

# Latin Lens on Lagging Land

North America Losing Lead and Pulp Plummetts

Results from StepChange Economic Outlook Survey – LATAM Winter 2025



[Macroeconomic sentiment deteriorates | Industry outlook is negative | Latam outlook down | Pulp outlook plummets | Competitiveness of Europe and North America in free fall | AI to benefit and applied in industry | Geopolitics continued topic of concern | Sustainability gaining momentum](#)

This publication is based on the Economic Outlook Survey conducted in August 2025 among more than 60 top decision-makers from the broader forest products industry, including pulp, paper, packaging, tissue, and converting. The respondents are primarily from Latin America, participants of the 2025 Fastmarkets Forest Products Latin America Conference. Over 30% hold C-level positions, with another 33% occupying other senior management roles.

The survey assesses the sentiment concerning macroeconomic expectations for 2025, along with trends and priorities in the corporate sector for 2026. The second section of the survey focuses on artificial intelligence (AI) and sustainability. StepChange has conducted this survey bi-annually for more than 15 years, which puts the results into a long-term perspective.

## Highlights of the study

- Net-positive economic sentiment drops from 21% in March 2025 to 13% in August 2025
- Asia and Latin America lead in expected sector competitiveness
- Europe's competitiveness outlook declines further; North America turns negative
- AI is the top industry trend - not yet a company priority, but pilots and adoption have started
- Workforce readiness to operate AI-enabled systems emerges as a key challenge
- Margin and cost control remain top company priorities
- Geopolitical tensions and tariffs expected to weigh heavily on the industry
- Sustainability gains importance again
- Plastic substitution still faces barriers - cost, regulation, and consumer choices

## Softening Economic Outlook and Shifting Regional Expectations

To gauge broader business confidence, the survey regularly includes a question on the expected direction of the economy's development within each respondent's region. In the current

survey, the majority of responses came from Latin America (more so than in the March 2025 and October 2024 editions), meaning that this round's sentiment largely reflects expectations from within that region.

Overall, the economic outlook has softened. The net positive sentiment now stands at 13%, down from 21% in March [See Figure 1]. Nearly half of respondents expect the economy to move sideways, suggesting stagnation rather than decline. Given ongoing uncertainty in global trade and recent political developments, particularly around US tariffs, this neutral stance may be seen as relatively resilient under the circumstances.

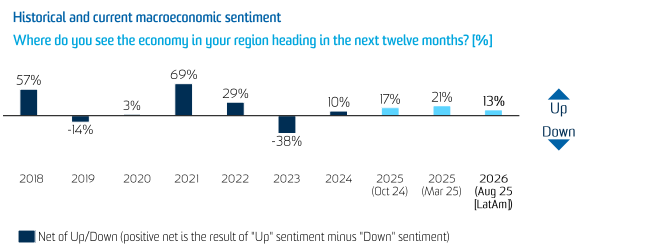


Figure 1: Macroeconomic development

Respondents were also asked to assess how they expect regional competitiveness to evolve over the next five years. Compared to March 2025, several shifts are visible. Sentiment towards Europe, while still net negative, has improved slightly. By contrast, views on North America have turned sharply downward, with the region now seen as less competitive over the mid-term [See Figure 2]. This change is not unexpected amid mounting concerns about the development of the US economy, protectionism, tariffs and increasing federal debt.

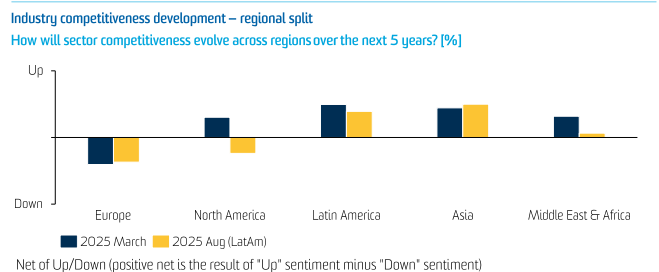


Figure 2: Industry competitiveness development by region

Latin America's sentiment has also declined slightly, particularly given that many respondents are from the region itself. This could indicate a growing internal regional skepticism that is not always reflected in external narratives. This may further be linked to recent announcements of potential tariffs reaching



up to 50% for Brazil, which would significantly impact regional exports. Asia has emerged as the region viewed most favorably in terms of future competitiveness, while sentiment about the Middle East & Africa dropped considerably.

