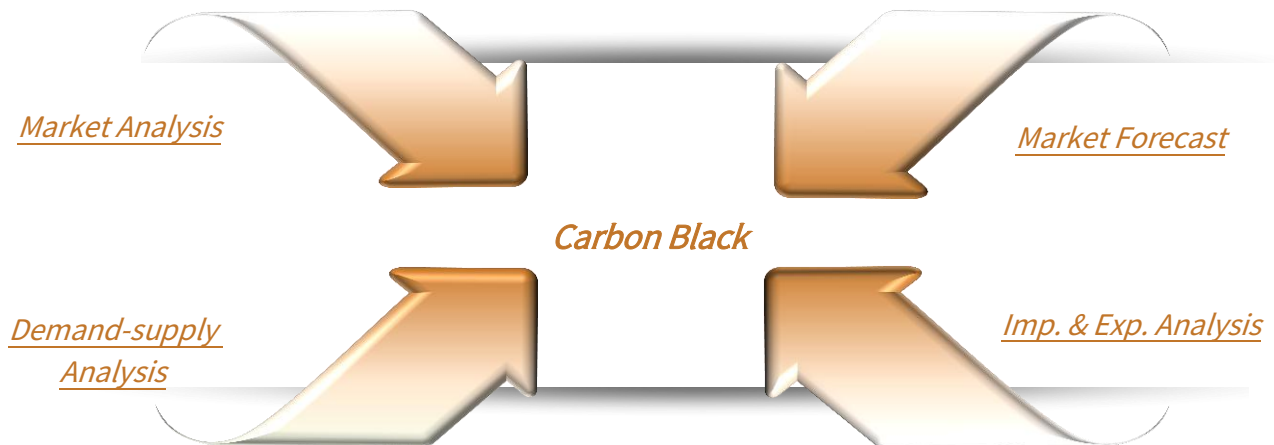


Carbon Black Monthly

June 2018



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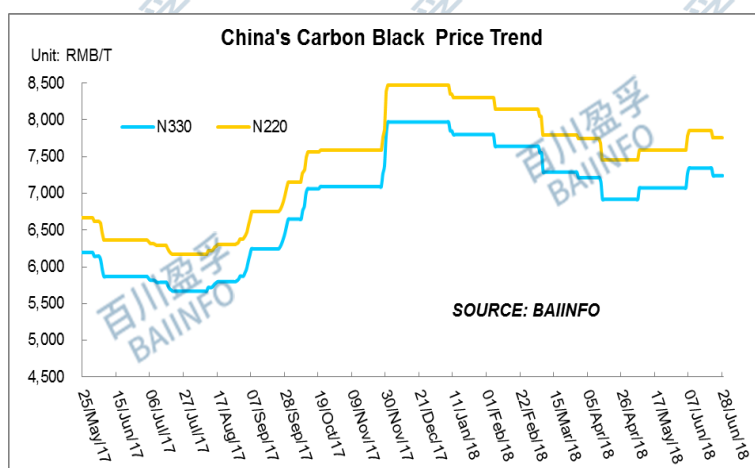
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Carbon Black Market Analysis

➤ Market Review

Carbon black market was slightly higher than May, remaining firm as a whole. N330 mainstream price was RMB 6,900-7,700/T for reference, up RMB 200/T than last month. Main influencing factors: 1. Because of upward coal tar market in May, cost pressure of carbon black kept increasing. Affected by rising raw materials, carbon black manufacturers were willing to increase the price by a range of RMB 200-300/T in Jun. 2. Supply was limited. Some carbon black plants in Shandong suffered different degrees of limiting or shut down. Production Limitation with the implementation time from the beginning of June to the mid, the overall supply of carbon black slightly fell down, thus the factory inventory was mostly lower. 3. Shandong tire factories also shut down or limited production affected by SCO Summit in June. However, downstream rigid demand still existed for carbon black.



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➤ Analysis of Influencing Factors

1. Feedstock Oil: Coal tar market kept falling down in June, with domestic average price cumulatively falling by RMB 207/T or 6.43%. The main production area price assessment was RMB 2,950-3,200/T. In Handan and Tangshan, enterprises still kept low production in the first half of June. In Inner Mongolia, Shandong and Shanxi, local production was limited. And, due to the meeting in Qingdao, overall production of carbon black declined. Production in coal tar distillation processing industry slightly decreased. Discussions of coal tar decreased on weak demand and supply condition as well as the lackluster downstream condition. In the second half of June, the demand slightly increased. But coking plants played active towards production. Considering the sluggish condition of coal tar distillation processing products, buyers still kept hammering prices of coal tar. Also, carbon black producers held low demand for coal tar given current inactive attitude from tire enterprises. Then coal tar trading level continued to fall down.

