The bi-weekly business report by Bonnier

news2bizCHINA

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"We are expanding our coverage of Nordic businesses in emerging markets. Welcome to news2biz UKRAINE!"

Kertu Ruus, editor-in-chief, news2biz

The promotion flags on the Fanerdun site at Kalmar, Sweden, wavers to an unfortunate end of a property investment story. Photo: Bloomberg PAGE 7

Novo Nordisk doubles pharmaceutical R&D in Beijing, to hire up to 200

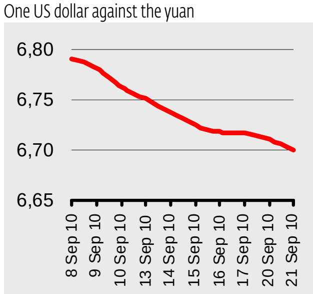
"The decision to expand our R&D activities in China has nothing to do with our production presence in the country," says Novo Nordisk's spokesperson Mette Kruse Danielsen, which reflects China's potential not only in low-cost manufacturing, but also as a site for research and development. PAGE 2

Yuan rises to record high

Amid the mounting pressure from the USA, the Chinese yuan went up for 9 straight working days in September, refreshing record highes. But Beijing may not tolerate the RMB to appreciate continuously, in fears of hitting China's export sector which is key to the country's jobs and economy. PAGE 5

USD/RMB rate below 6.7

One US dollar against the yuan



Swedish Tetra Pak expands in China pouring RMB 500m

The food and beverage packaging giant Tetra Pak is adding a second production line in its factory in Inner Mongolia to solidify its position in China. PAGE 6

Mr Li Shufu of Geely plans 3 Volvo plants in China

The Chinese billionaire Li Shufu who acquired Volvo cars earlier this year, has revealed an ambitious idea of having three plants for Volvo in three different Chinese cities located very far away from one another. PAGE 11

Most important updated key figures in this issue

ALSO IN THIS ISSUE ...

MANUFACTURING

DIABETES

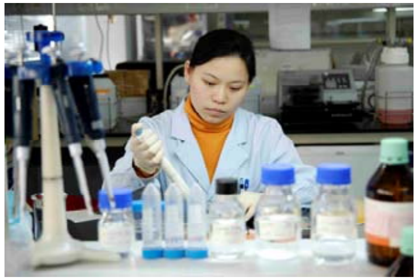
Novo Nordisk doubles R&D activities in China

Denmark's world leading insulin maker **Novo Nordisk** will expand its research and development centre in Beijing, China, from current 100 employees to 200 by 2015. The expansion will mainly be dedicated to a new diabetes research unit.

Novo Nordisk was the first international pharmaceutical company to establish R&D in China in 1997. Until now, the centre has been an integrated part of the biopharmaceutical research unit at Novo Nordisk and as such has worked closely with colleagues in Denmark to build up expertise in protein engineering and purification, as well as immunotechnologies like generation and improvement of monoclonal antibodies.

"By doubling the current staff at our R&D Centre, Novo Nordisk acknowledges the achievements of the Chinese staff since the Centre was established in 1997. And once again, we demonstrate our long-term commitment to take part in the scientific and technological development of China, while at the same time helping Novo Nordisk to get access to the tremendous resource of talents, ideas and innovation in China," said Mads Krogsgaard Thomsen, executive vice president and Chief Science Officer at Novo Nordisk, in a statement.

"The decision to expand our R&D activities in China has nothing to do with our production presence in the country but is in line with previously stated intentions of increasing research activities in China," says Novo Nordisk's spokesperson Mette Kruse Danielsen to news2biz.



Hard at work at Novo Nordisk's R&D centre. The Chinese are the primary attraction for Novo Nordisk in China. Partly because sadly more are contracting diabetes, but also because China provides good brain power to fight the lifestyle enhanced disease. Photo: Novo Nordisk

The future research scope will now be broadened to include biopharmaceutical approaches to develop new treatments against diabetes as well as the conduct of pharmacological studies. The R&D team will eventually take part in all aspects of drug discovery, from innovation to developing drug candidates for clinical studies in humans.

R&D in China since 1997

The Novo Nordisk R&D centre is based in the Zhongguancun Life Science Park in Beijing and has evolved into a centre of excellence for Novo Nordisk in molecular biology, protein chemistry and cell biology. Currently, the R&D centre employs around 90 scientists.

Novo Nordisk has had an affiliate in China since 1994. The headquarters and R&D Centre are located in Beijing, two production plants are in Tianjin, and local offices are located in Shanghai, Guangzhou, Shenyang, Wuhan, Jinan and Hong Kong. Currently, Novo Nordisk employs around 3,000 people in China.

Headquartered in Denmark, Novo Nordisk is a global healthcare company with 87 years of innovation and leadership in diabetes care. The company also has leading positions within haemophilia care, growth hormone therapy and hormone replacement therapy.

We have talked to

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HANDLING EQUIPMENT

Finnish Cargotec make headway in China

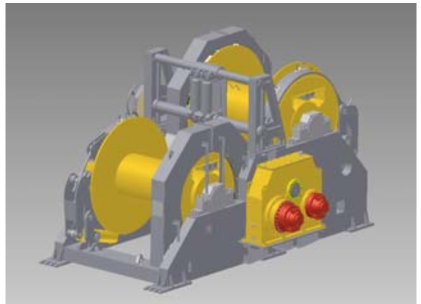
Finnish **Cargotec** has won a contract to supply four sets of **MacGregor** anchor-handling systems to a series of anchor-handling tug supply (AHTS) vessels on order at **Sinopacific Group** in China for the French global offshore oil and gas services company **Bourbon**.

Bourbon placed the USD 1bn order for 62 offshore supply vessels at Ningbo-based Sinopacific in late June, but the Cargotec contract was only cleared in August.

The AHTS vessels are based on an SPA80 design, which has been jointly developed by Bourbon and its partner Shanghai Design Associates (SDA). The anchor-handling equipments are scheduled for delivery in 2011.

The parties will not disclose the value of the Cargotec-Sinopacific deal.

"The systems employ proven technologies already specified for more than 54 Bourbon Liberty 200 series AHTS vessels, of which 42 ships have been delivered so far," explains Francis Wong, Cargotec's sales director for anchor handling solutions, in a statement.



A MacGregor anchor-handling winch handles up to 600 tonnes.

Image: Cargotec

"These orders also mark the successful beginning of Cargotec implementing its integrated marketing strategy of new sales and service products and systems, which will result in equipment maintenance agreements following the entry of these ships into service," he continues.

Lots of smaller contracts

In addition to the Sinopacific contracts, Cargotec is further strengthening its position in the growing Asian market by securing new orders from shipyards that require intgrated solutions for specific ship types.

The orders are for MacGregor anchor handling equipment, ranging from 100-tonne to 150-tonne line pull anchor handling/towing winches, and also include anchor windlasses, tugger winches, capstans, storage reels, telescopic cranes, stern rollers, and shark jaws/towing pins. The MacGregor equipment will be delivered during Q2 2011.

Some of the equipment has been specified for three anchor handling tugs being **built at Sapor Shipbuilding Industries** in Malaysia. Other anchor handling equipment is destined for a 45m anchor handling offshore support tug being built at **GMG International Shipbuilding & Trading Co** in China, and for a 60m anchor handling offshore support vessel being built at Chinese yard, **Fujian Crown Ocean Shipbuilding Industry Co**. Equipment for the latter two vessels will be delivered during Q1 2011.

Cargotec supplies a full range of advanced sub-sea load handling equipment, including active heave-compensated offshore cranes, fibre rope handling systems for ultra deepwater operations, ROV/T launch and recovery and module handling systems, sophisticated deck handling and rescue equipment, and advanced anchor handling and winch systems.

We have talked to

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PAPER

Metso wins orders worth up to EUR 300m in China

The summer has been very good to Finnish **Metso**, the world's leading supplier to paper, pulp and various other industries, and its Chinese activities. The group has taken orders in China worth no less than EUR 220-310m and for a company focusing on base resource processing like Metso, they really get out into the corners of the Middle Kingdom.

Pulp plant for Jiangsu

In late August, the group won an order for a pulp plant for Japanese **Oji**, one of the world's largest paper mills, to be set up in Nan-tong city in Jiangsu province. The value of the deal has not been disclosed, but Erik Kornfeld, CEO of the Metso Fiber unit in Sweden's Karlstad, says to the NWT daily that the order is valued at between EUR 100m and 150m. The cooking plant will be made in Karlstad.

Metso's scope of supply covers all main process equipment for the new mill, including chip screens and storage systems, a continuous cooking system, a fibre-line including wash presses, ozone bleaching, a wet lap machine, a recovery boiler, an evaporation system, a white liquor plant and a gas handling system. The new pulp mill will produce 700,000 tonnes of bleached hardwood pulp annually and will be integrated with an existing paper machine at the Nantong mill.

Small pulp line for Hunan

In late July, Metso won an order for a new bleached chemi-mechanical pulping line to **Chenzhou Yunong Paper Co** in the Hunan province. The line will have a capacity of 500 tonnes per day and is to be commissioned in Q2 2011. The order value is below EUR 10m.

The continuous cooking plant, the heart of any paper and pulp plant. This one is from Metso.

Image: Metso

The delivery from Metso involves a conical disc high consistency refiner, low consistency refiners, screens in the screen room, as well as technical assistance during erection, start-up and commissioning. The mill uses eucalyptus as raw material. Chenzhou Yunong is part of the **Yunfu Starch Processing Group** and was founded in 2008 at a greenfield area with focus on production of mechanical market pulp. The pulp production is scheduled to be in operation in 2011.

Fine paper for Guangdong

In mid-July, Metso won a contract for a fine paper production line for **APRIL Fine Paper (Guangdong) Co**, to the company's mill in Xin Hui, Guangdong province.

The start-up of the production line is scheduled for Q4 2011. The value of the order is not disclosed, but a typical market value of this size of production line is about EUR 80-120m depending on the scope of the delivery.

Metso's delivery will comprise a complete production line for wood-free uncoated paper including a stock preparation system, a paper machine, two winders and an extensive automation package. The scope of supply will also include a Metso machine clothing package for the entire production line. The annual production capacity of the new 8.65-m-wide production line will be 450,000 tonnes.

APRIL Fine Paper is part of **Asia Pacific Resources International Ltd** (APRIL) which is one of the world's largest producers of bleached hardwood kraft pulp in the world and a leading producer of sustainable fiber, pulp and paper with manufacturing operations in Indonesia and China.

Mining equipment in Shanxi

Leaving the paper and pulp business area, Metso in late June took an order for mining equipment to TISCO's iron ore processing plant in Lan county in Shanxi province.

