



Paper Industry Updates 2019



Malaysia Pulp & Paper Manufacturers Association

31st Oct to 2nd Nov 2019



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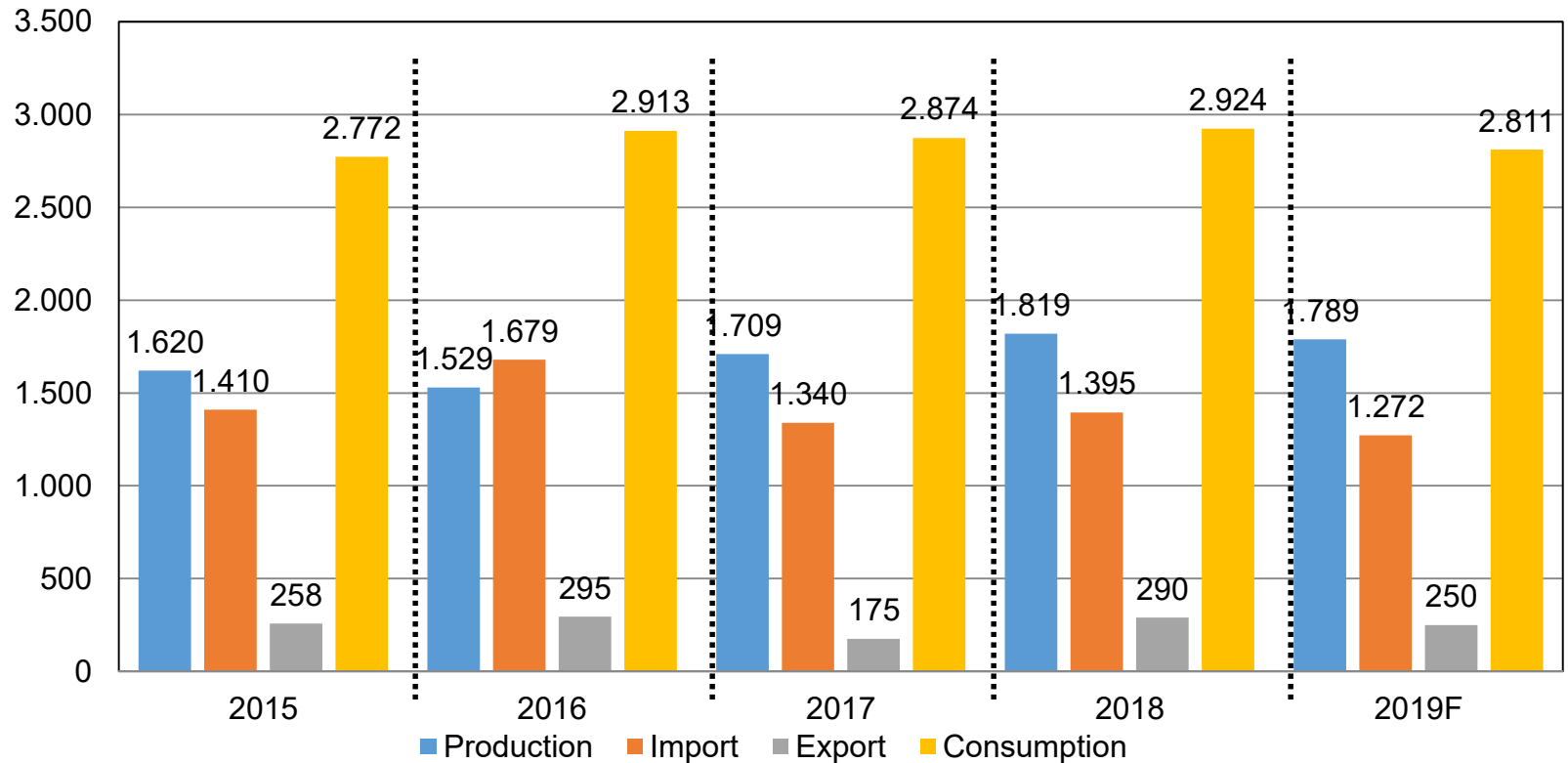
Economic Status

