

China Business News Flashes by ISM- PRD First Quarter,2010

To honorable advisors, global ISM fellows and ISM- PRD members,

As China economic power and international trade volume have been playing more and more important role in global economic trend, Institute for Supply Management, Pearl River Delta (ISM- PRD) team is very pleased to share with you some highlights of key leading and lagging economic indices of publicly available in the market on China for your reference. The publication of “China Business News Flashes by ISM-PRD” will be published quarterly initially and if necessary with more resource and receiving very positive response, we may change it to monthly with more information particularly in serving segment. I hope the first one will be impressive to you and helping you run your business globally particularly related to your China business.

Yours sincerely

Daniel Chan
President, ISM-PRD

China Business News Flashes by ISM- PRD

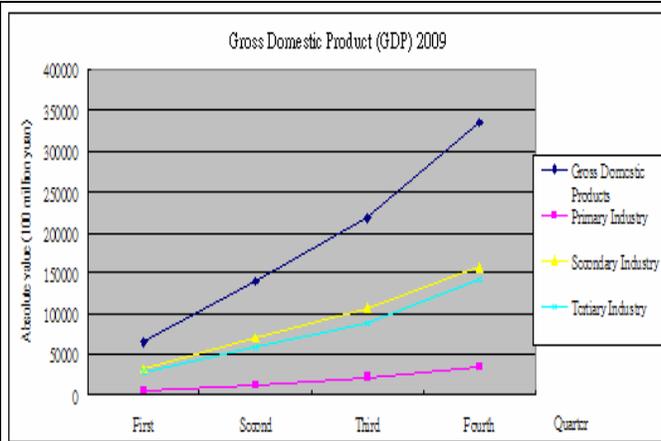
Despite the global economic uncertainty particularly for “PIGS” Challenges in EU region (i.e. **P**ortugal, **I**taly, **G**reece and **S**pain) it seems China economic growth continues to move forward positively and consistently with a strong GDP up trend. China PMI recently moved up to 57 in March, '10, +3.1% up compared to last month, the third recorded highest point since China PMI published by China Federal of Logistics and Procurement Association. The same trend is observed in USA. USA PMI rebounded to 59.6 in March Vs. 56.5 in February, 2010, as reported by ISM. It was much better than the analyst projection due to inventory replenishment recently for inventory below expectation and better manufacturing capacity utilization rate. For EURO zone, the PMI continue to improve to 56.6 in March, '10, better than 54.2 in February, '10. Under the favorable internal and external business atmosphere, GDP growth of China is projected to be +11%, which will trigger the macro-economic tightening process. Very likely analysts expect the People's Bank of China will raise interest rate in near term, in addition to the recent raise of reserve fund ratio of lending for banks to reduce money supply in China, to

slow down the economic pace particularly for real estate investment with potential bubble. China CPI expects to appreciate to 2% or above in Q1,'10 and inflation pressure will come again. Analysts project RMB appreciation will start again at May/June, '10 due to stronger demand.

In Pearl River Delta region, the recent labor shortage of manufacturing has been improved. Labor intensive, low value added industries are moving to the inner part of Guangdong or south part of near by provinces such as Guangxi, etc. where they can get relatively cheaper locally available labor. Those higher value add industries such as IT industries, being able to offer better salary and compensation packages, can manage to hire sufficient labor to run the operation with intensive training program, etc. Manufacturing business in the region continues to be very strong, but plans of expansion of capacity remain very conservative due to global economic uncertainty and potential upward cost pressure in this region. Guangdong government has continuously been working on upgrading the technology and value add of the industry, examples are investment of latest LCD panel manufacturing in Shenzhen by TCL and LG, new 8" IC fabrication line of SMIC, etc.

