

Global Overview of Containerboard

ICCA/WCO

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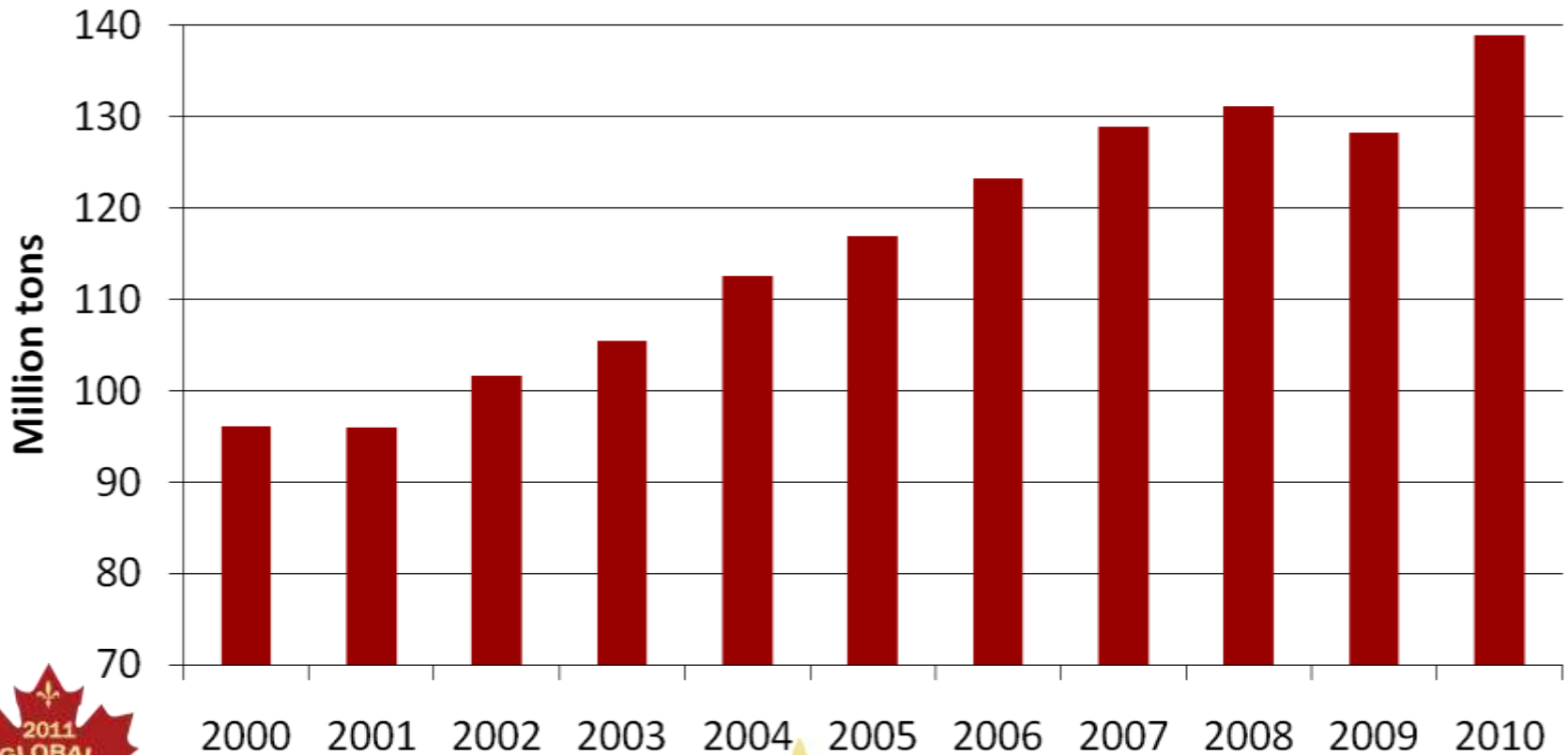
Today's Agenda

- Global Economic outlook—the major issues/concerns
- Prospects for global demand



Demand grew 45%, even with 2008-9 dip

World CB Consumption



Source: RISI

Framing the Economic Outlook Discussion

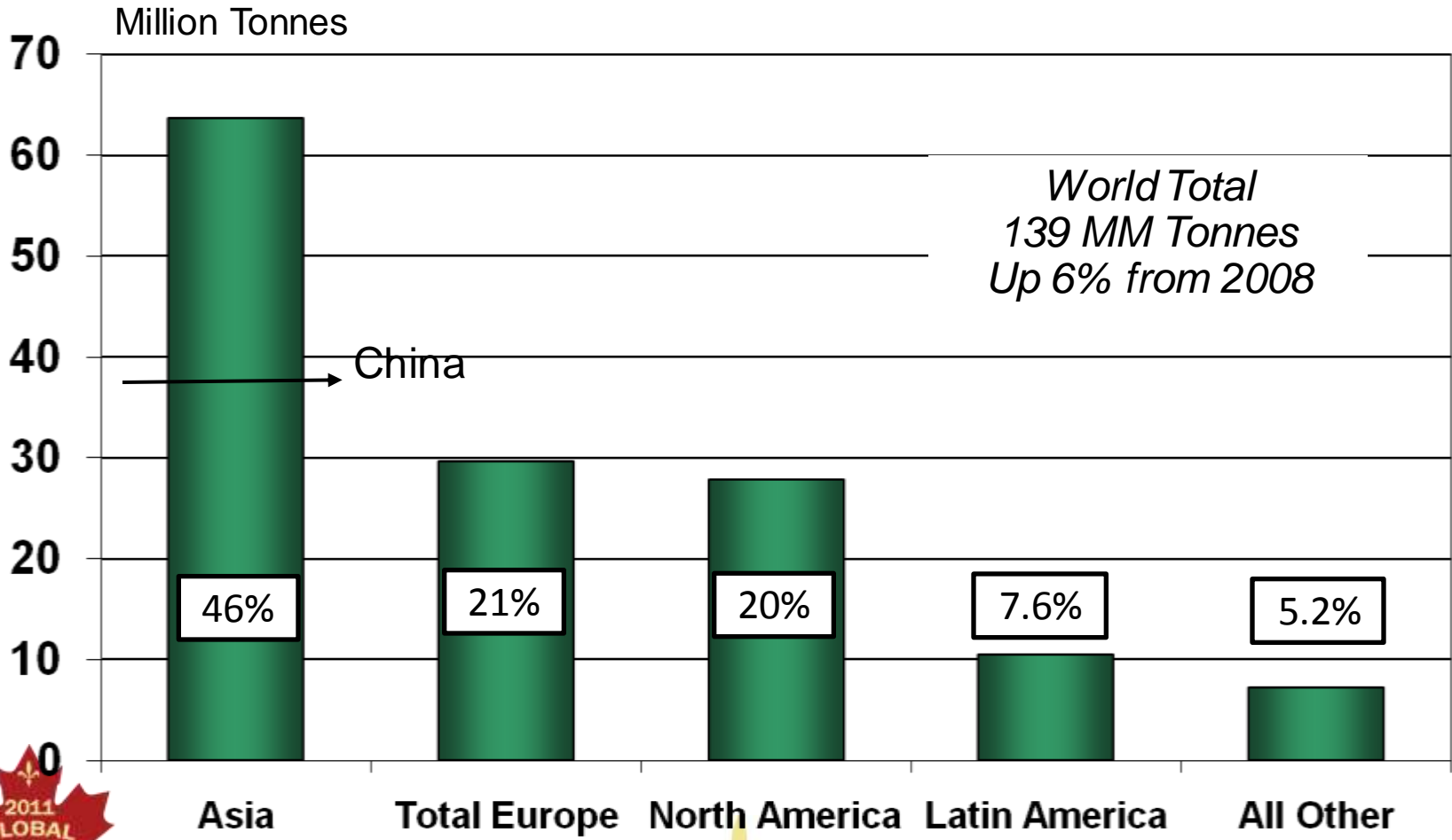
Look to where manufacturing is growing

	2000*	2010*	Share (%)	Growth (%)
World	96.1	138.9	100	45
North America	30.6	27.9	20	-9
Far East	30.4	63.7	46	101
Western Europe	20.5	21.5	15	5
Central/Eastern Eur.	3.7	8.3	6	124
South America	4.3	6.6	5	53
Central America	2.7	3.9	3	44
Rest of World	3.9	7	5	79