2. Data in Car-making Industry: In May 2018, car outputs and sales edged down over last month. Outputs and sales in Jan.-May increased with faster speed.

From Jan. to May, car outputs and sales increased. Outputs and sales of passenger car increased. Outputs and

sales of commercial vehicle increased.

3. Operating Rate: Operating rate of carbon black in June was nearly the same with that in May. Slight production cut or halt was seen in Shandong earlier this week. After the summit, production at carbon black plants resumed gradually, except for individual ones conducting turnarounds. Short-term operating rate of carbon black would remain largely stable.

4. Downstream Tire Market: In June 2017, all of the chemical enterprises in Shandong were under strict rectification and not a single chemical plant was established locally. Steelmaking, smelting and tire-making industries would receive integrated rectification in near future.

Carbon Black Monthly Price by Region

Unit: RMB/Tonne

| Product | Region | June | May | Change |
|---------|------------|-------------|-------------|--------|
| N220 | Heibei | 7,700-8,200 | 7,400-7,900 | ↑ |
| | Shanxi | 7,400-7,900 | 7,200-7,700 | ↑ |
| | Shandong | 7,800-8,100 | 7,600-7,900 | ↑ |
| | East China | 7,650-8,000 | 7,650-8,000 | ↑ |
| | Southwest | 7,600-8,000 | 7,500-7,900 | ↑ |
| N330 | Heibei | 7,200-7,700 | 6,900-7,400 | ↑ |
| | Shanxi | 6,900-7,300 | 6,700-7,100 | ↑ |
| | Shandong | 7,300-7,600 | 7,100-7,400 | ↑ |
| | East China | 7,200-7,500 | 7,200-7,500 | - |
| | Southwest | 7,100-7,500 | 7,000-7,400 | ↑ |

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Carbon Black Demand-supply Analysis

➤ Carbon Black Industry Running Condition

Operation Rate: In June, operation rate of carbon black industry was largely flat month-on-month. In June, production was adjusted slightly. Early this month, some local carbon black plants were urged to cut or halt production, and then operation rate slid down mildly. After that, some carbon black plants gradually returned to normal production and only individual ones were still in turnaround. Thus overall production level picked up slightly. In general, carbon black production was largely stable with small changes this month. Going forward, carbon black production level would remain largely stable with small changes in a short run.

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Carbon Black Market Forecast

➤ Coal Tar Market

Support from the supply end was limited. Coke prices increased continuously in recent days. Despite of restricted production (Taiyuan and Changzhi of Shanxi, and Inner Mongolia), coking plants were still active in production resumption. Supply of coal tar picked up steadily. Supply would expand further once coking plants in Xuzhou of Jiangsu restart in July. Considering the environmental protection policies, supply might increase limitedly. (2) Downstream market would extend a weak scenario. Rigid demand for carbon black from tire-making sector was limited due to slack season. Coal tar pitch prices were expected to decrease further. Industrial naphthalene market would remain lukewarm. (3) Deep processing enterprises were in the break-even edge and intended to cut buying prices of feedstock further. Coal tar price is expected to keep sliding down the bottom and then stabilize with fluctuation by RMB 100-200/T in July.

➤ Carbon Black Supply

Operation rate in June was stable compared with May. Enterprises in Shanxi resumed production with low inventory at plants. Carbon black supply was tight in June.

➤ Downstream Industry

Recently, Fazilet Cinaralp, secretary general of ETRMA, introduced the EU's supervision and inspection of tire market to Chinese tire industry.

In 2015, governments of member states of EU launched MSTyr15 joint enforcement action on European tire market. This is a project funded by EU to see the compliance of tires in the European market. Currently, the action has just been completed.

According to Fazilet Cinaralp, this inspection mainly focused on tires used in passenger car. Most of them were summer tires with a total of 8,774 and it also involved 3,164 of winter tires in Northern Europe. Monitoring and analyzing 2,879 tires through the website, it reflects many problems.

747 requirements involving different levels of document review for manufacturers, distributors, importers, etc., 10% of documents hadn't been received and more than 40% of documents were delivered beyond specific time limit (two weeks).

