The bi-weekly business report by Bonnier

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> There is no middle-of-the-road value-for-money market in China.

Elina Björklund, CEO of Reima PAGE 2

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Finnish KONE moves up in China, but warns of slowdown ahead

"The new equipment markets are expected to continue to grow in Asia-Pacific, but at a significantly lower rate than in 2011," says Anne Korkiakoski, KONE's Executive VP, Marketing & Communications, as the Finnish maker of escalators and elevators expects single-digit growth in China in 2012. PAGE 5

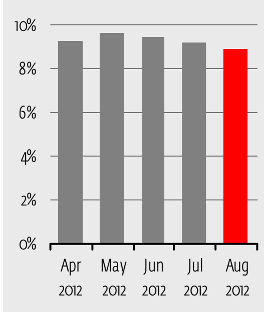
KONE Corp has 7,500 staff in China, selling some 390,000 units of escalators and elevators in China in 2011, according to Mrs. Korkiakoski. Photo: KONE Corp

China economy sees chillier month in August than July

China's economic key figures in August chill further from an already cool month of July, with growth paces of industrial output, retail sales and investment easing, and consumer inflation picking up. Only the property sector provides some hope with revived transactions and investment. PAGE 14

Industry weakens further

Industrial output growth, y-o-y in %



Finnish kidswear maker Reima opens 2 China stores

"Our sales strategy in China is not to have 100 shops, but to use the shops we have now to take in distributors for the Chinese market," says Elina Björklund, CEO of Reima, as the Finnish firm wants to bring its kidswear but also Nordic ways of educting into China. PAGE 2

Most important updated key figures in this issue

ALSO IN THIS ISSUE:

MANUFACTURING

CLOTHING

Kidswear maker Reima starts up shops in China

The Finnish kidswear maker **Reima** has set up two shops in China as a part of a launch of the Finnish brand in China. The two shops include an independent 74 sq.m shop in upscale shopping centre and the other is shop in shop in a department store. In addition, the Finns have set up a sales company and hired local Chinese Garrison Gao who has background from German **Adidas**.

The person who started Reima up in China was, however, Reima's present CEO, Elina Björklund.

"Before I started as a CEO, I lived in China and worked as a consultant for Reima, starting up the company's activities over there," says Elina Björklund to news2biz. "My family is still in China, but they will return soon here to Finland."

Reima was not a novice to China as the company already had approximately 30 employees there working in sourcing and quality control. But sales in China was a whole new ballgame and among other things Reima had to upgrade its Chinese presence from a representative office to a trading company.

"Our sales strategy in China is not to have 100 shops, but to use the shops we have now to take in distributors for the Chinese market," says Björklund.

"We have managed to get good locations near **Kenzo Kids** and **Benetton** and we aim to build a top brand in China. The Chinese have the reputation for being very price-conscious, but they are really not when it comes to the top brands, so this is where you have to go to make it in China. In the Nordics we are more like a middle to premium brand, but there is no middle-of-the-road value-for-money market in China, it is either very cheap or top brands. This means, e.g., that we will downplay the focus on durability of our clothes and fabrics – which we underline in the Nordic markets – and focus more on the colours, the design and the brand."

Finnish Reima targets Chinese kids.
Photo: Reima

Reima's philosophy is to make clothes for active kids enabling them to play outside basically in all shapes of weather offered back home in Finland – this includes bitterly cold winters and cool summers. This sounds pretty far from the overprotected lives of the Chinese families' one-child-policy gems today, but Mrs. Björklund believes that it is possible to carve out a market niche for the Finns.

"Chinese families have a very high degree of focus on their kids. They need to get into the right kindergartens to get into the right schools to get into the right high schools to get into the right universities, so it is extra math, extra violin lessons and extra ballet on Sundays. On the other hand, as much as 70% of the kids in China are overweight. The Finnish school system has quite a high international ranking – people in China are aware of this – and I believe that parents in China will be able to see the point in the Finnish way of educating children where you mix school and intellectual exercises with outdoors play every day where the kids get a chance to unwind and let their minds rest so that the brain can actually better process the information and impressions it has received," Björklund states the mission for Reima in China.

"On the other hand, we shouldn't come to China and appear to be telling the Chinese what to do, so of course this is a careful balance," she adds.

Reima had three shops in Finland already since many years, but they were more factory outlets.

"We actually started our retail expansion in China and are now stepping up in Europe. Even though the focus for us is a bit different in the Nordic markets, this is the other way around compared to how most Nordic companies roll out their sales," says Björklund.

At the same time as Reima is expanding its physical shops' network, the company is also opening up webshops in Sweden and Denmark, to core markets for the Finnish company.

Reima was born out of the turmoil of WWII when the clothing company **Pallo-Palta** was moved from Helsinki to the town of Kankaanpää in Western Finland. Eventually, the plant moved back to the capital, but many skilled workers remained in Kankaanpää and they started making workclothes for ladies out of snowsuits from the Finnish army and US army tents. Eventually, the focus changed to kidswear. Today, Reima Oy is owned by the global private equity investor **Riverside**. Reima employs approximately 150 staff, of which 100 in Finland, and turned over EUR 58m in 2011. The main markets are the Nordics, Russia and Switzerland.

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METAL CUTTING

Sandvik Coromant invests in new application centre

Sandvik Coromant, a part of the Swedish **Sandvik** industrial group, is investing SEK 200m in its units in Sandviken in Sweden and Langfang in China.

Klas Forsström, President of Sandvik Coromant, tells news2biz that slightly less than half of the investment amount will be used in China, whereas the rest goes to Sweden.

"We will add a so-called application centre to Sandvik's existing unit in Langfang," says Forsström.

"An application centre is a unit where we develop solutions for concrete applications in metal cutting, often together with customers," he adds.

Klas Forsström, President of Sandvik Coromant. Photo: Sandvik Coromant

Sandvik Coromant has 500 staff in China where it has been present since Sandvik's establishment in 1985. All of Sandvik Coromant's four business areas are represented in China and the company has 37 sales offices and 40 satellite offices in the country. Already now, Sandvik Coromant has two application centres in China, one in Shanghai and the other in Beijing. The new one, in Langfang, is located about halfway between Beijing and Tianjin. In addition, Sandvik Coromant has six production centres in China.

Sandvik is a high-technology, engineering group with a world-leading position within tools for metal cutting in cemented carbide and high-speed steel, equipment and tools for the mining and construction industries, and products in advanced stainless materials, titanium, special alloys, metallic and ceramic resistance materials and process systems.

In 2011, Sandvik had 50,000 employees and sales of more than SEK 94bn.

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RUBBER

Germany's Lanxess builds world's largest EPDM plant

The German specialty chemicals maker **Lanxess** has in September started construction of the world's largest EPDM (ethylene propylene diene monomer) plant in China, continuing with its expansion in the Asian country after selling RMB 500m worth of Dim Sum bonds earlier this year (see no 190 page 4).

Lanxess said in a press release that the plant will cost EUR 235m, which will be the company's largest investment in China so far. Located in Changzhou, Jiangsu province in East China, the plant will have an annual capacity of 160,000 tonnes of EPDM when it is expected to begin operations in 2015.

"China has been a net importer of EPDM so we see big market potential," says Joyce Pan, a media relations official at Lanxess, to news2biz.

EPDM is used above all in the automobile industry as door sealants or windscreen wipers. The product is also used in the plastics modification, cable and wire, construction and oil additives industries.

Being weather-proof, buckle-proof and abrasion-resistant, EPDM rubber is an ideal material for windshield wipers, door seals, and the engine compartment, etc. Photo: Lanxess

Lanxess is the world's leading supplier of EPDM following its acquisition of Netherlands' **DSM Elastomers** in 2011. Lanxess said the global demand for EPDM is expected to increase by more than 4% per annum in the coming years, while demand in China is expected to grow by around 8%, driven above all by automotive and construction industries.

"The EPDM plant in Changzhou is located nearby one of our suppliers," says Pan.

The unnamed supplier, a methanol-to-olefins plant which is also under construction, will provide ethylene and propylene as key raw material for Lanxess' EPDM factory.

Lanxess also runs a EUR 30m leather chemicals plant in Changzhou which is expected to go on stream in H1 2013.

With about 1,000 employees in the Greater China, Lanxess reported sales of EUR 300m in the region in Q2 2012, leaping 31% year-on-year. In H1, the company turned over EUR 563m and it is targeting sales of over EUR 1bn in the Greater China in 2012.

"Lanxess continues to benefit from the mobility mega-trend," said Martin Kraemer, CEO of Lanxess Greater China, in a statement.

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IN BRIEF

Siemens bullish on medical

Siemens Shanghai Medical Equipment Ltd (SSME), a unit of Germany's **Siemens AG**, started in late August construction of an X-ray products building in Shanghai which will cost over RMB 100m. SSME has over 1,000 employees, selling about 70% of its products to foreign markets. Siemens officials said to Chinese media that the company expects China's medical equipment market to grow at least 15% per year in the next decade.

Swedish trade minister's visit

Ewa Björling, the Swedish Minister for Trade, visited China on 11-15 September with a delegation of Swedish fashion industry. The trade minister's visit covered among others participation of a project in Shanghai called "Swedish Fashion Goes China" to promote Sweden's fashion industry to China.

Swedish trade minister Ewa Björling (right) visits the studio of Swedish designers Greta in Beijing which is founded by Josefin and Hanna Olsson (see no 190 page 2).

Photo: swedenabroad.com

FINANCE

FINANCIAL PRODUCTS

Danish Sparinvest teams up with China's Haitong

The Danish asset manager **Sparinvest** has signed a strategic cooperation agreement with the Hong Kong asset manager **Hai Tong Asset Management HK Ltd**, a subsidiary of the listed **Haitong Securities Co**, one of China's leading brokerages with 4 million private clients and 12,000 institutional ditto.

"The idea is that we should develop new products together," says Rune Jonassen, Sparinvest's Communication Manager, to news2biz.

"In 2008, we entered into a similar partnership with the US asset manager **Brandes Investment Partners**," explains Jonassen.

"The advantage for us is to gain access to the Chinese market and to Chinese currency denominated investment products while Hai Tong gets access to our European distribution network," says Jonassen.

Sparinvest has two offices in Denmark and also in Luxembourg, Frankfurt, Paris, Amsterdam, Vienna and Stockholm. The company administers more than DKK 67bn for 150,000 investors in 17 European countries.