*million tonnes, Containerboard Consumption, RISI

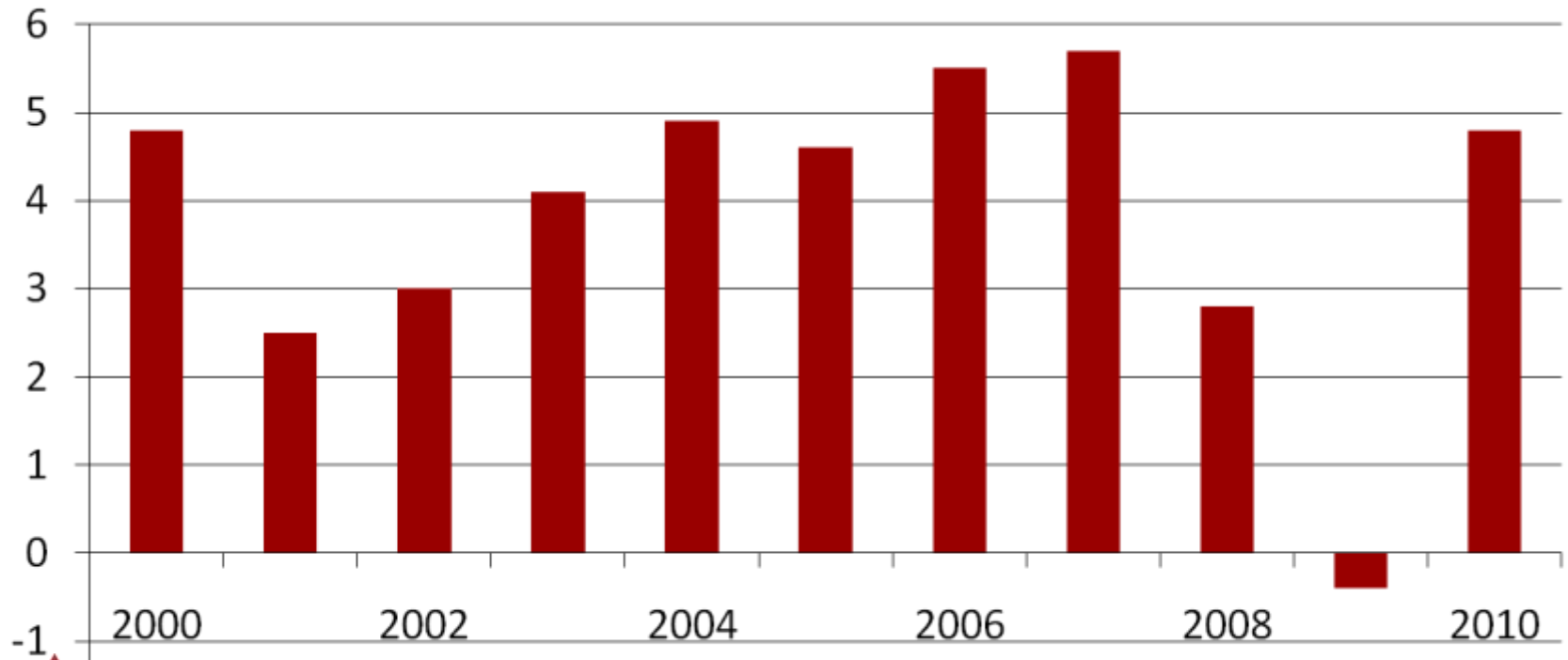
This is where we were in 2010



Source: RISI

World fell into Recession: Financial Trip Wire

World GDP Growth



Source: IMF/RISI

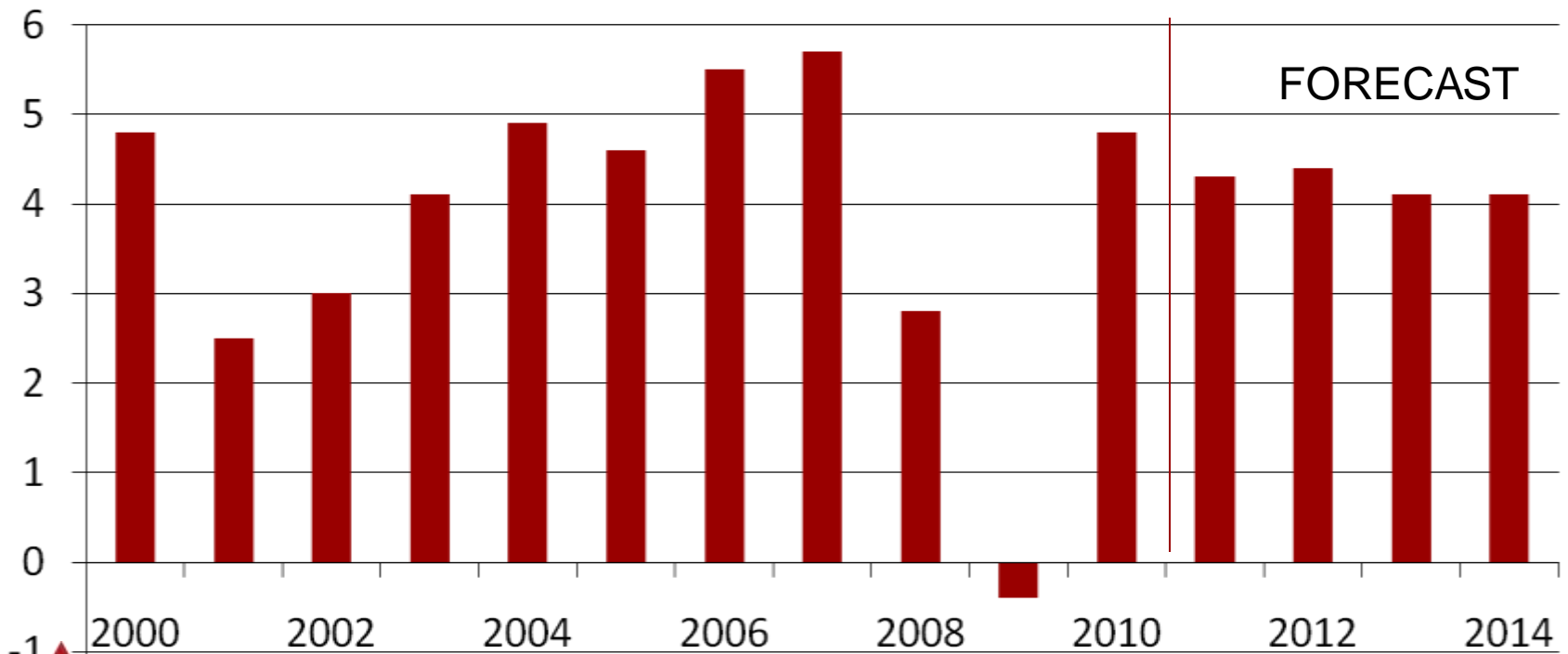
Important as Think About Future: Nothing like It

- This global cycle very different than any experienced since the 1930's
- Massive fiscal and monetary stimulus in U.S. to stabilize the patient—condition still fragile
 - Usual source of strong employment rebound missing: housing
 - Serious fiscal issues to address
- Very different set of international parameters
 - Sovereign debt concerns in Europe—major concern
 - Inflation emerging in Asia—different source
 - Continued imbalance on trade side



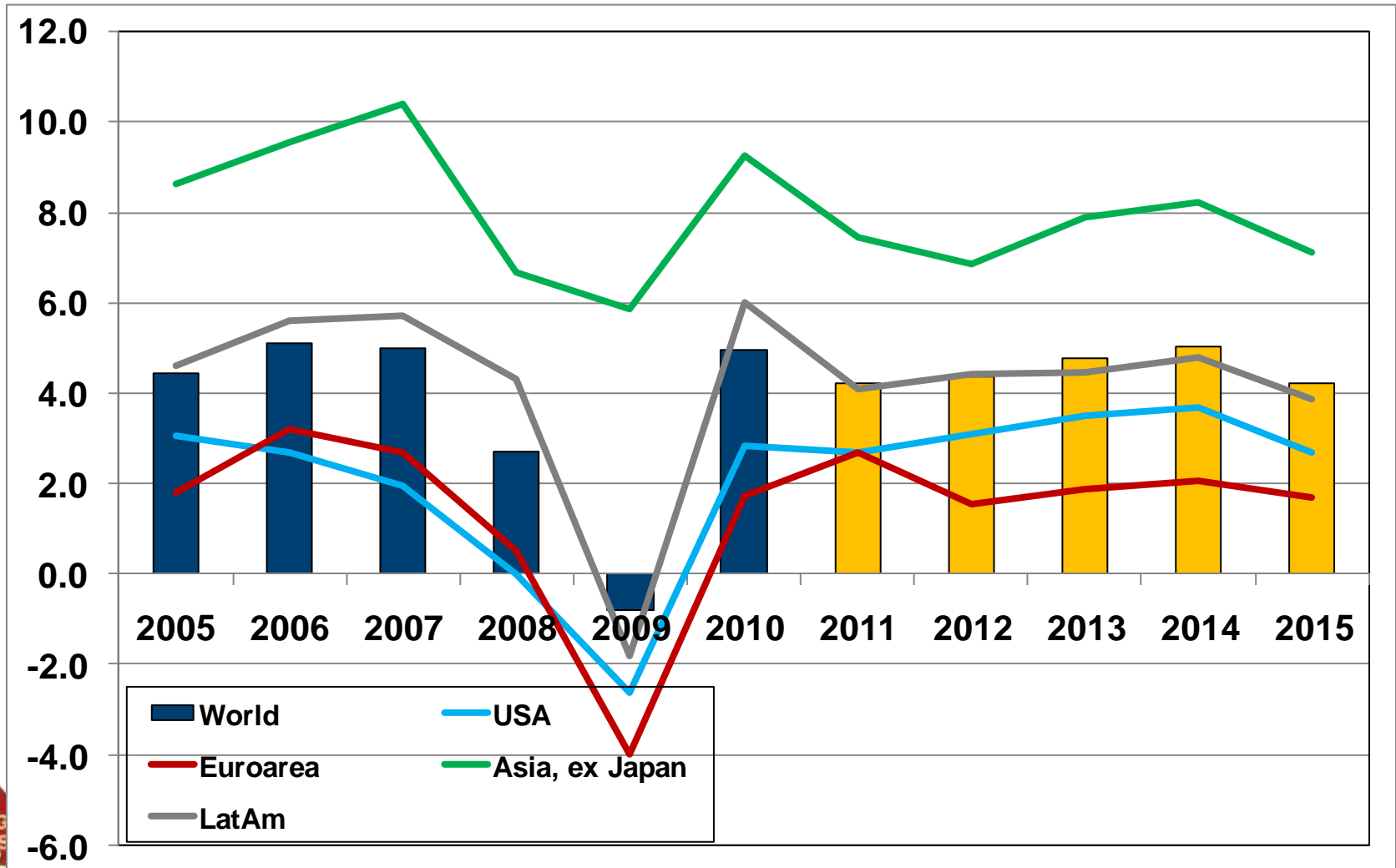
Despite Massive Stimulus: Modest Global Growth

World GDP Growth

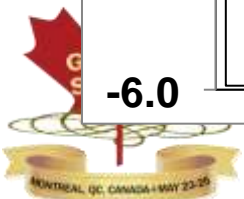


Source: IMF/RISI

Regional Growth: The “two” Track Recovery



Source: IMF/RISI

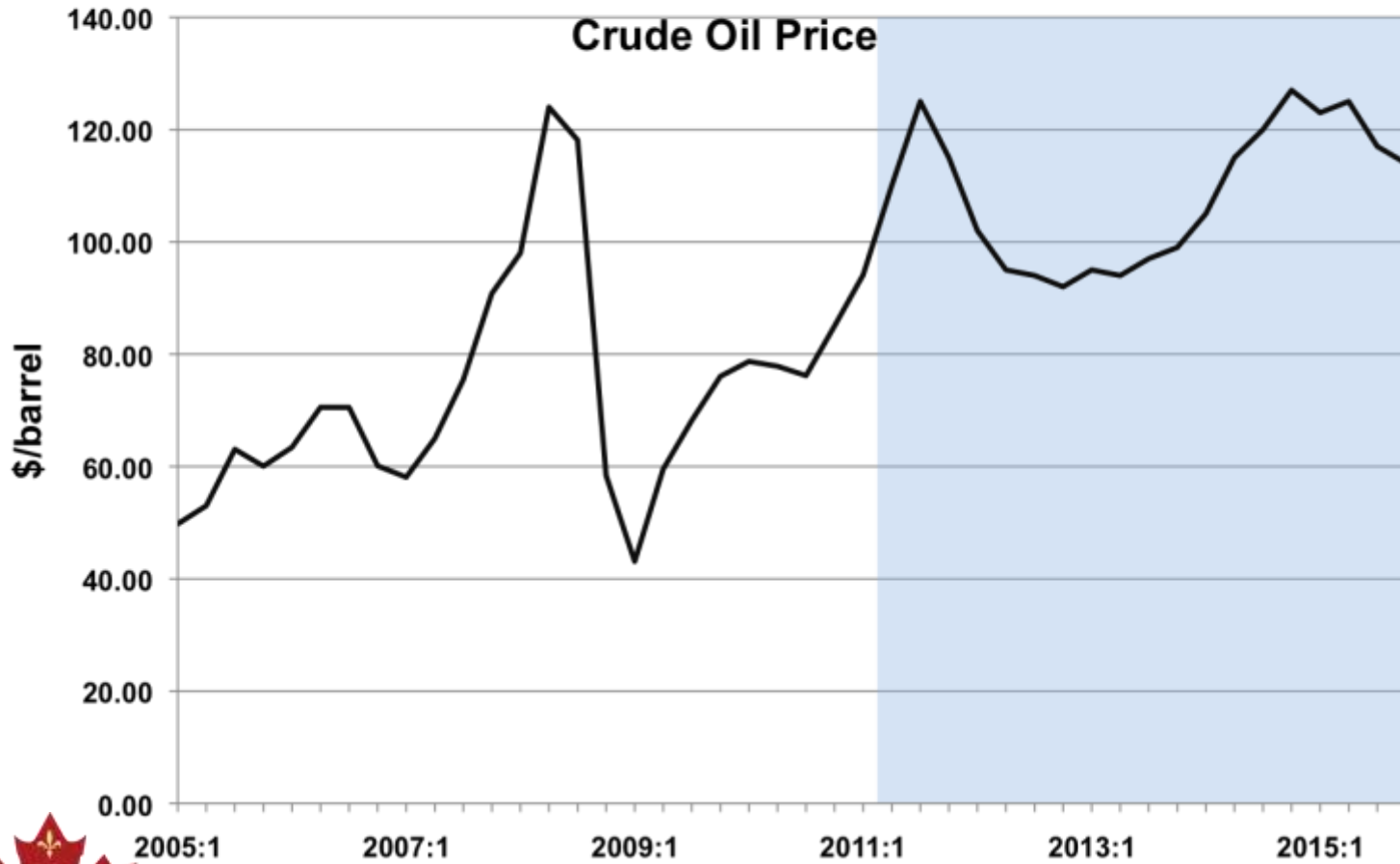


Given some global structural challenges: the recovery appears “fragile”

- There are several major imbalances that still need to be addressed between surplus and deficit countries
- Global commodity prices are having differential impacts: sustained high growth in Asia and rising inflationary pressures
- Exchange rate trends could significantly reverse the imbalance problems and where manufacturing occurs over the next 10 years
- Commodity rich countries sustain relatively high growth



A major uncertainty: Oil prices and growth?

