Q3 has abated, with m-o-m comparisons for certain grades turning negative once more. Shipments were down 16% and 18% y-o-y respectively, taking the cumulative y-t-d loss to 2.3Mt in North America and 3.8Mt in Europe. Coated paper segments appear particularly vulnerable, with CM and CWF deliveries down -33% and -25% in North America in November, and -24% and -27% respectively in Europe during October. Even though the pace of decline remains more modest than during H1 2020, the recent reinstatement of strict lockdown measures through much of the Western world suggests that Q1 2021 will provide further challenges for papermakers. In recent weeks several downstream printing companies have announced closures (e.g. Neue Westfälische Group in Germany or Quad/Graphics in the USA) and order cancellations.

Prices largely stabilised during the final weeks of 2020, and in fact many papermakers have sought to pass on rising fibre costs by announcing price increases for Q1. Their efforts seemed well-timed to coincide with the first closures from SCA's and UPM's planned exit from the publication paper segment, as well as the closures and conversions at Nine Dragons Rumford, Norske Skog Saugbrugs, and Pixelle Jay. Still, their success is far from assured and will largely depend on the severity of the demand contraction brought about by the new wave of Covid-19 restrictions.

In the tissue market, October production figures show renewed strength in the US, with volumes up 4.1% y-o-y, for a cumulative growth of 4.6% y-t-d. Such a rebound remains elusive in Europe (CEPI) however, as October output was down -1.3% y-o-y, lowering y-t-d gains to just +1.6%.

Raw material and logistical cost inflation prompt fresh price hike attempts throughout SE Asia & China, but downstream fundamentals remain mixed ahead of LNY holiday.

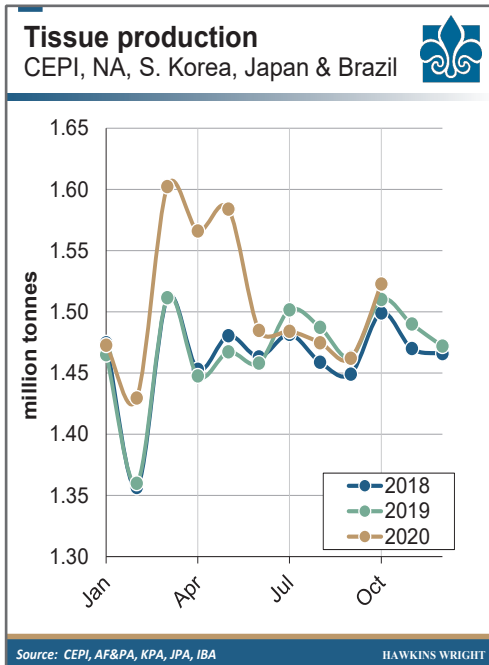
To counter rising input and logistical costs many Chinese P&W producers including APP, Huatai Paper, and Sun Paper have announced hikes of RMB 200-500/t as of January 1st. Efforts to raise prices during December mostly failed owing to seasonally slower demand and expectations of increased supply, particularly in the UWF segment as volume from Sun Paper's and Jiangxi Wuxing's

Printing & Writing paper output					
million tonnes	2019	Sep-20	Oct-20	Nov-20	% YTD
Europe (deliveries) (1):	22.11	1.57	1.63	n/a	-20.3%
Coated WF	4.96	0.33	0.33	n/a	-26.5%
Uncoated WF	6.46	0.47	0.49	n/a	-14.3%
Uncoated mech.	2.09	0.17	0.18	n/a	-8.8%
Coated mech.	5.32	0.34	0.37	n/a	-27.3%
SC-Magazine	3.29	0.26	0.26	n/a	-18.8%
North America (shipments) (2):	12.54	0.90	0.89	0.81	-19.6%
Coated WF	2.25	0.17	0.17	0.15	-21.8%
Uncoated WF	6.50	0.48	0.47	0.44	-16.1%
Uncoated mech.	2.27	0.14	0.15	0.14	-23.4%
Coated mech.	1.53	0.11	0.10	0.09	-25.7%
Japan (production) (3):	7.51	0.50	0.54	n/a	-22.8%
Korea (production) (4):	2.61	0.19	0.20	n/a	-11.1%
Brazil (production) (5):	2.41	0.18	0.18	n/a	-18.6%
Total sample	47.18	3.34	3.44	n/a	-20.0%

Tissue production					
million tonnes	2019	Sep-20	Oct-20	Nov-20	% YTD
CEPI (6)	6.99	0.57	0.59	n/a	1.6%
AF&PA (7)	6.97	0.58	0.62	n/a	4.6%
Japan (3)	1.81	0.15	0.16	n/a	1.9%
Brazil (5)	1.31	0.11	0.11	n/a	2.7%
Korea (4)	0.56	0.05	0.05	n/a	2.6%
<b>Total</b>	<b>17.63</b>	<b>1.46</b>	<b>1.52</b>	<b>n/a</b>	<b>2.8%</b>

Source: (1) EUROGRAPH, (2) PPPC, (3) JPA, (4) KPA, (5) IBA, (6) CEPI, (7) AF&PA

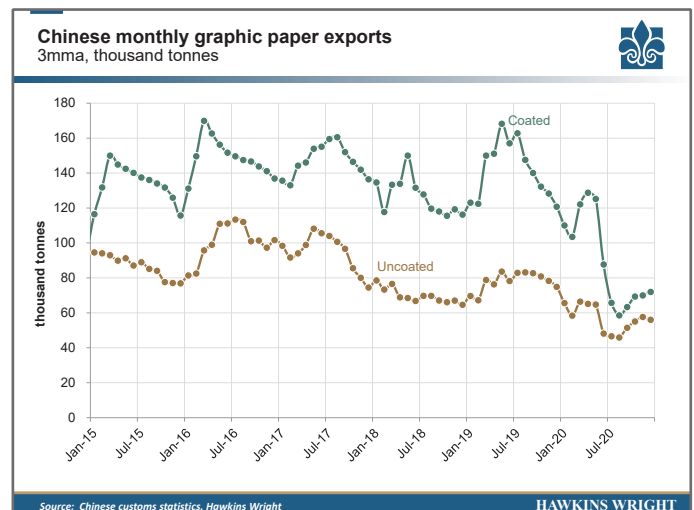
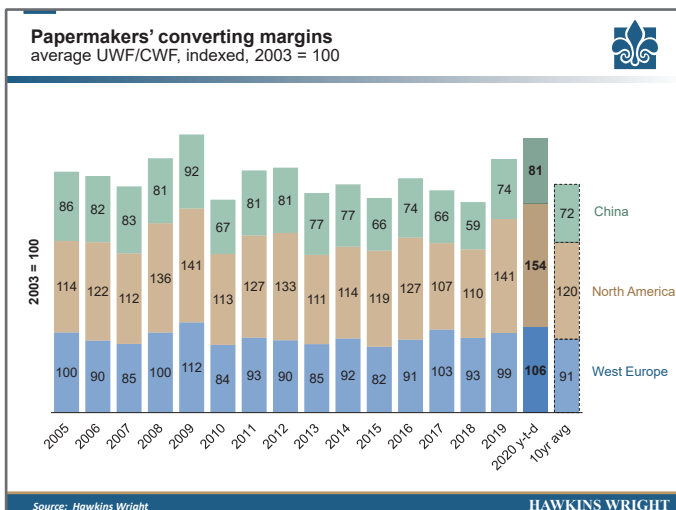
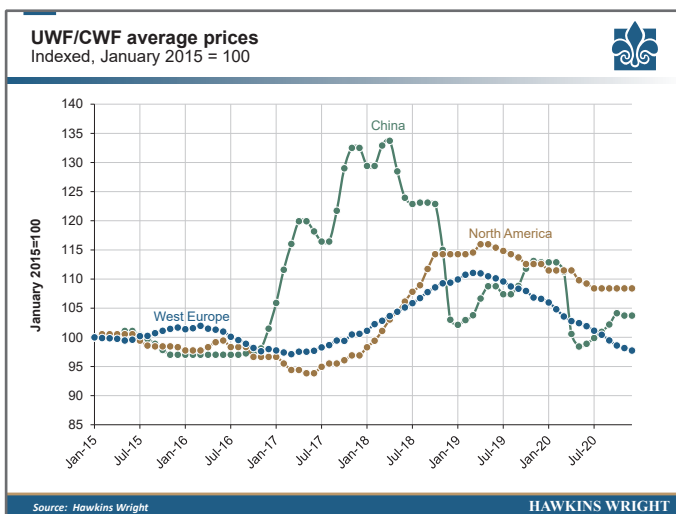
# Printing & writing paper, tissue markets



