SOUTH AFRICAN PULP AND PAPER INDUSTRY

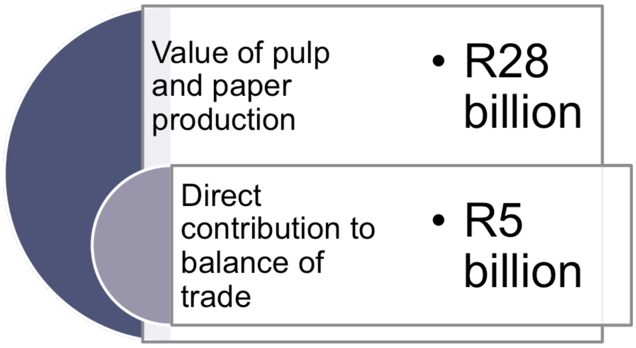
Summary findings on 2015 production, import and export statistics

JULY 2016

PAMSA collates data from industry players and Statistics SA to draw up an annual production report that tells the economic story and role that the pulp and paper industry fulfils in the South African economy.

Overview

Packaging, tissue and chemical cellulose are growth sectors for South Africa. They are showing the work, energy and refocus of an industry that was under pressure but which is emerging with increased global competitiveness in its chosen grades.



The local industry continues to drive cost control, but a renewed focus for exports is also expected. Forestry is the sustaining force in the sector - with much potential yet to be realised, especially in the case of smaller, emerging tree growers. This is recognised by government in that a carbon offset paper was published in June 2016 which included small afforestation in as an offset.

The end-consumer and the economy in general are struggling. Local demand, policy uncertainty, rising utility and tax costs and constrained energy supplies have all negatively impacted on the South African economy as well as strong global competition. While less recycled fibre was collected from lower production tonnages, recycling rates are higher, supporting the view that more is being done in recycling to keep paper production costs under control. In short, the industry would appear to be pushing hard to make the best of a very difficult situation.

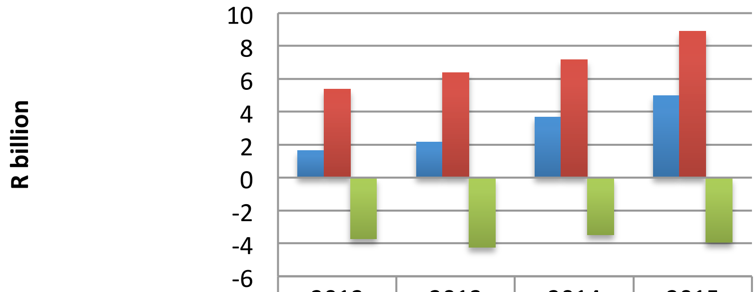
Sector contribution to GDP	2015	2014	2013
• Forestry-paper contribution to total South African GDP	0.5%	0.5%	0.6%
• Forestry-paper contribution to manufacturing GDP	4.2%	3.7%	3.8%
• Forestry-paper contribution to agricultural GDP	23.3%	24.2%	26.1%

Employment

According to Stats SA in 2015, the industry has shown a 10% rise in jobs., with pulp and paper adding more jobs than this, while recycling a little less. The recycling industry however has shown more promise as it has increased jobs and with the rising recycling rates, one can expect this rise to be sustained. It does appear that more independent mills (mostly tissue) are creating more jobs; similarly the larger mills are showing sustained growth in technical skilled staff (2% pa). For the first half of 2015, forestry related jobs (distinct from paper/pulp) came in with a 20% increase (*source: StatsSA and PAMSA Education Research Report*).

Imports/exports

GRAPH 1 **Balance of trade**



	2012	2013	2014	2015
All papers and pulps	1.653	2.156	3.693	5.000
Pulp	5.390	6.384	7.169	8.900
Paper and board	-3.737	-4.228	-3.476	-3.940

Pulp production is currently static in South Africa, however the export value is up just over 6%, reflecting the influence of Forex rates. Printing and writing grades (mostly coated and uncoated wood-free) continue to face import pressure - primarily related to SA's economies of scale and declines in local demand. Packaging and tissue, which are generally growth sectors in South Africa, appear largely static in 2015 regardless of the current Forex advantages.

