

EXTRACT

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IMF cuts Chinese economic growth forecasts to about 9%

DATE: 2008/058/09

The International Monetary Fund (IMF) said Thursday it has adjusted its forecasts for the global economic growth in 2008 downward to below 4 percent, with a growth of just above 9 percent for the Chinese economy.

The recovery in the global economy will also come slower than a previous projection put forward by the IMF six months ago, said Olaf Unterberdoerster, IMF's resident representative in the Hong Kong Special Administrative Region (HKSAR).

"The outlook for the global economy today is much worse than it was a year ago," he said at a luncheon at the Hong Kong General Chamber of Commerce.

Unterberdoerster said the world economic growth would be below 3 percent in 2008 and did not rule out a global recession.

The world economy averaged a growth of 4.9 percent in 2007, down 0.1 percentage points from the previous year and the IMF has projected a growth of 3.7 percent in its forecasts announced in mid-April. China had a growth of 11.4 percent in 2007.

Unterberdoerster said the advanced economies, such as the United States and the European Union, were most affected by the current financial turbulence.

"If you look at the housing sector in the United States, it is obvious that there is no signs of a recovery yet," he said, adding that the influence of the financial turbulence may well be carried into 2009 and thereby slow down the year's growth.

But the emerging economies remained the most dynamic as they expected a growth that would be slower in 2008 but still above the trend growth over the last decade, he said.

Unterberdoerster said the advanced economies and the emerging economies have diverged over the recent years but not decoupled. The advanced economies experienced a slowdown since 1970 while the emerging economies has been picking up momentum after their growth slowed down to about the same level as the advanced ones around 1990.

China, which has had a rising exposure to demand from the United States and the EU over the past decades, will grow at just above 9 percent in 2008. India, less exposed to demand from the advanced economies, will be less affected by the slowdown, he said.

"Asia's financial exposure to the United States has also risen. As a result, growth has become more synchronized, as has financial market performance," he said.

Unteroberdoerster said the risks were still tilted to the downside, mainly because the end of the housing market downturn in the United States did not seem near and the inflation pressures across the world economies were raising concerns.

Source: xinhua

China's producer price index up 8.1% in April

DATE: 2008/05/09

The producer price index (PPI) for China's industrial products rose 8.1 percent in April over the same month last year, putting on more pressure on the nation's inflation rate, the National Bureau of Statistics said Friday.

The factory-gate prices of raw materials, fuel and power were up 11.8 percent.

The National Bureau of Statistics (NBS) said on Friday the rise in the PPI, which measures the value of finished products when they leave the factory, was only 2.4 percent as recently as August, indicating intensifying inflation pressure.

Li Xiaochao, spokesperson of the NBS, said higher ex-factory prices could lead to a rising CPI, as producers might seek to pass on their own rising costs to consumers.

China's CPI, a key measure of inflation, was up 8.3 percent in March, following an 8.7 percent rise in the previous month, according to the NBS.

China has set an annual CPI target of 4.8 percent this year.

Factory-gate prices of crude oil surged 37.9 percent in April over the same period last year, while gasoline was up 10.8 percent, diesel 10.2 percent and kerosene 11.7 percent.

The producer prices of raw coal jumped 20.9 percent and those of steel products rose between 24.9 percent and 41.1 percent.

The purchasing prices, or costs, of fuel and power rose 21.2 percent, ferrous metals 20.8 percent, non-ferrous metals 6.1 percent and chemical raw materials 4.2 percent.

The PPI for manufactured goods was up 7.2 percent in the first four months of this year, while the costs of raw materials, fuel and power rose 10.3 percent.

The price index of food, a major component of the consumer price index (CPI), was up 11.9 percent, exceeding that for garments (2.3 percent) and daily commodities (3.7 percent). The prices of consumer durables were down 0.5 percent, said the NBS.

Source: Xinhua Globecotnews

Inflation expected to go down in Q2

DATE: 2008/05/08

Inflation could dip to 7.5 percent in the second quarter from 8 percent in the first, but inflationary pressures will stay strong because of surging grain prices and robust investment, said a top government think tank.

"Seasonal changes and government measures to boost agricultural supplies may cause consumer prices to slide in the second quarter," the State Information Center said in a report. "But inflationary pressure is still mounting because of domestic and international factors."

