

China Paper Industry Thermometer

Feb data: LNY drives output down

Industry Overview

Weak month given LNY, but 2024 starts strong

February was a weaker month, as output dropped significantly m/m and y/y, given the LNY holiday this month, while it was in January in 2023. On a consolidated basis output was down 13.4% y/y and 20.4% m/m. However, when we look at the first two months of the year, total paper & board output is up 7.4% y/y, while total inventories are down 14.1% y/y, indicating higher P&B consumption y/y between Jan and Feb. Duplex was the negative highlight in terms of output, with a meaningful m/m and y/y drop, to a level close to the bottom of the past five years. All other grades' output were close to the past five years average for February. Trade media has been reporting that papermakers are attempting to increase paper and tissue prices and SCI data showed coated paper prices up 1.7% m/m, while tissue prices were stable m/m. Recent price hike announcements of \$30/ton for March for HW in China were a positive surprise and strong downstream demand should support the implementation.

Tissue: output down while inventories rose m/m

Tissue operating rates in China dropped 11.6ppt m/m in February to 47.9%, or down 18.4ppt y/y. Total tissue output dropped 24.1% m/m and 24.9% y/y to 724Kt in Feb, while enterprise tissue inventories rose 1.5% m/m but was down 2.2% y/y to 505Kt. Tissue prices were flattish through January at RMB 6,400/t, down 0.3% ytd.

Coated paper: output and inventories down m/m

Coated paper operating rates were down 150bp m/m in Feb at 65.4%, down 9.1ppt y/y. Coated paper output was down 8.6% m/m and 5.9% y/y to 373Kt in Feb. Inventories dropped 0.8% m/m and was down 32.7% y/y to 376Kt, now at 23 days of supply, stable m/m. Meantime, coated paper prices were up 1.7% m/m in January to RMB 5,840/t.

UWF paper: output down m/m

Uncoated woodfree paper operating rates dropped 10.5ppt m/m in Feb to 59.8%, down 8.8ppt y/y. Meantime, total uncoated paper production dropped 16.3% m/m and 5.7% y/y to 712Kt in Feb, while inventories dropped 0.4% m/m to 482Kt (down 21.5% y/y).

Ivory board: inventories up m/m

Ivory board operating rates were down 280bp m/m in February to 65.4%, below Feb-23's 67.4%. Total ivory board output dropped 10.3% m/m and was up 11.8% y/y to 903Kt in February, while enterprise inventories rose 36.6% m/m to 688Kt (down 3.8% y/y).

Duplex board: output down m/m

Duplex board operating rates were down 23.7ppt m/m and down 29.8ppt y/y in February to 31.8%. Total duplex board output dropped 46.5% m/m and 45.5% y/y to 306Kt in Feb, while enterprise inventory was stable m/m at 592Kt (down 12% y/y).

04 March 2024

Equity
Latin America
Pulp & Paper

Caio Ribeiro
Research Analyst
BofAS
+1 646 855 4051
caio.ribeiro@bofa.com

Leonardo Neratika >>
Research Analyst
Merrill Lynch (Brazil)
+55 11 2188 4200
leonardo.neratika@bofa.com

Guilherme Rosito >>
Research Analyst
Merrill Lynch (Brazil)
+55 11 2188 4363
guilherme.rosito@bofa.com

George L. Staphos
Research Analyst
BofAS
+1 646 855 4495
george.l.staphos@bofa.com

P&B = paper and board

P&W = Printing and writing

HW = hardwood

UWF = Uncoated woodfree

LNY = Lunar New Year

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Refer to important disclosures on page 18 to 19.

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Timestamp: 04 March 2024 02:38PM EST

Tissue

Exhibit 1: Summary of China tissue statistics (Kt) and operating rates (%)

Output dropped 24.1% m/m to 724Kt, while inventories rose 1.5% m/m to 505Kt

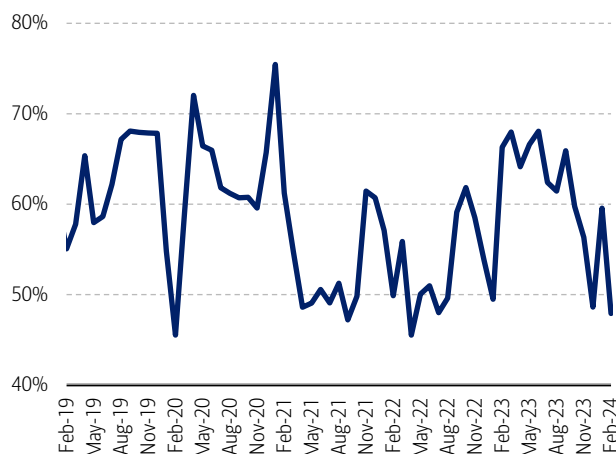
	Feb-24	Jan-24	m/m (%)	m/m	Feb-23	y/y (%)	y/y	ytd
Operating rate (%)	47.9%	59.6%	-19.5%	-11.6	66.3%	-27.7%	-18.4	-7.2%
Output (Kt)	724	954	-24.1%	-230	963	-24.9%	-239	-4.6%
Import (Kt)	n.a.	n.a.	n.a.	n.a.	2	n.a.	n.a.	n.a.
Export (Kt)	n.a.	n.a.	n.a.	n.a.	15	n.a.	n.a.	n.a.
Consumption (Kt)	n.a.	n.a.	n.a.	n.a.	947	n.a.	n.a.	n.a.
Enterprise inventory (Kt)	505	497	1.5%	7	516	-2.2%	-11	-0.9%

Source: BofA Global Research, SCI, China NBS

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Exhibit 2: Tissue – operating rates in China (%)

Tissue operating rates dropped to 47.9% in February

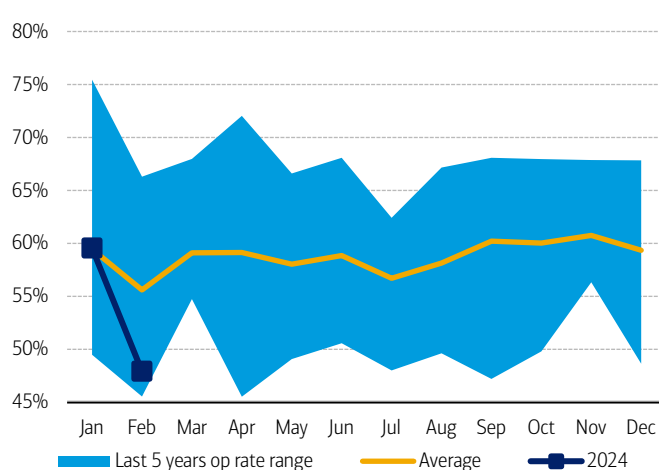


Source: BofA Global Research, SCI

BofA GLOBAL RESEARCH

Exhibit 3: Tissue – operating rates in China (%)

Feb 2024 tissue op. rate was close to the bottom of the past five years range

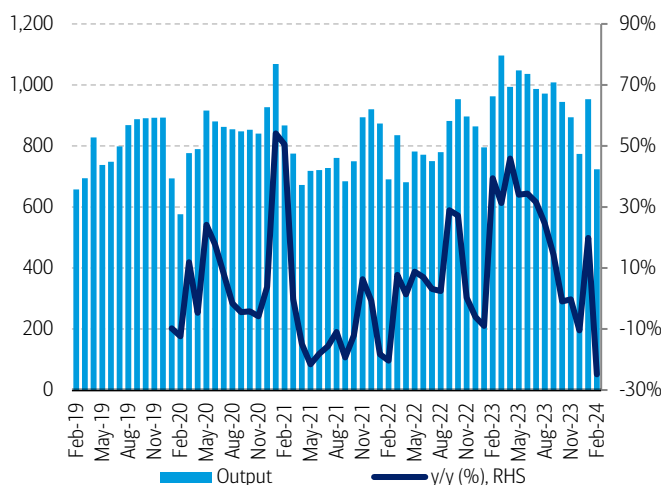


Source: BofA Global Research, SCI

BofA GLOBAL RESEARCH

Exhibit 4: Tissue – production volume in China (Kt)

Tissue output dropped 24.1% m/m and 24.9% y/y...

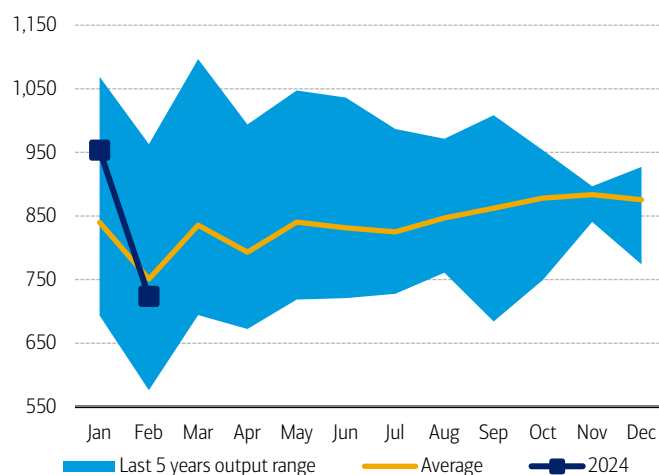


Source: BofA Global Research, SCI

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Exhibit 5: Tissue – production volume in China (Kt)

... below the average of the past five years range

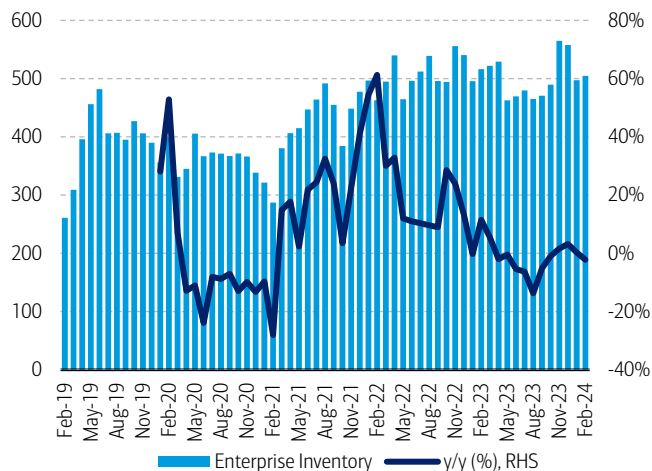


Source: BofA Global Research, SCI

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Exhibit 6: Tissue – enterprise inventories in China (Kt)

