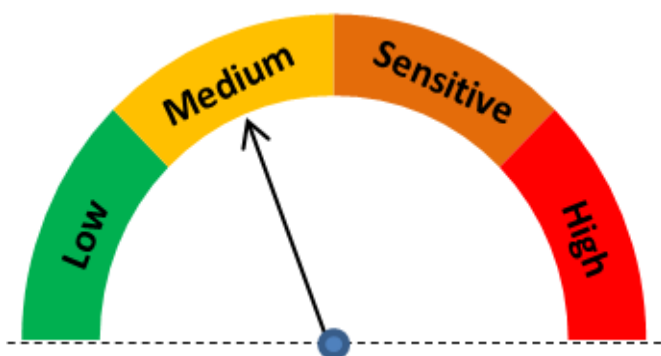


## Sector Risk Rating



## What to Watch?

- Downside trend of pulp prices, from a high level in 2014
- Evolution of energy prices regarding the electricity-intensive character of the industry
- R&D investments to lift the value-added of paper production
- Growing importance of recycling in the sector, in line with environmental objectives in Europe and North America

## Digitalization is Eating Away at Paper

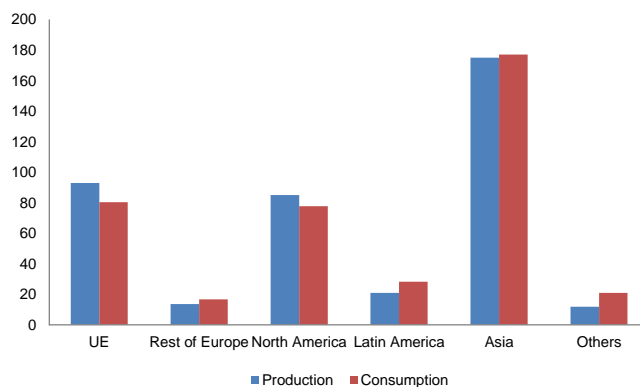
Estimated at USD830bn in 2014, the global pulp and papers market is expected to fall into recession this year with sales decreasing by -5%.

The upstream pulp sector will continue to face a declining demand, with a production 9% below its 2007 level and a swap between *traditional* (Europe, US and Canada) and *emerging* (Brazil, China) actors.

The downstream sector has been suffering from flat growth rates since 2010-2011, the sluggish +1% growth in volumes in 2014 being only driven by Asia -which accounts for nearly half of total paper and board production- and Latin America.

The situation appears most challenging in Europe regarding (i) the severe drop in paper and board prices, and (ii) the growing competition of digital devices which is much tougher than in Asia. These led paper companies to shut down around a third of total European papermaking capacities since 2010. Corrugated papers is the only subsector to stand out, still posting a positive dynamic, thanks to the economic recovery and rising demand for e-commerce packaging.

Global Paper and Board Production and Consumption (Index: 2007=100)



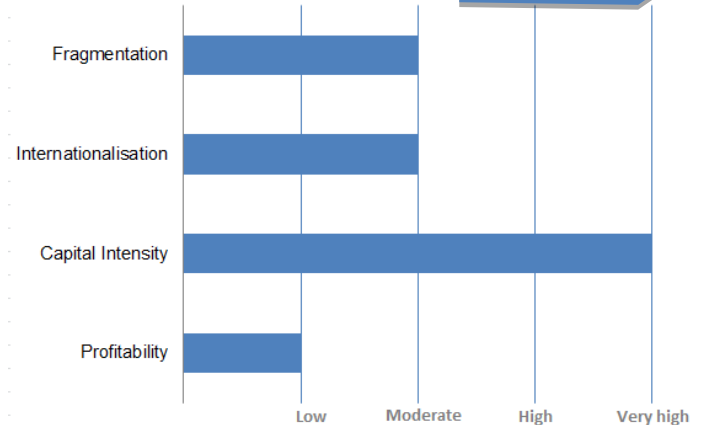
Sources: Risi, Euler Hermes

Sector Value:  
**830bn**  
USD

## Key Players

Country	Role	Sector Risk
<b>United States</b>	#1 importer #2 producer	●
<b>Brazil</b>	#1 exporter	●
<b>China</b>	#1 producer	●

## ID Card



## Strengths

- New market opportunities thanks to growing middle class in emerging markets
- Growing demand for hygiene products
- Structural needs for packaging, in line with manufacturing activities, world trade and e-commerce

## Weaknesses

- Growing digitalization in advanced economies
- High sensitivity to pulp prices
- Printing paper segment in structural crisis
- Dependency of newspapers and magazines activity to global advertising spending

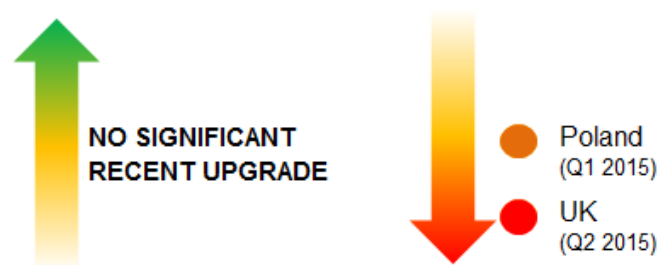
## Subsectors Insights

**Newsprint and printing papers:** Digitalization has severely affected this range of papers.

**Corrugated papers and boards:** High level of dependency on the packaging outlet.

**Tissue papers:** This papers range appears to be a market niche still enjoying growth.

## Recent Sector Risk Changes



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