In summary, the economic outlook has tempered across most regions, and competitiveness sentiment appears to be adjusting to an increasingly volatile global environment.

## Industry Outlook for Q4 2025

Understanding where the sector is heading towards the end of 2025 is a key focus of the Economic Outlook Survey. This time, the overall industry view appears mixed.

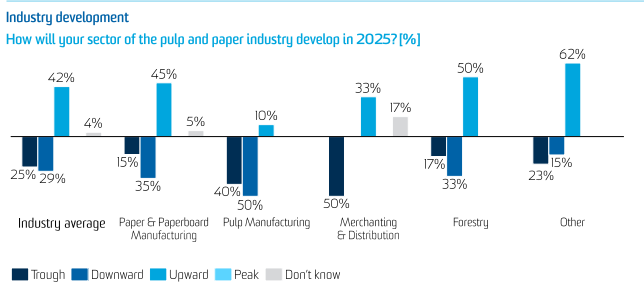


Figure 3: Outlook on industry segment development

More than 50% of respondents believe the sector is heading downward, with some expecting a trough, while just over 40% anticipate an upward movement [See Figure 3]. Notably, no respondent expects the industry to peak. The most negative outlook came from those in Pulp Manufacturing, where the majority foresee a significant decline. Forestry respondents, on the other hand, express a slightly more optimistic view, with nearly half expecting a stronger fourth quarter.

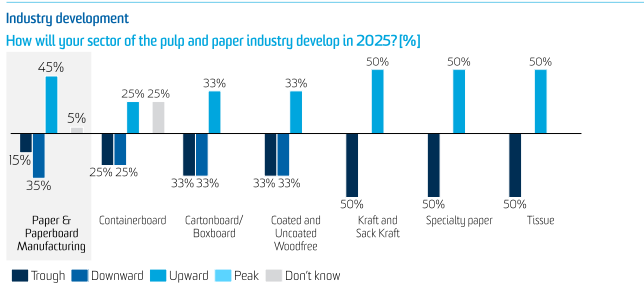


Figure 4: Outlook on the Paper & Paper Manufacturing segment

Paper and Paperboard Manufacturing companies also show a mixed picture. While many hold binary expectations (either up or down), the overall sentiment is net negative. Within that segment, Containerboard manufacturers in particular reported a

high degree of uncertainty, with many indicating they are unsure how the year will unfold [See Figure 4].

However, in three segments, the only possible direction is upward, as the belief is that either the trough has already been reached, or the trend is already moving upward.

These expectations come on the back of a volatile period and, in some segments, a slight recovery. The StepChange B3NCH publication, which analyses the financial performance of nearly 100 publicly listed companies, offers additional context for interpreting these outlooks.

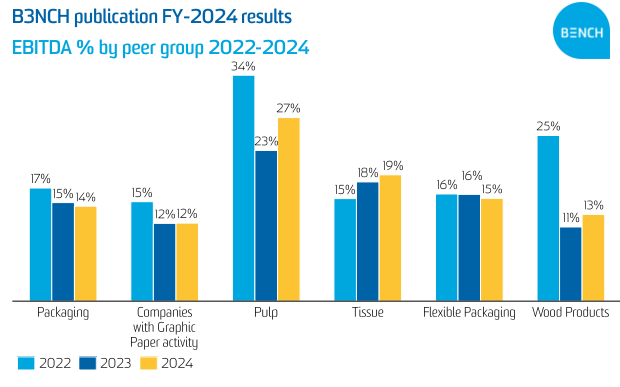


Figure 5: 2022-2024 EBITDA% by B3NCH peer group

Despite an increase in EBITDA margins among leading pulp manufacturers [See Figure 5], the segment suffered a steep drop in net profit margins [See Figure 6], reflecting continued pressure on profitability. In the packaging segment, performance declined compared to FY2023 across key indicators such as EBITDA% and Net profit%, contributing to a more cautious outlook. This sentiment reflects both the lingering uncertainty in the market and the expectation that conditions may begin to stabilize after a period of weaker margins and fluctuating demand.