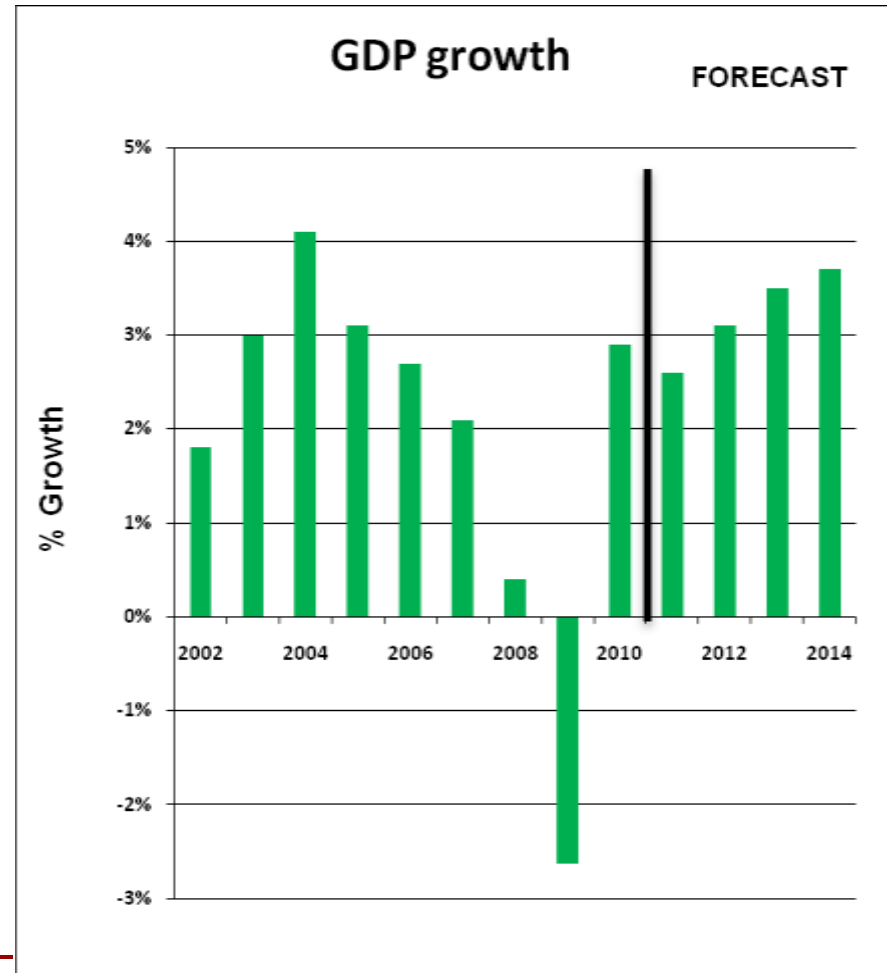


RISI outlook

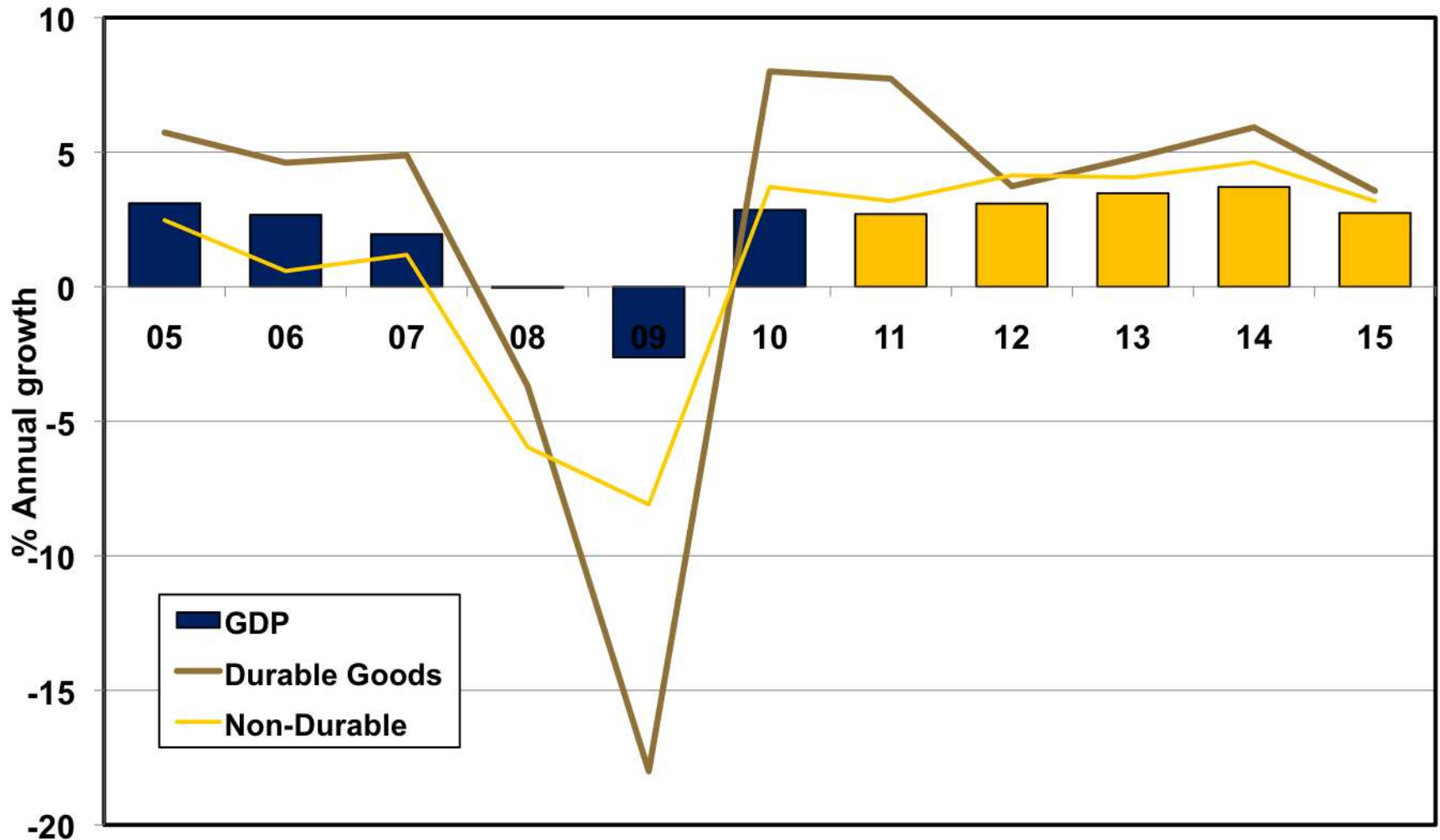


U.S. Growth : 3% give or take

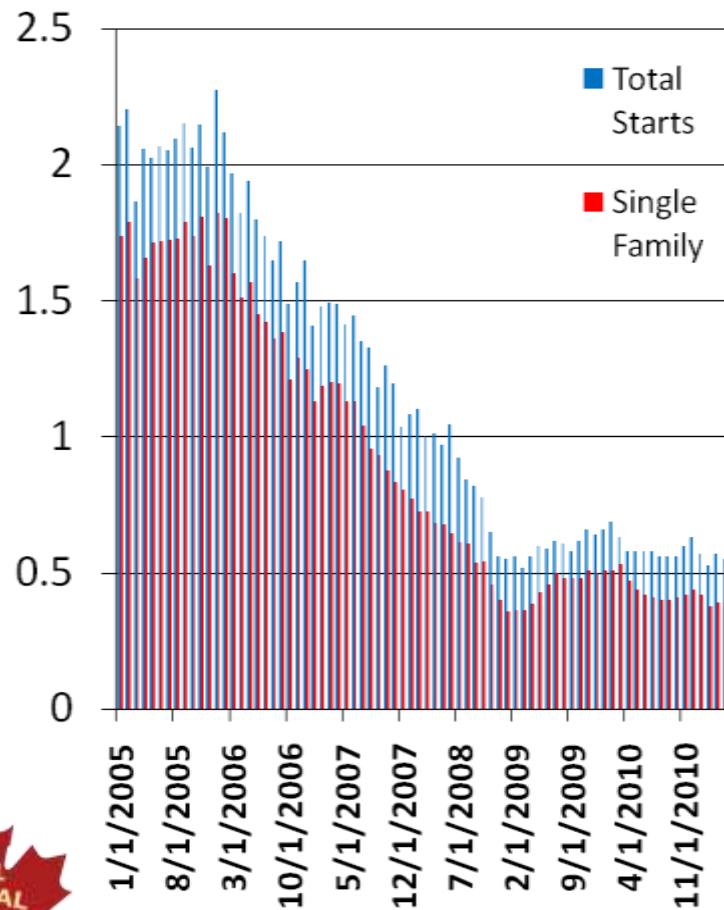
- Key driver will be consumer spending
 - Employment numbers positive
- Some help: net exports
- Industrial production recovery stronger: inventory cycle and net exports
- Head winds:
 - Oil prices
 - Housing
 - Government—State/Federal?



US Industrial Production more cyclic than GDP



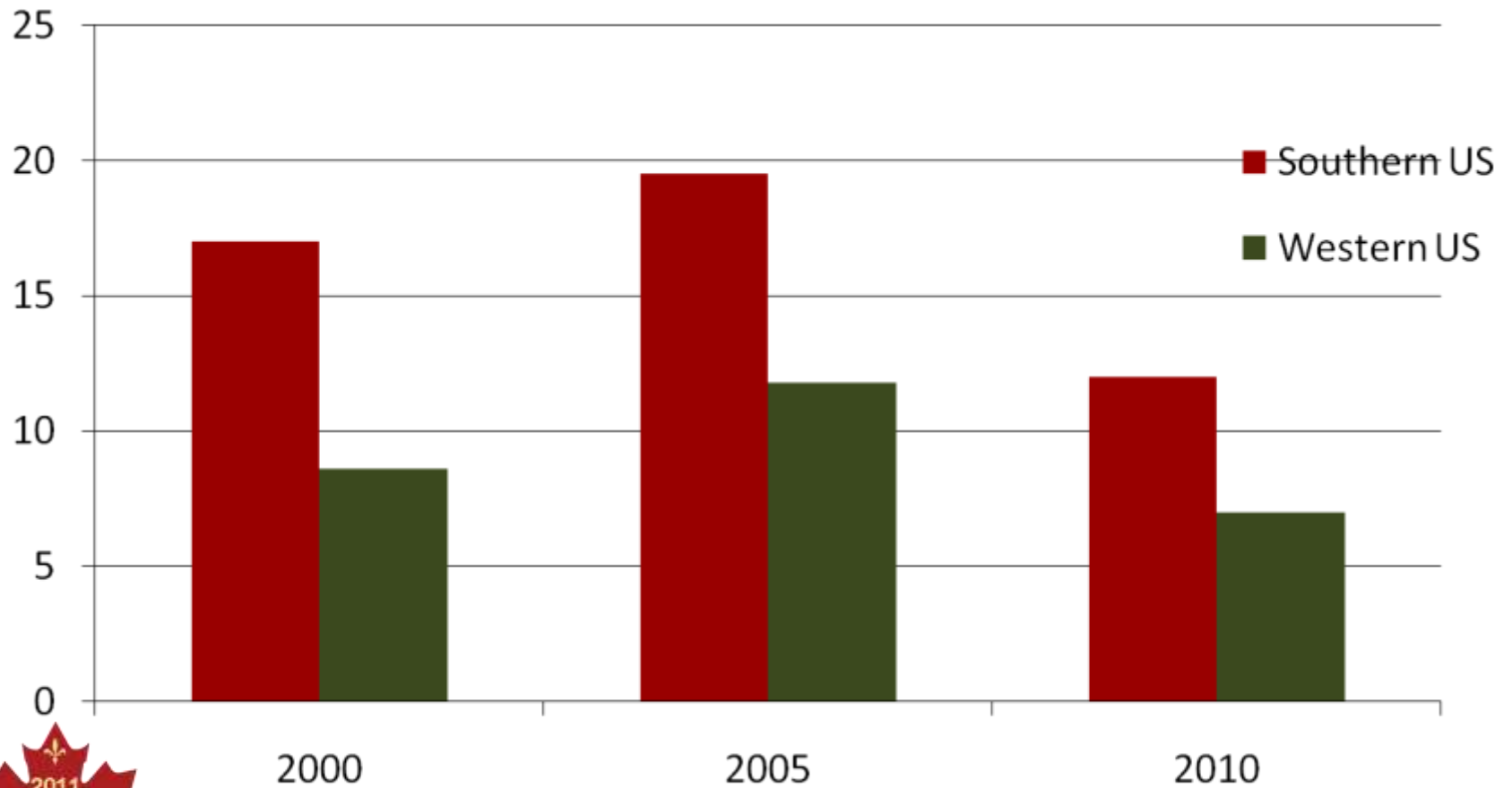
Housing starts: Not responding to low rates



