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Politics and Economy Update

China's PMI improving as economy stabilizes

China's manufacturing activities improved last month thanks to domestic demand, but exports remain weak, according to analysts.
The official Purchasing Managers' Index, a comprehensive gauge of manufacturing activities weighted toward large state-owned enterprises, edged up half a point from a month earlier to 51 in February, the China Federation of Logistics and Purchasing said yesterday.
Component indices in the official PMI showed new orders 0.6 up to 51, while production gained 0.2 to 53.8.
Trade recovered a little from January, with new export orders rising 4.2 to 51.1 and imports adding 3.9 to 50.8.
"The detailed breakdown is in line with our expectations of a broad-based seasonal pickup after the Chinese New Year and the economy remaining on track for a soft landing," said Chang Jian, a Barclays Capital economist.
"In particular, the import index rose above 50 for the first time since October, which indicates some resilience in underlying demand."
Chang said the official PMI data should provide some comfort regarding the extent of the economic slowdown, especially after January's economic data, which was weaker than expected. He anticipated that authorities would keep policies largely stable, or allow them to ease at a measured pace.

People’s Daily Online, Mar 2 2012

China Aims to Increase Foreign Trade by 10pc in 2012

China aims to increase the volume of total exports and imports by around 10 percent year-onyear in 2012 to further improve its international balance of payments, Premier Wen Jiabao said in a government work report on Monday.
The targeted growth is a sharp slowdown from the 22.5 percent annual growth last year.
China will continue to implement the export tax rebate policy and fully implement the strategy of boosting trade through upgrading technologies, improving quality and diversifying markets, Wen said.
Meanwhile, China will adopt guidelines to increase imports and promote trade balance, improve import policies, build more platforms to promote imports and work for balanced growth of exports and imports, according to the report.
China will implement the newly revised Proposed List of Industries for Foreign Investment, and encourage more foreign investment in advanced manufacturing, new and high technologies, energy conservation, environmental protection, new service industries and the central and western regions.

Business China, Mar 5 2012

Investment in China set to increase

Members of the American Chamber of Commerce in southern China plan to invest more in China in the coming years despite a sluggish global economy, according to a survey published on Tuesday.

The survey, which interviewed 461 companies, said the members' budgets call for increasing their spending in China by 21.4 percent for the next three years.

The survey polled businesses in Guangdong, Fujian and Hainan provinces, as well as the Guangxi Zhuang autonomous region and Chongqing. Many small and medium-sized businesses took part in it this year.

The chamber estimated that the nearly 2,000 members will spend about $11.7 billion in the next three years to expand their businesses in China, said Harley Seyedin, chairman of the chamber, at a press conference.

Those plans were an about-face from the budget figures reported in the survey for last year.

In that report, the chamber's members said their budgets called for their investments in China to decrease by about 8 percent over the course of three years. About 57 percent of the companies in the survey this year say their 2011 budgets call for investing more in China.

About 88 percent of the companies surveyed say they are already profitable or expect to make a profit in two years, and about 70 percent of the already profitable companies said they expect to meet or exceed their profit targets.

Seyedin said it is hard to explain exactly why the companies intend to invest more in the next three years. Two likely reasons are the absence of a large number of investment opportunities in the rest of the world and the room for growth in the Chinese market.

About 70.5 percent of the companies surveyed mainly provide products or services to the Chinese market, compared with fewer than 23 percent in 2003, when the first informal survey of this kind was conducted.

About 85 percent of the companies surveyed rated business conditions in South China as being "outstanding", "very good" or "good/acceptable".

The top reason they had for moving to southern China remained the good market opportunities they found there, followed by the proximity to Hong Kong, as well as the presence of high-quality managers and specialists and better infrastructure there.

The companies, meanwhile, pointed to regulation as being the single largest obstacle they faced to doing business.

China Daily, Feb 29 2012

Report shows coastal provinces get largest concentration of FDI

For China's provincial leaders eager to woo overseas investors, a report released on Monday may provide some timely guidance.