"Also, asset management is not that old in China and we have experience in Luxembourg based SICAV products which could come in handy to the Chinese," says Jonassen.

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FUNDS

UK's Aviva quits China fund amid bearish markets

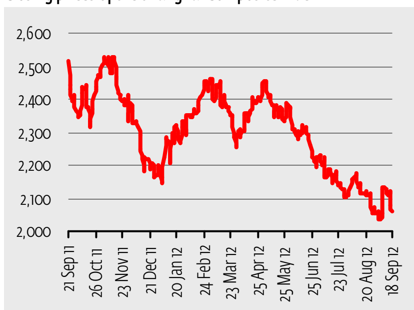
Britian's largest insurer **Aviva Plc** has pulled out from a planned asset management company in China, ending five years of efforts in winning a fund license in China, highlighting bearish capital markets both in and outside China.

Aviva started to look at China's fund sector in 2007, initiated by its former CEO Andrew Moss. In 2009, the insurer signed an agreement with **Central China Securities** (CCS) for a fund joint venture in which Aviva had planned to own 49% of shares. Then, the venture began the application proceedings with Chinese regulators, but it turned out in September that UK-based money manager **Ashmore Investment Management** took Aviva's position to partner with CCS, according to the China Securities Regulatory Commission.

"We have no comment at this moment," says Herbin Chia, Aviva's Business Manager to Chief Executive, Higher Growth Markets, to news2biz.

Shanghai shares remain weak in Sep

Closing prices of the Shanghai Composite Index



Source: Shanghai Stock Exchange

Observers noted a number of reasons behind Aviva's pullout from the fund venture. The top reason could be Andrew Moss' resignation in May 2012 as the insurer had been struggling with losses since the global financial tsunami in 2008. Aviva's new head had since been trying to downsize non-core businesses.

Another reason is the intensifying competition in China's fund sector in which there is already 74 players and another 8 are waiting for approval. The crowded sector has pushed up costs in competing for qualified personnel, thus making it even more difficult for new funds to make money, especially as China's stock market has been losing ground ever since 2007.

In China, Aviva has run a 50-50 life insurance joint venture with China's **Cofco** since 2003. The joint venture has over 50 branches in 12 provinces and municipalities.

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MONEY

New bank loans rebound strongly in August

After sinking to ten-month low in July (see no 199 page 4), new bank credit, a key leading indicator of investment growth, rebounded to RMB 704bn in August, up 28% year-on-year, according to the central bank People's Bank of China (PBOC).

The result in August far exceeded the average market forecast of about RMB 600bn.

"The effects of the two cuts in interest rates earlier this year have started to emerge," explains Li Huiyong, chief economist at **Shenyin Wanguo Securities**, to newsbiz.

The PBOC figures showed that mid- to long-term loans accounted for 23.5% of loans borrowed by households by the end of August, up from 21.8% at the end of July.

"Households secure longer-term loans mainly for housing mortgages. So, the lowered interest rate is helping to revive housing sales," says Li.

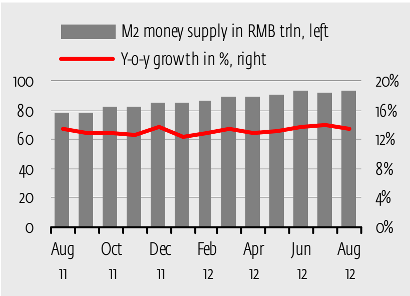
On the contrary, of loans borrowed by enterprises, mid- to long-term loans stood basically flat from July to August.

"This showed that companies remain cautious against the economic prospect," adds Li.

M2 slower-than-expected

At the end of August, China's broad M2 money supply rose 13.5% year-on-year, lower than the 13.9% growth a month earlier, and slower than the average market expectation.

M2 money supply eases down in August



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

Source: PBOC, People's Bank of China

"The results of money supply also showed that corporate activities remain sluggish in August, which calls for more loosening measures," says Li.

In fact, the central bank has in the past few months carried out the open market operations, i.e., the reverse repo, by several times to inject hundreds of billions of yuan of tentative liquidity in the banking system. But economists call for more.

"It is not enough to simply inject liquidity as the PBOC also acknowledges that the additional cash in the banking system could not reach borrowers, i.e., enterprises. Therefore, it is necessary for more cuts in required reserve ratio (RRR) and interest rates in order to further slacken the monetary policies," Li urges.

In other words, both banks and enterprises need to see even lower costs for lending and borrowing amid the current economic downturn. Li still expects two more cuts in RRR and one more cut in interest rates in the remaining of the year.

We have talked to

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IN BRIEF

Norges buys into CPIC

Norway's central bank **Norges Bank** was among foreign investors including **Government of Singapore Investment Corp** and **Abu Dhabi Investment Authority** which invested in **China Pacific Insurance (Group) Co** (CPIC)'s USD 1.3bn additional share placement in Hong Kong in September. CPIC is China's third largest insurer with shares listed in Hong Kong and Shanghai. Its net profit shed 55% y-o-y to RMB 2.6bn in H1.

CCB targets European banks

China Construction Bank (CCB), China's 2nd largest lender, may spend up to USD 15bn to buy off or acquire a substantial stake in a bank in Europe where banks are struggling with the debt crisis, said CCB's chairman Wang Hongzhang to Chinese media. Wang did not disclose the possible targets, but said the UK, Germany and France are the most interesting locations. CCB's total assets hit RMB 13.5 trln by 30 June, up 10% y-o-y.

PROPERTY & CONSTRUCTION

LIFTS

Finnish KONE moves up in China, but pace slowing

Finland's **KONE Corp** upgraded its outlook slightly for 2012 due to stronger than expected orders received and sales growth in Asia-Pacific and reported more big orders for hundreds of escalators and elevators from property programmes in China including two malls under development by **Inter IKEA Centre Group** in July-August (see no 199 page 6). But KONE is quick to caution against uncertainties in the second half of the year.

"In H1, the growth in orders received was the strongest in Asia-Pacific, where orders received grew the most in China and in the South-east Asia," says Anne Korkiakoski, KONE's Executive Vice President, Marketing & Communications, to news2biz.

"The new equipment markets are expected to continue to grow in Asia-Pacific, but at a significantly lower rate than in 2011, and there is uncertainty related to the development in the second half of the year," she adds.

Already, she notes that growth pace was slower in Q2 than in Q1, in terms of orders in China.

KONE delivered 390,000 units of escalators, elevators and auto-walks in China in 2011. The company does not offer year-on-year comparison, but estimates "single-digit" growth in 2012.

Dampened residential segment

By KONE's estimate, it will post growth from commercial & infrastructure and affordable housing segments in 2012 whereas see a drop in the "other residential" segment.

"In H1, the affordable housing segment is growing the fastest in terms of orders received," says Korkiakoski.

This reflected China's policies in restricting home buying this year whereas speeding up construction of government-funded affordable housing and infrastructure programmes.

"We again take the difficult market situation as an opportunity – as we did already in 2008-2009," says Korkiakoski.

Safety concern

What turned out to be a boost to KONE was a bloody accident in Beijing in mid-2011 in which an escalator failure at a metro station killed a teenager and injured 30 people. The escalator was built by US' **Otis**, a unit of **United Technologies Corp**.

After the accident, metro operators in Beijing and other cities cancelled their orders to Otis, which used to be a market leader. Moreover, more news broke out about Otis-branded elevator failures in commercial and residential buildings in China. The event has thus raised Chinese safety awareness for elevators and escalators and become an opportunity for Kone.

"At KONE, safety is of utmost priority, and adherence to strict quality and safety standards is an intrinsic part of our processes from solution creation to preventative maintenance," says Korkiakoski.

"Going forward, we aim to even further strengthen our leadership and communication for safety in every part of KONE's business, internally and externally," she adds.

KONE has a factory in Kunshan, Jiangsu province, and its subsidiary **GiantKONE** has a factory in Nanxun, Zhejiang province, both in East China.

There has been significant expansion in geographical coverage – by the end of 2011, KONE had over 87 branch offices, 34 sales offices and over 200 service stations across China. Altogether KONE has 7,500 employees in China.

Finnish KONE is growing faster than the overall market in China.

Photo: Kone Corp

"KONE has grown clearly faster than the market in China in H1. Today we are number 2 in China, and our objectives are to continue to grow faster than the market, to build market-leading service business, and to continue to improve our profitability," says Korkiakoski.

KONE was established in 1910. In 2011, KONE had annual net sales of EUR 5.2 billion and on average 35,000 employees.

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HOUSING

Housing market starts to stabilise, new risk from QE3

Following first clues of bottoming out in June-July (see no 199 page 5-6), China's housing market showed more signs of stabilising in August, according to the data from the National Bureau of Statistics (NBS).

Among the 70 big cities surveyed by the NBS, 53 posted year-on-year declines in their average new housing prices in August, which was a smaller number than the record 58 cities reporting drops in July.

On a month-on-month basis, 50 out of the 70 cities said new housing prices increased slightly or stayed unchanged in August. The same ratio was seen in July.

Economists said that after the continual declines of home prices since 2011 and encouraged by the two interest rate cuts earlier this year, some home buyers, in particular newly-weds, dropped their wait-and-see stance and began to sign housing mortgages.

Changes of new housing prices in Aug

Changes in selected leading cities; index 100 = previous period

	Y-o-Y	M-o-M
Beijing	99.2	100.2
Tianjin	99.1	100.4
Shenyang	98.5	99.9
Shanghai	98.2	100.0
Nanjing	97.9	100.3
Hangzhou	90.9	100.4
Ningbo	91.5	99.6
Wenzhou	83.1	99.6
Wuhan	98.8	100.1
Guangzhou	99.0	100.3
Shenzhen	97.7	100.1
Chongqing	99.1	100.2
Chengdu	99.2	100.0

Source: National Bureau of Statistics

Besides the prices, the NBS provided more proof in terms of housing transactions. In January-August, housing sales stood at 510 million square metres, falling 4.8% year-on-year. The downfall was smaller than the decline of 7.5% in January-July.

Pros and cons

Analysts said the US third round of quantitative easing (QE3) could result in substantial rebounds in China's housing market, because the flood of cash from Washington could trigger a new round of cash injection by Beijing in order to keep the yuan's exchange rate within control.

A big portion of this additional cash will be funnelled into asset markets, especially real estate.