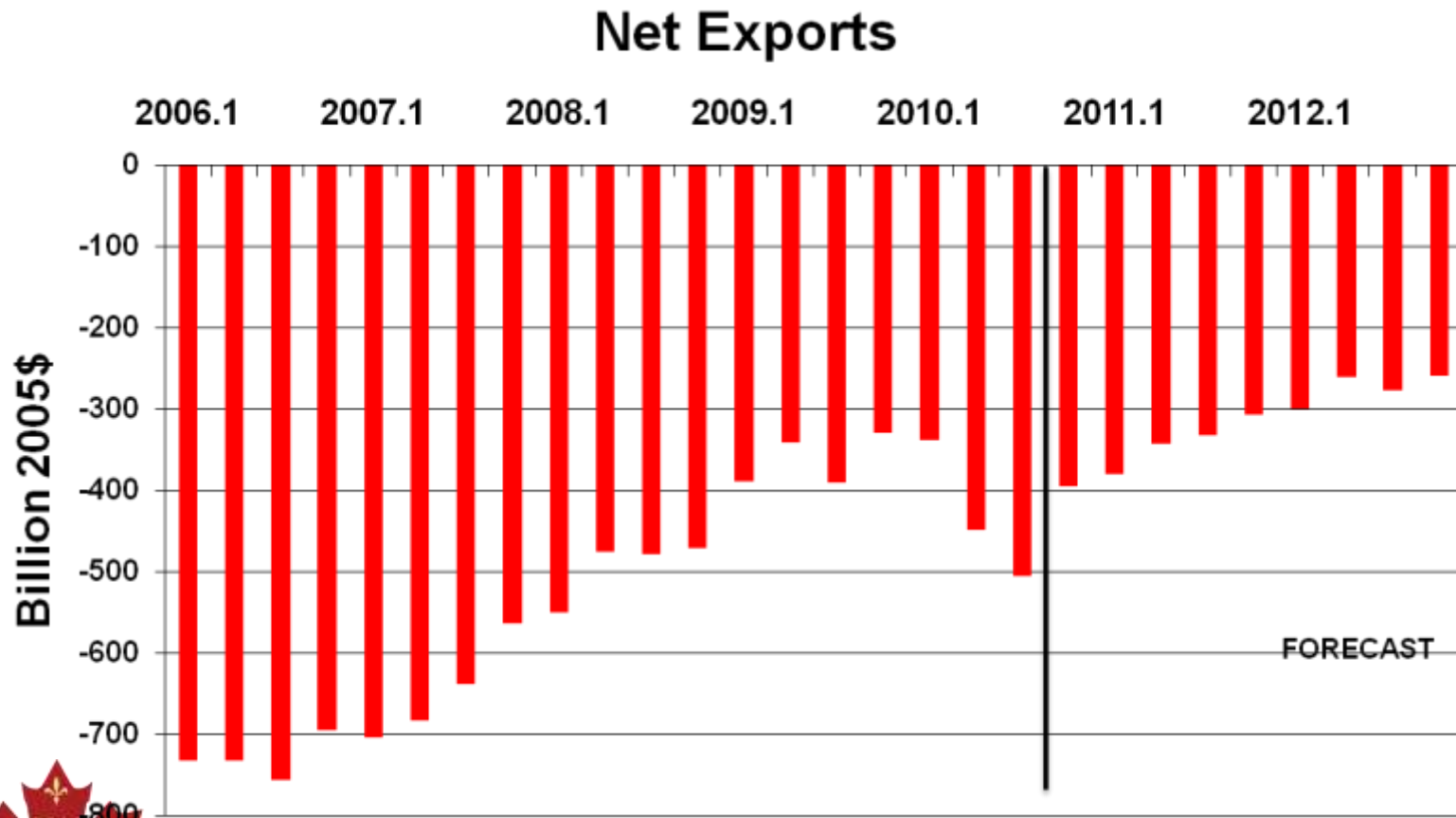
- During tax break, small recovery in SF starts
- Flat line since
- Unlikely to improve this year
- Some positives for MF



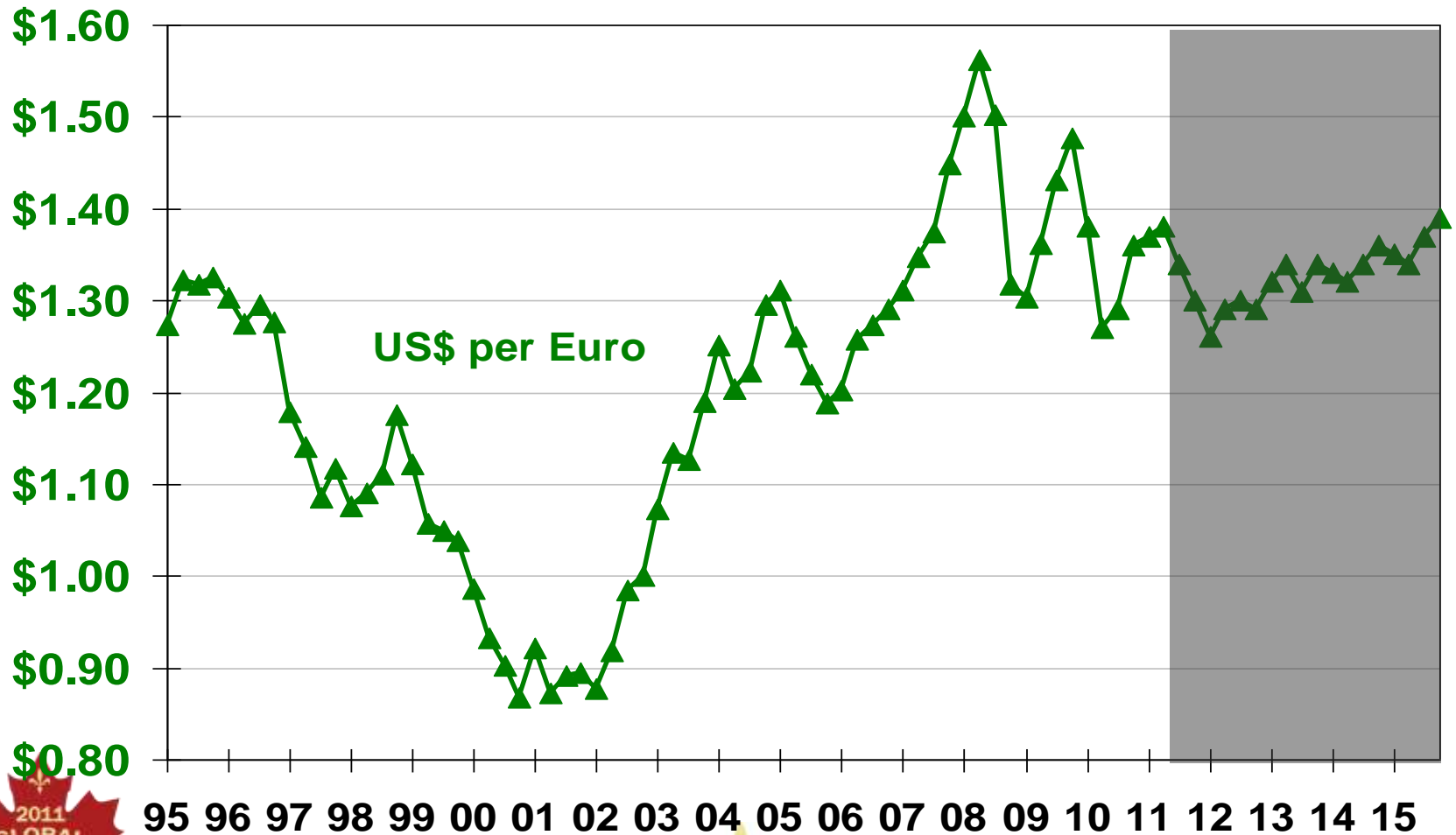
An issue for major fiber source: lumber production and chip prices



