

**EXTRACT**

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**China's April Manufacturing Expands at Faster Pace**

DATE: 2010-05-05

Chinese manufacturing expanded at a faster pace in April, highlighting overheating risks in the world's fastest-growing major economy. China is cracking down on property speculation to prevent asset bubbles and restrain inflation after the economy grew 11.9 percent in the first quarter. Europe's debt crisis makes an immediate interest-rate increase in China less likely and could delay gains in the yuan by signaling weakness in the global economy, according to Bank of America-Merrill Lynch. There are signs of overheating pressures although government measures are helping to cool the property market, Chang Jian, an economist at Barclays Capital Asia Ltd., said in Hong Kong before today's report. The government will be monitoring closely developments in Europe when making decisions on policy moves. Chang said interest rates could rise later this quarter as inflation pressures grow.

***New Orders***

An output index rose to 59.1 from 58.4 in March, the new-order index advanced to 59.3 from 58.1 and the export-order index stayed unchanged at 54.5. An input-price index increased to 72.6, the highest in 22 months. Today's PMI figure compares with a record-low 38.8 in November 2008, when the credit crisis and recessions in overseas markets sent export orders plunging. The economy rebounded on the 4 trillion yuan (\$586 billion) stimulus plan announced that month and record new loans from banks. Exports are recovering, climbing 29 percent in the first quarter from a year earlier, with their value topping the level of the same period in 2008, before the crisis hit. Industrial companies' profits are also up, more than doubling in the first quarter from a year earlier, statistics bureau figures for 24 provinces showed. Baoshan Iron & Steel Co., the nation's largest publicly traded steelmaker, estimates that its first-half profit may increase as much as 10-fold from a year earlier.

Source: Bloomberg via CNTEX

**Yuan exchange rate Chinese internal matter: ADB head**

DATE: 2010-05-05

When and how the exchange rate of Chinese Yuan should be adjusted must be decided by the Chinese government, the president of the Asian Development Bank (ADB) said Saturday. Addressing the opening press conference of the 43rd annual meeting of the ADB's Board of

Source: China Textile Network Company

Governors, Haruhiko Kuroda said the yuan issue was "up to the Chinese authorities to decide." Meanwhile, Kuroda also said it was up to Chinese authorities to decide how and when to implement exit strategies. Kuroda acknowledged China played a leading role in the recovery of the Asia-Pacific region from the global financial crisis thanks to the 8.7-percent growth of its gross domestic product (GDP) last year. Kuroda said the Chinese economy would maintain a high growth rate, with a forecast of 9.6 percent of GDP growth this year and 9.1 percent next year.



Despite the fact that China's substantial fiscal measures were not the same as those implemented during the crisis, Kuroda believed that sooner or later the government would mull over an exit from these measures given the strong economic growth. Besides China, all Asian countries should carefully time their exit strategies to unwind their anti-crisis fiscal and monetary policy measures, he said. The ADB began its 43rd annual meeting on Saturday with a pivotal focus on poverty, climate change and regional integration. It is the first time the

ADB held its annual meeting in a Central Asian state.

Source: Xinhua via CNTEX

### **China to raise deposit reserve requirement ratio to rein in economy**

DATE: 2010-05-05

The People's Bank of China (PBOC), the central bank, announced Sunday it will raise the deposit reserve requirement ratio (RRR) for most financial institutions for the third time this year amid growing concerns of asset bubbles and economic overheating. The bank said in a statement on its website that it would raise the deposit reserve requirement ratio (RRR) for financial institutions by half a percentage point from May 10. The ratio for the rural credit cooperatives and rural banks would remain unchanged at 13.5 percent, said the PBOC.

However, the RRR for other small financial institutions would rise to 14 percent, and that for large financial institutions to 17 percent. This is the third rise in the deposit ratio this year. On Jan. 12 and Feb. 17, the central bank raised the deposit ratio by half a percentage point each time. The move indicated the government was taking further steps to tighten monetary policy in response to concerns of overheating and asset bubbles, said Liu Yihui, an expert with the Financial Research Center of the Chinese Academy of Social Sciences (CASS). The PBOC has cut the bank reserve requirement ratio four times during the second half of 2008 to stimulate growth, as the global financial crisis started to weigh on the economy. The country posted a better-than-expected 11.9 percent year-on-year economic growth in the first quarter, but the government was cautious and had repeatedly warned that the economic conditions this year were "very complicated."

China's consumer price index (CPI), the main gauge of inflation, saw a rise of 2.4 percent year on year in March, nearing the ceiling of 3 percent inflation this year that the government has set at the annual parliamentary session that month. "There is an obvious tendency of overheating," Liu said. The central bank should introduce further tightening measures and continue to shift China's monetary policy back to "a normal one." Bank lending fell to 2.6 trillion yuan (380.7 billion U.S.dollars) in the first quarter, compared with a record 4.58 trillion yuan new loans in the corresponding period last year, which was part of the government stimulus plan to support economic recovery. The central bank said in an earlier report that a major task this year would be to strengthen liquidity management and keep an "appropriate" growth of money supply. The government has repeatedly stated that the proactive fiscal policy and relatively easy monetary policy would continue given that the economic conditions remained complicated. Tang Min, vice secretary-general of China Development Research Foundation, said the RRR hike was targeted at asset

bubbles, especially those triggered by the surging property market. Chinese regulators had been taking steps to cool the real estate market and bring down soaring home prices in the past month by cracking down on real estate speculation and providing more affordable homes.

