

I. Global Review

North America. While still waiting for latest data from PPPC, market continued in the direction of moderate improvement. However, unsteady performance in exports to overseas remained a headache to the industry. The Snowflake mill shut-down tightened newsprint supplies on the West Coast of USA, yet the production resumption of Stadacona Mill added concerns on supplies on the East Coast. Overall, market will be confronted again by downward pressure on price, especially on the East Coast in year 2013.

Reports from FOEX showed 48.8g/m² standard newsprint was listed at US\$620.08/tonne and 45g/m² standard newsprint at US\$660.15/tonne in the US open market at the start of the New Year. Both dipped slightly from 30 days ago.

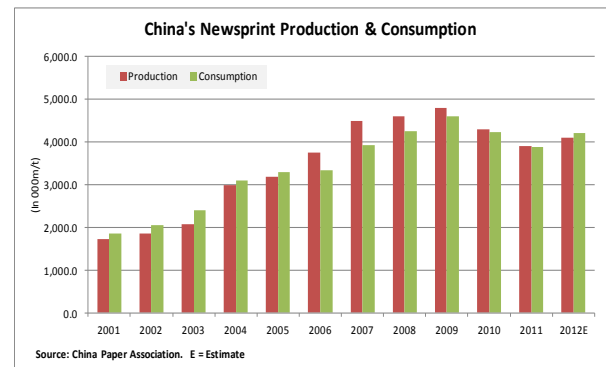
In Europe, overall newsprint shipment in November fell to 874,000/tonne, -1.8% from October and -5.3% from a year ago. According to EURO-GRAPH, shipment to continental Europe declined by -7.2% from October, contrary to the continuous growth of exports. From January to November 2012, total European newsprint shipment came close to 9.18 million/tonne, -3.3% from that of 2011.

Slow progress in 2013 annual contract negotiation between suppliers and consumers is arousing concerns in the market. While suppliers seeking for a 5% price increase to cover rising production cost, consumers would turn down any price rise attempts, however tiny, in view of shrinking newspaper subscription and advertising business.

FOEX said 45g/m² standard newsprint was listed at €495.57/tonne at the start of the New Year, off slightly from 30 days ago.

II. China Mainland Market

Preliminary data from China Paper Association (CPA) showed China's newsprint production in 2012 would grow +3% from the previous year to 4.10 million/tonne. At the same time, consumption would reach 4.2 million/tonne, +7.97% from 2011.



Market remained relatively calm throughout December 2012 without much inquiries and orders from the newspaper publishers. Inactive sales and shipment caused general rises in newsprint mill inventories and most producers had to gear down running during the month.

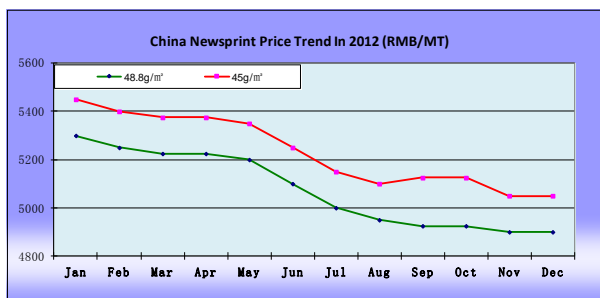
Producer Watch. Both Huatai Paper and Chenming Paper in upper Eastern China's Shandong Province had to lower their operation in December. Pending significant improvement in sales and shipment, the two companies were paying extra attention to their production and mill inventories. The good news was that ONP stocks at both companies were at safely low levels to ease the burden on their cash flows.

In Eastern China, Shanying Paper turned out 15,000/tonne of newsprint through normal runs in December. Steady orders from local customers, which were largely kept by the company's steady sales price from November, enabled Shanying Paper to keep

mill inventories as low as the previous month. The announced merger of Shanying Paper with Ji-An Paper, though largely affecting both companies' industrial packaging board business, has also aroused market attention on the future of Shanying Paper's newsprint business.

In Guangdong, Southern China, Guangzhou Paper kept its two newsprint machines in normal runs and produced nearly 45,000/tonne of newsprint in December. The company was also happy with orders over 45,000/tonne in the month which helped reduce mill inventories by 10% from the previous month. And the company continued to move its 48.8g/m² standard newsprint at RMB5,000/tonne (US\$806.45/tonne) and 45g/m² standard newsprint at RMB5,100/tonne (US\$822.58/tonne) at FOB Mill terms. These prices were better than those in upper China.

Price Watch. Foreseeing the challenges along the road, all the mainstream newsprint producers in China would keep their sales price unchanged and seasoned with promotional discounts when necessary. Throughout December, price in upper China



stayed at the delivered price of RMB4,900-4,950/tonne (US\$790.32-798.39/tonne) for standard 47-48.8g/m² newsprint, following the consensus of a RMB50/tonne (US\$8.06/tonne) premium for 1g/m² less in substance.

China Newsprint Price Watch - 2013				
Producer	Substance	Early Jan.	Early Dec.	Change%
Guangzhou Paper	48.8/45gsm	4950~5000	4950~5000	0.0%
Huatai Paper	48.8/45gsm	4800~4900	4800~4900	0.0%
Chenming (Shouguang)	48.8/46gsm	4800~4900	4800~4900	0.0%
Fujain Nanping Paper	48.8/45gsm	4900~5000	4900~5000	0.0%
Shanying Paper	48.8/45gsm	4900~5000	4900~5000	0.0%
Jindaxin Paper	48.8/45gsm	4900~5000	4900~5000	0.0%

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

Imports & Exports. No improvement in China's newsprint exports. Shipment to overseas in November were only 230/tonne, -26.8% from a year ago, according to China Customs. From January to November, China's newsprint exports fell to 3,810/tonne, -75.8% from the corresponding period of 2011. It is estimated that the country's full year newsprint exports will shrink to about 4,000/tonne in 2012.

China's newsprint imports presented a brilliant picture in 2012. In November, shipment arrivals reached 8,400/tonne, up nearly 4 times from 12 months ago! South Korea and Canada remained the leading suppliers to China.

From January to November, China's newsprint imports topped 120,000/tonne, up 8.7 fold from that of 2011! It won't be a surprise that China's 2012 newsprint imports to exceed 130,000/tonne.

III. Statistics

China's Newsprint Imports/Exports						
(In US\$000/000mt)	Nov-12	Nov-11	Change%	YTD2012	YTD2011	Change%
Exports						
Total Value	692.35	2,138.49	-67.62%	6,710.56	14,532.65	-53.82%
Total Volume	0.23	0.32	-26.79%	3.81	15.78	-75.83%
Destination						
Hongkong	0.06	0.03	137.34%	0.45	8.19	-94.51%
Germany	0.02	0.00	N.A	0.03	0.006041	409.02%
Brazil	0.01	0.00	N.A	0.02	0.000000	N.A
Imports						
Total Value	5,097.23	1,181.14	331.55%	75,439.08	8,136.91	827.12%
Total Volume	8.40	1.80	367.86%	120.49	12.41	871.02%
Origin						
South Korea	4.84	0.00	N.A	87.43	1.52	5634.85%
Canada	1.83	0.25	623.01%	12.30	2.27	442.30%
USA	0.58	1.52	-62.05%	5.42	7.50	-27.69%
Source: China Customs Administration/Chinapaperonline/ Im. Price: In US\$						