Net exports trend: particularly helpful for mfg. sector



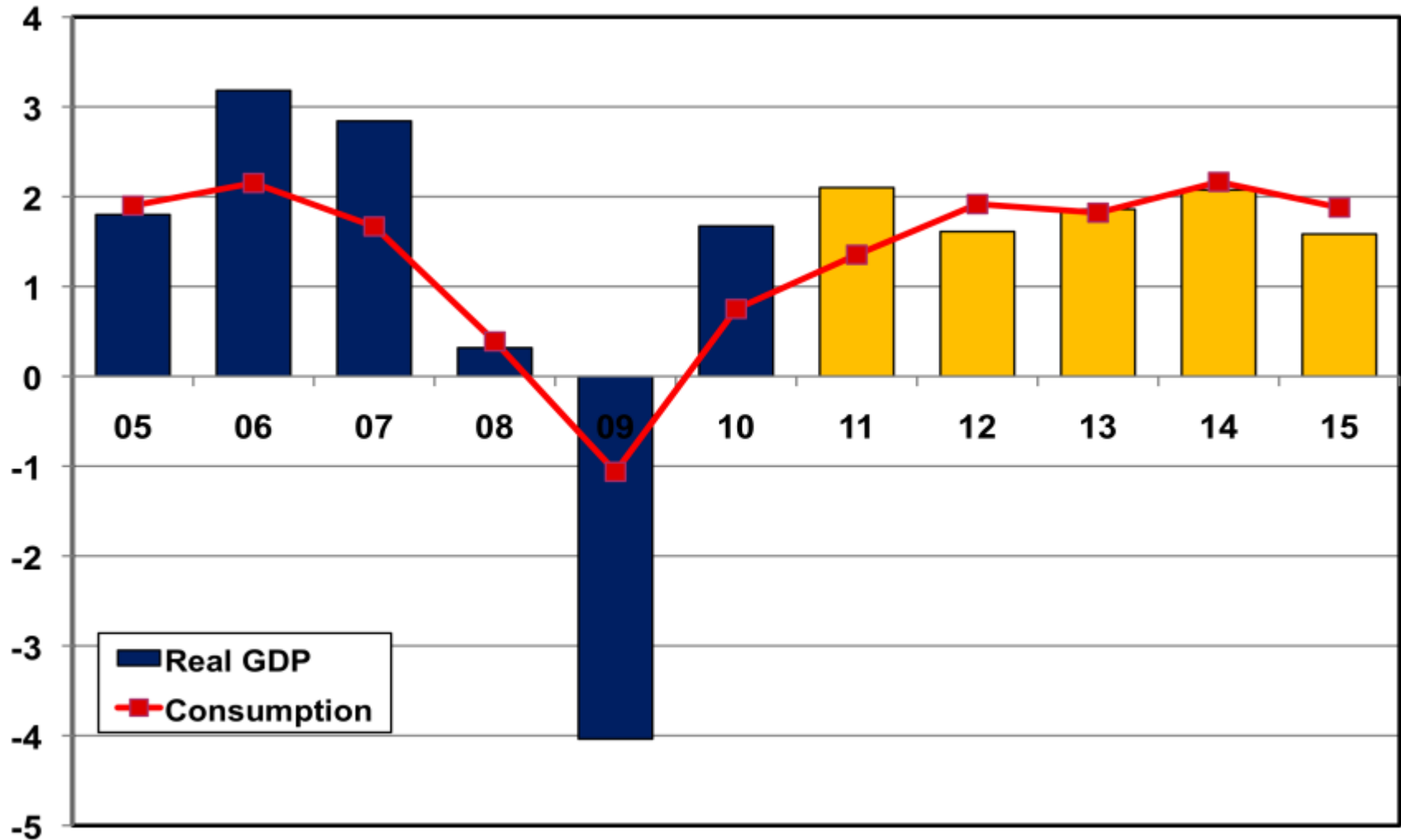
Euro to Weaken as Crisis Intensifies



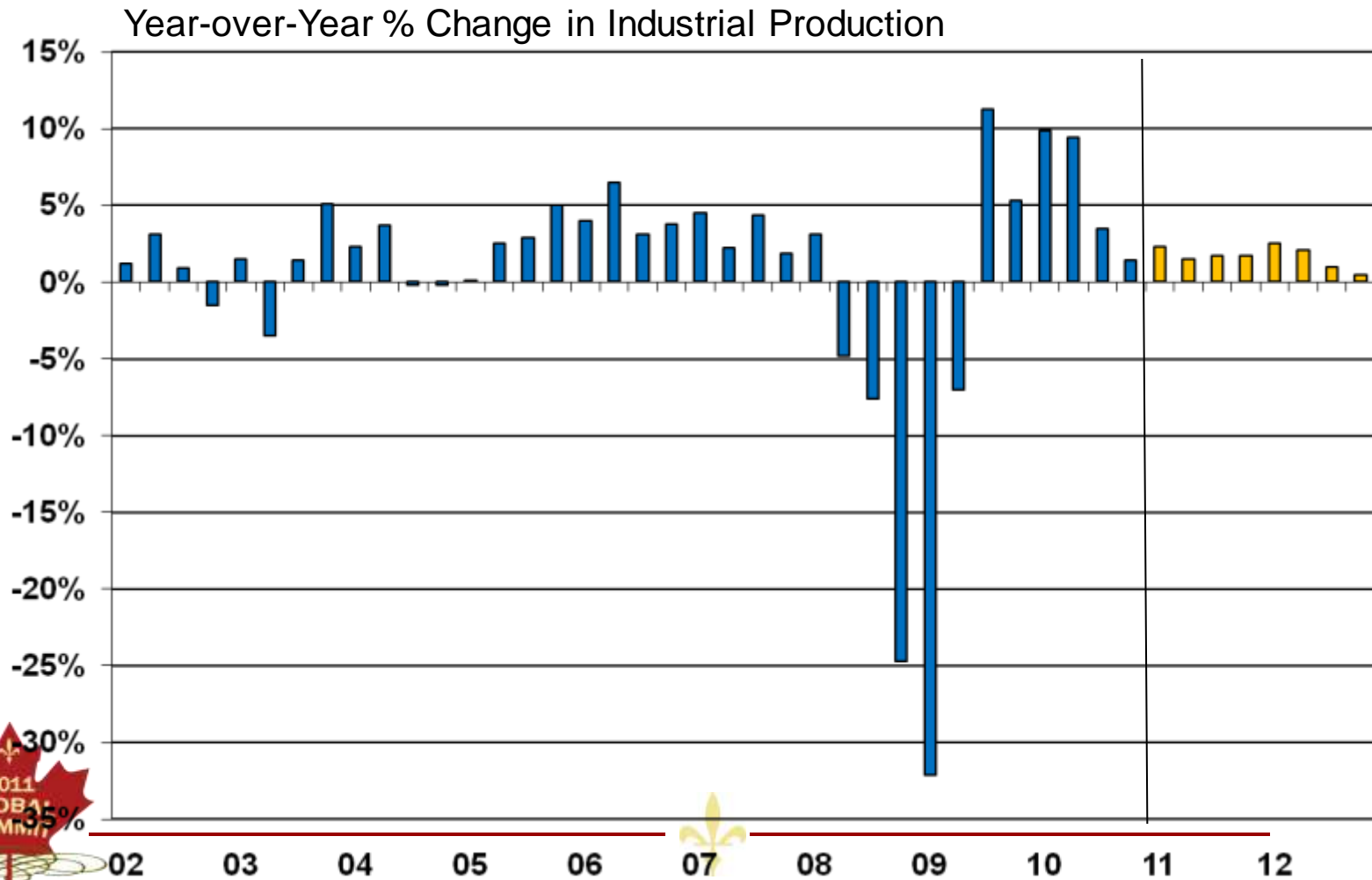
Source: Fed, RISI

Euro Area GDP and Consumption

Annual Percentage Change

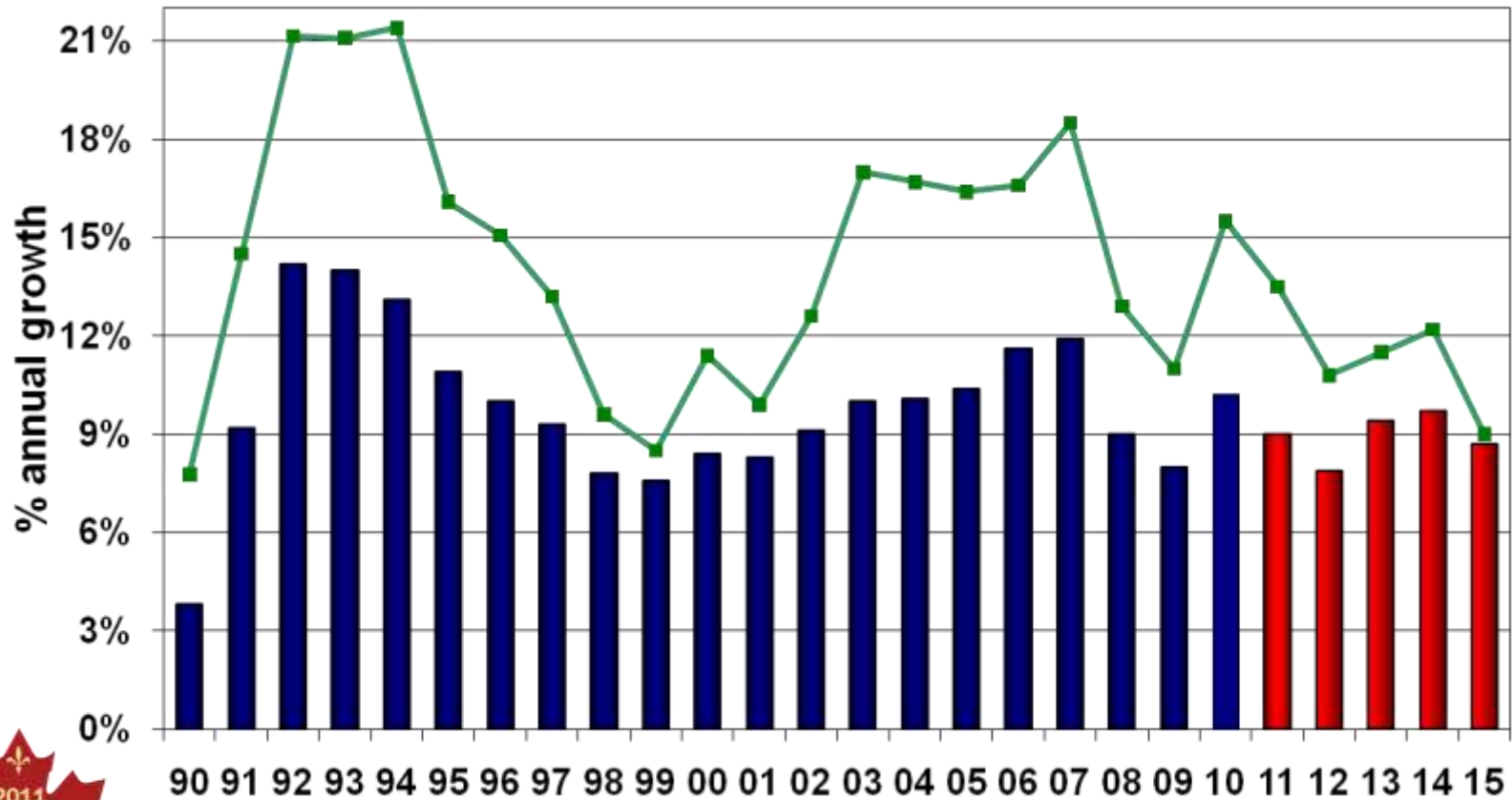


Euro Area Manufacturing Growth Prospects Are lower Through 2012



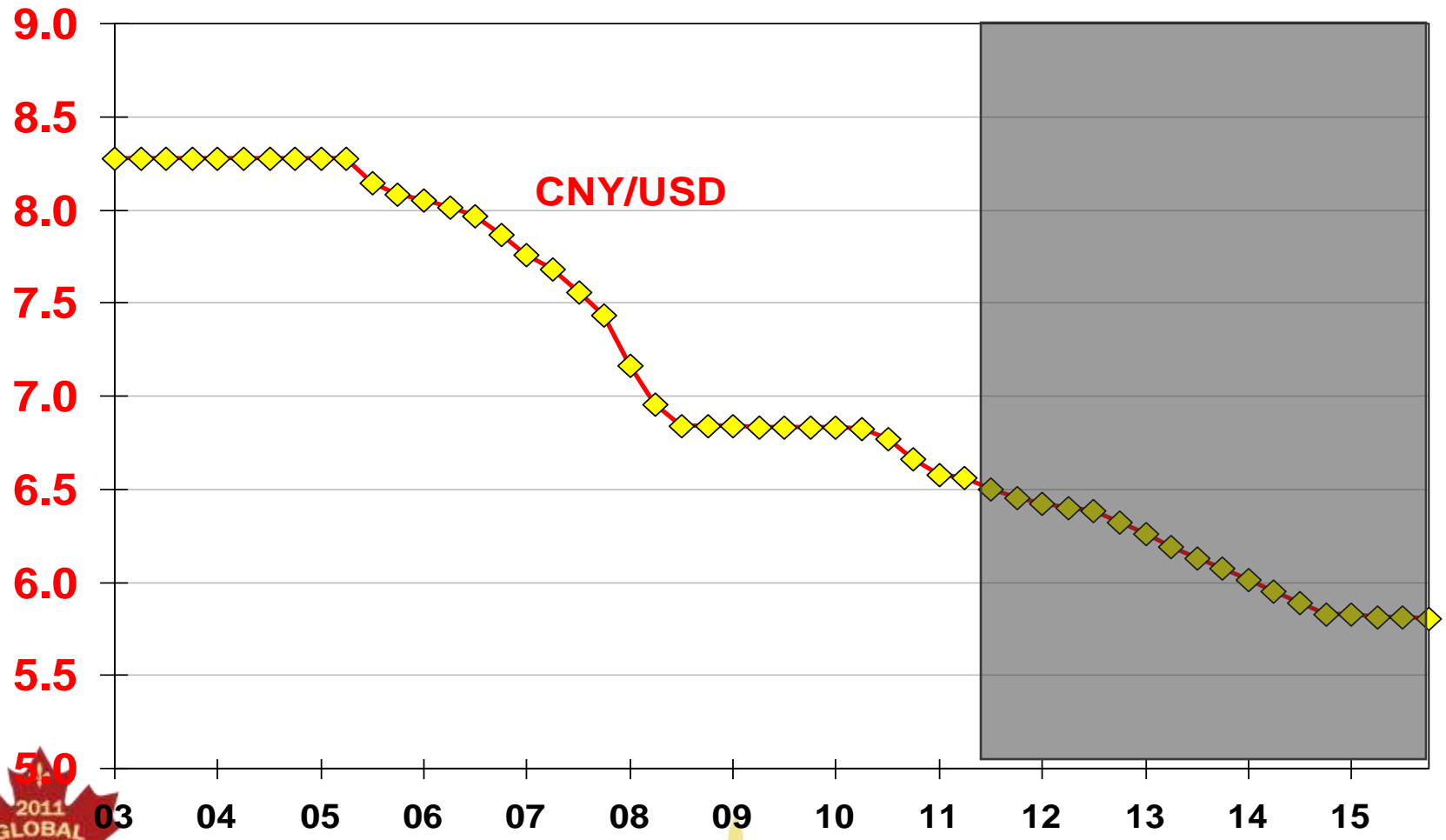
China's Growth Slowing, But Still Strong

