

POSITIVELY NEWSPRINT

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Monthly Monitor Vital Market Data and Charts

A MONTHLY NEWSLETTER FOCUSING ON THE WORLD OF NEWSPRINT PAPER

MAY 2019 ISSUE 221

SPOT PRICES BELOW \$500/t IN INDIA

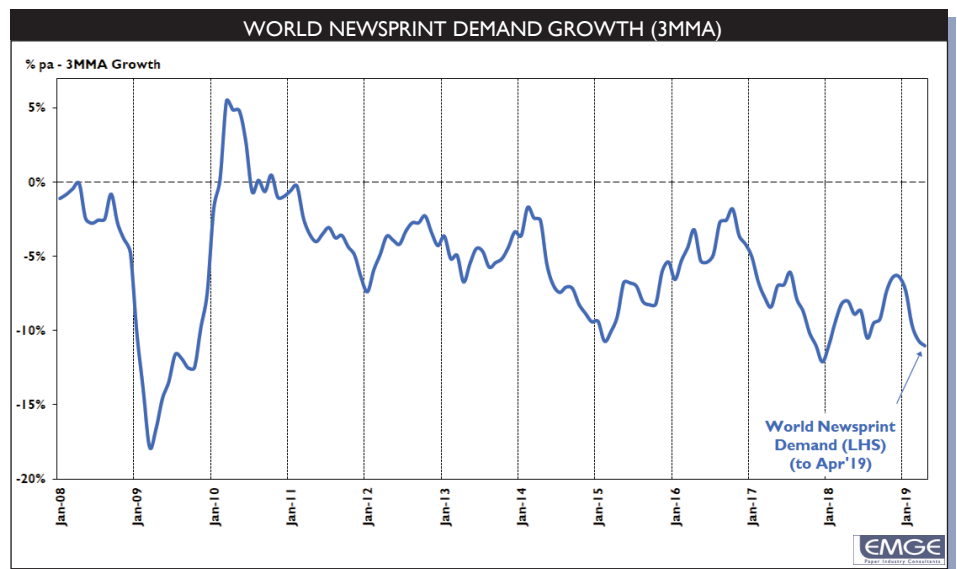
Global apparent demand for Standard Newsprint fell by -9.9% in April 2019, leaving the three-month average at -11%. Demand in April fell by -x.x% in W. Europe, by -x.x% in N. America, by -x.x% in the main Asian countries (China, Japan & S. Korea) and by -x.x% in the Rest of the World (for full regional detail, see pages 3 & 4).

Operating Ratios (3mma to April 2019) were xx% in W. Europe (+1% from a month earlier), xx% in N. America (-1%), xx% in Main Asia (-1%) and xx% in the Rest of the World (+1%), for a global total of 85% (-1%).

In Germany, Nielsen reported a fall of -1.4% in newspaper advertising for the first four months of 2019, up from -3.2%. This implied growth of around +4% in April alone, and/or a revision of earlier data. We question the likelihood of outright growth (including even just a single month) in these times of falling circulation and advertising. We also note that Nielsen's report a few months ago of German newspaper advertising growing by +0.5% in 2018 was in stark contrast to Germany's Central Advertising Association more recent claim (reported by Horizont) that advertising in newspapers and advertising sheets fell by around -7%. True, this is perhaps not an exact like-for-like comparison, but it is still likely quite indicative and is much more in line with the falls in circulation than the positive number reported by Nielsen.

In the UK, paid national newspaper circulation fell by -9% in April 2019, leaving the 3-month average decline at -9.3%. Including free titles, the decline was -7.4% in April, leaving the 3-month average unchanged at -7.5%. Meanwhile, Daily Mail & General Trust reported a -3% drop in print advertising revenue and a -2% fall in circulation revenue for the six months to March 2019.

In France, the volume of actually printed



national daily newspapers fell by -10.5% in March, leaving the Q1 2019 decline at -10.8%. In May, meanwhile, the country's national daily newspapers were not published on 22 May, due to a strike.

In Italy, sales of 61 national and regional daily newspapers fell by -7.8% in February 2019, based on data from Accertamenti Diffusione Stampa, reported by Blitzquotidiano. This left the decline for the first two months of 2019 at around -8%. We earlier estimated that circulation fell by around -7.5% to -8% in 2018. On the advertising front, volumes fell by -3.3% in March, for a Q1 2019 of -4.0%.

In Spain, the Zenith Vigía panel of media advertising forecasters only very marginally downgraded its forecasts for printed newspaper advertising in 2019 from -6.1% in March to -6.2% in May, according to MarketingDirecto. The 2019 forecast for newspaper inserts/supplements, meanwhile, was also downgraded, from -8.3% to -8.6%.

In the USA, McClatchy reported a -15%

drop in advertising revenue in Q1 2019, according to The Sacramento Bee. The firm publishes 30 daily newspapers.

