

To ISM-PRD Members, Honorable Advisors and global ISM fellows,

The Federal Reserve announced the third round of Quantitative easing on 13th Sep. The world's stock markets went up immediately; prices of commodities and gold were triggered to climb as well. Euro Zone was stimulated a bit but still struggling with debit crises. The world's economic growth still gained mainly from emerging markets.

As expected, China's third Quarter data reported a slow growth, but all indices moved up and showed a potential stabilized growth for the upcoming periods. Generally, GDP was 7.7% higher than in Q3 2011. Manufacturing PMI got back to expansion side to 50.2, ending two months falling trend. Consumer confidence index was higher than world average, though limited growth of export negatively impact on China's economy.

Now, as a side effect of QE3, hot money started to find ways to go into China. Inflation and real estate bubbles become problems to be handled again.

In addition, the disputes on territorial rights of islands between China and its East and Southeast Asian neighbors put unease to the economy growth of the Asian economies, particularly when the Diaoyu Islands issue led to nation-wide level boycott of Japanese products in China.

Besides, in the coming quarter, the 18th National Congress of Communist Party of China and US presidential election would be held. Whether the transition of leadership will pose an impact on economy is unknown. We need to wait and see.

China's Growth slows down but is stabilizing

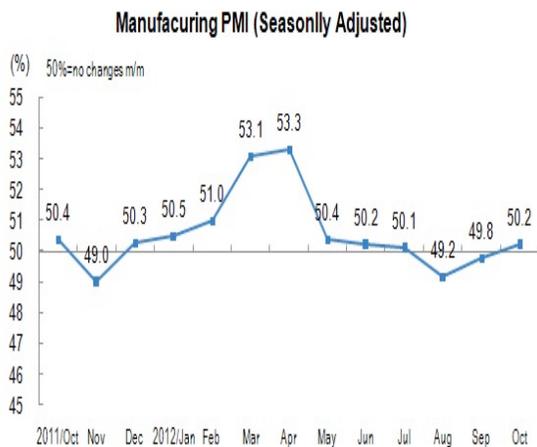


China's GDP reported 7.7% growth compared with the same quarter last year, and 2.2% growth against last quarter.

Looking at individual provinces or municipalities, Tianjin, Chongqing and Guizhou led the growth at 13.9%, 13.8% and 13.8%. On the other hand, Beijing, Shanghai, and Zhejiang are the only three regions grew below 7.7% level.

Looking at sectors, wholesaling and retails gained the highest growth of 11.8%

PMI Increased get back to expansion side



China's manufacturing PMI (Seasonally adjusted)

Unit: %

2012	PMI	Production Index	New Orders Index	Main Raw Materials Inventory Index	Employed Person Index	Supplier Delivery Time Index
February	51	53.8	51	48.8	49.5	50.3
March	53.1	55.2	55.1	49.5	51	48.9
April	53.3	57.2	54.5	48.5	51	49.6
May	50.4	52.9	49.8	45.1	50.5	49
June	50.2	52	49.2	48.2	49.7	49.1
July	50.1	51.8	49	48.5	49.5	49
August	49.2	50.9	48.7	45.1	49.1	50
September	49.8	51.3	49.8	47	48.9	49.5
October	50.2	52.1	50.4	47.3	49.2	50.1

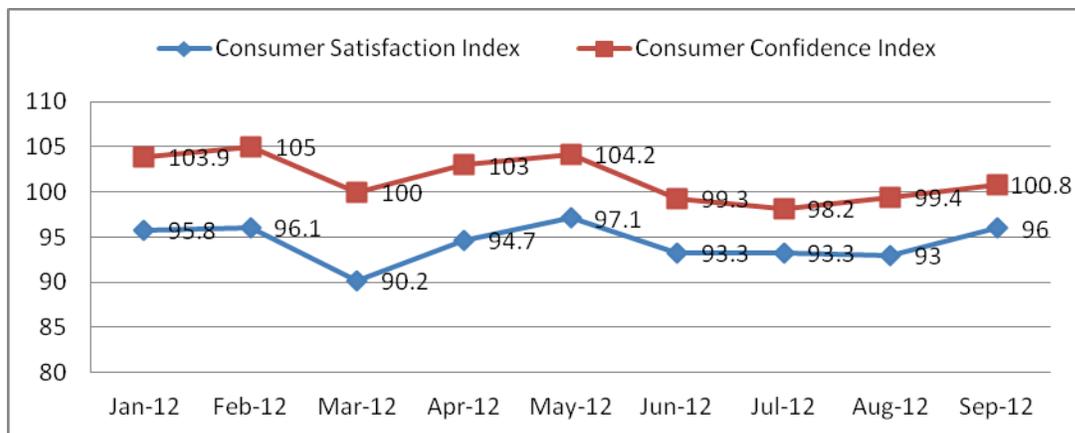
(Source: http://www.stats.gov.cn/english/pressrelease/t20121102_402847908.htm)