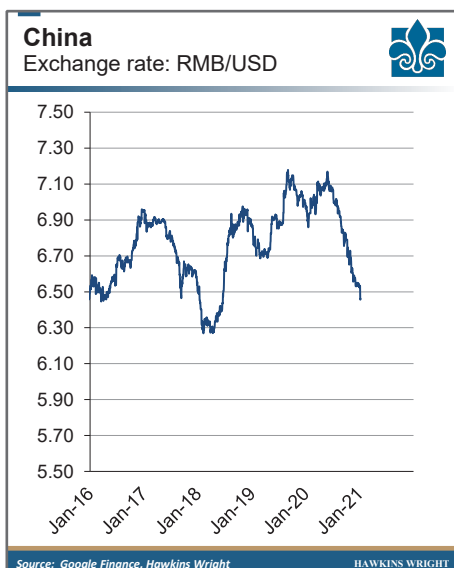
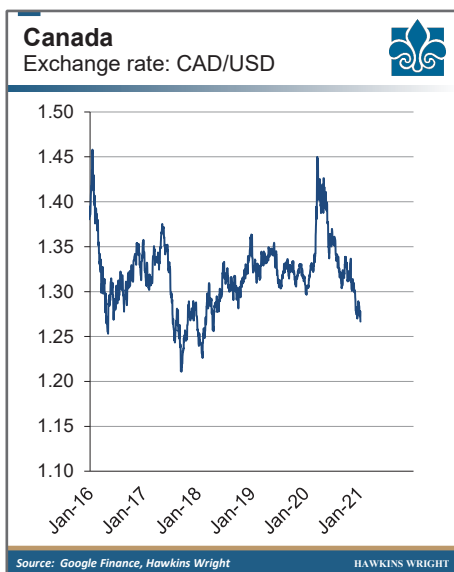
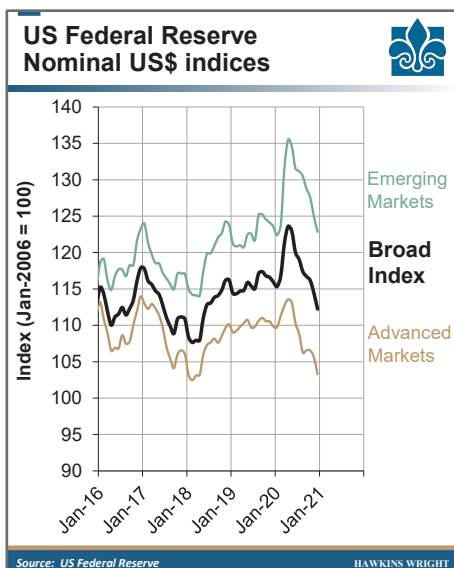
newly commissioned machines is due to hit the market (see PW2705). Aside from thin margins, operating rates amongst medium- and small-scale producers have fallen further in recent weeks, while others (e.g. around Zhejiang) have been forced to curtail in order to curb emissions. Further extensive downtime is expected during the weeks ahead during the LNY holiday in February. With no rebound in export demand in sight, the success of this round of price hikes will largely depend on the scale of any additional curtailment, and the strength of domestic demand after the holiday.

Statistics from Japan show total P&B production contracting 4.8% y-o-y in October, taking the cumulative y-t-d tally to -11% or almost -2.3Mt. Graphic papers represent over three quarters of the decline, with P&W papers alone accounting for a loss of -1.45Mt (-23%). Meanwhile, tissue output growth stagnated in October, suggesting a slight improvement following three months of consecutive decline averaging -2.8% y-o-y. Through the y-t-d, tissue output is up +1.9%.

In South Korea, P&W prices once again declined during Q4, marking the third consecutive quarter of price erosion. Operating rates have recovered from the lows of 50% reported in Q2 and 70% in Q3, but oversupply persists, particularly for the CWF segment. At least one major producer has announced a 10-15% price increase both CWF and UWF grades, citing higher input and ocean freight costs. After 10 months of the year, graphic paper production and shipments have fallen by around 11% (-0.25Mt). Meanwhile, tissue production suffered its first y-o-y decline in over a year during October (-3.0%) but remains positive on a y-t-d basis (+2.6%).



# Exchange rates & commodities



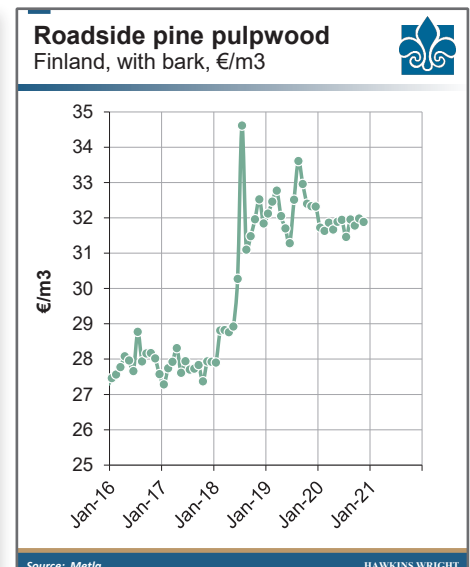
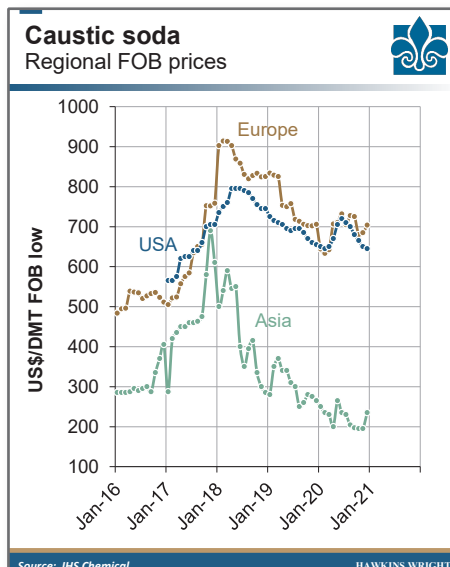
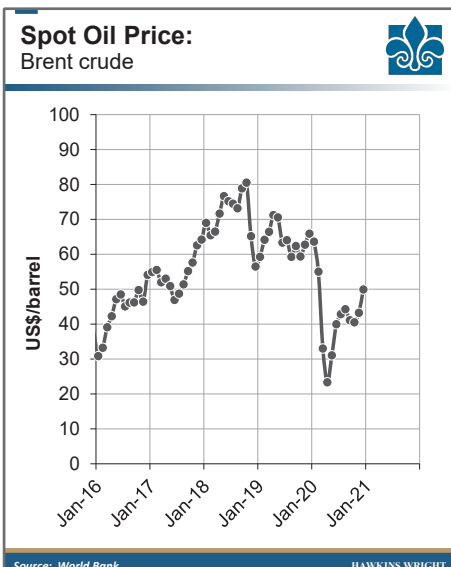
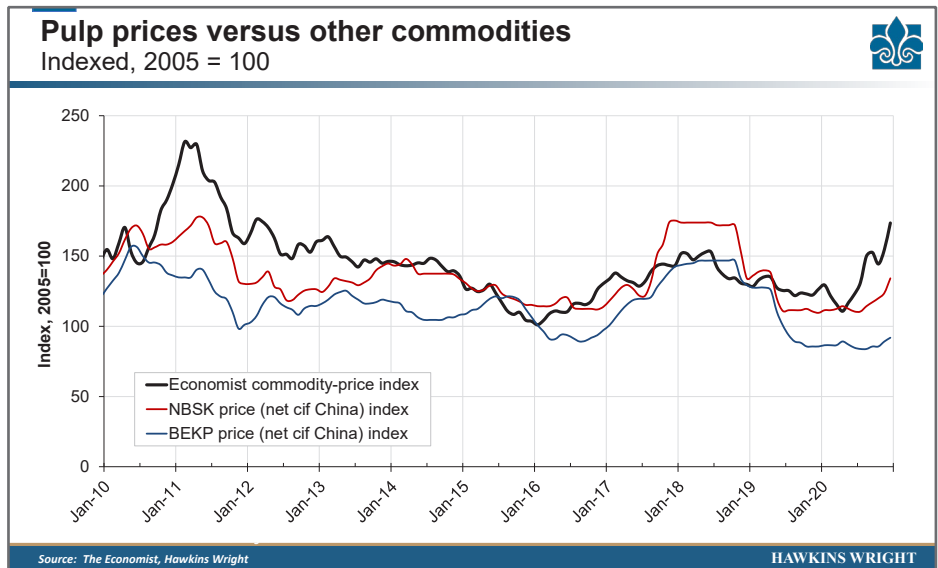
- The confirmation of President Joe Biden's election win and the Democrat's successful bid to control the Senate has heightened chances of further economic stimulus being unveiled this year to top up the recent US\$900bn pandemic relief package which sent US stocks to a new all-time high. Goldman Sachs estimates that the package will ultimately be expanded to \$1.5 trillion, with a rescue for near insolvent states and local authorities.
- The job market recovery that began in May has run out of steam, with early estimates placing the unemployment rate at 6.8% in December ahead of Friday's jobs report.
- **US dollar weakened further during December: the Fed's broad index is now at 112.2 points, down 3.2% y-o-y and 9.2% since peaking in April.**
- The economic recovery in China continues apace even as certain regions face fresh Covid-19 cases and restrictions in Northern provinces.
- The IMF projects Chinese GDP growth of 1.9% in 2020 and 8.1% this year, implying that China would stand alone amongst major economies to post growth.
- Both the Caixin Services and Manufacturing PMIs stood firmly in expansionary territory in November, at 57.8 and 54.9 points respectively. Although this marks a slight slowdown in services, the Manufacturing PMI is at a ten-year high.
- **The renminbi has strengthened against the dollar, reaching RMB 6.47/USD in early January.**
- Despite a record rebound in Q3, the EU economy remained 4.2% smaller than its year-ago levels in early Q4, and Europe is now battling another surge in coronavirus cases, prompting fresh lockdowns in major economies such as the UK, Germany and Italy.
- In early December, the ECB again expanded its Pandemic Emergency Purchase Program by €500bn, citing a severe contraction particularly in services, and bringing the total stimulus programme to €1.85tn.
- The UK and the EU have signed and ratified a new trade and security agreement guaranteeing tariff- and quota- free trade between the two under the "level playing field" principle, effective on January 1st, marking the end of the Brexit transition period and the UK's departure of the single market.
- **The Euro strengthened to EUR 0.81/USD.**
- Japan has declared a "soft" state of emergency in Tokyo and three surrounding prefectures after a steady rise in coronavirus cases raised fears of a breakdown in the capital's medical system.
- Forecasts show the world's third largest economy shrinking by 5.4% this fiscal year (to March 2021) according to the Japan Center for Economic Research. They predict growth of 3.4% in the following fiscal year, based on expectations of continued stimulus measures, successful vaccination campaigns and no further delays to the Tokyo Olympics (in July).
- **The Yen is now trading at JPY 102/USD.**
- The pandemic has derailed much of the Brazilian government's plans for reform and fiscal discipline, prompting the government to hand out billions

