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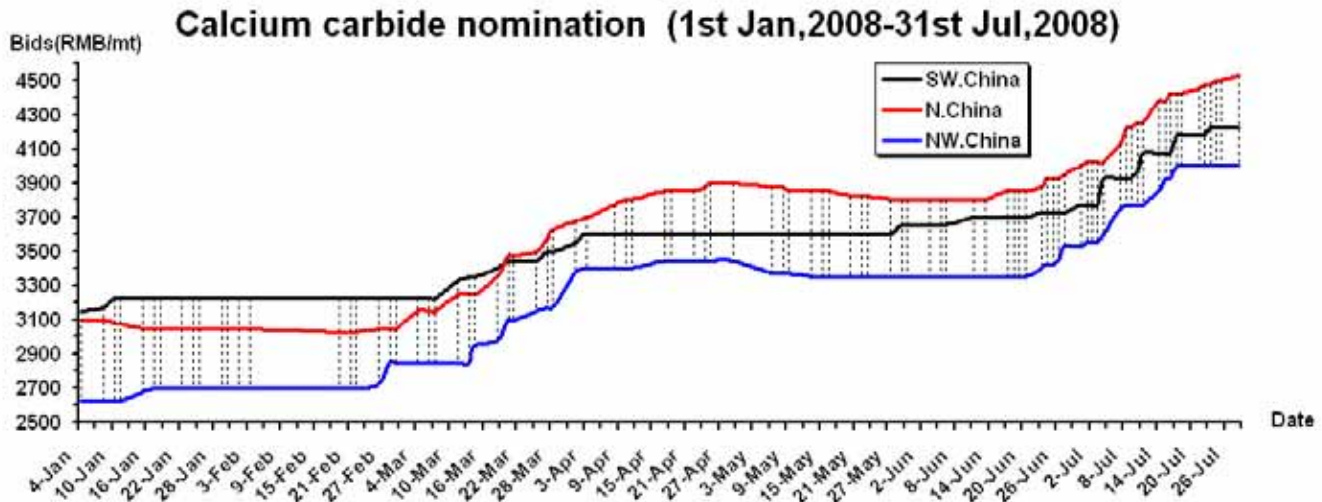
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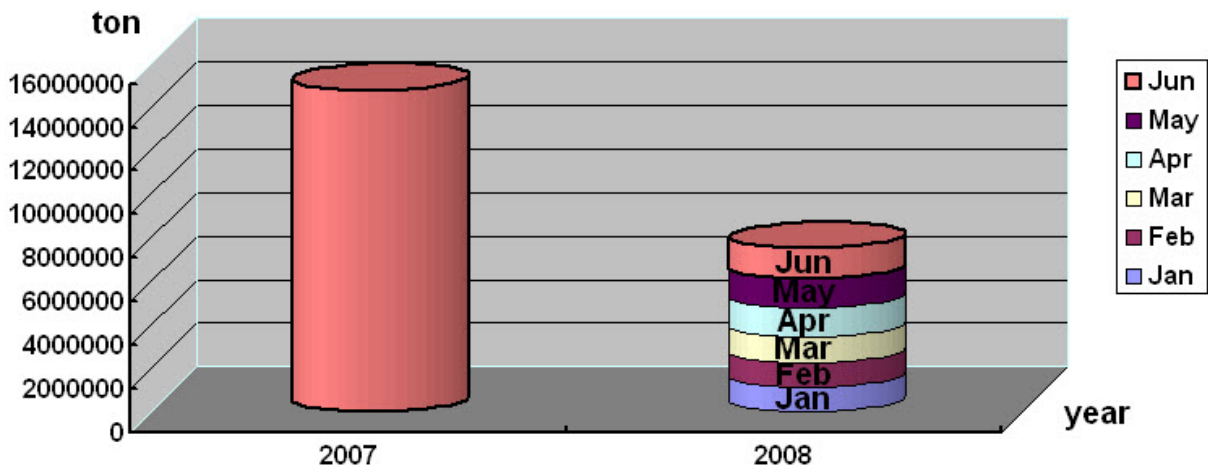
8 August, 2008

➤ **Domestic Market**

Region	Average price RMB/mt		market movement
	July	four weeks ago	
E.China	4321-4578	3850-4170	Market was stable. PVC market demand was stagnant, bringing a weak condition. Owing to recent dangerous cargo embargo policy, it was difficult to transport northern goods to local region.
S.China	4132-4408	3717-3957	This region was lack of local producers and downstream producers had to purchase goods from outside. The expensive freight charge had pushed bids climbing up.
N.China	4121-4547	3640-4093	Supply was still tight, especially in the provinces of Shandong and Shanxi, owing to power restriction, producers had to cut their operating rates. Olympic Games also took some trouble for goods transport from Inner Mongolia to Shandong.
C.China	4013-4354	3527-4010	Local producers mainly distributed in Henan and less ones existed in Hunan and Hubei. Due to lack supply of coal and electricity supply, output of Henan producers decreased.
NE.China	4245-4413	3720-3843	The market was sluggish. Because of difficult coke purchase problem, carbide operating rates were basically at low level.
SW.China	3843-4300	3520-3887	Market was weak. Except in Sichuan province, Guizhou and Yunnan producers operated normally. Supply was very tight in Sichuan and bids increased sharply.
NW.China	3752-3978	3230-3557	Most producers in this region had raised their bids owing to high costs.



Output of calcium carbide



➤ Supply & Demand

- ✧ Owing to power Restriction in the provinces of Shanxi, Hubei, Hunan, Henan and Shandong, bids of lime and semi-coke picked up and there was some transportation trouble caused by Olympics Games, reflecting a reduction in operating rates and output.
- ✧ Due to poor demand from PVC downstream manufacturers and hike in bids of calcium carbide, PVC producers had a weak sentiment to purchase calcium carbide. Although the recent market was still stable, in the future demand will decrease basically.

➤ Raw material

There was a slight upward movement in raw material market. Lime was tight mainly due to lots of producers had to shut down., pushing bids upwards. Coal supply was still lack, but fluctuation in bids was not obvious. There was a big movement in prices of carbon paste, reportedly at RMB 30,000/mt at the end of July.

➤ **PVC market**

In PVC market of last month, costs of raw material increasing, logistic problem still existed and seemed to be worse owing to Olympic Game, only a few deals had been done. Supply of goods kept tight and demand was poor. Costs pressure and high bids made all players in the market took negative sentiments. At the first and middle ten days of last month, bids climbed up slowly, but it decreased in last ten days of last month.

➤ **Forecast**

Although over-demand situation will emerge in the future, owing to less profits spaces of acetylene-based PVC producers and low operating rates, it will be very difficult for bids going up continuously. Non-market factors such as power restriction, environmental protection and transport will impact domestic market further. Raw material market will keep stable basically, but the quality of carbide tonnages will bring a bigger cost to PVC producers.

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