

Chinese Propylene Oxide Weekly Report

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1. Market Brief

- Arkema's Lavera Declares Force Majeure on PVC Output.
- DSM Completes Sale of DSM Elastomers to LANXESS.
- PPG Acquires Danish Architectural Coatings Producer.
- Stepan Announces CASE Polyol Price Increase for North and South America.
- Asia: SK Innovation to Shut PE, PP Units 2016 for Maintenance.
- Dow Chemical Expects Lawsuit Decision in Case Versus Kuwait Petrochemical.
- LyondellBasell Mulls Ethylene Expansions, New Cracker.

2 Weekly Market Analyses

2.1 Summary

This week, propylene prices slide down and oil prices plummet. The overall operation rates of propylene oxide facilities still hover at high levels but on account of the continuous unbalance between supply and demands, propylene oxide prices this week continue to ascend.

It is reported that supply tightness in the east proves to be severe compared with that in the north and thus some traders mainly purchase from Shandong providers. Prices for small amounts go up gradually.

However, propylene oxide prices now are still higher than that of PPG and meanwhile, restrained by the terminal feeble demands, increases in propylene oxide prices slow down.

In regard of raw materials, Shandong liquid chlorine prices stabilize at RMB800-1000/ton and propylene prices decline to RMB11200-11300/ton from RMB11350-11400/ton.

Table 1: Propylene Oxide Price Comparison between Weeks (RMB/ton)

Area	East China	North China	North East	USD (CFR China)
This week	16400-16800	16000-16400	16100-16100	2100-2150
Last week	16100-16300	15700-15900	15700-15900	2100-2150

Note: Shandong belongs to North China;

East China mainly refers to Zhejiang, Jiangsu and Shanghai.

East China

This week, both Ningbo ZRCC Lyondell Chemical and Nanjing KUMHO GPRO Chemical quote propylene oxide at RMB16600/ton with operation rates of 100% while CNOOC and Shell offers quotation at RMB16700-16800/ton with delivery.

In the east, supply tightness proves to be clearer than that in the north and thus the mainstream transaction prices for big clients ascend to RMB16400/ton from RMB16200-16300/ton while for small orders, the prices remain at RMB16700-16800/ton.

North China

In the north, feedstock propylene prices continue to slip down, but restrained by the unbalance between supply and demand of propylene oxide, Shandong propylene oxide is mainly quoted up to RMB16300-16500/ton from RMB16200-16300/ton and the transaction price for big clients ascends to RMB16000/ton from RMB15800/ton.

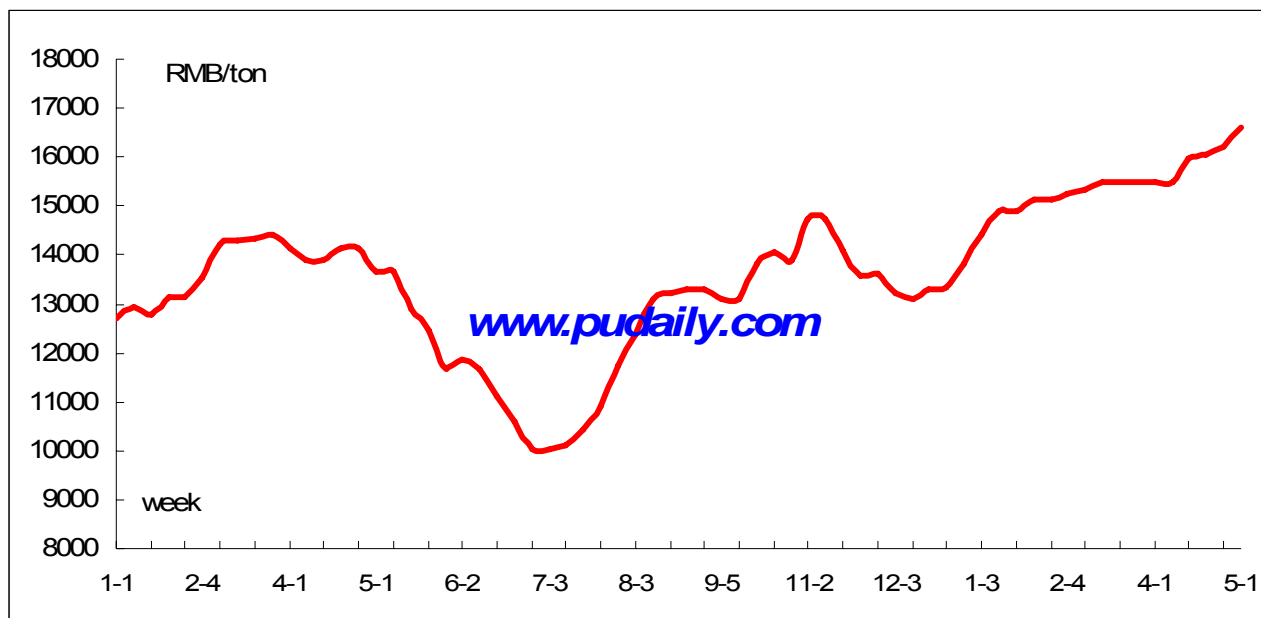
However, the market prices this week perform to be chaotic and the transaction price of RMB16300-16400/ton for small orders is being heard.

