

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

China Business News Flashes by ISM-PRD

In the first quarter of 2011, the economic situation becomes more challenging than in the previous ones. The Great East Japan Earthquake has caused a break in the chains of supply for various products, including automobiles and high-end electronic components. What is more, leakage of radioactive substances at the Fukushima Nuclear Power Plant in Japan brings irreversible water crisis to millions of people, or even to the globe. Sourcing the right materials for replacement is becoming a harsh task for all companies, especially to Japanese food shops and restaurants. The closure of some might be unavoidable.

As shown in the JPY/USD chart below, the Japanese government had already spent billions of money to the currency market to avoid unexpected appreciation of JPY against USD. Though reconstruction in Japan requires more building materials, like cements and steel bars, which is beneficial to neighbor countries or cities, Business Climate Index becomes flat.

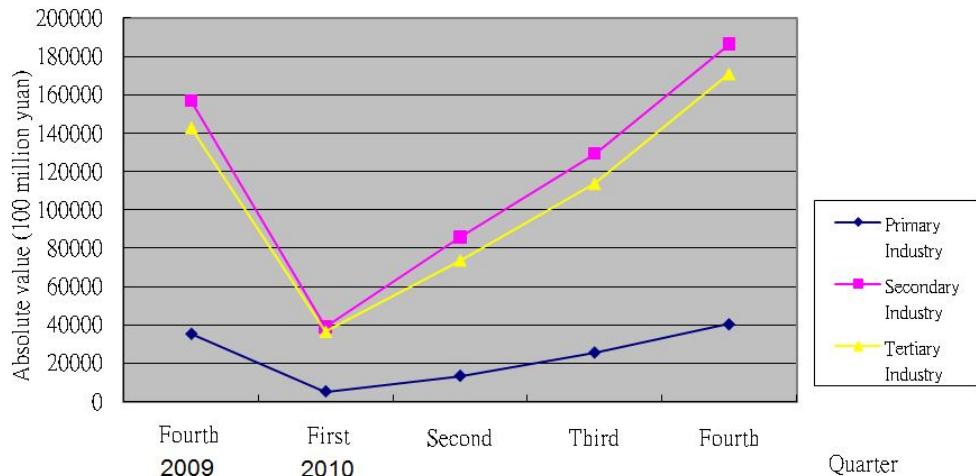
On the other hand, the chart CNY/USD suggests that the exchange rate of CNY to USD is still climbing. This reflects that inflation problem is becoming more serious in China and that is why the Chinese government has tightened the required reserve ratio and interest rate of CNY consecutively since 2010.

We hope that the Japanese people can regain their confidence in their fight for the future and all manufacturing firms can cooperate together to get through this painful period.

Dr. Jendy Leung
Director, Academic & Professional Development
ISM-PRD

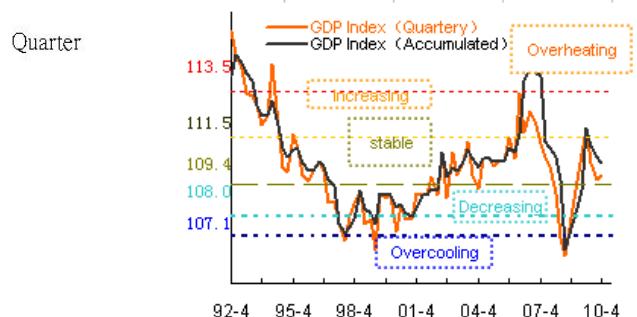
Data charts and brief summaries:

Gross Domestic Product (GDP) 2009 -2010



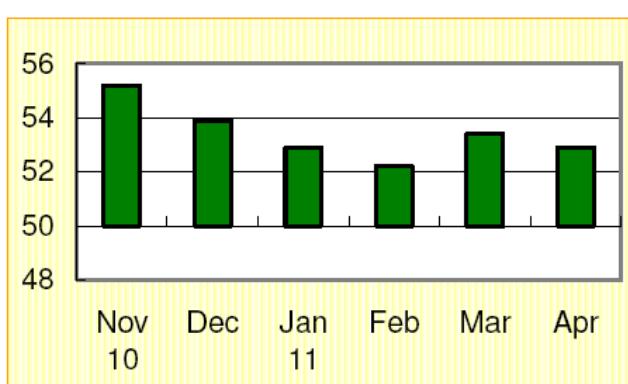
Gross Domestic Product (GDP) 2009 4th Quarter- 2010 4th Quarter

The real GDP in China is dominated by both Primary and Secondary Industries. In the 1st quarter 2011, there was a rebound following the sharp drop in the 4th quarter 2010. After that, the GDP moves up gradually.



