

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

The economic climate has no breakthrough till now, banks from Spain, Greece and Austria are found to be failed under Europe's stress test. They have to raise 2.5 billion euros to survive. In China, however, it is observed that GDP of three different industries have experienced growth in the first quarter of 2011, which is much better than that of 2010 on the same period of time.

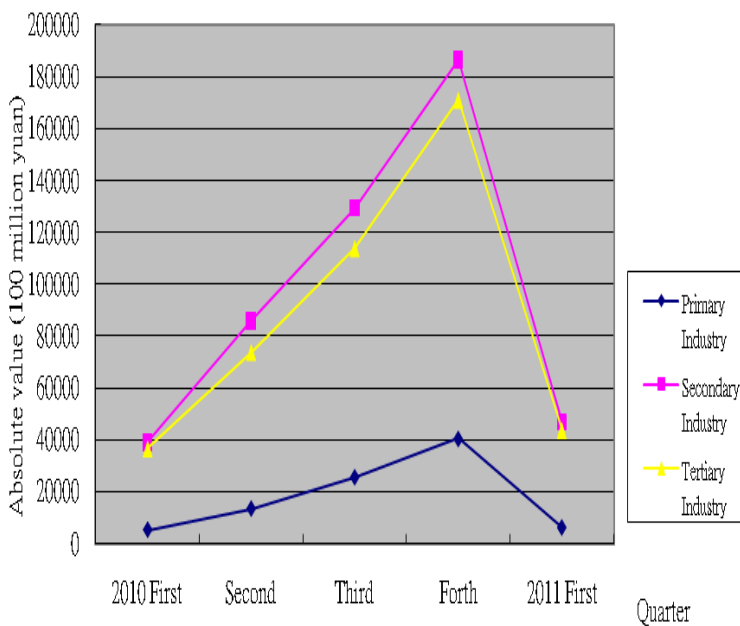
CNY/USD still continuously increase, non-stoppage of printing notes from US government has already accentuates the inflation problem. The price of gold, copper and other limited natural resources have exponential growth when compared with last year. The situation seems cannot be solved in the short run. All people are expected that QE3 will be executed soon and gold price can reach as high as USD2, 000 by the end of this year. Due to the unclear and fluctuated economy, business climate index is slashed suddenly. High labor cost and high land cost are two main reasons to explain such phenomenon.

Recently, people can observe the price of crude oil is fluctuated a lot. Oil companies sometimes reduce the price, and sometimes increase the price. All companies have to catch the golden opportunities to hedge against inflation problem. This can explain why the logistics index only grows steadily.

In face of inflation, a serious of choices can be selected. For example, purchase of iBond from Hong Kong government, enjoy discounted services from Groupon, buying foods or items with combined lots. The most important is to secure your job.

### Data charts and brief summaries:

Gross Domestic Product (GDP) 2010-2011 1st Quarter

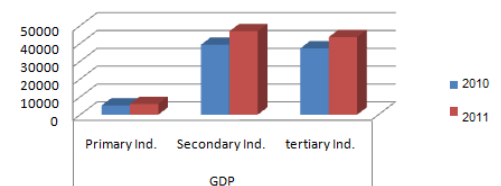


### Gross Domestic Product (GDP)

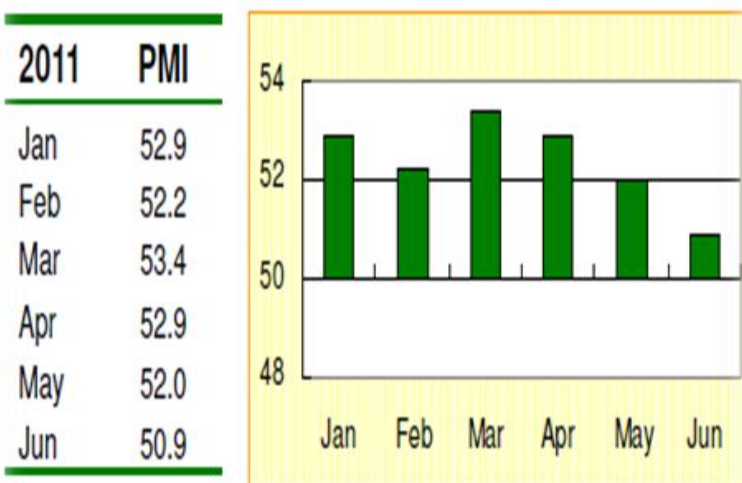
The real GDP in Tertiary, Secondary and primary industries have a sharp drop.

Comparing the GDPs of the same period last year, the three industries have experienced growth.

