



CUTSIZE MONTHLY MONITOR

SENTIMENT, PRICES AND MARKET DATA

MAY 2019



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Introduction

In this document, you will find the latest **EMGE Cutsize Monthly Monitor**, which provides data for **APRIL / MAY 2019**, together with charts and tables showing the development of Demand, Shipments, Capacity, Operating Ratios, Prices, Delivery Times, Inventories and Short Term Business Prospects for Uncoated Woodfree Cutsize Paper in Europe, as well as charts and data on Cutsize markets outside of Europe.

DEFINITIONS:

W.EUROPE-16 is defined as Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK.

E.EUROPE-14 is defined as Bulgaria, Cyprus, Czech Republic, Estonia, Greece, Hungary, Iceland, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia (excludes Russia & CIS).

DEMAND is defined as apparent consumption of paper, i.e. the volume of shipments plus imports less exports.

DELIVERIES / SHIPMENTS are a proxy for Production - sales from producers in one region to all world regions.

CAPACITY numbers are calculated on a Monthly basis, derived from the EMGE global mill and machine database. They take account of changes in capacity (improvements and investments) and are adjusted for monthly variations in availability, but not for market-related downtime, strikes etc.

The **SHIPMENTS TO CAPACITY RATIO** is a proxy for Operating Ratios and therefore may not necessarily equate precisely to mill Operating Rates.

Methodology and Data

The data in this report are from EMGE's proprietary database, compiled from a wide range of sources, as well as market interviews. EMGE conducts a regular programme of market interviews with respondents from across various sectors of the Cutsize market, including Paper Merchants, Original Equipment Manufacturers (OEMs) and Office Stationery Distributors (OSDs). These interviews are conducted by telephone and respondents are asked for their opinions on the current state of business at that moment in time, including Demand, Delivery Times, Inventory Levels and Price Levels, as well as Business Prospects in the short term. The results are provided on an aggregated basis throughout and confidentiality of company and private data is maintained.

In order to make this document as easy as possible to use, while at the same time providing a great deal of information and data, we summarise the key issues in the charts and tables below.

EMGE Interview Results Summary - Europe

Index falls for 6th consecutive month in May

This table shows the most recent month's aggregated results of survey responses, together with the latest EMGE Cutsize Market Index and changes in the Tendency (movement from the previous month).

FIGURE 1. RESULTS SUMMARY				
	Scale	Previous	Latest	
CUTSIZE MARKET INDEX	100 = Good Conditions 50 = Stable 0 = Poor Conditions	55.6	53.9	v
DEMAND	51-100 = Improving 50 = Stable 0-49 = Worsening	37.5	38.3	^
DELIVERY TIMES	Balance Level (Weeks)	4.0	4.0	o
INVENTORY LEVELS BUYERS/MERCHANTS	100 = High 50 = Medium 0 = Low Avge number of days	71.4	68.4	v
PRICING SENTIMENT From MILL	51-100 = Moving Up 50 = Stable 0-49 = Moving Down	28.5	27.4	v
BUSINESS PROSPECTS	51-100 = Optimistic 50 = Stable 0-49 = Pessimistic	66.2	65.3	v

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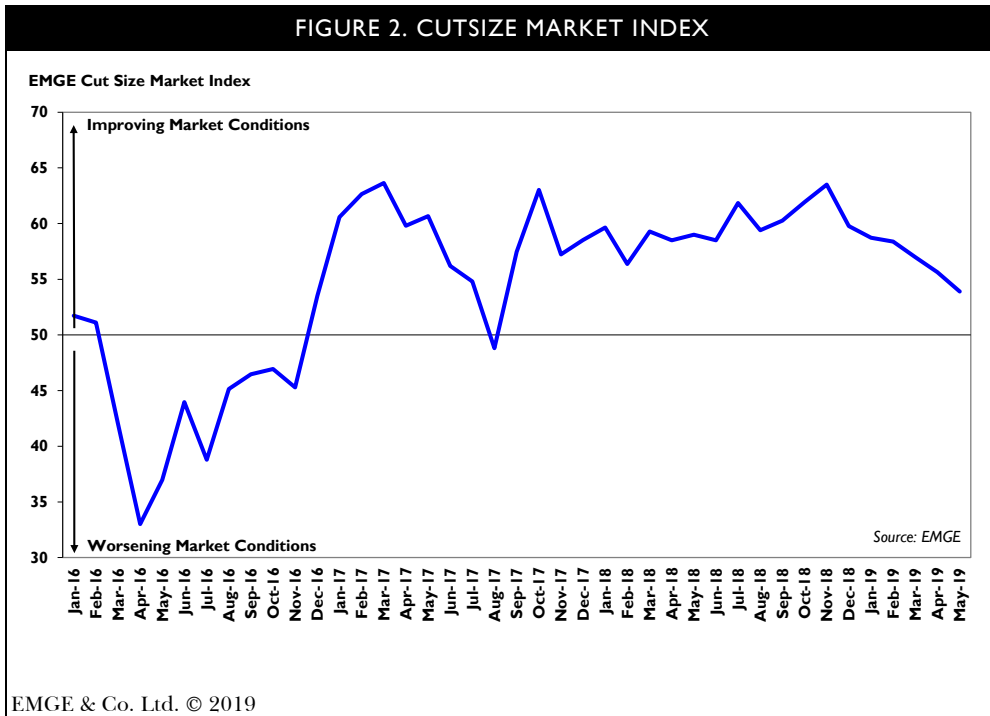
The table above provides an overview of market developments for the latest month, based on feedback from EMGE's interview respondents.

Respondent feedback weakened on balance in May 2019, compared to the previous month. Of the current factors, **Demand** improved, **Delivery Times** were stable, **Inventory Levels** fell again and **Pricing Sentiment** weakened, but it was arguably the collapse in **Short-Term Business Prospects** that pushed the overall Index lower.

These latest developments led to a fall in the *EMGE Cutsize Market Index* in May 2019, from 55.6 to 53.9.

The following pages show the historical development of each factor in the table above.

FIGURE 2. CUTSIZE MARKET INDEX

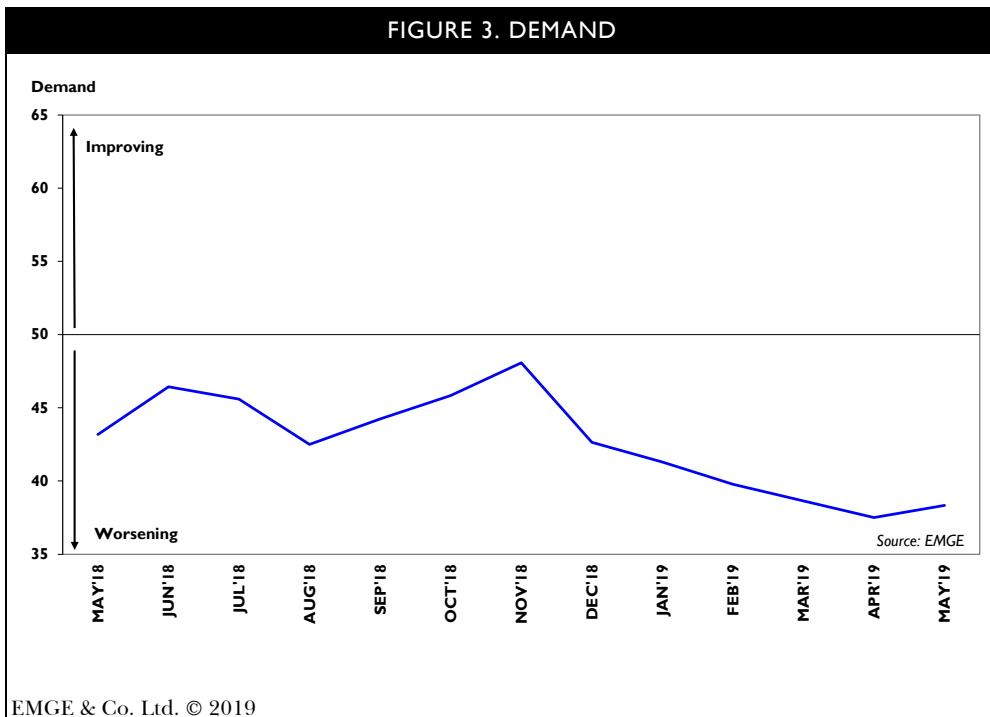


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The EMGE Cutsize Market Index provides a general indicator of overall market conditions in the European Cutsize market. A value of 50 indicates stable conditions.