Using the FDI Performance Index adopted by the United Nations Conference on Trade and Development to discover if areas have received FDI inflows appropriate to their economic power, the report reveals three provincial clusters, according to Karl Sauvant, senior fellow of the Vale Columbia Center on Sustainable International Investment.

The locations in the first cluster, all of which perform better than might be expected given their economic size, are virtually all coastal areas.

Led by the municipalities of Shanghai and Tianjin, and including provinces such as Liaoning, Jiangsu and Hainan, the first cluster contains nine of the top 11 performers. Chongqing in western China and Jiangxi in the central area are the only two non-coastal areas in the top 11.

Provinces in the middle cluster, mostly provinces in the western and central areas, are rated as underperforming. Meanwhile, provinces in the bottom cluster, which mainly comprises those wholly in the western regions, are underperforming significantly.

Even though the coastal region has been the best performer, its share of China's total FDI inflow declined to about 75 percent between 2007 and 2010 from 89 percent between 1987 and 1990.

Over the same period, FDI in the central region rose to roughly 17 percent from below 4 percent and that in the western region fluctuated, but was mainly lower than 10 percent.

"In particular, they (the provinces) can explain their performance and what they intend do about it," said Sauvant, who co-authored the report with Chen Zhao, an associate of the National Committee on US-China Relations, and Xiaoying Huo, a research associate at the Vale Columbia Center.

According to Sauvant, there is a clear, if not strong, trend for FDI to move away from the coastal regions and toward the center. Yet the fact that the figures for the western region have not changed very much would suggest that more policy action is required.

"The question is whether more can be done," said Sauvant, acknowledging that things have improved in the western region since local governments took measures to improve infrastructure and education.

Sauvant believes China will continue to be an attractive destination for FDI. "It may be less attractive for labor-intensive industries. But at the same time, given the improvement in infrastructure, skills and education, it will remain attractive for more advanced technology," he said.

Analysts believe that the euro debt crisis, a weak recovery in the United States and China's new policies to discourage investment in the automobile and polysilicon industries may have a negative effect on FDI inflows to the country this year.

China Daily, Mar 6 2012

Shipping Industry Update

Hainan provincial port throughput surpasses 100 million TEU

Last year, Hainan province's container throughput and throughput tonnage both exceeded the benchmark level of one million TEU and one million tonnes last year, marking a step closer to the province's aim to become regional shipping centre and logistics hub, Xinhua reports.

Hainan's container throughput took over 20 years to grow from less than 10,000 TEU to 585,200 TEU in 2009, but took only two years to jump to 1.22 million TEU last year. This was stimulated by China's policy of developing the south China island into an international tourism spot issued in 2009.

The province's container shipping services have also increased to a new high of 37. Last year, port of Haikou launched feeder lines to southwest China's Fangcheng, Beihai, northern China's Qingdao and Tianjin. Port of Yangpu launches services to Guangzhou, Shanghai, Hong Kong, South East Asia, Australia, US west coast and Middle East.

By 2015, Hainan plans to merge its two major ports, Haikou and Yangpu, into one port cluster. Each of the two is estimated to have a throughput of over 100 million tonnes. The aggregate throughput of all ports in Hainan will double to 227 million tonnes.

Transport Weekly, Mar 2 2012

Port of Zhangjiagang customs processed 1.3 million TEU in 2011, up 16.3pc

Port of Zhangjiagang, in eastern China's Jiangsu province, handled 1.31 million TEU last year, 16.3 per cent more than in 2010, Xinhua reports.

The port recorded a cargo tonnage of 221 million tonnes last year, up 10.2 per cent year on year. Foreign trade cargo grew nine per cent to 52.4 million tonnes.

Shipping Gazette, Mar 3 2012

Shanghai Port container throughput up 3.6% in Jan-Feb

Shanghai Port, the world's busiest container port, saw its container volume rise 3.6 percent in January and February from a year earlier, data issued by the port's operator showed, reported Reuters.

Container throughput rose 13.1 percent in February from a year earlier, after falling 3.3 percent in January.

