

Paper and Forest Products

Import-Export Watch - Imports Fall 22% in November

United States import-export data for November 2008 have been released for the major paper and packaging product lines and the statistics showed imports down 22% year on year, while paper and paperboard shipments from the U.S. to overseas markets were up 2%. On a year-to-date basis, imports were down 12% while exports were up 7% through November.

- **Imports come down hard in November.** Looking specifically at the November import data, imports of coated and uncoated paper and newsprint decreased 22% versus the prior year on the back of double digit declines in uncoated groundwood (down 27%), newsprint (down 27%), uncoated freesheet (down 17%), and coated groundwood (down 10%). Coated freesheet was down 5% y/y. Meanwhile, imports ex-Canada was down 10% year on year. On a month-on-month basis, overall imports were down 12%.
- **Newsprint and bleached board drive export growth.** U.S. exports of paper and paperboard increased 2% year on year in November, as increases in newsprint (up 12%), bleachedboard (up 11%), and uncoated groundwood (up 10%) were offset by decreases in coated groundwood (down 25%), and uncoated freesheet (down 13%). Excluding packaging grades, exports of printing and writing paper and newsprint decreased 4% year on year. Compared to the prior month, exports of paper and paperboard decreased 11%.
- **We believe the large drop-off in import volumes illustrates the weakness in the global economy.** We think data will continue to be weak, as the global economic slowdown takes hold and as counterparty risk and credit issues hamper trade. However, we believe the strengthening of the US\$ versus other major global currencies could lead to an increase in imports to the U.S. as foreign paper becomes more competitive.

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Imports Down 22%; Exports Gain 2%

Preliminary United States import-export data for November 2008 have been released for the major paper and packaging product lines and the statistics were broadly consistent with recent trends. Imports of paper decreased 22%, while exports of paper and paperboard packaging increased 2% year on year.

Imports down significantly

Imports of coated and uncoated paper and newsprint were down 22% versus the prior year in November and outpaced negative YTD trends. Imports were brought down on the back of double digit declines in uncoated groundwood (down 27%), newsprint (down 27%), uncoated freesheet (down 17%), and coated groundwood (down 10%). Coated freesheet was down 5% y/y. On a month-on-month basis, imports of printing and writing paper and newsprint were down 12%.

Stripping out tonnage from Canada showed that overall paper imports ex-Canada decreased 10% year on year in November, on the back of double digit declines to the U.S in uncoated groundwood (down 32%), newsprint (down 13%), and uncoated freesheet (down 11%).

Imports to the U.S. – November

tons

Monthly Imports of Paper (tons)	Nov-07	Nov-08	% Change
Coated Freesheet	94,657	90,276	-5%
Coated Groundwood	126,156	113,003	-10%
Uncoated Freesheet	106,370	88,054	-17%
Uncoated Groundwood	378,342	277,318	-27%
Newsprint	319,655	234,926	-27%
Total	1,025,180	803,577	-22%

Source: RISI.

Imports to the U.S. – January - November

tons

Monthly Imports of Paper (tons)	Jan-Nov 07	Jan-Nov 08	% Change
Coated Freesheet	1,115,414	862,769	-23%
Coated Groundwood	1,782,877	1,371,916	-23%
Uncoated Freesheet	1,130,730	1,110,055	-2%
Uncoated Groundwood	4,011,457	3,748,146	-7%
Newsprint	3,505,845	3,023,732	-14%
Total	11,546,323	10,116,618	-12%

Source: RISI.

Looking specifically at the individual grades, we would note the following:

- **Coated freesheet** imports declined 5% compared to the previous year, reflecting a 20% drop in shipments from Western Europe (to 41,406 tons) and a 49% drop in volumes from Canada (to 455 tons); which was partially offset by a 15% increase in shipments from Asia (to 48,412 tons). On a month on month basis, imports of coated freesheet increased 15% on the back of 26% increase in shipments from Western Europe and 7% increase in shipments from Asia.
- **Coated groundwood** imports decreased 10% year on year in November, reflecting a 36% drop in shipments from Western Europe (to 36,239 tons) and a 23% drop in volumes from Canada (to 40,000 tons); partially offset by a 108% increase in shipments from Asia (to 36,764 tons). On a month-on-month basis,

imports of coated groundwood declined 15%, reflecting a 39% drop in shipments from Western Europe.