Consumption*

The consumption of printing and writing grades is up somewhat, however on a per person analysis, they reflect a decline, demonstrating how wider socio-economic growth and development is not keeping pace in South Africa. Packaging grades (pertinent to retail channel volumes) continue to grow. Tissue, sometimes a luxury among lower LSMs (Living Standards Measure) is fairly static in consumption terms.

** Consumption is more correctly defined as 'apparent consumption' (production plus imports less exports).*

Grades

PRINTING AND WRITING

There is a continuation of the gradual decrease in overall production, however consumption has risen for the first time in three years by 8.8%. Global reports are showing a rejuvenation in printed paper books as the e-book market appears to have plateaued.

Exports in these grades are down fairly substantially, while newsprint exports show a good pick-up of 2.2%. With GDP languishing, it is expected that local consumption will remain stagnant, however Forex trends should result in a rise of export volumes.

PACKAGING

Our paper packaging industry, despite the challenge of plastic substitution, is showing sustained growth locally and internationally in terms of exports, whereas imports are static. Local consumerism and agricultural exports are the factors that have seen packaging production increase by 7% (5% increase in consumption with the remaining 2% attributed toa rise in exports). Continued growth in packaging is expected, while the key export packaging grades should also rise.

TISSUE

Tissue grades are the only grades that are directly linked to the Fast Moving Consumer Goods (FMCG) market, and as a result any pressure economically will show itself up in tissue papers. Production has decreased by just over 10%, with consumption down around 5%. The export rise in 2014 (doubling from 2013) has sustained its levels in 2015, however imports have risen substantially.

GRAPH 2

CONSUMPTION PER CAPITA

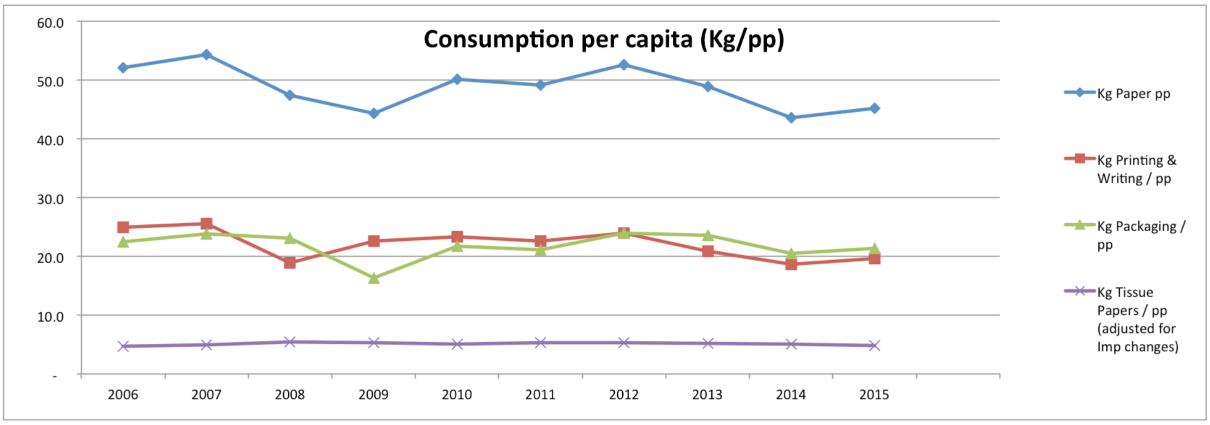


TABLE 1

PAPER PRODUCTION AND CONSUMPTION

Grade	Paper Production	Paper Imports	Paper Exports	Paper Consumption
Newsprint	217 860	24 003	38 130	203 733
Printing/writing	462 709	526 437	140 968	848 178
Corrugating materials/containerboard	1 252 986	152 210	363 504	1 041 692
Other wrapping papers	6 605			6 605
Tissue	213 704	37 808	31 786	219 726
Other paper	102 388	51 143	91 365	62 166
Board	32 856			32 856
Total	**2 289 109**	**791 601**	**665 753**	**2 414 957**

PAPER
MANUFACTURERS ASSOCIATION
OF SOUTH AFRICA (PAMSA)