Enterprise inventory reached 505Kt in Feb, up 1.5% m/m

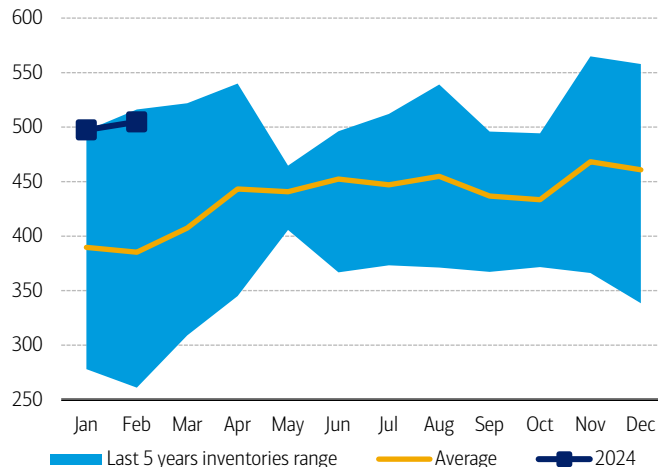


Source: BofA Global Research, SCI

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Exhibit 7: Tissue – enterprise inventories in China (Kt)

Tissue inventories are close to the upper end of the past 5-years range

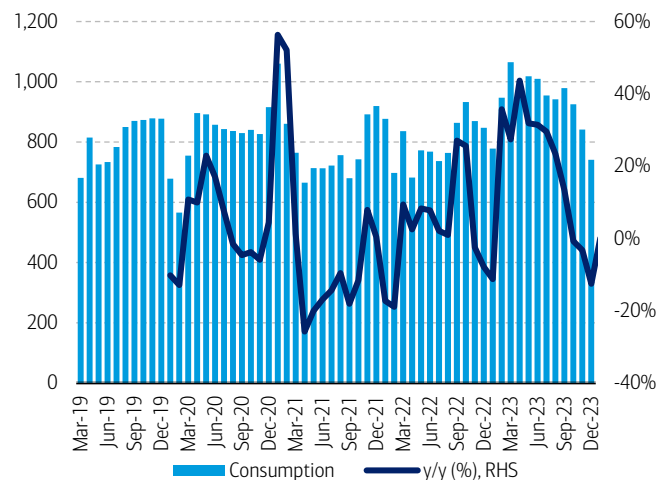


Source: BofA Global Research, SCI

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Exhibit 8: Tissue – total domestic consumption in China (Kt)

Domestic consumption volume was at 741Kt in December...

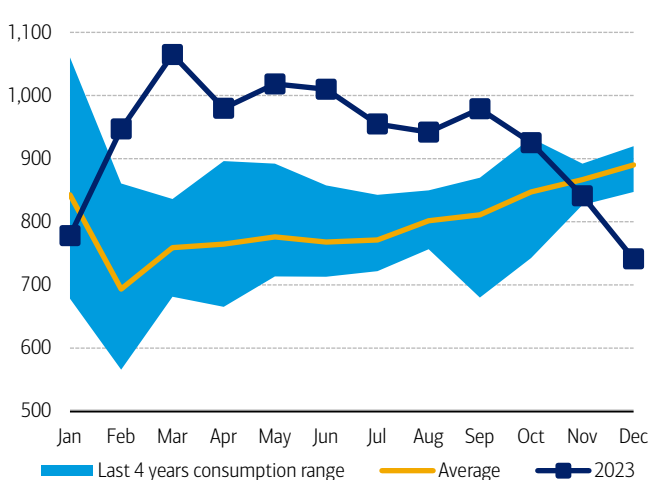


Source: BofA Global Research, SCI, China NBS

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Exhibit 9: Tissue – total domestic consumption in China (Kt)

...below the lower end of the last five years average

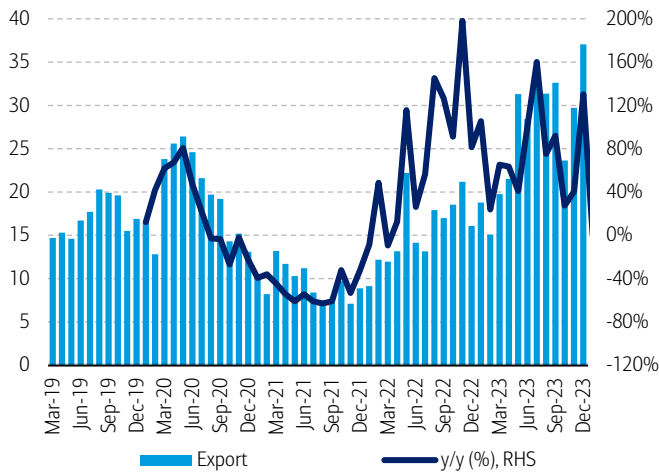


Source: BofA Global Research, SCI, China NBS

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Exhibit 10: Tissue – export volumes in China (Kt)

Export volume was at 37Kt in December

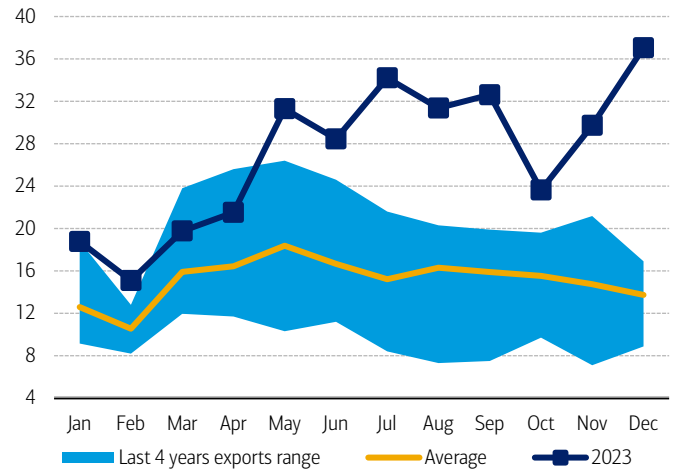


Source: BofA Global Research, SCI, China NBS

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Exhibit 11: Tissue – export volumes in China (Kt)

Tissue exports were above the past four years range in December

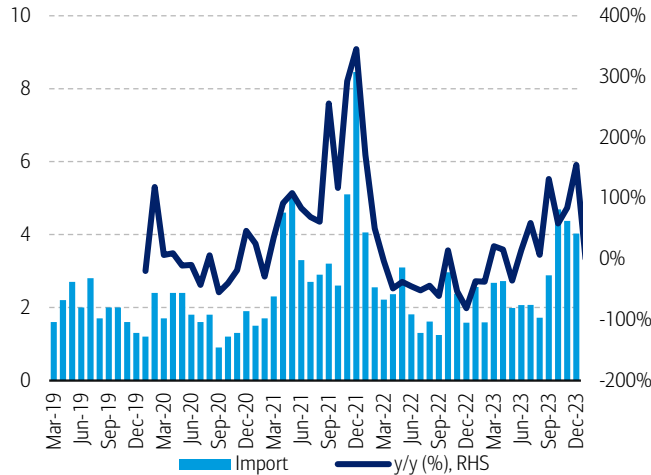


Source: BofA Global Research, SCI, China NBS

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Exhibit 12: Tissue – import volumes in China (Kt)

Tissue import volumes were at 4Kt in December...

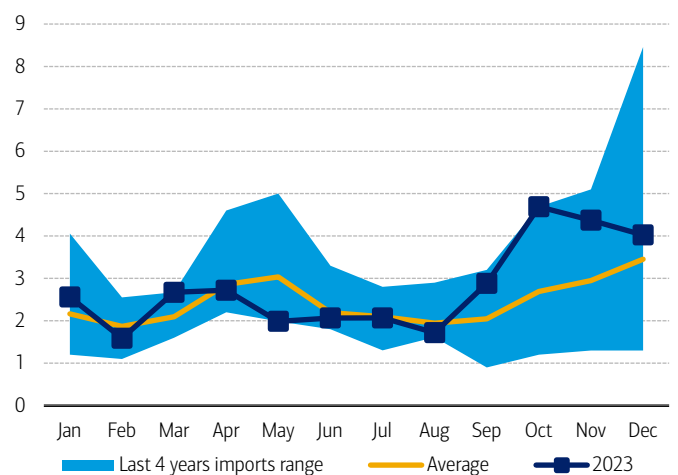


Source: BofA Global Research, SCI, China NBS

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Exhibit 13: Tissue – import volumes in China (Kt)

... above the past four years average

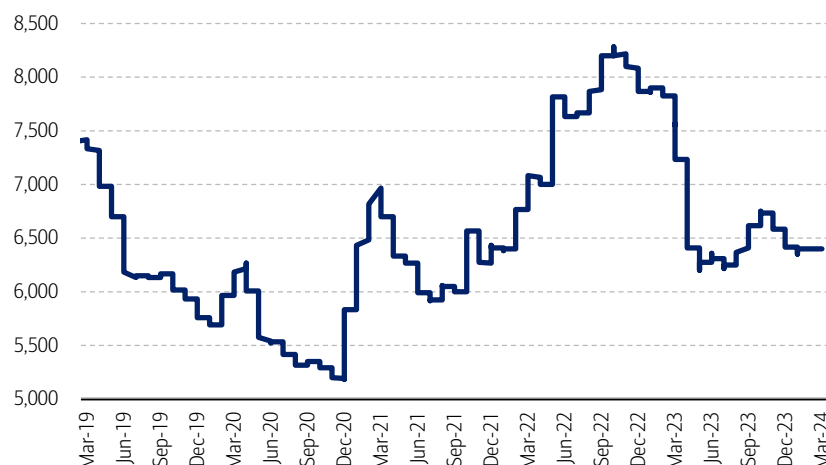


Source: BofA Global Research, SCI, China NBS

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Exhibit 14: Tissue – average prices in China (RMB/t)