Fazilet Cinaralp said that for new tire labeling act being revised, it should deal whether these technical documents can be continuously provided.

As for test, there was some confusion in the anti-slip performance test of the tire, so test for anti-slip performance was in accordance with ECE117 regulations. According to the inspection results of the website, there were 627 tires in noncompliance and half of them are not labeled. There were still no image, information errors, no connection to the European Commission website and other non-compliance. For the inspection of tire shop, there was noncompliance in 565 shops, such as unlabeled tires, incorrect label format, incomplete information on label, imperceptible label and so on. In the test for 131 tires, anti-slip performance of 16 tires was not in compliance, accounting for 12%; 19 tires did not meet the requirements of rolling resistance, accounting for 14.5%.

Fazilet Cinaralp said that after analyzing results of this enforcement action, EU concluded that the acceptance of market participants was very important and it would improve consumer awareness through joint action.

In this inspection, more than 1,700 types of tires, thereinto above 30% was taken measures voluntarily by operators. She believes that solving the discovered problems was conducive to the progress of the industry. In the future, EU will strengthen supervision and inspection of tires market.

Summary: In Jun. coal tar market ran weak. Prices in the main producing areas, Shanxi, Shandong and Hebei moved down slightly, which could not support cost any more. Negotiation prices in carbon black plants went down, without good news to raw material market. Operation rate of tire industry decreased in the first half of Jun. and increased in the second of the month. Due to tire industry entering into the off season and high inventory of tire factories, there would not be good news on the demand side of carbon black in Jul. Impacted by the meeting, suppliers of carbon black might limit production, even shut down. Meanwhile, in the main producing areas, inventory at carbon black plants was low, so it can be expected that short-term supply-demand of carbon black will continue to be tight balance. In the future, supply may be shrunk. Overall, good news for carbon black market was limited and new orders could not boost prices, so carbon black market will run weak in Jul. New orders' prices may move down slightly, with the decline range of RMB 300/T. N330 reference prices will be at RMB 6,600-7,400/T.

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Carbon Black Imp. & Exp. Analysis

➤ Import and Export Statistics of Carbon Black

Customs statistics showed that China exported 96,320 tonnes of carbon black in Mar., 2018, up 45% MoM. Monthly average export price was at USD 1,272/T. 26,531 tonnes of carbon black were exported to Thailand, 14,509 tonnes of carbon black were exported to Indonesia, and 17,961 tonnes of carbon black were exported to India.

In Jan. to Mar., 2018, accumulative total export was at 220,998 tonnes, up 21.4% compared with the same period last year. In Jan. to Mar., 2018, 62,605 tonnes of carbon black were exported to Thailand, 40,126 tonnes of carbon black were exported to Indonesia, and 32,443 tonnes of carbon black were exported to India.

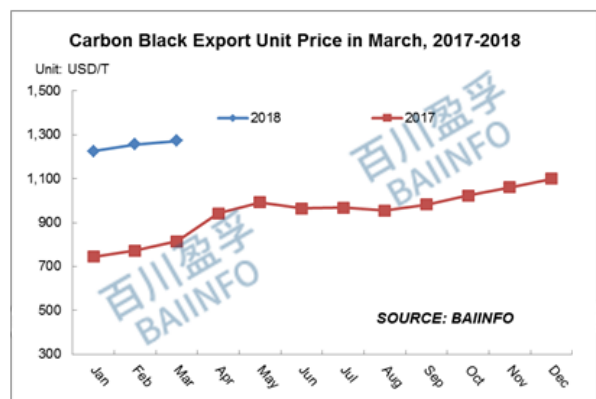
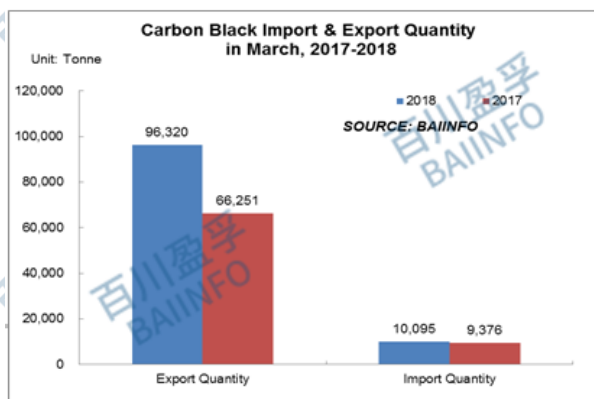
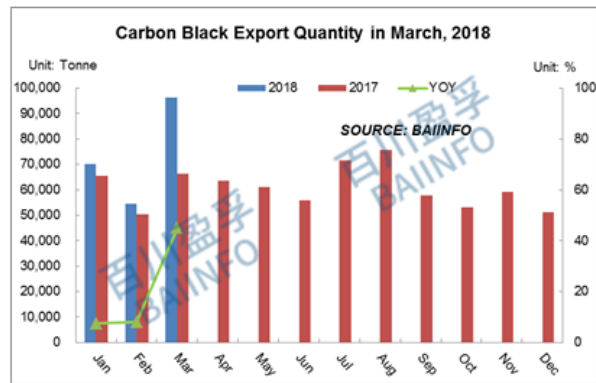
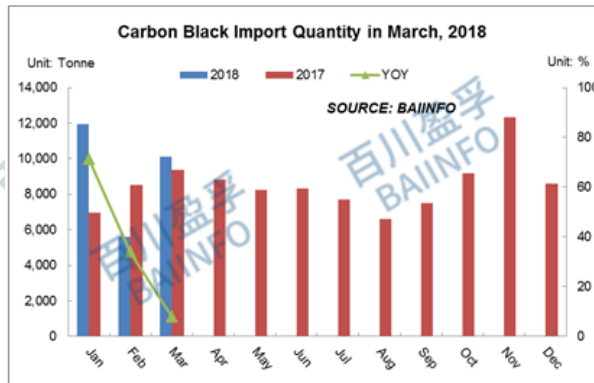
China Carbon Black Export in March (by Countries/Regions)