The delivery will be completed during Q3 2011 and the value of the order is app EUR 30m. The order comprises three semi-autogenous mills as well as related start-up and commissioning services.

The order will be delivered to TISCO's new iron ore processing plant, expected to be completed in 2012. The annual processing capacity of the plant's three grinding lines will be 22 million tonnes of raw ore, which will be the largest capacity in China. TISCO is China's largest and one of the world's largest producers of stainless steel. In 2009, TISCO's turnover was about EUR 10bn.

NASDAQ OMX Helsinki-listed Metso is a global supplier of technology and services for the mining, construction, power generation, automation, recycling and pulp and paper industries. Metso has 27,000 staff in more than 50 countries and in 2009 turned over EUR 5bn with an EBITDA of EUR 334m.

COATING

AkzoNobel moves deeper into car coating market

AkzoNobel NV, the Dutch-Swedish paintings and chemicals group, is significantly boosting its presence in the China's automotive coating market after agreeing to acquire **Changzhou Prime Automotive Paint Co.**

The value of the deal was not disclosed. Prime is one of China's largest vehicle refinish suppliers and a leader in the fast-growing mid-market segment. This sector is estimated to double in size within the next five years. Based in Jiangsu, the company sells automotive coatings, primarily for the refinish market.

Through its Car Refinishes business, AkzoNobel is mainly active in China's premium and commercial vehicle refinish sector, represented by its Sikkens, Lesonal and Miluz brands.

The Prime branded auto coating, one of the top three brands on China's market, is now bought by AkzoNobel. Photo: prime-chinese.com

AkzoNobel said the acquisition of Prime will combine AkzoNobel's global strength with Prime's understanding of the Chinese market, which then opens up an opportunity for it to become the clear market leader in the attractive vehicle refinish market in China which is witnessing fast growing car ownership.

A statement on Prime's website said that the management team of the Chinese company will remain unchanged after the acquisition. Meanwhile, the company will invest over RMB 20m to upgrade its production facilities.

Weeks before the acquisition of Prime announced in early September, AkzoNobel's CEO Hans Wijers visited the Shanghai Expo and revealed a plan to double the firm's turnover in China to USD 3bn by 2015.

AkzoNobel employs 6,500 staff and runs 25 factories. The company is investing hundreds of millions of euros to build two more chemical plants in China (see no 151 page 3).

STEEL

Raw steel output post 1st drop in Aug on environment

As the world's largest steel producer, China reported the first monthly year-on-year drop in its raw steel output, down by 1% to 52 million tonnes in August, according to the National Bureau of Statistics.

The average daily raw steel output stood at 1.7 million tonnes in August, edging slightly down by 0.2% from that of July. In fact, on the year-on-year basis, raw steel output only advanced a small 2% in July, cooling substantially from the growth of 21% in the whole H1.

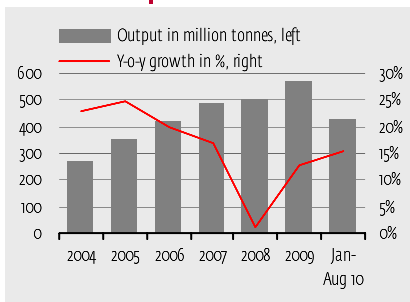
"The comparative bases in H2 2009 were higher, which partly attributed to the slowdown in the steel sector. The biggest hit was, however, Beijing's heightened efforts in reducing emission," says Xu Xiangchun, director of market information at China's leading steel e-commerce website **mysteel.com**, to news2biz.

China pushes emission cut

China has been in a hurry to reduce emission in H2, because the country needs to do more to meet its target of cutting its energy consumption per unit GDP by 20% in 2006-2010. The year of 2010 is the last year in China's 11th Five-Year Plan, and China has to cut another 5%. However, in H1, the energy consumption per unit GDP rose by nearly 1%.

Therefore, China has since H2 ordered its local governments to tighten energy guzzling sectors such as metal, chemicals, cement, flat glass, papermaking, etc.

Raw steel output slows since H2 2010



Source: NBS, the National Bureau of Statistics

"It is hard to make a prediction on government policies but this emission reduction campaign may continue in the coming months, which means that steel output will remain depressed," anticipates Xu.

The China Iron and Steel Association said in early August that about 40% of steel mills in the country idled plants or put them on maintenance.

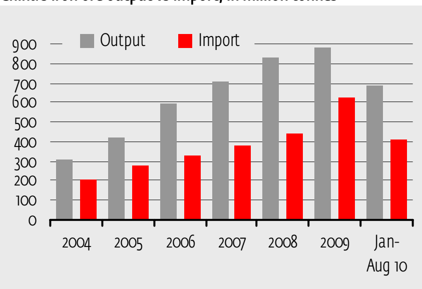
Steel prices up, iron ore down

The cooling of steel mills have actually prompted hikes of steel prices in August, even though steel makers led by **Baosteel** had in Q2 lowered their prices, seeking softer demand ahead (see no 155 page 2).

"The demand now is not as strong as in H1, but the supply is going down even faster due to government policies. So, if Beijing loosens its push for emission reduction, steel output will rebound," adds Xu.

Iron ore import cools since H2

China's iron ore output vs import, in million tonnes



Source: China Customs, National Bureau of Statistics

In fact, even China's iron ore import posted the biggest fall in seven months, down from 51 million tonnes in July to 45 million tonnes, said the China Customs. In January-August, China bought 158 million tonnes of iron ore, up by 0.1% y-o-y.

"The cooling import of iron ore in recent months was more out of the strong ore prices on the global market which prompted domestic output to surge 28% year-on-year in January-August. So, with the effects of the mill closure being revealed, iron ore import may continue to slide in the coming months," expects Xu.

As the world's largest iron ore consumer, China's import represents about 70% of the global ore trade.

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IN BRIEF

Roche optimistic on China

China's pharmaceutical market is expected to grow over 20% every year in the coming three years and become the world's third largest with a total market value of more than USD 70bn by 2012, and further grow to USD 100bn by 2015, said Severin Schwan, CEO of the Switzerland-based pharmaceutical company **Roche** in September. Roche has invested USD 1.5bn in China and is employing some 3,000 staff in the country.

FINANCE

CURRENCY

RMB/USD up to record since 1993, after 9 straight gains

Facing the mounting pressure by the US congress and the White House, the Chinese yuan climbed up against the US dollar for nine working days in a row, to the highest record since 1993.

On 21 September, Beijing's official quote of central parity put that one US dollar can bought for RMB 6.6997, which was the first time for the exchange rate to sink below the mark of 6.7.

Therefore, after softening by some 0.5% against the dollar in August (see no 158 page 4-5), the Chinese currency has strengthened 1.6% so far in September.

"The latest streak of rally in the value of yuan was mainly the result of the pressure from Washington," says Mr Liu Dongliang, a currency analyst at **China Merchants Bank**, to news2biz.

After hearings about the Chinese foreign exchange policies in the US congress, the US president Barack Obama said on 20 September that China's leaders have not done "everything they said would be done" to allow appreciation.

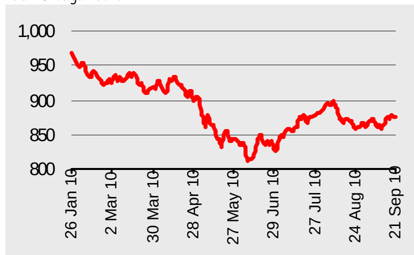
China may not yield

Amid the US criticism, Beijing has insisted that yuan's appreciation will not help address the USA's trade deficit. In fact, China's currency strengthened against the dollar by some 20% in 2006-2008 when the USA's trade deficit against China actually expanded.

Moreover, the various punishment taxes of Chinese goods have not helped increase jobs in the USA, and rather just diverting orders from China to other exporting markets including Southeast Asian countries and Mexico.

Euro picks up against RMB since July

100 EUR against RMB



Source: State Administration of Foreign Exchange

"In fact, no matter by how much RMB will appreciate, or even if yuan is freely tradable, Uncle Sam will exert pressure on RMB anyway, to achieve its own goals. So, with the negative example of Japan, Beijing should continue to manage the pace of appreciation," suggests Mr Liu.

Washington often claims that the undervalued yuan gives Chinese products advantages. But the rivals of US goods are often those from Europe and Japan, but not China. And the Chinese are increasingly aware that Washington is actually trying to reduce its burden of debts by pushing dollar lower.

Little help to curb inflation

Some argued that a stronger yuan could help reduce the costs of import for China and thus curb "imported inflation", but Mr Liu said the effect is limited.

"China has no pricing power over commodities and resources. So, when the yuan rises, the prices of raw materials on the global market are often spurred up too, or worse, strengthen at faster paces than yuan," he explains.

"So, at the current level where the exchange rate reaches 6.7, the pace of appreciation will steady down, because a continued appreciation will pound China's export sector which will in turn do harm to the world market as well," he adds.

As to euro, the currency has appreciated against the yuan in September because of euro's strength against the dollar. China calculates the EUR/RMB rates based on USD/RMB quotes and the EUR/USD exchange rates on the global market.

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MONEY

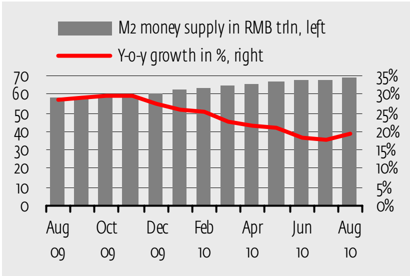
Money supply and new loans rebound in August

China's M2, the broadest measure of money supply, rebounded from a 19-month-low growth of 17.6% year-on-year in July to 19.2% in August, according to the central bank the People's Bank of China (PBOC).

Thus, the money supply growth has reversed declines for eight months in a row after M2 hit a historical high of 29.7% in November 2009.

"The rebound in money supply was mainly the result of the recovery in housing transactions and the growing business activities of companies, which reflected the underlying resilience of the Chinese economy," says Wang Hu, an economist at **Guotai Jun'an Securities**, to news2biz.

China's M2 money supply rebounds



The M2 money supply covers all cash in circulation and time and saving deposits in banks.

Source: PBOC, People's Bank of China

Meanwhile, the new bank lending rebounded, up from RMB 533bn in July to RMB 545bn in August, said the PBOC.

"The rebound in new bank lending may also partly be due to the recovering housing market. Moreover, after scrutinizing the local government debts (see no 157 page 4), some promising projects funded by local debts were reaffirmed by the central government, which also help boost demand for loans," adds Wang.

Inflation woes

However, since inflation sped up to a 22-month high in August (see page 14), the rebound in money supply and new bank lending has triggered woes of further pushing up inflation. But economists downplay the concern.

"Because the inflation is now mainly stimulated by food prices, so, the liquidity does not have a direct link to inflation," explains Wang.