However, the downward pressure remained, as above all Beijing has not pulled back its tough restriction, in particular against buyers of their second or more home.

Moreover, the inventory is building up. The NBS said that the total area of housing for sale reached 204 million square metres at the end of August, 42% more than a year ago.

IN BRIEF

Danish IDdesign opens in HK

Danish furniture retailer **IDdesign A/S** has in late August opened a USD 2m flagship store in Hong Kong, according to local media. The move was the first step for the Danes to expand in the Greater China market. Sabro, Denmark, headquartered IDdesign runs over 20 stores mainly in Europe and Mid-East.

Large China M&A in Germany

Weichai Power Co, a unit of the state-owned **Shandong Heavy Industry Group**, will acquire a minority stake in Germany's **Kion Group GmbH** for EUR 738m, which is yet another Chinese acquisition in foreign construction machinery makers. Kion is the world's 2nd largest forklift maker with a turnover of EUR 4.4bn in 2011. Hong Kong-listed Weichai Power turned over some EUR 7.5bn in 2011.

Tishman denies land sales

Tishman Speyer, a leading US real estate developer, denied the market rumours that it is selling two property programmes in China (see no 200 page 6). The company said in a statement that it has 1.8 million square metres of development programmes in China in the pipeline and will seek more targets for further investment.

Home Depot closes stores

Home Depot, US largest home improvement retailer, will close its remaining 7 big box outlets in China, laying off about 850 staff and recording an after-tax charge of about USD 160m. China's dampened housing market sales of furniture and other home-improvement products is making time harder for Home Depot whose DIY business model proved unpopular in China. Home Depot said it will retain two specialty stores in Tianjin and try to tap into online shopping.

ENERGY & RESOURCES

INSULATION

Rockwool wants plant in Northern China, too

The Danish insulation maker **Rockwool** made its Chinese entry in December 2010 when it took over a group of companies in Southeast Asia and China from Australia's **CSR**. The acquisition, which cost the Danes DKK 561m, gave Rockwool an insulation plant in Guangzhou, namely, **Rockwool Firesafe Insulation (Guangzhou) Co**, and a sales office in Shanghai.

"We have been building up the market in China and we very much would like to build our own greenfield plant in northern China which is the part of China where temperatures are cold," says Lars Wodschow, Rockwool's Group Communications Manager, to news2biz.

The idea is that the market in northern China should have a volume which is sufficient to sustain an investment of DKK 100m in a new plant.

At the moment, Rockwool is not making money from the market in northern China, but it is not losing any either. As far as Mr Wodschow is informed, there are no plans for Rockwool to jack up sales ahead of constructing a plant by setting up a sales office in northern China right now.

Rockwool turned over DKK 13.7bn in 2011 and saw profits before tax at DKK 899m. The company had 9,368 staff at year-end 2011.

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SOLAR

Life-or-death moment for China solar due to EU action

While China may feel modestly sunburnt from the US anti-dumping tax of 31%-250% against China's solar panels, the EU's anti-dumping investigation, starting from 6 September, has indeed brought the multi-billion-yuan sector to a life-or-death moment.

The reason is simple – China exported USD 20bn worth of solar cells to Europe in 2011, representing 73% of all China's solar cells in the year. If the EU levies a high punitive tax, it will endanger an industry which employs about 300,000 workers.

The EU and China may face a trade war due to the EU's anti-dumping against Chinese solar cells. Photo: sohu

China has argued that the recent falls in prices of solar cells were mainly due to the cheaper raw material – polysilicon, which slumped about 40% so far this year in prices, and the mass scale productions in China, rather than out of the government's subsidies or for dumping purpose.

Facing the largest ever trade friction against Chinese goods, Beijing has sent a delegation to Brussels for negotiation. In the meanwhile, Beijing is also seeking retaliation. China's four leading polysilicon producers had in August asked the Ministry of Commerce (MOC) to investigate into polysilicon from the EU. A month earlier, the MOC had initiated anti-dumping probes against solar-grade polysilicon from the USA and South Korea.

Solar companies downsize

All the trade disputes and the capacity glut in the solar cell sector have made Chinese companies reel and start massive layoffs. New York-listed **Suntech Power Holdings Co**, for example, announced in mid-September to have temporarily closed a portion of its solar cell production capacity in Wuxi, Jiangsu province, "in light of the preliminary US anti-dumping tariff, the European anti-dumping investigation, and oversupply of solar modules."

The downsizing will affect about 1,500 employees.

Another leading Chinese photovoltaic products producer **LDK Solar Co** announced to lay off nearly 3,900 workers in Q2, following the layoff of about 5,000 workers earlier this year. The company posted a gross loss of USD 92m in Q2, following a gross loss of USD 131m in Q1.

Xiaofeng Peng, CEO of LDK which is also listed in New York, was reported to disclose on a conference call in September that the company is trying to sell shares to new investors.

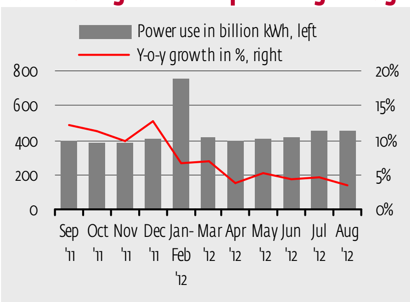
"A few companies have expressed interest in becoming strategic investors. We have not received any offer," Peng acknowledged.

IN BRIEF

Power use still weak

"The average daily power consumption remained downbeat on 1-10 September," said the China Electricity Council, which could foretell another month of economic slowdown in September. In August, China consumed 450 billion kWh of electricity, up 3.6% y-o-y, cooling from growth of 4.5% in July and 4.3% in June, according to the National Energy Administration.

Power use growth keeps easing in Aug



Source: NEA, the National Energy Administration

Vestas denies China takeover

Vestas Wind Systems A/S had never entered into discussions with any Chinese company to sell its stakes, said the Danish wind turbine maker's CEO Ditlev Engel to Chinese media. Rumours had it that Vestas is in talks with the New York-listed Chinese turbine maker **Mingyang** about buying part or all of Vestas (see no 200 page 8). Loss-making Vestas had earlier this year closed a plant in China (see no 199 page 6).

TRANSPORT & LOGISTICS

SHIPPING

Baltic index tests historical low in September

The Baltic Exchange Dry Cargo Index (BDI), published by the London-based maritime marketplace Baltic Exchange, has kept sliding since early July and slumped to 661 on 12 September, testing the historical low of 647 recorded in February this year.

BDI is regarded as a leading indicator of the world trade, reflecting the global demand for big-ticket commodities including minerals, staple grain and coal, etc. The weak BDI readings showed that the global economy was somehow even worse than it was during the global financial tsunami, as the lowest point then was 663 posted in December 2008.

The capacity glut in the world's shipping industry, especially dry cargo shipping, also pushed down the BDI.

The slump in the BDI index highlighted the hard time for shippers, in particular those with big portions of business in shipping dry cargo.

China's largest shipping company **China Cosco Holdings Co** is an example. It posted a net loss of almost RMB 5bn in H1, following a net loss of RMB 10bn in full-year 2011 and thus having retained its title as the biggest "loser" among China's over 2,300 listed companies since 2011.

Wei Jiafu, chairman of the state-owned company, apologised to shareholders on Cosco's interim results conference in late August, and said Cosco had asked for help from the government.

VEHICLES

Auto sales remain on fast track, policies to add fuel

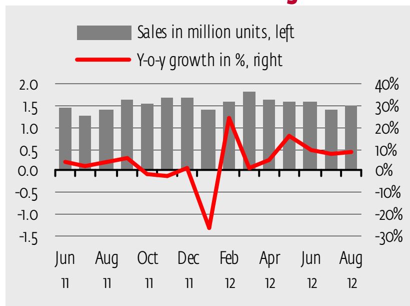
China's auto market, the world's largest, continued with its robust performance since May, with the total auto sales leaping 8.3% year-on-year to almost 1.5 million units in August, according to the China Association of Automobile Manufacturers (CAAM).

"The momentum is on an upward trajectory," said the CAAM in a statement.

Sales of passenger vehicles including "normal" cars, SUVs, MPVs and minibuses leapt 11.3% year-on-year in August, maintaining double-digit gains for five months in a row.

Besides the stronger-than-expected consumer market, sales of commercial vehicles covering buses, trucks and trailers fell 3.4% year-on-year in August, a much smaller decline than in previous months. What's more, sales of buses and trucks posted modest growth.

Auto sales on the rise in August



Source: China Association of Automobile Manufacturers

"This is encouraging, showing that truck operators now have a brighter outlook as the government is speeding up infrastructure construction," says Zhu Haibin, an economist at **J.P. Morgan Chase**, to news2biz.

In January-August, China's total auto sales hit 12.5 million units, up 4% year-on-year.

"July-August is a low season for the auto market due to the summer heat. So, we see auto sales remain on the fast track in the remaining of the year, with some 5% growth for full-year 2012," adds Zhu.

Japanese cars hit by tension

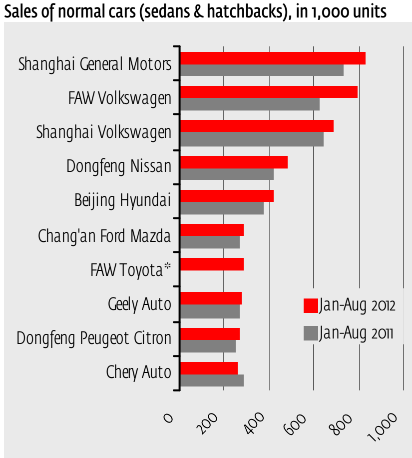
In August, when calculated by nationality of the passenger car brands, all foreign brands posted year-on-year growth, led by 27% in German brands and 20% in US brands. Only Japanese brands edged down 2%.

Nissan, one of the top three Japanese brands, cautioned in September that the intensifying tension between Japan and China regarding the ownership of inhabited Diaoyu Islands (or Senkakus in Japanese), is costing its sales in China.

Indeed, Japanese-branded cars were damaged during some anti-Japanese protests in China in August, even though most of the cars were actually assembled in China. This may make some car buyers rethink their choices.

China's top 10 "normal" car makers

Sales of normal cars (sedans & hatchbacks), in 1,000 units



*) Not on the top 10 list in Jan-Aug 2011

Source: CAAM, China Association of Automobile Manufacturers

However, the impact from the political tension may be limited. Nissan's car sales in China still edged up 0.6% year-on-year in August. Another example was **Honda** whose car sales actually jumped 15% in the month. Only Toyota saw sales tumble 15% year-on-year.