On the merger & acquisition front, Digital First Media/Media News Group appears to have failed with its current attempt to take over Gannett, whose shareholders have rejected the new board members proposed by MNG. Separately, GateHouse Media has agreed to buy daily newspaper the New Jersey Herald from Quincy Media. The deal is expected to be completed this summer. GateHouse already publishes hundreds of weekly newspapers and more than 150 dailies. Meanwhile, according to The Globe, Forum Communications in North Dakota has agreed to buy the 27,000 daily circulation Rochester Post Bulletin, as well as several magazines, in neighbouring Minnesota, from Small Newspaper Group, with completion due on 1st June. Forum Communications owns more than 50 publications. Editor & Publisher reports that Adams Publishing has launched a new daily newspaper, The Bingham County

Chronicle, in Idaho. The same group closed a local newspaper in the area in 2017. Elsewhere, The Daily News in Greenville, Michigan, reports that it and its sister weekly title are to be bought by View Newspaper Group and Michigan Web Press as of 3rd June. The 4,500-circulation Daily News will be View Newspaper Group's first daily and together with the 5,000-circulation weekly, will boost View's stable to 19 community newspapers, with more than 310,000 copies in print each week.

In Latin America, another Venezuelan newspaper has stopped printing, according to Swiss paper, Le Temps. This time, it is Panorama, the last title still being printed in the northwestern state of Zulia, according to Le Temps, which says 70 newspapers have closed in Venezuela since 2013.

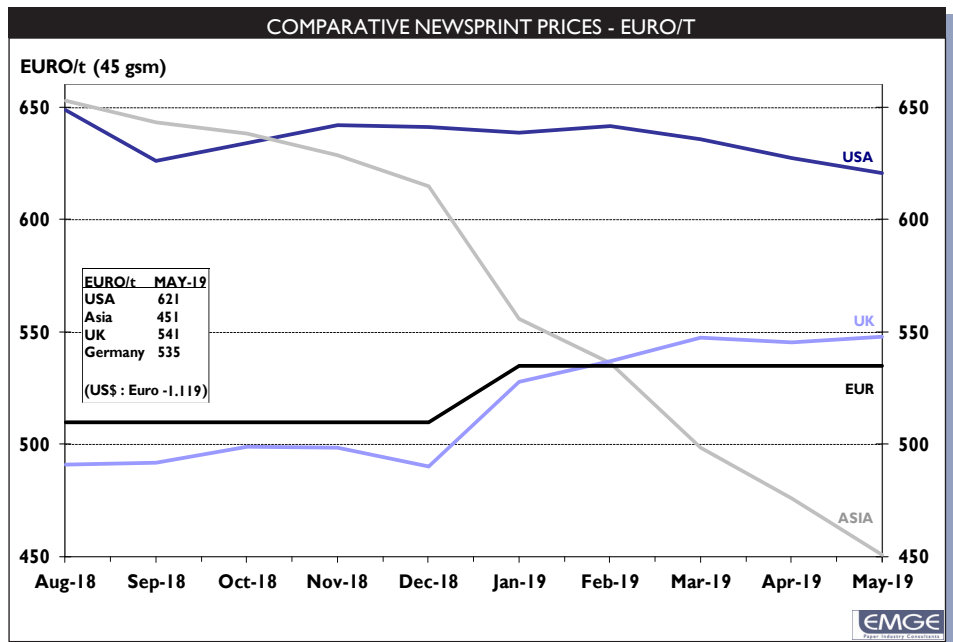
In India, DB Corp, which publishes newspapers including Dainik Bhaskar, has reported +7.4% growth in newspaper advertising revenue for the 12 months to March 2019, while circulation revenue also rose, by +5.1%, according to afaqs!

In Thailand, loss-making newspaper The Nation will stop its print editions at the end of June, according to the Singapore-based Straits Times.

In Australia, the latest EMMA report shows readership of printed newspapers fell by around -6% in February 2019, from 12.5 million a year earlier to 11.8 million. Meanwhile, Mumbrella reports that News Corp has decided to close several regional newspapers in Queensland, while expanding another. It will also sell its majority stake in Community Newspaper Group (CNG) to its joint-venture partner in the business, Seven West Media. CNG produces 12 weekly titles.

PRICES: CAPACITY CUTS AHEAD?

Worldwide, Operating Ratios are falling as demand falls, although some producers are responding by reducing capacity, following the rush to re-start machines or convert to newsprint, when prices shot up in 2018. However, the closures (such as Bear Island, which stopped production long before originally planned, in addition to some reversals of recently-added capacity in India) are not enough to prevent oversupply yet. Many Indian producers that switched to newsprint last year are actually still making



the grade, even though prices have collapsed. And in Europe, mooted closures or conversions away from newsprint appear, for the moment, to be talking points only. Norske Skog, for example, confirmed to us that it currently has no plans to convert either Bruck or Skogn out of newsprint. And another producer has reversed a decision to pull out of standard newsprint, for now. The result of all the recent capacity changes, coupled with falling demand, is quite heavy oversupply, with widespread reports of easy availability and high inventory levels. And that is keeping prices under downward pressure in most markets.