Northeast

In the northeast, Fangda Jinhua Chemical Technology Co., Ltd. (originally named Jinhua Chemical) operates with full loads with daily outputs of 100 tons while it mainly serves for its own polyether polyols production. The operation rates of its polyether polyols facility remain at 50%.

Shenyang G-Billow Chemical's propylene oxide facility shut down on April 30 and has restarted on May 2. For the moment, propylene oxide supply in the northeast is tight as well and the transaction prices gradually ascend to RMB16100/ton from RMB15900-16000/ton.

Graph 1: RMB Propylene Oxide Weekly Price Trend From 2010 to 2011 (E-China)



Domestic Propylene Oxide Facilities Latest Movement:

- ① Fangda Jinhua Chemical Technology Co., Ltd. (originally named Jinhua Chemical) runs 100% operation rates with daily propylene oxide commodity of 100 tons;
- ② Shenyang G-Billow Chemical's propylene oxide facility shut down on April 30 and has restarted on

May 2

- ③ Shandong Dongda Chemical Industry (Group) Company's propylene oxide facility restarted on April 30;
- ④ Tianjin Dagu delays its maintenance plan and the operation rates increase to 50%;
- ⑤ Shandong Shida Shenghua Group Co., Ltd plans to conduct maintenance on May 15;
- ⑥ Shandong Dongchen Chemical expects to restart in mid-May;
- ⑦ Shandong Binhua may be conducted maintenance for 10-15 days in June.

2.2 Quotes from Suppliers

Table 2: Quotes From Domestic Suppliers (RMB/ton)

Producers	This week	Four weeks ago	Operation rates
Tianjin Dagu	16500	15800	50%
Shandong Binhua	16300	15800	Will daily output of 500 tons
Fangda Jinhua Chemical Technology	16500	15800	With daily output of 330 tons and sales outside of 100 tons
NKGC	16600		100%
CNOOC Shell	16700-16800 (Delivery in cash)	16100-16200 (Delivery by Acceptance)	90%
ZRCC Lyondell	16600	16100	100%

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Table 3: Quotes From Oversea Suppliers (CIF PRC, USD/ton)

Place of origin	This week price	Four weeks ago	Remarks
Japan/Singapore Saudi Arabia/South Korea	2100-2150	2050-2150	--

