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*China Economic Brief*

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## China's GDP growth to hit 8.3% in 2012: report

By Xinhua News Agency, 2012-01-10

Website:

[http://www.chinadaily.com.cn/bizchina/2012-01/10/content\\_14416435.htm](http://www.chinadaily.com.cn/bizchina/2012-01/10/content_14416435.htm)

China Daily

BEIJING -- China's economy will grow 8.3% this year, according to a report by the Deutsche Bank.

Dragged down by decreasing property investment and exports, the economy will continue to decelerate in the first quarter of 2012, with year-on-year GDP growth dropping to somewhere between 6% and 7%, said Ma Jun, an economist with the bank, at a forum held on Monday, at which a report on China's economic outlook was released.

However, the economy will pick up the pace in the 2nd quarter and beat last year's year-on-year growth rate in the 3rd quarter, Ma said.

China's economy slowed last year, with its GDP growth dropping to 9.1% year-on-year in the 3rd quarter, compared with 9.5% in the 2nd quarter and 9.7% in the 1st quarter.

## Article Highlights

- China's economy is expected to cool to 8.3% in 2012.
- China's inflation will further subside and CPI is expected to rise around 3.5% in 2012.
- China with 2011 Dec surplus at \$21.6 billion will aid exporters with fresh efforts.
- China's export volumes to developing countries will be expanded.
- China's manufacturing activity declined for the 2nd consecutive month in December but showed tentative signs of stabilizing.
- China's new guidelines will encourage foreign companies to invest more in domestic industries.
- China's recent move to take finished automobiles off of a list of industries where foreign investment is encouraged will not affect foreign businesses.

## CHINA ECONOMIC BRIEF

"The rebound in the 2nd and 3rd quarters will be mainly brought by the eurozone's improvements, loosening domestic monetary policies and fiscal measures that encourage consumption and investment in the public sector," Ma said.

Meanwhile, consumer prices will grow at a much slower year-on-year rate of 2.8% this year, Ma said, noting that the growth rate will rise again starting in the 4th quarter after dropping to the year's lowest level in the 3rd quarter.

The country's Consumer Price Index (CPI) dipped to 4.2% in November, easing from a three-year high of 6.5% in July. However, it still gained 5.5% year-on-

year in the first 11 months of 2011, well above the government's full-year target of 4%.

The central bank will cut banks' reserve requirement ratios three or four times in 2012, while the yuan will rise further, up 3.5% during the period, Ma said.

Ma said the year's fiscal deficit will be slightly higher than last year's, with fiscal policies and bond issuances targeting affordable housing, the construction of railways and water conservancy products, structural tax reduction and consumption.

### CPI to ease further despite inflation

By Xinhua News Agency, 2012-01-03

Website: [http://www.chinadaily.com.cn/china/2012-01/03/content\\_14372937.htm](http://www.chinadaily.com.cn/china/2012-01/03/content_14372937.htm)

China Daily

BEIJING - China's inflation will further subside in 2012 on weaker world commodity demand and previous monetary tightening measures, analysts have said.

However, analysts also expect long-term inflationary pressure to linger on, urging authorities not to let their guard down.

"Price rises will slow down markedly in 2012 as the economy downshifts, food prices retreat and imported inflation tapers off," according to the Bank of China's 2012 first-quarter economic outlook report.

The report predicted that the consumer price index (CPI), a main gauge of inflation, will rise around 3.5% in 2012.

Zhuang Jian, a senior economist with Asian Development Bank, anticipated a downward trend in the overall price level in 2012 as a result of diminishing carryover effects and the government's prudent monetary policy direction.

"There might be a certain degree of fluctuation in monthly figures, but the overall CPI growth will stay around 4%," he said.

Lian Ping, chief economist with Bank of Communications, said the CPI in 2012 will reach around 3%, citing declining food prices -- which factor greatly in the CPI calculation - as well as falling commodity prices on international markets and prior monetary tightening measures.

The central bank had hiked banks' reserve requirement ratio (RRR) six times and the benchmark interest rate three times in 2011 to fight inflation before cutting the RRR by 50 basis points in December.

## CHINA ECONOMIC BRIEF

Despite easing inflation, long-term pressures remain, forcing policy makers to keep an eye on price rises.

Commodity prices may run high because of future quantitative easing measures as global central banks unleash liquidity to stimulate the sluggish economy, according to the Bank of China report.