SUMMARY TABLES AND GRAPHS

TABLE 2: YEAR-ON-YEAR CONSUMPTION

Summary Tons (1000 tons)	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Production								
Printing and Writing Papers	1 066	922	939	790	796	740	718	681
Packaging Papers	1 440	1 097	1 341	1 251	1 411	1 350	1 303	1 395
Tissue Paper	220	224	217	219	220	223	240	214
Total Paper	**2 726**	**2 244**	**2 497**	**2 261**	**2 427**	**2 313**	**2 261**	**2 289**
Total Pulp	**2 572**	**2 130**	**2 307**	**2 321**	**2 259**	**1 985**	**1 967**	**1 982**
Imports*			(1 000 tons)					
Paper	486	549	524	528	600	602	537	550
Packaging Papers	109	112	138	152	177	201	204	203
Tissue Paper	50	45	46	58	28	22	21	38
Pulp	114	99	77	79	88	144	230	214
Exports								
Paper	640	372	312	190	182	264	277	179
Packaging Papers	437	413	411	346	371	332	426	455
Tissue Paper	7	9	12	11	12	15	30	32
Pulp	849	1 008	985	1 113	998	1 047	1 165	1 128
Apparent Net Consumption	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Paper	911	1 100	1 150	1 129	1 215	1 078	979	1 052
Packaging Papers	1 112	795	1 068	1 058	1 217	1 218	1 081	1 143
Tissue Paper	263	261	251	266	237	230	230	220
Pulp	1 991	1 335	1 589	1 227	1 517	1 409	1 327	1 375

TABLE 3: BALANCE OF TRADE

Pulp and Paper Imports Value (Rands '000)	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD
TOTAL : ALL PAPERS AND PULPS	1 043 209	1 189 757	2 916 681	2 313 813	3 045 584	2 857 799	1 735 481	2 202 894	4 704 329	4 999 376
TOTAL PAPER & BOARD	-1 565 184	-2 011 608	-1 560 760	-1 606 550	-2 181 184	-3 139 954	-3 654 876	-4 181 314	-2 989 908	-3 948 516
TOTAL PULP	2 608 393	3 201 365	4 477 441	3 920 363	5 226 768	5 997 754	5 390 357	6 384 207	7 694 238	8 947 892

Pulp and Paper Imports Value (Rands '000)	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD
PAPER AND BOARD										
PRINTING AND WRITING PAPERS	**-1 858 660**	**-1 956 048**	**-1 601 713**	**-1 933 871**	**-2 635 113**	**-3 336 142**	**-4 519 608**	**-5 337 410**	**-4 575 116**	**-5 831 848**
Uncoated Paper	656 542	1 072 940	1 916 069	1 052 870	451 603	25 115	-426 692	-688 507	-128 869	-464 588
Coated Paper	-2 500 630	-3 126 331	-3 750 119	-3 200 617	-3 311 869	-3 593 227	-4 270 929	-4 813 591	-4 645 483	-5 514 065
Newsprint and Telephone Directory Paper	-14 572	97 344	232 336	213 876	225 153	231 970	178 014	164 688	199 236	146 805
PACKAGING PAPERS	**945 020**	**810 242**	**1 289 114**	**1 265 282**	**1 168 811**	**1 069 203**	**1 016 389**	**1 275 608**	**1 367 169**	**1 752 883**
Liner Board	935 556	886 233	1 363 892	1 335 927	1 182 297	1 216 619	1 193 546	1 484 758	1 199 229	1 446 179
Fluting	281 425	168 952	278 977	235 022	281 447	246 732	206 442	255 900	516 436	489 497
Other Kraft paperboard and fibreboard	-271 962	-244 943	-353 756	-305 667	-294 932	-394 149	-383 599	-465 049	-348 496	-182 793
TISSUE PAPER	**-651 543**	**-865 803**	**-1 248 160**	**-937 960**	**-714 882**	**-873 015**	**-151 657**	**-119 512**	**218 038**	**130 450**
Tissue Paper	-651 543	-865 803	-1 248 160	-937 960	-714 882	-873 015	-151 657	-119 512	218 038	130 450
TOTAL PAPER AND BOARD	**-1 565 184**	**-2 011 608**	**-1 560 760**	**-1 606 550**	**-2 181 184**	**-3 139 954**	**-3 654 876**	**-4 181 314**	**-2 989 908**	**-3 948 516**
PULP										
Mechanical Pulp	-314	-431	310	-348	154	523 631	222	813	-18 158	-13 737
Semi-Chemical Pulp	-21 631	-26 748	357 741	-15 174	-12 943	-22 444	-14 955	-21 755	-5 650	-464
Chemical Pulp	2 619 825	3 208 328	4 137 693	3 988 988	5 237 653	5 420 217	5 272 750	6 301 306	7 760 627	9 005 906
Other Pulp	10 513	20 216	-18 303	-53 102	1 904	76 349	132 339	103 843	-42 581	-43 814
TOTAL PULP	**2 608 393**	**3 201 365**	**4 477 441**	**3 920 363**	**5 226 768**	**5 997 754**	**5 390 357**	**6 384 207**	**7 694 238**	**8 947 892**