"Instead, the liquidity exerts direct influence on asset prices, which means that there is probably limited space ahead for property prices to go down," he adds.

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IN BRIEF

Deutsche Bank to Chongqing

Deutsche Bank won Beijing's approval in September to open a branch in West China's Chongqing, which will be its fifth branch in China. The German lender incorporated its China unit in early 2008 and has so far four branches in Beijing, Shanghai, Guangzhou and Tianjin. Chongqing is now a leading city in West China in terms of finance. So far, ten foreign banks including **HSBC** and **Citigroup** have opened branches in the city.

FOOD & AGRICULTURE

DAIRY

Tetra Pak expands capacity in China pouring RMB 500m

The Swedish food packaging company **Tetra Pak** will invest about RMB 500m for a second production line in its packaging factory in Huhhot, capital of Inner Mongolia in North China.

Tetra Pak said the capacity of the production line, when completed in 2012, will reach 10 billion packs per year, adding to its existing EUR 600m plant in Huhhot with an annual capacity of 11 billion packs.

Home to China's top two dairy makers – **Mengniu** and **Yili**, Huhhot is a hub of China's dairy industry. Meanwhile, Tetra Pak is also running three other plants in Beijing, Kunshan and Chengdu, thus covering the whole Chinese market of dairy and beverages. Its total capacity in China will reach 60 billion packs a year by 2012.

Tetra Pak expects China's middle class in the whole population will grow from the current 43% to 76% by 2025, which means a growing demand for quality dairy and beverage products.

Technology centre in China

In April, Tetra Pak launched a technology centre in Shanghai, its first in China.

Engineering solutions geared specifically to the Chinese market are a special feature of the Shanghai centre. For example, the facility will include the first Chinese road condition analysis lab, with state-of-the-art equipment that accurately records road conditions across the country and provides data that customers can use to reduce potential transportation problems.

"This facility will make us more responsive to local needs," said the company in a statement.

Tetra Pak is expanding its plant in Huhhot to reinforce its leading position in China's food packaging sector. Photo: people.com.cn

Since entering the Chinese market in 1979, Tetra Pak has invested more than RMB 3bn in the country.

BEER

Leading beer makers post strong results in H1

China's top three brewers, namely, **CR Snow**, **Tsingtao** and **Yanjing**, have reported sales growth in H1, and started a new round of competition over market share.

CR Snow, which is 49% owned by South African **SABMiller**, sold 44 million hl of beer in H1, up by 4.8% year-on-year. The brewer is running over 70 breweries across the country after aggressive acquisitions in the past few years and now claims nearly a 20% share on China's beer market, the world's largest one.

The market leader's growth was in line with China's total beer output which also rose 4.8% in H1 to 212 million hl.

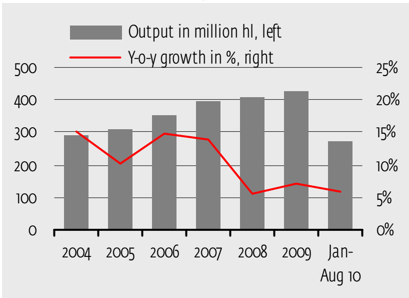
Tsingtao Brewery, the no 2 and 20% owned by Japanese **Asahi Beer**, saw slower growth with beer sales, up by 3% to 31 million hl in H1. But Tsingtao is more profitable than the other two, as its net profit surged 30% to RMB 830m in H1.

Beijing-based Yanjing grew slightly faster than average, with sales up 5% to 25 million hl in H1.

Tsingtao more active

CR Snow said it focused on improving profitability in H1, by promoting more mid- to higher-end products, which is the reason of Tsingtao's higher profitability.

China is world's largest beer market



Source: NBS, the National Bureau of Statistics

On the other hand, Tsingtao, which used to be China's long-time no 1 brewer, announced five investments including acquisitions and green-field plants across China in the past two months for expansion, eager to fight back its market leadership. Noticeably, the brewer is in talks with **Xihu Beer**, one of the leading beer brands in Hangzhou, capital of the affluent Zhejiang province. Xihu is 55% owned by Asahi. The acquisition, if going through, will boost Tsingtao's presence in Zhejiang which is China's third largest provincial beer market.

Besides expansion, both the top two brewers are paying more attention to the higher-end sector such as draft beer, which could erode profitability of foreign brands such as **Carlsberg** and **Budweiser** which mainly target China's higher-end beer sector.

IN BRIEF

Norway sells more salmon

Norway is selling more salmon to China as the pricey fish is becoming more affordable to Chinese with increasing income. According to the Norwegian Seafood Export Council, the country exported 14,037 tonnes of salmon to China's mainland and Hong Kong in H1, up by 33% year-on-year, and the export value of salmon in H1 surged 53% to RMB 592m.

PROPERTY & CONSTRUCTION

BIG PLANS, NO SHOW

Sad summary for the Fanerdun investment

In August 2006, great news came to the town of Kalmar in South-Eastern Sweden. A Chinese billionaire Luo Jinxing would invest hundreds of millions if not billions of SEK in the town, create hundreds of jobs and build trade centres and hotels, all in a project known as **Fanerdun**.

Everyone was happy, writes the local Östran paper which has summed up the whole Fanerdun saga ahead of the elections on 19 September.

Swedbank supplied credit for the facilities in Kalmar, the state-owned agency **Invest in Sweden** supplied the background information and Kalmar's mayor Johan Persson had good news to tell his voters just ahead of the Swedish national and local elections in September 2006. He was re-elected.

Luo bought land for building a hotel and dwellings for the investors and he started building a large trading centre which was supposed to be the core of Fanerdun's activities. When in 2007 he realised that the halls would not be ready for the planned inauguration in September 2007, Luo hired the former **Bombardier** premises in Kalmar and promised to start a processing industry in those facilities when the Fanerdun fair facilities were ready.

Kalmar's mayor Johan Persson was ecstatic that Kalmar would have a large-scale processing industry again. Some of Luo's family members were granted permanent resident visas in Sweden.

But shortly after this, bad news started pouring in. Suppliers were not paid; Chinese workers received no pay while in Kalmar and none when they returned home. Since the fall of 2009, it has been impossible to reach any representative of Fanerdun and the owners are wanted by the law in both Sweden and China.

Such were the plans for the Fanerdun fair hall. Photo: Fanerdun

So far, the Fanerdun project has resulted in seven bankruptcies where assets have covered only a fraction of the actual debts.

Seven bankruptcies

Söderåkra Fastigheter AB
Sold at executive auction for SEK 5.5m. Main creditor to Swedbank.

Möre Hotell AB
Sale of inventories brought in SEK 444,000. Main creditors: The state and employees.

Fanerdun Equipment AB
Accounts not completed after sale of inventories. Main creditors: The state, suppliers.

Fanerdun Marketing & Management
Main creditors: Suppliers SEK 17.3m, daughter companies SEK 9.9m, Equipment SEK 0.4m.

Fanerdun Kläckberga 10 AB
Main creditors: NCC SEK 11m, Swedbank SEK 5.4m. Brought in SEK 7.6m at executive auction.

Fanerdun Startmotorn 1 AB
Main creditors: NCC 11m. Executive auction brought in SEK 2m.

Fanerdun Kläckberga 12 AB
Main creditors: The state.

In addition, the Fanerdun companies owe SEK 3.5m in back rent to **Industripark Kalmar**, a company owned by the town of Kalmar. Kalmar is not claiming this amount via the Swedish Enforcement Agency.

HOUSING

Housing price gain keeps slowing in August

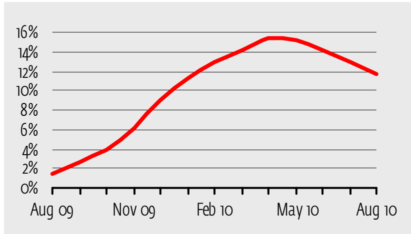
China's massive property market shows some kind of recovery as prices steady. According to the National Bureau of Statistics (NBS), the average new housing price in China's 70 big cities grew 11.7% year-on-year in August, cooling from 12.9% in July to the slowest gain since January.

Thus, the year-on-year growth of urban housing prices has posted a slowdown for five months in a row since April. Moreover, on a month-on-month basis, the average new urban housing prices kept flat during May-August, which was arguably the effect of Beijing's bubble-squeezing measures since April (see no 151 page 6).

"Prices were flat from July, and we think this may be due to a decreased share of high-end property sales in August, which helped to stabilise the average property prices," explains Wang Tao, chief China economist at **UBS Securities**, to news2biz.

Housing prices keep flying

The average gain of new housing prices in 70 big cities, y-o-y in %



Source: National Bureau of Statistics

Indeed, some leading developers including **China Vanke Co** reported record sales in August after offering discounts in their housing prices (see no 158 page 7).

Transaction improves

However, China's housing market is so fragmented that even the largest developer Vanke only accounted for about 1% in total sales. As a total, the national sales volume of properties including residential, commercial and office buildings fell 10% year-on-year in August, which was smaller than a drop of 15% in July.

Month-on-month, the total property transactions in August even increased by 6% from July.

"The August figures showed that property sales recovered, construction activity stayed strong and prices looked stable. Such a scenario should be acceptable to the government and the market," says Wang.

However, the warm-up in the property sector, especially signs that developers may raise prices amid rebounding sales, has triggered debates as to whether it is necessary for more tightening measures. But Wang suggests to wait and see.

"We think the chance of additional government tightening on the property sector is small. Looking ahead, we believe that sustaining the current tightening measures and the increased supply in the next few months should help keep volume robust and prices stable," she says.

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IN BRIEF

Biggest free trade zone

The first phase of the Chongqing Xiyong Free Trade Zone is completed in mid-September in West China's biggest city Chongqing. So far, global IT companies including **HP**, **Foxconn** and **Inventec** have invested in the free trade zone, their plants are going on stream in the coming months. The total area of the free trade zone will reach 10m sq.km when finished, which will make it China's largest.

RETAIL & SERVICE

VESSEL SUPPLY

Wilhelmsen Ships Service grows in China

Norway's **Wilhelmsen Ships Service** has signed an agreement with Si-

notrans Shipping Ltd Hong Kong to provide services covering approximately 750 port calls per year.

Sinotrans is one of China's largest shipping companies in terms of self-owned dry bulk fleet size. So Wilhelmsen refers to the agreement as "an indicator of their trust in our offer".

The port of calls refers to Sinotrans' calls worldwide except China, where Sinotrans has its own agency, but not including Hong Kong and Taiwan. The contract will be handled out of Wilhelmen's Hong Kong office where the Norwegians have 52 staff in place that handle app 600 calls per year.