The Index has been consistently positive for the past 19 months. The most recent month, May 2019, was nevertheless the lowest reading of those 19 months.

FIGURE 3. DEMAND

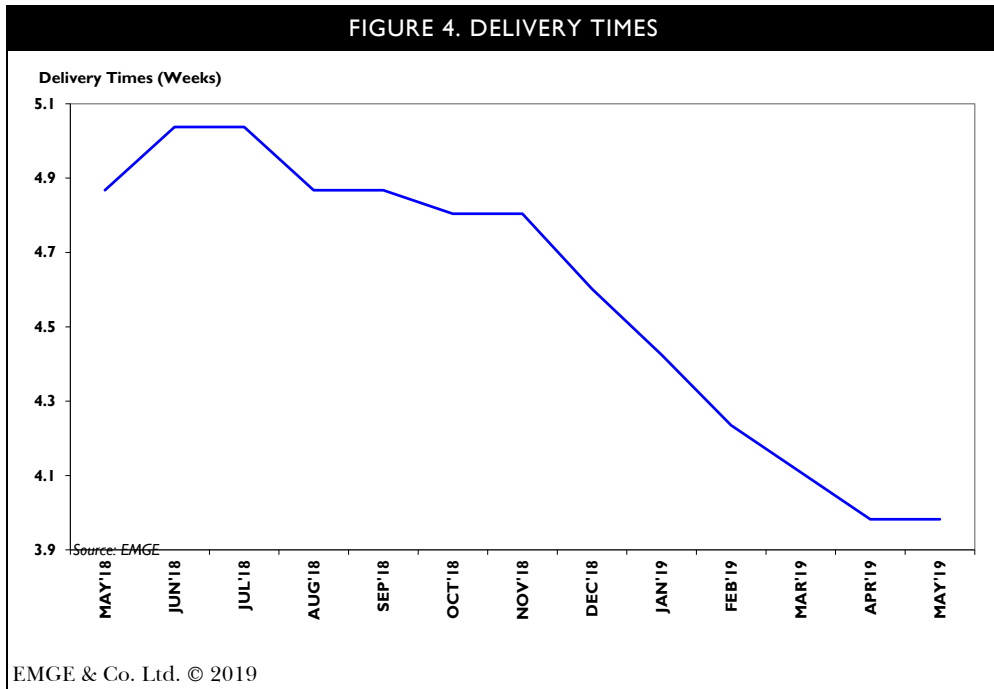


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On average, our interview respondents rated Demand as being still very poor, although falling slightly less steeply in May.

According to our interview respondents, Delivery Times remained at 4.0 weeks in May 2019.

FIGURE 4. DELIVERY TIMES



Buyer/Merchant Inventory levels slipped for a third month in May 2019, from 71.4 to 68.4.

FIGURE 5. INVENTORY LEVELS (BUYER/MERCHANTS)

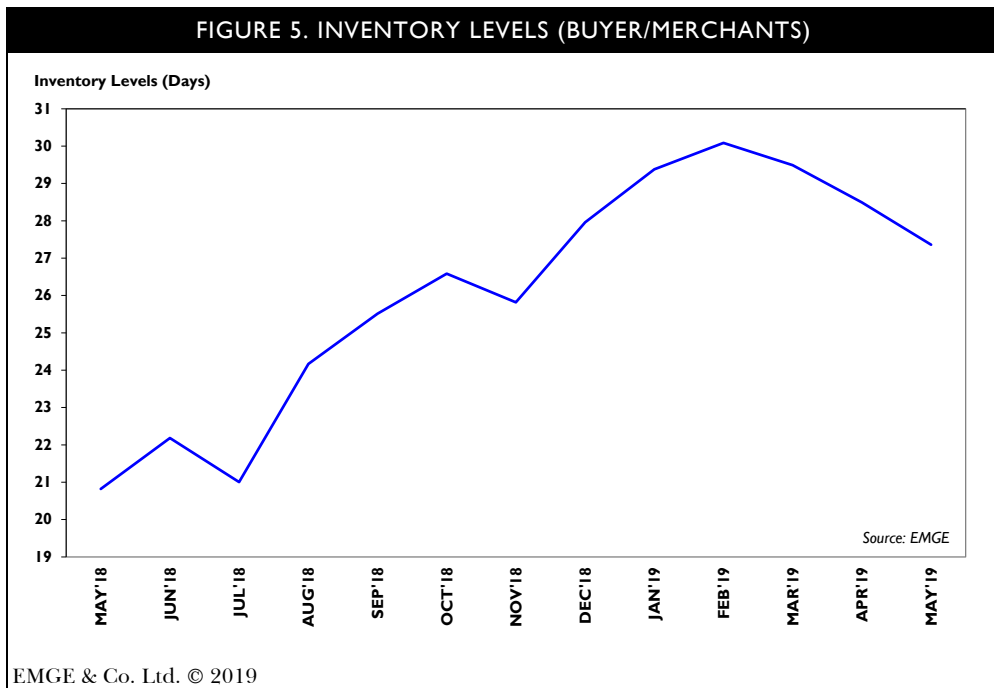
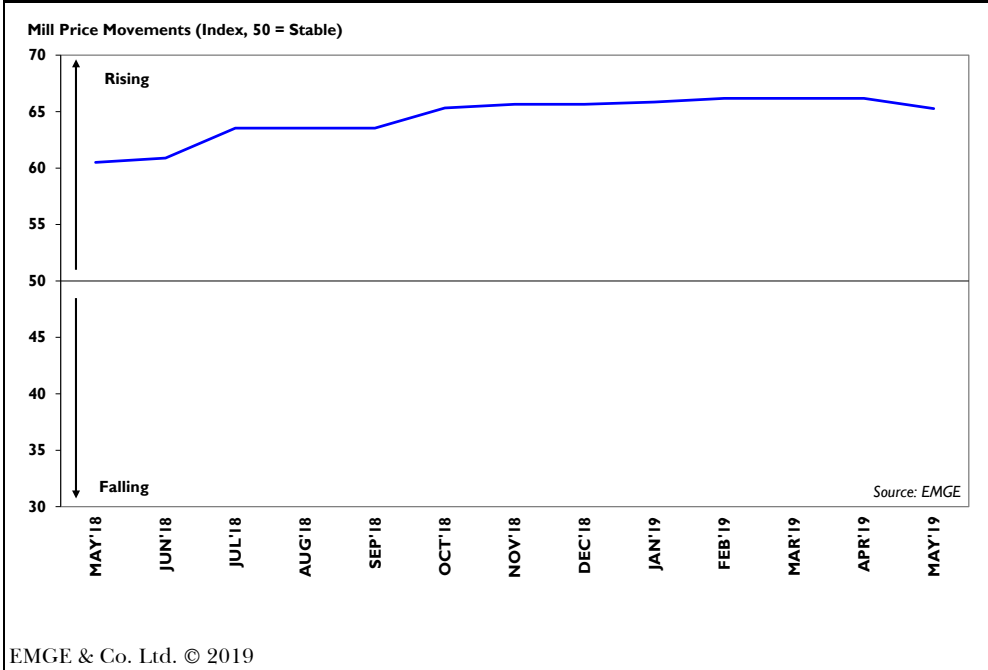