Per the recent signature of Framework Agreement on Hong Kong and Guangdong Co-operation on 7th April 2010 in Beijing in front of senior leaders of Central Government of China, further social and economic integration between two regions will be expected with the following key initiatives:

1. With Hong Kong SAR as an international finance center plus the support on of industries from Guangdong province (primary, secondary, tertiary), Guangdong will emerge as an 0.1 billion population international metropolitan region in South China in near future
2. Hong Kong will become the first off shore RMB exchange and transaction center with Western free competitive capital market dynamic, mechanism and process with China global business partners
3. A much bigger integration between two regions in area of culture, education, economy and trade, sustainability execution and policy making, logistics and transportation, and etc.



* The data of 2010 first Quarter is not yet available.

Gross Domestic Product (GDP) 2009

The GDP of China has on a rising trend over the years. The importance of secondary industries such as Manufacture and Agriculture Industry is increasing in the current Chinese economy. Comparing to previous year, the GDP is returning to stable level of GDP growth and up trend.

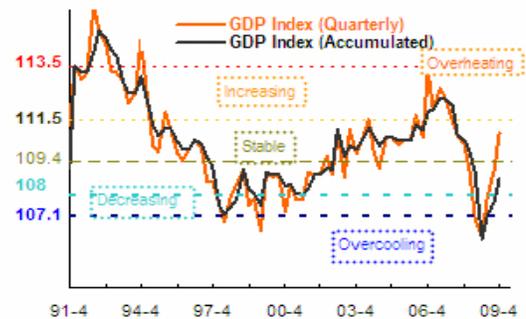
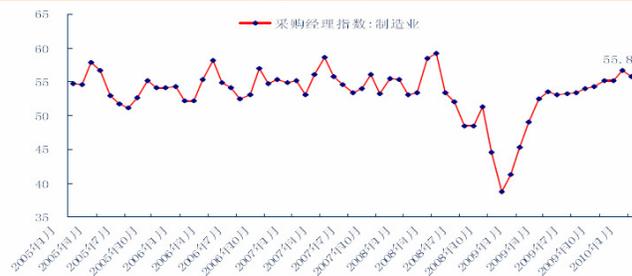


Chart 1: Jan's PMI retreated slightly from high level

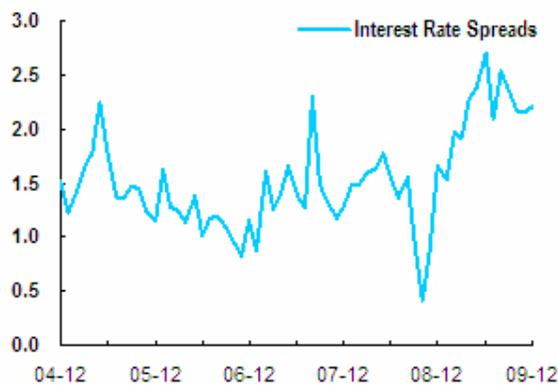


Source: CFLP, BOCOM Int'l

Source: http://www.bocomgroup.com/mediafiles/documents/p1_2998_en.pdf

Manufacturing Purchasing Managers' Index (PMI Index)

The PMI of China has a sharp decrease at the beginning of early 2009. Later on, the PMI made a sharp rebound from March to July and then is continuously fluctuating to climb until early, 2010. In March, China PMI rebound to 57, the third recorded high in history.



Interest Rate Spreads

The Interest rate has been rising to all time high in 2008/2009 to cool down real estate market, but came down in 2009 to stimulate the internal domestic consumption in order to tackle the challenges of global economic down turn.