Wilhelmsen has noted a two-digit increase in the number of port calls made for the provision of the company's ship agency services in early 2010 and growth looks as if it is continuing.

"The Sinotrans agreement will significantly boost the figures for our monthly port calls. The increases that we have seen in the last couple of months indicate that ships agency is back on track, as the financial crisis appears to be receding," says Frederic Fontarosa, Wilhelmsen's Business Director Ships Agency and Bunkers in a statement.

He adds: "In spite of the shipping market still being weak, Wilhelmsen is strengthening its position in the marketplace. This is thanks to a number of new agreements which the company has put in place for rendering husbandry services and includes not only the Sinotrans contract but a husbandry agreement recently signed with **Torm Shipping** of the Philippines as well."

Wan Hai in March

In March this year, Wilhelmsen Ships Service in Taiwan landed an important contract with **Wan Hai Line**, despite stiff competition from other suppliers.

Wilhelmsen started supplying gases to 31 Wan Hai Line vessels in 2006. In 2008, the company received orders for chemical supply, for a couple of the vessels. However, after a year of good cooperation and communication the company was granted a one-year contract for chemical supply for the whole fleet (61 vessels) and 31 vessels gas supply.

Wilhelmsen Ship Service is part of the Oslo listed Wilh. Wilhelmsen ASA shipping group, founded in 1861. The group turned over USD 1.7bn in 2009. Image: Wilh. Wilhelmsen ASA

At the end of 2009, the contract was again put up for tender. Wilhelmsen Ships Service has now signed a two-year contract to supply gases to 31 vessels and chemicals to all 61 vessels.

Wilhelmsen is the world's leading maritime services provider with the capacity to service 2,200 ports in 115 countries. Its focus is to deliver improved vessel operating efficiency to the merchant fleet. Last year Wilhelmsen made 208,000 product deliveries to customer vessels and handled 53,000 port calls.

We have talked to

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TOURISM

China allows JV agencies to deal outbound tourism

Since late August and on a trial basis, China has allowed Sino-foreign joint-venture tourism agencies to operate the outbound tourism, breaking the dominance of domestic agencies in this more profitable sector.

The regulator China National Tourism Administration (CNTA) said that it will accept applications for licences before 30 September and JV agencies shall turn in a deposit of RMB 1.2m for service quality.

Multinational tourism agencies are stronger than domestic rivals in operating outbound tourism. But Beijing seems to want to intensify the competition of the market. However, wholly-owned foreign agencies are still not allowed for outbound tourism.

There are now 17 JV tourism agencies in China, but the CNTA said it will grant licences to a few quality agencies. China has no shareholding limits on JV agencies, except that JV partners should both be tourism agencies and foreign investors shall have an annual turnover of over 40m.

The outbound tourism is regarded as far more profitable than inbound or domestic tourism, and is growing at a faster pace as well. In January-August, China posted 31 million outbound tourists, rising by 16% year-on-year, said the CNTA. The leading destinations of Chinese outbound tourists are Hong Kong, Macau and Southeast Asian countries.

IN BRIEF

Luxury targets Chongqing

The fast growing West China city of Chongqing is attracting more global retailers including The French luxury goods chain **Louis Vuitton** which will open its first store in Chongqing in 2011, said Christopher Zanardi-Landi, head of Louis Vuitton's China unit. Louis Vuitton now has 35 chain stores in China's 26 cities.

Louis Vuitton opens a flagship store in Chengdu in early September, its eighth flagship store in China and 35th outlet in China.

Photo: 163.com

IKEA posts strong growth

The Swedish home furnishing retailer IKEA turned over RMB 3.7bn in China in fiscal 2010, leaping 23% year-on-year. In the year, more than 27 million consumers visited IKEA's eight stores in China, up by 18%. IKEA wants to launch more new products and open more stores to further expand in China. According to the Chinese media, IKEA is seeking a store in Chongqing, which could be its second outlet in West China after an existing one in Chengdu.

Suning hurries for expansion

Suning Appliances, one of China's top two home appliances chains, revealed a plan in September to expand its total outlet to 3,000 in a decade, taking the chance of the boardroom infighting at its archrival Gome (see no 158 page 9). Suning now has 1,200 stores in China's mainland, Hong Kong and Japan and its target is to grow to 1,300 outlets by the end of this year.

IT & MEDIA

COMPUTER

Dell to invest USD 100bn in China, set up second plant

Dell Inc, one of the world's leading PC vendors, has revealed an ambitious expansion plan including setting up a second China plant in Chengdu, hiring more in Xiamen and investing over USD 100bn in the next decade in China which is Dell's second largest market after its home ground USA.

Dell said its operations in Chengdu will have manufacturing, sales and services to support the rapid growth in West China, which will be an augment to Dell's existing base in Xiamen in Southeast China's Fujian province.

The new Chengdu centre is expected to be operational in 2011 and could grow to 3,000 team members over time.

"With the Chengdu expansion, we will have enough production capacity to serve China market for the next decade," says Ms Emma Fan, PR manager at Dell's China unit, to news2biz.

Dell signs to build a second China plant in Chengdu. Photo: chengdu.cn

The fast growth in West China, spurred by Beijing's "Go-West" policies, has attracted other technology companies. **HP**, for example, is already building a computer factory in Chongqing which is some 330 km east of Chengdu.

"Favorable growth projections and China's commitment to build out a world-class supply chain ecosystem in Chengdu make it an optimal location to grow our manufacturing capability over time," adds Ms Fan.

USD 100bn in next ten years

The Chengdu facilities are part of Dell's plan for an additional investment of more than USD 100bn in China in the next decade. Dell said the money will be spent in facilities, employment, research and development and purchases from suppliers in China.

Another part of Dell's new investment will be an additional office in Xiamen where Dell will hire up to 500 employees later this year to support its projected growth needs in North Asia and globally.

But Ms Fan does not want to disclose more details about the additional investment. In fact, Dell's founder and CEO Michael Dell said in early 2008 that the company's purchasing in China hit USD 18bn in 2007. And in late 2008, Mr Dell said the US company will purchase up to USD 70bn worth of computer components in China in three years.

Dell now employs more than 6,000 staff in China. Besides its plant and China headquarters in Xiamen, it also runs a global design and engineering centre in Shanghai, one of Dell's largest outside the USA, and an international service centre in Dalian.

Dell's turnover in China expanded by eleven times from fiscal years 2001 to 2010.

The company is among the top three computer vendors in China (see no 158 page 10).

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INTERNET

Google falls to no 3 in China's mobile search in Q2

Google Inc's move to relocate its Chinese-language website to Hong Kong has taken its bite, as in Q2, its share on China's mobile search market fell to no 3 and on the overall search engine market succumbed to **Baidu Inc**, its archrival in China, finds a Beijing-based IT researcher **Analysys International**.

In the quarter, Google's share on China's mobile search market tumbled from 18% in Q1 to 12%, trailing a Chinese mobile search engine Easou which had a 17% market share. Baidu remained the leader and saw its leading position reinforced as its market share in mobile searching rose from 29% in Q1 to 34% in Q2.

"As compared to the 'traditional' searching from computers, mobile searching is a relatively new and unsophisticated market. So, it is not unusual to see big fluctuations on the mobile search market. But Google's moving of its servers out of the mainland certainly affected its share on the market," explains Li Zhi, an Analysys analyst, to news2biz.

In Q1, Google moved most of the businesses of its Chinese-language portal google.cn to its website in Hong Kong, citing China's requirement to self-censor its search results, and also suggested that the Chinese government backed hacker attacks at some **Gmail** accounts without providing any evidence.

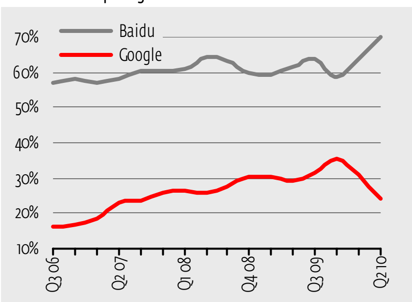
Nonetheless, Google applied for China's license as an "Internet content provider" in Q2, and retained businesses of shopping, music and translation on google.cn.

Sheds in overall searching

However, the damage is done. According to Analysys, Google's share on China's overall search engine market fell from 31% in Q1 to 24% in Q2. Meanwhile, Baidu's market share rose from 64% to 70%.

Google loses market share in 2010

Market shares of Google and Baidu in %



Source: Analysys International

The media reports have it that the turbulence in Google's China unit has caused the US search engine giant to lose some of its most valuable assets, i.e., leading managers and engineers in China who left to join other Chinese Internet companies including Baidu. Google has also tried to regain its footing and been doing aggressive advertising for recruitment in the past months.

"Google could win back market shares if it came back and fought again in China's market, because users had good experiences in using its services," says Li.

Google Map at risk

But it is still uncertain that Google is interested in returning to China which is said to account for some 2-3% of Google's global turnover. A new sign of Google's reluctance is that the company has not applied for the license to provide online maps.

Beijing has required online map providers to apply for licences before the end of this year. So far, more than 30 companies including Baidu and **Nokia** have applied and been granted the licenses. But Google has sat tight, possibly because Beijing asks online map providers to locate their servers in China and prevent users from marking maps.

"The closure of the map service will have a limited effect on Google's income in China. But it will hit hard its user numbers, especially in the niche of online searching," says Li.

China's search engine market continued to enjoy stellar growth, total turnover of the sector leaped by 48% y-o-y to RMB 2.7bn in Q2.

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IN BRIEF

Foxconn to employ 1.5 million

Undaunted by the rising wages, Terry Gou, chairman of **Foxconn**, said Taiwan's largest OEM manufacturer will employ up to 1.5 million workers in China's mainland, up from the current 920,000. Foxconn is moving part of its capacity from Shenzhen to China's inland cities including Chengdu, Wuhan, Zhengzhou, etc., to reduce part of the pressure of rising salaries in South China.

Despite the series of worker suicide scandals at Foxconn in earlier 2009 (see no 154 page 11), billionaire Terry Guo casts a confidence vote on China's position as the world's leading location for manufacturing in the next two decades. Photo: iceo.com.cn

Japanese invest in software JV

The Japanese technology firm **NEC** and China's leading software firm **Neusoft** will set up a joint venture in Dalian, Liaoning province in Northeast China, to focus on "cloud computing" in China. NEC will have a 70% stake in the JV and Neusoft will own 30%. "Cloud computing" provides lower-cost data storage and computing services to companies through the Internet. This IT service is emerging in China and is expected to grow over 30% per year in the coming years.

TRANSPORT & LOGISTICS

CAR

Li Shufu eyes 3 Volvo car assemblies in China

Mr Li Shufu, founder and chairman of China's largest private carmaker **Geely Group**, said his idea is to set up three plants in China to assemble **Volvo** cars, in addition to Volvo's existing two plants in Gothenburg and Ghent, Belgium.