Average tissue prices currently at RMB 6,400/t



Source: BofA Global Research, SCI

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Coated paper

Exhibit 15: Summary of China coated paper statistics (Kt) and operating rates (%)

Output was down 8.6% m/m to 373Kt, while inventories dropped 0.8% m/m to 376Kt or 23 days of supply

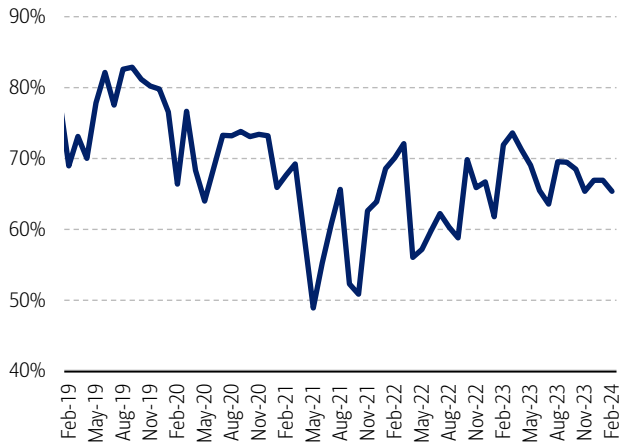
	Feb-24	Jan-24	m/m (%)	m/m	Feb-23	y/y (%)	y/y	ytd
Capacity (Kt)	570	609	-6.5%	-39	550	3.6%	20	1.7%
Shandong	244	260	-6.5%	-17	235	3.6%	8	1.7%
Jiangsu	239	256	-6.5%	-17	231	3.6%	8	1.7%
Hainan	87	93	-6.5%	-6	84	3.6%	3	1.7%
Operating rate (%)	65.4%	66.9%	-2.3%	-1.5	71.9%	-9.1%	-6.5	-1.0%
Output (Kt)	373	408	-8.6%	-35	396	-5.9%	-23	1.1%
Import (Kt)	n.a.	n.a.	n.a.	n.a.	14	n.a.	n.a.	-100.0%
Export (Kt)	n.a.	n.a.	n.a.	n.a.	134	n.a.	n.a.	-100.0%
Consumption (Kt)	n.a.	n.a.	n.a.	n.a.	276	n.a.	n.a.	-100.0%
Inventory								
Volume (Kt)	376	379	-0.8%	-3	559	-32.7%	-183	-33.1%
Days	23	23	-0.7%	0	34	-32.7%	-11	-33.1%

Source: BofA Global Research, SCI, China NBS

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Exhibit 16: Coated paper - operating rate in China (%)

Operating rate was down to 65.4% in February...

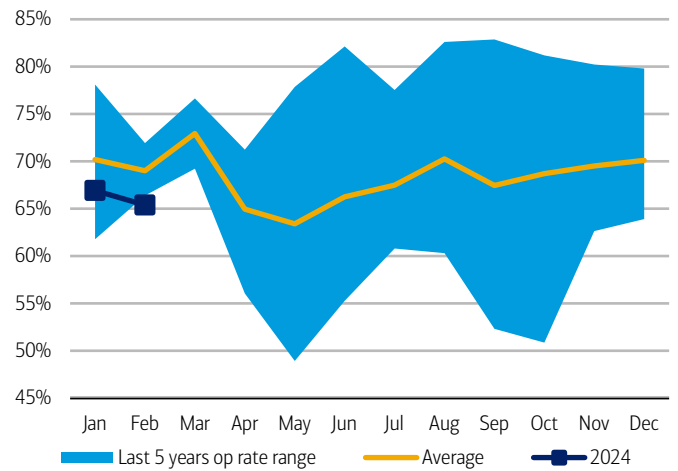


Source: BofA Global Research, SCI

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Exhibit 17: Coated paper - operating rate in China (%)

... now below the bottom of the past five years range

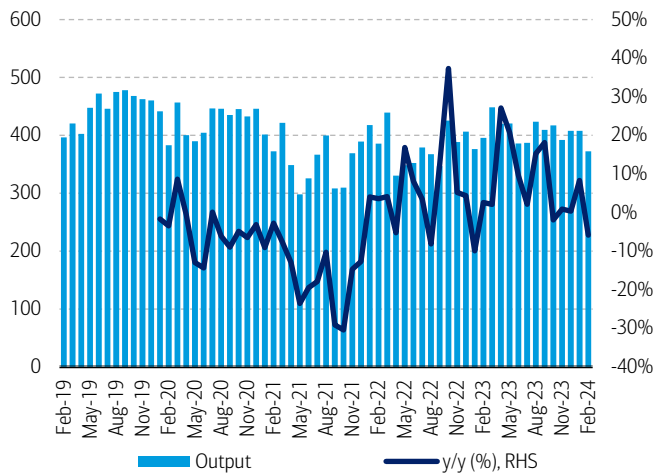


Source: BofA Global Research, SCI

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Exhibit 18: Coated paper - output volume in China (Kt)

Coated paper output was down 8.6% m/m and 5.9% y/y...

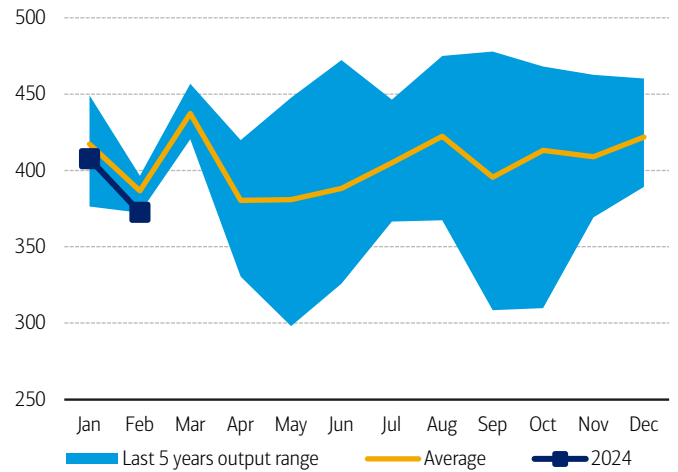


Source: BofA Global Research, SCI

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Exhibit 19: Coated paper - output volume in China (Kt)

... were close to the bottom of its past five years average

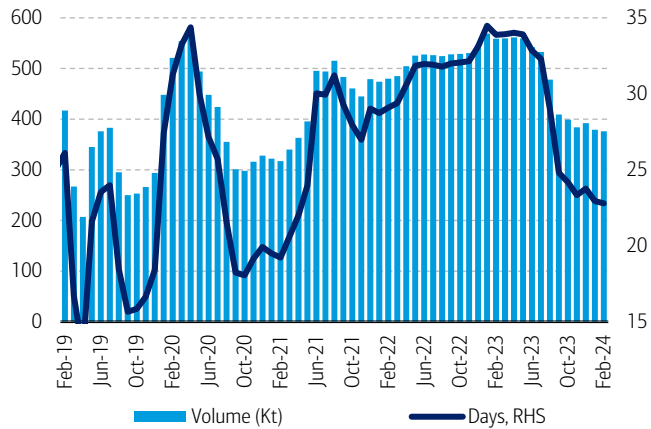


Source: BofA Global Research, SCI

BofA GLOBAL RESEARCH

Exhibit 20: Coated paper - inventory in China

Coated paper inventory reached 376Kt in February...

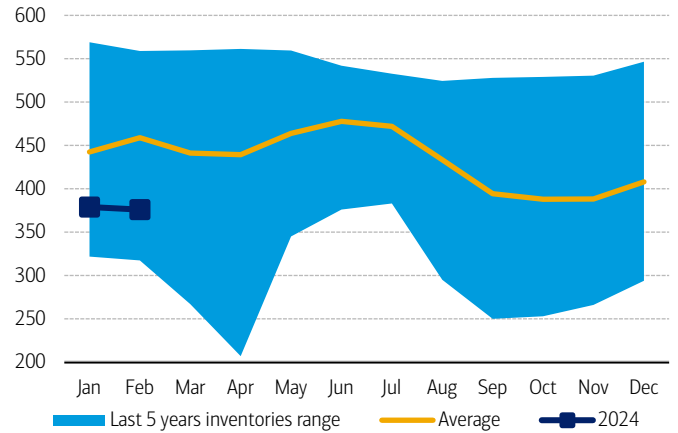


Source: BofA Global Research, SCI

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Exhibit 21: Coated paper - inventory in China

... below its past five years average

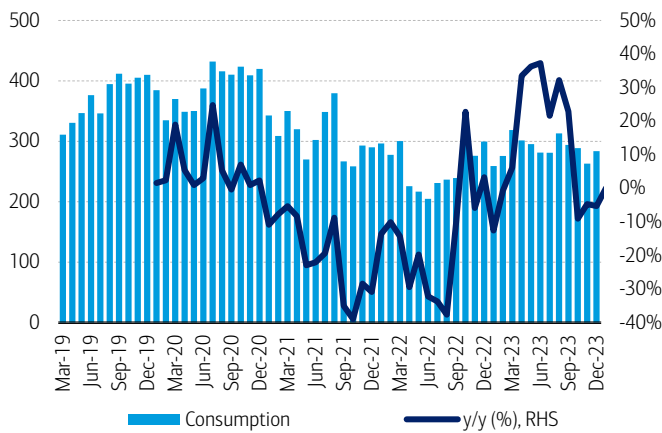


Source: BofA Global Research, SCI

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Exhibit 22: Coated paper - consumption in China (Kt)

Coated paper consumption volume was at 284Kt in December...