GRAPH 3: CONSUMPTION AND RECYCLING RATES

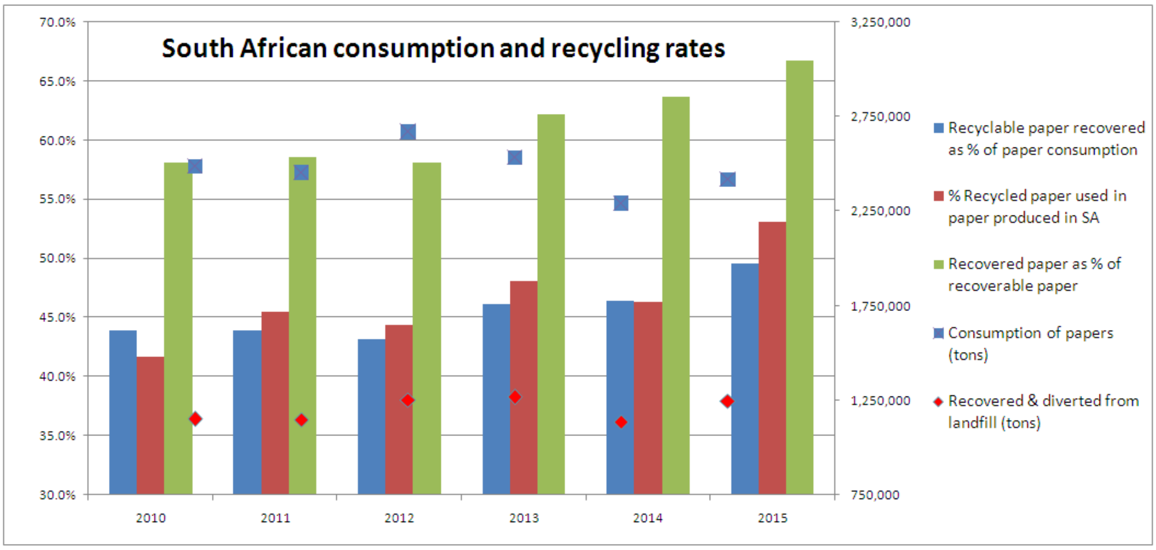


TABLE 4: RECOVERY OF RECYCLABLE PAPER

Recovery of recyclable paper

	Paper Recovered in SA	Recovered Paper Imports	Recovered Paper Exports	Consumption of Recycled Paper in SA
Newspapers	110 990		8 800	102 190
Magazines	49 701		7 600	42 101
Corrugated, solid cases, kraft papers	814 338	15 911	21 600	808 649
Office, graphic papers	142 070	14 188	4 000	152 259
Mixed and other papers	78 927	38 988	7 247	110 668
Total	**1 196 026**	**69 088**	**49 247**	**1 215 867**

TABLE 5: RECOVERABLE PAPER

Recoverable paper

Paper consumption	2 414 957
Less paper exported in agric products	*215 442*
Less paper unsuitable for recovery	*406 425*
Recoverable paper	**1 793 090**

(All values in metric tons)

COMPILED BY THE PAPER MANUFACTURERS ASSOCIATION OF SOUTH AFRICA

011 803 5063 |info@pamsa.co.za | www.thepaperstory.co.za