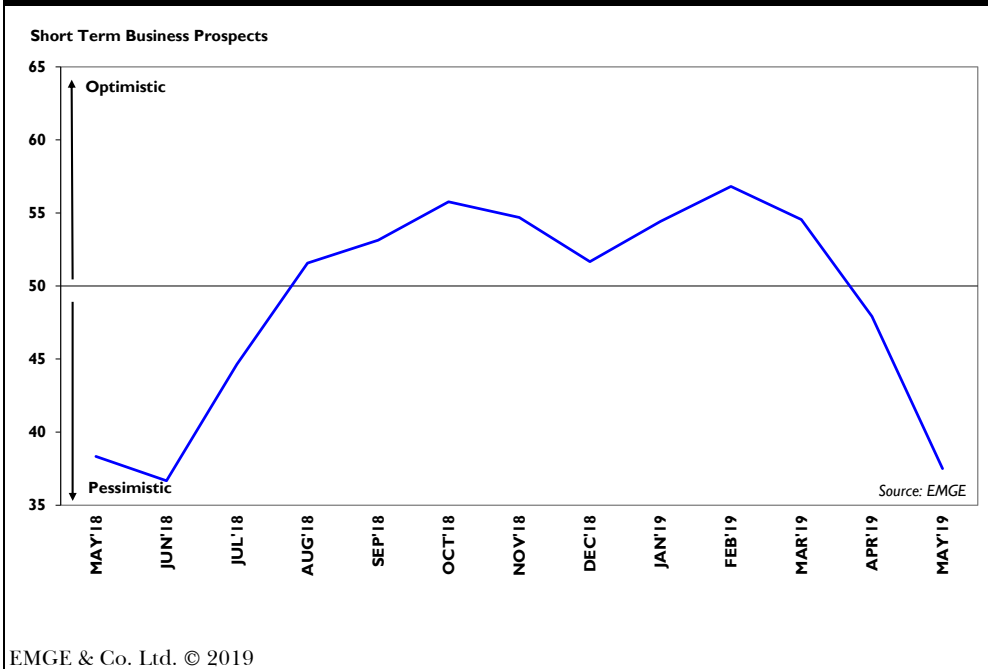
FIGURE 6. PRICING SENTIMENT



Cutsizes pricing sentiment weakened in May 2019, for the first time since December 2016.

However, it so far remains positive, despite prices falling in May 2019.

FIGURE 7. BUSINESS PROSPECTS



Business Prospects collapsed in May 2019, falling even deeper into negative territory.

The reading fell from 47.9 to 37.5.

Cutsizes Prices - Europe

This table shows EMGE mill-delivered price data for Cutsizes papers in Europe, based on 80gsm C (Economy) grade.

In local currencies, prices fell in all monitored markets in May 2019.

FIGURE 8. CUTSIZE PRICES BY COUNTRY (C GRADE)							
	Germany	France	Italy	Spain	AVGE	GBP£ to	UK
	EURO€/t	EURO€/t	EURO€/t	EURO€/t	EURO€/t	EURO€	GBP£/t
Apr-18							
Jul-18							
Oct-18							
Jan-19							
Mar-19							
Apr-19							
May-19							

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The table above provides EMGE mill-delivered price data for Cutsizes papers in Europe, based on 80gsm C (Economy) grade. In May 2019, EMGE's average C grade prices fell in all monitored markets, in local currencies.

This table shows EMGE average mill-delivered price data for A (Premium), B (Standard) and C (Economy) grades.

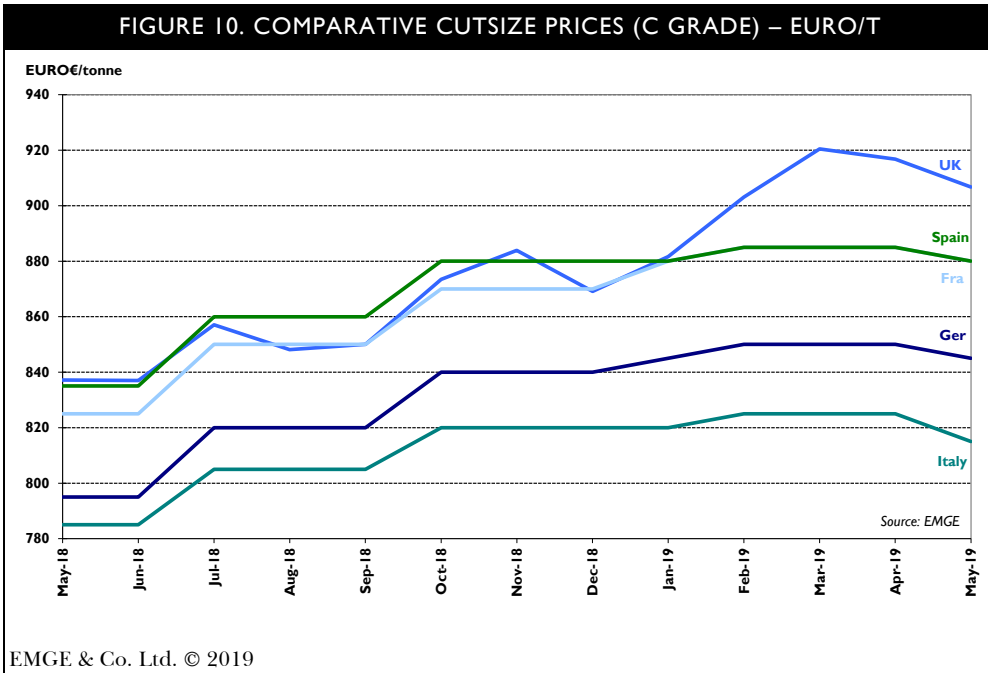
FIGURE 9. AVERAGE CUTSIZE PRICES (A, B & C GRADE)						
	EURO/t	EURO/t	EURO/t	GBP/t	GBP/t	GBP/t
	A	B	C	A	B	C
Apr-18						
Jul-18						
Oct-18						
Jan-19						
Mar-19						
Apr-19						
May-19						

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Taking our average Mainland European and UK prices for C (Economy) grade from Figure 8 (columns in **bold**), we have calculated average price upcharges for B (Standard) grade and A (Premium) grade, based on recent feedback from buyers and sellers in the market.

Overall respondent feedback suggests that B grade prices are currently around €45/t or £40/t higher than C grade, on average, while A grade prices are a further €50/t or £50/t higher than B grade, on average.

