

**EXTRACT**

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**Chinese economists say yuan depreciation "normal," but not long-term trend**

DATE: 2008/12/05

Chinese economists said they believed the recent yuan devaluation was caused by "objective factors," but the currency's long-term trend should not face a reversion, as strategic China-U.S. economic talks opened here Thursday.

China's currency weakened on Thursday. The yuan traded at 6.8837 per U.S. dollar as of 14:30 p.m. on over-the-counter market, from 6.8830 on Wednesday. It dropped to as low as 6.8845 per U.S. dollar in the morning.

The central parity rate of the yuan was 6.8502 yuan to the U.S. dollar on Thursday, according to the China Foreign Exchange Trading System, the same as Wednesday.

The yuan's central parity rate is based on a weighted average of market makers' price inquiries before the market opens on each business day. The rate is allowed to fluctuate within a band of 0.5 percent on either side of the mid-point.

The State Council, or the Cabinet, said it would use a series of means, including reserve requirement ratios, interest rates and foreign exchange rates to ensure ample liquidity for the banking system.

The Cabinet announced the decision late Wednesday at an executive meeting, presided over by Premier Wen Jiabao. Last month, it has unveiled a 4-trillion-yuan economic stimulus package, which aimed to offset adverse global economic conditions by boosting domestic demand.

The statement came amid market speculation that the yuan might depreciate against the U.S. dollar to help aid exports, which was battered by slackening external demand.

The yuan's reference rate has gained more than 6 percent against the greenback this year, but it was up less than 0.1 percent in the second half.

A "slight and mild" yuan depreciation was necessary because the currency has appreciated too fast since its peg to the dollar ended in July 2005, said Hua Min, department chief of world economy with Shanghai-based Fudan University.

A weaker yuan could help boost exports during the crisis, Hua said.

Tan Yaling, a research analyst with the Bank of China, believed the recent movement of the yuan was "normal and rational" market behavior as the currency has gained nearly 20 percent against the U.S. dollar since July in 2005.

However, the possibility of a periodic depreciation could not be ruled out, said Ding Zhijie, deputy dean of the finance school with the University of International Business and Economics.

According to Ding, the depreciation pressure came from the strengthening U.S. dollar and concerns about downward pressure on the economy as the financial crisis, which has evolved into an economic crisis, weighed on the economy.

A steep depreciation would not be possible currently, forecast China Academy of Social Sciences economist Liu Yuhui, which was likely to cause a range of negative impacts, including increasing capital outflow and deteriorating trade friction and protectionism.

Thursday also marked the first day of the fifth China-U.S. Strategic Economic Dialogue. A range of economic issues would be discussed, including the U.S. economy's recession and China's reduced economic growth.

Chinese Vice Premier Wang Qishan and the U.S. Treasury Secretary Henry Paulson co-chaired the opening dialogue on Thursday morning.

*Source: Xinhua*

## **China's exports to grow 15 percent in 2009**

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China's export volume is expected to achieve a growth rate of around 15 percent in 2009 despite the impact of the financial crisis and global economic downturn, a trade expert with the Ministry of Commerce (MOC) has said.

"It is true that coastal provinces such as Guangdong have been facing much pressure as global demand for traditional commodities has weakened significantly," Mei Xinyu, an expert with the MOC Academy of International Trade and Economic Cooperation.

In China, the so-called "traditional commodities" of export refer to garments, accessories, textile, shoes and furniture, among others.

It is also true that China's exports of electrical and electronic products has maintained a 20-percent growth rate this year, Mei said.

"The electrical and electronic manufacturing industry, featuring advanced technology, holds the key to the development of the Chinese economy. As long as the exports of electrical and electronic products continue to grow, China's export prospect won't be too bad," Mei said.

Figures from the China General Administration of Customs show China's exports of electrical and electronic products were worth 288.89 billion U.S. dollars in the first 10 months, jumping 21 percent from the same period last year.

During the economic crisis, multinationals in the manufacturing industry are likely to speed up the process of moving their production into China or source more made-in-China products in an effort to cut cost, he said.

In addition, the Chinese government had raised tax rebate rates for exports three times since late July to create more favorable environment for exporters, he said. He predicted that the government would adopt more favorable policies in the future to encourage both exports and imports.

CGAC figures showed that China's foreign trade volume in the first 10 months to October hit 2.189 trillion U.S. dollars, up 24.4 percent over a year earlier. The volume was larger than that for the entire year of 2007, which stood at 2.174 trillion U.S. dollars.

The total comprised 1.202 trillion U.S. dollars in exports, up 21.9 percent year on year, and 986.34 billion U.S. dollars in imports, soaring 27.6 percent.

Guangdong, in South China, has long been the country's export powerhouse. In the first 10 months, Guangdong recorded 577.83 billion U.S. dollars in foreign trade volume, accounting for 26.3 percent of the country's total, according to the CGAC.