Analyst Lv Bin with SCI, a Chinese commodity information portal, said crude oil prices might spike if instability in the Middle East worsens and severely affects oil supplies.

Lian pointed to higher labor costs, resource product price rises and land shortages as long-term factors that will bolster inflation.

Macro-control policies should closely follow the inflationary trend and must not hamper efforts to balance supply and demand and facilitate the distribution of goods, he said.

China's CPI eased to a 14-month low of 4.2% in November from the year's peak of 6.5% in July. It hit 5.5% year-on-year during the January-November period, well above the government's full-year target of 4%.

### China trade surplus narrows in 2011

By Reuters, 2012-01-05

Website:

<http://www.reuters.com/article/2012/01/05/china-trade-surplus-idUSL3E8C5A8520120105>

Reuters

BEIJING, Jan 5 (Reuters) - China's 2011 trade surplus shrank slightly to \$160 billion last year, Chinese Commerce Minister Chen Deming said on Thursday, giving grist to Beijing's vows to boost imports and balance the nation's trade.

The country had a trade surplus of \$183.1 billion in 2010. According to Reuters calculations, China recorded a surplus of about \$21.6 billion in December, a four-month high and a sharp rise from November's \$14.5 billion.

If that number is accurate, it would be well above market expectations. A Reuters poll of 23 economists forecast China's trade surplus to fall to \$8.8 billion in December as weakening global demands hurt Chinese exports.

Chen said in a statement on the Ministry's website that the world economy faces a "stern and complicated" situation this year and that any recovery would be slow and likely to fight huge headwinds.

Still, China will take new measures to defend and grow its market share as the world's largest exporter, Chen said.

"Export tax rebate process will be accelerated," Chen said, adding policies include steady pro-trade policies and enhanced credit support to exporters.

In 2011, China's trade surplus share of China's gross domestic product (GDP) dropped to about 2% in 2011 from 3.1% in 2010, Chen said.

The United States has urged Beijing to keep China's trade surplus share of GDP below 4%, although that proposal has been rejected by the Chinese government.

## CHINA ECONOMIC BRIEF

"China has achieved balanced and stable development of foreign trade in 2011," Chen said.

He added that China's exports and imports totalled \$3.6 trillion last year, an increase of 20% from a year ago. But Chen did not give a breakdown of exports and imports.

China's customs administration is scheduled to publish trade data for December and all of 2011 on next Tuesday.

Chinese officials and analysts say the country's massive export sector will face a challenging 2012 due to a weak global economy caused by the Europe debt crisis.

China, also the world's second-largest importer, has targeted annual 10% growth in its trade turnover through 2015.

## Emerging markets key for foreign trade

By Li Jiabao, 2012-01-11

Website: [http://www.chinadaily.com.cn/bizchina/2012-01/11/content\\_14420394.htm](http://www.chinadaily.com.cn/bizchina/2012-01/11/content_14420394.htm)

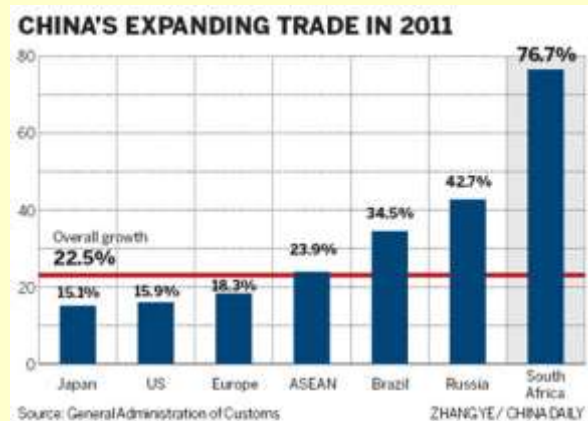
China Daily

BEIJING -- China's trade volume with the emerging markets grew at a faster rate than with its traditional markets in 2011.

Overall, foreign trade grew by 22.5% year-on-year to a record \$3.6 trillion.

The volume of trade with Brazil rose by 34.5%, that with Russia grew by 42.7%, while trade with South Africa increased by 76.7%, according to data released by China's General Administration of Customs on Tuesday.

Trade with members of the ASEAN increased by 23.9% in 2011 year-on-year, while trade with the EU registered year-on-year growth of 18.3%. Sino-US trade rose by 15.9% last year.