# Exchange rates & commodities



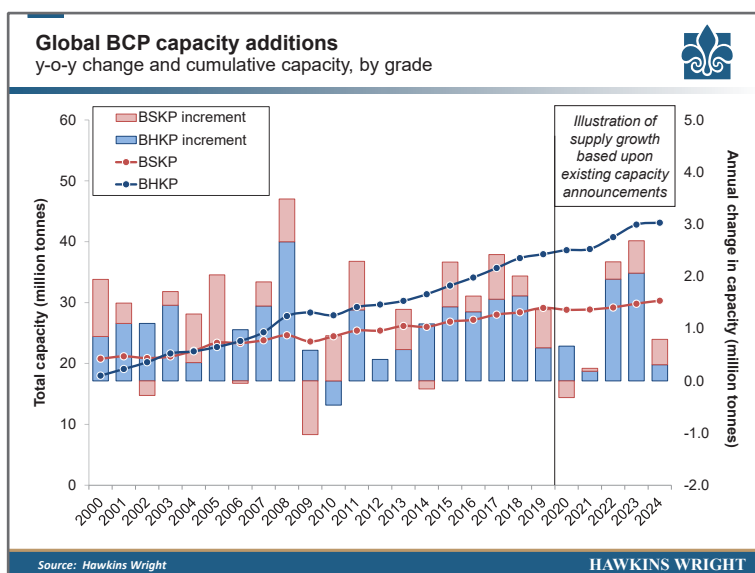
of dollars in crisis relief to Brazil's poorest, throwing budgetary discussions for 2020 and 2021 into disarray.

- Brazil's economy is expected to have contracted by 4.0% in 2020, and projections for this year show growth of 4.5%.
- **The real is now trading at BRL 5.34/USD**
- Faced with another wave of coronavirus cases in recent months, the Kremlin has thus far stopped short of bringing back a nationwide lockdown to save its ailing economy.
- Unemployment is rising, wages are falling, and inflation is rampant even amongst basic goods – prompting Putin to seek emergency measures to cap food prices. Russia's economy is set to contract by 3.9% this year according to the government.
- **The rouble is now trading at RUB 74/USD.**



## Industry focus

# The outlook for global BCP capacity



GLOBAL BLEACHED CHEMICAL market pulp capacity reached 68Mt last year, comprising 29Mt/y BSKP and 39Mt/y BHKP (plus 0.3Mt/y of sulphite pulp). The growth in capacity last year was equal to just 0.4Mt (+0.5%), compared to average growth of 3.1% pa during the prior five-year period. Global BCP capacity has increased by 14Mt over the past decade, averaging +2.4% p.a., with BSKP expanding by 4Mt (+1.6% p.a.) and BHKP by 11Mt (+3.2% p.a.). Offsetting some of this growth has been a 0.7Mt decline in sulphite capacity (-10.4% p.a.)

Last year's subdued capacity growth is mostly attributable to a 0.3Mt decline in annual BSKP capacity – the first net contraction since 2014. This owed to a combination of shuts and conversions, some of which may have been hastened by the prolonged market downturn, offsetting the ramp-up of the Svetlogorsk mill in Belarus, and some modest growth elsewhere (e.g. Metsa Anekoski, SCA Ostrand, Ilim Ust-Ilimsk, Rayonier Jesup and Resolute Calhoun). Paper Excellence's decision to shut two of its Canadian mills (Pictou and MacKenzie) during H1 slashed NBSK capacity by an estimated 0.5Mt this year, while the swing to BEKP and subsequent conversion to dissolving pulp at Arauco's Valdivia mill has reduced radiata pine capacity by a similar amount. Other conversions at Enocell (to DWP) and at Fibre Excellence Tarascon (to UKP) conspired to reduce bleached softwood capacity by an additional 0.15Mt.

Meanwhile, total BHKP capacity increased by 0.7Mt, driven by growth in Indonesia across APP and APRILS semi-integrated assets in Sumatra (+0.3Mt), and by Arauco's temporary swing towards BEKP production at Valdivia. Some growth elsewhere (Klabi Puma, Phoenix Paper Wickliffe, ENCE Navia, Mondi Ruzomberok) makes up the rest, offset by the swing to BSKP at Resolute Calhoun and a 50,000 t/y decline at Sappi Somerset.

Some 6.4Mt/y of extra capacity is due to come online over the 2020-24 period, at an average rate of +1.3Mt/y (+1.8% p.a.). Growth in 2021 looks even weaker than 2020, with just 0.24Mt of net capacity growth. Small increases result from the first full year of operation at Nordic Kraft's Quevillon, the completion of Svetlogorsk's ramp-up, and the conversion of an UWF paper machine to market pulp at Domtar Ashdown, which will temporarily boost BHKP supply during 2021 before ultimately increasing BSKP and fluff capacity at the mill.

Following this two-year hiatus in capacity growth, some 5.8Mt of additional supply is due to hit the market, of which 2.3Mt and 2.7Mt in 2022 and 2023 respectively, hailing the start of the next investment cycle. Confirmed projects thus far imply that capacity growth will then slow to +0.8Mt in 2024. There are many unconfirmed projects, notably in Brazil and in China which could be given the green light in the months ahead, although most of the proposed Chinese projects

Some 6.4Mt/y of extra capacity is due to come online over the 2020-24 period, at an average rate of +1.3Mt/y



# Industry focus

are intended to integrate with new paper, tissue and board capacity.

Of the 5.8Mt of additional capacity due to come online during the 2022-24 period, some 4.3Mt will be BHKP, or more specifically BEKP. The main contributors will be Arauco MAPA in Chile, Bracell's Lençois Paulista project in Brazil and UPM's greenfield mill in Paso de los Toros, central Uruguay. We also include some debottlenecking work across several mills (e.g. Klabin PUMA, Metsa Aane-koski), as well as a reduction in southern mixed hardwood supply when Domtar completes its aforementioned conversion and swings to BSKP at Ashdown.