"It is still an idea. We have not formulated a plan because it will be necessary to talk to Volvo's board and related government agencies first," confirms Mr Ning Shuyong, a Geely spokesman, to news2biz.

Since Geely's SEK 13bn acquisition of the Swedish carmaker in March (see no 151 page 12), the Chinese company's plan of China plants have immediately become the focus of the press. In August, Shanghai's Jiading district said Geely will set up a plant there (see no 157 page 11), but Mr Li later denied of any decision yet and now, besides Jiading, he also mentioned Chengdu in West China and Daqing in Northeast China as two other possible locations of Volvo plants.

Market observers said that Mr Li got critical financing from the local governments of Daqing and Jiading when buying off Volvo. In Chengdu, Geely is already operating an assembly building cars and SUVs.

Prospect under question

Mr Li said his idea is to have capacity of 100,000 Volvo vehicles in each of the three possible sites. However, the global sales of Volvo cars stood at some 334,800 units in 2009, with only 22,000 cars sold in China.

Even though China's higher-end car market is growing at faster rates than the overall market in the past few years, it is dubious whether Volvo is able to produce so many cars as 300,000 units a year in China in the coming years. **Audi**, the entrenched market leader in the sector, sold 157,000 units in China in 2009 and targets sales of 200,000 units this year.

Therefore, Mr Li's plan will be questioned by Volvo's board and trade unions because the plan may mean to cut productions and jobs in its existing two plants in Europe, even though Mr Li had promised no job cuts when acquiring Volvo.

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LOGISTICS

TNT to invest EUR 170m in road transport unit Hoau

The Netherlands-based express company **TNT** will pump an additional EUR 170m in its wholly-owned road transport subsidiary **TNT Hoau** as it seeks to double revenue within five years in China.

"TNT Hoau will strengthen its leadership position by enhancing its national day-definite road distribution network, upgrading its service offering and investing further in staff development," says Mr Michael Drake, TNT's Regional Managing Director of North Asia, to news2biz.

TNT Hoau launched the day-definite service in early 2009 which promises on-time and door-to-door truck delivery. The service now covers 800 depots throughout China. Customers include both SMEs and multinationals, especially in the high-tech, electronics, machinery and textile sectors.

TNT to pour big bucks to expand its road transport unit in China, TNT Hoau. Photo: xinhuanet.com

To support the service, TNT Hoau has bought 400 trucks and set up a dedicated customer hotline. In H1 2010, sales of the day-definite service exceeded those of the entire year of 2009.

"The excellent performance of TNT Hoau has boosted our confidence in continuing our investment in China's road distribution business," says Drake.

TNT Hoau employs 18,000 staff and manages a road distribution network of 1,500 depots and 57 domestic hubs, which serves more than 600 Chinese cities. TNT paid USD 135m for Hoau, then a private road transport business in China, in 2006, according to the Chinese media reports.

With all its size, TNT Hoau has only a tiny market share in China's massive but fragmented road transport market. Citing TNT Hoau's manager, the media reports have it that as one of the leading players on the ground, TNT Hoau only has barely 1% of China's road transport market, which can also reflect the potential for growth.

"Meanwhile, TNT International Express is the No. 1 player for the China to Europe international express market. By leveraging the strengths of TNT International Express and TNT Hoau, TNT has a unique proposition to provide both an international express and domestic road transportation network services," adds Drake.

Including TNT Hoau, TNT now has over 20,000 employees in China. In July 2010, TNT increased its China-Europe express service frequency to six flights per week to/from Shanghai and five flights per week to/from Hong Kong.

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CAR SALES

Auto market picks up in August, inventory down

China's automobile sales rebounded from the dip in July to grow 16% year-on-year to 1.3 million units in August, according to the China Association of Automobile Manufacturers (CAAM).

Month-on-month, total auto sales rose 6%. The CAAM said that the sales rebound was encouraging because July-August is typically a low season for the auto market due to the hot summer weather.

Meanwhile, the trade group said the auto industry including both carmakers and dealers was in a better shape, because the aggregate inventory fell to 504,100 units in the month, the lowest level this year.

China's auto market picks up in August

Source: China Association of Automobile Manufacturers

What helped reduce inventory was the holiday in August, as automakers in China typically shut down their production lines for 7-10 days in August due the high temperature. The CAAM figures showed that on a month-on-month basis, auto output fell 0.6% from July to August, while auto sales rose 6%. In January-August, total auto sales hit 1.16m units, up 39% y-o-y.

Chinese yearn for a car

The recovery in August has made the CAAM more confident that the auto market is on a firm ground to achieve record annual sales of 16 million units in full-year 2010.

Meanwhile, a poll by a Chinese newspaper China Youth Daily strengthened this confidence. The result, issued in early September, showed that among the 1,541 respondents from across China, 60% said they were planning to buy a car in the next five years, while 16% already had one.

Prospect not so certain

However, market observers are not so certain of the prospect.

"The recovery in August was probably owing to the timing of the Mid-Autumn festival this year," says Zhang Xin, an analyst at **Guotai Jun'an Securities**, to news2biz.

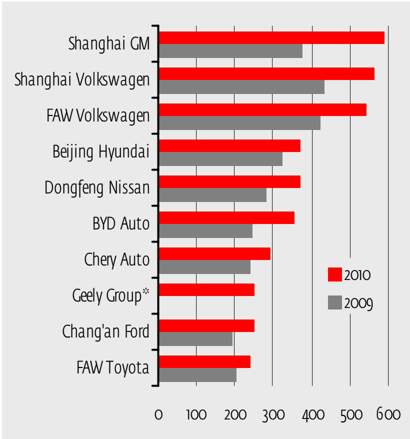
China's Mid-Autumn festival is decided by the traditional lunar calendar. When put in the Gregorian calendar, the festival could fall on in September-October.

"Some buyers go to secure a new car before the Mid-Autumn festival and the National Day holiday. So, as the Mid-Autumn festival will be in late September this year, car sales were bolstered in August but could soften in September," adds Zhang.

September-October is usually the so-called "golden season" for retailers and car dealers as well in China.

Top 10 "normal car" makers in Jan-Aug

Sales in 1,000 units



*) Not on the list of top 10 car vendors in January-August 2009.

Source: China Association of Automobile Manufacturers

"It is too early to be too optimistic now. Auto sales may slow to one-digit or even small negative growth in Q4," cautions Zhang. "Next year, the auto market will continue to calm, due to the larger comparative basis, but also as the growth in these two years has brought about more traffic jams and waste-gas emissions, which will make Beijing think twice when map-ping out any more stimulus," he adds.

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IN BRIEF

Ford expands dealerships

The US automaker **Ford Motor** is adding 70 more dealers with the target to increase its number of dealers to 310 by the end of this year to increase sales, said Nigel Harris, a senior Ford China official. Ford and its joint ventures in China sold 368,103 vehicles in the country in January-August, leaping 42% year-on-year.

Vale loans USD 1.2bn for ships

The Brazilian iron ore producer **Companhia Vale do Rio Doce** (Vale) has signed deals to borrow USD 1.2bn from two Chinese banks to order 12 iron ore vessels from a Chinese private shipbuilder **Rongsheng Heavy Industries**. The loan from **Bank of China** and **Export-Import Bank of China** will cover about 80% of the shipbuilding costs. The vessels are designed to carry iron ore from Brazil to China's port of Qingdao which is investing RMB 3.8bn to build China's biggest iron ore terminal.

ENERGY & ENVIRONMENT

WIND

Spanish Gamesa embarks on 6th plant in China

Following closely its 5th China plant in Jilin in Northeast China in May (see no 153 page 14), Spanish wind turbine manufacturer **Gamesa** broke ground its 6th plant in China in September, as part of its plan to triple investment in China by 2012.

The new factory is based in the North China province of Inner Mongolia, one of China's leading hubs for wind energy development. The plant, which is set to begin operations in 2011, is designed for the assembly of nacelles for the G8X-2 MW turbine model, and will have annual production capacity totalling 500 MW.

"This new plant will help us keep serving and growing with our clients as a reliable partner in the province that the government has targeted to have the highest wind power capacity in all of China," said the Spanish company in a press release.

In addition to the two factories currently under construction, Gamesa has four plants producing blades, nacelles, generators and gearboxes in Tianjin, home to its largest manufacturing base outside of Spain. When the plants in Jilin and Inner Mongolia come online in 2011, Gamesa's production capacity in China will total 1,500 MW per year.

Gamesa expects that in 2011, the Chinese market will account for more than 30% of its total sales, up from 15% in 2009, which will entail nearly doubling sales in China within two years to between 800-1,000 MW.

To invest EUR 90m more

In order to achieve its goal, Gamesa plans to triple its investment in China from EUR 42m by the end of 2009 to over EUR 130m by 2012, meaning additional investment of over EUR 90m in 2010-2012.

The investment will meet the rising demand from the wind energy industry in China and to address local production needs, in the medium term, for its new G9X-2.0 MW, G10X-4.5 MW and offshore turbine systems.

Moreover, Gamesa also operates as a wind farm developer in China, together with the country's leading power companies.

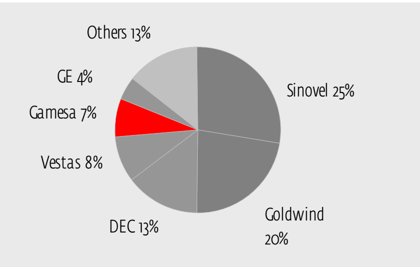
As of June 2010, Gamesa had a wind farm project pipeline in China totalling 2,675 MW at varying stages of development, but this figure has climbed to 3,185 MW in the past two months.

Competition is fierce

But Gamesa's optimism on China's wind market, the biggest around the globe, is facing fierce price competition from domestic rivals.

Gamesa's ranking falls from no 3 in 2008 to no 5 by year-end 2009

Market shares of aggregate wind installations by the end of 2009



Source: China Wind Energy Association

According to the China Wind Energy Association, in China's new installed wind power, Gamesa's market share fell from 8% in 2008 to 2% in 2009.

In addition, Gamesa's ranking on the list of the biggest wind turbine manufacturers in China dropped from no 5 in 2008 to no 10 in 2009.

Similarly, Danish **Vestas** saw its share in the new installation market fall from nearly 10% in 2008 to 4.4% in 2009, lagging behind five domestic rivals last year, as compared to its no 4 ranking in 2008.

Price is the most forceful weapon of Chinese wind manufacturers.

In an auction for 1,000 MW offshore wind farm in earlier September, the state-owned **China Power Investment Corp** offered a historical low of RMB 0.61 per MW, which is widely regarded as a money losing level.