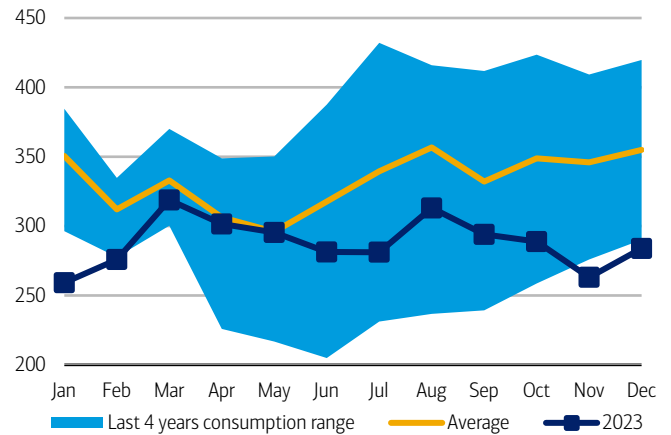


Source: BofA Global Research, SCI, China NBS

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Exhibit 23: Coated paper - consumption in China (Kt)

... below the bottom end of its last four years range

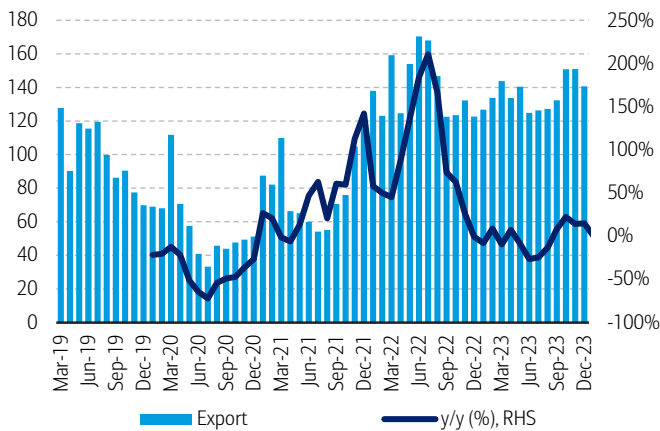


Source: BofA Global Research, SCI, China NBS

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Exhibit 24: Coated paper – export volume in China (Kt)

Coated paper exports were at 141Kt in December, down 6.8% m/m...

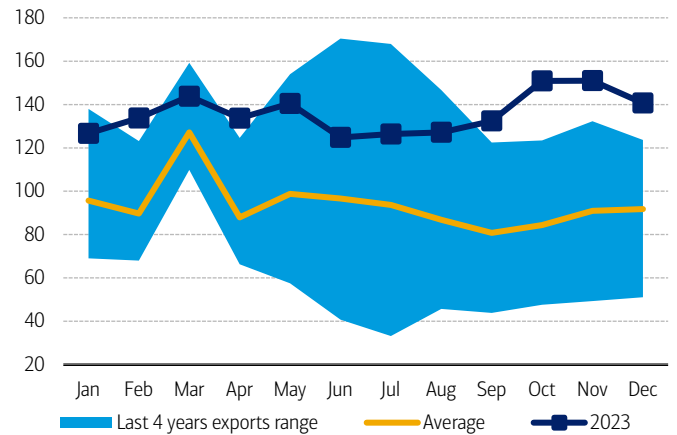


Source: BofA Global Research, SCI, China NBS

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Exhibit 25: Coated paper – export volume in China (Kt)

... and at the upper end of its last four years range

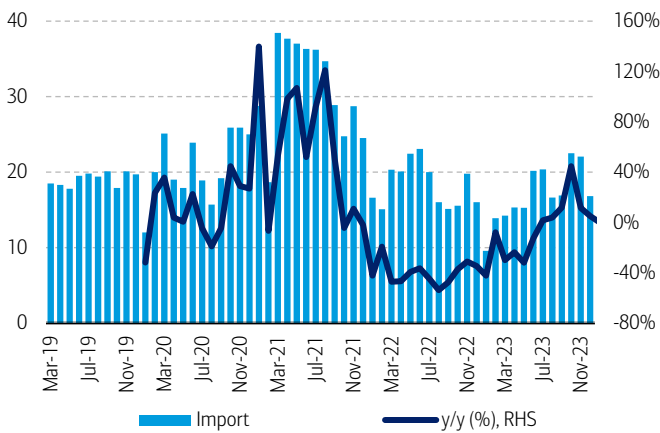


Source: BofA Global Research, SCI, China NBS

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Exhibit 26: Coated paper – import volume in China (Kt)

Coated paper imports were at 17Kt in December...

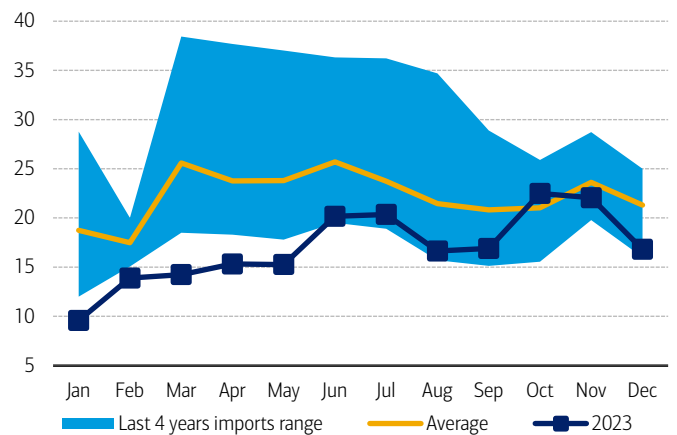


Source: BofA Global Research, SCI, China NBS

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Exhibit 27: Coated paper – import volume in China (Kt)

... and below the bottom of the past four years range

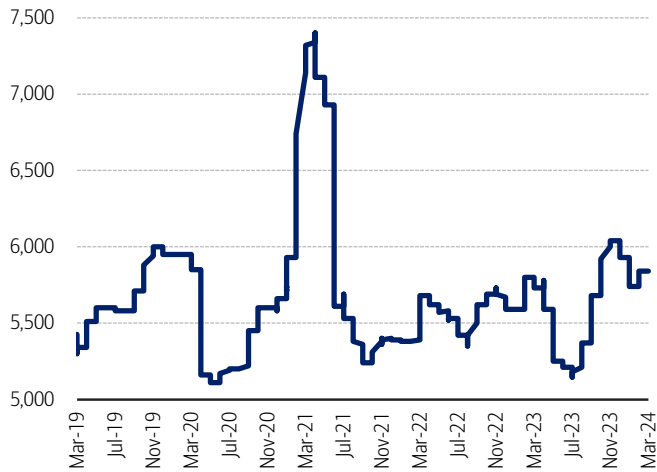


Source: BofA Global Research, SCI, China NBS

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Exhibit 28: Coated paper – average price (RBM/t)

Average coated paper prices rose 1.7% m/m in early Mar to RMB 5,840/t

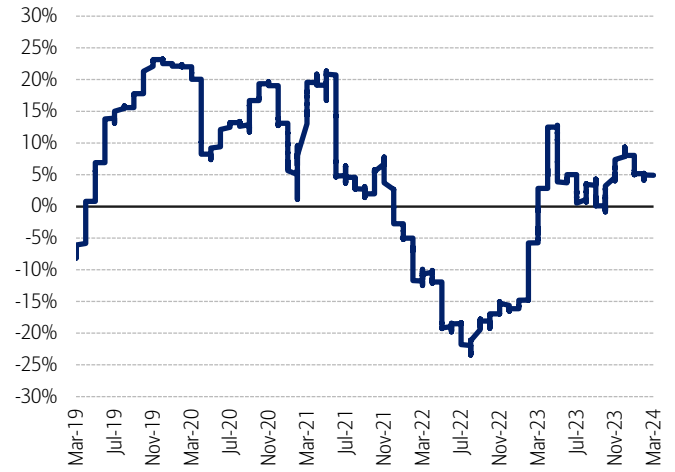


Source: BofA Global Research, SCI

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Exhibit 29: Coated paper - gross profit rate (%)

Coated paper gross profit rate fell m/m to 4.92% by early March

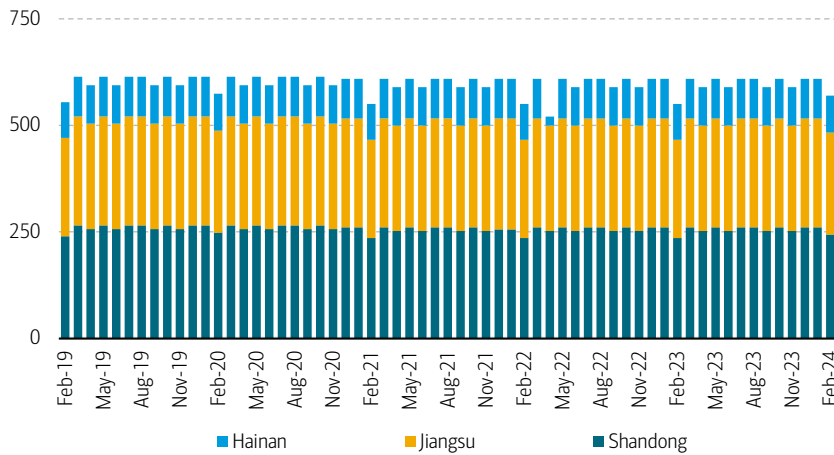


Source: BofA Global Research, SCI

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Exhibit 30: Coated paper - capacity in China (Kt)

Capacity was down m/m to 570Kt/month, with most of it coming from Shandong and Jiangsu



Source: BofA Global Research, SCI

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Uncoated woodfree paper

Exhibit 31: Summary of China uncoated woodfree paper statistics (Kt) and op. rates (%)

Output dropped 16.3% m/m to 712Kt, while inventories dropped 0.4% m/m to 482Kt

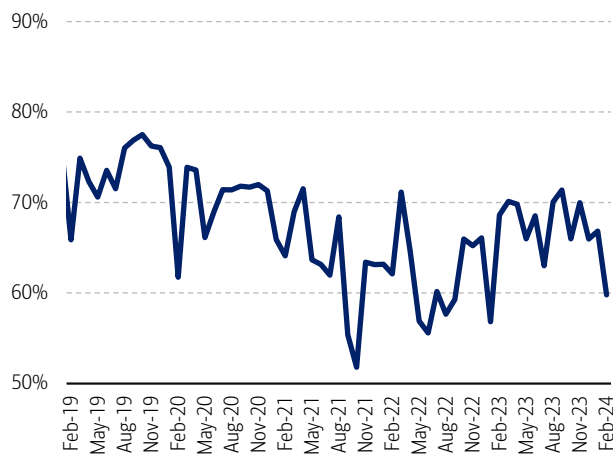
	Feb-24	Jan-24	m/m (%)	m/m	Feb-23	y/y (%)	y/y	ytd
Operating rate (%)	59.8%	66.8%	-10.5%	-7.0	68.6%	-12.9%	-8.8	0.9%
Output (Kt)	712	850	-16.3%	-139	754	-5.7%	-43	8.5%
Import (Kt)	n.a.	n.a.	n.a.	n.a.	19	n.a.	n.a.	n.a.
Export (Kt)	n.a.	n.a.	n.a.	n.a.	101	n.a.	n.a.	n.a.
Consumption (Kt)	n.a.	n.a.	n.a.	n.a.	672	n.a.	n.a.	n.a.
Enterprise inventory (Kt)	482	484	-0.4%	-2	614	-21.5%	-132	-23.2%

Source: BofA Global Research, SCI, China NBS

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Exhibit 32: UWF - operating rate in China (%)

Uncoated woodfree paper operating rates reached 60% in February...

