



China Pulse



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China's Economy

China's Foreign Trade (2008)

Trade	December 2008		2008 (whole year)	
	Value \$ bn	% Increase	Value \$ bn	% Increase
Total trade	183.33	-11.1	2561.63	17.8
Exports	111.16	-2.8	1428.55	17.2
Imports	72.18	-21.3	1133.09	18.5
Trade surplus	38.98	72.4	295.46	12.7

Source: MOFCOM, PRC

China's exports fell two months in a row in November and December for the first time in a decade, reflecting the impact of the global financial crisis.

Economic Indicators (2008)

According to preliminary estimation:

GDP:30,067.0 billion yuan, up by 9.0%

(GDP Q1- 10.6%, GDP Q2- 10.1%, GDP Q3-9.0%, GDP Q4-6.8%)

Value added of the primary industry:.....3,400.0 billion yuan, up by 5.5%

Value added of the secondary industry:14,618.3 billion yuan, up by 9.3%

Value added of the tertiary industry:.....12,048.7 billion yuan, up by 9.5%

FDI:Up 23.58% to \$92.4 billion ([More](#))

Forex reserve:\$1.95 trillion

Telephone subscribers (Dec 2008):982 million

Consumer price index (2008):Up 5.9%

Retail sales (2008):Up 21.6%

China's urban unemployment rate (2008):4.2%

Customs revenue (2008):.....\$134.03 billion, up 20.8% ([More](#))

China becomes third-largest economy, revises 2007 GDP growth rate to 13%

China surpassed Germany to become the world's third-largest economy behind the US and Japan after Beijing revised its estimate of economic growth in 2007 from an 11.9% to 13%. That raised China's GDP to \$3.5 trillion at 2007 exchange rates, ahead of Germany's GDP of \$3.3 trillion and behind US's \$13.8 trillion and Japan's \$4.4 trillion ([More](#))

China's 4Q business climate index drops on slowing economy

China's business climate index fell for the second quarter in a row during the final three months of 2008 as economic conditions deteriorated sharply. The index was 107 compared to 128.6 in the third quarter, 137.4 in the second quarter and 136.2 in the first quarter ([More](#)).

Manufacturing sector in China close to recession

China's manufacturing sector is close to a technical recession after output contracted at a record pace in December. The Purchasing Managers Index (PMI), which measures manufacturing activity nationwide, stood at 41.2 in December and although it was up from November's 40.9, overall output still contracted ([More](#)).

China's crude oil output hit 190 million tons in 2008

China's crude oil output rose 2.3% year-on-year, the highest growth in three years, to 190 million tons in 2008. China imported 179 million tons of crude oil in 2008, an increase of 9.6%, accounting for 48% of demand. China's consumption of oil products rose 11.9% to 215 million tons. China used 365 million tons of crude oil last year, up 5.8%. China refined 27.27 million tons of oil in December, down 2.3% year-on-year, as demand shrank and product inventories piled up.

China's textiles and garments export growth slowing

The growth in China's exports of textiles and garments fell to 8.2% in 2008 from 18.9% in 2007. Total textiles and garments exports amounted to \$185.17 billion. The export growth would slow further this year due to sagging demand in major markets, rising labour costs, and appreciation of the yuan. China's imports of garments in the first 11 months of 2008 totaled \$2.09 billion in value, up 16.6% ([More](#)).

Politics & Government

Wen Jiabao upbeat about China growth, stresses confidence in addressing crisis

Chinese Premier Wen Jiabao on Wednesday expressed optimism that China's economy will continue to grow fast and steadily, and he called for confidence, cooperation and responsibility in overcoming the current global financial crisis ([Full Text](#)).

White Paper - China's National Defense in 2008 ([More](#))

China to spend \$124 billion on healthcare reform

China will spend \$124.26 billion in the next three years to provide accessible and affordable healthcare to the country's 1.3 billion people. The government will bear most of the medical expenses of the people by 2011 ([More](#)).

Work on 4 nuke plants to start in 2009

China is expected to start work on four nuclear power stations in 2009 in Haiyang and Rongcheng in Shandong province, Sanmen in Zhejiang province, and Yaogu in Guangdong province ([More](#)).

China busts 40 illegal banks in five months

From July to November in 2008, Chinese authorities busted more than 40 major illegal private banks in Fujian, Jiangxi and Guangdong Provinces, serving as an important channel for money laundering and illegal foreign exchange deals. The illegal operations involved \$14.6 billion ([More](#)). China, on January 20, launched a special campaign against fake banknote crimes after high-quality fake notes were found, especially in 10 major provinces including Guangdong, Fujian and Zhejiang ([More](#)).

