

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

In 2011, people become moody than that of past year. Leakage of radiation in Japan, major earthquake in New Zealand and Turkey, sever flooding in Thailand, all bring into the breakdown of supply chains, especially to automotive industry. High unemployment rate in USA and Greece debt problem have already posted threat to worldwide economy.

This week all Europe's leaders open a series of meeting to find out solutions to debt crisis and finally seek a consensus at the end. Worldwide economy can take a deep breathe right now.

In view of the statistics shown in this flashes, 2nd quarter GDP is much better than the 1st quarter, both secondary and tertiary industries have better performance than that of last year and there is a trend for increase. By observing the curve of GDP (2010 2nd Quarter to 2011 2nd Quarter), lowest point of GDP has been reached and a "V-shaped" curve will be formed expectedly. The increase of PMI index shows that the manufacturing sector is expanding. Business climate index and total volume of freight shows improvement as well. All indicates positive signal to us.

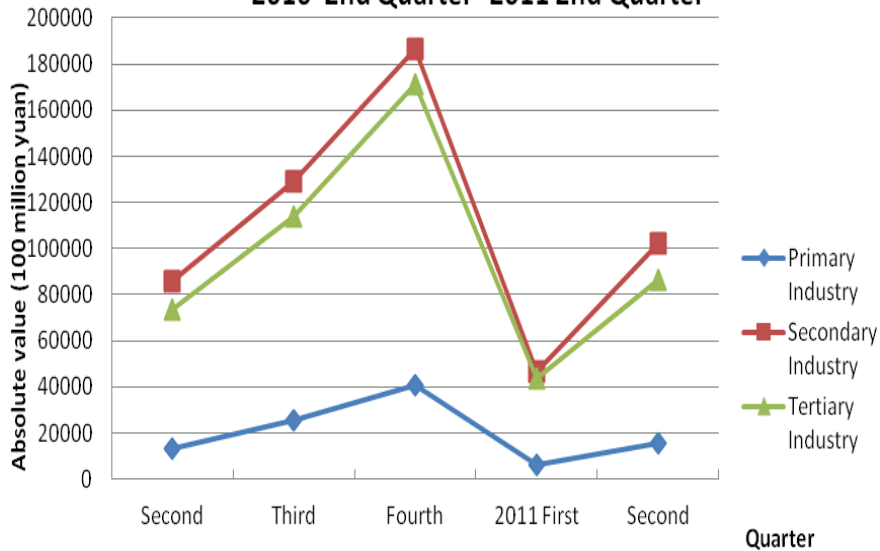
However, the increasing trend of CNY to USD maybe one of the reasons for a drop of entrepreneurs' confidence index in 2nd quarter 2011. Company has to pay higher wages to China employees in coming years.

As forecasted, inflation rate will reach ceiling point and people are expected to purchase foods and other essentials of lower price.

China Business News Flash ISM-PRD

Third Quarter, 2011

Gross Domestic Product (GDP)
2010 2nd Quarter -2011 2nd Quarter



Gross Domestic Product (GDP)

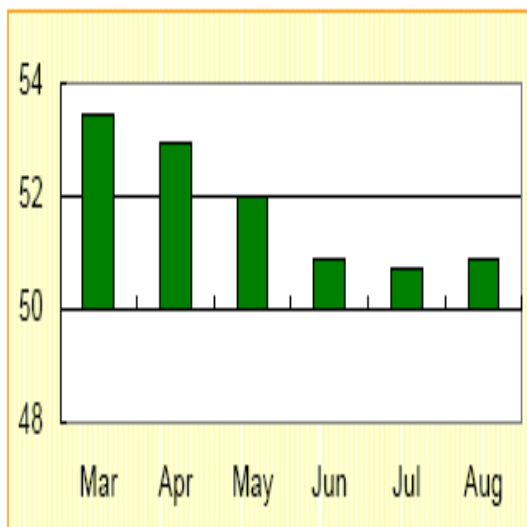
The graph shows the trend of how GDP goes between 2nd quarters last year and the same period this year. The growth of GDP in tertiary industry is 11.0%. GDPs of the other two sectors also show growth.

	2010		2011	
	First Quarter	Second Quarter	First Quarter	Second Quarter
Growth Rate over the same period last year(%)				
Primary Industry	11.9	11.1	9.7	9.6
Secondary Industry	3.8	3.6	3.5	3.2
Tertiary Industry	14.5	13.2	11.1	11

The table shows that growths in all sectors have slowed down, comparing with the rates over the same period last year.