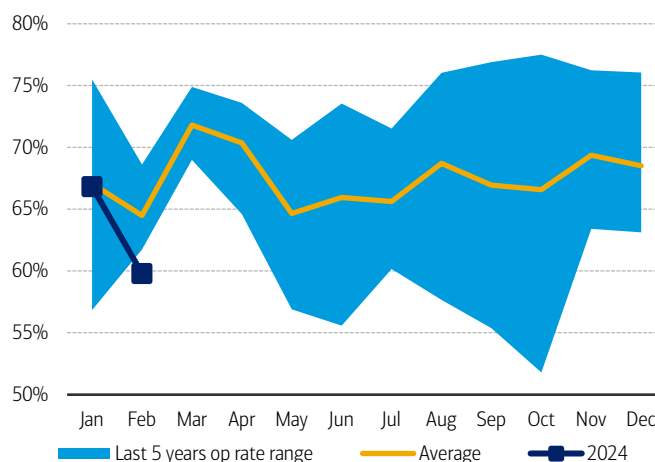


Source: BofA Global Research, SCI

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Exhibit 33: UWF - operating rate in China (%)

... below the bottom of the past five years range

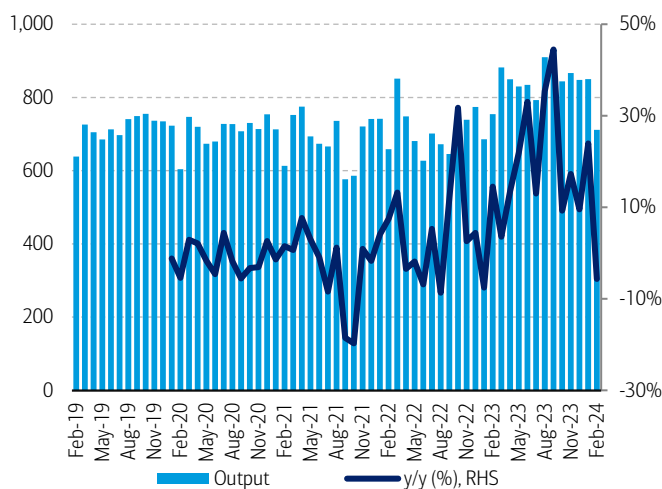


Source: BofA Global Research, SCI

BofA GLOBAL RESEARCH

Exhibit 34: UWF - output volume in China (Kt)

Uncoated woodfree paper output was down 16.3% m/m...

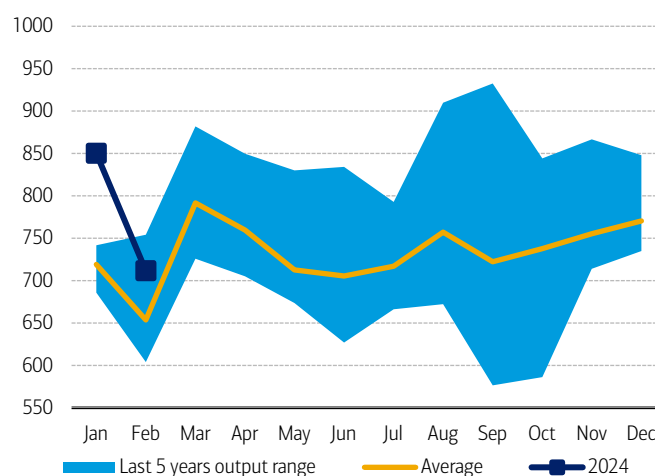


Source: BofA Global Research, SCI

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Exhibit 35: UWF - output volume in China (Kt)

... but remained above the past five years average in February

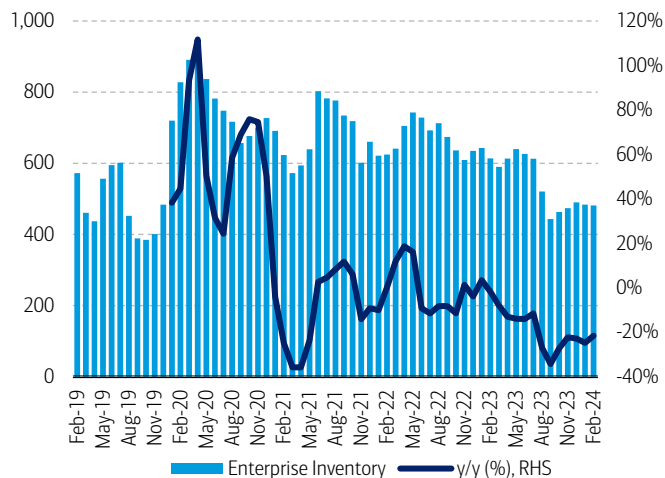


Source: BofA Global Research, SCI

BofA GLOBAL RESEARCH

Exhibit 36: UWF - inventory in China (Kt)

Uncoated woodfree paper inventory reached 482Kt in Feb...

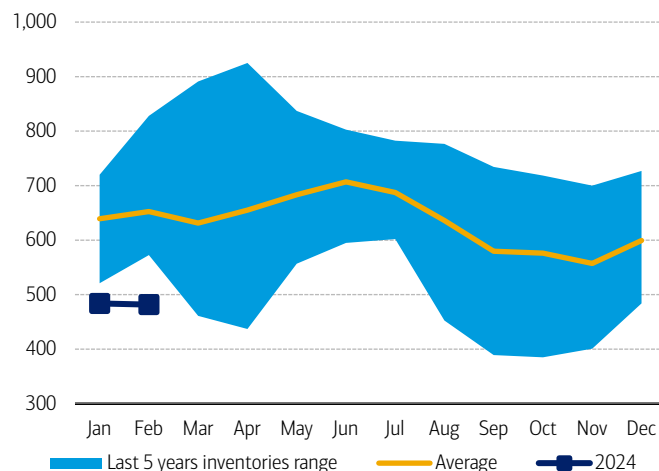


Source: BofA Global Research, SCI

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Exhibit 37: UWF - inventory in China (Kt)

... and were below the bottom end of its past five years range

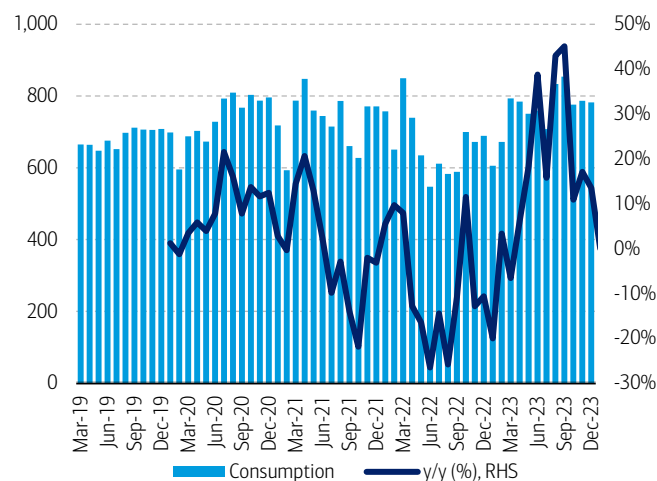


Source: BofA Global Research, SCI

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Exhibit 38: UWF - consumption in China (Kt)

Uncoated woodfree paper consumption was at 782Kt in December...

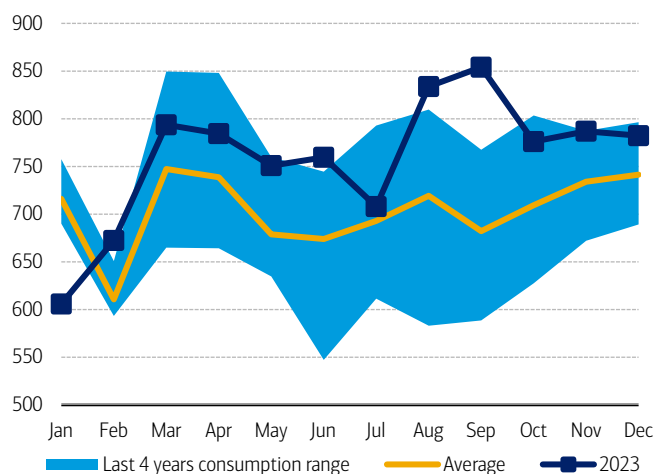


Source: BofA Global Research, SCI, China NBS

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Exhibit 39: UWF - consumption in China (Kt)

... stable m/m and at the upper end of its past four years range

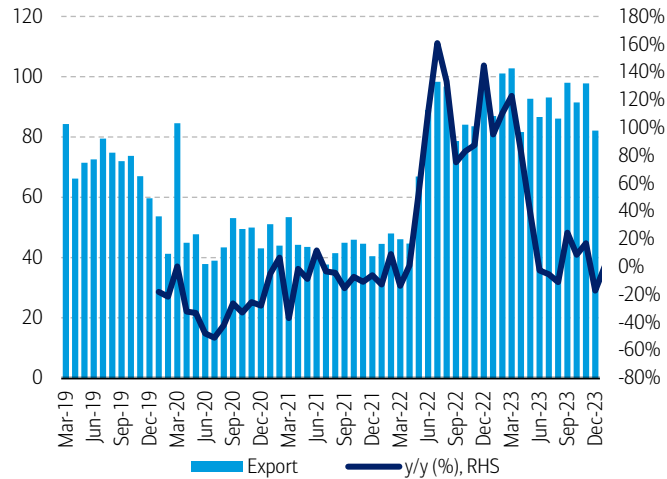


Source: BofA Global Research, SCI, China NBS

BofA GLOBAL RESEARCH

Exhibit 40: UWF - export volume in China (Kt)

Uncoated woodfree paper exports were at 82Kt in December...

