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Westlake Chemical Corp. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, Dave. (Operator instructions) And your first question on the line will come from Mark Connolly from - Credit Suisse. You may proceed Mark.

Mark Connolly- Credit Suisse

Good morning, this is Nils Wallin sitting in for Mark. How are you?

Steve Bender

Good morning.

Nils Wallin- Credit Suisse

A question about caustic sorter pricing, obviously that's a big driver right now in the Vinyls market chain and the published prices are very high although some of your competitors put out an ECU net back which is lower than what you typically see by the consultants. Are we just in a lag period or are the price increases that have been nominated are not going through as much because of contracts and caps and things like that?

Albert Chao

We are seeing strong demands from caustic because of a sharp reduction in demands for poring, which goes into PVCs. As a result, we are seeing price increases and at Westlake we don't have some of those price caps – we are not affected by those price caps.

Nils Wallin- Credit Suisse

Further then to that, the increases that are there I would assume is, do you have any what the limit might be for those increases because certainly the end market that could typically caustic, for example pulp and paper, aluminum, fibers and things like that are not doing well, there's a lot of production cuts there, what's your sense of how much higher these price increases could go before there is some sort of demand destruction?

Albert Chao

I don't know the answer. However, we are seeing some imported costs of overseas. But Overseas-wise, the plumbing demand has dropped. Overseas coffee prices are very tight as well.

Nils Wallin- Credit Suisse

Thanks. Finally, you have presence out in Asia with Tighltn and PVC units in China. Would you give us a sense of what the trade is like out there with tighter credit, also obviously with the tighter letters of credit shutdown, is it at a much lower level or are people waiting for credit conditions to return?

Albert Chao

I think what we are seeing in the US is happening globally – first of all, there is the sharp drop in costs, from crude oil, from NASA, ethane and propane. That would cause prices to come down and the buyers will want to wait until the price stabilizes. The second part is with the financial crisis which led to economic recession globally, which caused a demand in drop that affected different parts differently in different regions. So there's a fair amount of inventory destocking going around, and people are only buying when they have to.

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