Comparing First Quarter GDP in 2010 and 2011



### CFLP China Manufacturing PMI, seasonally adjusted

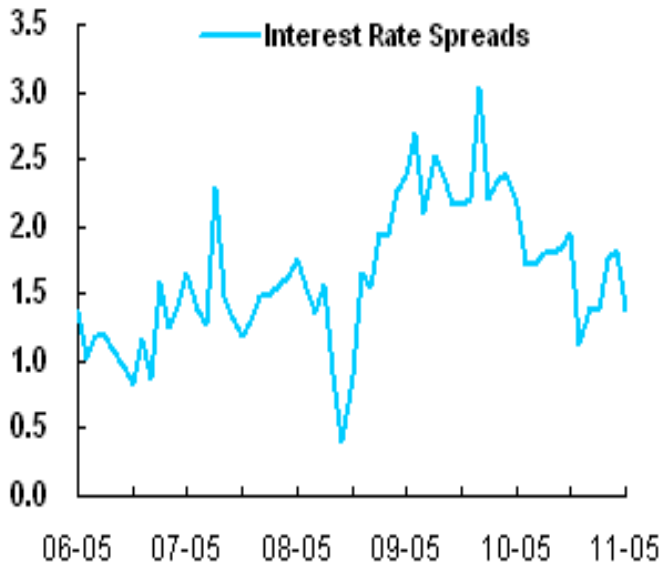


### Manufacturing Purchasing Managers' Index (PMI Index)

China's manufacturing PMI index has dropped from 52.0 in May to 50.9 in June.

The decreasing PMI index since March indicates there may be moderations in domestic demands.

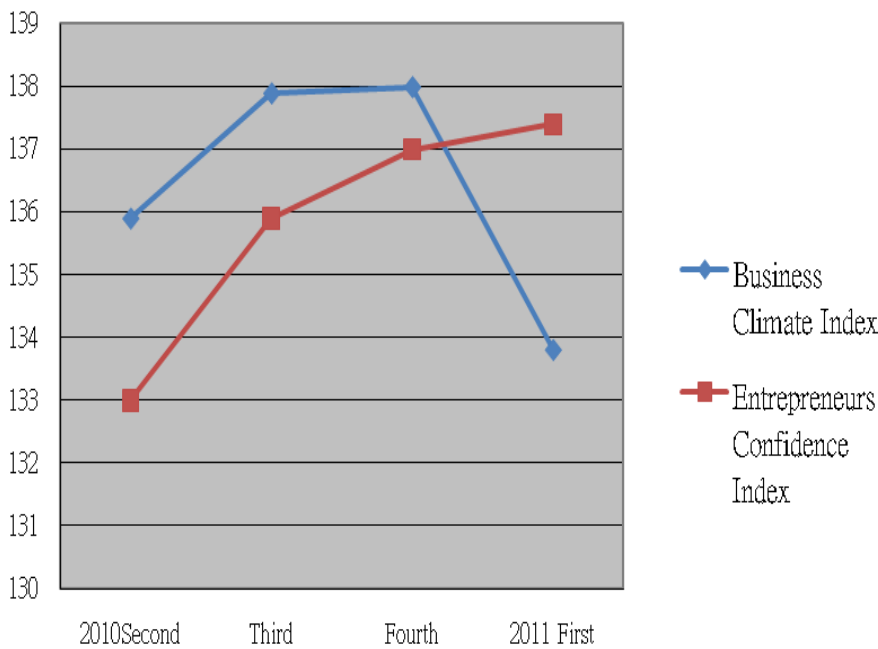
Source: [http://www.lifunggroup.com/eng/knowledge/research/PMI\\_July11.pdf](http://www.lifunggroup.com/eng/knowledge/research/PMI_July11.pdf)



### Interest Rate Spreads

The Interest rate has been fluctuating from 2010 to 2011 with a decreasing trend.

Business Climate Index Vs Entrepreneurs Confidence Index

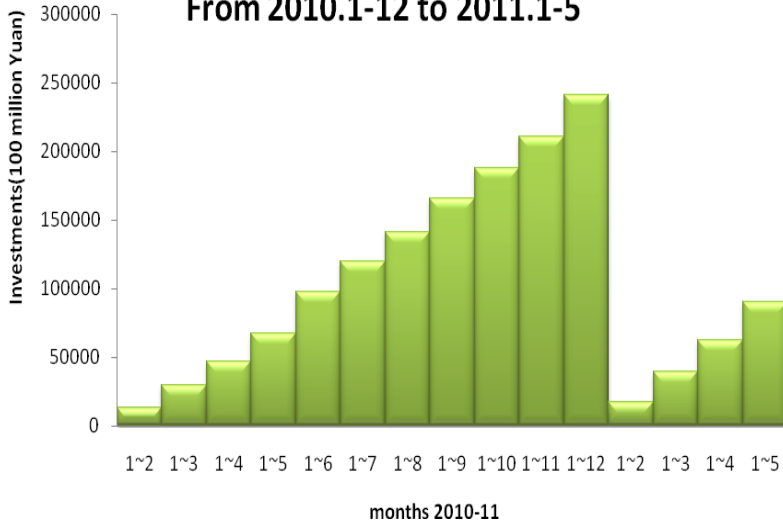


### Business Climate Index and Entrepreneurs Confidence Index in China

Upon a growth moderation last year, the business climate index experiences a drop in the first quarter this year.

The growth in the entrepreneurs confidence index has come to moderation when business climate index drops in the first quarter this year.