Such low costs will force power generators to team up with Chinese manufacturers, unless foreign companies are ready to slash their costs and accept low profitability.

ELECTRICITY

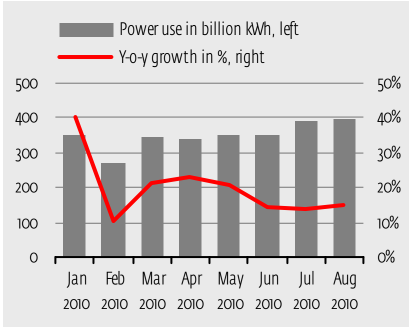
Power use rises in Aug on hot weather, to cool down

Often regarded as a barometer of China's industry-driven economy, China's power consumption was distorted in August as households and the service sector used more electricity, whereas the industry, especially the energy guzzling heavy industry sector was depressed by Beijing's initiative to cut emissions (see page 6).

In the month, the country consumed a total 398 billion kWh of electricity, up by 15% year-on-year, which was modestly faster than the growth of 14% in July, according to China's National Energy Administration (NEA).

"In fact, the total power use in August was slightly bigger than my expectations, largely because households and the service sector switched on their air-conditioners amid the summer heat," explains Mr Wu Jiang, an analyst at **Xiangcai Securities**, to news2biz.

Power consumption grows fast in 2010



Source: NEA, National Energy Administration

The anecdotal reports had it that in the first half of August, many cities reported their historical high electric loads which brought about some power outages.

Thus, mainly due to the hot weather, power consumption in August was 2% higher than that in July, said the NEA.

"However, as China's efforts of curbing emission set in, the heavy industry sector including metal, chemicals, construction materials, etc., consumed 2% less power than in July," adds Mr Wu.

The heavy industry was always the biggest consumer of power in China, which still accounted for nearly 60% of power use in August.

To slow down fast

In January-August, China's power use rose by 19% to 2.8 trln kWh. However, Wu expects the growth pace to cool down substantially in the coming months.

"The growth of power use may slow to one-digit in September with the cool weather and Beijing's ongoing control of the heavy industry sector.

In Q4, the growth pace may even slow to below 5%, partly because of the higher comparative bases a year earlier," expects Mr Wu.

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IN BRIEF

Suzlon eyes China expansion

Suzlon Energy, India's largest maker of wind turbines, plans to increase its manufacturing capacity in China from the current 600 MW to 1,000 MW by 2013, or up by 67%, said the company Chairman Tulsi Tanti in Tianjin in September. Tianjin is also home to plants of other foreign wind manufacturers including Danish **Vestas** and Spanish **Gamesa**.

Loan for coal

China and Russia have in September signed a pact under which China will provide USD 6bn of loans in exchange for Russia's promise to supply at least 15 million tonnes of coal a year in the next five years, and at least 20 million tonnes of coal a year in the two decades thereafter. Russia is now China's fourth largest coal importing market after Australia, Indonesia and Vietnam.
The deal followed a similar loan-for-oil deal between China and Russia signed in early 2009 under which China will provide loans of USD 25bn in exchange for Russia's supply of 15 million tonnes of crude oil a year during 2011-2030 to China (see no 127 page 12).

ECONOMY & POLITICS

ECONOMY

Economy strengthens but inflation to 22-month high

China's industrial output, a key barometer of the country's industry-driven economy, accelerated modestly from an eleven-month-low growth of 13.4% year-on-year in July to 13.9% in August, according to the National Bureau of Statistics (NBS).

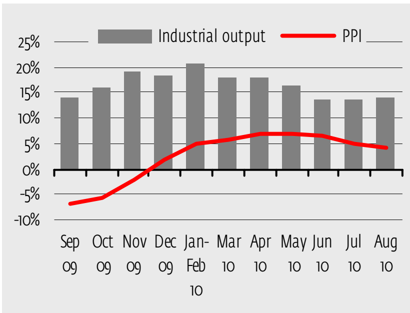
"Besides industrial output, other key figures including investment and consumption all fared better than expected in August, which showed that the momentum of economic slowdown has been eased," explains Lu Zhengwei, chief economist at China's **Industrial Bank**, to news2biz.

"One of the main pushes was that Beijing initiated a programme in August to supervise the progress of projects that received funding from China's RMB 4 trln stimulus package which was revealed in late 2008 (see no 122 page 12).

This supervision accelerated constructions and in effect served as a small-scale stimulus," adds Lu.

Industry output picks up in August

Industrial output & PPI, in % y-o-y



Source: NBS, National Bureau of Statistics

Indeed, China's fixed asset investment rose 24.8% in January-August, barely flat with the growth of 24.9% in July, meaning that the investment side has basically stopped bleeding.

Consumption rebounds

Meanwhile, China's retail sale grew by 18.4% in August, faster than the growth of 17.9% in July, said the NBS.

"The speedup in consumption was led by the rising car sales in August. Moreover, the increasing salaries also help," says Lu.

Retail sales Jan-Aug of selected goods

Sales in RMB bn; index 100 = previous year

	Retail sales	Index
Restaurants	1,106.6	117.3
Auto related	1,016.6	135.6
Refined oils	651.1	135.8
Food & beverages	454.5	120.9
Clothes & footwear	354.0	123.7
Home appliances	257.1	128.0
Medicines	187.1	122.6
Household items	128.4	124.3
Jewelries	78.8	142.0
Office supplies	69.8	122.0
Cosmetics	55.6	116.2

Source: National Bureau of Statistics

In January-August, retail sales rose 18.2% to RMB 9.7 trln, making it a strong bolster to the economy.

Inflation peaks?

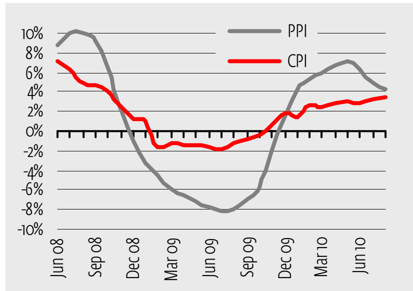
With all the positive signs of economy regaining momentum, consumer inflation, however, came to the spotlight by speeding to a 22-month high of 3.5% in August, up from a y-o-y growth of 3.3% in July.

The NBS attributed it to the bad summer weather which pushed up food prices by as much as 7.5% year-on-year in August, as compared to only a 1.5% gain in non-food prices.

"Prices of pork and vegetables posted consecutive weekly gains for about two months until August. Meanwhile, grain prices have been on steady rises this year. This was mainly because of the bad weather this summer. With autumn coming, food supplies will replenish and thus quench prices," says Wang Hu, an economist at **Guotai Jun'an Securities**, to news2biz.

"Besides, the producer price index dampened to a growth of 4.3% year-on-year in August, the slowest pace since February 2010 and was easing for three months in a row in June-August, which will also help contain consumer inflation in the coming months," Wang adds.

Inflation speeds up in Aug, y-o-y in %



Source: The National Bureau of Statistics

Wang anticipates consumer inflation to fall back to 3.3% in September, and keep sliding in Q4.

No interest rate hike

The speeding inflation in August has prompted some economists including Jun Ma of **Deutsche Bank** to call upon an interest rate, at least in the deposit rate, in order to better curb inflation.

However, both Lu Zhengwei and Wang Hu ruled out the necessity for any hike in interest rates.

"A hike in loan rate may threaten the economic recovery. On the other hand, if you only raise deposit rates but not loan rates, if means smaller profitability to banks which may increase the amount of bad loans and in turn, pound the economy," says Wang Hu. Wang forecasts a 10% gain for GDP in 2010, slightly revising up from earlier expectation of 9.7%. But he anticipates GDP to slow to 9% in 2011.

We have talked to

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EXPORT & IMPORT

Export slows but import strengthens in August

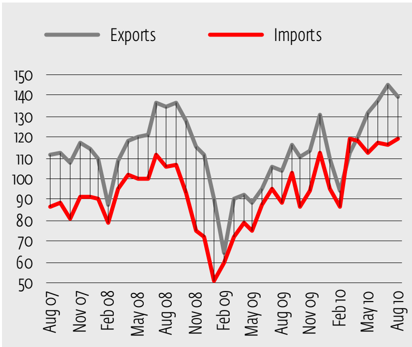
After hitting a historical high in July (see no 157 page 15), China's export machine, a key drive of the country's economic growth, cooled down modestly in August, up by 34% year-on-year to USD 139bn, according to the China Customs.

On the contrary, import grew 35% year-on-year to USD 119bn in the months, speeding from the growth of 23% in July and back to over 30% growth seen in May-June.

"The export growth in August was very much in line with expectations, which although slowing from July, still kept on a high level. That showed the demand in China's major export markets including Europe and the USA was still strong in spite of signs of easing in economic recovery in H2," says Wang Tao, chief China economist at **UBS Securities**, to news2biz.

Trade surplus remains big in August

in USD bn



Source: General Administration of the China Customs

"Meanwhile, the rebound in import was stronger than expected, led by machinery and electronic equipments, and automobile, which was consistent with the resilience in the property market and the strength in domestic demand," he adds.

In January-August, China imported 521,000 vehicles, soaring 141% year-on-year. This is good news especially to European carmakers because almost all China's imported cars are big and/or luxury ones.

Trade surplus still big

In August, China's trade surplus stood at USD 20bn, although down by 30% from that of July, but still higher than the average USD 18bn surplus booked in the last five years.

In January-August, trade surplus reduced by 15% year-on-year to USD 104bn.

Meanwhile, Beijing has vowed again in August to encourage more import, especially in high-end machinery, environment protection and clean energy equipment and products.

However, China's large trade surplus in the past months has stocked new complaints from both Brussels and Washington, as senior EU and US officials called upon swifter appreciation of the yuan.

RMB under spotlight

In mid-September, the US congress held a hearing on China's RMB policy, threatening to legislate a law to punish Chinese goods which the legislators regard as being subsidised by the value of yuan which was kept low by Beijing.

The US congress has made similar threats in the past five years, but this time, the US president Barack Obama might have to sign any proposal turned in from the congress since his Democratic party is facing the possibility of losing control of the Senate and House of Representatives in the election in November.

If such a law becomes reality, the trade ties between the world's two leading economies will be subject to more uncertainties due to China's possible retaliation.

"We expect China's import to resume deceleration in the coming months and export to keep slowing. Our forecasts for import and export growth for 2011 are about 10-12% year-on-year. Despite the slowdown in trade, we do see a recovery in trade surplus and continued pressure on RMB to appreciate," anticipates Wang.

Wang expects the USD/RMB exchange rate to soften from the current 6.74 to 6.55 by year-end 2010. In fact, after softening slightly against the US dollar in August (see no 158 page 4-5), the Chinese yuan has showed signs of pickup in its appreciation in September.