CFLP China Manufacturing PMI, seasonally adjusted

2011	PMI
Mar	53.4
Apr	52.9
May	52.0
Jun	50.9
Jul	50.7
Aug	50.9



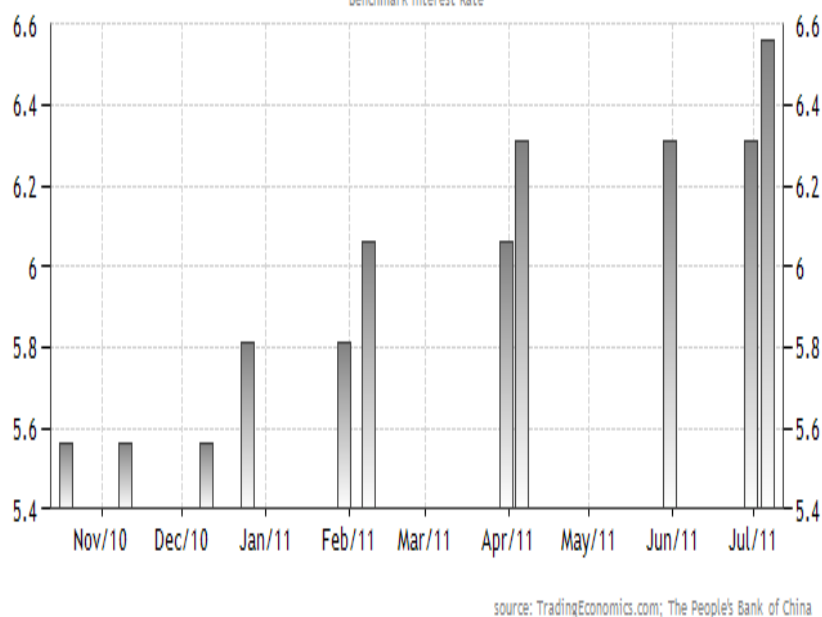
Manufacturing Purchasing Managers' Index (PMI Index)

China's manufacturing PMI index has slightly increased from 50.7% in July to 50.9 in August after decreasing for 4 months in a row, says Li& Fung Research Centre.

The increase of PMI index shows that the manufacturing sector is expanding.

Source: http://www.lifungroup.m/eng/knowledge/research/PMI_Sep11.pdf

CHINA INTEREST RATE AT 6.56%
Benchmark Interest Rate



source: TradingEconomics.com; The People's Bank of China

Source: <http://www.tradingeconomics.com/china/interest-rate>

Interest Rate

The Peoples' Bank of China Monetary Policy Committee has increased benchmark of China's interest rate to 6.56% in July.

