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ALL CHINA MARKETING RESEARCH CO., LTD.

ACMR Newsletter

China Industry and Economic Review

February 2011

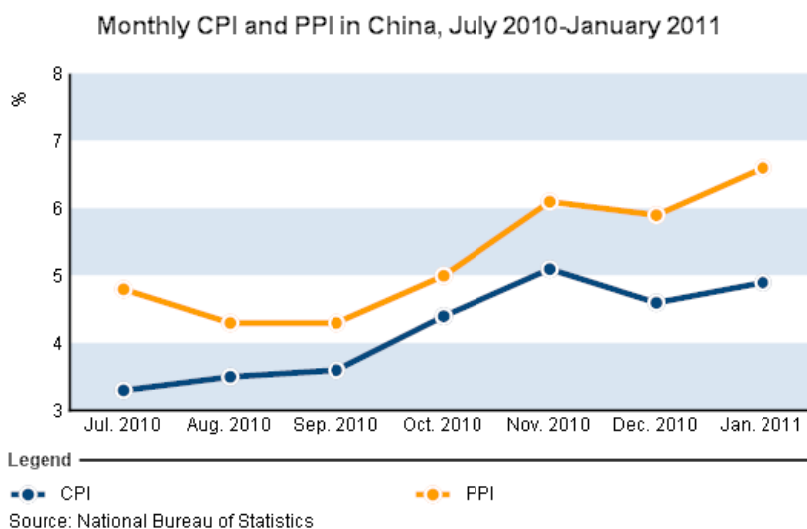


Economic Spotlight:

Growing Inflation Pressure:

Economic Policies Center on Price Control in 2011

According to the latest macroeconomic statistics released by National Bureau of Statistics (NBS) on February 15th, CPI (consumer price index) and PPI (producer price index) in January 2011 increased by 4.9% and 6.6%, respectively. CPI turned out to be lower than expected as NBS adjusted down the weight of food price, which has been rising strongly, in CPI. Therefore, inflation pressure is still substantial and anti-inflation will remain the primary task of macroeconomic regulation in 2011.



Crop Price on the Rise

The crop price index announced by Food and Agriculture Organization (FAO) of United Nations increased for the past seven straight months to hit historic high of 231 in January 2011. FAO warns that outbreak of worldwide crop crisis is possible.

In China, the government increased the minimum purchase price of unhulled rice and introduced ten measures to support crop production. Several factors lead to rapid growth of crop price recently: the first being that extreme weather conditions cause crop losses and hence higher crop price; the second reason being that rising price this time is the normal compensation for artificially repressed crop price in China. For the past several years, crop price has been growing very slowly due to government regulation, while household income in China grew much more strongly during the same period.

High Liquidity Due to Loose Monetary Policy

At the end of 2010, broad money (M2) in China amounted to 72.58 trillion yuan, 19.7% up from 2009;



ACMR Newsletter

February 2011

narrow money (M1) amounted to 26.7 trillion yuan, 21.2% up from 2009. Total rmb outstanding loan amounted to 47.92 trillion at the end of 2010, 19.9% up from 2009. Newly added rmb loan totaled 7.95 trillion yuan in 2010, 1.65 trillion yuan less than in 2009.

At the end of January 2011, broad money (M2) in China amounted to 73.56 trillion yuan, 17.2% up from January 2010; narrow money (M1) amounted to 26.31 trillion yuan, 13.6% up from January 2010. Total rmb outstanding loan amounted to 48.35 trillion yuan at the end of January 2011, 18.5% up from January 2010. Newly added rmb loan totaled 1.04 trillion yuan, 318.2 billion yuan less than in January 2010.

Monetary Policy Tightens to Counter Inflation

The People's Bank of China hiked up interest rate on financial institutions since 9th February. This was the third interest hike in the past four months, and one-year benchmark deposit rate hit 3% again after the end of 2008. Under the circumstances of rapid GDP growth in 2010 and rising price pressure at present, interest rate hike this time is expected to have strong impact on inflation expectations. Interest rate on demand deposit was also adjusted by 0.04 percentage point, which was rare during previous rounds of interest hikes.

For reserve requirement ratio (RRR), the central bank announced it would increase by 0.5 percentage point from 24th February. This means RRR for large financial institutions will rise to historic high of 19.5%; RRR for medium and small financial institutions will rise to 16%. This is the eighth time the central bank increased RRR since 2010 and the second time in 2010.

Rapid Growth of Automobile Industry in China

Automobile Market in China, 2006-2010

Automobile Manufacturing Industry in China was hit hard by global financial crisis in 2008. Growth of sales volume of automobiles in China started to slow and profitability of industry players slipped significantly.