CFLP China Manufacturing PMI, seasonally adjusted

10/11	PMI
Nov-10	55.2
Dec	53.9
Jan-11	52.9
Feb	52.2
Mar	53.4
Apr	52.9

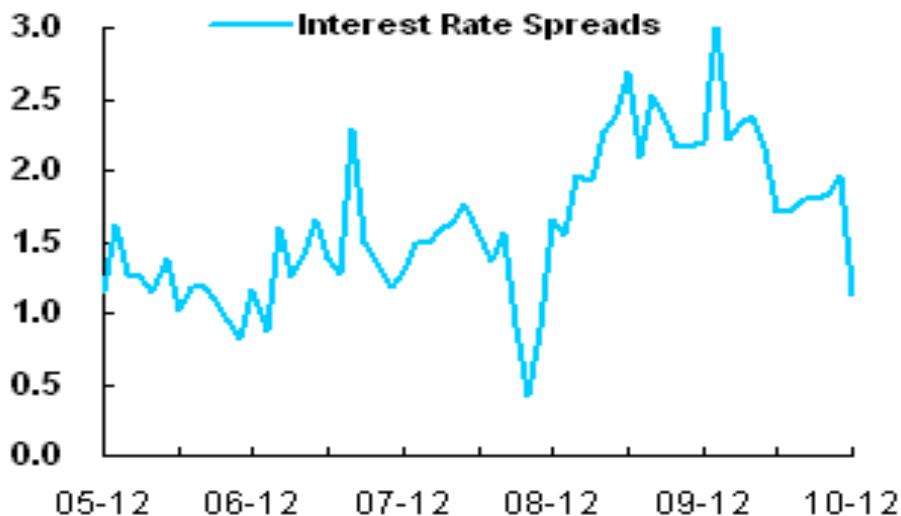


Manufacturing Purchasing Managers' Index (PMI Index)

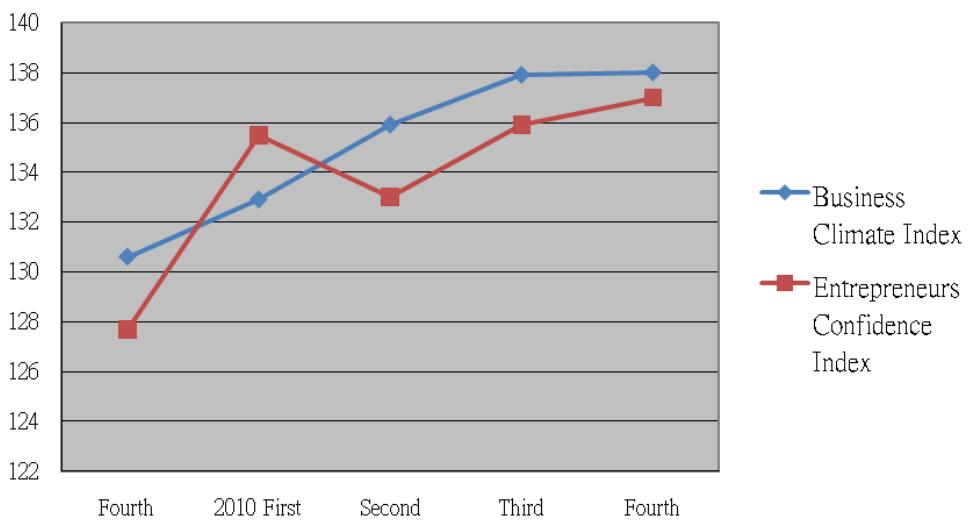
The PMI of China has continuous decrease from Nov to Feb.

The growth of PMI of China further moderated to 52.9 % in Apr, 2011.