Chinese Real GDP Growth (Bars) vs. Industrial Production



Source: NBS, RISI

Competitive pressure on China: Currency appreciation and inflation



Source: Fed, RISI

Overview of projected Economic Growth

Region	2009	2010	2011	2012	Average 2011-15	Average 2016-20
World	-0.8	4.9	4.2	4.4	4.2	4.3
U.S.	-2.6	2.9	2.9	3.1	2.8	2.8
Europe	-4	1.7	1.5	1.6	1.4	2.0
Asia Total	3.5	8.1	6.3	6.3	6.3	6.0
Latin America	-1.8	6	4.1	4.4	3.9	3.5
Eastern Europe	-8.1	4.1	4.3	4.5	4.0	4.1

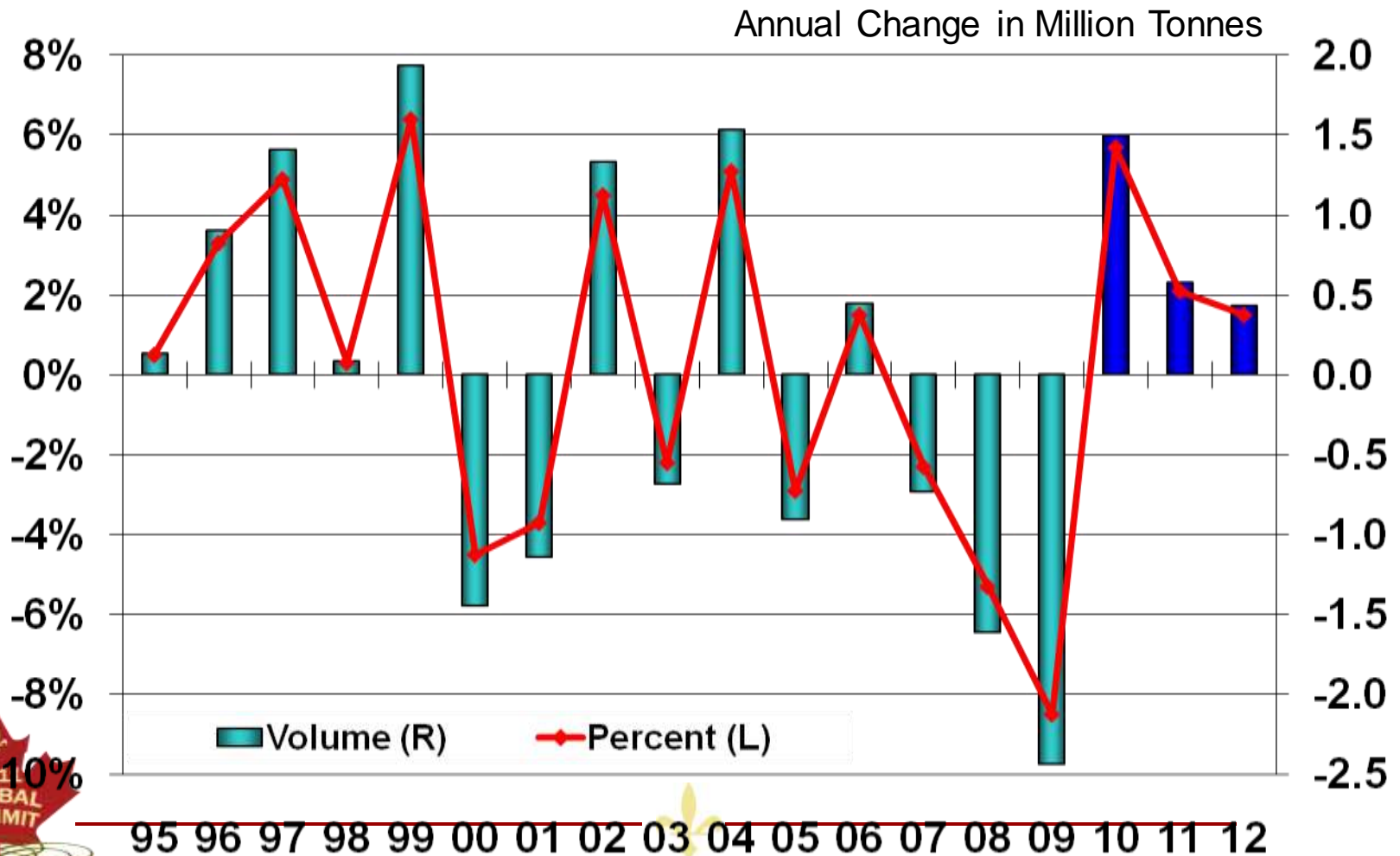


Today's Agenda

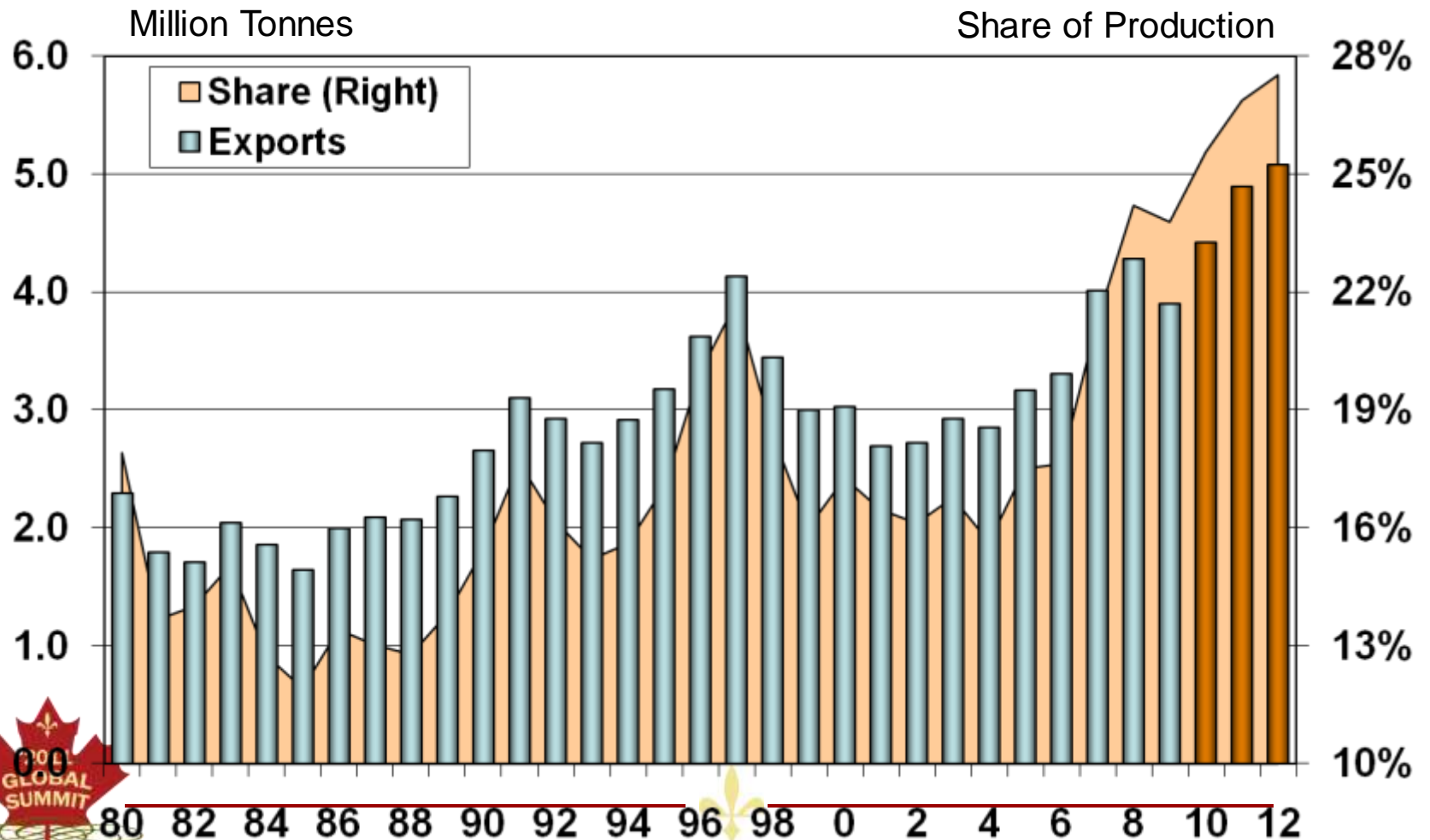
- Global Economic outlook—the major issues/concerns
- Prospects for global containerboard demand



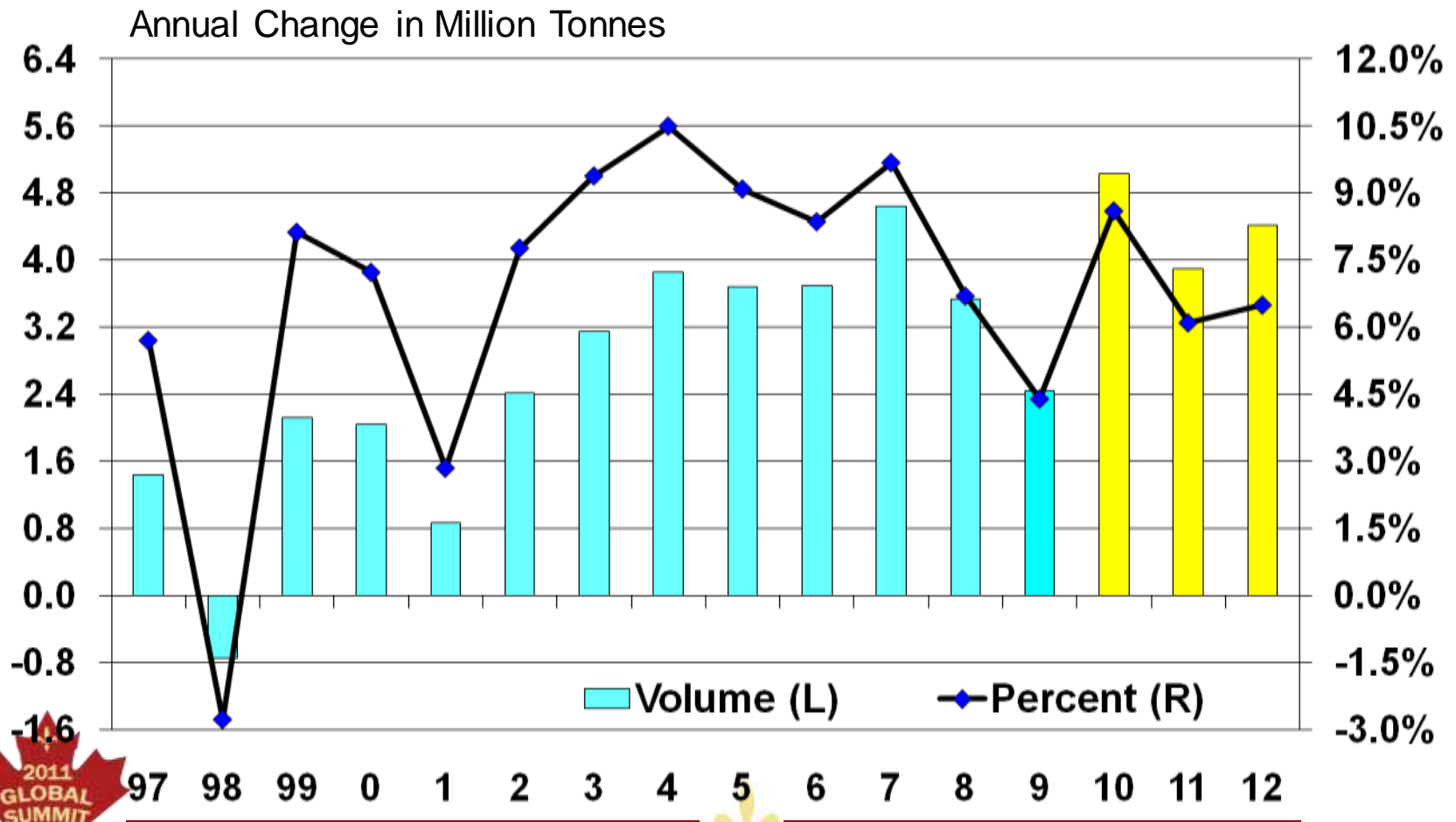
North American Demand Growth Is Expected to Slow in 2011-2012



