

China Newsprint Report

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I. Global Review

At the operating rate of 91%, **North America** produced 888,000/tonne of newsprint in November, -6.6% from a year ago, according to PPPC. Shipment during the month was 919,000/tonne, -5.6% from that of 2006.

Newsprint consumption in November went down to 653,000/tonne, -7.6% from a year ago. Consumption by dailies totaled 504,000/tonne, -11.2%.

Exports slowed down during the month to 196,000/tonne, growing only +2.2% from a year ago, yet 24,000/tonne less than the previous month. From January to November, exports were near 2.24 million/tonne. European and Latin American markets remained as the two primary destinations. Shipment to Europe in November grew 57.7% from a year ago vs. the weak performance of shipment to Japan and other parts of Asia, which were down 16.4% and 10.0% respectively.

At end-November, North American mill inventories stood at 356,000/tonne, down by 30,000/tonne from October.

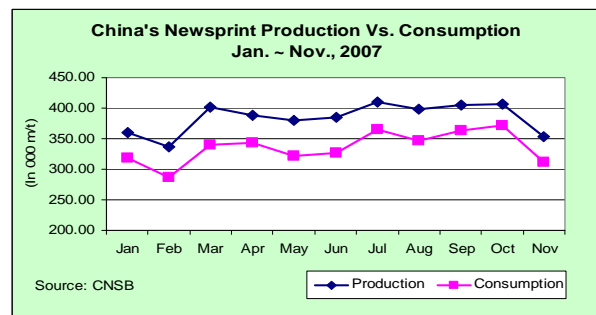
Contrary to the European market, price in North America improved as a result of the production cuts undertaken by mainstream producers including AbitibiBowater and Norske Skog. By the last week of December, the standard 30 lb. newsprint gained US\$2.97/tonne from end-November. The price rise in wood pulp, recovered paper and energy also contributed to the improvement. The US\$20~25/tonne price increase announced in the fall seemed to have gone through by December and was led by the world's largest newsprint producer – AbitibiBowater who

accounts for 45% of North American newsprint capacity, more mills are now planning to seek another US\$60/tonne price rise in the 1st Quarter 2008, or US\$20/tonne rise each month.

II. China Mainland Market

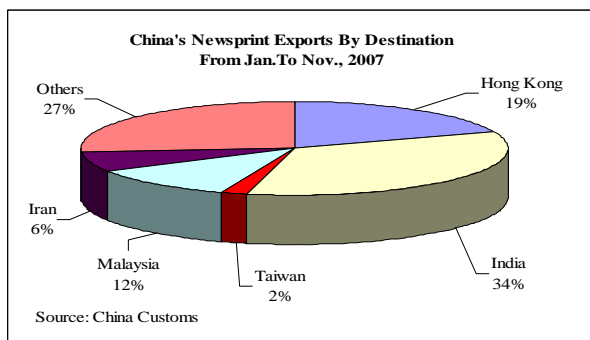
Production & Consumption. As a result of the mandatory closure of small and environmentally unfriendly mills, China's newsprint production in November fell to 353,600/tonne, which was 52,800/tonne less than the previous month, according to China National Statistics Bureau (CNSB). This was the first time of a negative monthly growth in two years. From January to November, production totaled 4.22 million/tonne, +17.0% from the same period of 2006.

Consumption in November was 312,300/tonne, -1.0% from a year ago and YTD consumption neared 3.70 million/tonne, +10.6% from that of 2006.



Import & Export. Shipment to overseas market rose to 42,490/tonne in November, +15.3% from October and +2.3% from a year ago. YTD exports totaled 542,640/tonne, +93.9% from the corresponding period of 2006.

Shipment to Hong Kong, India and Malaysia accounted for 68.6% of the total in November.



China imported 1,163/tonne of newsprint in November, +22.0% from a year ago. And YTD imports totaled 14,400/tonne, predominantly from Japan and Finland.

Export Price. China Customs data also showed that export price, on FOB basis, averaged at US\$516/tonne in November, down US\$8/tonne from the 1st Quarter 2007. In view of the appreciation of Chinese currency and the rise in fiber and energy costs, some Chinese producers began to seek a US\$20~30/tonne price increase in December.