FIGURE 10. COMPARATIVE CUTSIZE PRICES (C GRADE) – EURO/T



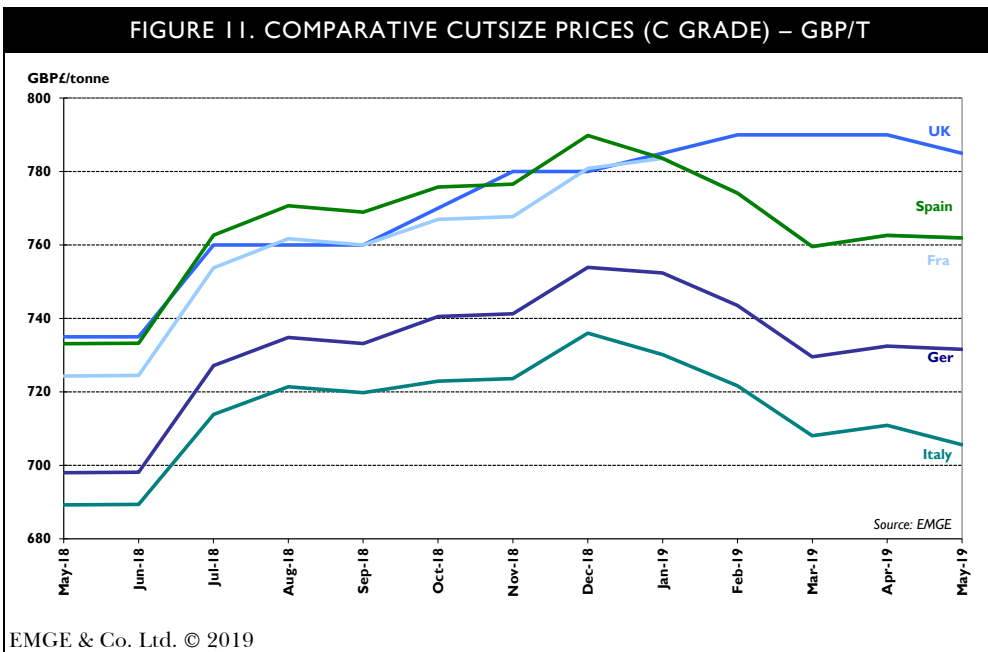
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Prices fell in local currencies in all monitored markets in May 2019.

In Euro terms, UK prices fell slightly more steeply, because of a weaker GB£ / stronger Euro.

By comparison, the Euro-based prices hardly fell at all in GB£ terms.

FIGURE 11. COMPARATIVE CUTSIZE PRICES (C GRADE) – GBP/T



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In May 2019, prices for branded C grade fell in all monitored European markets (in local currency terms). However, exchange-rate movements meant that UK prices fell a little more steeply in Euro terms, relative to Euro-based prices.

Data Summary - Europe

This table provides a summary of Demand, Trade, Deliveries, Capacity and Operating Ratios for the latest month.

EUROPEAN CUTSIZE SUMMARY					
MONTHLY MONITOR					
STRICTLY CONFIDENTIAL					
					EMGE Paper Industry Consultants
					Month 4
					Year 2019
APPARENT DEMAND					
	Current Month	Growth %pa	Year-to-Date	Growth %pa	3mma
W.EUROPE-16					
E.EUROPE-14					
EUROPE-30					
DELIVERIES					
	Current Month	Growth %pa	Year-to-Date	Growth %pa	3mma
W.EUROPE-16					
E.EUROPE-14					
EUROPE-30					
CAPACITY					
	Current Month	Growth %pa	Year-to-Date	Growth %pa	3mma
W.EUROPE-16					
E.EUROPE-14					
EUROPE-30					
SHIPMENTS TO					
	Current Month		Year-to-Date		Last 3
CAPACITY RATIO %	2019	2018	2019	2018	Months
W.EUROPE-16					
E.EUROPE-14					
EUROPE-30					

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The table above summarises **Apparent Demand, Shipments, Capacity and Operating Ratios** for Cutsized Paper in Europe-30 (W.Europe-16 and E.Europe-14), based on data for the latest month.

Demand & Trade - Europe

EUROPEAN CUTSIZE DEMAND		EMGE Paper Industry Consultants			
MONTHLY MONITOR		Month	4		
STRICTLY CONFIDENTIAL		Year	2019		
APPARENT DEMAND	Current Month	Growth %pa	Year-to-Date	Growth %pa	3mma
BELGIUM					
FRANCE					
GERMANY					
IBERIA					
ITALY					
NETHERLANDS					
NORDIC					
UK					
OTHERS					
W.EUROPE-16					
CZECH REPUBLIC					
GREECE					
HUNGARY					
POLAND					
ROMANIA					
SLOVAKIA					
OTHERS					
E.EUROPE-14					
EUROPE-30					

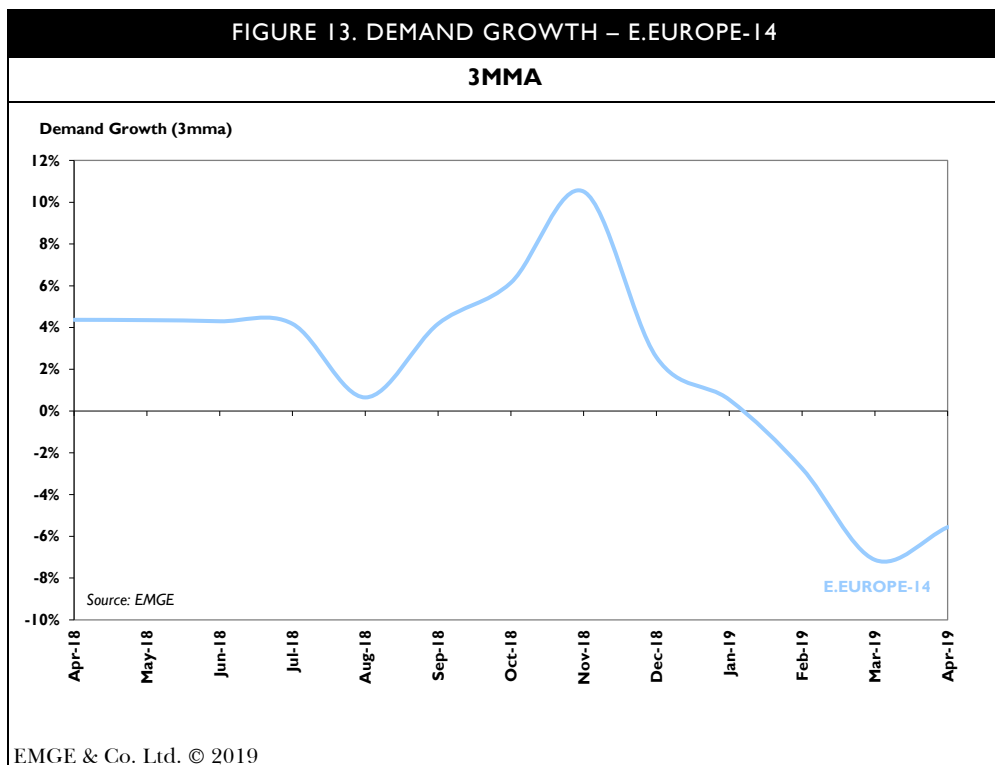
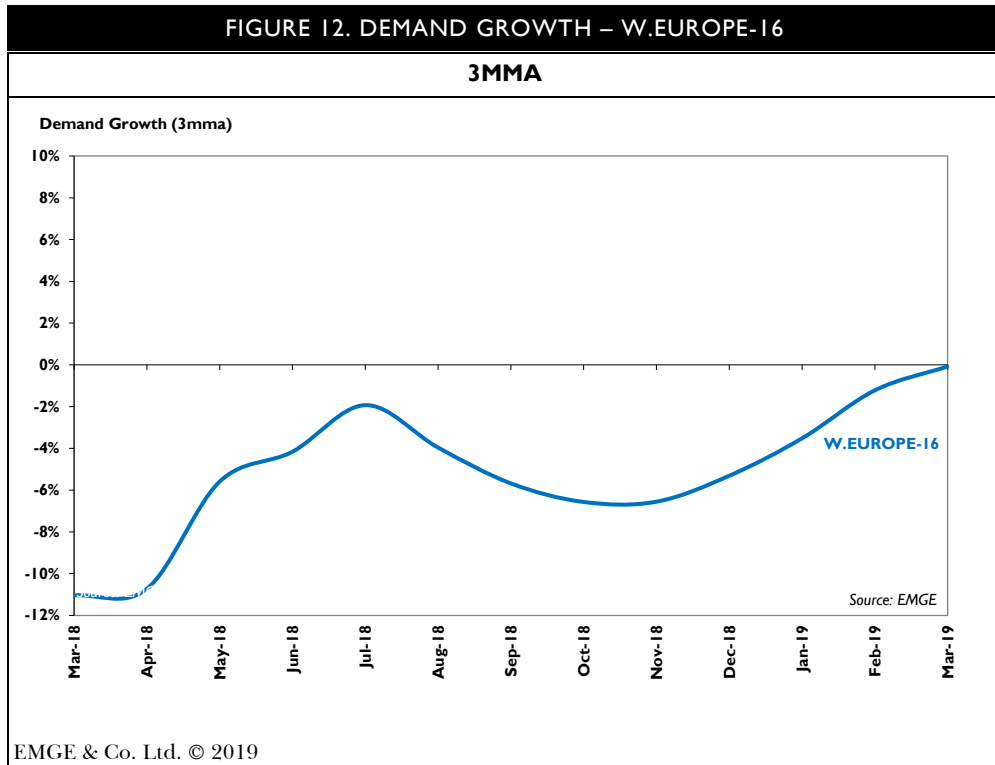
This table provides a detailed country-by-country breakdown of Demand for the latest month.