| | 2015 | 2016 | 2017 | 2018 | 2019F |
|--|-------|-------|-------|-------|-----------|
| GDP at Purchasers' Price (%) | 5.0 | 4.2 | 5.9 | 4.7 | 4.3 ~ 4.8 |
| Exchange rates against US Dollar | 4.292 | 4.486 | 4.062 | 4.136 | 4.130 |
| Population (millions of persons) | 31.2 | 31.7 | 32.1 | 32.4 | 32.7 |
| Consumer Price Index (2010=100) | 2.1 | 2.1 | 3.7 | 1.0 | 0.7 ~ 1.7 |
| Producer Price Index (2010=100) | -7.4 | -1.1 | 6.7 | -1.1 | - |
| Industrial Production Index (2010=100) | 4.9 | 4.4 | 6.1 | 5.0 | - |

- The Malaysia economy normalized to 4.7% in 2018 after a robust growth in 2017 at 5.9% per annum.
- In 2018, the economy was affected by the escalation of trade conflicts among the major economies, uncertain commodity prices and changes in major monetary policies which induced the reversal of capital flows from emerging economies.
- In the 1H2019, Malaysia economy continued to grow by 4.7% (YOY) attributed to higher household spending and private investment. Higher production of natural gas also contributed to positive growth in the mining sector. Likewise, the manufacturing sector also improved marginally due to better performance of domestic-oriented industries.
- Going forward, Malaysia economy is set to grow steadily in 2019 supported by private sector activities. The ongoing trade tensions among the major economies remained a challenge to our export-oriented economy.

Paper & Paperboard – Demand & Supply

('000 Tons)



