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Russian pulp and paper industry facing acute crisis in product sales

The Russian pulp and paper industry is facing an acute crisis in product sales. The main reasons for this difficult situation are sanctions and a severe lack of demand in the Chinese market, exacerbated by exorbitant export logistics costs. Russia currently faces an excess of approximately 600 thousand tons of corrugated cardboard, and this surplus is expected to reach a total of 1 million tons, not accounting for the launch of the new pulp and paper mill of the Ilim Group in Ust-Ilimsk. Pulp and paper mills, have been forced to cut down production volumes.

In the first half of 2023, the volume of production of wood pulp in Russia decreased 3.5% to 4,267 thousand tons. The production of paper and cardboard declined 4.6% to 4,863 thousand tons. Since the beginning of the year, the price of Russian BHKP in China has fallen by 43%, reaching \$449 per ton, the lowest since February 2021. To counter this downturn, some of mills attempted to boost domestic sales by lowering pulp prices and shifting to using pulp in corrugated cardboard production instead of recycled paper. This strategy has been deemed unsuccessful, leading to losses of approximately 100 million rubles (\$1.1 million) for each of the three major producers - Ilim Group, Segezha Group, and Arkhangelsk pulp and paper mill.

Starting from the second quarter, the leading enterprises with pulp and