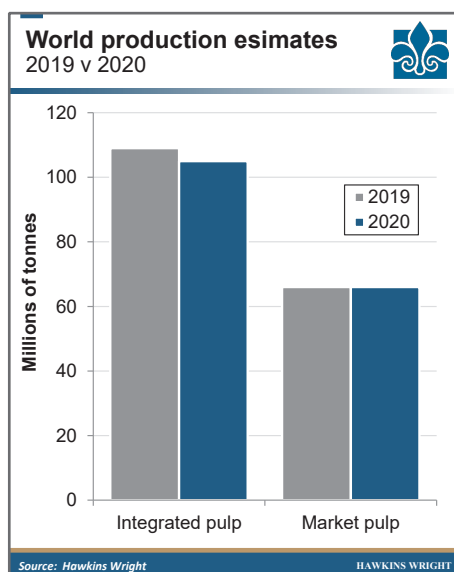
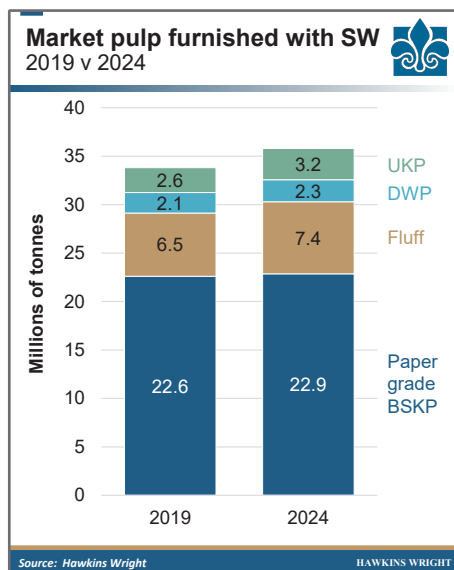
Meanwhile, BSKP capacity is set to increase by a more modest 1.4Mt during 2022-24, mostly in NBSK as a result of Metsa Fibre's rebuild of the Kemi mill in Finland and Södra's debottlenecking work at Värö, plus some increased BSKP output at Domtar Ashdown. Although overall BSKP capacity is set to increase, conversions to UKP, fluff or DWP production imply that the capacity dedicated to paper grade production will remain relatively unchanged (+0.3Mt) through the forecast period (see chart). Swing mills situated in the US South are expected to gradually increase their bias towards fluff production to keep up with demand growth. About half of the expected growth in UKP capacity (from 2.6Mt to 3.2Mt) is attributable to conversions of BSKP capacity, for example at Tarascon and at Old Town. Swings to dissolving include Valdivia, Enocell and Foley.

Our projections are based solely on confirmed projects that are in the public domain, however these plans are subject to continual change, particularly as closures generally happen at short notice and projects can be often be delayed. Furthermore, as we have seen over the past few years, capacity growth does not always correlate closely with actual supply.

In addition to natural events relating to weather, supply has also been impacted by fibre shortages, industrial action, logistical disruptions, and most recently by coronavirus restrictions. Furthermore, structural changes have also led to higher volatility of short-term supply. For example, the increased prevalence of swing capacity gives mills more flexibility, and greater scale of mills means the impact from maintenance schedules is often amplified. Although our capacity numbers show little growth in 2021, the year will be relatively light on maintenance shuts, particularly for those mills on a fifteen or even eighteen month cycle – most obviously in Latin America.

Finally, and perhaps most significantly, we should be aware of the potential impact from semi-integrated pulp supply, which is almost twice as large as the market pulp sector. During the market downturn in 2020, we estimate that around 4Mt of integrated supply was curtailed because of low paper demand and prices. The recovery in paper demand in China has stimulated an immediate recovery in market pulp demand, whilst it will take longer for pulp production to respond, particularly in light of the fact that many mills depend on imported wood chips.

We believe this partly explains how market pulp shipments expanded by an estimated 1.3Mt in 2020 despite global P&B production falling by about 9Mt. In the same way, the recovery in market pulp prices is likely to stimulate additional integrated supply this year choking-off marginal demand at the same time.



A full listing of confirmed and unconfirmed projects is contained in our latest Outlook for market pulp report (December) and individual Chinese projects will be analysed more deeply in our next report on China, available in February.

# Key statistics - Demand

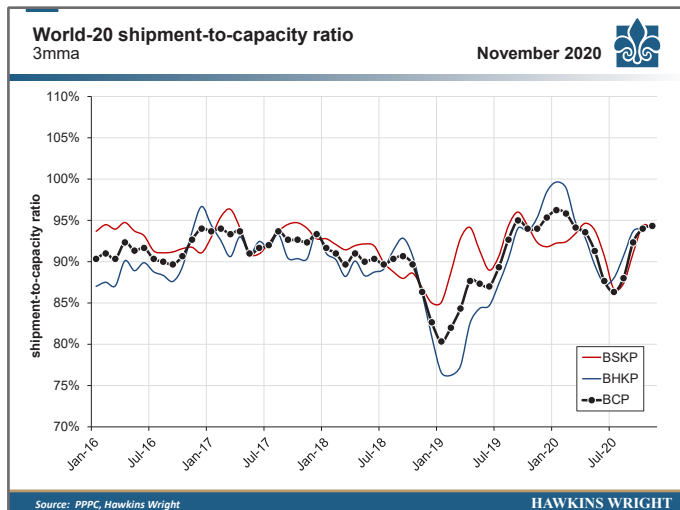
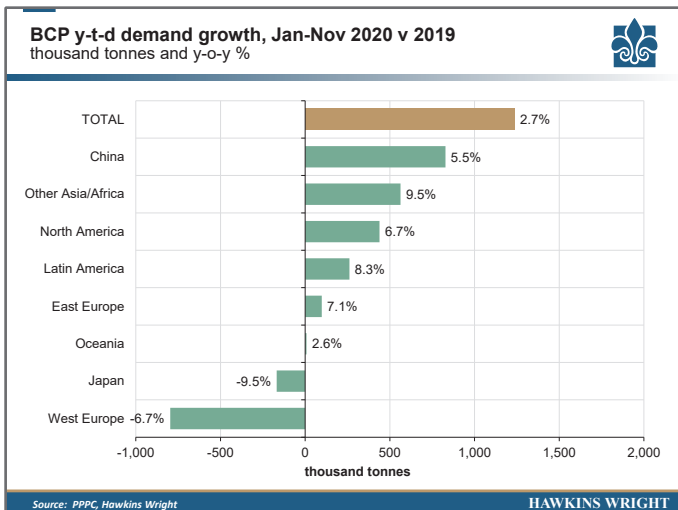
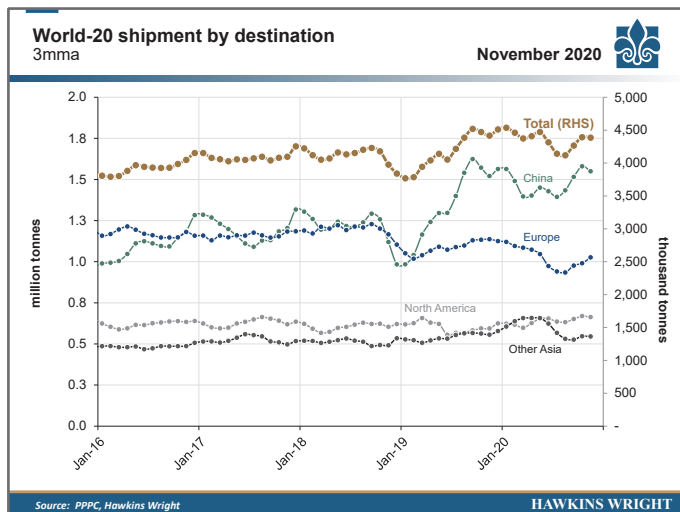
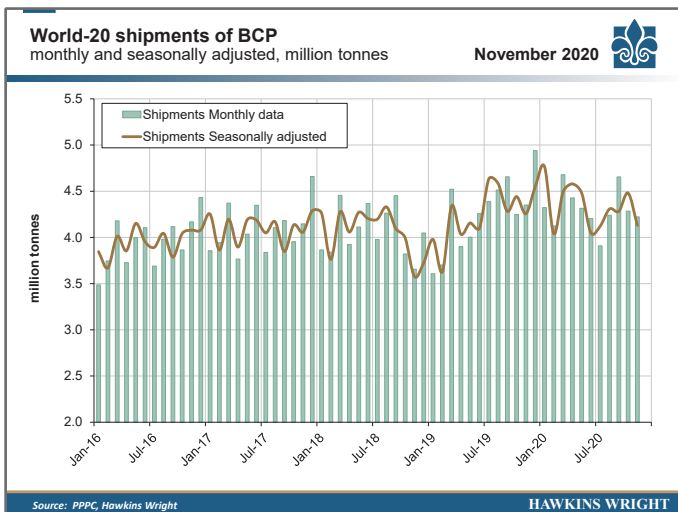
- World-20 shipments of BCP totalled 4.22Mt in November, down 2.9% y-o-y. Through the y-t-d, shipments have increased by 2.7% or 1.24Mt.
- This growth is comprised of a 3.4% contraction in BSKP shipments and an 8.5% increase in BHKP shipments.
- Demand growth originated mostly in China and in regions grouped as "Others", followed by North America - offsetting a 6.6% decline in West Europe, equal to almost -0.8Mt.