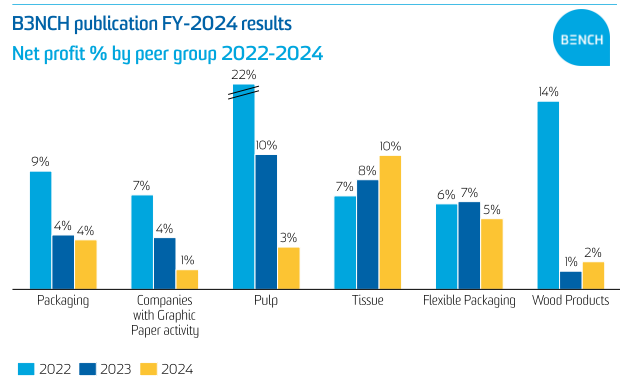


Figure 6: 2022-2024 Net profit% by B3NCH peer group

Tissue manufacturers, however, continued to outperform other segments, with EBITDA% and Net profit% growing for the third consecutive year naturally profiting from lower pulp



prices. Yet even in this relatively strong-performing segment, survey respondents expressed uncertainty.

### Trend Outlook: AI, Tariffs, and the Return of Sustainability

Moving beyond macroeconomic developments and industry expectations, the survey highlights the key trends respondents believe will shape the sector over the next 12 months.

Once again, AI tops the list, either expected to accelerate further or maintain its current trajectory [See Figure 8]. More than just a buzzword, AI is widely perceived as a positive force, with most respondents highlighting its potential benefits for the industry [See Figure 7].

#### Industry drivers

What influence do you expect these drivers to have on the industry in the next 5 years? [%]

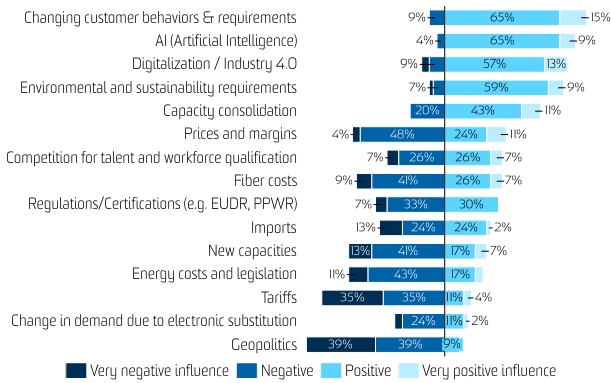


Figure 7: Main drivers and influence expectations

Despite some recent M&A announcements and the recently announced tissue joint venture between Suzano and Kimberly-Clark, M&A and Consolidation no longer rank as a major trend in Latin America. The trend has fallen notably since the March 2025 survey. That said, respondents do expect capacity consolidation to have a positive effect on the industry, while new capacity additions are widely viewed as negative, reflecting continued concerns around overcapacities.

Sustainability has resurfaced as a more prominent topic after sliding down the trend list in recent years. This is consistent with other findings, that environmental and sustainability requirements were viewed more positively by Latin American respondents than by their overwhelmingly European and North American counterparts in the 2025 March survey. Tariffs, unsurprisingly, rose to second place among key trends. Their prominence reflects the current discourse in the sector, and respondents overwhelmingly expect their impact on the industry over the next five years to be negative [See Figure 9].

#### Industry trends

What trends are you seeing in the market for the coming year? [%]