**“The nation will expand its trading level with emerging markets this year, as it aims to diversify and offset a slowdown in exports caused by the deepening EU debt crisis and the troubled US economy.”**

ZHONG SHAN  
VICE-MINISTER OF COMMERCE

The nation will expand its trading level with emerging markets this year, as it aims to diversify and offset a slowdown in exports caused by the deepening EU debt crisis and the troubled US economy, said Zhong Shan, vice-minister of commerce, on Monday.

## **CHINA ECONOMIC BRIEF**

As the global economy slows, China's traditional export markets, the US and EU, are troubled by debt crises or high unemployment. Demand from these markets will register limited growth, while the emerging markets are seeing economic expansion.

Fast-developing emerging markets will be the main targets for foreign trade in the coming years said Jin Baisong, deputy director of the department of Chinese Trade and Studies at the Chinese Academy of International Trade and Economic Cooperation affiliated to the Ministry of Commerce.

Song Hong, a senior researcher at the Institute of World Economy and Politics at the Chinese Academy of Social Sciences, said: "Emerging markets undergoing industrialization will be the future destinations for China to expand its foreign trade."

Emerging markets such as Vietnam, Indonesia, Mexico and other members of the BRICS (Brazil, Russia, India, China and South Africa) have large-scale economies and have maintained a rapid pace

of development in recent years, and will have huge demand for Chinese exports in the future, Song said.

Zhong said that the ministry has selected 30 countries and regions as its key areas to diversify China's foreign trade in view of their resources, populations and market size.

"By 2015, the volume of foreign trade with these emerging economies will rise to \$5 trillion from the current \$3.6 trillion," Zhong said.

He said that China's foreign trade development has relied too heavily on the traditional developed markets and that diversification will balance the structure of foreign trade.

In 2010, the Chinese mainland's top five trading partners - the EU, the US, Japan, Hong Kong and South Korea - accounted for 53.7% of the country's foreign trade, while developing countries took a 31% share, according to the ministry.

## **Decline in Chinese output begins to abate**

By Simon Rabinovitch, 2011-12-31

Website: <http://www.ftchinese.com/story/001042493/en>  
Financial Times

Chinese manufacturing activity declined for the second consecutive month in December but showed tentative signs of stabilising, according to a survey published yesterday.

The HSBC purchasing managers' index for China hit 48.7 this month, weighed down by falling orders and remaining below the 50 mark that denotes a contraction. Yet the decline was softer than

November's 47.7 reading, signalling that the slowdown in manufacturing growth might be nearing a bottom, at least in the short term.

Qu Hongbin, chief China economist with HSBC, warned it was still too early to sound the all-clear and that "more aggressive action on both fiscal and monetary fronts" was needed to shore up growth. A hard landing should be avoided so long as easing measures filter through in coming months.

## CHINA ECONOMIC BRIEF

With inflation falling sharply and growth slowing in recent months, Beijing has cautiously started to relax its tight monetary policy settings. It trimmed banks' required reserves at the end of November – its 1st such move in 3 years – and analysts expect another cut in the coming weeks, if not days.

With Europe still struggling and the US recovery proceeding in fits and starts, the global economy has become increasingly reliant on China for growth.

In a stark reminder that liquidity is still constrained in China, money market rates surged this week.

The seven-day repurchase rate, a gauge of short-term funding costs, reached 5.6% yesterday, the highest in more than five months, as banks scrambled for cash before the year's end.

The stock market provided another indication of the slowing economy. The Shanghai Composite Index is down 22% this year – making it technically a bear market – and is near its lowest level since 2009. Yet, balanced against these indicators, there have been

hopeful signs.

The central bank appears to have succeeded in turning the tide on the renminbi through its interventions in the foreign exchange market. The currency had come under sustained selling pressure since September but has climbed 1% against the US dollar this month even as the dollar has strengthened against other currencies.

The government of Zhejiang province, China's heartland of private entrepreneurs, also reported this week that small and medium-sized companies were faring better, thanks to increased financing support, and that much-feared bankruptcies had not materialised.

Economic slowdown has to a large extent been the result of a concerted government effort to rein in housing prices. The number of transactions has fallen abruptly and prices have finally started to edge down, but officials insist they will continue to clamp down on the property sector next year.