The monthly figures for the first two months of the year are skewed by the timing of the Lunar New Year, which fell in January this year, but February last year, making the combined figure for the first two months more useful for comparison.

Container throughput at the port rose 9.2 percent in 2011 to 31.7 million TEUs.

Port News, Mar 7 2012

Logistics Industry Update

Sichuan road building hits four-year annual record - 6,537 kilometres

Central China's Sichuan province has invested CNY266.8 billion (US$42.3 billion) of investment in shipping and road transport construction in the past four years, hitting a record high, reports Xinhua.

The province's total expressway mileage has increased to 6,537 kilometres in the last four years, up 250 per cent compared to 2007's rate on construction. The province's first expressway to the north, the Guangyuan to Shaanxi expressway was completed and put into service in May last year, making Chengdu connected to Xian and Beijing and cracking the transport bottleneck to the north.

Currently, eight new outbound expressways were completed and 12 are under construction including these linking Shaanxi, Guizhou, Gansu and Yunnan. The province commenced 42 projects with a increase mileage of 3,887 kilometres in the four years.

The province's Yibin port has started a trial operation, serving 1,000-tonne vessels running in the Yangtze River channel below Yibin. The port handled 8,055 TEU, 370,000 tonnes of bulk cargo and 3,800 tonnes of heavy goods in 2011. It is aiming to reach a container throughput of 30,000 TEU this year.

Shipping Gazette, Feb 29 2012

Industry Dynamics

China to support tech sectors

China will move to develop new competitive advantages in the mechanical, electronics and high-technology industries, said Deputy Minister of Commerce Jiang Yaopin on Wednesday.

"Efforts will be given to building up vehicle and shipping export bases as well as innovation bases for technology to promote trade," he said.

Jiang added that "200 export bases for 25 industries and 2,000 companies attached to the bases will be established during the 12th Five-Year Plan", which runs from 2011 to 2015.

With overseas demand contracting and costs rising, fast growth in the export of mechanical, electronic and high-technology products could be difficult to achieve this year, Jiang said.

Exports of these products last year reached $1.08 trillion, accounting for 57 percent of all exports and remaining the largest export category for the 17th year, according to the ministry.

Huo Jianguo, president of the Chinese Academy of International Trade and Economic Cooperation, a think tank of the Ministry of Commerce, said the industry was experiencing a "more challenging situation" than other export industries.

Huo noted that the industry's export growth last year was four percentage points lower than China's overall export growth of 20 percent, and its share in total exports fell from 59 percent to 57 percent.

Despite the challenging situation, China's exports and imports of these products still have "great potential, since China's exports of mechanical and electronic products only account for 15 percent of the global market," Jiang said.

"China's imports of mechanical and electronic products will reach $4 trillion during the 12th Five-Year Plan period, implying a promising market scope."

However, the government "needs to stabilize its export policy and increase support to key manufacturers such as those making vehicles and parts, which have great export competitiveness", said Huo.

Jiang said that the ministry will promote imports of mechanical, electronic and hightechnology products to balance its trade, while urging the US and EU to ease curbs on hightechnologyexports to China.

China Daily, Mar 1 2012

China 2011 online payment surpasses $124b

China's e-commerce continues its rapidly expansion as online sales turnover in 2011 surpassed 780 billion yuan ($124 billion), a year-on-year increase of 66 percent, according to a report released Thursday.

The report shows that e-business has supported the country's social development through reducing production costs, increasing employment opportunities and accelerating industrial transformation.

The report was jointly published by the International Data Corporation (IDC), a global provider of business intelligence for the consumer technology market, and Hangzhou-based Chinese e-commerce giant Alibaba Group.

Taobao, China's largest online trade platform, created more than 2.7 million jobs in 2011, the report illustrated.

Online turnover now accounts for 3 percent of the country's total retail sales. It is estimated that the ratio will increased to 7 percent in 2015 as China's e-commerce continues to develop,according to the report.

China Daily, Mar 1 2012