Source: http://www.lifunggroup.com/eng/knowledge/research/PMI_may11.pdf

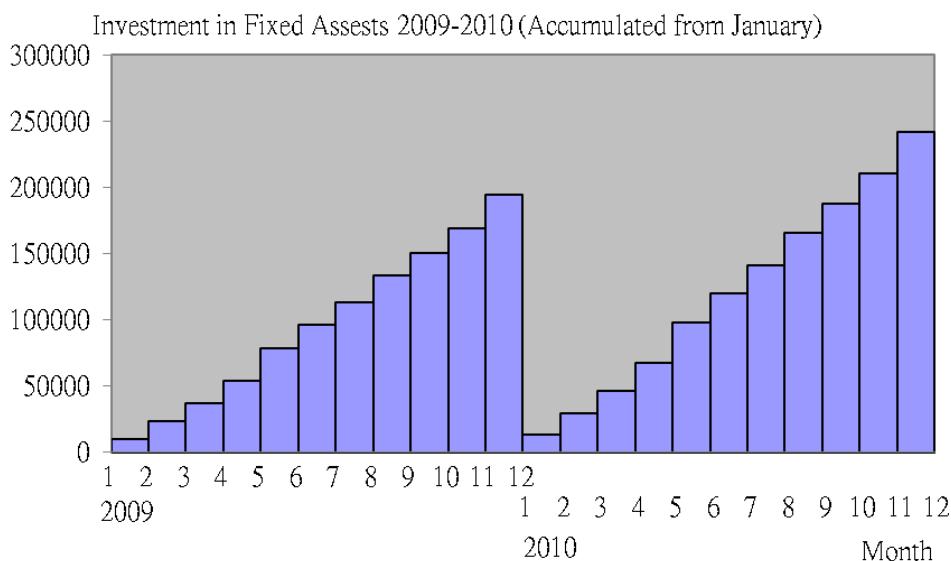


Business Climate Index Vs Entrepreneurs Confidence Index



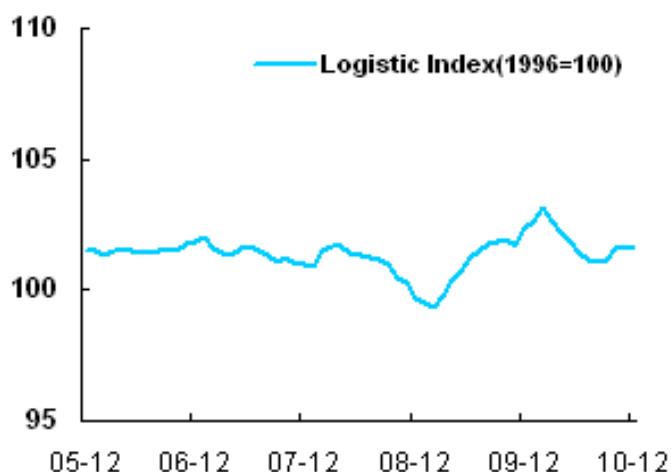
Business Climate Index and Entrepreneurs Confidence Index in China

The Business Climate Index has been rising over quarters in 2009-2010. The Entrepreneurs Confidence Index was slightly rising in a steady rate. However, the Entrepreneurs Confidence Index drops in Q4 2009 and falls below the Business Climate Index in the Q1 2010. However, it rebounded and stays close to Business Climate Index



Investment in Fixed Assets 2009-2010 (Accumulated from January)

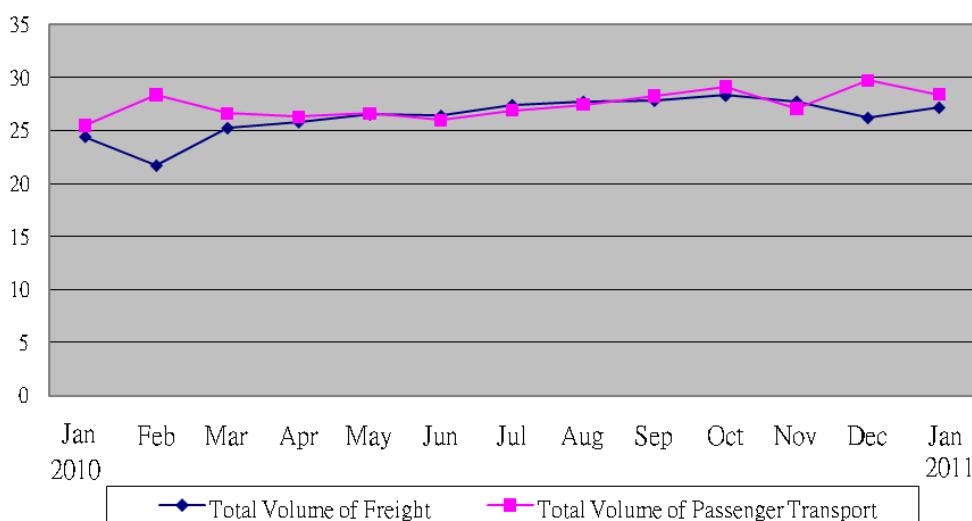
The growth rate of accumulated investment in fixed assets is maintained at around 24-25% over months. In the Q4 2010 is 241414.93 which increases 24.35% when comparing to the Q4,'09.



Logistic Index

The Logistic Index keeps start declining in the Q1, '10. In the Q4,'10, there is a rebound and then it keeps stable over months.

Total Volume of Freight Vs Total Volume of Passenger (2010-2011)



Total Volume of Transportation 2010-2011

Overall, the total volume of transportation is remaining stable in the range of 25million-30million.

In Feb and Dec 2010, the total volume of freight and the total volume of passenger transport go into different directions. The former increases while the latter decrease.



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

CNY to USD

The exchange rate of CNY to USD is relatively stable from April 2010 to the early July 2010. After that, there is a slight fluctuation from Jul 2010 to Sept 2010. Starting from Sep 2010, there is a sharp increase and it seems to maintain an upward trend.