China's urban jobless rate rises, situation 'grim'

On January 20, China reported a higher jobless rate among urbanites for 2008 as the global financial crisis builds up unemployment pressure on its economy. As of Dec. 31, there were 8.86 million urban residents registered as jobless, 560,000 more than the end of the third quarter. China's urban unemployment rate rises to 4.2% in 2008 ([More](#)).

Nepal welcomes Chinese investment

Nepal desperately needs investment from countries like its neighbor China, especially at a time when the world is undergoing an economic recession, said Nepali Finance Minister Baburam Bhattarai. Addressing a high-level roundtable financial meeting focused on attracting Chinese investments in Kathmandu on Sunday, he assured an economic revolution in the country within a few years. He asked the Chinese businessmen to invest in Nepal's hydropower sector ([More](#)).

US launches intensive investigations against Chinese products in 2008

According to information released by the Bureau of Fair Trade for Imports and Exports of the Ministry of Commerce, in 2008 the US continued its previous momentum of launching frequent trade remedy investigations against Chinese products. The US launched five cases involving a combination of anti-dumping and countervailing investigations against Chinese products, for example stainless steel pressure pipes ([More](#)).

Hu offers six proposals for peaceful development of cross-Strait relationship

President Hu Jintao offered six proposals to promote the peaceful development of the cross Strait relationship in a speech to commemorate the 30th anniversary of the mainland's "Message to Compatriots in Taiwan" in Beijing on December 31 ([More](#)).

China plans to implement pilot programs of settling overseas trade with yuan

China's central bank said on January 6, that it planned to implement a pilot program of settling overseas trade with the Chinese currency instead of the US dollar in 2009. The central bank will expand financial cooperation with overseas economies and properly deal with the global financial crisis ([More](#)).

China faces wave of unrest in 2009: official report

China faces surging protests and riots in 2009 as rising unemployment stokes discontent, a state-run magazine said in a blunt warning of the hazards to Communist Party control from a sharp economic downturn, Reuters reported. The unusually stark report in this week's Outlook (Liaowang) Magazine, issued by the official Xinhua news agency, said faltering growth could spark anger among millions of migrant workers and university graduates left jobless ([More](#)).

China starts filling tanks at largest oil reserve

China has started filling tanks at its largest oil reserve, taking advantage of tumbling world crude prices. The facility's 10 tanks, which have a total capacity of 6.3 million barrels, are located in the northwest Xinjiang region. This is just the first phase of the reserve, which will eventually have an overall capacity of more than 50 million barrels of crude, mainly produced in Xinjiang or imported from neighboring Kazakhstan. Two of the four strategic oil reserve facilities on its east coast are now in operation. Strategic oil reserves in the country were expected to reach 101.9 million barrels by the end of this year and rise to 145.9 million barrels in 2010, with 511.9 million barrels a long-term goal ([More](#)).

Iran, China sign oilfield development deal

Iran and China signed a \$1.76 billion deal on January 14, for the initial development of Iran's North Azadegan oil field. The North Azadegan oil field, which is located in Iran's western province of Khuzestan, has an estimated reserve of six billion barrels of oil and can produce 75,000 barrels per day for 25 years ([More](#)).

China unveils support package to auto, steel industries

China unveiled a long awaited support package for the auto and steel sectors on January 14, to boost the two "pillar industries". Under the plan, the government will lower the purchase tax on cars under 1.6 liters from 10% to 5% from Jan. 20 to Dec. 31 in a bid to stimulate sales. It will also allocate 5 billion yuan (\$730 million) to provide one-off allowances to farmers to upgrade their three-wheeled vehicles and low-speed trucks to mini-trucks or purchase new mini-vans under 1.3 liters from March 1 to Dec. 31 ([More](#)). China's auto sales growth increased only by 6.7%, lowest in last 10 years ([More](#)). China also approved a stimulus package to help the steel industry weather the international financial crisis. The package includes government's control over increasing the country's steel making capacity and closing down low-tech mills. Other support measures include allocating a special fund for technology upgrades, research and innovation, restoring order in the iron-ore imports sector and increasing steel consumption in the domestic market ([More](#)).

Chinese-African trade volume hits all time high to reach \$106.8 billion

China-Africa trade volume hit an all time high in 2008, reaching a historic new level of \$106.8 billion. By the end of 2008, China had invested a total of over \$5 billion in African countries ([More](#)). Angola has become China's largest trade partner in Africa as the bilateral trade volume hit \$25.3 billion in 2008 ([More](#)).