We have talked to

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FOREIGN INVESTMENT

FDI slows down in August, still optimistic

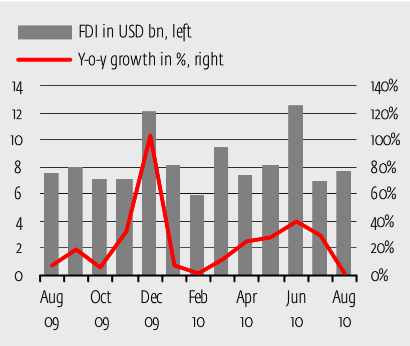
China reported an inflow of foreign direct investment (FDI) to non-financial sectors of USD 7.6bn in August, up by a slight 1.4% year-on-year, which was the slowest growth since February, according to China's Ministry of Commerce (MOC).

The MOC did not give a reason on why FDI growth slowed in August, but the trade ministry denied the recent claims by some foreign investors that China's environment for foreign businesses is deteriorating.

Earlier in September, a survey issued by the European Union Chamber of Commerce in China (EUCCC) complained against China's slow progress in further opening up its markets (see no 158 page 16-17).

The MOC said that from another perspective, FDI has grown for thirteen months in a row, and it was not unusual to see a dip after over 20% year-on-year growth for four consecutive months during April-July.

Non-financial FDI keeps growing in '10



Source: MOC, Ministry of Commerce

Yao Jian, a MOC spokesman, noted that China approved 2,262 new foreign companies in August, up by 21% year-on-year.

The approval of setting up new foreign businesses is a leading indicator which tokens strong inflow of investment in the coming months, said Yao.

China to be no 1 destination

The MOC now expects FDI to top USD 100bn in full-year 2010. China's FDI inflow hit a record high of USD 108bn in 2008, before it shrank to USD 90bn in 2009 amid the global recession.

MOC's optimism was echoed by the United Nations Conference Trade and Development (UNCTAD) whose yearly global FDI report said that China is now the first choice of investment destination among multinationals.

The UNCTAD forecasts in the report issued in September that China will become the world's biggest receiver of FDI in 2010-2012, replacing the USA which will fall to no 4.

China to further encourage

MOC officials said in September that China is planning to encourage more foreign investment by loosening controls.

For example, the trade ministry may only approve investment valuing larger than USD 300m and allow its provincial branches to approve smaller investment.

Currently, any foreign investment of over USD 100m has to go through MOC's approval which is often more time consuming than the bureaucratic processes at provincial levels because local governments are competing against one another for investment.

Moreover, the MOC is also trying to modify its list stipulating the sectors in which China encourages or discourages FDI.

It is expected that China will especially encourage more foreign investment in alternative energies and environment protection.

IN BRIEF

817 million middle-class?

A controversial report issued by the regional poverty reduction institution Asian Development Bank said China now has up to 817 million people which can be classified as middle-class.
However, this number is questioned by the Chinese public because it defines those who spend an average of USD 2-20 per day as middle-class consumers, whereas in China's big cities, USD 2 can barely buy a decent lunch nowadays.

China more competitive

China ranks as the most competitive economy among emerging markets, according to a global competitive report issued by the World Economic Forum in September. On the competitiveness list, China climbed two notches, up from no 29 to no 27. Switzerland, Sweden and Singapore rank top 3 and another two Scandinavian countries, Denmark and Finland, are both within top 10.

China-Japan tussle

The relationship between China and Japan sank into the most severe crisis since the two Asian countries set up diplomatic ties 38 years ago after Japan has arrested and detained captain of a Chinese fishing boat which was seized after it collided with Japanese Coast Guard ships near the disputed Diaoyu Islands in the East China Sea (or Senkaku Islands called by Japanese).
Japan has insisted to prosecute the Chinese fisherman based on its laws, but Beijing claimed that the disputed water belongs to China.

China has suspended the ministerial and higher-level exchanges with Japan and cancelled some planned talks including air routes, coal and tourism.

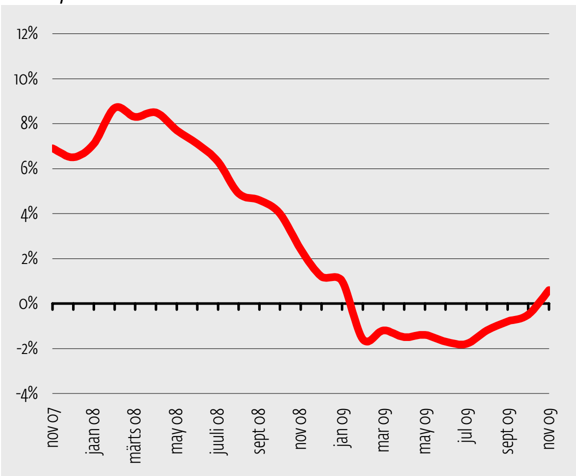
Diaoyu Islands (or Senkaku Islands in Japanese) are about 200 km north of Taiwan and 430 km south of Japan's Okinawa. The conflict over the disputed ownership of the islands is set to hit the economic ties between China and Japan.

Photo: Bloomberg

KEY FIGURES

INFLATION

Year-on-year



Average annual inflation

2004	2005	2006	2007	2008	2009	Jan-Aug 2010
3.9%	1.8%	1.5%	4.8%	5.9%	- 0.7%	2.8%

Source for both: NBS, National Bureau of Statistics

CONSUMER PRICE INDEX

100 = same month of the previous year	Mar 2010	Apr 2010	May 2010	Jun 2010	Jul 2010	Aug 2010
Food	105.2	105.9	106.1	105.7	106.8	107.5
Alcohol and tobacco	101.7	101.7	101.7	101.7	101.6	101.5
Clothing and footwear	98.9	98.7	98.8	99.0	99.2	98.8
Household articles	99.3	99.5	99.7	100.0	100.2	100.4
Medicine and hygiene articles	102.5	102.8	103.2	103.2	103.3	103.3
Transport and communication	100.0	100.0	100.1	99.7	99.3	99.4
Recreation and education	100.3	100.4	100.6	100.9	101.1	101.2
Dwelling	103.3	104.5	105.0	105.0	104.8	104.4
Consumer price index	**102.4**	**102.8**	**103.1**	**102.9**	**103.3**	**103.5**

PRICES

Average retail prices of selected food items in China's 50 big cities, in RMB/kg*

	11-20 Aug	Index	21-30 Aug	Index	1-10 Sep	Index
Pork	21.41	100.7	21.47	100.3	21.54	100.6
Chicken	16.05	101.3	16.17	100.8	16.32	100.9
Eggs	9.23	102.6	9.48	102.7	9.66	101.9
Rice	4.71	100.2	4.73	100.4	4.74	100.2
Tomatos	4.08	105.7	4.15	101.7	4.23	101.7
Apples	9.72	100.2	9.52	97.6	9.57	100.6

*) Index 100 = previous ten days   Source for both: National Bureau of Statistics

MONEY SUPPLY

In RMB bn

	Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10
Mo	4,287	3,908	3,966	3,865	3,890	3,954	3,992
M1	22,429	22,940	23,391	23,650	24,058	24,066	24,433
M2	63,607	65,001	65,656	66,335	67,392	67,405	68,750

Mo encompasses domestic currency in circulation.

M1 encompasses Mo and demand deposits.

M2 encompasses M1 plus time and saving deposits as well as deposits in foreign currencies.

Source: The People's Bank of China

CREDIT

The financial sector's net lending in RMB bn

Types of loan	May 10	Jun 10	Jul 10	Aug 10
Loans to households, incl.	9,892.4	10,126.7	10,298.7	10,499.7
Consumption loans	6,593.8	6,739.0	6,848.7	6,966.0
Operating loans	3,298.5	3,387.7	3,450.0	3,533.7
Loans to non-financial enterprises, incl.	34,089.3	34,468.2	34,827.8	35,171.4
Short-term loans	12,222.9	14,099.0	14,108.5	14,184.5
Medium- and long-term loans	19,286.3	19,619.4	19,946.4	20,199.4
Overseas loans	10.3	9.6	10.8	11.3
Total net lending	**44,001.8**	**44,604.6**	**45,137.3**	**45,682.5**

Source: The People's Bank of China

TRADE

China exports and imports divided according to commodity groups, according to SITC classification

	EXPORTS in USD m						IMPORTS in USD m					
	Jan-Jul 2010	Share	Jan-Jul 2009	Share	2009	Share	Jan-Jul 2010	Share	Jan-Jul 2009	Share	2009	Share
Food and live animals (0)	21,543	2.5%	17,387	3.0%	35,280	3.0%	11,635	1.5%	8,102	1.6%	14,825	1.5%
Beverages and tobacco (1)	1,057	0.1%	921	0.2%	1,667	0.1%	1,181	0.2%	1,043	0.2%	2,137	0.2%
Crude materials except fuels (2)	6,402	0.8%	4,318	0.7%	8,172	0.8%	114,191	14.9%	74,037	14.3%	139,926	13.8%
Mineral fuels etc (3)	15,960	1.9%	9,902	1.7%	20,431	1.8%	106,340	13.9%	58,425	11.2%	123,139	12.3%
Animal and vegetable oils etc (4)	210	0.0%	161	0.0%	318	0.0%	4,531	0.6%	3,960	0.8%	7,634	0.8%
Chemicals etc (5)	47,762	5.6%	33,389	5.7%	62,127	5.3%	84,237	11.0%	59,886	11.5%	112,115	11.2%
Manufactured goods by materials (6)	140,254	16.5%	98,364	16.8%	184,840	16.0%	74,468	9.7%	58,878	11.3%	107,580	10.7%
Machinery & transport equipment (7)	417,608	49.1%	260,068	44.6%	547,283	47.1%	298,409	38.9%	210,611	40.5%	408,247	40.7%
Other manufactured articles (8)	199,173	23.4%	158,733	27.2%	299,752	25.8%	63,025	8.2%	42,985	8.3%	85,163	8.5%
Not classified commodities (9)	732	0.1%	828	0.1%	1,653	0.1%	8,179	1.1%	1,516	0.3%	3,305	0.3%
TOTAL	850,701	100%	584,071	100%	1,161,523	100%	766,196	100%	519,443	100%	1,004,071	100%

