SECTION 1

TRENDS IN PAPER PRICES

General trends in world paper and board prices are difficult to estimate because of the instability of the market. Prices are affected by national economies and policies and the regional supply and demand situation. It has perhaps been a little easier to see the recent worldwide trend in market pulp prices which have shown a general reduction, brought about by devaluations in the Scandinavian currencies and the current surplus of pulp.

EEC

It has been recently reported (1) that reductions in prices of several important grades in Western Europe are likely in the coming year. Outsiders trying to get into the publication market in the UK are likely to cause over-capacity which will result in price reductions. Prices in France are thought to be the lowest in Europe and are due to government controls.

The November 1977 issue of the Economist Intelligence Unit 'Paper and Packaging Bulletin' (2) quotes that the UK paper market is currently very fluid which makes it impossible to give meaningful price guides. Actual paper prices last published were for January 1978 (16). These are given in Table 1 which in some cases includes the comparable figures for May 1976. Graph 1 (16) shows the Department of Industry wholesale price indices for wood pulp, paper and board and cartons from 1970 to March 1978. Table 2 (7) shows the UK wholesale price indices broken down by grade of paper for 1971 to 1977. The price indices show that in the UK the greatest increases have been in the price of coated and uncoated board and household and tissue paper. Comparing the actual prices quoted in Table 1 with price indices in Table 2 is difficult because the grade breakdown is not the same. However, taking kraft wrapping, the price index changed from 232.0 at the beginning of 1976 to 285.8 in the middle of 1977 (an increase of over 20%), and then declined a little to 276.0 in the first two months of 1978.

North America

Recent views (3) on US paper prices point to an overall increase of 5% in the coming year. For coated papers the increase is expected to be higher (8-10%) due to lack of capacity which is resulting in increased imports. Uncoated papers are expected to rise in price by 5-10%

Table 3 (4) shows prices of pulp and paper in the USA in December 1977 with percentage changes from December 1976. Apart from the reductions in pulp prices, only linerboard and form bond show reduced prices. Greatest increases were for uncoated mechanical (14%) and coated magazine (18%).

Substantial price cutting is expected in the coming year in the USA for tissue and household papers (14). The growth in the market is expected to modify, and overcapacity is expected because of the large number of highspeed machines on order.

It has been reported (6) that sales of pulp in Canada are taking place well below the list prices.

Scandinavia

Scandinavian prices for pulp as at October 1977 were as follows, but again sales are reported to be currently taking place below these values:

Bleached kraft softwood	350 dollars/ton
Bleached sulphite softwood	350 dollars/ton
Bleached hardwood	325 dollars/ton

It is thought that a significant recovery in market pulp prices cannot be expected until world inventories have been reduced and operating rates increase to more than 80%. This is not expected to happen before 1979 (6). Another estimate (5) indicates that pulp prices could be lower in 1980 than in the period from late 1974 to 1976.

Brazil

Prices of paper are substantially higher than those in the USA or world markets due to tight import restrictions (5). USA and Brazilian prices are compared in Table 5. These higher prices are thought to be typical of other developing countries in South America.