IN BRIEF

Ships built for NOR Lines

Tsuji Heavy Industries (Jiangsu) Co, based in Nantong, Jiangsu province, has in late August begun construction of two LNG-powered 5,000-DWT vessels for NOR Lines. NOR Lines operates a fleet of 16 cargo ships and 11 express vessels in Norwegian/Scandinavian coastal waters serving more than 70 ports.

NOR Lines orders the two 5,000-DWT vessels in Oct 2011. Photo: NOR Lines

Spyker sees Youngman fund

Spyker NV, the Dutch luxury car builder that bought **Saab Automobile** but could not save it from bankruptcy, said **Zhejiang Youngman Passenger Car Group Co** will invest EUR 10m in Spyker to make a new car. Youngman had failed in its attempt to acquire Saab from Spyker, but managed to buy Saab's Phoenix platform. The Chinese automaker now wants to turn the technology into new vehicles with Spyker.

China orders 50 Airbus planes

During the German chancellor Angela Merkel's visit to China in August, Beijing placed an order for 50 **Airbus** aircraft, abandoning China's unofficial boycott to Airbus due to the EU's controversial greenhouse gas emission trading scheme. Currently, Chinese airlines run about 700 Airbus planes, or about 45% of the country's total of civil airplanes.

Boeing eyes huge demand

US' **Boeing** projected in September that China will need 5,260 new commercial aircraft over the next 20 years, revising up from its forecast made a year ago of 5,000 new airplanes needed by China. However, Boeing cut its forecasts for China's annual GDP growth in the next 20 years from last year's 7% to 6.5% this year, and also revised down its estimate for annual growth of China's aviation demand for air travel in the next two decades from 7.6% to 7%.

FOOD & AGRICULTURE

MILK

Arla signs framework agreement with Mengniu

Danish dairy giant **Arla Foods** has signed a framework agreement with China's **Mengniu** regarding the Beijing-based **China-Denmark Milk Technology and Cooperation Centre**, which is to provide expertise on milk quality, traceability and controlled milk production on farms.

"The agreement was signed in connection with the Danish minister of agriculture's visit to China. In effect the agreement correlates pretty much with what was already agreed upon during the visit of the Chinese president to Denmark earlier this year," says Theis Brøgger, Arla's Chief Press Officer, to news2biz.

Further details regarding the agreement will be negotiated during the rest of 2012, but we now know that the parties will invest RMB 220m in the centre. The centre will focus on four areas: pasture and milk source management, dairy production management, product research, and customer & consumer relation management.

The local press release regarding the initiative reads that Mengniu has also committed to letting its so-called pasture subsidiary build modern cow pastures for the centre. This reveals the enormous cultural difference between Arla and Mengniu, because in Denmark, Sweden, Germany and the UK, where Arla's member farmers are situated, pastures are not built by pasture companies, but sown by farmers who own them.

The agreements signed by Arla and Mengniu earlier this year will give Arla 6% of the shares in Mengniu (see no 198 page 10) and increase Arla's total turnover in China five-fold by 2016. Last year, Arla's total turnover in China was approximately DKK 700m. Arla's total investment in all the above agreements is DKK 1.7bn.

For Mengniu the primary interest is to get technology brand and credibility from Arla as Chinese consumers are still extremely worried about food safety, and the whole dairy sector, including Mengniu, still has a very bad reputation even though the melamine poisoned milk powder scandal in 2008 is almost four years gone (see no 200 page 10).

In 2011, Arla's turnover stood at DKK 54.9bn, net profit at DKK 1.3bn. The company weighed in 9.2bn kg of milk last year. As of Jan 2012, Arla has 8,000 cooperative owners.

We have talked to

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IN BRIEF

Yanjing challenges Carlsberg

Beijing-based **Yanjing Brewery** plans to raise RMB 2.6bn through additional share placement and use the money to expand capacity nationwide, with the two biggest expansion programmes located in Sichuan and Xinjiang in West China. The move could challenge Denmark's **Carlsberg** which has its focus in West China. Yanjing sold 28 million hl of beer in H1, up 3% y-o-y.

Danish Crown targets China

Danish Crown AmbA, Europe's largest pork producer, has "in the past five years doubled its exports to China and found considerable untapped potential for Danish pork there," said CEO Kjeld Johannesen in a statement. Kjeld Johannesen was among the delegates joining Danish prime minster Helle Thorning-Schmidt's visit to China in September. Danish Crown signed an agreement in June to boost its supply to China's largest meat-processing company **Shineway** from 3,000 tonnes to 20,000 tonnes.

Danish Crown, claiming almost 10% of Danish exports to China, has annual sales of about 33 million trotters to the country. Photo: Danish Crown

Nestlé sees 20% growth

Nestlé SA, the world's largest food company, expects to achieve a 20% growth in its China sales this year and at least a 10% growth in 2013, following an over 20% growth in 2011, thanks to rising income in China, said the company's Greater China Chairman Roland Decorvet to US media. The Switzerland-based company's initiatives in China covered building big dairy farms (see no 197 page 11) and acquiring Chinese food producers (see no 178 page 5), etc.

IT & TELECOM

POSTCARDS

Danes make Beijing history into livelihood

Danish Simon Gjerø graduated from Aarhus University with a degree in East Asian studies and Sinology in 2002. The ambition was to make a livelihood out of his passion for China, something that is just about to succeed with 10 years later.

The first step was to move to China permanently after having studied in Chengdu and visited the country regularly since 1995. In 2003, he settled in Beijing getting by by doing odd jobs as a tourist guide and working in insurance.

Simon is somewhat of a collector nerd and he started collecting photos from Beijing and matching them with present-day street views. His Danish friend, Lars Ulrik Thom, shared his passion, and over a glass of whiskey in 2006 they decided that making postcards from old photos would be a good idea.

"We printed 37,000 copies of the first postcards and the Chinese thought it was crap, quite frankly," says Simon Gjerø to news2biz. "We were seen as two foreigners who wanted to freeze the image of backward China. I remember we visited a museum leader from the Forbidden City and he told us that the pictures were nice. 'But why don't you take pictures of the modern Beijing, with the new architecture and the colours?' he asked. Well, we didn't want to do that because there's plenty of that around. He simply could not understand what we are all about."

To begin with they sold mostly to foreigners visiting or living in Beijing.

Simon Gjerø (right) and Lars Ulrik Thom of Beijing Postcard.

Photo: Beijing Postcard

"And most of the postcards we have issued are made by foreigners visiting Beijing. The reason for the interest among foreigners is probably because it is actually quite difficult to find out what China is all about. You have to read scores of scholarly volumes, but we offered an alternative in the form of postcards," says Simon.

A breaking point for the reception among the locals was the Olympic Games in 2008.

"The Olympics meant a re-found interest in the history of Beijing among the local inhabitants. Now we are invited by local museums, including the City Museum, which is an immense organisation, to comment expositions," says Simon Gjerø. Last year, the Danes and their exhibition "Bejing on the Move" was front page news in Beijing's largest paper and just in the past three months they have been followed by three Chinese TV crews.

In the meanwhile, the two Danes had set up their own shop **Beijing Postcards** on Nanluogu Xiang, a shopping street in old Beijing. Business has developed so that their primary activity is now guided tours for getting a bit deeper into the enigma of Beijing. Many of the clients are foreign embassies. They still publish postcards based on photos from the 1890-1960 period and make enlargements, calendars, T-shirts, etc., and they buy old prints and maps that they sell as original antiques. In addition to the shop, the two Danes have 30 distributors – cafés, bookshops, hotels, antiques and interior deco shop, etc. – in Beijing, Shanghai, Suzhou and Chengdu.

"Postcards is still the core of our company, even though we have more business from other activities. Some time ago, we found a picture of Tianmen Gate from just after the end of WWII. Instead of the image of Chairman Mao that is so drilled into our minds as a permanent part of this structure, the gate had a picture of the nationalist Chinese leader, Chiang Kai-shek. We decided to blow it up to 50 x 60 size and we put it for sale. A few hours later, it was gone. We did another one and it too was sold. Eventually, when speaking to the Chinese that visited our shop, we found out that they thought we had photoshopped the picture. They were very surprised to hear that we had not and at first they did not believe us," says Simon Gjerø.

"We know that history can be a sensitive matter here after 60 years of communism. My neighbour at the time, an old Beijing Chinese, who had lived here the entire time during the nationalist reign, flatly denied that Chiang Kai-shek had been pictured on Tianmen Gate. Also, we have elderly Chinese men visiting our shop who are very sceptical about the pictures that we have on display. They refuse that it could have been like this. Then they leave the shop, take a walk around the block, return and say: 'Maybe it could have been like that anyway...'"

Recently, the two Danes have been involved in a City Museum exhibition about the courtyard houses in Beijing.

"It was a pretty interesting exhibition, but there is a distance to go before it would attract interest among foreign viewers as there are so many aspects that you just cannot go into. They are considered to be 'min gan', sensitive. I am referring to life in the courtyards now and preservation of them in relation to development of modern Beijing," says Simon Gjerø.

Now, the two Danes are planning a series of small books on Beijing then and now in English and Chinese. They are speaking to writers, professors and visiting archives to get material. One of the streets to be covered has housed the former Danish embassy in Beijing, so they have also visited the National Archives in Copenhagen to get information.

"The concept of then and now illustrated by photos is a classic that we think will do well also for Beijing," says Simon Gjerø.

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SOFTWARE

Microsoft to add 1,000 more staff in China

The US software giant **Microsoft Corp** will hire 1,000 additional staff in China in its fiscal 2013, adding to its current workforce of 4,500 in China.

Microsoft's move bucked the trend in which the world's leading technology companies including **Nokia**, **Motorola** and **Dell** are downsizing in China partly because the sluggish global economy has cut back IT spending. It also defied Microsoft's nasty fiscal Q4 2012 ending 30 June when the company reported a net loss of USD 492m, which was its first quarterly loss in 26 years.

Microsoft said in a press release that besides expanding its R&D team, it will also hire more employees for its marketing and customer service in its offices in over twenty Chinese cities, in order to work more closely with its clients.

In particular, Microsoft plans to open a second technical support centre in China to among others enhance its cloud computing business.