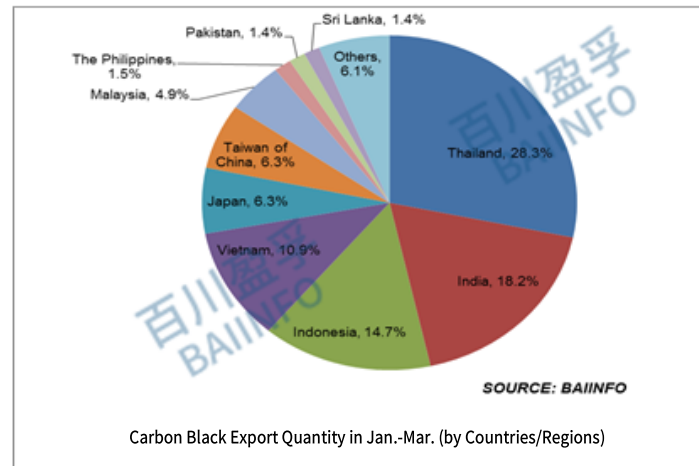
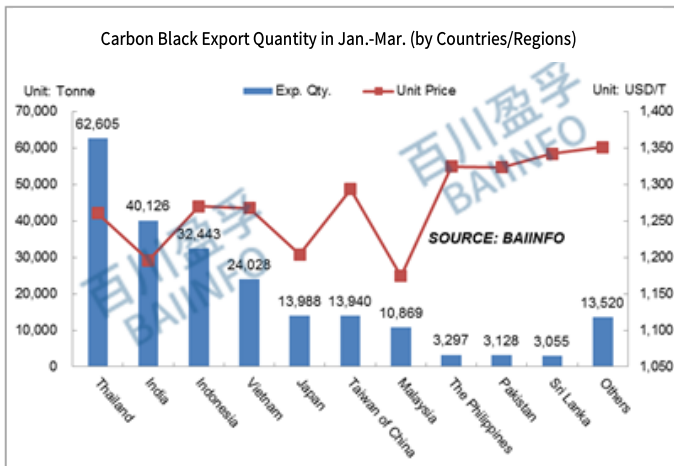
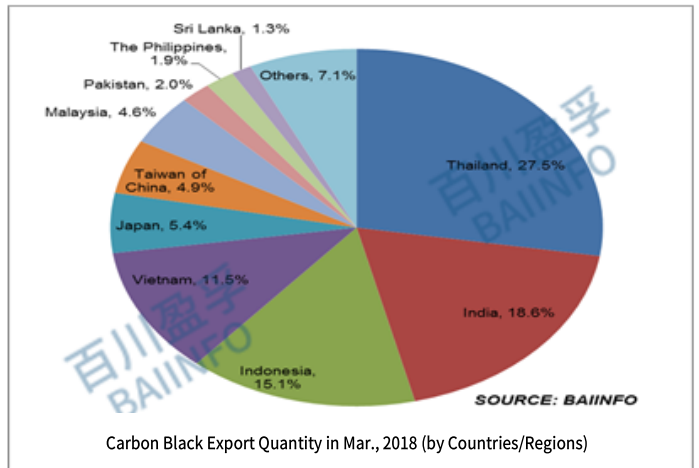
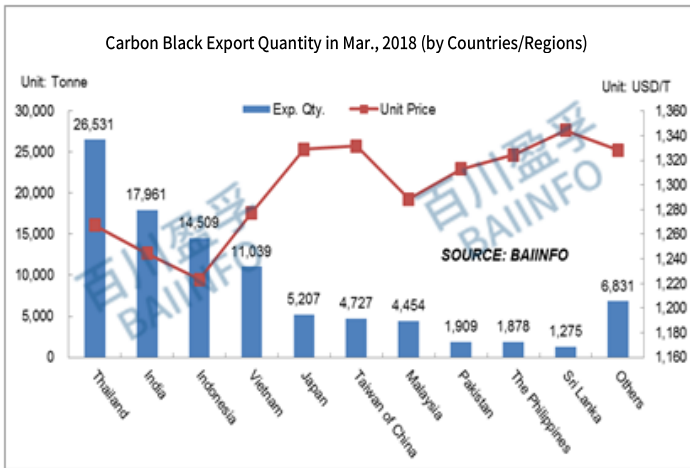
| Countries/Regions | Exp. Qty. (T) | Exp. Val (\$US) | Structure Ratio | Unit Price (USD/T) |
|-------------------|---------------|-----------------|-----------------|--------------------|
| Thailand | 26,531 | 33,619,140 | 27.54% | 1,267 |
| India | 17,961 | 22,352,413 | 18.65% | 1,244 |
| Indonesia | 14,509 | 17,745,778 | 15.06% | 1,223 |
| Vietnam | 11,039 | 14,102,746 | 11.46% | 1,278 |
| Japan | 5,207 | 6,920,093 | 5.41% | 1,329 |
| Taiwan of China | 4,727 | 6,293,456 | 4.91% | 1,332 |
| Malaysia | 4,454 | 5,739,439 | 4.62% | 1,289 |
| Pakistan | 1,909 | 2,506,417 | 1.98% | 1,313 |
| The Philippines | 1878.145 | 2,487,540 | 1.95% | 1,324 |
| Sri Lanka | 1274.55 | 1,713,593 | 1.32% | 1,344 |