- **Uncoated freesheet** imports decreased 17% year on year reflecting a 52% drop in shipments from Asia (to 10,612 tons) and a 24% drop in volumes from Canada (to 35,999 tons). In addition, shipments from Brazil into the U.S. increased 38% y/y to 17,837 tons. Month on month, UCFS shipments declined 5%, as a result of 13% drop in shipments from Canada and a 15% drop in volumes from Asia.
- **Uncoated groundwood** imports fell 27% year on year in November, driven by a 26% drop in shipments from Canada (to 248,000 tons) and a 32% decline in volumes from Western Europe (to 28,653 tons). Shipments were down by 23% compared to the previous month largely reflecting a 20% drop in shipments from Canada.
- **Newsprint** imports were off 27% y/y on the back of a 27% drop in shipments from Canada (to 230,000 tons) and a 17% drop in volumes from Asia (to 4,357 tons). On a month-on-month basis, newsprint imports decreased 8%, given a 10% drop in shipments from Canada.

Exports Up 2% - Paper Down 4%; Paperboard Up 5%

U.S. exports of paper and paperboard increased 2% year over year in November, led by a double digit increase in shipments for newsprint (up 12%) and bleachedboard (up 11%). Partially offsetting these gains were declines in coated groundwood (down 25%), and uncoated freesheet (down 13%). **Stripping out paperboard tonnage showed that commodity printing and writing paper and newsprint exports were down 4% year on year.**

Exports from the U.S. – November

tons

Monthly Exports of Paper (tons)	Nov-07	Nov-08	% Change
Coated Freesheet	56,628	55,877	-1%
Coated Groundwood	39,848	29,759	-25%
Uncoated Freesheet	80,983	70,582	-13%
Uncoated Groundwood	25,824	28,508	10%
Newsprint	59,288	66,445	12%
Containerboard	344,000	350,000	2%
Bleachedboard	156,000	173,000	11%
Total	762,571	774,171	2%

Source: RISI.

Exports from the U.S. – January - November

tons

Monthly Exports of Paper (tons)	Jan-Nov 07	Jan-Nov 08	% Change
Coated Freesheet	604,779	637,947	5%
Coated Groundwood	396,952	352,927	-11%
Uncoated Freesheet	911,696	904,440	-1%
Uncoated Groundwood	240,767	260,000	8%
Newsprint	643,748	859,109	33%
Containerboard	4,002,000	4,266,000	7%
Bleachedboard	1,631,000	1,754,000	8%
Total	8,430,942	9,034,423	7%

Source: RISI.

Looking specifically at the individual grades, we would note the following:

- **Coated freesheet** exports decreased 1% year on year in November, led by a 43% drop in shipments to Asia (to 2,942 tons) and a 1% drop in volumes to Canada (to 34,840 tons); which was partially offset by 34% increase in shipments to Western Europe (to 3,131 tons). Exports declined 6% month on month reflecting a 9% drop in shipments to Canada, partially offset by 74% increase in shipments to Asia.
- **Coated groundwood** exports decreased 25% y/y in November given a 27% drop in shipments to Canada (to 17,695 tons). On a month-on-month basis, coated groundwood exports were down by 10% driven largely by a 17% decline in volumes to Canada.
- **Uncoated freesheet** exports were down by 13% y/y as a 28% drop in shipments to Canada (to 26,154 tons) was partially offset by 35% increase in shipments to Western Europe (to 11,301 tons). UCFS shipments were down by 17% month on month, reflecting a 26% drop in shipments to Latin America to 24,456 tons.
- **Uncoated groundwood** exports increased 10% year on year as a 34% increase in shipments to Latin America (to 19,269 tons) partially offset a 48% drop in shipments to Canada (to 5,432 tons). Month-on-month exports of UGW were up by 12% on the back of 6% increase in shipments to Latin America.
- **Newsprint** exports increased 12% year on year in November as a 31% increase in shipments to Latin America (to 32,258 tons) was partially offset by a 16% drop in shipments to Asia (to 19,034 tons). On a month-on-month basis, newsprint exports declined 40% on the back of 60% decrease in shipments to Asia.
- **Containerboard** exports were up by 2% versus the prior year in November. Meanwhile, export volumes decreased 12% on a month on month basis.
- **Bleached board** exports were up by 11% on a year on year basis in November and increased 7% versus the prior month.

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