Although unhappy about widespread software piracy in China, Microsoft still wants to expand its China staff. Photo: itxinwen.com

Ya-Qin Zhang, Microsoft's Asia-Pacific chairman for R&D, said in a press conference that research spending in China will rise by 15% over last year's USD 500m.

Zhang said the current research staff of 3,000 would be expanded by about 15%. Microsoft's R&D team in China is already its largest outside of the USA.

"Microsoft's continued exploration in technologies including mobile Internet and cloud computing will bring a bright future for the company," said Zhang in a statement.

Zhang said Microsoft's six development centres in China that now spend about 80% of their time working on products for global markets will focus more on creating offerings tailored to Chinese customers.

Microsoft did not provide comment or more details when contacted by news2biz.

However, the software company's increased spending promoting its Windows 8 mobile operating system could benefit its staunch ally Nokia which is set to launch its Windows Phone 8 based flagship Lumia 920 in China in the coming months.

Microsoft's turnover rose 5% year-on-year to USD 74bn in its fiscal 2012, but its net profit in the year slumped 20% to USD 17bn.

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IN BRIEF

Huawei plans USD 2bn in UK

While retreating from Sweden (see no 200 page 11), China's **Huawei Technologies** will invest USD 2bn in Britain in the next five years, creating about 700 jobs, said Huawei CEO Ren Zhengfei when he met UK prime minister David Cameron in mid-September. Huawei , an ever growing rival to Sweden's **Ericsson**, has about 800 employees in Britain.

Lenovo buys Brazilian CCE

Lenovo Group Ltd, China's largest PC vendor, will acquire **CCE**, Brazil's largest domestic manufacturer of electronics such as PCs, DVD players and stereos, for about USD 150m. The acquisition will help Lenovo, now the runner-up in the global PC market following US **HP**, to expand in Brazil and South American markets and outrun HP. Data from global researchers like **Gartner** and **IDC** showed that with CCE's PC sales of 700,000 units in 2011, Lenovo only lagged behind HP by some 200,000-600,000 PCs based on their 2011 sales.

4G telecom in a year

China will issue its first license for the 4G telephony "in about a year", said Miao Wei, minister of Industry and Information Technology in September, which will be much earlier than the minister's previous saying of "4G in 2-3 years". Miao told Chinese media that the first 4G license would be for the TD-LTE, a standard advocated by Chinese IT companies and **China Mobile**, which is less popular than another 4G standard FDD-LTE.

RETAIL & SERVICE

CARE

Type2Dialog to train staff for China's eldercare boom

The D*Care project initiated by Hans Halskov from Denmark's Chongqing consulate (see no 197 page 14) is growing an interest among Danish care providers to take part in the expected boom in Chinese eldercare.

One of the dynamic companies which is part of the D*Care initiative, but has greater plans for China in the long run, is **Type2Dialog**, a provider of training, consultancy and transformational management services for the Danish eldercare.

Type2Dialog was founded in 2002 by Helene Hoffmann who has a background in management from the airport sector. She has worked for Copenhagen Airports where she was involved in implementing management strategies for international airports, including the company's airport in Hainan.

When a close relative was taken ill with diabetes, Hoffmann was faced with the reality of care for the sick and elderly in Denmark and based on her experience she saw a great potential for applying her experience in management and training from the airport sector to the care industry in Denmark.

Apparently she was not the only one to see the opportunities in applying airport efficiency and method to the care sector which in Denmark is primarily run by local municipalities. Already in 2009, Type2Dialog was awarded the Gazelle award by our Danish sister publication Børsen for doubling turnover in four years and keeping figures in the black.

"You cannot close down entire nursing homes or indeed an airport because the staff has to go to a two-day course, so we supply on-the-job training for a large number of care and health workers which means that they can keep the units running while receiving training at the same time," explains Helene Hoffmann to news2biz.

Her company is working with a third of the municipalities in Denmark and most recently supplied on-the-job-training for 1,100 staff from Roskilde and has also recently won a contract for Tønder commune in Southern Denmark.

"At the same time we work with management as well, because our experience tells us that you get better returns from changing the way of thinking at the top rather than at the bottom," says Hoffmann.

Helene Hoffmann: our next step is to turn our focus on Asia.

Photo: Type2Dialog

Participating in the D*Care initiative, Type2Dialog hopes to put its experience to use in a Chinese context for the approximately 450 staff expected for the 500 residents nursing home that the Danes aim to erect in Chongqing by 2014.

"We are celebrating our 10th anniversary later this year so our next step is to turn our focus on Asia and together with other capable players support Danish know-how within eldercare," says Hoffmann.

Based on earlier visits to China in connection with the D*Care project, Type2Dialog is however convinced that there is an immediate and positively enormous demand for training of staff for eldercare.

"When we visited in April we were approached by a developer which is planning a gigantic development including a nursing home for 5,000 people with 3,000 staff. We know that many other projects like this are on the way in China. The D*Care home is meant to be showcase for Danish eldercare solutions and as such it will not be very large, but the local Chinese are planning for very large units which makes China an extremely interesting market for us," says Helene Hoffmann.

"In China they need adapted concepts – not individual solutions from different suppliers. This is why Type2Dialog appeals to all players, both big and small, that may be competitors here in Denmark, to join forces in partnerships and supply ingenious complete solutions which may boost Danish export of systems to China. At the same time when it comes to export in health and eldercare, we also have to join forces in Public Private Partnerships which is something that the Danish government is also focusing on. We really have many years of experience from operation, development and research that could be commercialised and exported," says Hoffmann.

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SERVICE TRADE

China's service trade deficit doubles in H1

After widening 77% in full-year 2011 (see no 194 page 14), China's deficit in service trade soared 100% year-on-year to USD 40bn in H1, said the State Administration of Foreign Exchange (SAFE).

Trade of services refers to import and export of tourism, transport, IT, law and auditing, and copyrights, among others. China's service trade rose 10% year-on-year in H1, faster than the 8% growth in its commodities trade. Meanwhile, the deficit in service trade also offset some 58% of the surplus of USD 69bn in China's commodities trade.

China's service trade in H1 2012

Export & import of services in USD bn; index 100 = prev. year

	Export	Import
Tourism	23.8	45.6
Transportation	18.4	41.4
Consulting	15.7	9.1
Construction	6.1	1.5
Insurance	1.7	10.0
Copyright & licensing	0.4	8.9
IT & information	6.9	1.6
Advertising & PR	2.3	1.4
Telecom	0.9	0.6
Finance	0.4	0.5
Film, video & audio	0.1	0.2
Other biz services	13.2	9.2

Source: SAFE, State Administration of Foreign Exchange

The SAFE said that transportation and tourism remained as the leading factors for the service deficit. China's rising export and import of goods boosted its demand for cross-border transportation services, thus the deficit rose 10% year-on-year to USD 23bn in H1.

Meanwhile, the number of inbound tourists only rose 5% to 13.5 million in H1, whereas outbound tourists surged 20% to 39 million in the first half.

Also in H1, China posted deficits in trade of insurance services and copyright, licensing & franchising fees, etc. At the same time, China enjoyed surplus in trade of consulting, IT & information services and construction, among others.

IN BRIEF

Tesco slows in China

Tesco plc, UK's largest retailer, was rumoured to lay off about 33% of its 1,500 employees in its Shanghai-based China HQ, following a previous round of layoff of about 500 employees earlier this year. In its 2011/12 result published in April, Tesco said "in China, we stepped back from the freehold shopping centre programme and have decided to hold back on the pace of new leasehold hypermarket development for the time being." By 25 February 2012, Tesco had 124 hypermarkets in China and plans to open 16 new stores in the country in its fiscal 2013.

Alliance Boots buys share

London-based **Alliance Boots**, one of Europe's biggest pharmacy chains, will buy a 12% stake in **Nanjing Pharmaceutical Co**, the 5th largest pharmaceutical wholesaler in China, for RMB 560m. Nanjing Pharmaceutical turned over RMB 9bn in H1, up 9% y-o-y. The Shanghai-listed company made a net loss of RMB 55m in H1, five times more than a net loss of RMB 11m in H1 2011.

Sotheby's taps into China

The world's leading auction house **Sotheby's** will set up a joint venture in Beijing with **Beijing Gehua Cultural Development Group**. Sotheby's will invest USD 1.2bn to have an 80% stake in the JV. The auction house is targeting China's art market which has become the world's largest in 2011, according to **Artprice.com**.

ECONOMY & POLITICS

DOUBLE TAXATION

New Sino-Danish tax treaty is mostly good news

A new double taxation treaty between Denmark and China has already been signed by the governments this summer. The treaty is expected to come into effect on January 1, 2013 following approval by the Danish parliament, the Folketing, and the relevant Chinese committee. Even though a treaty like this is always a give and take between the two countries, conditions for Danish business with activities in China will improve in a number of areas.

Arne Møllin Ottosen, a tax expert and partner of **Kromann Reumert**, a leading Danish law firm with a dedicated China group, explains the most important changes in the new treaty to news2biz readers.

"One prominent change is that the new treaty limits withholding of tax on dividends to 5% if the owner has at least 25% of the shares in the company. The present rate is 10% and as the income is generally not taxed in Denmark, this is a clear cash gain on the part of Danish companies with holdings in China," says Arne Møllin Ottosen.

Chinese companies with Danish subsidiaries already benefit from Danish rules according to which no tax is withheld on dividends paid out to Chinese parent companies.

Arne Møllin Ottosen, a tax expert and partner of Kromann Reumert.

Photo: Kromann Reumert

Another feature that benefits Danish companies is that enterprises will be able to do business in China for 12 months at one location without being considered permanently established and as such being subject to taxation in China. The old maximum was 6 months.

"This applies to companies in construction, building, etc., that so far have spent a great deal of energy to avoid creating a permanent status," says Arne Møllin Ottosen.

On the down side is the fact that the principle of "matching credit" is dropped. In international taxation law the principle of matching credits is applied in tax treaties between a developed and a developing country. The principle means that the developed country in general facilitates investments by companies from the developed country in the developing country by allowing the company credits for calculated taxes in the developing country regardless of whether the taxes were actually paid. The new treaty stipulates that Danish residents can only get a reduction (a matching credit) in their Danish taxes if a tax is actually paid in China.

"In all fairness, this seems to be a reasonable change by now, but looking at it from a company's point of view, it does represent a negative change," says Arne Møllin Ottosen.