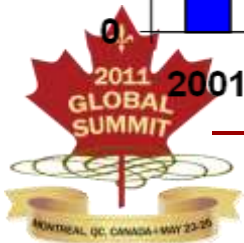
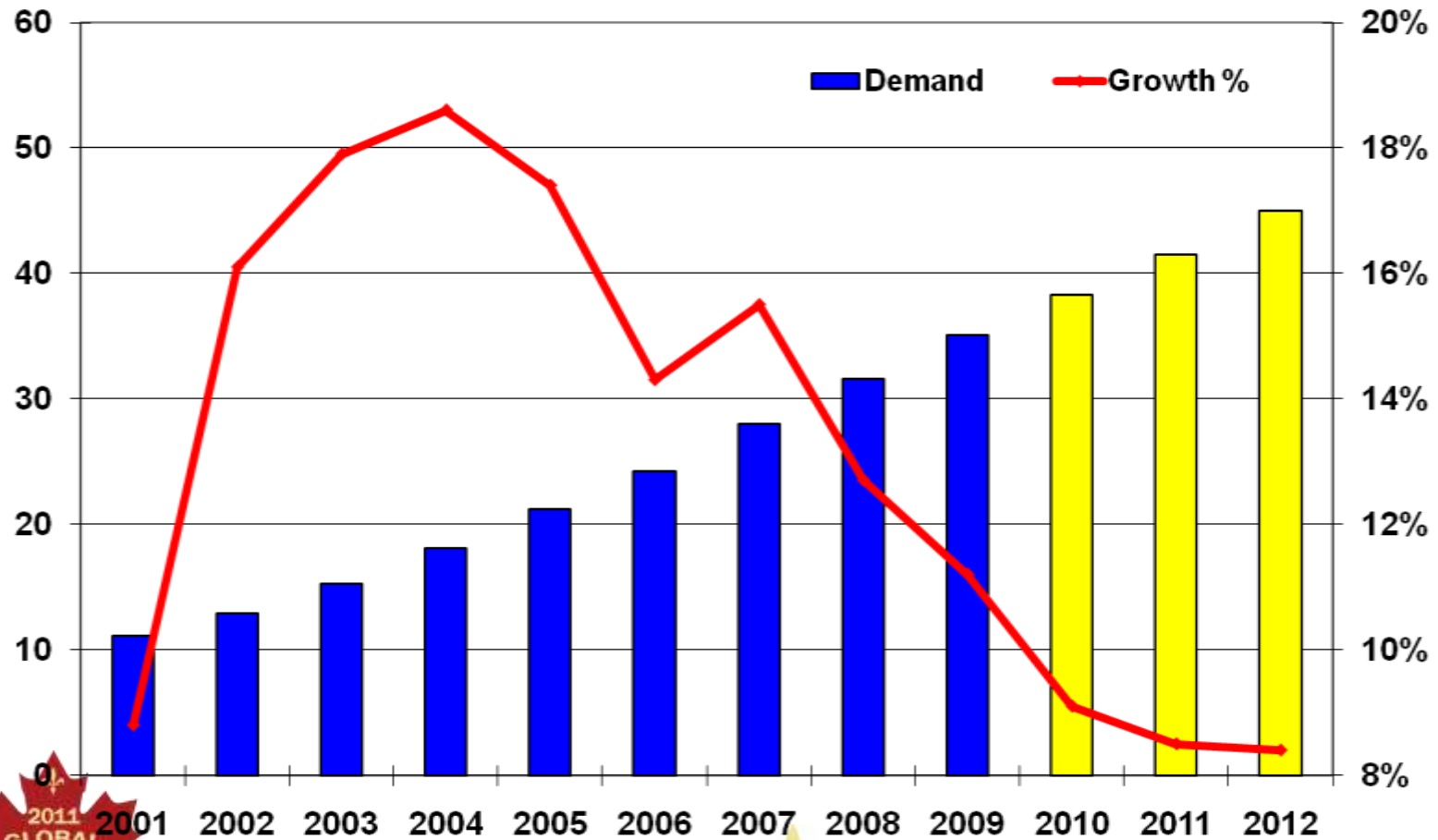
The USA Is Well Positioned to Meet Future Growth in Global Kraftliner Demand



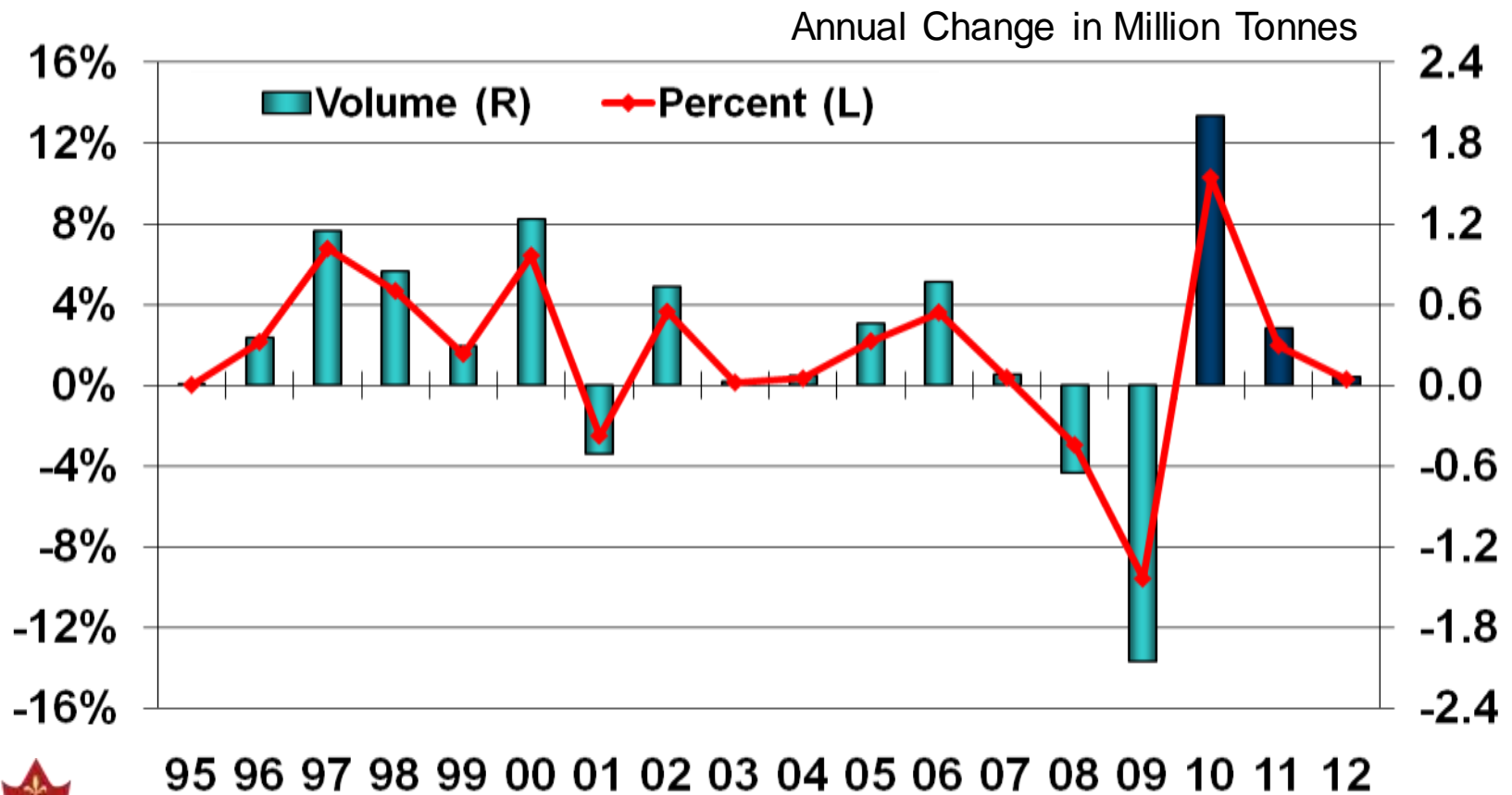
Asian Demand Recovered Strongly in 2010, But Will Slow to a 6-7% Growth Rate in 2011-2012



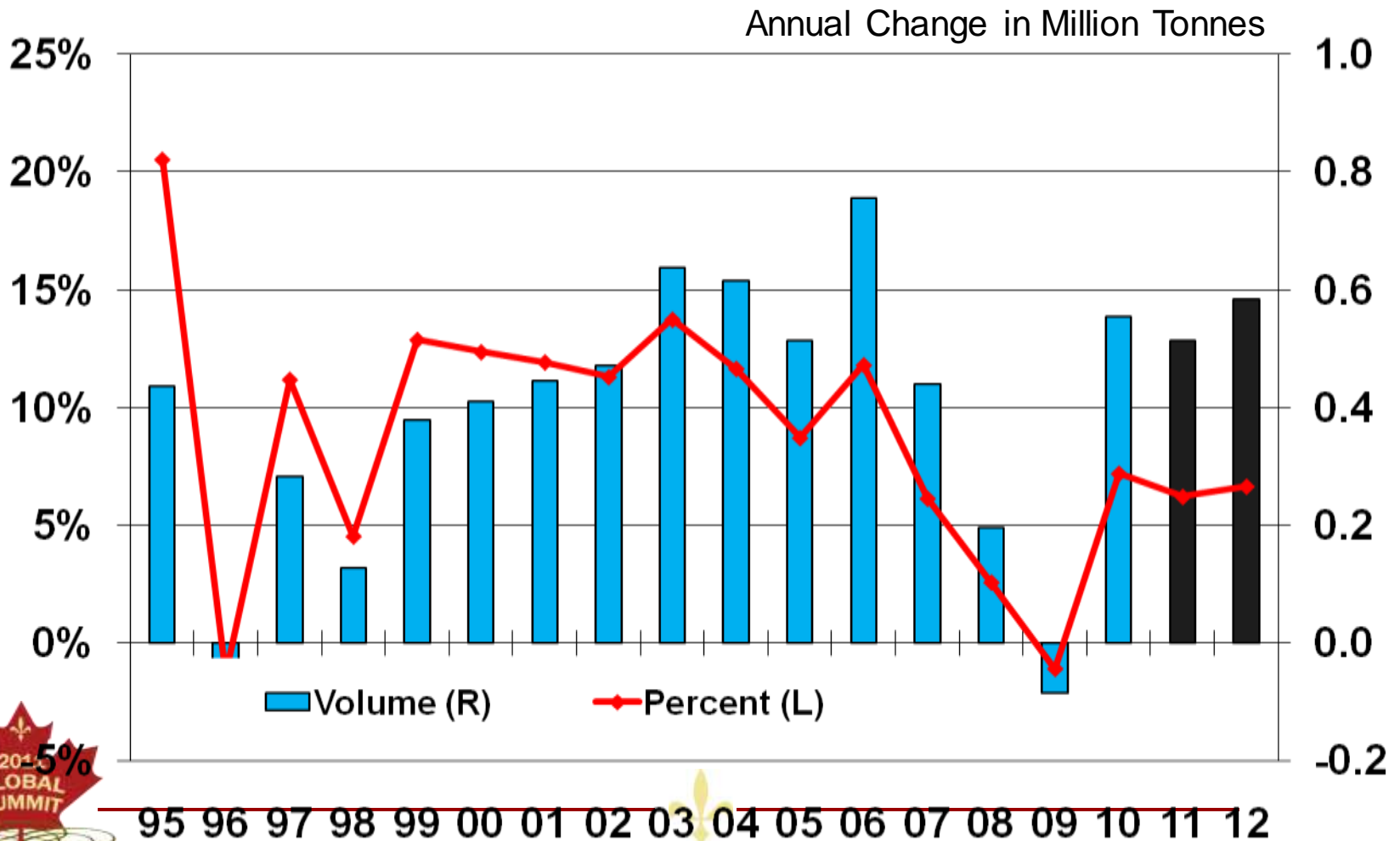
Chinese Demand Growth Is Expected to Average 3.3 Million Tonnes per Year in 2010-2012