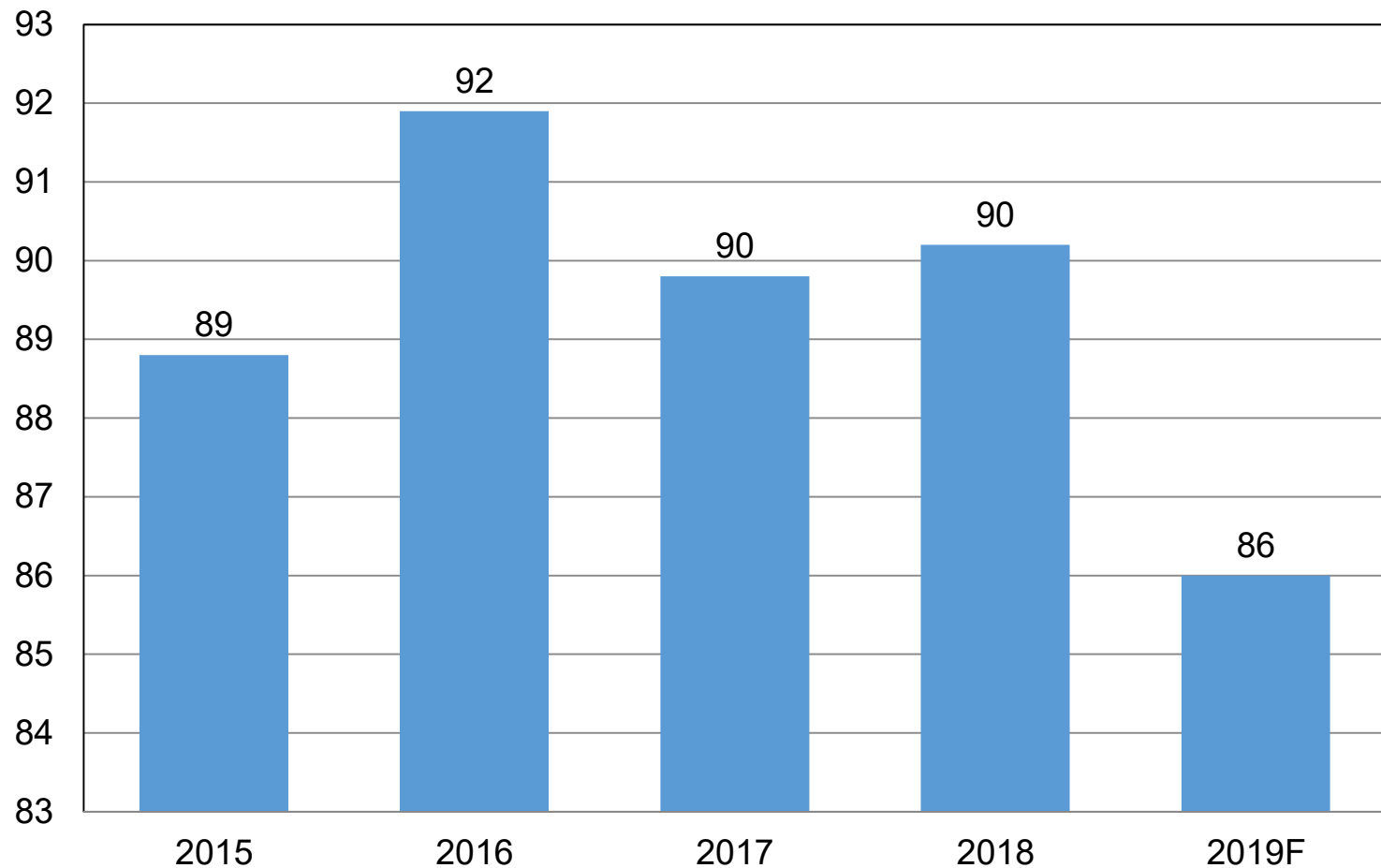
1. Domestic supply remained at 1.8 mil tons per year. However, by end of 2020 domestic containerboard supply will increase by another 700K mt tons arising from a new paper mill.
2. The higher imports were mainly attributed to the Printing & Writing (P&W) paper, containerboard and duplex board.
3. As US-China trade war continues, Chinese mills have announced their plan to set up paper mills in Malaysia, namely Lee & Man, Nine Dragon, Shan Ying, Zhejiang Jinxing, Xinshenda and Jian Hui. Malaysia is expected to record higher export by end 2020.