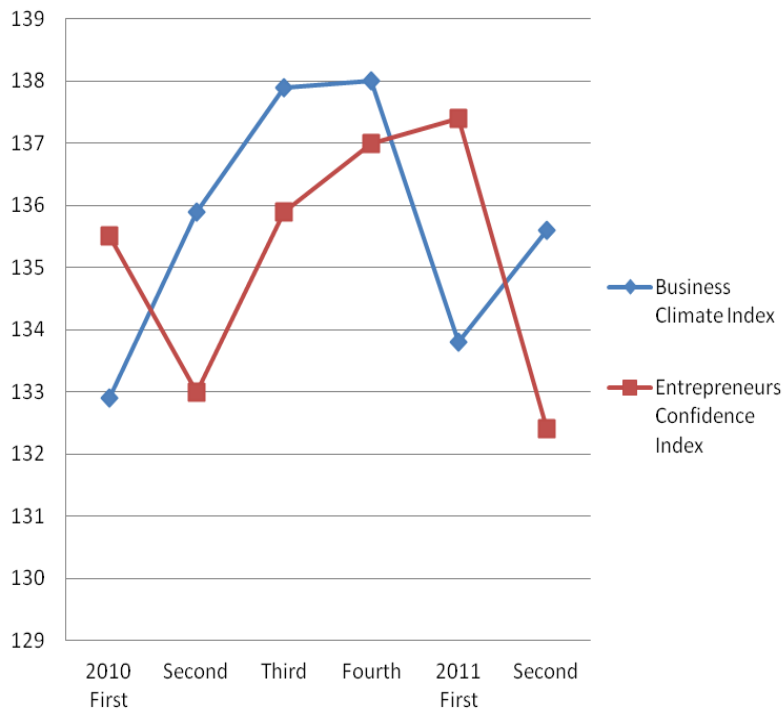
Interest Rate Spreads



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Third Quarter, 2011

Business Climate Index Vs Entrepreneurs Confidence Index

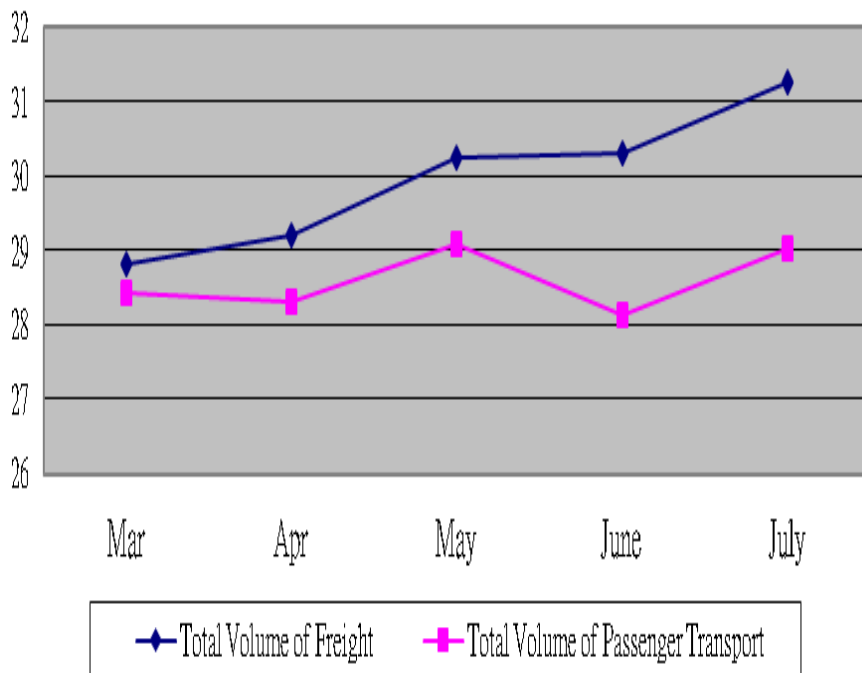


Business Climate Index and Entrepreneurs Confidence Index in China

Despite the increase of business climate index this quarter, it is slightly lower than the figure recorded in the same period last year.

A significant drop of entrepreneurs' confidence index is recorded in the latest quarter.

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



Total Volume of Transportation 2010-2011

In the past 2 quarters this year, the total volume of freight and the total volume of passenger transport go into contrasting directions.

Total volume of freight has exceeded 30 million in July.

China Business News Flash ISM-PRD

Third Quarter, 2011



CNY to USD

Despite the decreasing trend of CNY to USD, the exchange rate remains above 0.156.

This indicates that the Yuen is continuously appreciated against US dollar.

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

	Unit	2000	2005	2006	2007	2008	2009	2010 ⁽¹⁾
Production of Coal	million tons	1 384	2 350	2 529	2 692	2 802	2 973	3 240
Production of Natural Gas	million cu.m	27 200	49 320	58 553	69 240	80 299	85 269	96 757
Production of Iron Ore	million tons	223	420	589	707	827	881	1072
Production of Crude Steel	million tons	129	353	419	489	503	572	627
Production of Passenger Cars	1000 sets	607	2 770	3 869	4 798	5 038	7 485	9 576
Production of Household Refrigerators	1000 sets	12 790	29 871	35 309	43 971	48 000	59 305	73 008
Production of Color TV	1000 sets	39 360	82 832	83 754	84 780	91 871	98 988	118 300
Production of Mobile Telephones	1000 sets	52 479	303 542	480 138	548 579	559 451	681 934	998 274
Production of Household Washing Machines	1000 sets	14 430	30 355	35 605	40 051	44 470	49 736	62 080
Production of Chemical Fertilizers	1000 tons	31 860	51 779	53 451	58 250	60 281	63 850	67 406
Production of Sawnwood	1000 cu.m	6 344	17 903	24 865	28 291	28 410	32 298	28 466
Production of Machine-Made Paper and Paperboard	million tons	25	62	69	78	84	90	100
Production of Cement	million tons	597	1 069	1 237	1 361	1 424	1 644	1 880
Production of Cotton Woven Fabrics	million m	13 922	19 658	23 549	27 112	42 364	31 962	38 330
Production of Woolen Woven Fabrics	million m	278	330	445	545	850	495	566
Production of leather Footwear	million pairs	1 468	2 525	3 003	3 229	3 315	3 546	4 193

Sources:

- a) National Bureau of Statistics of China, Annual Report, 2000-2010.
- b) State Forestry Administration, Annual Report, 2000-2010.

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

Selected Data on Output of Main Industrial Products – China (2000-2010)

Along with its economic growth over the past decade, reports show that the export volume of China has increased significantly.

China Business News Flash ISM-PRD Third Quarter, 2011

CNY/EUR
■ CNYEUR=X



CNY to EUR

CNY/EUR has increased sharply in September, nearly to a point of 0.12.

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

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)

Trading Economy

<http://www.tradingeconomics.com/china/interest-rate>

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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