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THE CHALLENGE OF NEW ECONOMIC SCENARIOS

Bracelpa recently published figures on the pulp and paper sector's performance for the first half of 2013. The good news is that production in both these segments increased during the period. For the year, pulp production increased 4.8% in relation to the volume for the same period in 2012, totaling approximately 7.25 million tons. Exports also registered an 8.4% increase in the semester. Just in the month of June, 1.19 million tons of pulp was produced, representing 9.8% more than the same month a year ago.

In terms of paper, production totaled roughly 5.10 million tons in the semester, representing 1.5% more than the first six months last year. Of this total, 841 thousand tons referred to the production in June, which was 0.7% less than the month before (May). In turn, sales in the domestic market, which totaled 2.70 million tons, increased 4.4% in the semester compared to 2012, thanks to the performance of packaging and tissue paper.

In terms of pulp and paper export revenues for the January-June period, revenues increased 4% in value, which was partially due to the increase in the US dollar exchange rate, totaling US\$3.45 billion *versus* US\$3.32 billion for the same period last year. Pulp sales to China, which is the second biggest market for the Brazilian product, totaled US\$731 million, having increased 18.9%, while sales to the main market, Europe, fell 2.3% in the period, totaling US\$1.03 billion.

The recovery signs of Brazil's economy which, despite oscillating, where maintaining the industry's hopes positive, began to weaken again in the last few months. The effects of a weaker trade balance, threats of inflation and pessimistic GDP projections, eliminated the private initiative's enthusiasm.

The fact draws attention when comparing to the positive results reported above by Bracelpa and by the Brazilian Institute of Geography and Statistics (IBGE), which registered a 1.9% increase in industrial production from May to June, the highest rate since January of this year, when it grew 2.7%. In the comparison with June 2012, the increase amounted to 3.1%. With such results, one

must think why expectations for the next months do not reflect optimism, even if moderate.

One year ago, when we mentioned that "fears of a deeper global economic crisis knocked on Brazil's doors and began being noted in perspective for the second semester", the similar situation brought about considerable uncertainty, with lower production, consumption, export and investment projections.

However, despite adversities, the pulp and paper sector was able to close 2012 with a certain amount of stability. Besides company efforts, which did everything possible to maintain competitiveness in the market, this results was also due thanks to the sector's actions with the government, which included factors that could positively influence that scenario. Points to mention are the unbundling of payroll, combat against the illegal use of tax-exempt paper and expansion of the Payment and Control System of Tax-Exempt Paper Operations (RECOPI) nationwide, for example.

Even with important advancements in these areas, the government decided to put on hold the program considered fundamental for increasing export competitiveness and reduce company costs: the Special Regime of Reinstatement of Tax Amounts for Exporting Companies (REINTEGRA), which foresees returning taxes by up to 3% of export revenues obtained by a company during one year. The request for extending this regime, included in MP 610, recently suffered presidential veto, but the sector expects Congress, which had already approved this plea, to reassess the situation.

Brazil continues needing all the pragmatic corporate effort and even more assertive attitudes on the part of the government, in order to tackle once and for all the bottlenecks that plague the country's economy. A new scenario calls for new paths to stimulate the production and competitiveness of Brazil's industry. Retreating is not an option.

The pulp and paper sector continues working to satisfy the market in the best manner possible, with quality, and is always willing to help the government in seeking solutions that help the country grow. ■