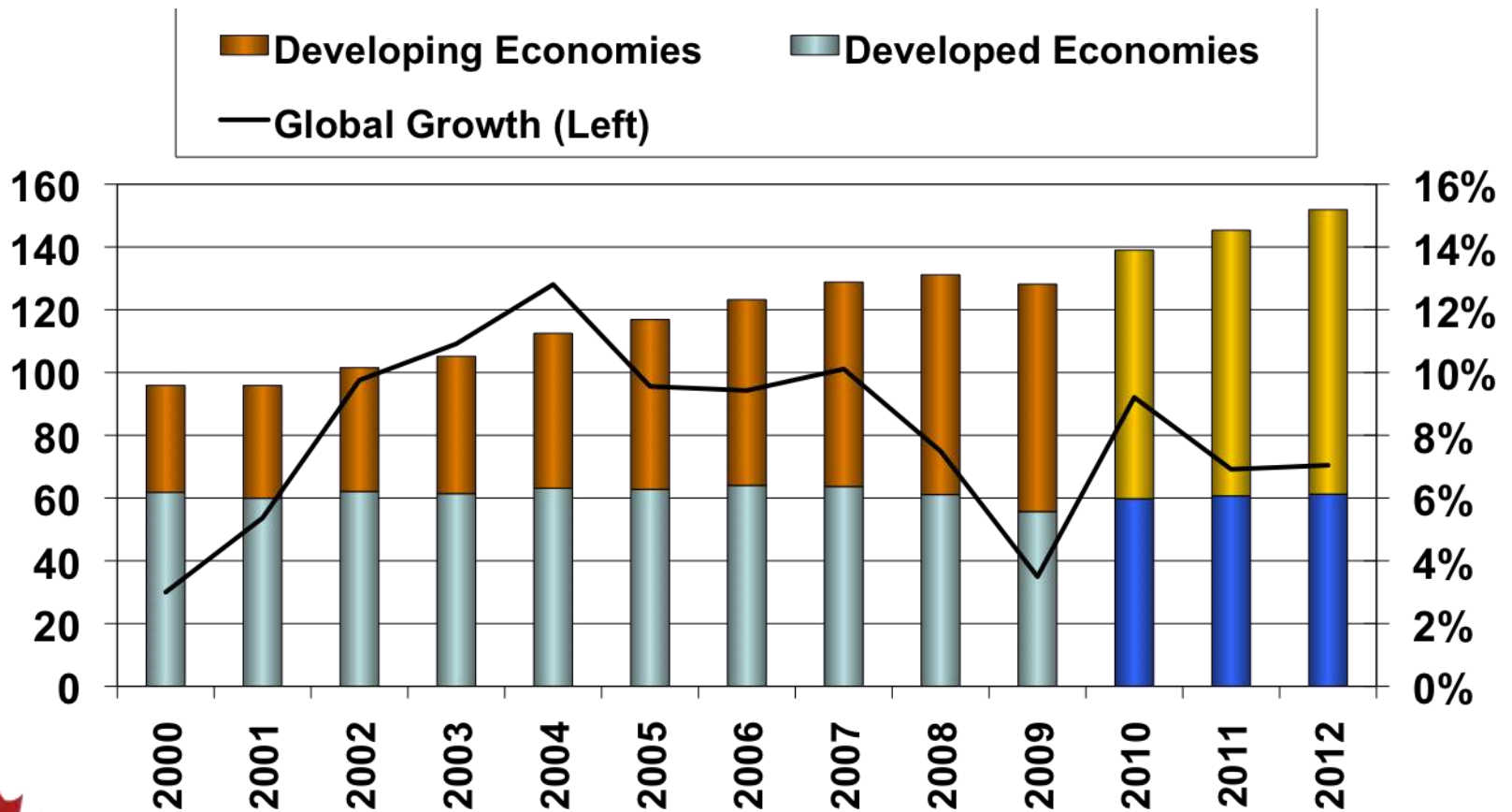
Western European Containerboard Demand Is Not Expected to Return to 2007 Level Before 2012



Eastern European Demand Will Grow More Than 1 Million Tonnes in 2011-2012

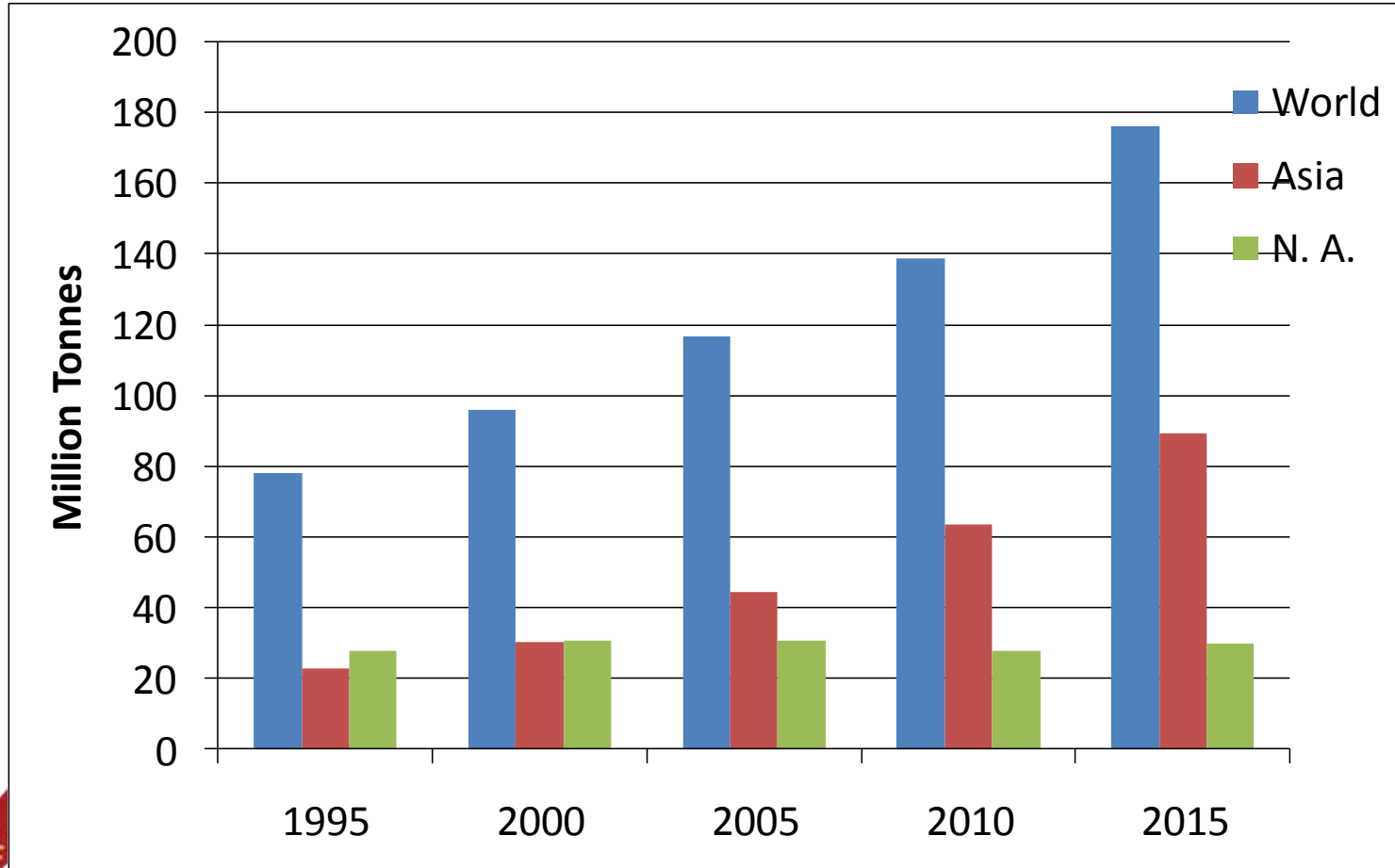


Bottom Line: The Developing Markets Drive Growth in Demand Through 2012



Source: RISI

Global growth problem: Where to find the raw material??



Source: RISI



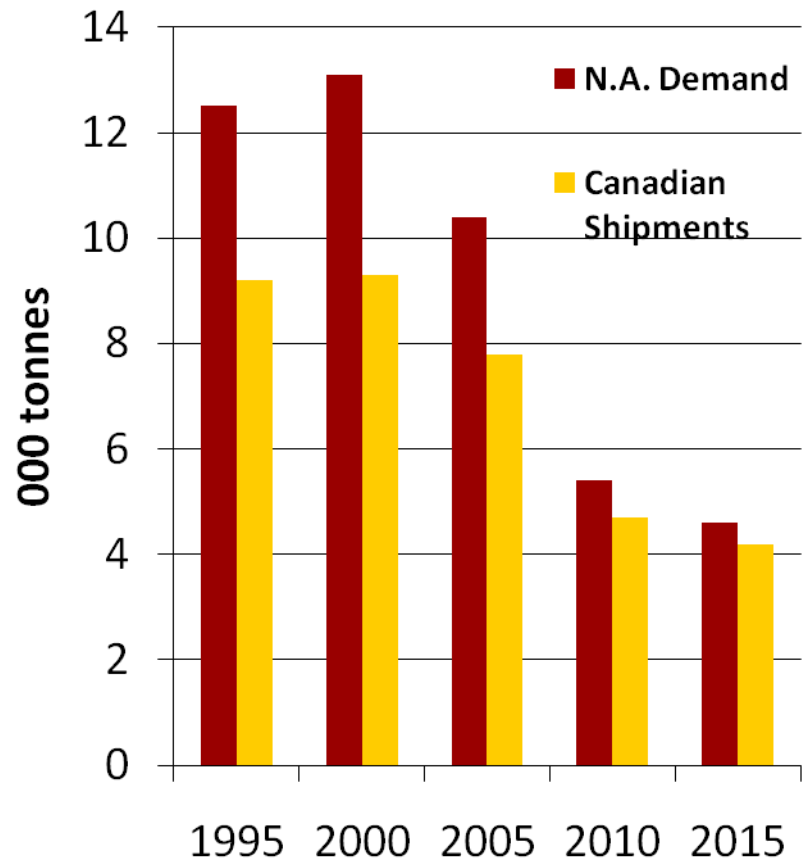
Key Message for Global Containerboard

- Global economic growth continues, but some potential upsets/headwinds
- North American domestic market expected to cool with slower consumer spending, but exports grow
- Europe will faces a several challenges: Sovereign debt, OCC and capacity growth
- Asian containerboard demand will continue to grow more than 4 million tons per year
- Resource based economies continue to do well



End on Positive Note: Not in Lumber or Newsprint

- Massive decline in demand
- Electronic substitution and NO hope of return



Source: RISI