| Countries/Regions | Exp. Qty. (T) | Exp. Val (\$US) | Structure Ratio | Unit Price (USD/T) |
|-------------------|---------------|--------------------|-----------------|--------------------|
| Others | 6,831 | 9,072,727 | 7.09% | 1,328 |
| Total | 96,320 | 122,553,342 | 100.00% | 1,272 |

China Carbon Black Export in Jan. to Mar., 2018 (by Countries/Regions)

| Countries/Regions | Exp. Qty. (T) | Exp. Val (\$US) | Structure Ratio | Unit Price (USD/T) |
|-------------------|----------------|--------------------|-----------------|--------------------|
| Thailand | 62,605 | 78,905,491 | 28.33% | 1,260 |
| India | 40,126 | 47,995,329 | 18.16% | 1,196 |
| Indonesia | 32,443 | 41,205,287 | 14.68% | 1,270 |
| Vietnam | 24,028 | 30,452,800 | 10.87% | 1,267 |
| Japan | 13,988 | 16,839,826 | 6.33% | 1,204 |
| Taiwan of China | 13,940 | 18,035,061 | 6.31% | 1,294 |
| Malaysia | 10,869 | 12,764,911 | 4.92% | 1,174 |
| The Philippines | 3,297 | 4,367,742 | 1.49% | 1,325 |
| Pakistan | 3,128 | 4,141,084 | 1.42% | 1,324 |
| Sri Lanka | 3,055 | 4,101,236 | 1.38% | 1,342 |
| Others | 13,520 | 18,266,043 | 6.12% | 1,351 |
| Total | 220,998 | 277,074,810 | 100.00% | 1,254 |