## Guidelines welcome foreign money

By Ding Qingfen and Lan Lan, 2011-12-30

Website: [http://www.chinadaily.com.cn/bizchina/2011-12/30/content\\_14354913.htm](http://www.chinadaily.com.cn/bizchina/2011-12/30/content_14354913.htm)

China Daily

### **Ministry opens more industries to investment from overseas**

BEIJING - China will encourage foreign companies to invest more in domestic industries to further make good on the country's commitment to open its economy.

In a new version of the Foreign Direct Investment Industry Guidelines (2011), the Chinese government is encouraging foreign investors to put money into advanced manufacturing, the service industry and certain business concerned with energy conservation, advanced technology, renewable sources of energy, new materials and advanced-equipment manufacturing.



*Government officials and experts said the new guidelines are in keeping with proposals contained in China's 12th Five-Year Plan (2011-2015), which seeks to lay the foundation for a more innovative and greener economy.*

On Thursday, the Ministry of Commerce and the National Development and Reform Commission (NDRC) issued the guidelines, which will replace a previous version of the rules that was published in 2007. They are expected to come into force on January 30.

Compared with the 2007 version, the new guidelines encourage foreign companies to invest in a greater number of industries and reduce the number of industries that are off limits to such investment.

"The new version indicates China's strong commitment to opening its market wider," said Wang Zhile, director of the ministry's research center for transnational cooperation.

In the new guidelines, the Chinese government will encourage foreign enterprises to invest in new technology and equipment for the textile, chemicals and machinery-manufacturing industries.

The guidelines also call for the encouragement of investment into nine service industries. Among them are those concerned with charging electric vehicles and swapping their batteries, protecting intellectual property rights, cleaning up offshore oil pollution and vocational training.

China will also allow foreign companies to invest in medical institutes and various other industries that were previously off limits to them.

Kong Linglong, director-general of the National Development and Reform Commission's department of foreign capital and overseas investment, said, "Looking at the changes in the new version, we can tell the way in which the Chinese government would like to transform its industrial structure. And another message is that China is now placing more value on the quality of foreign investments rather than their scale."

The government will also prevent foreign companies from building or operating refineries that have the capacity to distill fewer than 200,000 barrels of crude oil a day. That is up from the previous limit of 160,000 barrels a day.

China, meanwhile, has removed industries from the list of those it encourages foreign companies to invest in. No longer part of that group are automakers, large coal-to-chemical operations and manufacturers of polycrystalline silicon.

"The restrictions generally apply to industries that have excessively large capacities and that pollute the environment," said Zhang Xiaoji, senior researcher at State Council's development research center.

## CHINA ECONOMIC BRIEF

"But they will probably be a source of their (foreign companies') complaints about transparency in China's market for foreign investment. To alleviate their concerns, China should try to provide detailed information about what will be restricted."

China is now the second-largest destination for such investment in the world and the largest among developing economies. In 2010, the value of foreign

direct investment into China hit a record high, increasing to \$105.74 billion, a rise of 17.4% from the year before. In 2009, it decreased by 2.6%.

From January to November, the value of China's foreign direct investment increased by 13.15% from the same period the year before, reaching \$103.77 billion.

### Auto rules will not affect foreign businesses

By Xinhua News Agency, 2012-01-03

Website: [http://www.chinadaily.com.cn/china/2012-01/03/content\\_14373035.htm](http://www.chinadaily.com.cn/china/2012-01/03/content_14373035.htm)

China Daily

BEIJING - China's recent move to take finished automobiles off of a list of industries where foreign investment is encouraged will not affect the operations of existing Sino-foreign joint ventures in China's auto sector, an official with the country's top economic planner said.

The National Development and Reform Commission (NDRC) and the Ministry of Commerce jointly issued a new guideline for foreign investment last week, moving "finished car manufacturing" from the "encouraged" list to the "approved" list.

An NDRC official explained that the move was the result of excesses in both production capacity and finished automobile companies in China.

"It was a normal adjustment in light of the development of China's auto industry," said the official with the NDRC's department in charge of foreign investment, who declined to be named.

"There is no such issue of tightening up, nor will it affect the operations of existing joint ventures in China," the official said.

China has been the world's largest auto producer and market by volume since 2009. Its auto sales reached 18.06 million units in 2010, while output rose to 18.26 million units.