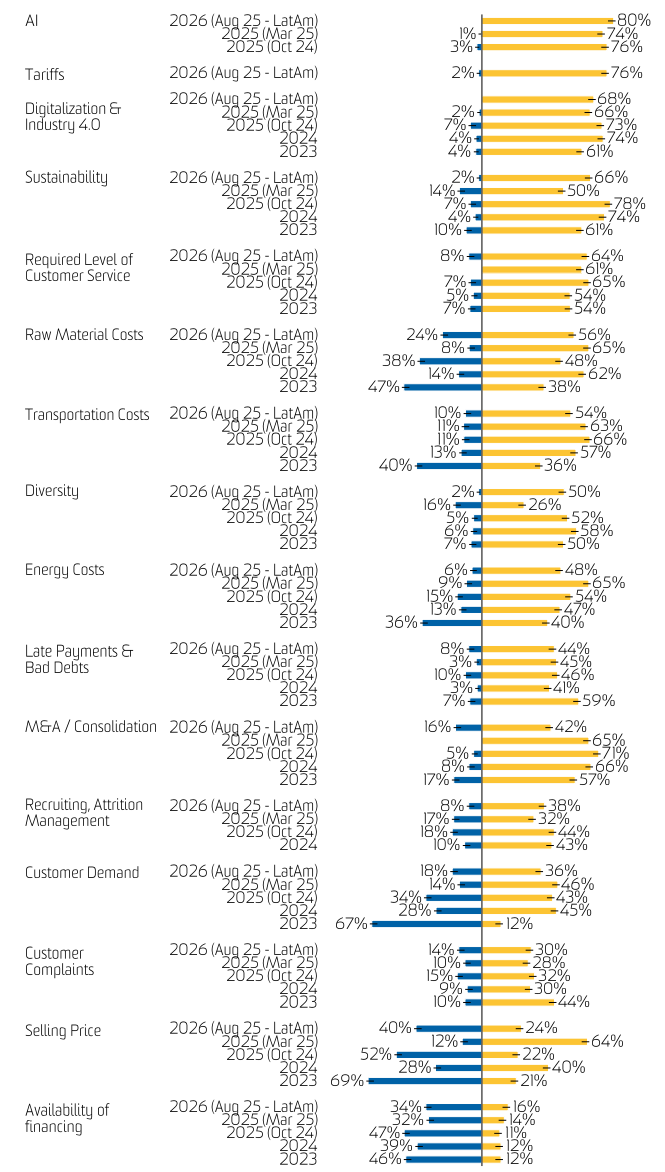


Figure 8: Industry trends

\*Date in brackets signifies date of survey response collection – responses concern following year

Furthermore, digitalization and shifting customer behaviors are also seen as major positive drivers, while pricing and margins continue to generate mixed expectations. In contrast, energy and fiber costs are largely viewed as negative influences. Selling prices and availability of financing now sit at the bottom of the trend ranking, likely reflecting not stabilization but shift in focus toward more strategic concerns. These factors, once highly relevant in past surveys, may now be seen as less dynamic or less likely to drive major changes in the coming year.



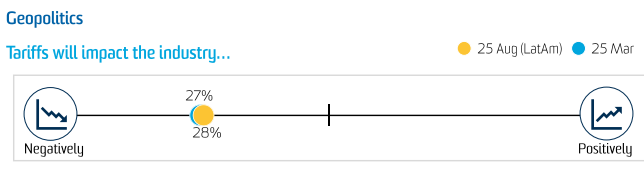


Figure 9: Impact of tariffs

For several consecutive surveys, Geopolitics has ranked at the bottom of the list, as respondents consistently expect it to have the most negative impact on their business over the next five years [See Figure 7]. Although many companies report already feeling its negative effects, the perceived impact is less severe compared to October 2024 and March 2025 [See Figure 10].

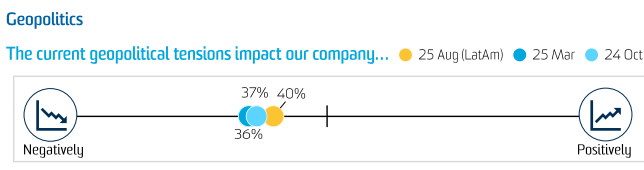


Figure 10: Geopolitical impact

## Company Priorities in Q4-25 and Beyond

Given the prevailing trends, their anticipated impact, and the broader macroeconomic environment, respondents also indicated which areas they plan to prioritize in Q4 2025 and beyond.

Two clear areas of focus emerged: pricing and margin management, followed closely by cost reduction. While these may be seen as tactical responses rather than long-term strategic moves, they continue to dominate the agenda [See Figure 11]. Interestingly, there appears to be a limited perceived linkage between these financial priorities and other areas on the list such as AI, restructuring, or workforce reduction, which could otherwise support cost improvements. Given that AI is perceived as a major driver and trend the position of AI in company priorities may be too low.

Beyond the immediate financial levers, a second tier of priorities includes more forward-looking topics such as sustainability development and product innovation, each indicated by roughly a third of respondents. This balance between short-term resilience and long-term positioning reflects the dual pressure companies are facing.