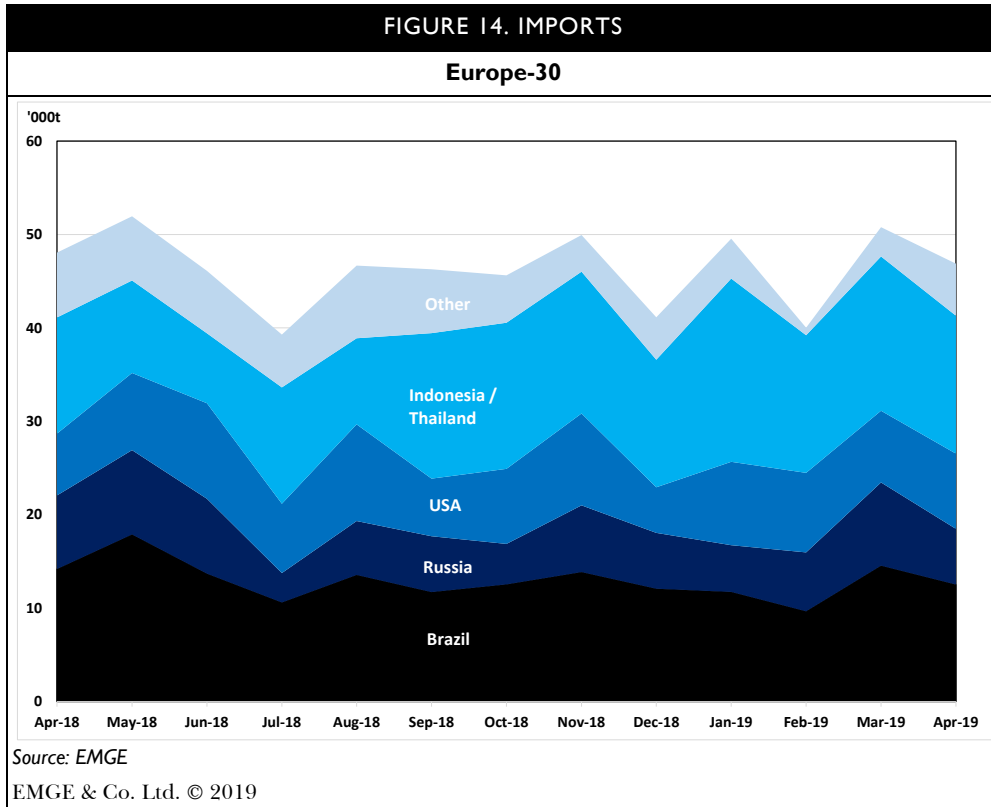
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Apparent Demand for UWF Cutsized Paper in Europe-30 fell by -0.4% in April 2019, due to a fall of -1.3% in W.Europe-16, outweighing growth of +4.8% in E.Europe-14.

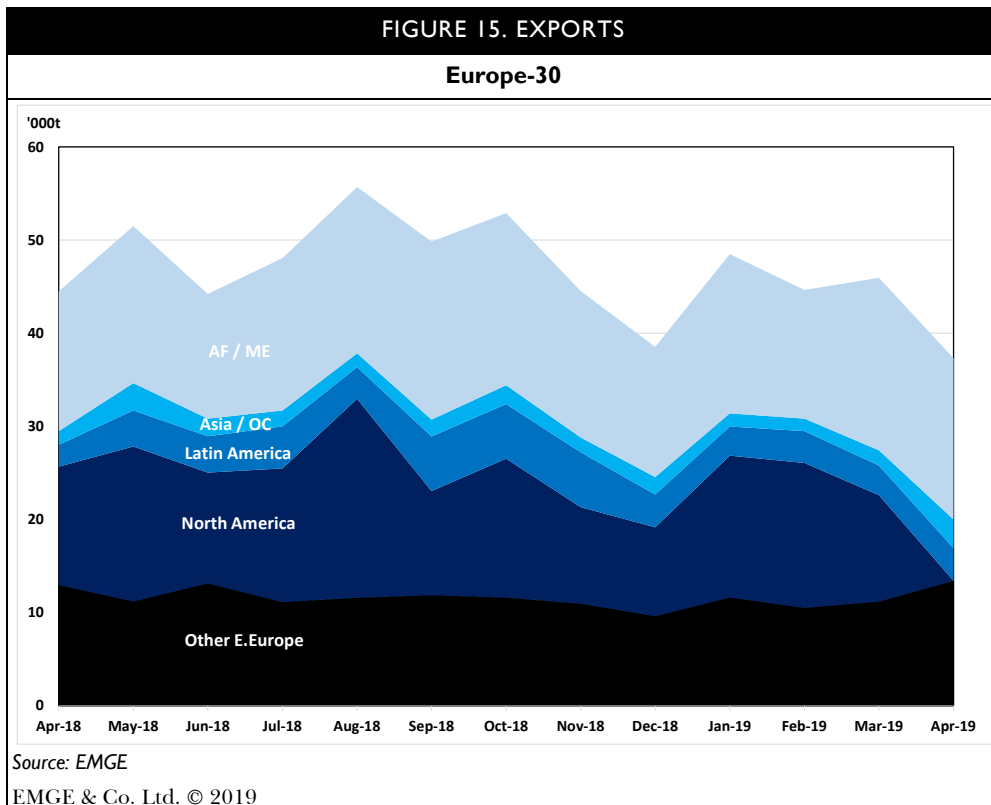
This was broadly on trend for W.Europe-16, but way above trend in E.Europe-14.

These charts show the 3mma growth/declines of Cutsize paper demand in W.Europe-16 and E.Europe-14.






This chart shows the monthly development of Europe-30 Cutsize paper imports by source region.



This chart shows the monthly development of Europe-30 Cutsize paper exports by regional destination.

Shipments, Capacity & Operating Ratios - Europe

This table provides data on Deliveries, Capacity and Operating Ratios for the latest month.