In Western Europe, all of our sources agree that prices are going to drop in the second half of 2019, as delivery times fall and Canadian and Russian producers compete for business with "domestic" Western European producers. There is, predictably, disagreement about how far prices will fall. Publishers are apparently pushing for a complete roll-back of the H1 2019 price rises, which would mean a reduction of around Euro 25/t and GB£30/t. However, sellers are hoping to restrict the falls to less than that. All of the above applies to 6-month contracts. For annual contracts, arrangements may be different. For example, one of our publisher sources in the UK says he has already agreed a GB£50/t price cut for the 12 months to mid-2020. In contrast, a German publisher admits he will have to wait until 2019 is over

before he sees any price adjustments. In May, meanwhile, prices were unchanged, so we maintain our headline prices at Euro 535/t (45 gsm) and GB£485/t in the UK (for 42.5 gsm).

In North America, sources disagree on US price movements in recent months, with mixed reports of declines taking place at different times. Our sources suggest there have been falls totalling around US\$30-35/t between February and May, but with some months of increases and some of stability. However, there is no agreement on which months saw increases and which didn't. And that includes May. We have cut our headline average US price for May by a further US\$10/t to US\$695/t (45 gsm).

In Asia, prices in May fell by at least US\$30/t, according to our sources. In India specifically, there is little contract business taking place, as publishers' inventories have apparently climbed again after the national elections were completed. From the supplier side, we know at least one well-known Asian player is refusing to sell into India anyway, due to the low prices. China is reported to be similarly low priced. We have reduced our average Asian price for May by US\$30/t to US\$505/t (45 gsm equivalent).

Globally, Asian prices are around Euro 170/t below US prices. European prices are around Euro 85-90/t higher than Asia, but Euro 80-85/t below the USA (45gsm equivalent - see chart above).

NEWSPRINT DEMAND

'000 tonnes	W. Europe	E. Europe	N. America	CN / JP / KR	Other Asia	Others	WORLD
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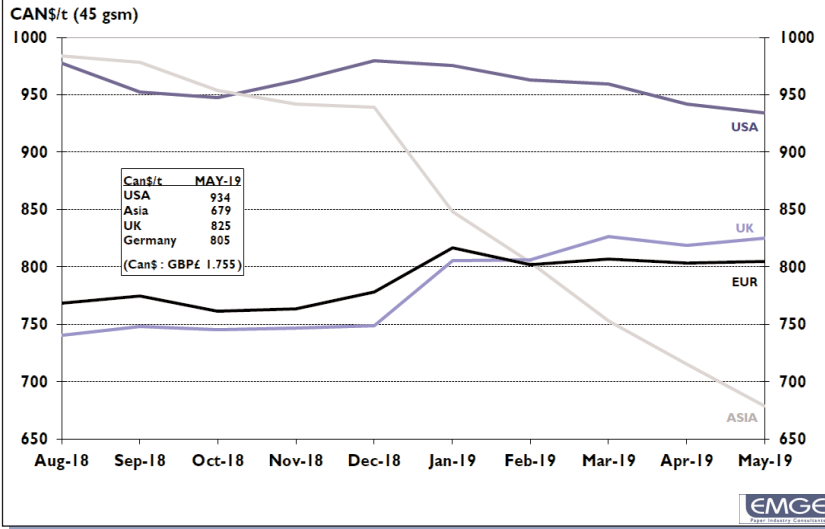
NEWSPRINT SHIPMENTS

'000 tonnes	W.Europe	E. Europe	N. America	CN / JP / KR	Others	WORLD	Operating Ratio (3mma)
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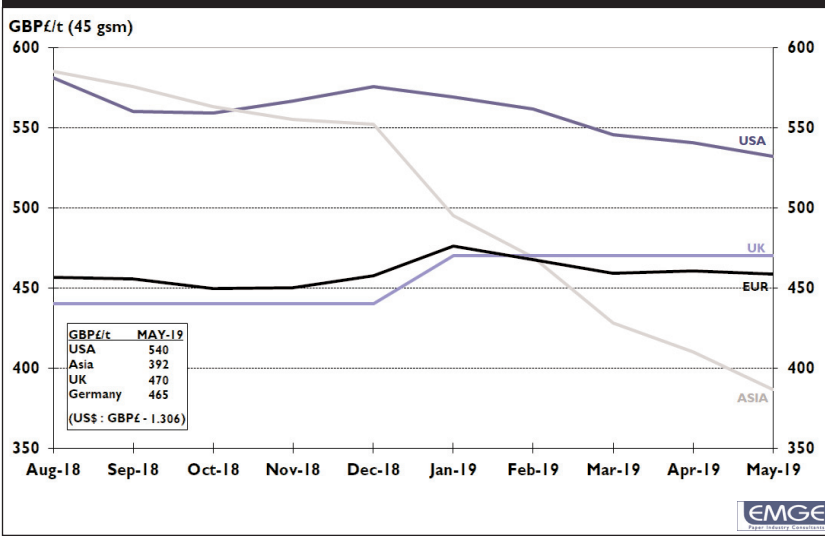
COMPARATIVE NEWSPRINT PRICES - CAN\$/T