Note: Energy strategy can be found at the bottom of the list – this is however likely a result of this economic survey largely focusing on Latin American respondents.

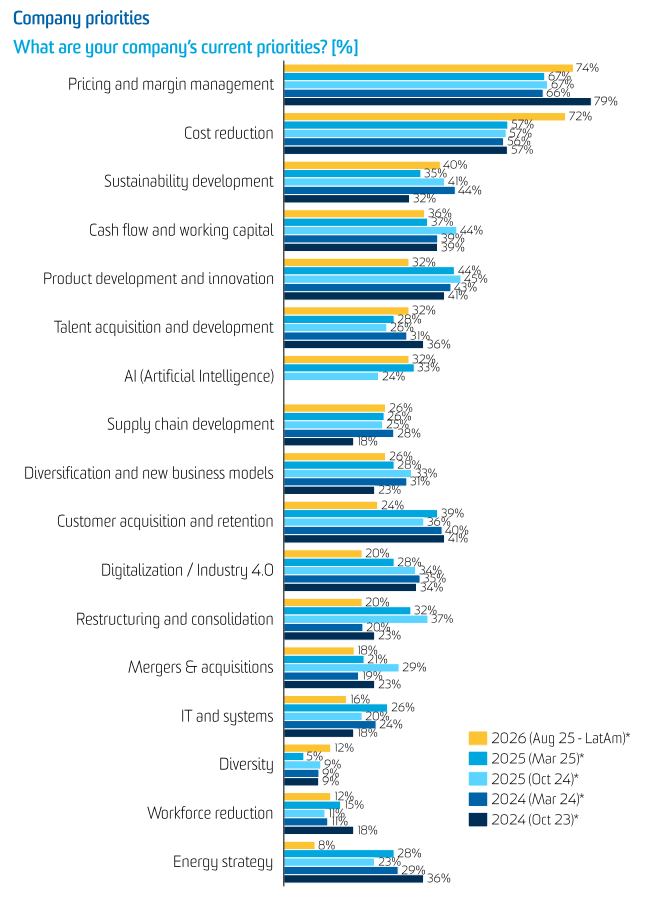


Figure 11: Historical comparison of current priorities

Date in brackets signifies date of survey response collection – responses concern following year

The March and October surveys with a higher share of European and North American participants show significantly higher negative impacts from energy costs and regulation [See Figure 7]. Customer acquisition and retention, as well as restructuring and consolidation, have also declined in importance compared to the March 2025 survey.

Overall, companies appear focused on protecting profitability in the near term, while selectively advancing strategic initiatives that support differentiation and future growth.

## Artificial Intelligence: Cautious Expectations and Workforce Limitations

AI continues to be viewed as a key trend for the coming years, with companies across regions recognising its potential impact [See Figure 8 and Figure 7]. Despite this, current survey responses also suggest that the level of AI adoption and confidence in its transformative power are perceived to be relatively low, especially in Latin America.

Compared to the March 2025 survey, which largely reflected perspectives from Europe and the North America, this round reveals a more cautious stance. Latin American respondents



appear more sceptical about AI's ability to revolutionise the industry [See Figure 12]

AI (Artificial Intelligence)

Artificial Intelligence will...

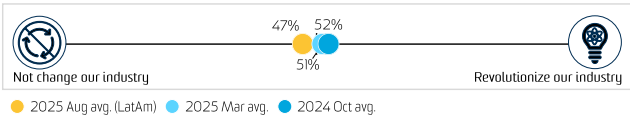


Figure 12: Impact of AI on the industry

This view corresponds with lower levels of AI deployment, indicating that the region may be lagging behind in terms of adoption [See Figure 13]

AI (Artificial Intelligence)

We currently leverage AI to the extent of...

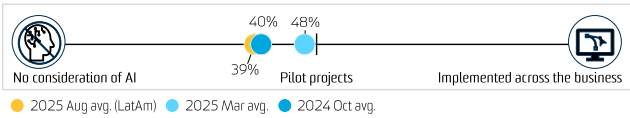


Figure 13: AI implementation status

The connection between usage and perception is likely mutual as companies that have not yet begun to leverage AI may find it difficult to appreciate its full potential, while a lack of conviction in its value can lead to slower uptake. That said, some piloting has already started. The most common applications mentioned were predictive maintenance, customer analysis, and back-office tasks automation, while content creation, quality inspection, and energy efficiency remain largely unexplored [See Figure 14]

AI (Artificial Intelligence)

The most relevant AI applications to my business are...