## Shipments of chemical pulp (PPPC World-20)

Grade	thousand tonnes			Year-to-date (10 months)		
	Sep-20	Oct-20	Nov-20	2019	2020	% change
BSKP	2,030	2,090	1,900	22,560	21,795	-3.4%
BHKP	2,625	2,190	2,320	23,560	25,560	+8.5%
Sulphite	0	0	0	10	5	-
<b>Total W-20 BCP</b>	<b>4,655</b>	<b>4,280</b>	<b>4,220</b>	<b>46,130</b>	<b>47,360</b>	<b>+2.7%</b>
UKP	150	175	155	1,540	1,660	+7.8%
<b>TOTAL W-20 KRAFT PULP</b>	<b>4,805</b>	<b>4,455</b>	<b>4,375</b>	<b>47,670</b>	<b>49,020</b>	<b>+2.8%</b>

## Demand for bleached chemical pulp (PPPC World-20)

Destination	thousand tonnes			Year-to-date (10 months)		
	Sep-20	Oct-20	Nov-20	2019	2020	% change
North America	695	670	625	6,575	7,010	+6.6%
West Europe	1,060	970	1,050	11,920	11,120	-6.7%
China	1,690	1,510	1,450	15,155	15,980	+5.4%
Others	1,210	1,130	1,105	12,500	13,245	+6.0%
<b>W-20 TOTAL BCP</b>	<b>4,655</b>	<b>4,280</b>	<b>4,230</b>	<b>46,150</b>	<b>47,355</b>	<b>+2.6%</b>

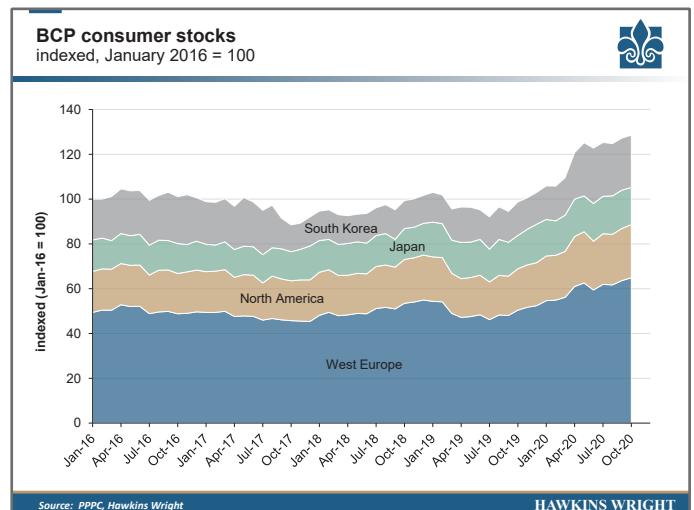
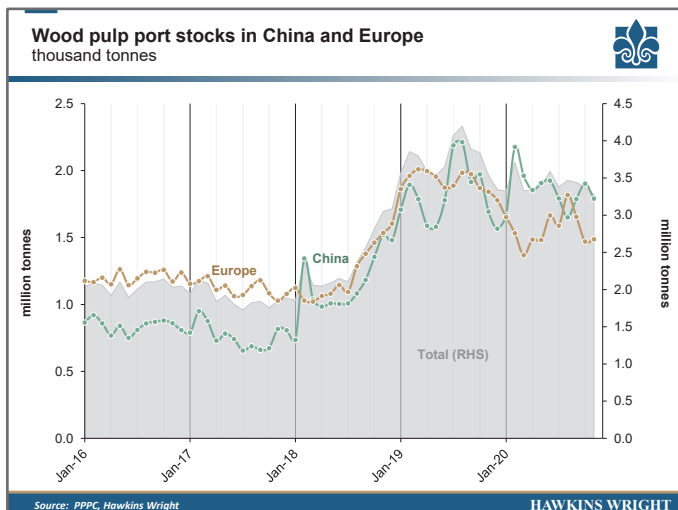
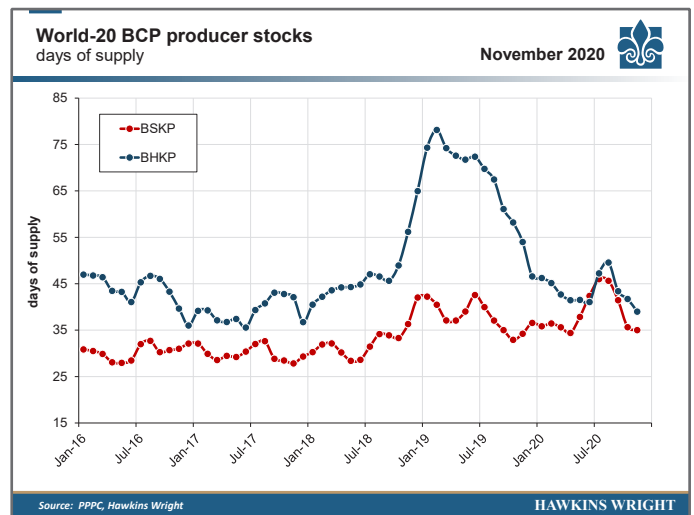
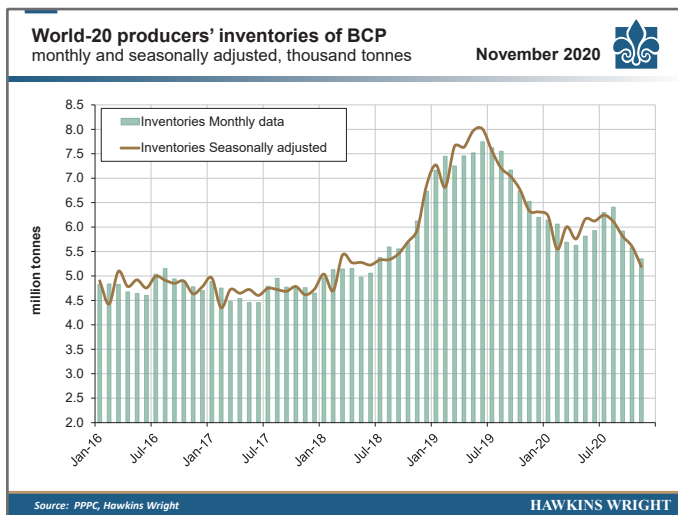


# Key statistics - Inventories

- World-20 producer stocks of BCP fell by two days' worth of supply in November, to 37 days. Softwood stocks fell to 35 days and hardwood stock to 39 days.
- At the same time, consumer stocks in North America, Europe, Japan & South Korea have grown by an estimated 30% y-o-y.

**Days of supply (PPPC World-20 producers stocks)**

	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Year ago Nov-19
BSKP	46	46	41	36	35	34
BHKP	47	50	43	42	39	54
TOTAL BCP	47	48	43	39	37	45
Seasonally adjusted	45	45	42	39	37	44



**Notes:**

- World-20 comprises producers in Canada, USA, Sweden, Finland, France, Belgium, Germany, Spain, Austria, Norway, Brazil, Uruguay Chile, Argentina, New Zealand, Japan, South Korea, Morocco, South Africa and Swaziland.
- Consumer pulp stocks and Europulp stocks include UKP and/or other pulp grades.
- r = revised since previous issue.
- e = estimated by Hawkins Wright.
- ... = not available or not meaningful
- Source: Hawkins Wright, PPPC, JPA, KPMA, PPPC, UTIPULP

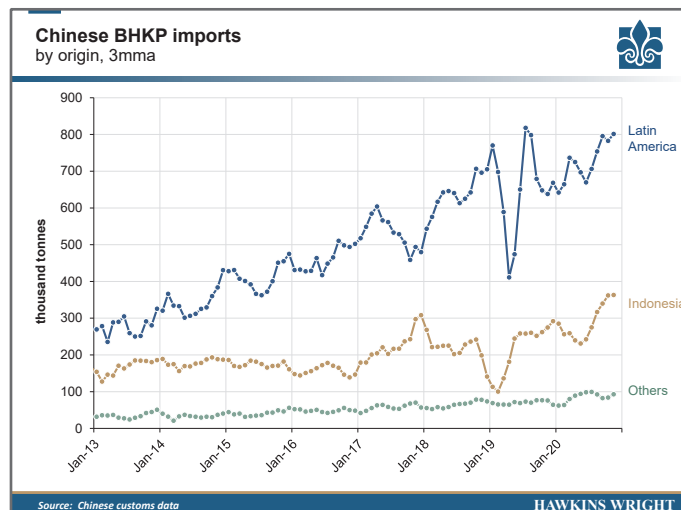
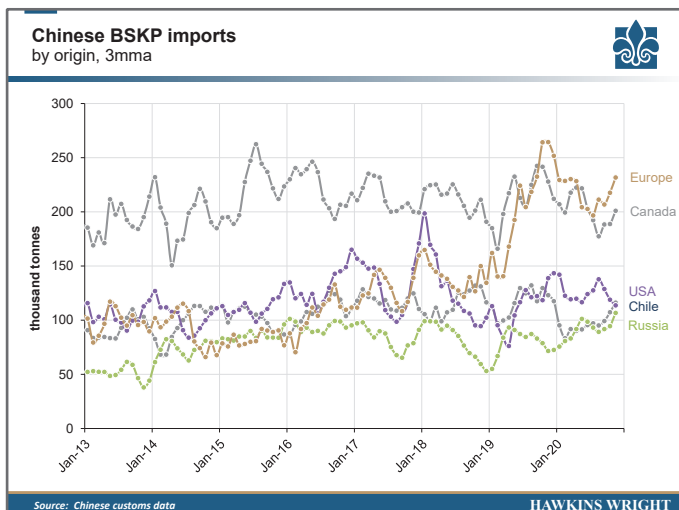
# Key statistics - China Analysis

- Chinese imports of market pulp totalled 2.40Mt in November, up 12.3% y-o-y. Cumulatively, imports have grown by 9.8% y-t-d, equal to 2.09Mt.
- Adjusting for prices reveals that in terms of market value, imports have shrunk by 12% y-t-d, or just under US\$ 1.45bn.
- Imports of softwood pulp are down 1.5% (-0.12Mt), while imports of BHKP have soared 15.4% (+1.5Mt). Volume growth from Brazil (+0.75Mt) has overtaken that of Indonesia (+0.69Mt).
- Imports of UKP and BCTMP have also risen significantly, posting gains of 30% and 18% respectively through the y-t-d, equal to +0.47Mt combined.