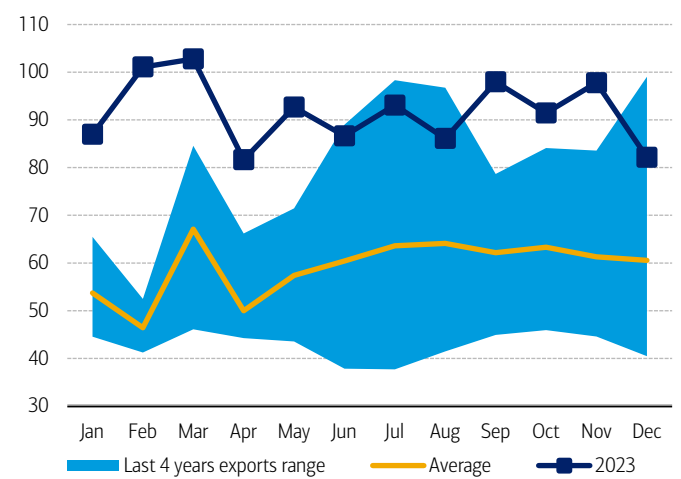


Source: BofA Global Research, SCI, China NBS

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Exhibit 41: UWF - export volume in China (Kt)

... close to the upper end of its past four years range

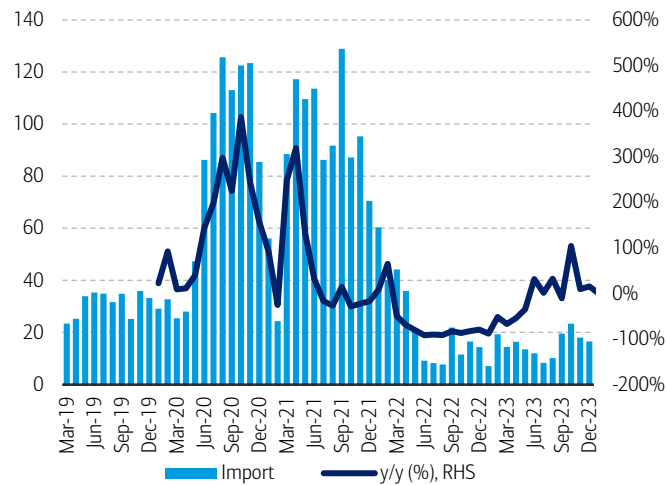


Source: BofA Global Research, SCI, China NBS

BofA GLOBAL RESEARCH

Exhibit 42: UWF - import volume in China (Kt)

Uncoated woodfree paper imports were at 17Kt in December...

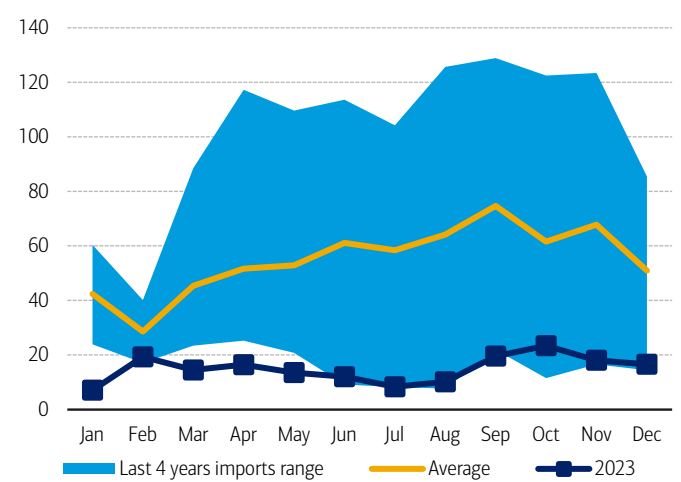


Source: BofA Global Research, SCI, China NBS

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Exhibit 43: UWF - import volume in China (Kt)

... close to the bottom of its past four years range



Source: BofA Global Research, SCI, China NBS

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Ivory board

Exhibit 44: Summary of China ivory board statistics (Kt) and operating rates (%)

Output dropped 10.3% m/m to 903Kt, while inventories rose 36.6% m/m to 688Kt

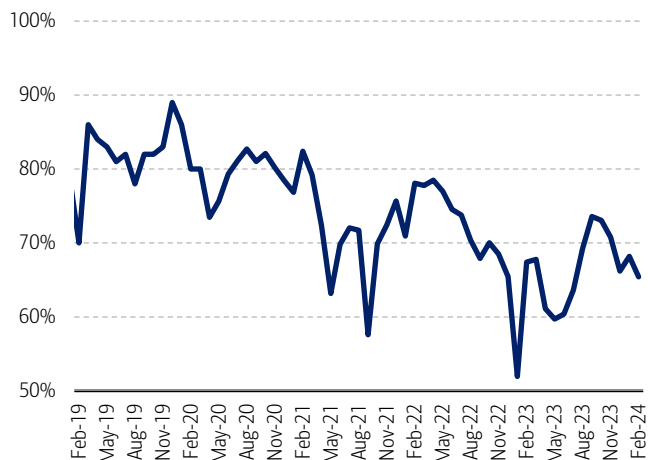
	Feb-24	Jan-24	m/m (%)	m/m	Feb-23	y/y (%)	y/y	ytd
Operating rate (%)	65.4%	68.2%	-4.1%	-2.8	67.4%	-3.0%	-2.0	11.9%
Output (Kt)	903	1,007	-10.3%	-103	808	11.8%	95	27.5%
Import (Kt)	n.a.	n.a.	n.a.	n.a.	43	n.a.	n.a.	-100.0%
Export (Kt)	n.a.	n.a.	n.a.	n.a.	274	n.a.	n.a.	-100.0%
Consumption (Kt)	n.a.	n.a.	n.a.	n.a.	600	n.a.	n.a.	-100.0%
Enterprise inventory (Kt)	688	504	36.6%	185	715	-3.8%	-27	-14.5%

Source: BofA Global Research, SCI

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Exhibit 45: Ivory board - operating rate in China (%)

Ivory board operating rates were down to 65.4% in February...

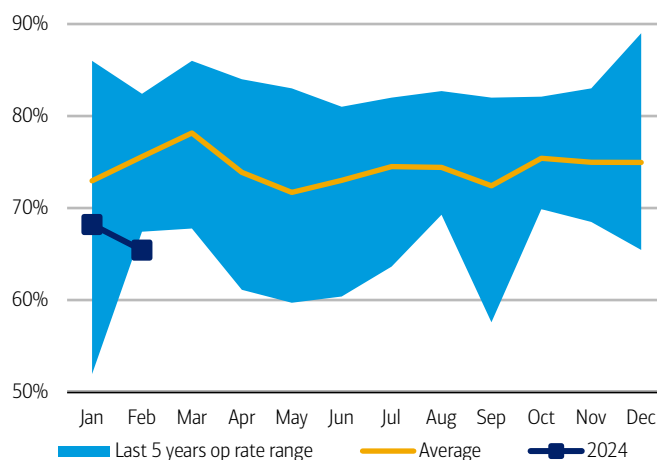


Source: BofA Global Research, SCI

BofA GLOBAL RESEARCH

Exhibit 46: Ivory board - operating rate in China (%)

... now at the bottom end of its past four years range

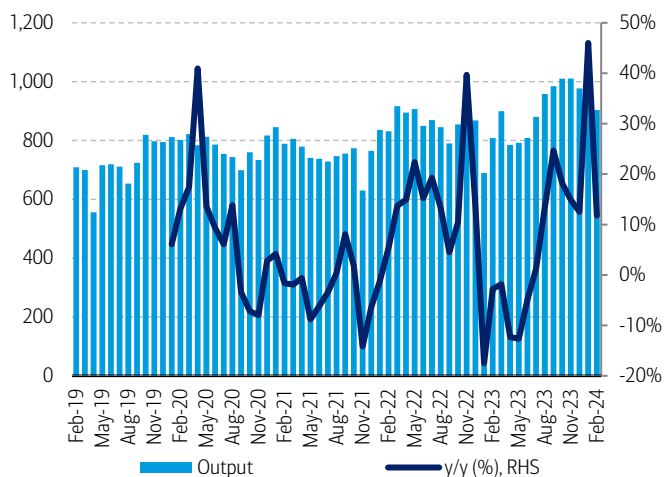


Source: BofA Global Research, SCI

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Exhibit 47: Ivory board - output volume in China (Kt)

Ivory board output dropped 10.3% m/m but rose 11.8% y/y to 903Kt...

