MANUFACTURERS ASSOCIATION OF SOUTH AFRICA (PAMSA)

South African Pulp and Paper Industry | Summary findings from 2012 production, import and export statistics | May 2013

OVERVIEW

Sector contribution to GDP

- Forestry-Paper contribution to Total SA GDP = 0.6% (2011: 0.6%)
- Forestry-Paper contribution to Manufacturing GDP = 3.9% (2011: 3.8%)
- Forestry-Paper contribution to Agricultural GDP = 27.5% (2011: 26.5%)

Balance of trade (BoT)

- All papers and pulps = R1,653 billion (R2,765 billion2011)
- Pulp = R5,390 billion (2011: R5,998 billion)
- Paper and board = - R3,736 billion (2011: - R3,232 billion)

PRINTING AND WRITING PAPERS

Production volumes for 2012 are some 25% below 2008 levels. While this year-on-year decline appears to have slowed, there are no significant increases to date. Apparent consumption per person (24.3 kg/person) shows a return to past higher pre-2008 recessionary levels; the shortfalls in this regard, taking population growth into account, are being driven by imports of printing and writing grades.

Exports however hover around 35% of pre-2008 levels with no significant changes. The major production decline seems to be driven by uncoated woodfree (imports are also lower) while coated grade production and consumption are showing small rises. Newsprint is fairly static. Trends show a recovery from packaging grade recession levels which would indicate that the segment is undergoing downward demand shifts in the market.

PACKAGING PAPERS

Production volumes show a return to 2008 levels with en route stocking/destocking trends indicative of recovery from a recession. With the inclusion of growing imports (up 40-50% since 2008), apparent consumption per person (24.1 kg/person) is now exceeding pre-2008 levels. This shows a growing/developing market.

The major activity in this segment is being driven by linerboards where both local production and imports are rising fairly strongly. Exports are static and at reasonable levels considering the trends.






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The segment classified as 'other kraft papers' shows a rapid growth, driven by imports. Consumption in this segment is showing clear recovery with opportunity for further growth.

TISSUE PAPER

Production volumes in the tissue paper segment are broadly static. Adjusted imports (for diaper move from Chp48 to 96 in the tariff book) show little change. There is also little change in exports, as well as production and consumption. Overall apparent consumption per person (adjusted) is static hovers around 4kg per person (world average in 2011 was 4.4kg per person and 24kg per person in the USA).

Given the packaging segment recovery, the tissue paper is clearly under pressure from end consumer demand. However, when stripping out diaper effects, there is an indication that tissue imports are rising. 2013 trends will confirm this.

RECYCLING

Collections of recycled paper remain good with an absolute increase of 73,675 tonnes year on year bringing the total collected paper up to 1,151,315 tonnes, equating to 57.3% of total recoverable paper. This is marginally down from 2011's 58.2% due to increased consumption of packaging grades of paper. Specialist papers, currently unsuitable (e.g. bitumen coated) or unavailable (most tissue) for recycling, are on the increase.

There has also been a marked increase in exports of collected paper which with the weaker rand is expected to continue. Demand from India and China is strong.

IMPORTS AND EXPORTS

Overall imports (excluding pulp) are up some 30% since 2008, which adds pressure to local production capacity. The negative balance of trade rand value of paper and board (excluding pulp) has more than doubled since 2008. Although this has slowed more recently, the trend remains.

CONSUMPTION

Consumption per person is strong amongst end consumer basics, especially with packaging products. It is gradually developing in print media (coated/newsprint) however it is weak in uncoated woodfree (effectively A4) and static in tissue grades. This is apparently driven by declines in discretionary income with rising basic services costs.

EMPLOYMENT

Job shedding continues in manufacturing. Employment in the forestry sector is under threat due to pressure placed on contractors with recent wage determination rulings. The rulings will make small to medium scale timber farming unviable and will force large scale farmers to mechanise. Some






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opportunities do exist provided the policy and legal framework for the sale of green co-generation power to the grid be completed soon.

PRODUCTION SUMMARY TABLES

Table 1

Production summary	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Tonnes ('000)												
Production	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)
Printing and Writing Papers	863	913	920	1 019	925	1 050	1 132	1 066	922	939	790	796
Packaging Papers	1 245	1 265	1 265	1 306	1 365	1 369	1 400	1 440	1 097	1 341	1 251	1 419
Tissue Paper	150	154	152	197	193	191	195	220	224	217	219	216
Total Paper	**2 258**	**2 332**	**2 337**	**2 522**	2 483	2 610	2 727	2 726	2 244	2 497	2 261	2 431
Total Pulp	**2 138**	**2 183**	**2 317**	**2 073**	2 193	2 222	2 311	2 572	2 130	2 307	2 321	2 277
Imports*	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)
Paper	254	265	371	399	449	670	708	666	734	753	786	865
Pulp	53	64	71	71	70	127	82	114	99	77	79	88
Value	(mill. rand)	(mill. rand)	(mill. rand)	(mill. rand)	(mill. rand)	(mill. rand)	(mill. rand)	(mill. rand)	(mill. rand)	(mill. rand)	(mill. rand)	(mill. rand)
Value of Paper Production	10 428	12 357	11 659	11 753	11 938	13 179	14 911	16 533	14 237	16 377	15 859	17 280
Value of Pulp Exports (Mill Data)	2 320	2 737	2 570	2 484	2 445	2 851	3 747	5 054	4 317	5 672	6 553	6 051
Value of Paper Exports (Mill Data)	2 704	3 429	2 746	2 716	2 481	2 816	3 684	3 859	5 592	3 839	3 550	3 124
Notes												
Import data obtained from Customs and Excise data.												
The following tariff headings were used to calculate paper imports: 4810 - 4816												

Table 2

Table Balance of Trade (Exports - Imports)							
Value (Rands '000)	YTD	YTD	YTD	YTD	YTD	YTD	YTD
Summary of segments	2006	2007	2008	2009	2010	2011	2012
All papers and pulps	980 458	1 174 242	2 856 239	2 263 073	2 990 528	2 765 479	1 653 488
Papers, packaging and tissues	-1 627 935	-2 027 123	-1 621 202	-1 657 289	-2 236 240	-3 232 275	-3 736 868
Pulps	2 608 393	3 201 365	4 477 441	3 920 363	5 226 768	5 997 754	5 390 357
Sub-segments							
Printing & writing papers	-1 921 412	-1 971 563	-1 662 155	-1 984 611	-2 690 169	-3 428 462	-4 601 600
Uncoated Paper	656 542	1 072 940	1 916 069	1 052 870	451 603	25 115	-426 692
Coated Paper	-2 500 630	-3 126 331	-3 750 119	-3 200 617	-3 311 869	-3 593 227	-4 270 929
Newsprint and Telephone Directory Paper	-14 572	97 344	232 336	213 876	225 153	231 970	178 014
SC Mechanical and LWC paper	-62 751	-15 514	-60 442	-50 739	-55 057	-92 320	-81 992
Packaging papers	945 020	810 242	1 289 114	1 265 282	1 168 811	1 069 203	1 016 389
Liner Board	935 556	886 233	1 363 892	1 335 927	1 182 297	1 216 619	1 193 546
Fluting	281 425	168 952	278 977	235 022	281 447	246 732	206 442
Other Kraft paperboard and fibreboard	-271 962	-244 943	-353 756	-305 667	-294 932	-394 149	-383 599
Tissue papers	-651 543	-865 803	-1 248 160	-937 960	-714 882	-873 015	-151 657
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