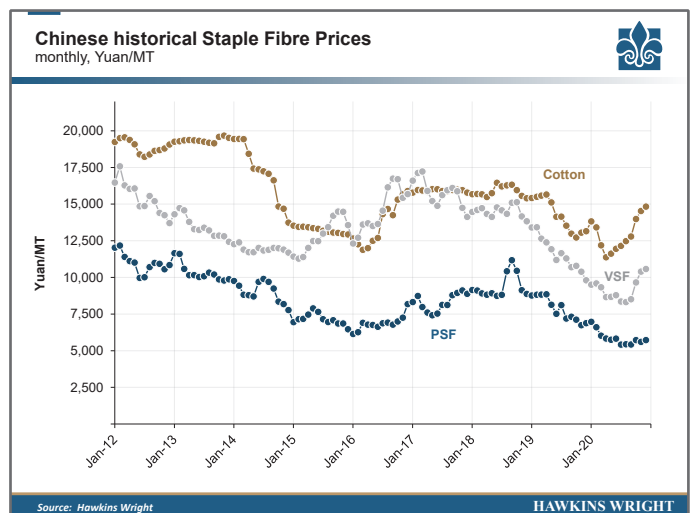
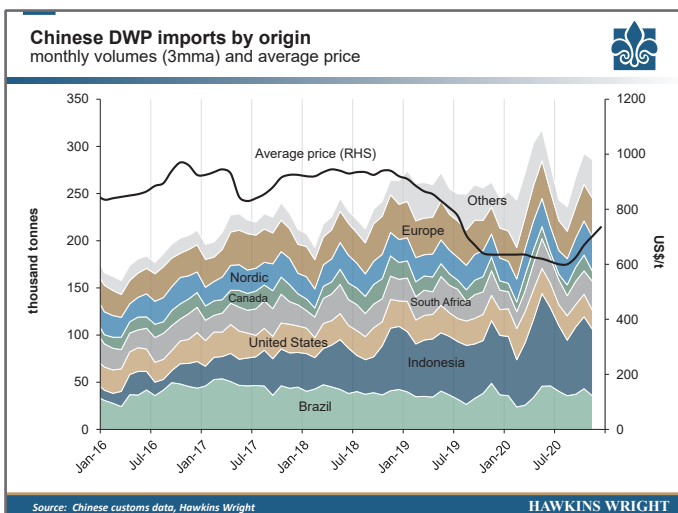
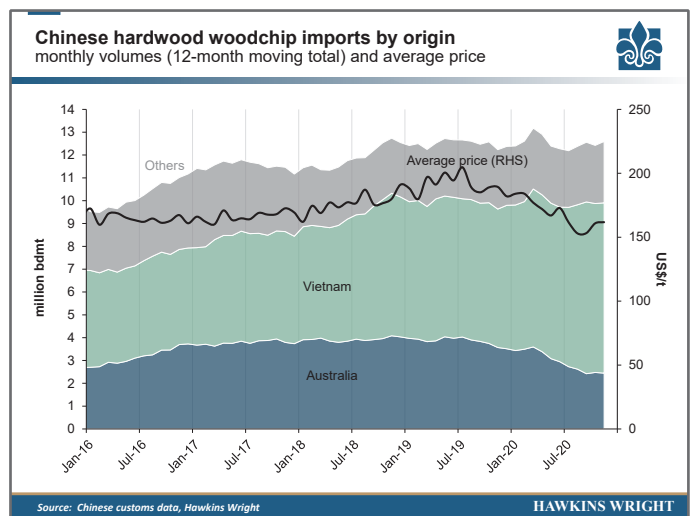
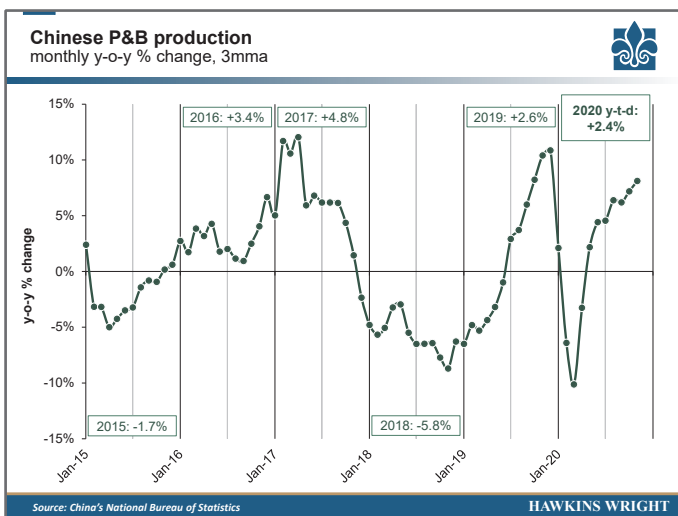
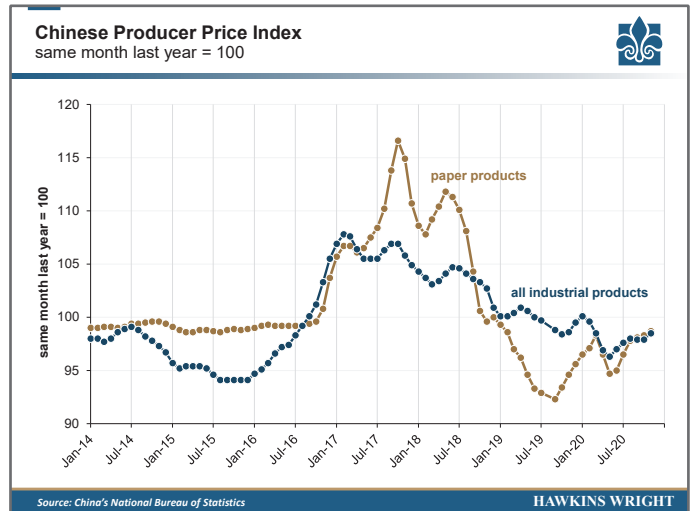
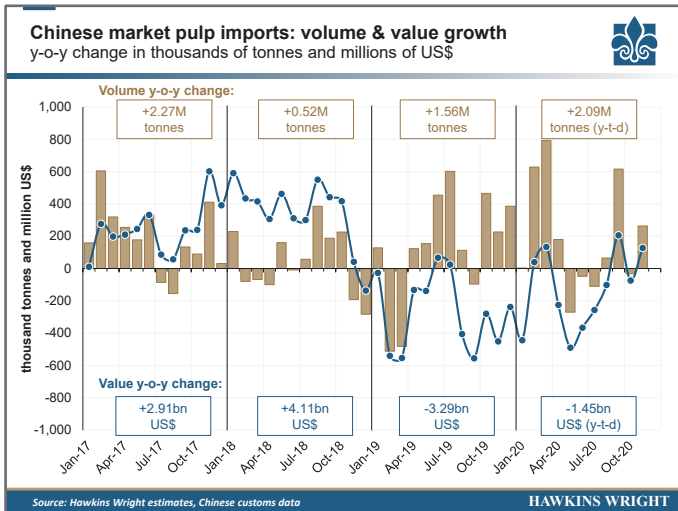
Chinese imports of pulp by grade and by origin							
Grade & country of origin	thousand tonnes				Year-to-date (11 months)		
	Aug-20	Sep-20	Oct-20	Nov-20	2019	2020	% change
<b>BSKP - total</b>	676	774	731	802	8199	8075	-1.5%
Canada	159	219	188	196	2409	2212	-8%
Russia	98	86	99	134	899	1054	+17.1%
Chile	85	126	111	111	1316	1081	-18%
USA	135	125	96	120	1258	1332	+6%
Sweden	18	40	45	46	444	388	-12%
Finland	111	114	141	120	1380	1350	-2%
Others	70	63	52	75	493	658	+34%
<b>BHKP - total</b>	1238	1347	1269	1339	10880	12617	+16.0%
Indonesia	361	358	366	365	2568	3255	+27%
Brazil	614	681	553	650	5655	6406	+13%
Uruguay	84	83	81	78	745	778	+5%
Thailand	5	19	11	10	11	69	+504%
Chile	69	74	109	95	780	986	+26%
Russia	10	20	15	19	229	165	-28%
Canada	26	60	42	34	304	334	+10%
USA	3	4	17	10	114	74	-35%
Others	66	48	73	78	474	549	+16%
<b>Mech/Semi-chem</b>	160	168	130	176	1438	1694	+18%
Canada	125	126	96	139	1145	1351	+18%
New Zealand	20	18	14	20	194	180	-7%
Nordic	8	17	9	11	76	115	+52%
Others	7	7	11	6	24	48	+101%
<b>UKP</b>	91	116	110	87	737	955	+30%
<b>TOTAL MARKET PULP</b>	<b>2165</b>	<b>2405</b>	<b>2240</b>	<b>2404</b>	<b>21254</b>	<b>23341</b>	<b>+9.8%</b>
<b>MARKET VALUE (million US\$)</b>	<b>1004</b>	<b>1104</b>	<b>1027</b>	<b>1148</b>	<b>12443</b>	<b>10990</b>	<b>-12%</b>