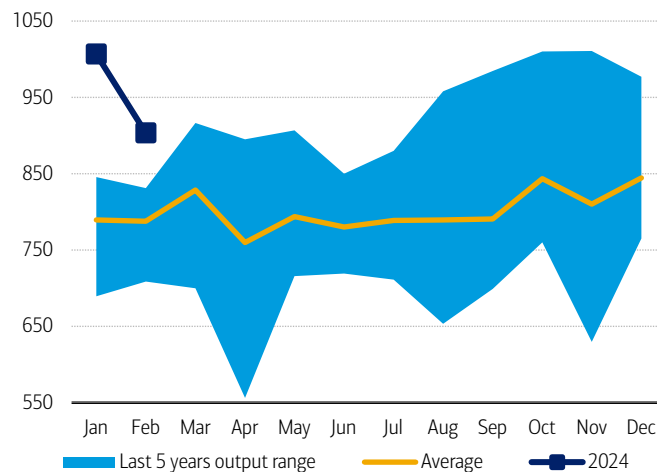


Source: BofA Global Research, SCI

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Exhibit 48: Ivory board - output volume in China (Kt)

... well above the upper end of its past five years range

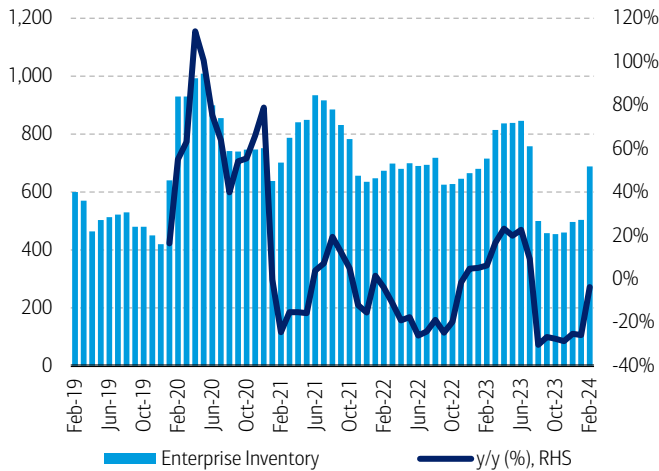


Source: BofA Global Research, SCI

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Exhibit 49: Ivory board - enterprise inventory in China (Kt)

Ivory board inventory rose m/m to 688Kt in February...

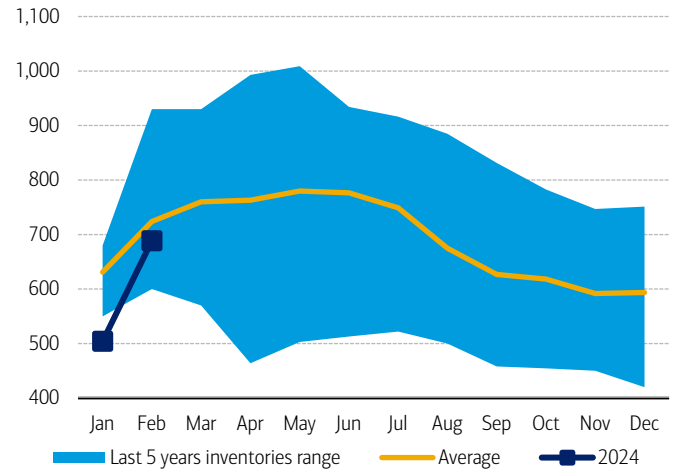


Source: BofA Global Research, SCI

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Exhibit 50: Ivory board - enterprise inventory in China (Kt)

... now close to the past five years average

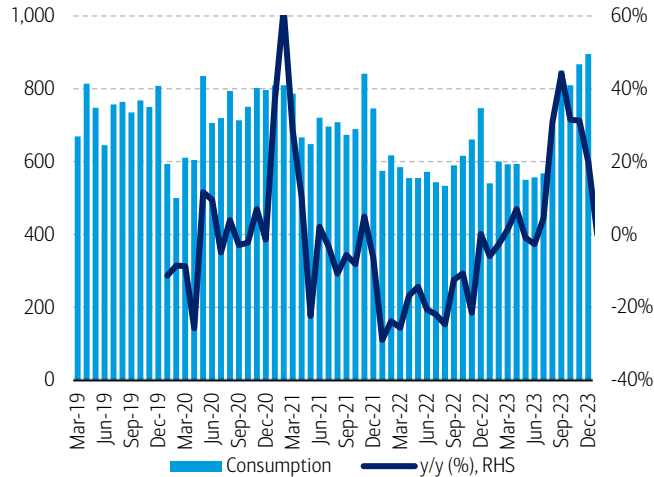


Source: BofA Global Research, SCI

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Exhibit 51: Ivory board - consumption in China (Kt)

Ivory board consumption was at 895Kt in December...

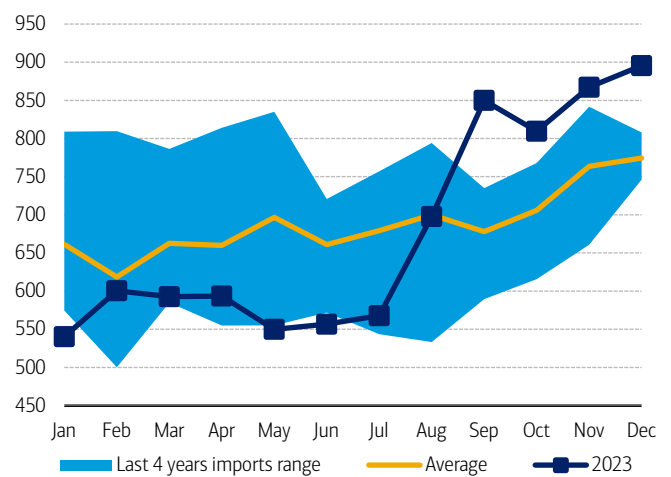


Source: BofA Global Research, SCI, China NBS

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Exhibit 52: Ivory board - consumption in China (Kt)

... above its past four years range



Source: BofA Global Research, SCI, China NBS

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Duplex board

Exhibit 53: Summary of China Duplex board statistics (Kt) and operating rates (%)

Output dropped 46.5% m/m to 306Kt, while inventories were mostly stable m/m at 592Kt

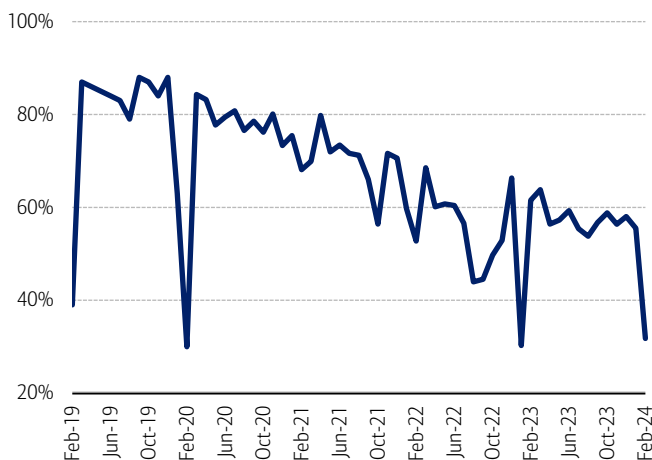
	Feb-24	Jan-24	m/m (%)	m/m	Feb-23	y/y (%)	y/y	ytd
Operating rate (%)	31.8%	55.5%	-42.8%	-23.7	61.6%	-48.4%	-29.8	-5.0%
Output (Kt)	306	572	-46.5%	-266	562	-45.5%	-256	0.8%
Import (Kt)	n.a.	n.a.	n.a.	n.a.	43	n.a.	n.a.	-100.0%
Export (Kt)	n.a.	n.a.	n.a.	n.a.	274	n.a.	n.a.	-100.0%
Consumption (Kt)	n.a.	n.a.	n.a.	n.a.	541	n.a.	n.a.	-100.0%
Enterprise inventory (Kt)	592	591	0.1%	0	672	-12.0%	-81	-13.1%

Source: BofA Global Research, SCI, China NBS

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Exhibit 54: Duplex - operating rate in China (%)

Duplex board operating rate reached 31.8% in February...

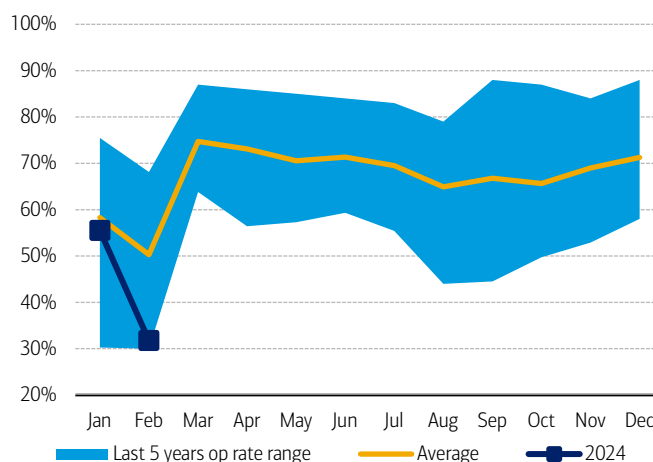


Source: BofA Global Research, SCI

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Exhibit 55: Duplex - operating rate in China (%)

... close to the past five years average

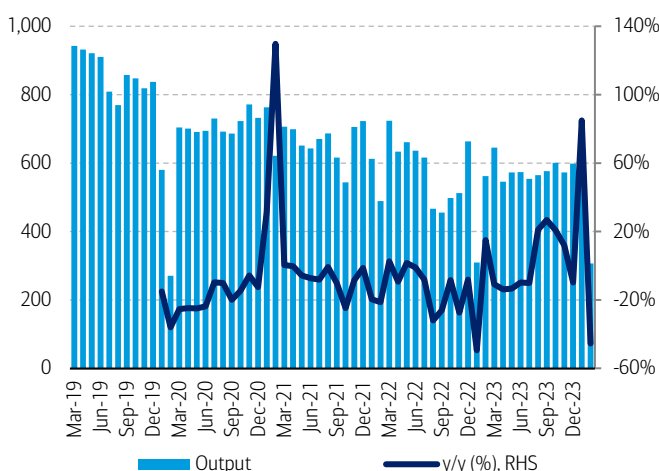


Source: BofA Global Research, SCI

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Exhibit 56: Duplex - output in China (Kt)

Duplex board output dropped 46.5% m/m and 45.5% y/y to 306Kt ...