Domestic price. To ease the burden of rising production cost caused by the price rises in fiber and energy, mainstream producers in China took to an average RMB100~150/tonne (US\$13~20/tonne) price rise in their newsprint sales for December. The most aggressive producer was Guangzhou Paper who, until then kept its price at the low-end, announced to add RMB300~400/tonne (US\$41~55/tonne) to its sales price.

China Newsprint Price Watch - Early Jan. 08		
Producer	Substance	Price*
Guangzhou Paper	48.8/45gsm.	4700~4750
Shandong Huatai	48.8/45gsm.	4750~4800
Fujain Nanping Paper	48.8/45gsm.	4700~4750
Chenming (Wuhan)	48.8/45gsm.	4730~4800
Shixian Paper	48.8/45gsm.	4700~4750

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

Producer Watch. Chenming Paper announced on December 11 of its successful production of 48 gsm. SC paper in its Shouguang Mill in Shandong.

The new product, which is welcomed by the market, will hopefully be a profit generator in 2008.

In Dongyin, a neighboring town to Shouguang where Stora-Huatai Paper's SC Mill is located, the 200,000/mtpy SC machine went into commercial runs on December 19. At the moment, the machine is producing 300/mtpd and consumes roughly 1/tonne of recovered paper for 1/tonne of SC paper production.

The machine is a JV between Stora-Enso and Huatai Paper. Aiming to achieve 15%~20% savings in production cost while maintaining the same whiteness and runnability as LWC, Stora-Huatai is targeting at high-end catalog, magazine and mail ad business in China.

In Guangzhou, southern China, Guangzhou Paper inaugurated the start-up of its #9 PM on December 27. At the trim width of 10.2 meters and 2,000m/min. in speed, the #9 PM is to add more than 400,000/mtpy of newsprint capacity to Guangzhou Paper. Built by Metso, the #9 PM is equipped with most advanced de-inking, pulping and waste treatment facilities. RMB2.6 billion (US\$325 million) was spent on the project.

III. Statistics

China's Newsprint Imports/Exports								
(In US\$000/000mt)	Nov-07	Nov-06	Change%	YTD2007	YTD2006	Change%	Ave. Price2007	Ave. Price2006
Exports								
Total Value	21,499.53	21,896.74	-1.81%	279,942.06	148,841.33	88.08%	515.89	531.80
Total Volume	42.49	41.53	2.29%	542.64	279.88	93.88%		
Destination								
Hong Kong	11.97	6.44	85.94%	103.98	84.73	22.72%	514.69	519.48
India	11.05	17.31	-36.17%	187.13	126.07	48.44%	501.84	537.84
Taiwan	0.59	0.43	36.60%	9.66	0.96	904.68%	525.35	535.87
Malaysia	6.15	4.94	24.49%	62.78	19.97	214.44%	525.64	547.00
Iran	0.33	4.77	-93.13%	35.21	13.01	170.54%	525.96	534.37
Others	12.41	7.65	62.32%	143.89	35.15	309.41%		
Loading Port								
Fuzhou	4.97	12.48	-60.14%	47.59	48.96	-2.81%		
Qingdao	24.28	16.41	47.97%	331.86	109.46	203.18%		
Guangzhou	6.41	3.04	110.58%	55.37	37.82	46.42%		
Huangpu	2.34	5.91	-60.32%	40.99	34.20	19.85%		
Tianjin	2.01	2.27	-11.29%	46.08	21.53	114.06%		
Others	2.47	1.43	72.45%	20.76	27.92	-25.65%		
Imports								
Total Value	667.35	522.07	27.83%	8,456.13	6,952.94	21.62%	587.15	548.68
Total Volume	1.16	0.95	22.04%	14.40	12.67	13.65%		
Origin								
Japan	0.46	0.52	-11.78%	9.31	10.14	-8.18%	566.08	546.69
Finland	0.32	0.22	44.34%	3.26	0.46	611.57%	654.52	707.55
Others	0.39	0.21	80.84%	1.84	2.08	-11.64%		
Destination								
Tianjin	0.39	0.50	-21.93%	5.12	5.22	-1.99%		
Shenzhen	0.60	0.44	37.24%	1.90	1.57	20.97%		
Others	0.18	0.02	747.62%	7.39	5.88	25.59%		
Source: China Customs Administration/Chinapaperonline/ Im. Price: In US\$								

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