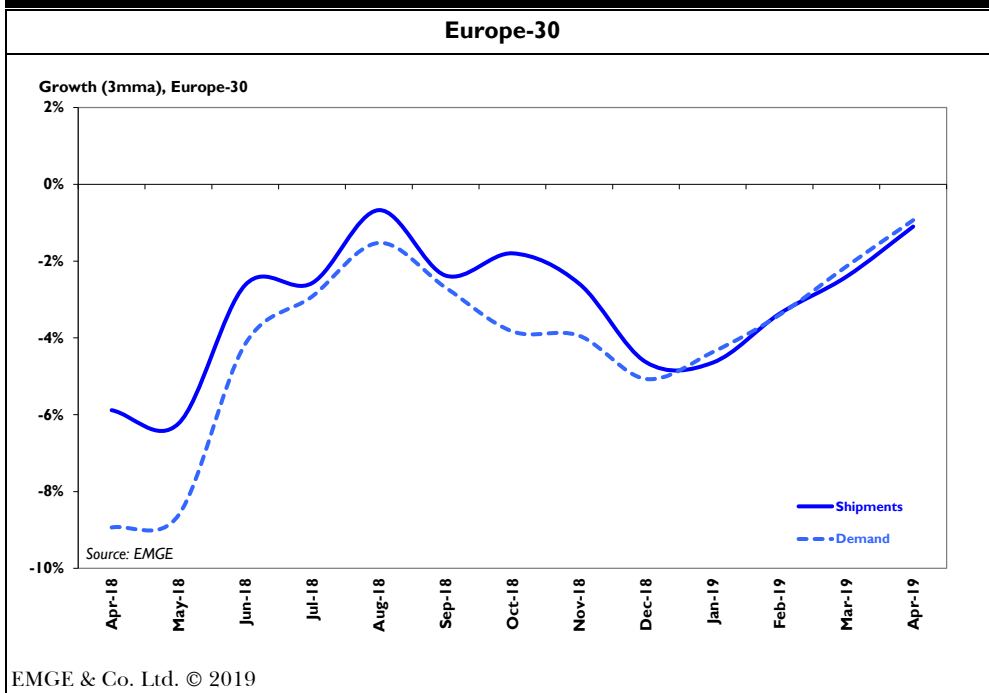
SUPPLY-DEMAND BALANCE							
MONTHLY MONITOR						Month	4
STRICTLY CONFIDENTIAL						Year	2019
DELIVERIES		Current Month	Growth %pa	Year-to-Date	Growth %pa	3mma	
W.EUROPE-16							
E.EUROPE-14							
EUROPE-30							
CAPACITY		Current Month	Growth %pa	Year-to-Date	Growth %pa	3mma	
W.EUROPE-16							
E.EUROPE-14							
EUROPE-30							
SHIPMENTS TO CAPACITY RATIO %		Current Month		Year-to-Date		Last 3 Months	
		2019	2018	2019	2018		
W.EUROPE-16							
E.EUROPE-14							
EUROPE-30							

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Europe-30 **Shipments** and **Capacity** grew in April 2019.

These developments resulted in a Europe-30 **Operating Ratio** of 87% for the month of April 2019 and 89% for the last 3 months, which was the lowest 3mma Operating Ratio for almost a year.

FIGURE 16. SHIPMENTS GROWTH (3MMA)

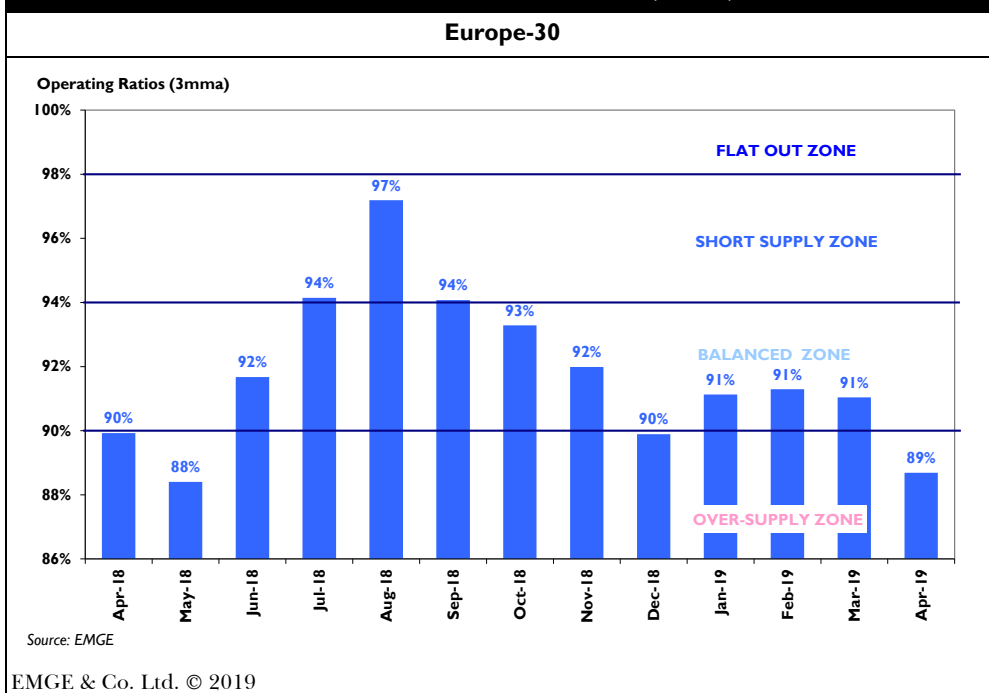


This chart shows the historical development of Cutsize paper shipments from the Europe-30 region.

The (3mma) falls in shipments and demand have now been very similar for several months, suggesting a fairly neutral Trade balance.