Source: <http://hk.finance.yahoo.com/currency>

JPY to USD

The exchange rate of JPY to USD fluctuated at the beginning of the year. However, after the earthquake and the crisis of radiation, there is a sharp increase and reach the peak at the rate of 0.0128 approximately and then there is a sharp drop to the rate around 0.0118 and 0.0120.

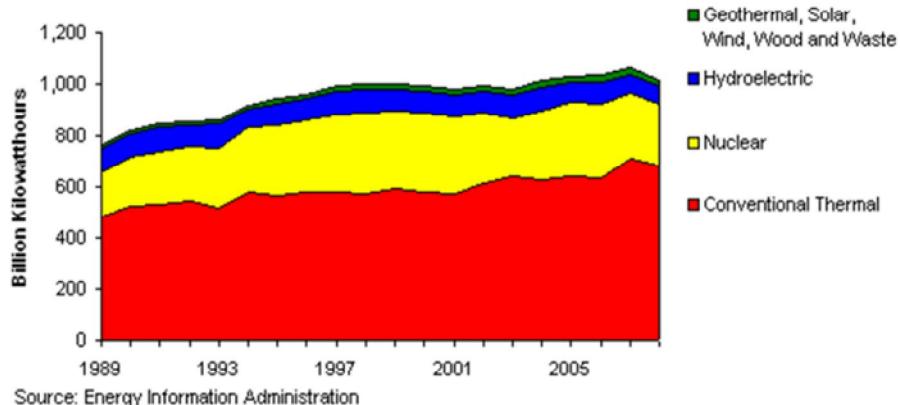


Source: <http://hk.finance.yahoo.com/currency>

JPY to CNY

After the earthquake and the crisis of radiation, there is a decrease in the rate and rebound to the peak at the rate of 0.084 approximately. After that, there is a sharp drop to the rate around 0.078.

Japan's Electricity Generation by Source, 1989-2008

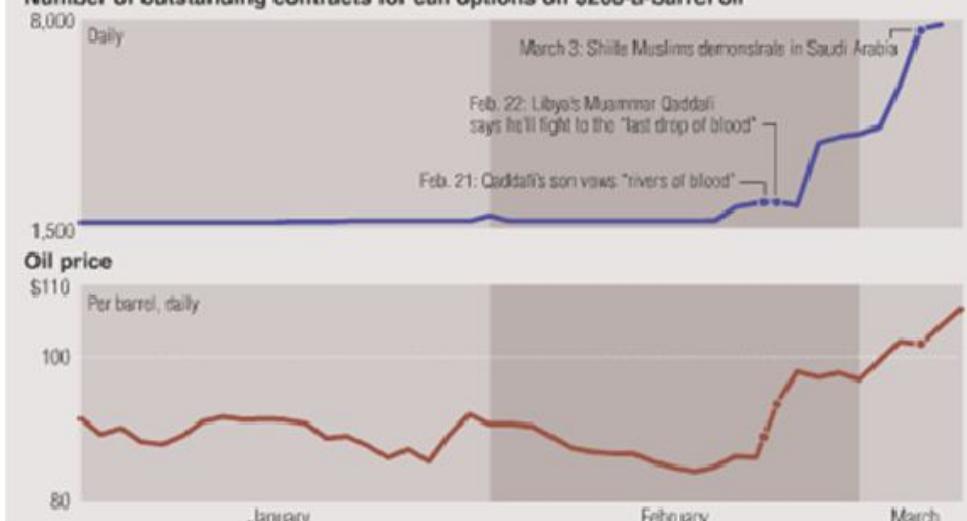


Source: <http://www.econmatters.com/2011/03/japan-earthquake-impact-on-crude-oil.html>

Japan's Electricity Generation by Source, 1989-2008

Since about 25% of Japan's electricity is coming from nuclear, the resulted power shortage due to closures of a dozen nuclear reactors after the quake suggests Japan will likely need to increase its imports of petroleum products and other energy sources. This will likely benefit Asian refiners in South Korea, Taiwan and China.

Number of outstanding contracts for call options on \$200-a-barrel oil*



Source:<http://www.econmatters.com/2011/03/japan-earthquake-impact-on-crude-oil.html>

Bets on \$200 Oil Increase as Protests Spread to Saudi Arabia

After the earthquake, the price of the oil has an increasing trend. The crude oil is heading to \$200 a barrel as protests spread across the Middle East and North Africa.

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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Authors:

Dr. Jendy LEUNG, Director, Academic & Professional Development of ISM-PRD

Mr. Man Ho LEUNG, Administrative Officer of ISM-PRD



Institute for Supply Management – Pearl River Delta

Operated under Institute for Supply Management Hong Kong (ISMHK)

LG/F., HKPC Building, 78 Tat Chee Ave. Kowloon, Hong Kong.

Tel: + (852) 2777 3481

Fax: + (852) 2194 5082

Web site: <http://www.ismprd.org/>