NEWSPRINT PRICES (LOCAL CURRENCY)

	UK GBP/t 42.5g	Euro Area Euro/t 45g	USA US\$/t 45g	Asia US\$/t 45g
Apr-18	xxx	xxx	xxx	xxx
Jul-18	xxx	xxx	xxx	xxx
Oct-18	xxx	xxx	xxx	xxx
Jan-19	xxx	xxx	xxx	xxx
Mar-19	xxx	xxx	xxx	xxx
Apr-19	xxx	xxx	xxx	xxx
May-19	xxx	xxx	xxx	xxx

COMPARATIVE NEWSPRINT PRICES - GBP/T

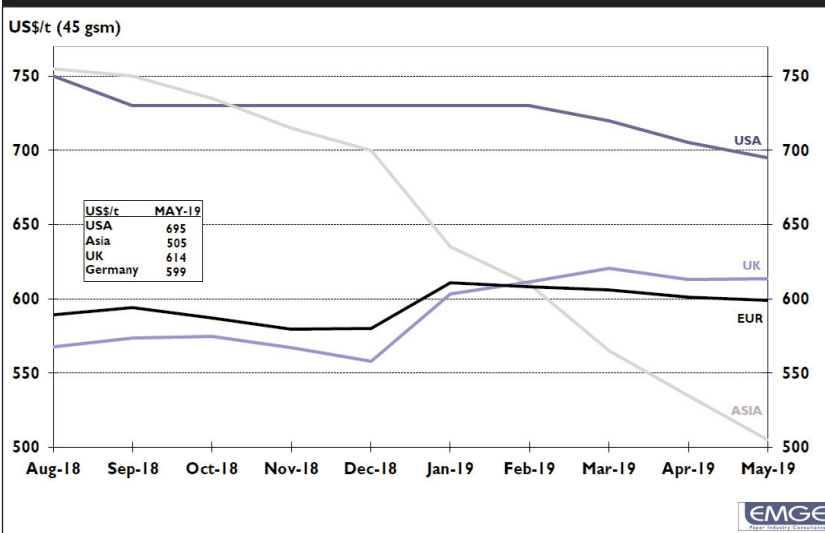


NEWSPRINT PRICES (EURO/T, 45 GSM EQUIVALENT)

	UK	Euro Area	USA	Asia
Apr-18	476	480	569	573
Jul-18	496	510	642	646
Oct-18	499	510	634	639
Jan-19	528	535	639	556
Mar-19	548	535	636	499
Apr-19	545	535	627	476
May-19	541	535	621	451

All newsprint prices are in Euro 45g equivalent

COMPARATIVE NEWSPRINT PRICES - US\$/T



ECONOMIC MARKET INDICATORS

	Euro : GBP£	US\$: GBP£	Oil US\$/bl.	ONP GBP/t
Apr-18	1.15	1.41	72	142
Jul-18	1.13	1.32	75	157
Oct-18	1.13	1.31	81	180
Jan-19	1.12	1.28	60	175
Mar-19	1.17	1.32	67	165
Apr-19	1.16	1.30	71	160
May-19	1.15	1.31	71	155

WORLD NEWSPRINT MARKETS



MONTHLY MONITOR

STRICTLY CONFIDENTIAL

Month 4
Year 2019

APPARENT DEMAND

ANNUAL GROWTH (% pa)

NEWSPRINT	Current Month	Last 3 Months	Year-to-Date	Last 12 Months
W.EUROPE				
N.AMERICA				
JP/CN/KR				
REST OF WORLD				
WORLD				

DELIVERIES / SHIPMENTS

ANNUAL GROWTH (% pa)

NEWSPRINT	Current Month	Last 3 Months	Year-to-Date	Last 12 Months
W.EUROPE				
N.AMERICA				
JP/CN/KR				
REST OF WORLD				
WORLD				

OPERATING RATIO

CAPACITY RATIO

NEWSPRINT	Current Month	Last 3 Months	Year-to-Date	Last 12 Months
W.EUROPE				
N.AMERICA				
JP/CN/KR				
REST OF WORLD				
WORLD				