Announced Chinese Mills location in Malaysia



Paper & Paperboard – Consumption per capita

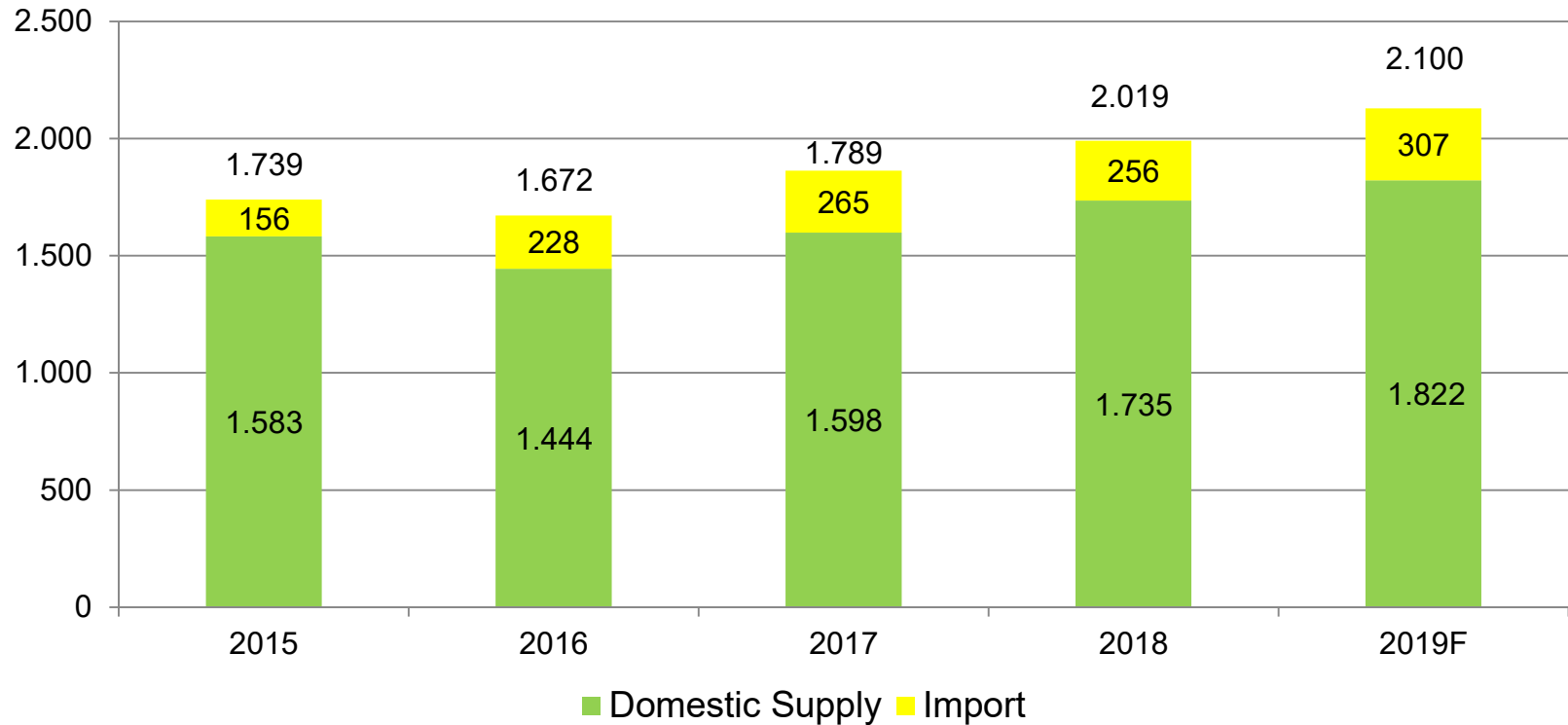
('kg / head)



- Apparent consumption per capita is expected to decline to 86kg per capita mainly due to growth in e-media sector.

