

## I. Global Review

**North American** newsprint mills maintained high operation in November, thanks to active exports, which more than making up for the shrinking demand in the local market. According to PPPC, overall shipment during the month was 652,000/tonne, -4.5% from a year ago. From January to November, shipment totaled 7.16 million/tonne, +7.0% from that of 2009. Shipment to overseas markets in November came close to 200,000/tonne, +9.9% from a year ago and making the YTD total to nearly 2.30 million/tonne. Healthy export shipment helped reduce mill inventories, which drop 197,000/tonne, down 19,000/tonne from October. Demand, however, fell to 456,000/tonne in November, -10.5% from a year ago and bringing the first 11-month demand below 4.93 million/tonne, -6.2% from that of 2009.

According to FOEX, 48.8g/m<sup>2</sup> newsprint was listed at US\$625.60/tonne at end-December, up US\$1.31/tonne from end-November and 45g/m<sup>2</sup> newsprint was listed at US\$669.30/tonne, up US\$2.40/tonne.

**In Europe**, local demand improved against slow-downs in exports, which was under the impact of rising Euros.

In November, overall shipment totaled 952,000/tonne, +3.0% from a year ago. Shipment to continental Europe accounted for 87% of the total and grew 6.0% from a year ago. Shipment to overseas markets, however, slipped -13.3% from that of 2009. Overall, shipment in the first 11 months exceeded 9.80 million/tonne, +3.5% from the same period of 2009.

Demand from continental Europe rose to 851,000/tonne in November, +4.2% from 12

months ago and making the 11-month total over 8.50 million/tonne, +1.5% from 2009.

Newsprint sale price remained steady in Europe. According to FOEX, list price of 45g/m<sup>2</sup> newsprint stayed at €420.54/tonne, same as end-November.

## II. China Mainland Market

Latest reports from CNSB showed China's newsprint production fell to 305,000/tonne in November – the sixth consecutive monthly reduction. This was off by -21.8% from November 2009. From January to November, China's newsprint production totaled 3.95 million/tonne, -2.9% from the corresponding period of 2009.

**Market** in December improved after more than six months of weak performance. In Northern China, in particular, publishers began to place large and last-minute orders before the increase of prices installed by large newsprint producers. Such active buying speeded up shipment from mainstream mills in the area. In Eastern and Southern China, mainstream mills also announced price increases, though at less aggressive margins.

**Producer Watch.** While Shixian Paper in Northeast China's Jilin Province continuing its downtime as a result of insufficient finance and fiber stocks in December, Huatai Paper in upper Eastern China's Shandong Province was able to trim mill inventories by 20,000/tonne upon hectic shipment to publishers in the Beijing-Tianjin area. And the completion of maintenance downtime enabled Huatai Paper (Dongying) to run machines at full speed. The company's sister mill – Huatai (Hebei) – was also reporting rising operation during the month. With improved sales and shipment,

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mill inventories reduced. A greenfield newsprint mill of Huatai Paper (Group) in Xinhui, Southern China's Guangdong Province is scheduled to trial runs in January, 2011. The company is now inquiring for recovered paper supplies to Xinhui Port, though details are yet to be available subject to the release by the authorities of the environmental permit to the mill.

Chenming Paper (Shouguang) also reported of full-gear runs in December. During the month, the mill turned out nearly 31,000/tonne and mill inventories fell below 20,000/tonne thanks to active shipment.

Having insufficient fiber stocks, Chenlong Paper – a mid-size newsprint producer in Shandong Province – was only able to produce 6,000/tonne in December. Sales improved and mill inventories reduced to less than 4,000/tonne at end-December.

In Eastern China, Shanying Paper ran 10,000/tonne of newsprint in December. Mill sources confirmed of active sales and shipment and mill inventories were trimmed below 3,600/tonne by end-December.

In Fujian Province, Nanping Paper maintained its production momentum from November. In December, the company produced 17,000/tonne of newsprint and mill inventories fell to 7,000/tonne after healthy shipment.

Guangzhou Paper in Guangdong, Southern China, geared down production in December in preparation for relocation of the mill from Guangzhou city proper to Nansha. Shipment in December rose to 50,000/tonne and mill inventories eased to 40,000/tonne by end-December.

