

PVC COMMITTEE

Capacity, Production, Domestic Demand, Import, and Net Inventory Data of PVC in Malaysia

(Unit: 1,000MT)

	2009	2010	2011 - Prospects
Capacity	280	280	280
Production	250	240	245
Domestic Demand	160	165	175
Balance	90	75	70
Import	35	45	45
Net Inventory	125	120	115

Number of producers = 4 (include 1 Paste PVC plant of 30,000MTS Capacity)

Review of 2010

Surplus in Supply over Demand created by temporary slow down in demand due to capacity availability and high raw material costs due to:

- a) The removal of 5% ASEAN countries' post AFTA tariff effective 1 January 2010 lead to an influx of resins – with ASEAN imports doubling to 24,000 MTS from the normal 12,000 MTS per year that was made worst by the strong Ringgit appreciation against the US Dollar.
- b) Anti-dumping Duty imposed by the Indian Government against Malaysian producers makes Malaysian PVC uncompetitive for export to Indian market worsen domestic surplus that lead to serious price competition among local producers.
- c) The uncertainties over the European financial crisis, weak commodity prices and reduced China imports contributed to regional PVC oversupply and the regional shortage of EDC / VCM feedstock that drove costs to high levels affected demands.

Future Prospects

Growth is expected for 2011 although the industry will face severe competitive pressure:

- a) Forecast economic growth of 5% - 6% in Malaysia plus the Government's Transformation Program and impending General Election expected to have positive impact on Petrochemical industry and improved PVC demand.
- b) The significant margin erosion due to severe price competition and strong Ringgit may force the industry players to rationalise the PVC industry to restructure for better cooperation and benefit of integration to avoid damage to the industry.
- c) The turmoil in the Middle East and rising oil prices plus the severe earthquake and nuclear fallout in Japan is a significant concern to global economy in the year ahead.

VCM

There is only one VCM producer in Malaysia with annual rated capacity of 400,000 MTS.