China's ten largest markets, ranked according to 2009 in USD m

EXPORT					IMPORT				
No Country	Jan-Aug 2010	Share	2009	Share	No Country	Jan-Aug 2010	Share	2009	Share
1 **USA**	178,573	18.0%	220,816	18.4%	1 **Japan**	111,568	12.6%	130,938	13.0%
2 **Hong Kong**	131,616	13.3%	166,233	13.8%	2 **South Korea**	88,963	10.0%	102,552	10.2%
3 **Japan**	75,326	7.6%	97,911	8.1%	3 **Taiwan**	75,902	8.6%	85,723	8.5%
4 **South Korea**	43,735	4.4%	53,680	4.5%	4 **USA**	64,041	7.2%	77,443	7.7%
5 **Germany**	43,280	4.4%	49,920	4.2%	5 **Germany**	47,611	5.4%	55,811	5.6%
6 **Netherlands**	31,135	3.1%	36,682	3.1%	6 **Australia**	36,840	4.2%	39,439	3.9%
7 **UK**	23,944	2.4%	31,277	2.6%	7 **Malaysia**	31,696	3.6%	32,331	3.2%
8 **Singapore**	21,370	2.2%	30,066	2.5%	8 **Brazil**	23,360	2.6%	28,281	2.8%
9 **India**	25,738	2.6%	29,667	2.5%	9 **Thailand**	21,188	2.4%	24,897	2.5%
10 **France**	17,801	1.8%	21,460	1.8%	10 **Russia**	17,452	2.0%	21,283	2.1%

REGIONAL DATA

Self-governing municipalities	Fixed asset investment in urban areas, in RMB bn Jan-Jul 10	Index*	Construction of new dwellings, in 1,000 sq.m. Jan-Jul 10	Index*	Industrial output growth Jan-Aug 10*	Retail sales growth Jan-Jul 10*	Consumer price index Jul 10**	Producer price index Jul 10**
Beijing	231.0	106.5	5,408.7	91.1	115.5	116.1	102.5	102.2
Shanghai	229.5	93.6	5,514.1	66.4	122.9	117.6	103.9	101.4
Tianjin	316.4	133.9	3,459.7	95.6	125.0	119.2	103.4	102.0
Chongqing	281.6	129.3	11,017.6	107.2	125.0	118.5	103.8	103.3
13 economically strongest provinces by GDP in 2009 (provincial capitals indicated in brackets)								
Guangdong (Guangzhou)	578.6	122.5	28,144.3	111.2	116.5	117.0	102.7	102.9
Jiangsu (Nanjing)	907.8	122.9	29,921.2	104.2	116.4	118.2	104.1	107.5
Shandong (Jinan)	1,092.3	120.5	20,070.3	99.3	116.0	118.4	102.4	106.2
Zhejiang (Hangzhou)	417.4	112.3	11,996.0	105.2	117.6	119.2	104.1	106.0
Henan (Zhengzhou)	683.0	120.3	15,150.8	99.3	120.8	118.5	103.2	107.0
Hebei (Shijiazhuang)	725.1	126.1	12,780.8	124.1	118.9	118.0	102.7	106.5
Liaoning (Shenyang)	724.1	129.8	11,537.3	107.4	118.1	118.1	101.9	107.3
Sichuan (Chengdu)	614.2	125.5	25,110.8	173.0	124.8	118.5	103.2	105.3
Hunan (Changsha)	399.4	125.0	11,143.7	93.7	124.0	118.5	103.5	106.2
Hubei (Wuhan)	498.5	134.8	12,166.8	120.8	124.5	118.5	103.1	104.8
Fujian (Fuzhou)	354.0	129.2	8,293.9	96.9	121.3	118.7	103.4	102.6
Anhui (Hefei)	525.1	129.8	17,274.4	156.5	124.0	119.0	102.9	107.7
Inner Mongolia (Hohhot)	448.6	116.3	4,968.6	88.0	117.5	118.7	102.6	106.4
Total for the whole country	**11,986.6**	**124.9**	**289,556.9**	**110.5**	**116.6**	**118.2**	**103.3**	**104.8**

*) 100 = same period of the previous year; **) 100 = same month of the previous year. Source: National Bureau of Statistics

China's provinces and their capitals

INDUSTRIAL OUTPUT

On monthly basis	Mar 2010	Apr 2010	May 2010	Jun 2010	Jul 2010	Aug 2010
Index 100 = same month prev year	118.1	117.8	116.5	113.7	113.4	113.9
Year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Index 100 = previous year	116.7	116.4	116.6	118.5	112.9	111.0

PRODUCER PRICE INDEX

Month	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10
Index 100 = previous year	105.9	106.8	107.1	106.4	104.8	104.3

Source for both: National Bureau of Statistics

RETAIL SALES

Sales in RMB billion*

Month	Apr 2010	May 2010	Jun 2010	Jul 2010	Aug 2010
Sales in RMB bn	**1,151.0**	**1,245.5**	**1,233.0**	**1,225.3**	**1,257.0**
100 = previous month	101.7	108.2	99.0	99.4	102.6
100 = same mon. prev. year	118.5	118.7	118.3	117.9	118.4
Year	**2005**	**2006**	**2007**	**2008**	**2009**
Sales in RMB bn	6,717.7	7,641.0	8,921.0	10,848.8	12,534.3
100 = previous year	112.9	113.7	116.8	121.6	115.5

*) National retail sales and changes in nominal terms.

AUTOMOBILE SALES

In 1,000 units*

Month	Mar 2010	Apr 2010	May 2010	Jun 2010	Jul 2010	Aug 2010
Sales	1,735.1	1,555.2	1,438.4	1,412.1	1,244.0	1,322.3
100 = previous month	143.2	89.6	92.5	98.2	88.1	106.3
Index 100 = prev. year	155.8	134.4	128.4	123.5	114.4	116.4
Year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Sales	5,071.1	5,758.2	7,216.0	8,791.5	9,380.5	13,644.8
Index 100 = prev. year	115.5	113.5	125.1	121.8	106.7	146.0

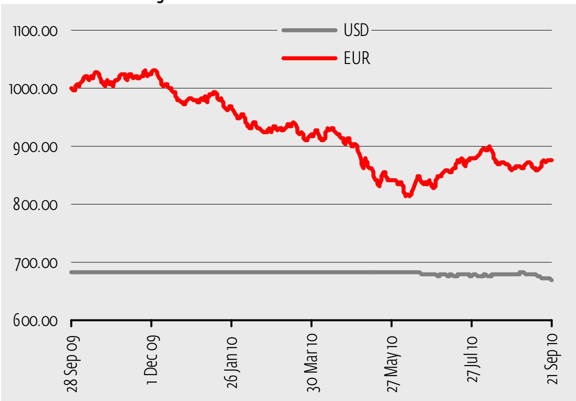
*) Covering all types of passenger and commercial vehicles

CURRENCY

Exchange rates in RMB as of 21 September 2010

	Central parity		Bank of China Buying	Bank of China Selling	Industrial and Commercial Bank of China Buying	Industrial and Commercial Bank of China Selling
100 USD	699.97	100 DKK	117.36	118.3	117.39	118.33
100 EUR	875.22	100 SEK	95.87	96.64	95.86	96.62
100 JPY	7.8204	100 NOK	110.51	111.4	110.51	111.39
100 HKD	86.29	100 GBP	1,039.77	1,048.12	1,040.67	1,049.03

100 EUR and 100 USD against RMB



Source: SAFE, State Administration of Foreign Exchange

PMI (PURCHASING MANAGERS' INDEX)

Index readings*	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10
Manufacturing PMI	**55.1**	**55.7**	**53.9**	**52.1**	**51.2**	**51.7**
Output	58.4	59.1	58.2	55.8	52.7	53.1
New orders	58.1	59.3	54.8	52.1	50.9	53.1
New export orders	54.5	54.5	53.8	51.7	51.2	52.2
Backlogs of orders	52.0	53.4	49.7	47.4	46.8	48.2
Stocks of finished goods	48.3	46.2	49.8	51.3	49.9	46.9
Purchases of inputs	58.1	60.1	56.0	53.5	52.2	51.9
Imports	53.7	53.1	50.9	50.4	49.3	48.4
Input prices	65.1	72.6	58.9	51.3	50.4	60.5
Stocks of major inputs	50.6	51.5	51.0	49.4	47.8	47.3
Employment	52.9	53.2	52.1	50.6	52.2	51.7
Suppliers' delivery time	50.5	51.1	50.9	50.0	49.9	40.7

*) Seasonally adjusted. Index readings of above 50 refer to expanding activities, while those of below 50 refer to contracting activities.

Source: China Federation of Logistics and Purchasing

GDP

years	Real growth year on year	GDP at current prices in RMB bn	GDP at current prices in USD m	GDP per capita in RMB
2009	9.1%	34,051	4,986	25,602
2008	9.6%	31,405	4,442	22,613
2007	13.0%	25,731	3,386	19,493
quarters				
2 Q 2010	11.9%	9,122	1,341	6,858
1 Q 2010	11.9%	8,162	1,195	6,137
4 Q 2009	10.7%	11,754	1,721	8,772
3 Q 2009	9.1%	7,796	1,141	5,862
2 Q 2009	7.9%	7,412	1,085	5,573
1 Q 2009	6.2%	6,575	963	4,951
Forecasts	**2010***	**2010****	**2011***	**2011****
Guotai Junan Securities	9.7%	10.0%	9.0%	9.0%
Deloitte	9.0%	10.1%	n/a	9.25%
UBS Securities	10.0%	9.5 - 10.0%	8.7%	8.7%
BNP Paribas Peregrine	9.8%	9.8%	8.0 - 8.5%	8.4%

*) Previous forecasts

**) New forecasts from September 2010

Source: National Bureau of Statistics

CURRENT ACCOUNT

excerpts shown in USD m	2007	2008	2009	H1 2010**
Trade balance	315.4	360.7	249.5	89.7
Services	-7.9	-11.8	-29.4	-13.3
Direct investments, net*	121.4	94.3	34.3	36.5
Current account balance	371.8	426.1	297.1	124.2
Current account deficit in % of GDP	11.3%	9.8%	6.1%	4.9%

*): Net Direct Investments imply foreign investments in China minus China's investments abroad; **) Preliminary figures

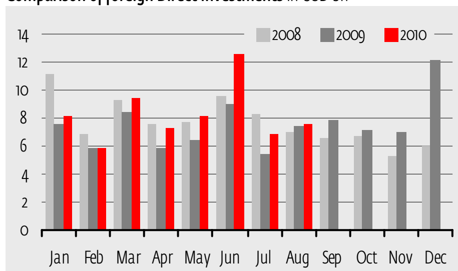
Source: State Administration Bureau of Foreign Exchange

FOREIGN DIRECT INVESTMENT

FDI	In USD bn	100 = prev. year
2003	53.5	101.4
2004	60.6	113.2
2005	72.4	119.5
2006	69.5	96.0
2007	82.7	119.0
2008	108.3	131.0
2009	90.0	97.4
Jan-Aug 2010	66.0	118.1

Source: Ministry of Commerce

Comparison of foreign Direct Investments in USD bn



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