Recovered Paper – Demand & Supply

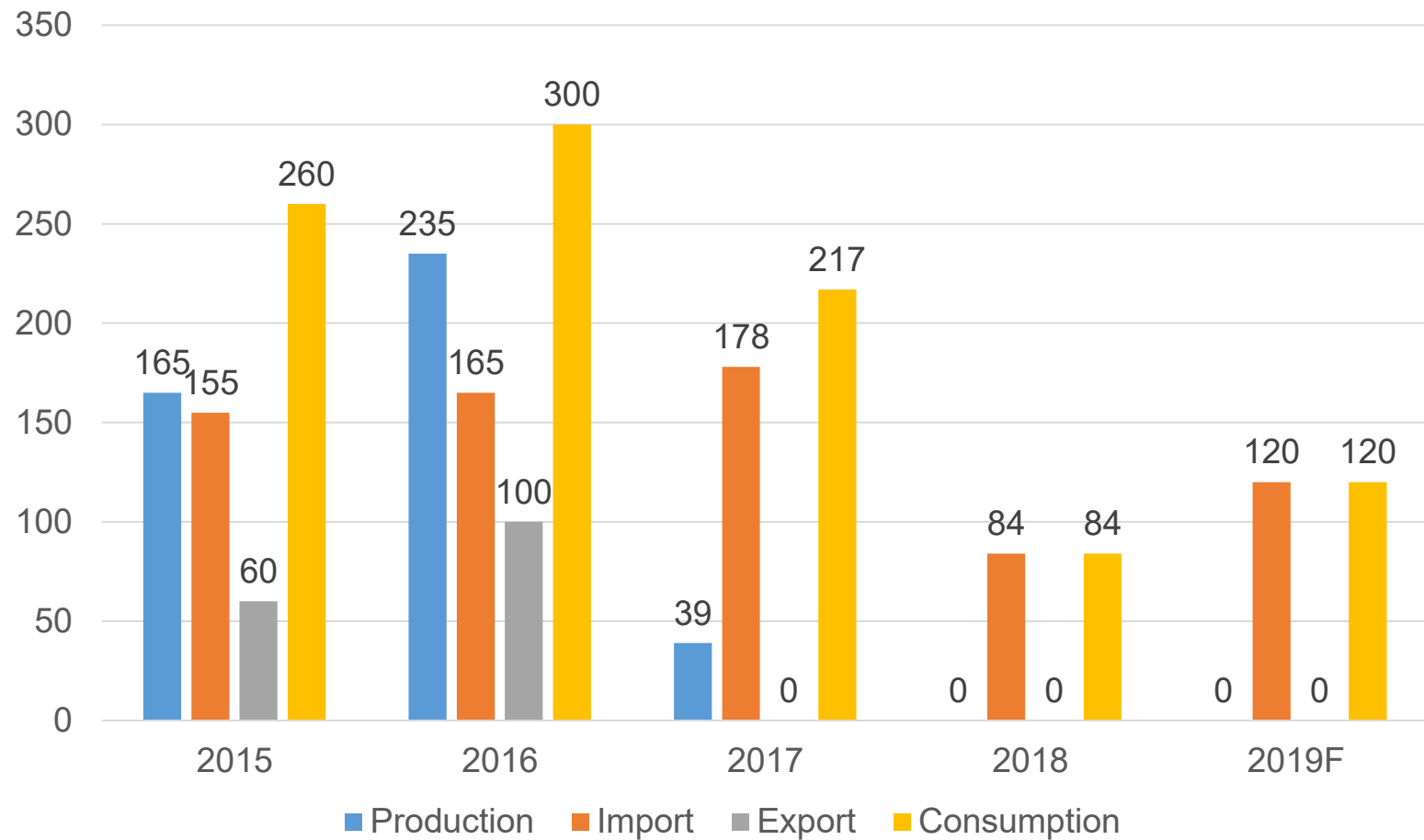
('000 Tons)



1. Domestic supply improved in 2019 due to higher buying price. However, domestic supply is not sufficient to cater for total demand.
2. Future import ratio of recovered paper is expected to increase as more Chinese mills are keen to set up recycled pulp mills in Malaysia through greenfield, acquisition and contract manufacturing.

Pulp – Demand & Supply

(’000 Tons)



- Malaysia imports approximately 120K mt of bleached and unbleached softwood pulp annually.



Outlook of Malaysia Pulp & Paper Industry

1. US-China trade war will continue to affect packaging demand in Asian countries. Excessed supply from regional mills will continue to suppress paper prices in the Containerboard sector in Malaysia.
2. Influx of Chinese mills into Malaysia will create excessed supply. Malaysia will become a net exporter by 2020. Similarly, import ratio of recovered paper will increase due to insufficient supply of domestic recovered paper. Price of domestic recovered paper will increase to import parity.
3. Increased operational cost will continue due to the rise in labor wages (minimum wage policy), higher utility rate (gradual removal of government subsidies on energy prices) and higher import ratio of recovered paper due to the declining availability; high imports of wastepaper is required due to the drop in domestic wastepaper recovery as e-commerce business and e-media continue to expand.
4. Uncertain fluctuation in RM against USD will continue to affect our competitiveness in the export-oriented industries which determine the demand of paper and paperboard.



Thank you....



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