**Price Watch.** After a series of aborted attempt in the past 3 quarters, Chinese newsprint producers were able to raise the price before the end of 2010. Throughout the country, suppliers were able to achieve price

increases at various levels, with the biggest rise in upper China markets where sales price exceeded that of the South China market by RMB100/tonne (US\$15.03/tonne). Market analysts cautioned, however, that the current increase was primarily driven by rising production cost – such as fiber and energy, not by the recovery of newsprint consumption. After the increase, standard 48.8g/m<sup>2</sup> newsprint was listed at RMB4,600-4,700/tonne (US\$692-707/tonne, delivered and V.A. tax paid) in the key markets. And Huatai Paper even attempted the price of RMB4,850/tonne (US\$729/tonne, delivered and V.A. tax paid) with the ultimate goal to RMB5,000/tonne (US\$752/tonne, delivered and V.A. tax paid). However, company sales executives viewed the current spree with a mixed feeling. Happy to see mill inventories reduction on the one hand, they feared of the aftermath of such fast sales. Any slip in sales in the near future will have serious impacts on future price stability.

China Newsprint Price Watch - 2011				
Producer	Substance	Early Jan.	Early Dec.	Change%
Guangzhou Paper	48.8/45gsm.	4600~4700	4550~4650	1.1%
Huatai Paper	48.8/45gsm.	4700~4800	4500~4600	4.4%
Chenming (Shouguang)	48.8/46gsm.	4700~4800	4500~4600	4.4%
Fujain Nanping Paper	48.8/45gsm.	4600~4700	4550~4650	1.1%
Chenming (Wuhan)	48.8/45gsm.	n.a.	n.a.	
Shanying Paper	48.8/45gsm.	4650~4750	4550~4650	2.2%
Shixian Paper	48.8/45gsm.	n.a.	4500~4600	0.0%

*\* In RMB per metric ton, FOB Mill, VAT included.  
Note: For reference only. Price varies in transaction.*

**Imports & Exports.** China's newsprint exports failed to extend its healthy performance into November. Only 8,060/tonne were shipped to overseas markets during the month, -52.8% from October, though +20.6% from a year ago. India and Hong Kong remained the primary destinations of Chinese shipment. From January to November, China's newsprint exports totaled 10,521/tonne, -46.8% from the corresponding

period of 2009.

China's newsprint imports in November were only 180/tonne, the lowest since January 2010 and -92.2% from a year ago.

Much of the shipment came from Canada, Finland and Japan. From January to November, imports totaled 36,200/tonne, +130% from the same period of 2009.

### III. Statistics

China's Newsprint Imports/Exports						
(In US\$000/000mt)	Nov-10	Nov-09	Change%	YTD2010	YTD2009	Change%
<b>Exports</b>						
<b>Total Value</b>	<b>5,091.55</b>	<b>3,402.34</b>	<b>49.65%</b>	<b>60,282.80</b>	<b>112,768.21</b>	<b>-46.54%</b>
<b>Total Volume</b>	<b>8.06</b>	<b>6.68</b>	<b>20.57%</b>	<b>105.21</b>	<b>197.82</b>	<b>-46.82%</b>
<b>Destination</b>						
India	3.38	3.58	-5.38%	31.63	107.28	-70.52%
Hongkong	1.81	1.79	0.62%	43.48	29.88	45.52%
Thailand	0.90	0.00	N.A.	0.90	1.74	-48.01%
<b>Imports</b>						
<b>Total Value</b>	<b>127.96</b>	<b>1,178.04</b>	<b>-89.14%</b>	<b>17,918.08</b>	<b>8,979.56</b>	<b>99.54%</b>
<b>Total Volume</b>	<b>0.18</b>	<b>2.33</b>	<b>-92.22%</b>	<b>36.20</b>	<b>15.90</b>	<b>127.68%</b>
<b>Origin</b>						
Canada	0.07	0.00	N.A.	1.76	0.52	237.52%
Finland	0.04	0.29	-84.75%	1.13	2.97	-61.82%
Japan	0.04	0.04	12.17%	0.62	4.01	-84.42%
Source: China Customs Administration/Chinapaperonline/ Im. Price: In US\$						