According to the tax specialist, China applies an extraordinarily broad interpretation of the right to taxation when it comes to sale of shareholdings in daughter companies based in China.

"Under Chinese law income made from sales of shares in Chinese companies is regarded as generated in China and is taxable in China," says Arne Møllin Ottosen. The common international practise is, however, that sales of shares in a daughter company result in taxable income for the shareholder (e.g., a parent company) and this income will be taxed wherever the parent company is resident. This is also the Danish principle.

"The new treaty stipulates that a Danish company has to own at least 25% of the shares in a Chinese company before the sale of shares will be eligible for taxation in China," says Arne Møllin Ottosen.

There are a number of other changes in the upcoming tax treaty and the sound advice is as always to consult directly with tax expertise if you have any concrete questions.

Kromann Reumert has offices in Copenhagen, Aarhus, Brussels and London and the company also has a dedicated China Group. Kromann Reumert has a staff of 600 of which 320 are lawyers.

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ECONOMY

August even softer than July, property revs up

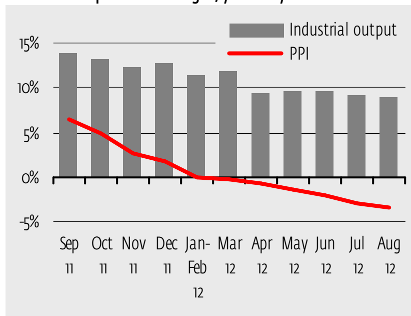
The key macro figures released by the National Bureau of Statistics (NBS) painted an even gloomier picture for the world's second largest economy in August, following a disappointing July and a three-year low growth pace of 7.6% in Q2 (see no 199 page 14).

Industrial output grew 8.9% year-on-year in August, tampering off from the 9.2% growth in July and cooling substantially from the 10.5% growth in H1.

"This is not that surprising given the recent weakness in both export and domestic demand, and the latter due to weak property activity and weaker-than-expected policy stimulus," says Wang Tao, chief China economist at **UBS Securities**, to news2biz.

Industry output weakens further

Industrial output & PPI changes, year-on-year in %



Source: NBS, National Bureau of Statistics

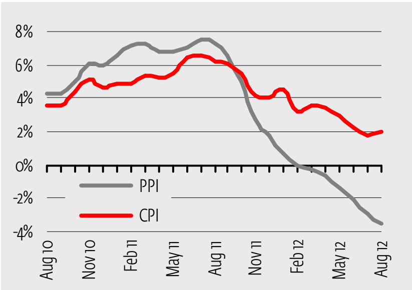
In August, retail sales rose 12.1% year-on-year in real terms, easing slightly from the 12.2% growth in July. Besides the lacklustre consumption, fixed asset investment, another barometer of the domestic demand, increased 20.2% in January-August in nominal terms, slowing from the pace of 20.4% in January-July.

Inflation speeds up

What made things worse was that consumer inflation accelerated to 2% year-on-year in August, as compared to the 1.8% growth in July, mainly due to price increases of 23.8% in fresh vegetables and 9.7% in fresh fruits in August, according to the NBS.

Although food price inflation picked up in August, economists expect consumer inflation to stay benign enough in the coming months to provide space for more stimulus policies.

CPI picks up in August, y/y in %



Source: The National Bureau of Statistics

"We expect CPI inflation to stay modest at about 2% year-on-year in the next two months. However, year-end CPI is likely to remain below 3%, and consumer inflation this year is expected to average at 2.8%, well below the government's target of 4%," says Zhu Haibin, an economist at **J.P. Morgan Chase**, to news2biz.

Zhu expects a cut of 25 basis points in China's benchmark interest rates or 50 basis points in the required reserve ratio in the "coming weeks".

Property provides support

Partly owing to the bleak overall picture in August, Zhu has downgraded its forecast for China's GDP growth in Q3 from 8% to 7.4%. UBS' Wang Tao also cut her growth projection for Q3 from 8% to 7.3%.

Nonetheless, there was still a piece of good news – real estate investment rose 15.6% in January-August, warming up from the 15.4% growth in January-July.

"It is probable that China has sped up construction of government-subsidised housing programmes, to offset the dampened commercial housing segment," explains Wang.

"However, given the existing restrictions in home purchase, we do not foresee the current property rebound to be as strong as in H2 2009," expects Wang.

Therefore, Wang also lowered her forecast for GDP growth in Q4 from 8.1% year-on-year to just 7%. JP Morgan's Zhu Haibin is more optimistic, maintaining his projection for Q4 growth at 8.5%.

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TRADE

Import falls unexpectedly in Aug, export also weak

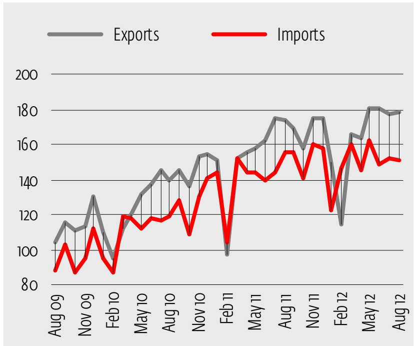
China's import posted an unexpected 2.6% year-on-year decline in August, which was the first downfall since 2009 if adjusting the holiday factor in January 2012 which caused a year-on-year drop in import.

According to the China Customs, import stood at USD 151bn in August, slightly lower than USD 152bn in July. Previously, economists were expecting import to rise an average of 3.5% year-on-year.

"The contraction in import was unusual: since 2002, it has only happened during the global financial crisis in 2008-2009 and in January-February because of the Chinese New Year holiday," says Zhang Zhiwei, an economist at **Nomura Securities**, to news2biz.

Export and import remain sluggish

in USD bn



Source: General Administration of the China Customs

"Import for both processing for re-export purposes and domestic consumption dropped, suggesting that the demand weakened outside China as well as domestically," he adds.

In particular, Zhang points out that import for domestic consumption fell 7.5% year-on-year in August, reversing the 6.9% growth in July, which showed that the domestic demand weakened significantly.

Export weaker-than-expected

In August, China's export rose 2.7% year-on-year to USD 178bn, said the China Customs. The pace was better than the shabby 1% growth in July (see no 199 page 15), but modestly slower than the average estimate of a 3% growth.

The Customs' figures showed that China's export to the USA picked up in August, but to the EU and Japan posted year-on-year declines.

Leading export goods, selected

Export in Jan-Aug in USD bn; index 100 = previous year

	Export	Index
Electronics	300.0	106.1
Machinery	243.9	107.2
Clothes	99.5	99.3
Textiles	62.5	99.3
Steel products	34.4	100.3
Furniture	30.9	128.1
Footwear	30.4	108.8
Plastics	19.9	136.3
Bags & suitcases	15.9	106.4
Refined oil	13.9	100.1
Toys	6.9	105.9

Source: the China Customs

"The weak export in August showed that the global market remained sluggish, which will trigger more stimulus measures," anticipates Zhang.

Stimulus coming

Indeed, in mid-September, China's cabinet, the State Council, issued a circular on a number of measures to bolster export and import, including raising tax allowances for export, providing easier access to financing and export credit insurance for exporters, encouraging import of technological equipment and key components, among others.

The State Council's circular only mentioned one detailed measure, i.e., to exempt fees for inspection and quarantine of both import and export goods in Q4 and lower such fees for 2013. This is a piece of good news for especially exporters of food and agricultural products to China.

"We believe government policy will become more proactive and further supportive policies will be rolled out in September," says Zhang.

Part of the purpose of more stimuli would be to address China's trade surplus which expanded 32% year-on-year to USD 121bn in January-August. The rising surplus at the moment could provoke more trade disputes from China's key trade partners.

We have talked to

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IN BRIEF

BOFIT: China 2012 GDP up 8%

The Bank of Finland's Institute for Economies in Transition (BOFIT) forecasted in a research note in September that China's stimulus policies will support the country's economy to grow around 8% in 2012 and 2013, before easing to a 7% gain in 2014 due to pressure from "structural factors".

More GDP downgrades

More economists have in September revised down their projections on the prospect of the Chinese economy, citing Beijing's slower-than-expected moves in introducing more stimulus policies. **UBS Securities**, for example, cut its estimate from 8% to 7.5% for 2012 and from 8.3% to 7.8% for 2013. Meanwhile, **Goldman Sachs** also slashed its forecast for 2012 from 7.9% to 7.6% and for 2013 from 8.5% to 8%.

2011 GDP revised up to 9.3%

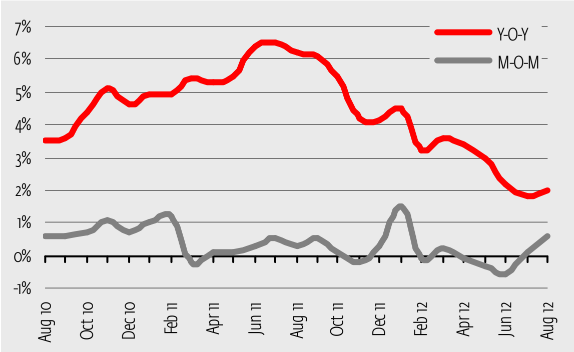
China's National Bureau of Statistics (NBS) has in September revised up its preliminary GDP growth for 2011 from 9.2% to 9.3%, thanks to the faster growth in the tertiary sector, or the service sector. Thus, China's GDP hit RMB 47.3 trln, up nearly 0.3% from the earlier estimate. Partly owing to the NBS' revision that increased the base value, **J.P. Morgan Chase** lowered its forecast for China's GDP for 2012 from 7.7% to 7.6% and for 2013 from 8.5% to 8.3%.

Anti-Japan protests

Anti-Japan demonstrations broke out in over 50 Chinese cities in the weekend 15-16 September, accusing the Japanese government's purchase of the Diaoyu Islands (or Senkaku Islands by Japanese) in September. Some demonstrations became violent as protesters smashed stores serving Japanese food and cars with Japanese brands. Several Japanese companies including **Toyota**, **Honda**, **Canon** and **Sony** have temporarily halted productions in their China plants. The event is expected to hit the bilateral trade between Asia's two largest economies, which fell 1.4% y-o-y to USD 219bn in January-August. China posted a trade deficit of USD 21bn in the period, said the China Customs. news2biz has called various Nordic business organisations and they all said they had received no communication from members in China concerned about their businesses.