3. Weekly Analysis of Upstream Feedstock and Relevant Products

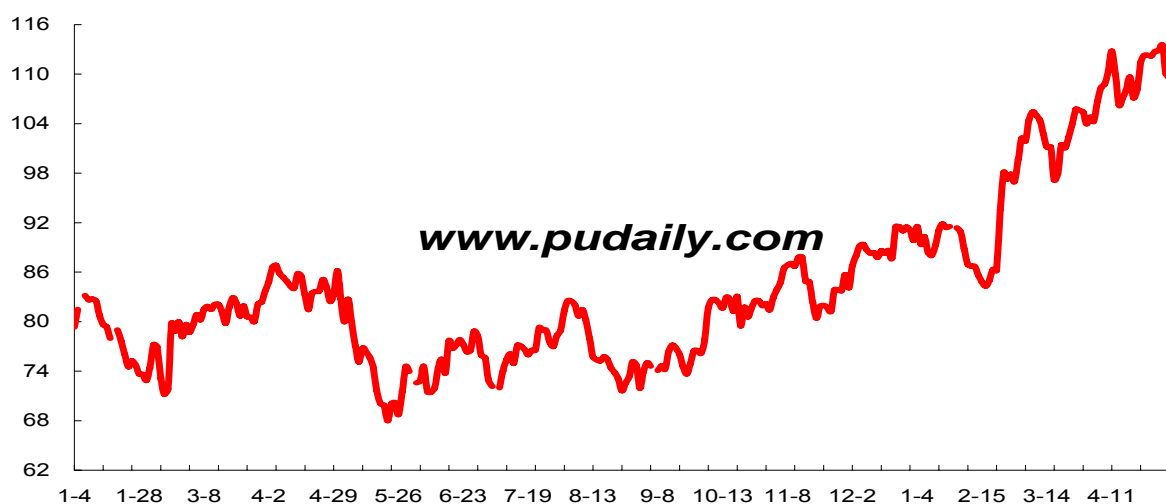
3.1 Crude Oil

Table 4: Weekly Crude Oil Pricing (\$/bbl)

Date	Nymex WTI	IPE Brent	OPEC basket
2011-05-06	99.80	110.80	116.96
2011-04-29	112.86	125.02	119.34

Note: prices for future contract

Graph 2: WTI Crude Oil Price Trend from 2010 to 2011



3.2 Propylene

Table 5: Weekly Propylene Pricing Comparison

Date	Shandong (RMB/ton)	CFR PRC (USD/ton)
2011-05-06	11200-11300	1570-1630
2011-04-29	11400-11450	1540-1580

3.3 Liquid Chlorine

Table 6: Liquid Chlorine Pricing in Shandong (RMB/ton)

Date	Shandong
2011-05-06	800-1000
2011-04-29	800-1000

4. PO Import and Export Analysis

Table 7: China PO Import Data from January to March, 2011 (Tons)

Month	Imports
January	26164
February	20250.534
March	37072.457

Table 8: Korea PO Import Data from January to March, 2011 (Tons)

Month	Singapore	Netherlands	Japan	USA	Saudi Arabia	Total in 2011	Total in 2010	Growth rate
Jan.	3016	1016	11090	2152		17274	11019	57%
Feb.	2519		12885	1473		16877	12056	40%
Mar.	4322		5845	1051		11218	11731	-4%

Table 9: Japan PO Export Data from January to March, 2011 (Tons)

Month	S KOREA	CHINA	TAIWAN	THAILND	Total in 2011	Total in 2010	Growth rate
Jan.	12997				12997	10493	23.85%
Feb.	7995				7995	11997	-33.30%
Mar.	11999	1000			12999	9748	33.35%

5. Market Forecast

According to market players, as propylene oxide facilities in Saudi Arab will enter into maintenance in late May and Singapore's naphtha cracking device is expected to restart in mid-May, imports in May will be short and this will tighten domestic market.

Meanwhile, Shandong Shida Shenghua expects to conduct maintenance on May 15 and Shandong Dongchen plans to restart in mid-May, and thus propylene oxide supply tightness will continue later.

Approaching to weekend, oil prices plummet sharply and market players predict this will impact propylene oxide market to some extent. However, as propylene oxide has already broken away from raw materials trends, the market is mainly restrained by the unbalance between supply and demand.

This week, propylene oxide supplies continue to be tight and prices for small orders gradually climb up. Therefore, it is predicted the prices next week will stay at high levels but restricted by the unfavorable demands, the fluctuations will be small.

Notes:

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TEL: 0086-21-61159288