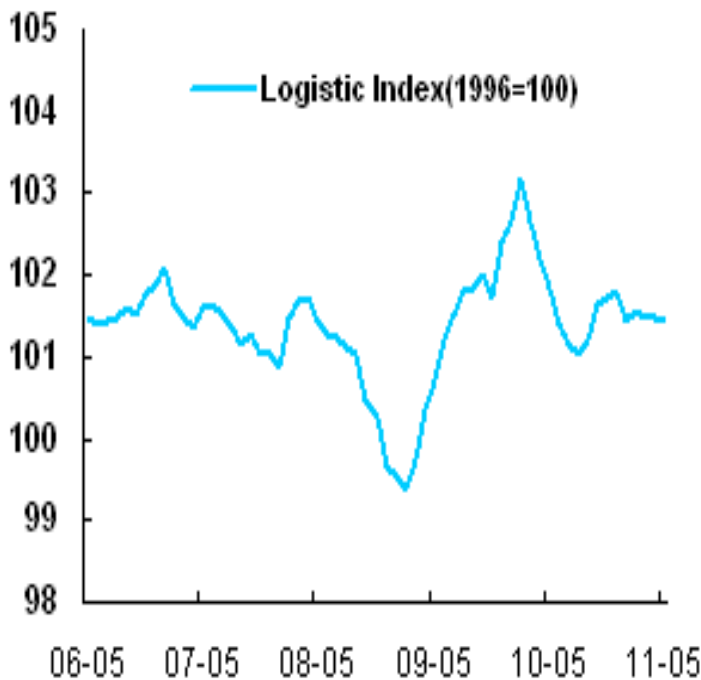
### Accumulated Investment in Fixed Assets(Excluding Rural Households) From 2010.1-12 to 2011.1-5



### Investment in Fixed Assets 2010-2011 (Accumulated from January)

The accumulated investment in Fixed Assets (in 100 million Yuan) in Q1 last year is 67358.30, while it's 90254.51 in Q1 this year.

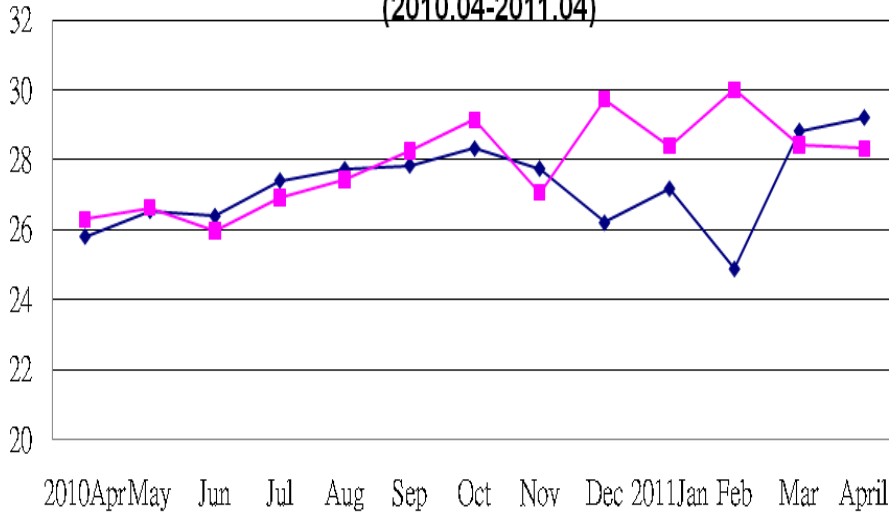
The growth rate over the same period of previous year is 25.8.



### Logistic Index

The Logistic Index keeps at a stable level in recent quarters.

**Total Volume of Freight Vs Total Volume of Passenger**  
(2010.04-2011.04)



### Total Volume of Transportation 2020-2011

The total volume of transportation stays in the range of 25million- 30million.

Within the period Dec, 2010 to Feb, 2011, the total volume of freight and the total volume of passenger transport go into contrasting directions. Afterwards, the two figures come closer.

◆ Total Volume of Freight  
■ Total Volume of Passenger Transport



### CNY to USD

Following a sharp increase in the exchange rate of CNY to USD in Sep 2010, there is a steady upward trend since the last quarter in 2010. The exchange rate in July has reached a level of 0.155. This indicates appreciation in RMB.

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



JPY/CNY  
■ JPYCNY=X



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

### JPY to USD

Followed by a sharp rise in March upon the recent Tohoku earthquake and tsunami is a sharp drop to the level of 0.0117.

The exchange rate of JPY to USD rebounds afterwards, and fluctuates around a level of 0.0124 in this quarter.

JPY/USD  
■ JPYUSD=X



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

### JPY to CNY

The exchange rate of JPY to CNY sharply drops to a level of 0.077 after the earthquake.

In the recent quarter, the exchange rate rebounds to the level before the natural disaster and fluctuate at the level around rate 0.060.

### Reference

Website of National Bureau of Statistic of China

<http://www.stats.gov.cn/english/>

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

Monthly Archive Web of Li Fung Group

[http://www.lifunggroup.com/eng/knowledge/research.php?report=pmi\\_monthly  
&version=archive](http://www.lifunggroup.com/eng/knowledge/research.php?report=pmi_monthly&version=archive)

**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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