KEY FIGURES

INFLATION



Source: National Bureau of Statistics

PRODUCER PRICE INDEX

On monthly basis	Feb '12	Mar '12	Apr '12	May '12	Jun '12	Jul '12	Aug '12
100 = previous month	100.1	100.3	100.2	99.6	99.3	99.2	99.5
100 = same month prev year	100.0	99.7	99.3	98.6	97.9	97.1	96.5
Year	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
100 = previous year	104.9	103.0	103.1	106.9	94.6	105.5	106.0

INDUSTRIAL OUTPUT INDEX

On monthly basis	Jan-Feb '12	Mar '12	Apr '12	May '12	Jun '12	Jul '12	Aug '12
100 = previous month	n/a	101.2	100.4	100.9	100.8	100.7	100.7
100 = same month prev year	111.4	111.9	109.3	109.6	109.5	109.2	108.9
Year	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
100 = previous year	116.4	116.6	118.5	112.9	111.0	115.7	113.9

RETAIL SALES*)

at current prices	May '12	Jun '12	Jul '12	Aug '12
Turnover in RMB bn	1,671.5	1,658.5	1,631.5	1,665.9
Index 100 = previous month	107.1	99.2	98.4	102.1
Index 100 = same month prev year	113.8	113.7	113.1	113.2
Year	**2008**	**2009**	**2010**	**2011**
Turnover in RMB bn	10,848.8	12,534.3	15,455.4	18,391.9
Index 100 = previous year	121.6	115.5	118.4	117.1

*) Nominal growth Source: National Bureau of Statistics

CONSUMER PRICE INDEX

100 = same month of the previous year	Mar '12	Apr '12	May '12	Jun '12	Jul '12	Aug '12
Food	107.5	107.0	106.4	103.8	102.4	103.4
Alcohol and tobacco	103.6	103.4	103.3	103.2	103.1	103.0
Clothing and footwear	103.8	103.6	103.1	103.3	103.3	103.1
Household articles	102.2	102.2	101.9	101.9	101.9	101.8
Medicine and hygiene articles	102.5	102.5	102.1	101.9	101.8	101.3
Transport and communication	100.3	100.3	99.9	99.6	99.1	99.2
Recreation and education	100.1	100.3	100.2	100.3	100.4	100.4
Dwelling	102.0	101.8	101.6	101.6	102.1	102.2
Gross CPI	**103.6**	**103.4**	**103.0**	**102.2**	**101.8**	**102.0**

Source: National Bureau of Statistics

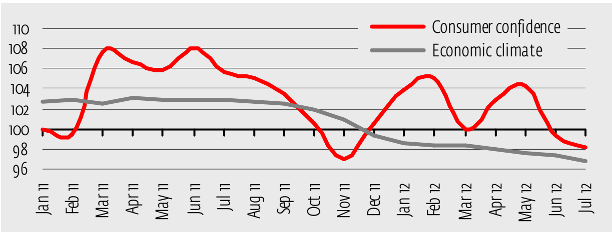
GROSS WAGES

A: average wages in RMB, without taxes; B: index 100 = same period of previous year

	2010		Jan-Sep 2011		Jan-Jun 2012	
Sectors	A	B	A	B	A	B
Manufacturing	30,630	115.2	24,236	116.0	18,298	115.0
Finance, insurance	71,601	101.9	53,267	115.3	41,015	113.6
Construction	27,389	111.2	20,817	116.1	15,629	116.1
Mining	43,752	114.5	32,994	114.2	25,092	117.8
Retail and wholesale	33,320	114.8	25,616	116.4	20,639	115.9
Accomodation, catering	23,167	109.3	18,283	113.3	14,694	120.5
Transport, logistics, postal service	40,278	111.2	31,964	116.2	24,550	116.5
Computer, IT, telecom	63,060	105.2	48,267	111.6	32,206	99.9
Real estate	35,235	108.1	27,958	111.5	21,080	113.1
National total	**36,218**	**112.3**	**28,492**	**113.7**	**21,101**	**112.3**

Source: National Bureau of Statistics

SENTIMENT INDICATORS



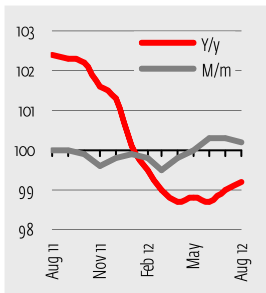
HOUSING CONSTRUCTION

Nationwide	2008	2009	2010	2011	Jan-Aug '12
Completed in million sq.m.	477.5	576.9	612.2	716.9	358.0
100 = same period of prev year	95.8	106.2	102.7	113.0	120.4

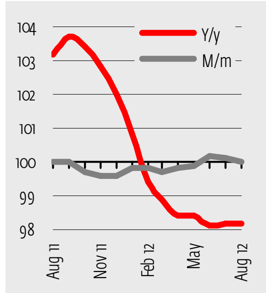
NEW HOUSING PRICES, INDEXED

Excluding government-subsidised housing, 100 = last month or same month of previous year

Beijing



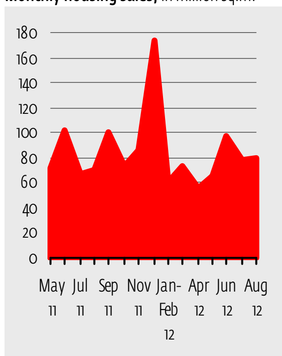
Shanghai



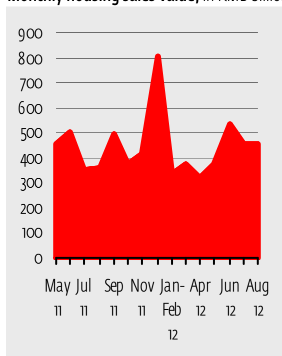
HOUSING SALES

Nationwide	2008	2009	2010	2011	Jan-Aug '12
In million square meters	558.9	852.9	930.5	970.3	509.9
100 = same period of prev year	79.7	143.9	108.0	103.9	95.2

Monthly housing sales, in million sq.m.



Monthly housing sales value, in RMB billion



Source: National Bureau of Stiatistics

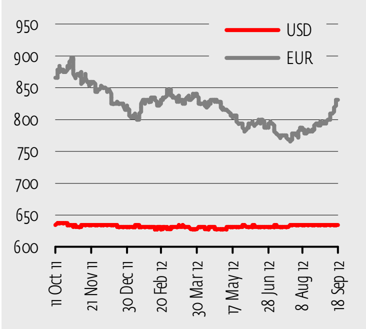
CURRENCY

ICBC middle rates

as of 18 September 2012

100 USD	631.87 ↓
100 EUR	824.84 ↑
100 DDK	110.64 ↑
100 SEK	96.22 ↑
100 NOK	110.55 ↑
100 GBP	1,027.04 ↑
100 CHF	680.31 ↑
1,00 CAD	648.40 ↑
1,00 JPY	8.0360 ↓
100 HKD	81.51 ↓

RMB per 100 USD and EUR, SAFE central parity rates



Sources: Industrial and Commercial Bank of China, State Administration of Foreign Exchange

MONEY SUPPLY

in RMB bn	Apr '12	May '12	Jun '12	Jul '12	Aug '12
M0 (Currency in circulation)	5,020	4,904	4,928	4,971	5,024
100 = same month prev year	110.4	110.0	110.8	110.0	109.7
M1	27,498	27,865	28,753	28,309	28,574
100 = same month prev year	103.1	103.5	104.7	104.6	104.5
M2	86,960	90,004	92,499	91,907	92,490
100 = same month prev year	112.8	113.2	113.6	113.9	113.5

M1 = currency in circulation + demand deposits

M2 = M1 + time and saving deposits + deposits in foreign currencies.

Source: The People's Bank of China

INTEREST RATES

Benchmark interest rates of selected terms of the yuan, since 6 July 2012

Type / term	up to 6 months	up to 1 year	up to 3 years	up to 5 years
Deposits	2.80%	3.00%	4.25%	4.75%
Loans	5.60%	6.00%	6.15%	6.40%

Source: People's Bank of China

Shanghai Interbank Offered Rate (Shibor) as of 18 September 2012

Overnight	1 week	1 month	3 months	6 months
2.9217%	3.1408%	4.0208%	3.6505%	4.0889%

Source: National Interbank Funding Centre

CREDIT

The financial sector's net lending in RMB bn

Types of loan	Apr '12	May '12	Jun '12	Jul '12
Loans to households	14,248.2	14,461.9	14,734.4	14,918.3
- Consumption loans	9,182.3	9,305.1	9,453.6	9,576.4
- Operating loans	5,065.9	5,156.8	5,280.8	5,342.0
Loans to non-financial enterprises	43,511.9	44,087.9	44,731.8	45,087.6
- Short-term loans	17,089.9	17,242.3	17,659.6	17,755.1
- Bill financing	2,010.6	2,242.7	2,276.8	2,429.3
- Medium- and long-term loans	23,901.1	24,070.8	24,229.4	24,321.4
Overseas loans	169.1	172.6	176.1	176.4
TOTAL	**57,929.2**	**58,722.4**	**59,642.3**	**60,182.4**

Source: The People's Bank of China

STOCK EXCHANGE

Shanghai and Shenzhen Stock Exchange, selected stocks

main list in alphabetic order	Quotes 18 Sep	Change 4 Sep	Change end of '11
↑ Air China	4.73	+ 1.5%	- 25.7%
↑ Aluminium Corp of China	5.05	+ 0.2%	- 21.3%
↑ Baosteel	4.64	+ 7.2%	- 4.3%
↑ China COSCO	3.88	+ 2.6%	- 17.1%
↑ China Life Insurance	18.15	+ 1.8%	+ 2.9%
↑ China Shenhua Energy	21.97	+ 2.5%	- 13.3%
↓ China State Construction	3.01	- 0.7%	+ 3.4%
↑ China State Shipbuilding	20.01	+ 11.4%	- 22.7%
↓ China Unicom	3.61	- 3.7%	- 31.1%
↓ China Vanke Co	8.01	- 2.7%	+ 7.2%
↓ China Yangtze Power	6.33	- 0.6%	- 0.5%
↑ CITIC Securities	10.82	+ 2.3%	+ 11.4%
→ GD Midea	9.18	0%	- 25.0%
↓ Indus & Commercial Bank	3.70	- 1.1%	- 12.7%
→ PetroChina	8.78	0%	- 9.9%
↑ Shanghai Auto Industry	12.61	+ 7.6%	- 10.8%
↓ Sinopec	5.94	- 2.8%	- 17.3%
↑ Suning Appliance	6.58	+ 3.1%	- 22.0%
↓ Tsingtao Brewery	31.80	- 3.7%	- 5.0%
↑ ZTE	10.09	+ 5.2%	- 40.3%