The central bank would keep a close watch on the property market to see whether these measures took effect, and if not, the PBOC might consider raising interest rates to keep inflation in check, said Tang. But a monitoring period would precede the rate hike, he said. "The central bank is very prudent on raising interest rates," said Professor Guo Tianyong, of the Central University of Finance and Economics, as it would bring up production costs for domestic enterprises, and in turn hinder economic recovery. A rate hike was unlikely in the short term, and would depend on price trends in the next few months, he said.

Source: Xinhua via CNTEX

### **Straits Textile & Clothing Fair: Innovative Trade Show**

DATE: 2010-05-04

The 13th Straits Textile & Clothing Fair unveiled in Shishi Clothing City on April 18th. This fair covered an area of 45,000 square meters, 30,000 square meters more than that of last year. The booths reached 3000, 900 more than that of last year. There were three major halls as brand clothing, fabrics and auxiliaries, and textile machinery. The unique development route and rare development opportunity gave new features for this fair. Focusing on the theme of "Straits, Scale, Profession, Leisure, Fashion", the fair was committed to enlarge domestic demand and extend international market. Besides, three new features need the attention. First, to further promote the economy and trade cooperation between the straits, and to take the geographic advantage of South Fujian to accelerate the communication of textile industries in two sides; Second, with the advantage of strong industry chain in Shishi, to integrated the sources of both sides, construct advanced manufacturing bases and promote industry upgrading; Third, utilizing the fair as a platform to promote the cross region cooperation of textile and clothing industry, and fight back the challenges of post crisis era, and support the invigorating of Chinese textile industry.

Source: CTEI News

### **Mall sales hit 660m yuan**

DATE: 2010-05-04



More than 660 million yuan was taken in by 36 shopping malls in Beijing during the three-day May Day holidays, an increase of 20 per cent over last year. The highest turnover came from the Caibai department store, the largest gold jewelry market with eight outlets in the city, took in more than 100 million yuan, a year-on-year rise of 47.6 percent, the Municipal Commission of Commerce said. Sales by the 36 malls were tracked by Beijing Commercial Information Consultation Center, which is part of the commission. Among the single malls, Shin Kong Place, Junefield Sogo Department Store and the New World Shopping Center recorded the highest sales in terms of revenue. "With the sudden change in the weather, people were rushing in to buy summer clothes," Zhao Jing, from New World's marketing department, said. "Fortunately, we had most of our summer garments on the shop floor when the holiday weekend started."

Source: China Textile Network Company

Zhao said women's clothes accounted for more than 30 per cent of sales, the largest part of the weekend revenue of New World, at Chongwen district. "That's because we have three floors selling the women's items," she said. Zhongyou Mall, in the Xidan commercial area, took in 15 million yuan a day, a rise of 2 million yuan each day compared with the same period last year, said Liang Lina, a marketing staff of Zhongyou. "Though the sales revenue was up during the holidays, there was no rise in the number of people coming through the store," Liang said. "This means that individual purchasing power has improved. "Feminine items such as clothes, cosmetics, shoes and jewelry contributed most to our revenue. With summer approaching, cosmetic products such as sunscreen lotions and creams are selling very well." Wang Xin, a 24-year-old an IT company employee, said she likes shopping very much on holidays because all malls have promotional activities. "Yesterday I bought a dress and a T-shirt at the Grand Pacific Shopping Mall and with the discount I received, cost me only 300 yuan," she said.

Source China Daily via CNTEX

### ZARA Enter Chengdu Market

DATE: 2010-05-04



Spanish clothing group INDITEX is going to enter Chengdu Galleria Plaza with its four brands, including ZARA. INDITEX reserves 2600 square meters for its four brands. ZARA will take 1200 square meters. The rest will be shared by PullandBear, Bershka and Stradivarius. Galleria Plaza is run by Holland retailer GTC. It is the first time that European retailer entering China inland region.

Source: CTEI News

### Fast Retailing: Adding 40 UNIQLO Stores in China

DATE: 2010-05-04



According to Fast Retailing Co. Ltd., its UNIQLO flagship store is going to open on May 15th in Shanghai. It is the fourth flagship store of this company, next by New York, Londong, and Paris stores. Based on its annual report, Fast Retailing is ranked No.5 largest clothing manufacturer and retailer. But its growth rate has exceeded the Inditex.S.A (ZARA) and Hennes&Mauritz (H&M), who ranked No. 1 and No. 3 respectively. Pan Ning, the Fast Retailing China CEO said, UNIQLO not only purchases products from China, but also accelerate its extension in Chinese market. In the next two year, its stores in China will grow to 100. Now it has only 47 stores (including its high-end brand THEORY) in mainland, and 14 stores in Hong Kong.

Source: CTEI News