

MARKET TRENDS

GLOBAL TISSUE TRENDS

According to Esko Uutela, RISI's Principal, Tissue, globally the tissue industry is in good shape and will see long-term growth way into the future. Lately, we have seen steady growth that will accelerate into the future at a rate globally of around 3.5%, but this growth will not be consistent in all areas.

1 We are seeing steady trends upwards in tonnage, on average slightly more than 1 million tonnes per year over the last 10 years. As the faster growing emerging markets increasingly contribute to the world average, the volume growth is expected to accelerate to 1.5 million tonnes toward the end of the next 10-year period, which is good news for the industry and machine suppliers. In 2025, the size of the global tissue market will approach the benchmark of 50 million tonnes, with the next major milestone of 100 million tonnes coming in the next 20-25 years.

NORTH AMERICA is showing healthy growth rates of 2.2% and 3.6% respectively for 2015 and 2016, this despite a low population growth rate of just 0.8%.

ASIA is a growth area and particularly China is the main force with its GDP of 6-7%, but there is still huge potential in Thailand, the Philippines, and Vietnam where the general standard of living is increasing.

EUROPE is relatively stable when it comes to tissue demand and growth, with Eastern Europe showing a lot of promise. Russia, Ukraine, and Romania in particular are showing growth promise.

LATIN AMERICA has always been an interesting market to follow, as there is always something going on with the various economies of the different countries, which has an impact on consumption.

AFRICA is a continent that is seeing a lot of long-term potential. In the south, west, and east, companies are investing in tissue production in Africa.



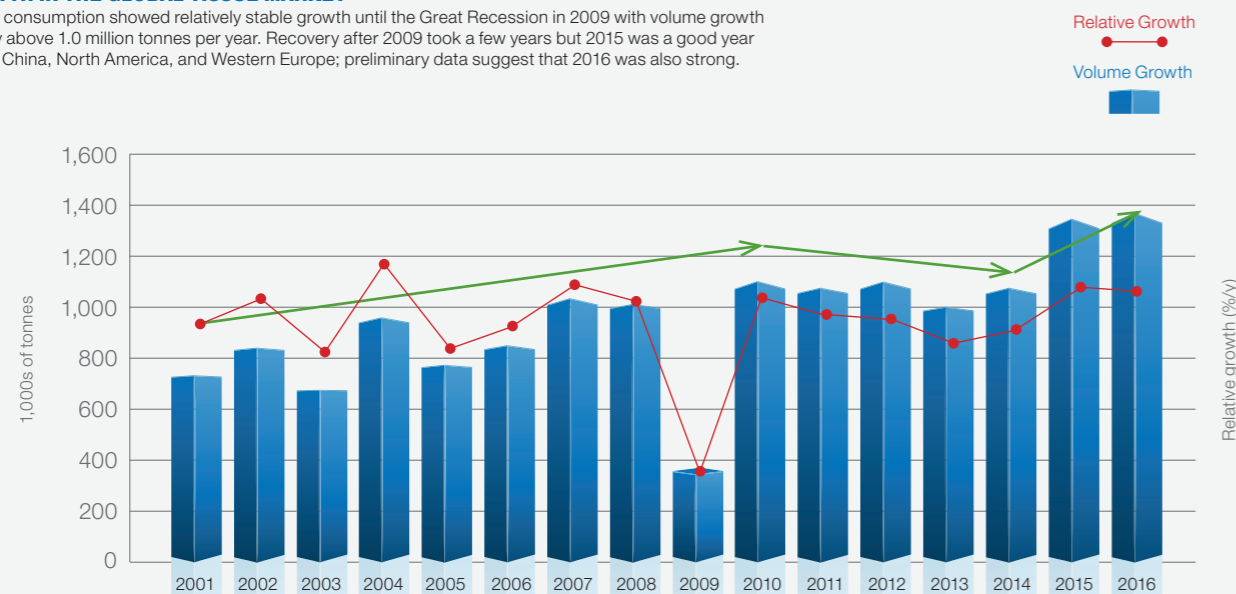
2 Emerging markets are still providing most of the growth in the tissue market. This is not just Asia, although China is still instrumental in the growth figures. It is also Latin America, the Middle East, and lately even Africa that are showing possibilities looking longer term. The drivers of growth in tissue are varied, but a big one is the raising of hygienic standards around the world. But there are, of course, the usual factors; economic growth, population increase, fast-growing middle classes from the emerging nations.

3 In terms of grades, the industry is dominated by bathroom tissue, but we have seen phenomenal growth in North America of the toweling business, including both kitchen towels and Away-from-Home (AfH) towel rolls. In parts of Asia, particularly China and the Middle East, it is facial tissue that has the highest growth rate. In Latin America, facial tissue is rather small except in Mexico which seems to follow the usage pattern in the USA. Napkins see growth in the AfH sector in particular, supported by the continuing growth in outside eating and fast-service restaurants.

4 The tissue industry has been the leader of the pack when it comes to innovation in the paper industry. There is always something new and exciting being brought out by the suppliers in this sector. In particular, there is a lot of work being done on reducing basis weight in tissue, at the same time as maintaining bulk, strength, and diameter. Flushable wipes are proving popular with consumers, but producers have problems with biodegradability. It really is a fantastic opportunity for fiber-based companies to capture market share if the wipes are made from biodegradable paper.

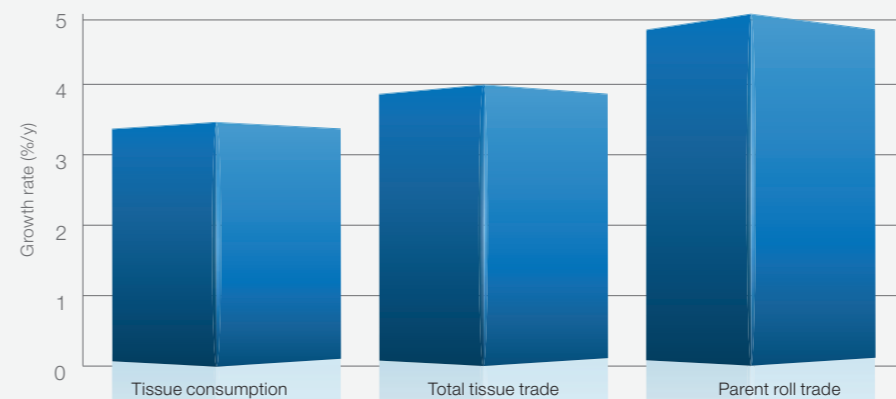
GROWTH IN THE GLOBAL TISSUE MARKET

Tissue consumption showed relatively stable growth until the Great Recession in 2009 with volume growth slightly above 1.0 million tonnes per year. Recovery after 2009 took a few years but 2015 was a good year due to China, North America, and Western Europe; preliminary data suggest that 2016 was also strong.



LONG-TERM GROWTH TRENDS IN THE GLOBAL TISSUE MARKET

International trade in tissue shows a higher growth rate than tissue consumption, a clear sign of business globalization. Parent roll trade has accelerated in recent years.



**ESKO UUTELA
PRINCIPAL, TISSUE, RISI**

Known as "The Guru" of the global tissue industry, Esko Uutela has more than 30 years' experience in the global paper market. Uutela's expertise lies in the tissue and recovered fiber markets. After working nearly 18 years for a large forest industry consulting company in Helsinki and Munich, Uutela established EU Consulting, his own forest industry consulting company where he carries out numerous private client projects, and since 2007 he has also been responsible for RISI's comprehensive studies on worldwide tissue business development and forecasts worldwide.