Sources: The Shanghai and Shenzhen Stock Exchanges

Shanghai Composite index

2059.54

Change 4 Sep 2012: **+ 0.8% ↑**

Change end of 2011: **- 6.4% ↓**

Shenzhen Component index

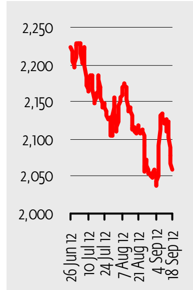
8390.15

Change 4 Sep 2012: **+ 1.8% ↑**

Change end of 2011: **- 5.9% ↓**

Shanghai Composite closing

In the last three months



TRADE

China's leading export and import goods, ranked according to 2011, index 100 = same period of previous year

EXPORT in USD m					IMPORT in USD m				
Commodities	Jan-Aug 2012	Index	2011	Index	Commodities	Jan-Aug 2012	Index	2011	Index
Electronics & electrical prod.	299,950	106.1	445,790	114.7	**Mechanical & electrical products**	501,030	101.7	753,289	114.1
Machinery & mechanical equip.	243,890	107.2	353,770	114.2	**Crude oil**	147,693	114.6	196,664	145.3
Clothes & accessories	99,481	99.3	153,220	118.3	**Iron ore & concentrate**	66,881	90.7	112,407	140.9
Textiles & fabrics	62,513	99.3	94,669	122.9	**Plastics in primary forms**	30,308	96.7	47,207	108.3
Steel products	34,417	100.3	51,266	139.2	**Unwrought Copper & products**	26,833	119.9	36,805	112.0
Footwear	30,380	108.8	41,723	117.1	**Refined oil products**	21,330	97.5	32,699	145.5
Furniture & related spares	30,869	128.1	37,942	115.0	**Soybean**	22,301	115.7	29,834	118.9
Bags & suitcases	15,876	106.4	23,943	132.9	**Steel products**	12,313	84.1	21,576	107.3
Plastic articles	19,860	136.3	23,468	125.8	**Scrap copper**	9,610	91.7	16,352	133.5
Refined oil products	13,878	100.1	20,766	122.0	**Paper pulp**	7,355	92.6	11,940	135.3
TOTAL	1,309,114	107.1	1,898,600	120.3	**TOTAL**	1,188,509	105.1	1,743,459	124.9

Source: China Customs

China's ten largest markets, ranked according to 2011 in USD m

EXPORT					IMPORT				
No Country	Jan-Aug 2012	Share	2011	Share	No Country	Jan-Aug 2012	Share	2011	Share
1 **USA**	226,405	17.3%	324,493	17.1%	1 **Japan**	120,088	10.1%	194,591	11.2%
2 **Hong Kong**	194,883	14.9%	268,025	14.1%	2 **South Korea**	105,475	8.9%	162,709	9.3%
3 **Japan**	98,610	7.5%	148,298	7.8%	3 **Taiwan**	82,238	6.9%	124,920	7.2%
4 **South Korea**	58,352	4.5%	82,924	4.4%	4 **USA**	86,565	7.3%	122,154	7.0%
5 **Germany**	**46**,501	3.6%	76,435	4.0%	5 **Germany**	61,692	5.2%	92,716	5.3%
6 **Netherlands**	38,460	2.9%	59,500	3.1%	6 **Australia**	57,058	4.8%	82,723	4.7%
7 **India**	30,974	2.4%	50,543	2.7%	7 **Malaysia**	37,651	3.2%	62,145	3.6%
8 **UK**	29,752	2.3%	44,125	2.3%	8 **Brazil**	35,867	3.0%	52,359	3.0%
9 **Russia**	28,254	2.2%	38,904	2.0%	9 **Russia**	30,159	2.5%	40,345	2.3%
10 **Singapore**	24,854	1.9%	35,570	1.9%	10 **Thailand**	25,226	2.1%	39,040	2.2%

Source: China Customs

GDP

Period	Real growth year on year	at current prices in RMB bn	at current prices in USD bn	GDP per capita in RMB
Q2 2012	7.6%	11,910	1,892	8,835
Q1 2012	8.1%	10,800	1,715	8,012
Q4 2011	8.9%	15,034	2,386	11,161
Q3 2011	9.1%	11,623	1,813	8,609
Q2 2011	9.5%	10,815	1,664	7,187
2011	9.2%	47,156	7,368	35,060
2010	10.4%	40,151	5,975	30,189
2009	9.2%	34,090	4,991	25,632

Source: National Bureau of Statistics

CURRENT ACCOUNT

excerpts shown in USD bn	2009	2010	2011	H1 2012
Trade balance of goods	249.5	254.2	243.5	112.8
Trade balance of services	- 29.4	- 22.1	- 55.2	- 40.3
Direct investments, net*	34.3	124.9	170.4	90.0
Current account (C/A) balance	261.1	237.8	201.7	77.2
C/A balance in % of GDP	5.2%	4.0%	2.8%	2.1%

*) Foreign investments in China minus China's investments abroad

State Administration of Foreign Exchange

FOREIGN DIRECT INVESTMENT

in USD bn

On monthly basis	**Feb '12**	**Mar '12**	**Apr '12**	**May '12**	**Jun '12**	**Jul '12**
in China	7.7	11.8	8.4	9.2	12.0	7.6
Index 100=prev year	99.1	93.9	99.3	100.1	93.1	91.4
Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
in China	69.5	82.7	108.3	90.0	105.7	116.0
Index 100=prev year	96.0	119.0	131.0	97.4	117.4	109.7

Source: Ministry of Commerce

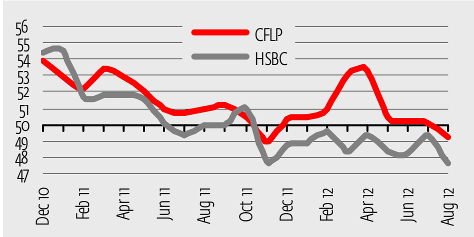
KEY ECONOMIC DATA FORECASTS

Indicator	2011	2012		2013	
		UBS Sec	ANZ	USB Sec	ANZ
Real GDP growth, y/y	9.3%	7.5%	7.8%	7.8%	8.1%
Consumer price, y/y	5.4%	2.8%	n/a	3.6%	n/a
C/A balance in % of GDP	2.8%	2.7%	2.5%	2.2%	n/a
Fiscal deficit in % of GDP	1.8%	2.5%	1.0%	n/a	n/a
RMB per USD, year-end	6.30	6.35	6.30	6.35	6.20

Sources: UBS Securities, and ANZ Bank, from September

MANUF. PURCHASING MANAGERS' INDEX

seasonally adjusted, >50 = expanding activities, <50 = contracting activities



Source: China Federation of Logistics and Purchasing (CFLP), HSBC

GENERAL INFORMATION

Population: 1.347 billion, as of year-end 2011 (51.3% in urban areas and 48.7% in countryside)

Area: 9.6 million square kilometres

Towns: 287 cities, 81 with over 1m population

Currency: Chinese yuan (or renminbi, RMB)

In power: President Hu Jintao, head of the ruling Communist Party

Most important tax rates:

Income tax: individual 5-45%; corporate 15-25%

VAT: 17%

REGIONAL DATA

Index 100 = same period of the previous year

Self-governing municipalities	Regional GDP*, in RMB bn		Average employee Salaries**, in RMB		Construction of new dwellings**, 1,000 sq.m.		Industrial output*, index	Retail sales**, index
	Jan-Jun '12	Index	Jan-Jun '12	Index	Jan-Jul '12	Index	Jan-Aug '12	Jan-Jun '12
Beijing	834.9	107.2	39,517	111.5	4,817.0	129.7	106.0	113.0
Shanghai	955.2	107.2	38,291	109.7	8,040.0	116.8	102.1	109.4
Tianjin	586.5	114.1	27,458	105.9	4,521.9	106.4	116.2	116.0
Chongqing	530.7	114.0	18,787	113.1	16,262.0	95.1	116.1	115.9
15 economically strongest provinces by GDP in 2010 (capitals indicated in brackets)								
Guangdong (Guangzhou)	2,620.1	107.4	23,502	111.8	23,406.9	102.9	107.3	111.6
Jiangsu (Nanjing)	2,538.3	109.9	24,381	113.7	36,085.7	117.9	112.3	114.9
Shandong (Jinan)	2,411.8	109.7	19,439	111.5	30,857.6	103.4	111.1	114.9
Zhejiang (Hangzhou)	1,579.0	107.4	23,706	113.9	12,543.7	78.9	105.7	113.0
Henan (Zhengzhou)	1,353.1	110.3	15,872	112.5	26,431.3	128.5	114.9	115.5
Hebei (Shijiazhuang)	1,221.9	109.5	18,025	112.1	18,937.0	94.0	112.6	115.2
Liaoning (Shenyang)	1,122.8	109.2	19,212	107.8	17,787.7	128.4	109.6	115.3
Sichuan (Chengdu)	1,060.4	113.0	19,604	114.9	29,360.7	116.1	116.2	115.9
Hunan (Changsha)	990.9	111.5	17,931	116.4	19,388.4	127.2	114.9	115.5
Hubei (Wuhan)	988.5	111.7	17,292	109.9	14,366.7	113.1	115.0	115.9
Fujian (Fuzhou)	798.3	111.3	20,093	116.5	8,296.6	84.4	114.7	115.8
Anhui (Hefei)	778.2	112.0	19,819	113.8	17,007.3	122.3	116.2	116.0
Inner Mongolia (Hohhot)	667.3	112.0	21,322	117.6	5,941.6	84.4	113.9	114.5
Heilongjiang (Harbin)	541.7	109.2	16,222	113.4	7,196.4	192.8	109.2	115.5
Shaanxi (Xi'an)	611.6	113.0	19,053	117.1	11,178.2	242.8	116.4	115.9
National total/average	**22,709.8**	**107.8**	**21,314**	**113.1**	**383,683.6**	**116.2**	**110.1**	**114.4**

*) Real growth; **) Nominal growth

Source: National Bureau of Statistics

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