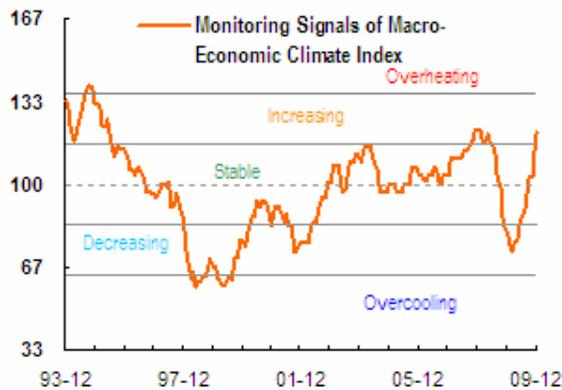


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Source: <http://hk.finance.yahoo.com/q/bc?s=CNYUSD=X&t=1v&l=on&z=m&q=l&c=>

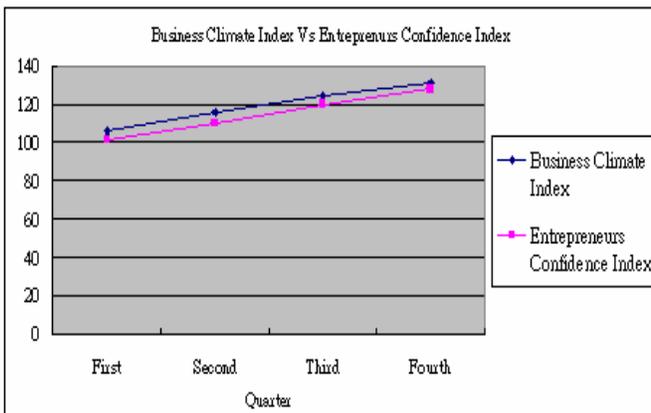
CNY to USD

The exchange rate of CNY to USD maintains a relative stable range between 0.1462 and 0.1466 over the past year.



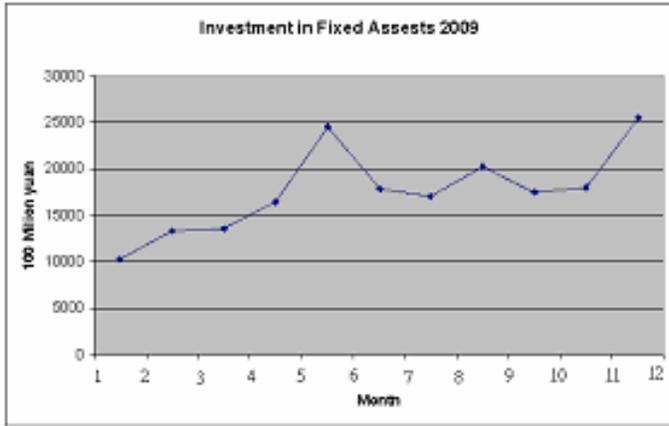
Macro- Economic Climate Index

The Macro- Economic Climate Index dropped significant in Q1,'09 due to global economic crisis and then rebound strongly in 2009. The upward trend of Macro-economic Climate Index seems to continue in 2010.



Business Climate Index and Entrepenus Confidence Index

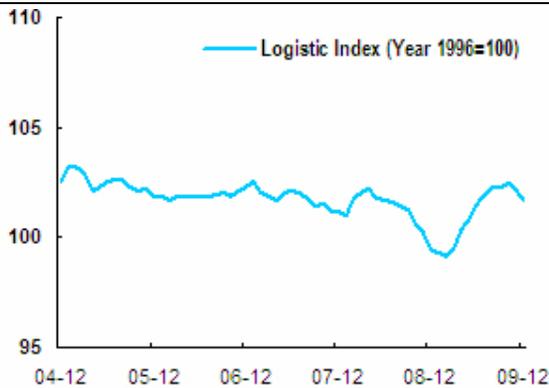
There has been an increasing trend over quarters in 2009. The Business Climate Index has a higher reading than that of Entrepenus Confidence Index within the same period over the year. Both are continuously in upward trend.