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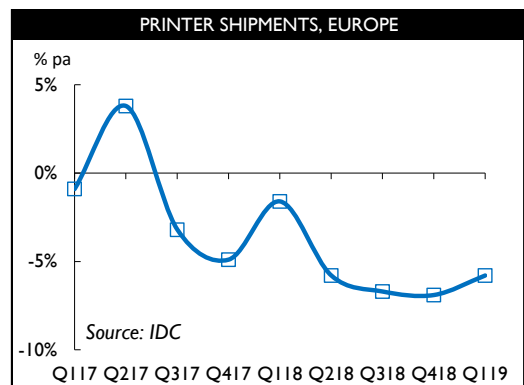
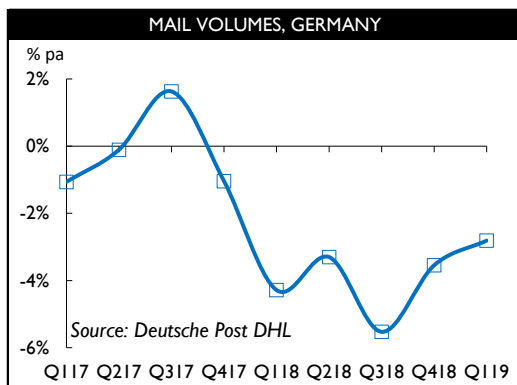
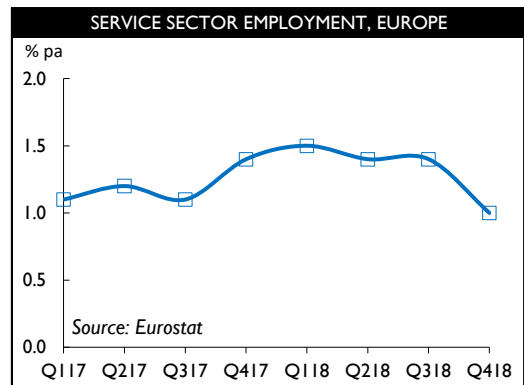
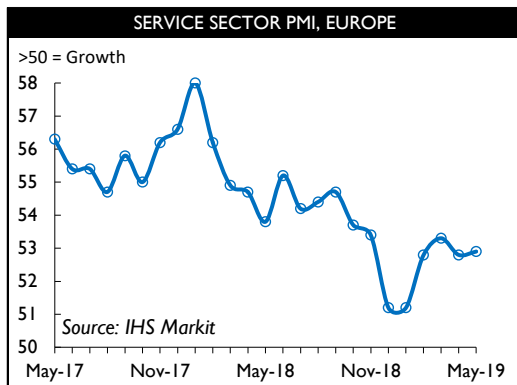
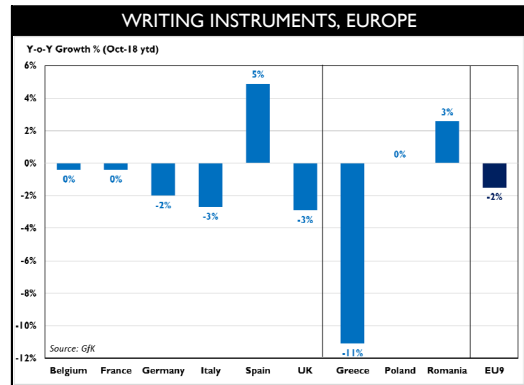
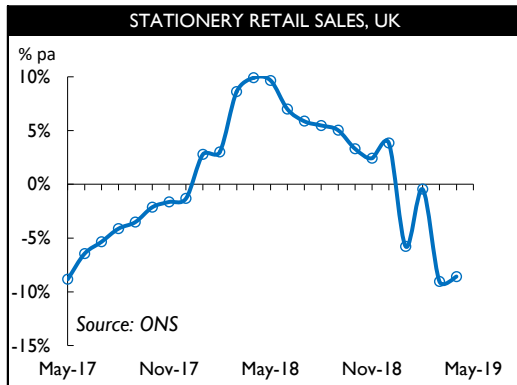
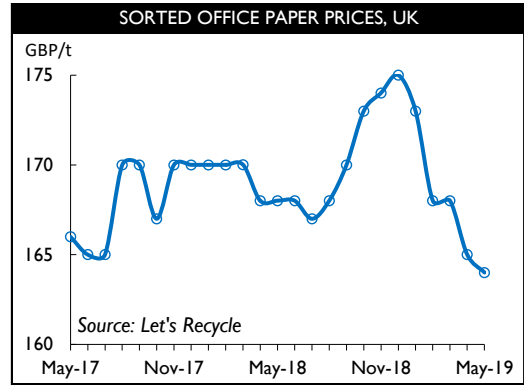
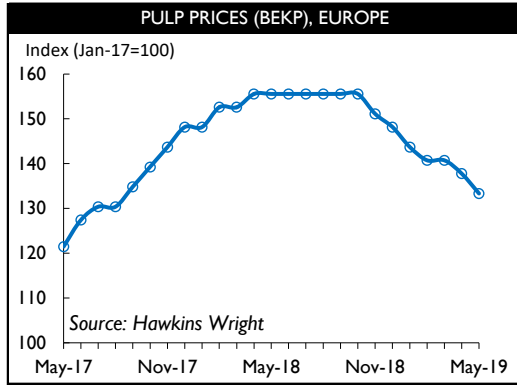
FIGURE 17. OPERATING RATIOS (3MMA)



The European Cutsize Operating Ratio (on a 3mma basis) fell to around 89% in the last three months, which was the lowest 3mma reading for almost a year.

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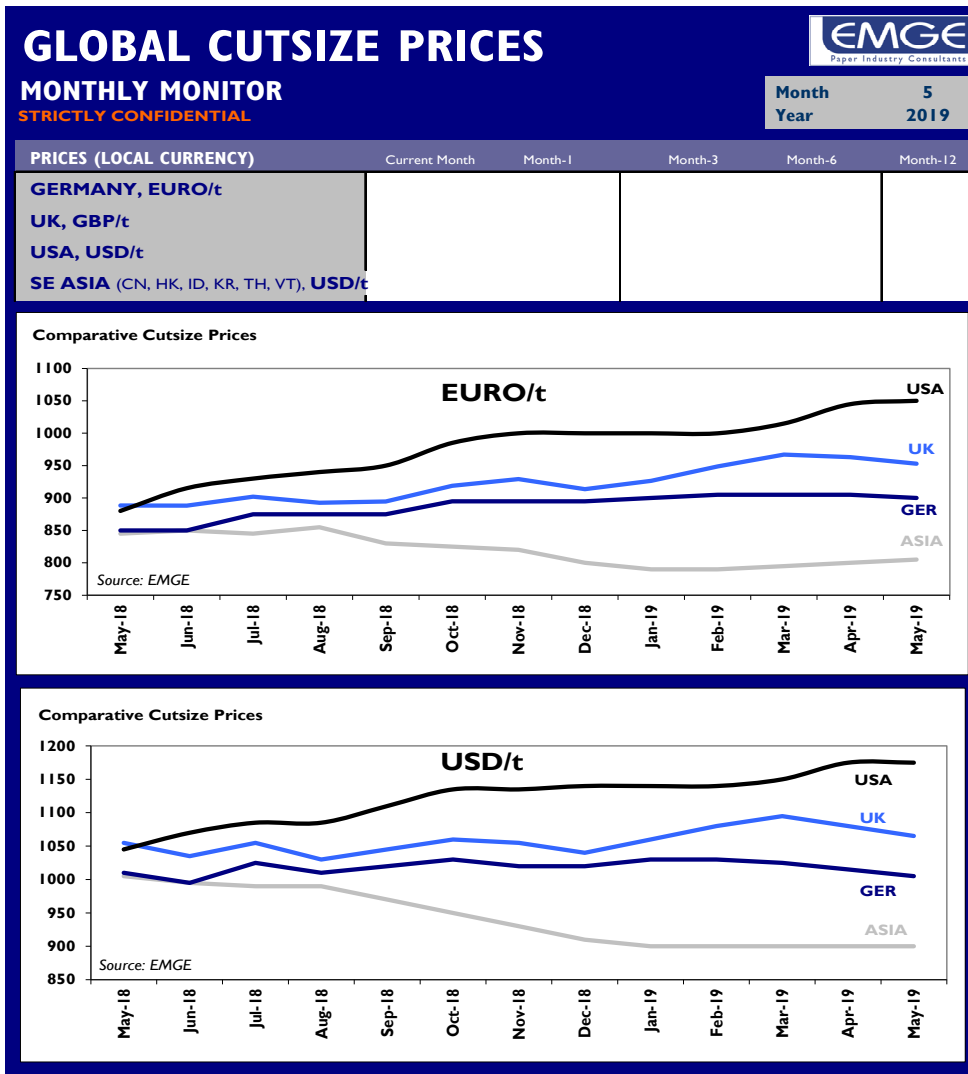
Costs & Drivers



Global Focus

Global Cutsize Prices

In May 2019, prices fell in Europe, but were stable in the USA and Southeast Asia.