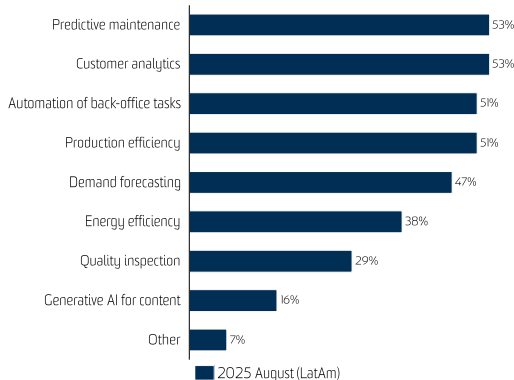


Figure 14: AI applications in the industry

Workforce readiness also emerged as a limiting factor. More than half of respondents reported that their employees currently lack the capabilities to work with AI [See Figure 15]. However, this question is somewhat of a contradictory if not almost a trick-question. It can be expected that AI-enabled systems

require less training than traditional systems and will help overcome qualification gaps and at the same time the need for human labour in many areas altogether. The responses to this question may be a reflection of the low AI adoption rates. This underlines the need to develop capabilities in parallel with deployment, rather than waiting for a clear business case to emerge.

AI (Artificial Intelligence)

Our workforce is adequately trained to work with AI-enabled systems...

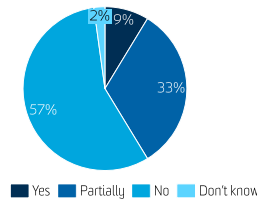


Figure 15: Perception of AI readiness among employees

When asked about the extent to which AI could replace different workforce groups, responses showed a nuanced view. Experts were seen as the most replaceable group, with more than 40% of respondents rating them as "moderately replaceable" [See Figure 16]. Operational staff followed, with a broader spread across "slightly" to "largely replaceable." Management was viewed as the least replaceable, with one-third indicating they are "not at all replaceable." While no group was seen as fully replaceable, the results suggest that respondents expect AI to have a tangible, if partial, impact on certain job roles, particularly where expertise is based on repeatable, data-driven decision-making.

AI (Artificial Intelligence)

AI can replace the workforce to the extent of...

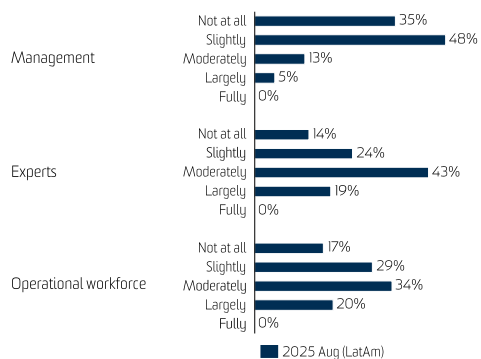


Figure 16: Perceived potential of AI to replace human labor

Taken together, the findings show that while AI is seen as a relevant trend, many companies are still in the early stages of adoption. Building conviction, developing internal capabilities,



and identifying targeted use cases will be key steps to unlocking AI's full value in the industry.

## Sustainability: Growing Momentum Amid Regional Challenges

Sustainability appears to be a more prominent and immediate topic for the Latin American respondents compared to the Euro-centric March 2025 survey. The findings indicate clear regional differences, not only in maturity and implementation levels, but also in the perceived value of sustainability strategies. In contrast to the previous decline in optimism, Latin American respondents paint a different picture.