Notes:

- r = revised since previous issue.
- e = estimated by Hawkins Wright.
- ... = not available or not meaningful
- Source: Chinese Customs Data

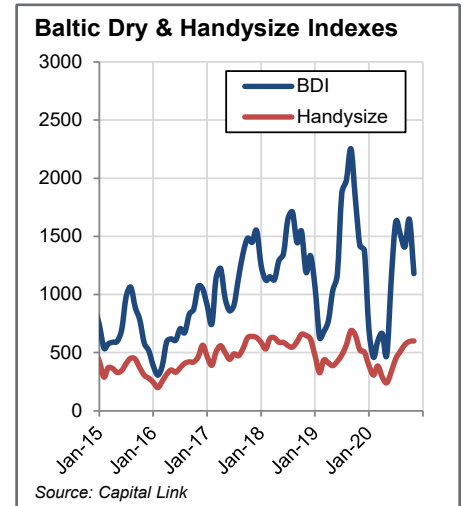
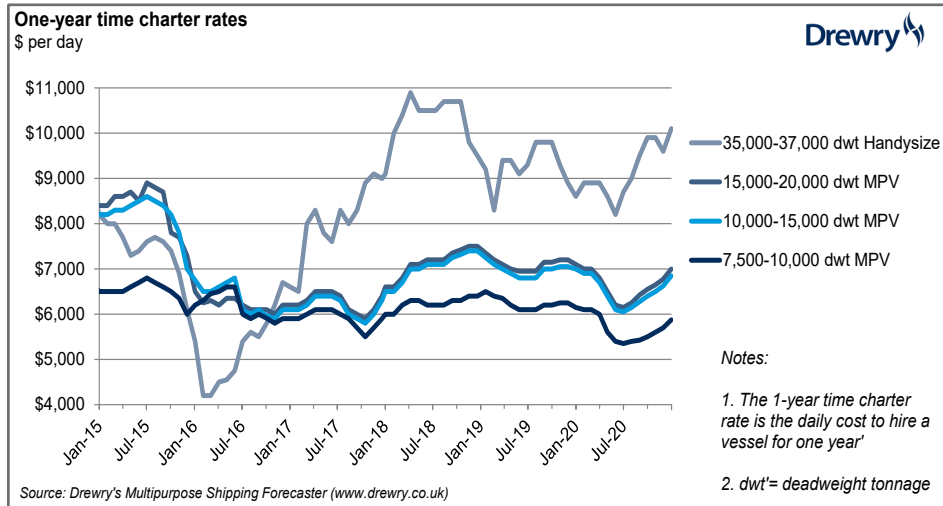


# Key statistics - China Analysis

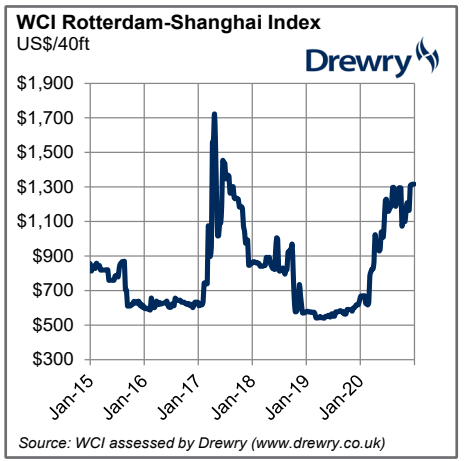
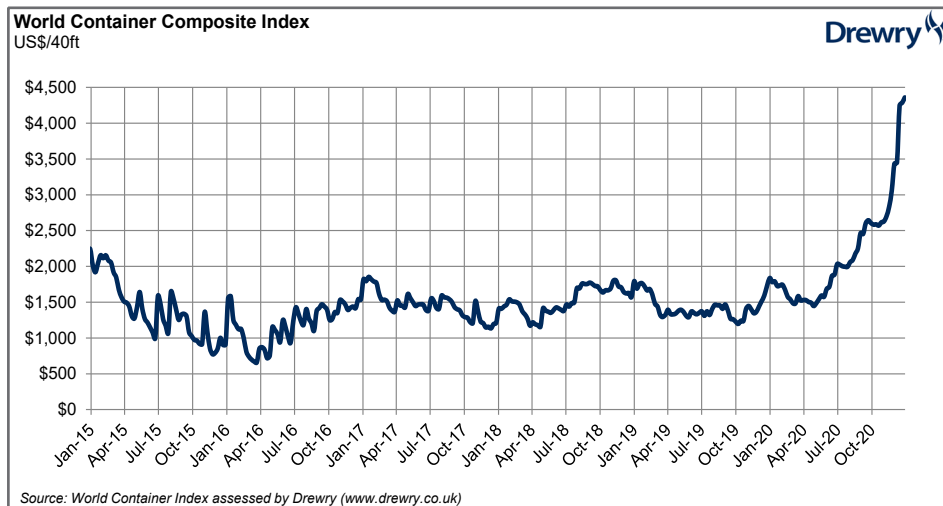


# Key statistics - Shipping Analysis

	Source	Sep-20	Oct-20	Nov-20	Dec-20	MoM	YoY
<b>Break bulk</b>							
Baltic Dry Index	Capital Link	1411	1647	1180	1244	5.4%	-9.9%
Handysize Index	Capital Link	569	596	600	670	11.6%	32.6%