Manufacturing PMI picked up to 50.2, back to positive growth after two months' gloom. Main improvement was from large-sized businesses, the reading for which was at 50.9. While mid-sized and small-sized business continued to be in recession with readings of 49.3 and 47.2 respectively.

All five sub-indices reported growth. New order index was 50.4 above the marginal 50 line after 6 months decline.

China's PMI announced by HSBC also arrived its 8 months' highest 49.5, which was higher than expected 49.1 at the end of Oct.

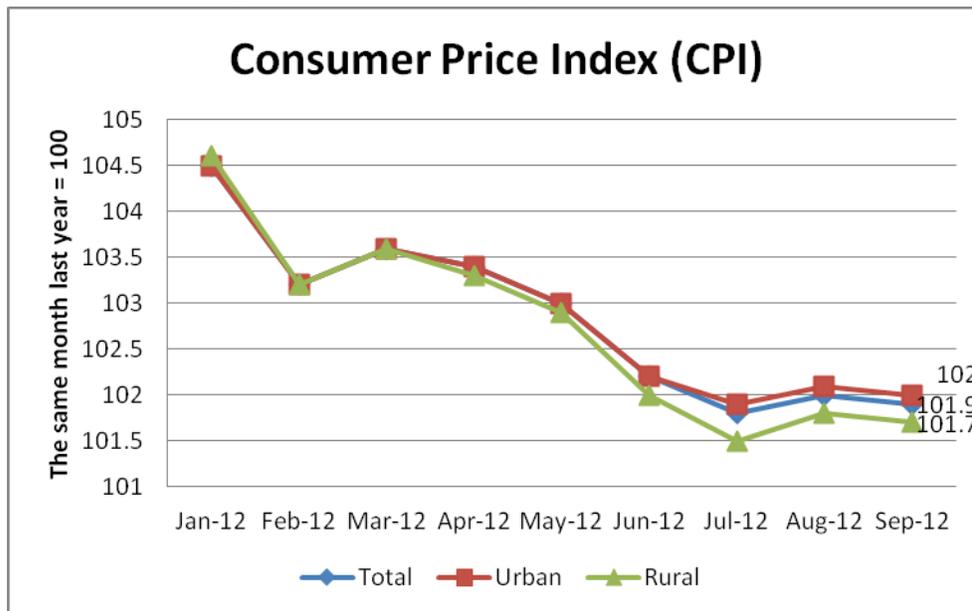
Consumer confidence increased



Based on announcement by NBS, consumer confidence bottomed and moved up to 100.8 after three months drop.

As released by ACNielsen, consumer confidence index was at 106, with 0.6% increase compared with Q2 2012. Slowing down of export growth to Euro Zone had substantial impact in this area.