### Sustainability

Please indicate if you agree to the following statements concerning sustainability and footprint in your organization

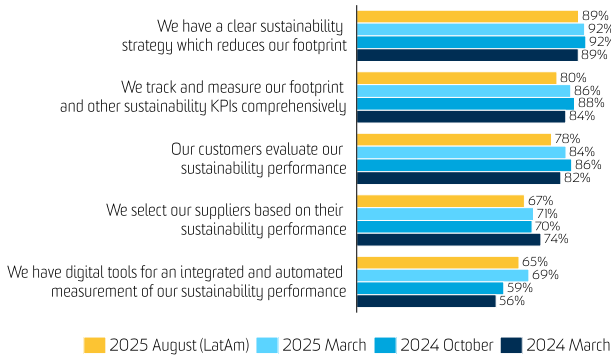


Figure 17: Sustainability strategy perception

The actions companies are taking in the name of sustainability to reduce their environmental footprint remain largely consistent with previous. Respondents continue to prioritize the same areas, although the overall level of agreement is lower for the Latam-centric peer group [See Figure 17]. This is in line with the lower average position on the sustainability maturity scale, suggesting that strategies may be somewhat less advanced in the region. Despite this, nearly 70% reported that they have already started implementing their sustainability strategies [See

### Sustainability

The status of our sustainability strategy is...



Figure 18] many of which are already showing impact. In terms of energy mix, responses this time fall into the same cohort as previous studies, showing no major shifts between the use of renewables and fossil fuels [See Figure 19].

### Sustainability

The status of our sustainability strategy is...



Figure 18: Sustainability strategy status

### Sustainability

Our Energy strategy is based on...

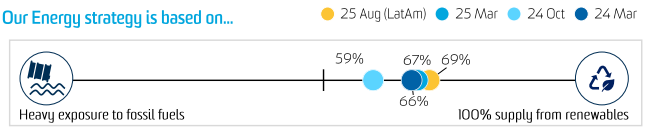


Figure 19: Energy strategy [% of Renewable energy planned to be used]

When it comes to the perceived benefits of implementing sustainability strategies, the overall sentiment has notably rebounded. Over 70% of respondents believe these strategies offer a competitive advantage, and more than 60% agree they can contribute to broader societal improvement [See Figure 20]. While the latter figure remains relatively modest in the broader context, it represents a clear recovery after previous years of declining confidence.

### Sustainability

Please complete the statement (multiple answers allowed).

Our sustainability strategy...

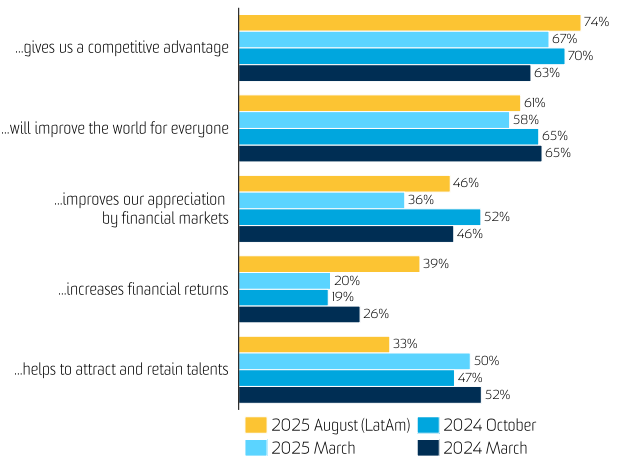


Figure 20: Benefits of increasing sustainability

Enthusiasm around sustainability's impact on financial market perception is considered high, potentially reflecting either earlier-stage strategic engagement or increased awareness of climate-related challenges in the region. One of the most significant developments is that this Latin-American centric survey has a significantly more positive view that sustainability increases financial returns. This dimension consistently ranked lowest in previous studies.

At the same time, the role of sustainability in attracting talent remains limited. This may indicate that individuals are not yet prioritizing sustainability when choosing employers, or that



companies are still in the early stages of integrating it into their recruiting and talent management proposition. This is echoed in the responses around plastic substitution. Respondents suggest that consumer behavior is one of the key barriers, with individuals either not perceiving paper as a more sustainable option or unwilling to pay a premium for it [See Figure 2]. Cost remains the most frequently mentioned obstacle, followed by slow regulatory action. Performance concerns are still relevant, although mentioned less frequently than in the March 2025 survey. Interestingly, the influence of recycling systems appears to be less of a concern, which could be attributed to the generally lower recycling rates in Latin America compared to Europe.