## Containers



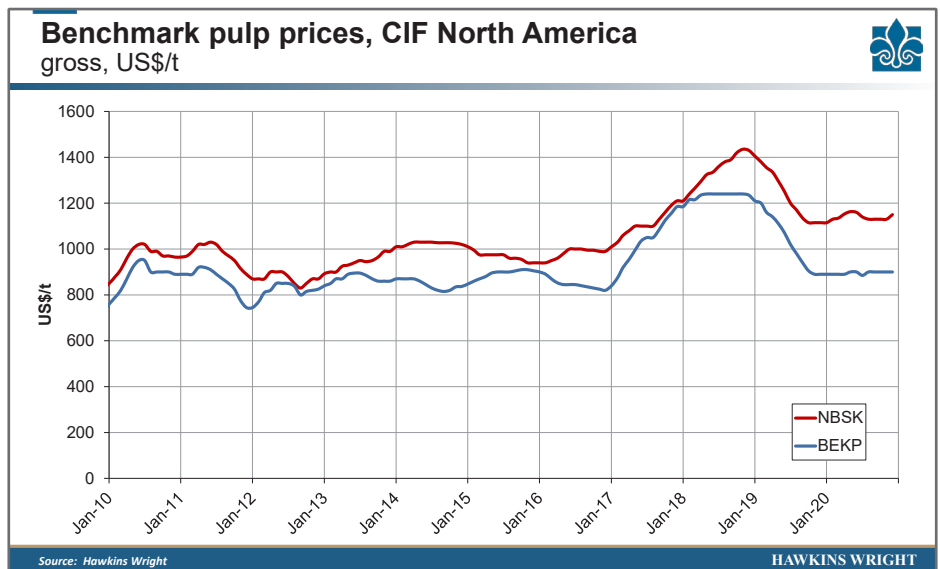
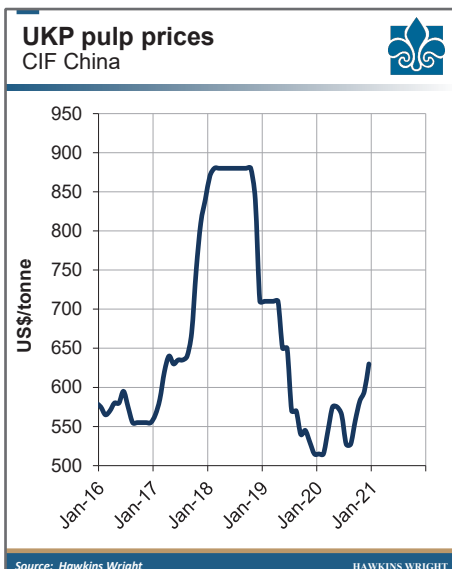
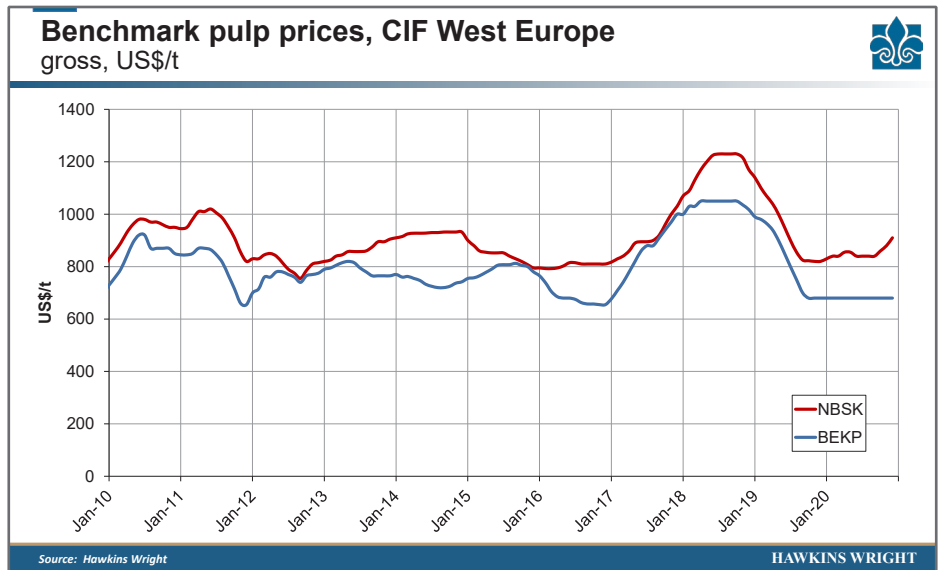
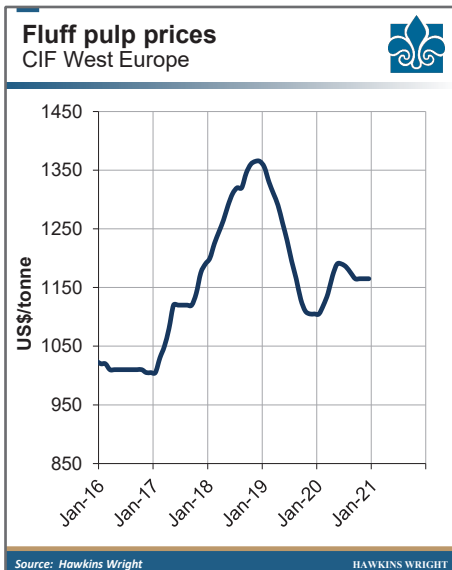
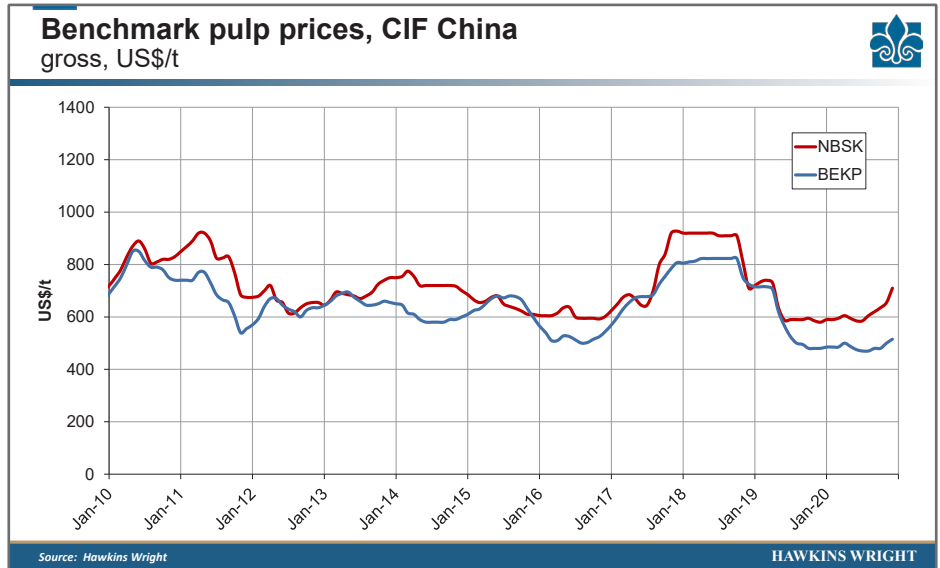
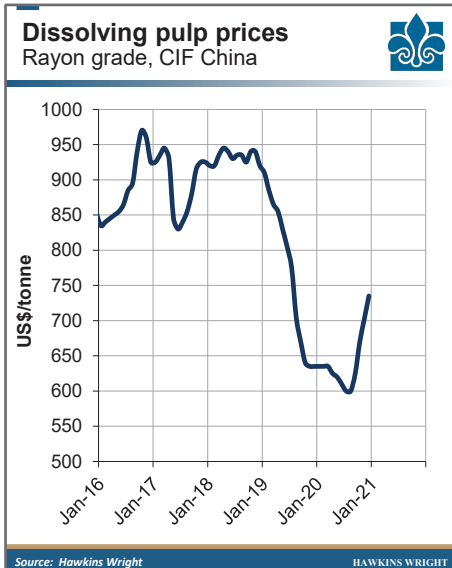
Drewry also provides benchmarking of contract container freight rates covering over 9,000 port pair combinations via its Benchmarking Club for which special discounts are available to pulp & paper companies for a limited period.

More details can be found at:

[www.drewry.co.uk](http://www.drewry.co.uk)




# Price indications



# Market pulp price indications

All prices are per metric tonne		2020	2020	2020	2020	2020	Announced list prices for
		August	September	October	November	December	January
<b>WEST EUROPE (CIF)</b>							
- NBSK (Nordic/Canada)	\$	840	840	860	880	910	960
- NBSK PIX Index (monthly ave)	\$	840.02	839.99	840.02	850.85	875.37	
- NBSK PIX Index (monthly ave)	Euro	711.67	710.76	713.84	721.29	723.80	
- Southern (USA)	\$	790	790	800	810	810	
- Eucalyptus (Latin America)	\$	680	680	680	680	680	750
- BHKP PIX Index (monthly average)	\$	680.00	680.00	680.00	680.00	680.00	
- BHKP PIX Index (monthly average)	Euro	576.09	575.38	577.86	576.48	562.29	
<b>UNITED STATES (delivered)</b>							
- NBSK (Canada)	\$	1130	1130	1130	1130	1155	1180-1190
- PIX Index (qtr./month average)	\$	1147.33	1135.82	1133.64	1130	1130	
- Southern (US)	\$	1055	1050	1050	1050	1075	1,110
- Eucalyptus	\$	900	900	900	900	900	970
- Northern/Southern mixed (Canada/US)	\$	865	860	860	865	880	
<b>SOUTH KOREA (CIF)</b>							
- NBSK (Canada)	\$	690	700	730	755	775	
- Eucalyptus	\$	545	545	545	555	600	
- Acacia (Indonesia)	\$	545	545	545	555	600	
- BCTMP Hardwood (Canada)	\$	590	590	590	600	630	
<b>CHINA (c&amp;f., 90 days credit, list prices unless otherwise stated)</b>							
- NBSK (Canada, net price)	\$	580	600	610	630	680	720+
- NBSK (import price in Rmb)*	Rmb	4642	4720	4735	4800	5127	
- NBSK Net PIX Index (monthly ave)	\$	566.52	583.10	601.76	613.67	645.93	
- Radiata pine (Chile, net price before year end rebate)	\$	550-565	580-600	590-600	630	670	690
- BSKP (Russia, net price)	\$	540	570	580	600	650	
- Eucalyptus (Brazil, net price)	\$	440	445	450-470	470	470-500	530
- BEKP (import price in Rmb)*	Rmb	3546	3526	3595	3532	3500	
- BHKP Net PIX Index (monthly ave)	\$	442.98	445.35	451.67	460.79	479.13	
- Acacia (Indonesia, gross price)	\$	440-450	440-450	450	470	500	
- BCTMP hardwood (Canada)	\$	450-460	460-470	470	470-480	480-490	
- Dissolving (hardwood viscose grade)	\$	600-615	610-625	640-650	710	735	
- UKP (NA/Chile) (net)	\$	520-535	550-565	575-590	590-600	630	650

	NBSK index	107.51	106.37	106.88	109.29	113.46	(MAY 2016 = 100)
	SBSK index	97.65	96.23	96.93	97.78	101.91	
	BHKP index	89.56	87.47	88.14	90.56	91.86	

Trade Tree online indices are for North American prices.

*Notes: Estimated transaction prices for delivery in the period shown, before any loyalty or large order discount. Figures in brackets are unconfirmed or based on partial information.*

*\*The import price expressed in RMB has been estimated by making adjustments for the the exchange rate, VAT (13%), local transportation, a port handling fee and a bank charge for insurance and financing (assuming financing is carried out by a third party).*

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