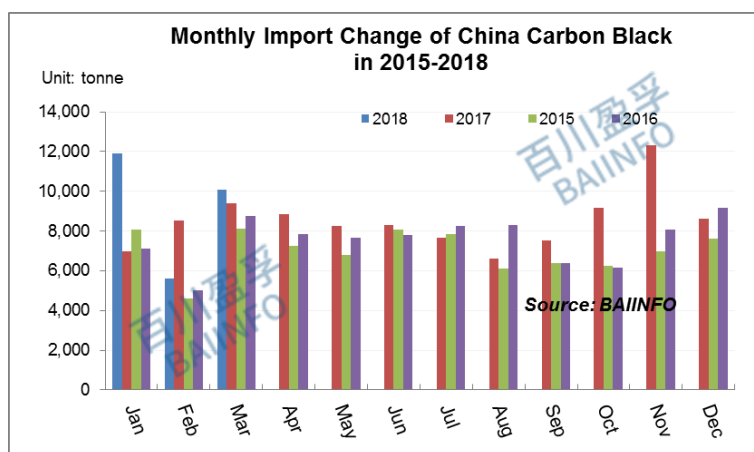
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➤ Monthly Import & Export Change of China Carbon Black in 2015-2018

Carbon Black Import Dataset in 2015-2018

Unit: tonne

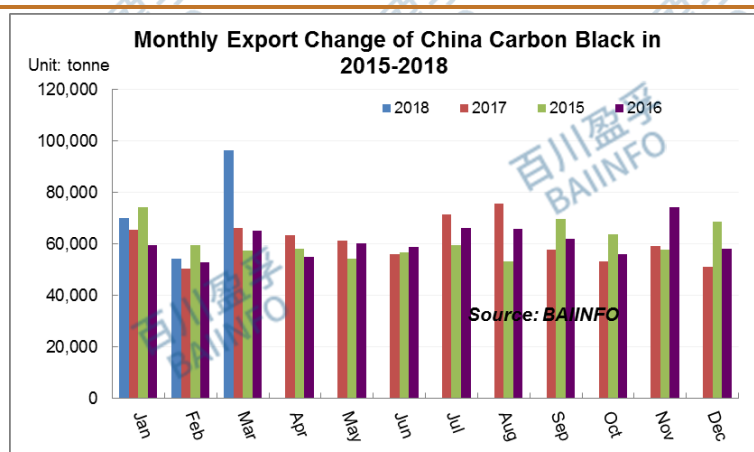
| Month/Year | 2018 | 2017 | 2016 | 2015 |
|--------------|--------|----------------|---------------|---------------|
| Jan | 11,922 | 6,958 | 7,122 | 8,075 |
| Feb | 5,595 | 8,513 | 5,008 | 4,605 |
| Mar | 10,095 | 9,376 | 8,778 | 8,106 |
| Apr | | 8,827 | 7,860 | 7,260 |
| May | | 8,262 | 7,674 | 6,813 |
| Jun | | 8,318 | 7,821 | 8,073 |
| Jul | | 7,680 | 8,265 | 7,858 |
| Aug | | 6,617 | 8,299 | 6,099 |
| Sep | | 7,508 | 6,373 | 6,366 |
| Oct | | 9,163 | 6,169 | 6,243 |
| Nov | | 12,317 | 8,086 | 6,979 |
| Dec | | 8,603 | 9,151 | 7,595 |
| Total | | 102,141 | 90,604 | 84,070 |



Carbon Black Export Dataset in 2015-2018

Unit: tonne

| Month/Year | 2018 | 2017 | 2016 | 2015 |
|--------------|--------|----------------|----------------|----------------|
| Jan | 70,229 | 65,392 | 59,468 | 74,305 |
| Feb | 54,449 | 50,412 | 52,956 | 59,632 |
| Mar | 96,320 | 66,251 | 65,290 | 57,468 |
| Apr | | 63,462 | 54,969 | 58,293 |
| May | | 61,242 | 60,094 | 54,323 |
| Jun | | 55,886 | 58,869 | 56,733 |
| Jul | | 71,432 | 66,297 | 59,542 |
| Aug | | 75,701 | 65,923 | 53,184 |
| Sep | | 57,914 | 61,952 | 69,733 |
| Oct | | 53,274 | 56,098 | 63,890 |
| Nov | | 59,125 | 74,277 | 57,667 |
| Dec | | 51,184 | 58,041 | 68,693 |
| Total | | 731,274 | 734,234 | 733,463 |



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Registered office

501A, 5th Floor, Air Service Bld., Building 2, No. 39, Dongzhimenwai Street, Dongcheng District, Beijing, P.R. China

Fax: +86-10-5894 6899; Cell: +86 139 1021 1072; Email: bxj@baiinfo.com

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