Source: Xinhua

## **China makes policies to address difficulties of enterprises, promote economic growth**

DATE: 2008/12/02

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China's State Council, or the Cabinet, said on Wednesday that more efforts would be made to encourage enterprises to upgrade technology and engage in independent innovation.

It also said there would be policies to promote merger and acquisition among enterprises.

The policies were clinched at an executive meeting of the State Council, presided over by Premier Wen Jiabao. The meeting was held to discuss measures to address difficulties faced by enterprises and promote economic growth and deliberate plans to reform finished oil pricing mechanism and fuel taxes and fees.

According to the meeting, plans would be drawn up to help some key industries, including steel, auto, ship manufacturing, petrochemical, light industry, textile, nonferrous metals, equipment manufacturing and information technology.

The meeting urged banks to increase credit supply to help small and medium enterprises overcome difficulties.

To offset adverse global economic conditions, the State Council on Nov. 9 has announced a 4 trillion yuan (585.7 billion U.S. dollars) stimulus package to boost domestic demand. This will be combined with other boosting measures, such as loosening credit conditions and cutting taxes.

The huge amount of money will be spent over the next two years to finance programs in 10 major areas, such as low-income housing, rural infrastructure, water, electricity, transportation, the environment, technological innovation and rebuilding after several disasters, most notably the May 12 earthquake.

The State Council also discussed the reform plans of finished oil pricing mechanism and fuel tax and fees at the meeting. It decided to make public the two draft reform plans to solicit public advice.

According to the National Development and Reform Commission, the government has been studying a fuel tax to replace the current road tolls imposed upon vehicles.

Source: China Textile Network Company

The long-awaited fuel tax and fee reform was first proposed in 1994.

The State Council meeting also reached decisions to increase the storage of key materials and resources, accelerate development of the service industry and enhance measures to promote employment and social security.

More education and job training would be provided among the government's efforts to increase employment. This education and training should also cover the lay-off workers and rural laborers who returned from cities because of unemployment, according to the meeting.

Source: *MINISTRY OF COMMERCE, PRC*

### **5th Avenue world's most expensive shopping street**

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The world's main shopping streets are proving largely resilient to the global economic downturn with retail rental levels rising or at least remaining stable in 94 per cent of 236 streets monitored. The findings were published by Cushman & Wakefields 23rd annual Main Streets Across the World report which provides a global barometer of the strength and popularity of shopping streets in 48 countries.

New York's Fifth Avenue is once again the world's most expensive shopping street where retailers can now expect to pay rents of \$1,850 per square foot/12,612 per square meter of sales space per annum, an increase of 23 per cent on 2007. The most expensive streets in Hong Kong, Paris, Milan and Dublin make up the rest of the top five but London and Tokyo have dropped down to six and seven respectively. Dublin has been the best performer in the top ten with the city's Grafton Street rising two places in the ranking to enter the world's top five most expensive streets for the first time. Retailers entering the street can now expect to pay \$824 sq ft/5,621 sq m per annum, a rise of 5.3 per cent on 2007.

Gene Spiegelman, executive director, Cushman & Wakefield New York said: "Through midyear 2008 Fifth Avenue consolidated its position as the world's most expensive retail address with prime rents around \$1,850 sq ft. Ground level retail rents, however, broke the \$2,300 sq ft barrier with the lease to Abercrombie at 666 Fifth Avenue. Fifth Avenue continues to deliver the key retail drivers of high turnover and high profile brand positioning in front of international consumers.

"As we close 2008, we anticipate retailers will critically assess substantial rent and capital commitments but will continue to exploit the value of limited prime main street positions in keeping with long term strategies. The subject rents may appear unsustainable at this moment in time but, placed in strategic context, these commitments represent exclusive long term opportunities for a highly competitive group of global retail brands who recognize the value of flagship real estate as an effective vehicle for brand communication. We expect this trend to continue."

John Strachan, global head of retail, Cushman & Wakefield said: "Demand for often scarce prime retail space on the world's main streets is being driven by a number of factors. For luxury and high end retailers, a presence on the most prestigious streets is deemed essential for brand positioning, sometimes regardless of how profitable a store might be. Such brand profile helps to drive revenue through other channels such as the internet, and sales of product lines such as perfumes and accessories which are sold more widely."

High end international retailers are continuing to expand into new overseas markets and are generally taking a longer term view looking ahead of the economic cycle. This is most clearly the case with relatively emerging markets in all of the world's regions - Turkey and Russia in Europe, Argentina and Brazil in the Americas, and India in Asia. In India, Mumbai's Colaba Causeway showed the strongest growth with rents rising over 182 per cent to \$269 sq ft/ 1,833 sq m per annum. Six out of the ten retail streets in Asia with strongest rental growth were in India.

*Source: fashionunited.co.uk*