China mulling expansion of zero-tariff on African products

On the basis of levying zero tariff on products of 31 African countries, China is considering to include more African goods into the zero-tariff treatment. Over the past few years, China has offered zero tariff to more than 10 types of goods imported from 31 African countries, including farm products, stone materials, ores, leather, textiles and garments, machinery and electronic products, and wooden furniture ([More](#)).

China and Costa Rica reach consensus on free trade talks

China and Costa Rica held the first round of negotiations for a free trade agreement (FTA) on January 19-21 in San José, capital city of Costa Rica ([More](#)).

China, Switzerland agree to begin feasibility study on free trade zone

China and Switzerland, during the visit of the Chinese Premier, Wen Jiabao to Switzerland, decided on January 27 to begin a joint feasibility study on creating a bilateral free trade zone in the second half of this year in preparation for formally launching negotiations on the issue ([More](#)).

Business & Industry

China's installed power capacity increases 10% in 2008

China's installed power capacity increased 90.51 million kilowatts in 2008, up 10.34%. The total installed power capacity reached 792.5 million kilowatts at the end of 2008. The investment in power infrastructure, including power plants and power grids, grew 1.52% to \$84 billion in 2008. China consumed 3.4 trillion kilowatt hours of electricity, up 5.23%. However, the growth rate was 9.57 percentage points lower from that in 2007 ([More](#)).

Lenovo announces 11% job cuts

China's Lenovo, the world's fourth largest personal computer maker, is preparing to cut 2,500 jobs, about 11% of its global workforce. The company will also cut \$300 million of spending in the fiscal year ending on March 31, 2010. The company was forced to restructure by weak performance and "potentially huge losses" in the fourth quarter of 2008 ([More](#)).

Baosteel abandons Brazil JV

Baosteel has abandoned a proposed joint venture to build a steel mill with Brazilian mining firm CIA Vale do Rio Doce due to weak market demand and local opposition ([More](#)).

20 million migrant workers return home

About 20 million of China's migrant workers, about 15% of the 130 million migrant workers, have returned home after losing their jobs as the global financial crisis takes a toll on the economy ([More](#)).

China's light industry develops sharply faster than heavy industry

In December 2008, China's light industry enjoyed an output growth of 8.1%, which sharply outpaced the 4.7% growth of heavy industry. The output of the SOEs suffered a decline. In December, SOEs and state-controlled enterprises witnessed an output drop of 0.6%, while that of private enterprises went up 16.3% and of overseas-funded enterprises was up 0.3% ([More](#)).

Laws, Rules & Regulations

China abolished three tax and fee regulations (The provisional regulation governing urban real estate tax (1951); The Yangtze River maintenance fee collection regulation (1987) and; The inland river maintenance fee collection regulation (1992) as of January 1, 2009. Foreign-invested companies, wholly foreign-funded companies and organizations and foreign nationals shall pay real estate tax under the interim regulations of the People's Republic of China on real estate tax.

China Income Taxes and Tax Laws ([More](#))

New FDI rules to open up hinterland ([More](#)).

India & China

Sino-India trade a new "bright spot"

Trade between China and India is relatively dynamic and thriving, though it has been negatively affected to varying extent against a backdrop of the escalating world financial crisis. According to China Customs' latest statistics, the bilateral reached \$51.78 billion in 2008, up 34% ([More](#)). India was the 10th largest trading partner of China in 2008.

Third India-China Financial Dialogue

The third India China Financial Dialogue was held in New Delhi on January 16. Banking sectors and capital markets have been identified as areas where the expert teams of both the countries can jointly work and evolve a time-bound strategy for closer engagement ([More](#)).

CII & China

Interaction with Members of Indian Parliament

CII and the India Business Forum (IBF) China of CII organized an interactive meeting with a 4-member delegation of senior Members of Parliament of India during their visit on 8th January in Shanghai. The delegation was on a visit to China at the invitation of the Communist Party of China (CPC). The delegation was led by Mr. Bal Apte, MP (RS) and included Mr. Balbir Punj, MP (RS), Mr. Chandan Mitra, MP (RS) and Mr. Suresh Prabhu, MP (LS) & former Union Power Minister. Over 35 representatives of Indian companies based in Shanghai attended the meeting. The MPs shared the experiences of their visit to Beijing and Shanghai with the members of Indian business community. Mr. Bal Apte said that their delegation discussed economic, political and social issues in their meetings with the leaders of the CPC.



Interactive Session with Indian MPs, Shanghai, 8th January 2009. Seated (Right to left) Mr. Suresh Prabhu, Mr. Bal Apte, Mr. Balbir Punj, and Mr. Chandan Mitra"

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