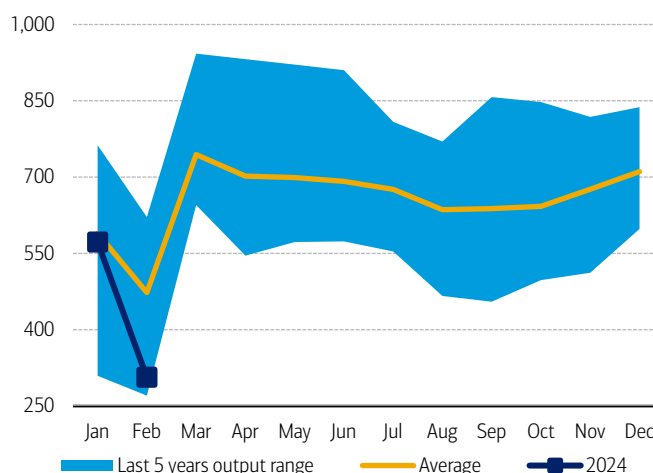


Source: BofA Global Research, SCI

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Exhibit 57: Duplex - output in China (Kt)

... in February, close to the bottom of its past five years average

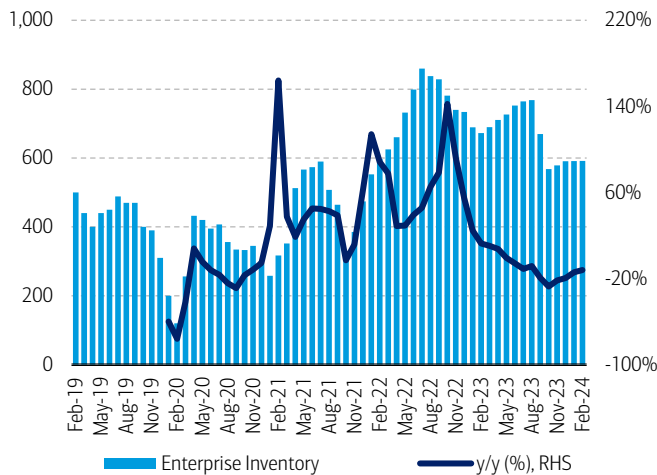


Source: BofA Global Research, SCI

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Exhibit 58: Duplex – enterprise inventory in China (Kt)

Duplex board inventory reached 592Kt in February...

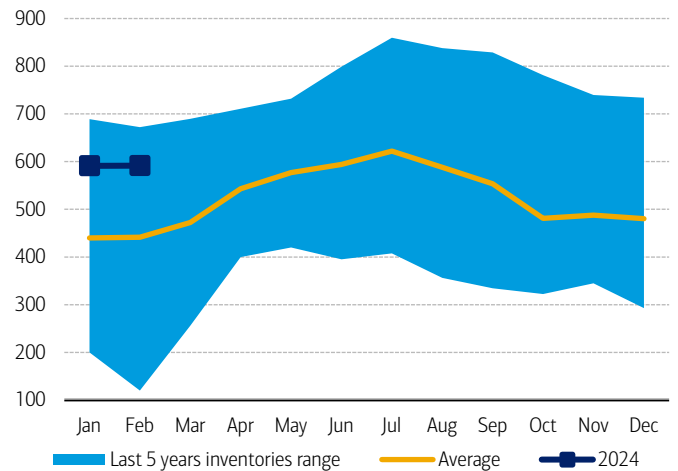


Source: BofA Global Research, SCI

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Exhibit 59: Duplex – enterprise inventory in China (Kt)

... above its past five years average

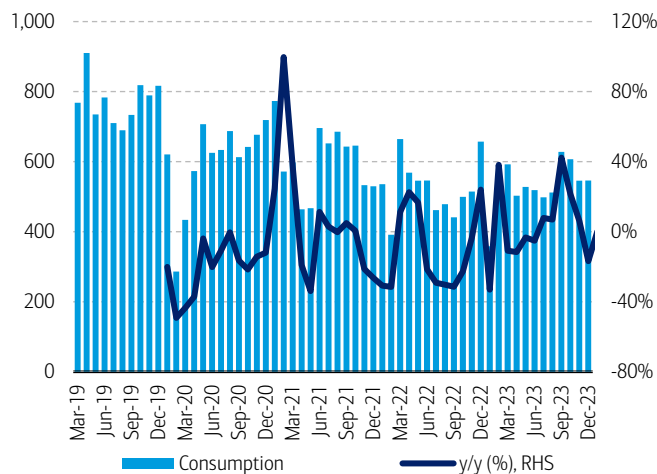


Source: BofA Global Research, SCI

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Exhibit 60: Duplex – consumption in China (Kt)

Duplex board consumption was at 546Kt in December, down 16.8% y/y...

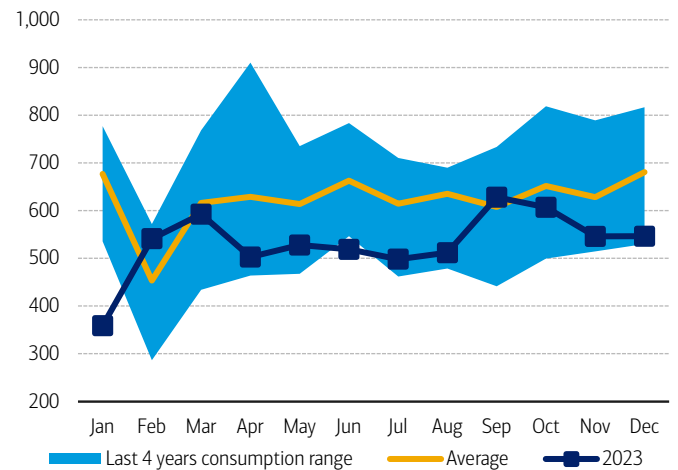


Source: BofA Global Research, SCI, China NBS

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Exhibit 61: Duplex – consumption in China (Kt)

... and close to the bottom end of its past four years range

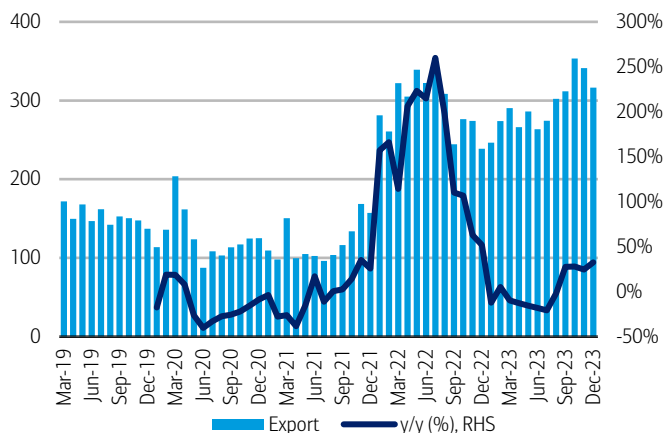


Source: BofA Global Research, SCI, China NBS

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Exhibit 62: Duplex & Ivory Board – export volume in China (Kt)

Duplex & ivory board combined exports were at 316Kt, up 32.5% y/y...

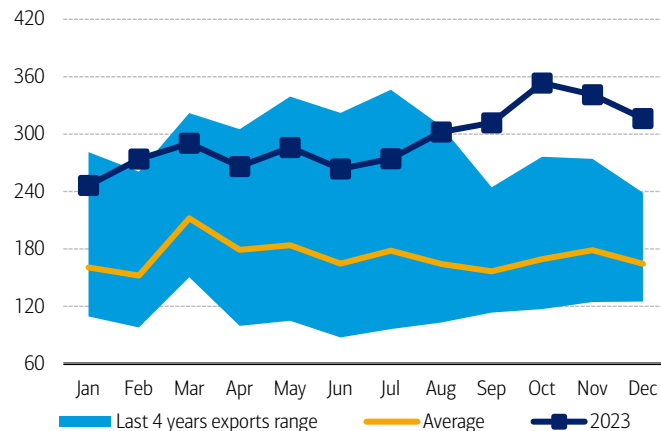


Source: BofA Global Research, SCI, China NBS

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Exhibit 63: Duplex & Ivory Board – export volume in China (Kt)

... and above the upper end of the past four years range in December

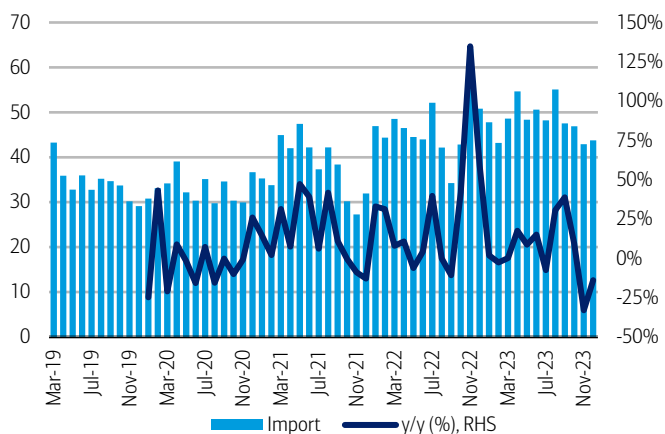


Source: BofA Global Research, SCI, China NBS

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Exhibit 64: Duplex & Ivory Board – import volume in China (Kt)

Duplex & ivory board combined imports were at 44Kt, down 14% y/y...

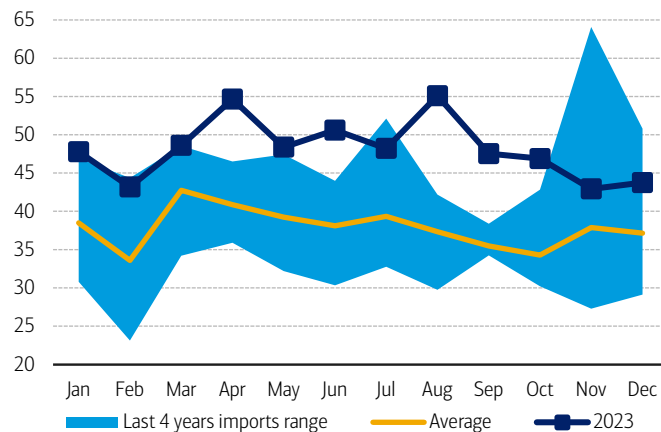


Source: BofA Global Research, SCI, China NBS

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Exhibit 65: Duplex & Ivory Board – import volume in China (Kt)

... and above its past four years average in December



Source: BofA Global Research, SCI, China NBS

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