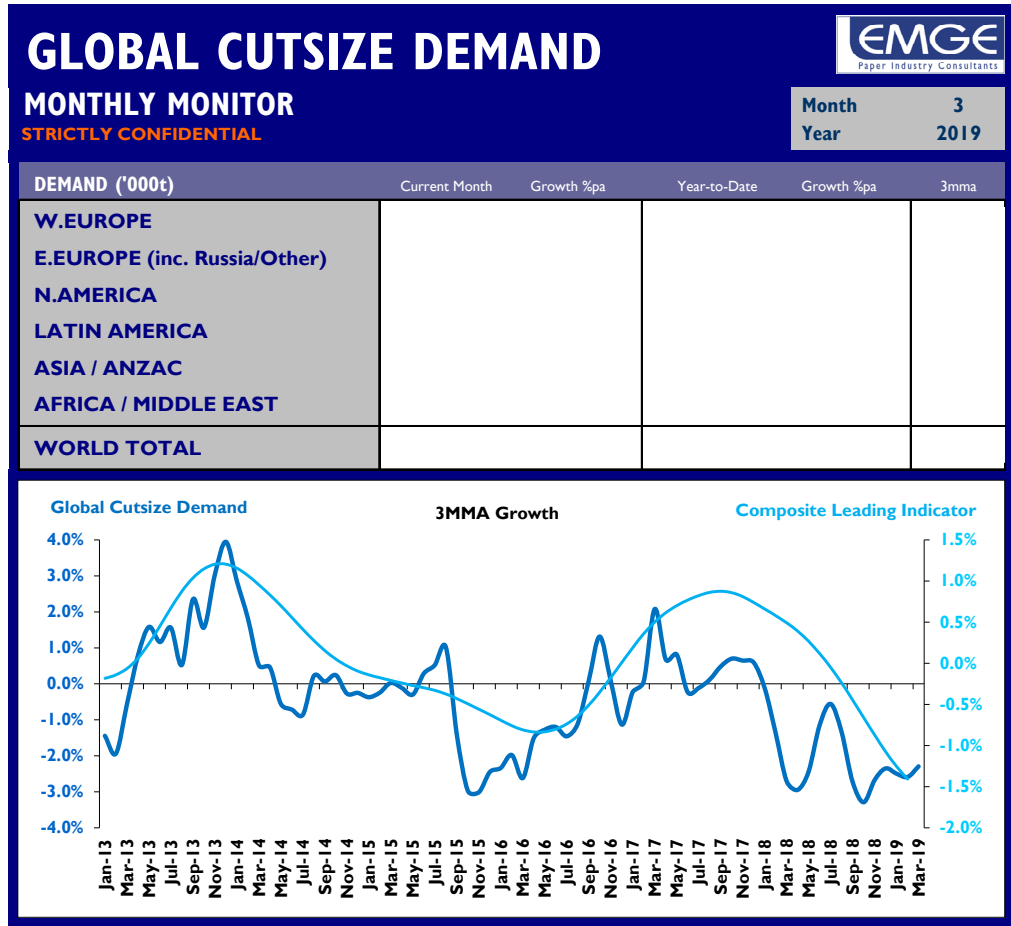
This table compares global prices for Cutsize papers in USD/t and Euro€/t, based on 80gsm C-grade.

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In local currencies, Cutsize prices in May 2019 were stable in the USA and Southeast Asia, but fell in Europe.

Nevertheless, SE Asian prices again remained clearly the lowest of those that we monitor.

Global Cutsize Demand



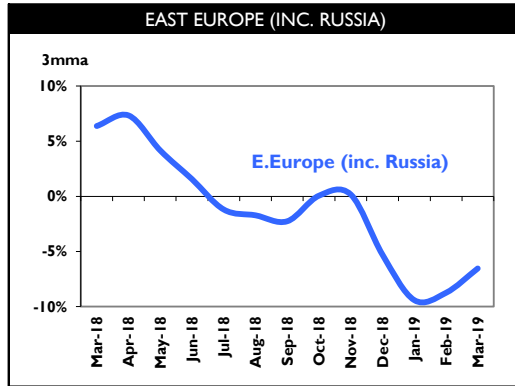
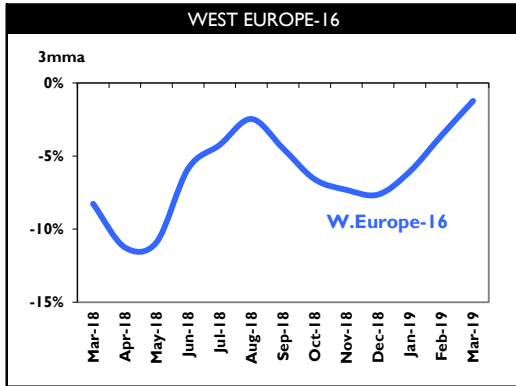
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NOTE – this information is updated on a quarterly basis.

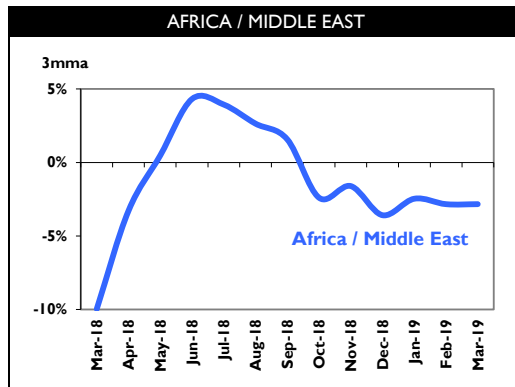
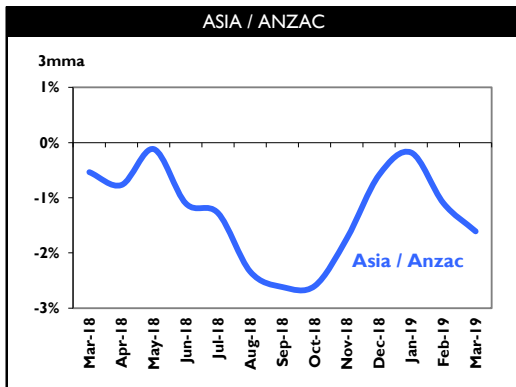
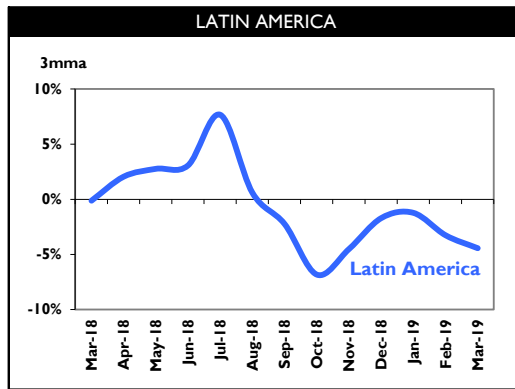
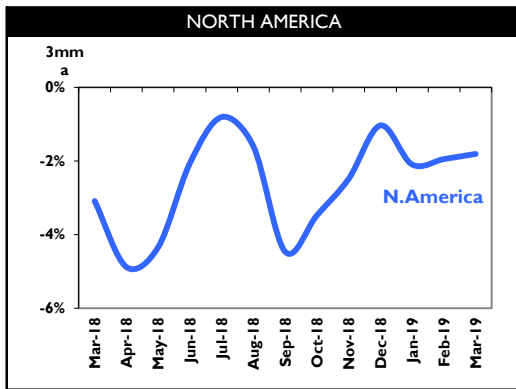
Global Cut-Size UWF demand fell by -2.5% in March 2019 and by -2.4% for Q1 2019. These were broadly in line with the -2.7% fall in 2018 as a whole.

Demand fell across all reported regions in March and Q1 2019, most heavily in Eastern Europe (-6.6% in Q1) and Latin America (-4.4%), with most other regions down by around -1% to -2% for the quarter.

Regional Cutsizes Paper Demand (3mma Growth)



These charts show the historical development (3mma growth) of cutsize demand in each reported region.



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