**Sustainability**

Please indicate the main reasons why plastic substitution is not happening at the expected pace

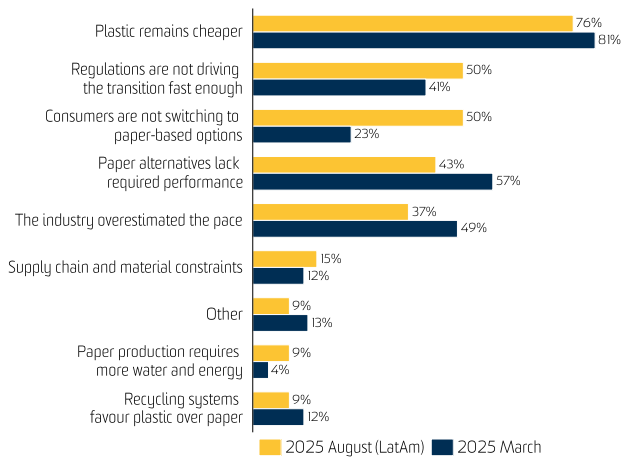


Figure 2 | Plastic substitution

The findings highlight both the opportunities and challenges ahead. To accelerate progress, companies will need to focus on overcoming consumer barriers and strengthening regulatory support while continuing to develop and scale their sustainability efforts.



## Summary

The survey presents a less optimistic macroeconomic outlook in August 2025 than it did earlier this year. While sentiment remains positive, it has declined by 8pps although respondents are mostly from a region that was most bullish in March. Notably, there is a marked shift in how respondents view North America's competitiveness over the next five years. The sentiment has turned sharply negative, aligning with the already negative view of Europe. Latin America, despite a slight drop, remains overwhelmingly positive, and sentiment in Asia has even improved.

For the sector, the outlook is generally negative, but segment expectations differ, mainly in terms of not knowing where the sector is going to develop:

- Pulp Manufacturers report a sharp decline in confidence, with 90% expecting the segment to deteriorate
- Paper & Paperboard Manufacturers also show a net negative sentiment, with 50% forecasting a downturn and 5% uncertain
- Containerboard Producers are more divided: 50% anticipate decline, while 25% are unsure
- Tissue Producers are evenly split, with no clear direction emerging

Several trends are shaping the industry's direction, with AI and tariffs at the forefront as hottest topics:

- AI remains the most influential trend, with widespread optimism about its positive impact, although most companies are still in early adoption phases
- Tariffs are expected to place significant pressure on the industry
- Sustainability is gaining traction in Latin America, contrasting with more muted responses from March 2025
- Geopolitical tensions continue to be a key concern

Companies are focusing on key operational topics, including:

- Pricing and Margin Management and Cost Control remain overwhelmingly top priorities as the industry navigates ongoing cost pressures
- Sustainability development is growing in importance
- Energy Strategy has fallen to the bottom of the list, despite widespread expectations that Energy costs and regulation will negatively impact the industry
- AI trending and gaining traction
- M&A, Restructuring, and Consolidation are losing prominence in current company agendas

Overall, companies seem to have a pessimistic outlook amid ongoing challenges. The ability to adapt to geopolitical pressures, implement AI, and manage costs effectively will be key to remaining competitive in 2025 and beyond.



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### About StepChange Consulting

StepChange is an industry focused and independent management consulting company with a proven track record in supporting clients to achieve sustainable value. StepChange provides support to top tier organizations in the industry from strategy development to implementation of operational improvements.

StepChange is further an industry thought leader in digital strategy and on the forefront of bringing digital transformation to the fiber value chain.

With an international team of industry experts StepChange will hit the ground running. StepChange provides innovative and yet pragmatic solutions, placing an emphasis on delivering measurable business results.

The August 2025 StepChange Economic Outlook Survey, based largely on Latin American forest products executives, shows a softening global macroeconomic outlook and shifting regional competitiveness perceptions. North America's outlook has turned sharply negative, Europe remains weak, while Asia leads and Latin America stays net positive despite internal skepticism. Industry sentiment is mixed to negative, with pulp and paper segments more pessimistic than tissue. Key trends include early-stage AI adoption, rising tariff concerns, and renewed momentum for sustainability in Latin America - contrasting with more muted views in Europe and North America. Companies are prioritizing pricing, margin management, and cost control, while also advancing sustainability and selective innovation. AI's promise is recognized, but workforce readiness lags, and sustainability progress is hindered by consumer behavior, cost, and regulatory gaps. The overall tone is cautious, with success hinging on adaptability to geopolitical pressures, cost challenges, and technological shifts.

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