Investment in Fixed Assets 2009

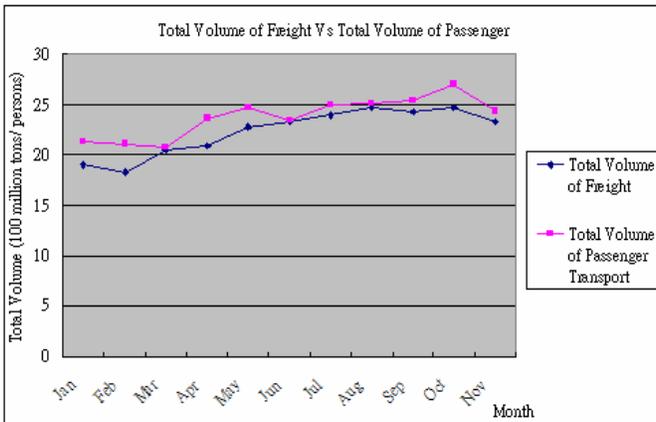
The total investment in fixed assets accumulated from Jan to Dec is RMB19413.86 Billion.

The investment in fixed assets increases from Jan to late May, '09. Then, there was a fluctuation downward until late Oct, '09 and it returned to the level of mid-May in December, '09. In general, a slight upward trend was observed.



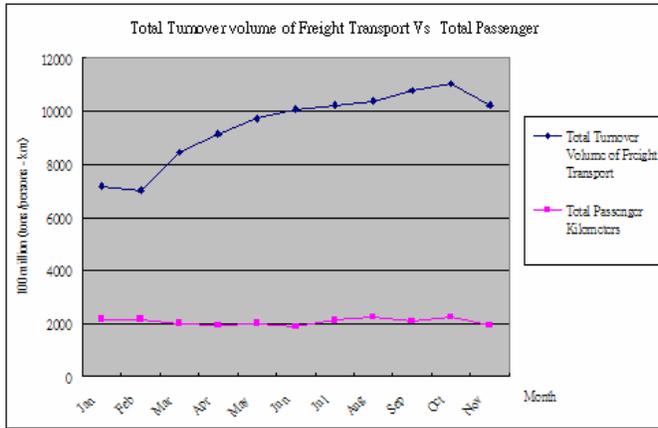
Logistic Index

The Logistic Index saw a sharp decrease at the end of 2008 and the beginning of 2009. However, we saw a return to the original level for the rest of 2009.



Total Volume of Transportation 2009

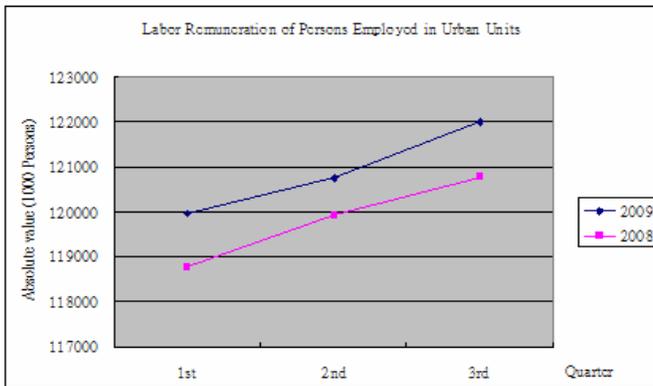
Overall, there is an upward trend in both total volume of Freight and Passenger of China from Jan to Oct, '09, but with noticeable slight drop in Nov, '09.



Total Turnover volume of Freight Transport and Total Passenger 2009

For the total turnover volume of Freight Transport and Total Passenger, it was slightly decreasing from Jan to Feb, '09, but we observed an overall increasing trend for the rest of '09.

The total turnover volume of passenger fluctuates around 2000 persons-km over the year and the average is 2071 person-km.



Labor Remuneration of Persons Employed in Urban Units

There were an increasing number of employees in Urban Units in 2009, from 119.965 millions to 121.989 millions. Comparing with previous year, there is an average positive increase about 0.9% over the same period of last year.

Source of data: <http://www.stats.gov.cn/enGliSH/>

Disclaimer: Should there be any different views in the interpretation, please always refer to the original media source as reference. Institute for Supply Management – PRD accepts no liability in respect of the accuracy and truthfulness of the materials included in this article.

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