The Beijing-based think tank falls under the National Development and Reform Commission.

The government is trying to limit consumer inflation under 4.8 percent in 2008 but the consumer price index gained 8.7 percent in February, the highest in 12 years.

"The ongoing price surge of agricultural products in international markets will add to the inflationary pressure in China," the center warned.

Prices of food, which makes about a third of China's CPI basket, is key for the government to tame inflation as it accounted for about 70 percent of the inflation last year.

Global agricultural prices climbed 14.6 percent in the first quarter, according to the Ministry of Commerce. Rice prices have more than tripled to \$1,000 per ton in the past year.

China, largely self-sufficient in grains, is trying to stabilize domestic rice prices with measures such as export bans and agricultural subsidies. But there are concerns about how long the nation can hold its rice price at about one-fourth of that in overseas markets, given recent reports of illegal rice exports in the past months.

The center also said China is under growing pressure to raise domestic grain prices due to a demand-supply gap and mounting agricultural production costs from fertilizer and fuel.

Zhou Xiaochuan, governor of central bank, had anticipated inflation to ease after the lunar New Year this February. But he didn't predict the full-year outlook given the uncertainties in grain and commodity prices, according to Reuters.

The think tank said investment in China would remain strong in the second quarter thanks to ballooning corporate profits and local officials' appetite for investments after a personnel reshuffle in the beginning of the year.

Prices of investment goods such as machinery and equipment gained 8.6 percent in the first quarter, compared with 4.7 percent in 2007, the center said, adding the price rise will continue in the second quarter as the investment momentum will continue.

The center also forecast China's economy will expand by 10.8 percent from March to June, up 0.2 percentage points from the first quarter.

Source: *China Daily*

China to see greater uncertainties in trade expansion

DATE: 2008/05/06

BEIJING – China's trade expansion is expected to be hampered by greater uncertainties amid world economic slowdown risk, rising prices of raw materials on the international markets and the swiftly appreciating yuan, according to a report issued by the Ministry of Commerce on Wednesday.

The report said the impact of the US credit crisis had spread from financial markets to consumption and investment fields. The slowdown of the US economy will undoubtedly shrink China's export to the United States.

Chinese exporters have also felt a pinch from the rising prices of raw materials in international markets. Meanwhile, the accelerating rise of the yuan makes things worse, according to the report.

"As one of the major manufacturers and exporters, China has become one of the major countries to bear the burden of the rising costs of raw materials. Chinese exporters will have to scabble for dropping profit margins under greater operation pressures," the report said.

Official data show the import prices of crude oil, iron ore, soy beans and eating oil increased by 66 percent, 80.6 percent, 77 percent and 69.3 percent, respectively, in the first quarter over the same period of last year.

"With sluggish external demands, increasingly fierce competition, and lower growth of industrial products prices than that of the primary products, it will be increasingly difficult to absorb rising cost of raw materials by raising export prices," said Liu Haiquan, the Deputy Director of the General Department with the ministry.

The report said the competitiveness of China's labor-intensive industries, such as textiles, garments, shoes and the toys sectors, will possibly be dampened and some of them will even see financial losses.

Chinese labor-intensive industries should update technology and products to add value to their products, suggested Li Yushi, vice president of Chinese Academy of International Trade and Economic Cooperation of MOC.

Li predicted China's trade volume will grow by between 10 and 15 percent in 2008.

Source: Xinhua

Ahlstrom's negotiations to form a JV in China terminated

DATE: 2008/05/06

Ahlstrom, a global leader in fiber-based materials, today announced that the negotiations with Zhejiang KAN Specialty Material Co and its management to form a joint venture for the production of specialty paper in China have been terminated.

The agreements were signed in September 2007 and the deal was originally expected to be closed during the fourth quarter of 2007.

The conditions precedent for the closing were not, however, met and the subsequent negotiations did not result in any agreement.

Source: China Textile Network Company



Asia-Pacific continues to be one of the focus areas in Ahlstrom's growth strategy. Ahlstrom has currently manufacturing sites in China and Korea.

In addition, the company is establishing a new medical nonwovens plant in India. Ahlstrom's network of sales offices operates currently in ten Asia-Pacific countries.

Source: Ahlstrom Corporation.