Consumer price index stayed at low level

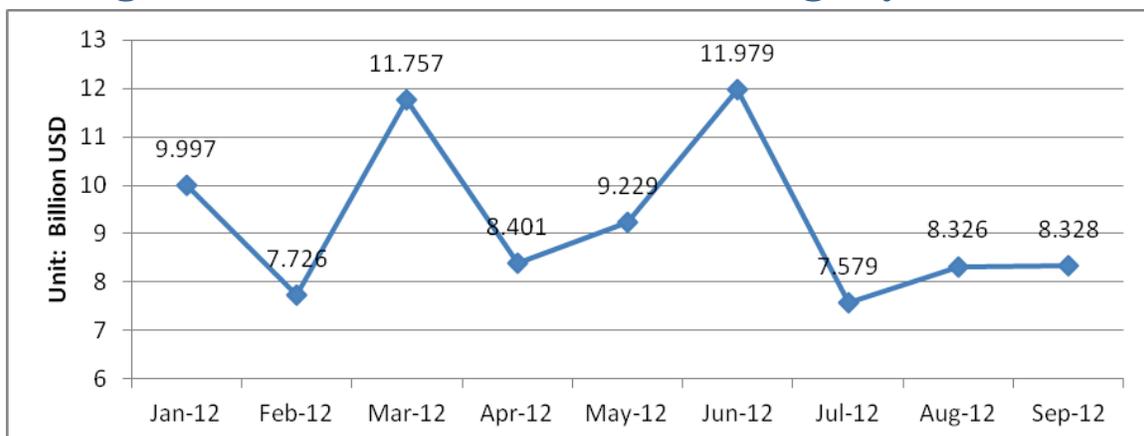


Increase in Consumer Price Index slowed down, showing only an increase of 1.9% in Sep 2011 over the same month last year. Urban CPI was 2% higher and rural CPI was 1.7% higher.

Looking at the categories, clothing jumped 3.4%, food price increased by 2.5%, followed by 2.3% in residence. Transportation and telecommunication were the only category showing a decrease of 0.2%.

September producer price index (PPI) was 3.6% lower on year-over-year base.

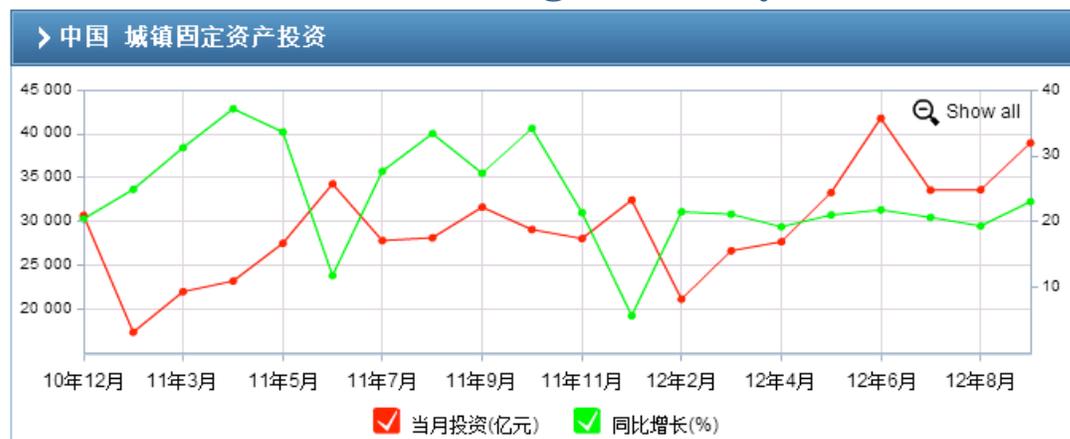
Foreign direct investment recovered slightly



Accumulated from January to September this year, FDI recorded at US\$83.4 billion, which was 3.76% lower than the same period last year.

According to Ministry of Commerce release, Hong Kong, Japan and Singapore were top three countries/regions investing in China. Total investments from Asian countries dropped by 4.31% and investments from EU countries decreased by 22.85%. However, US investment climbed by 22.47%.

Investment in fixed assets grew slowly



From January to September 2012, accumulated investment in fixed asset increased by 23.08% to 25.7 trillion Yuan.

Looking at growth rates of various regions, Central region had the largest growth at 25.8%, followed by 24.1% in Western and 18.4% in Eastern regions.

Growth in primary industries investments continued jumping 32.2% to 654.5 billion Yuan, that of secondary industry increased by 22.4% to 113.7 billion Yuan and tertiary industry up 19.4% to 136.7 billion Yuan.

CNY to USD exchange rate hit new low



(Source: <http://uk.finance.yahoo.com/q?s=CNYUSD=X>)

USD to CNY exchange rate picked up a little in July and August, but soon it dropped to new lowest point (1 USD \approx 6.24 CNY). The result is not surprising in view of QE3.

REFERENCE

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