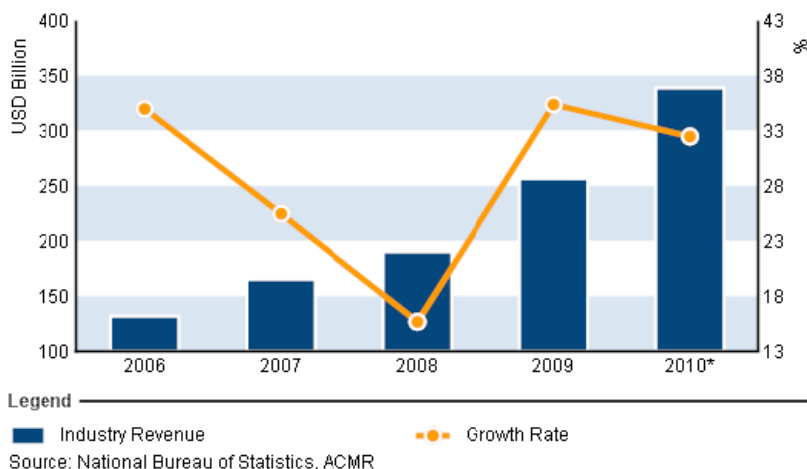
In 2009, the Chinese government issued a series of favorable policies to promote automobile sales, including reductions in the automobile purchase tax, direct subsidies to rural households purchasing automobiles, subsidies to automobile owners replacing old autos with new autos, and the implementation of the Adjustment and Vitalization Plan for the Auto Industry.

In 2009, China had surpassed the US to become the largest automobile market in the world. The industry produced 13.79 million units of vehicles in the year, up 47.6% from 2008. Meanwhile, sales volume of automobiles in China reached 13.65 million units, up 45.5% year on year. The industry reported sales revenue of \$256.74 billion (in 2011 constant prices), up 34.9% from 2008.

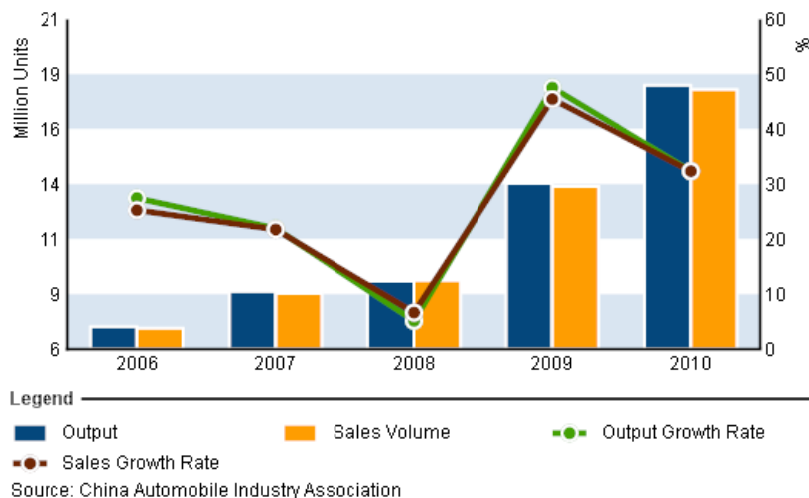
In 2010, both output and sales volume of automobiles in China maintained solid growth due to strong domestic demand, to 18.26 million units and 18.06 million units, respectively. Sales revenue of the industry is estimated to total \$426.01 billion in 2010, up 25.7% from 2009.

The Automobile Manufacturing Industry in China is expected to continue expanding rapidly in the next five years. Key drivers for future growth mainly include China's substantial domestic demand, the large rural market in particular, and the constant development of foreign markets.

Industry Revenue of Automobile Manufacturing in China, 2006-2010



Automobile Sales and Output in China, 2006-2010



Passenger Vehicles Market in 2010

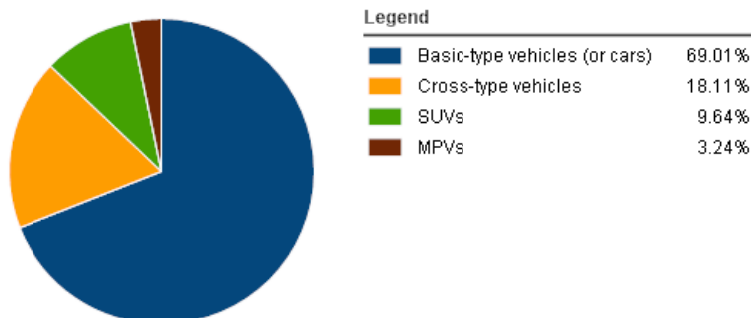
In 2010, sales volume of passenger vehicles in China amounted to 13.76 million units. Basic-type vehicles (or cars) accounted for the largest share of sales volume, which was 69.01% in the year. Cross-type vehicles accounted for 18.11% of the total. Shares of MPVs and SUVs were 3.24% and 9.64%, respectively.

45.6% of passenger vehicles sold in 2010 were made by domestic manufacturers. Passenger vehicles produced by Japanese manufacturers accounted for the largest share among foreign manufacturers, which was 19.5% in the year. Shares of manufacturers from Germany, the US, Korea and France were 14.4%, 10.3%, 7.5% and 2.7% respectively.

Due to reduction in purchase tax of vehicles with engine displacement of less than 1.6L, sales volumes of vehicles with less than 1.6L displacement increased significantly, to 9.46 million units by 2010, accounting for 68.8% of total sales volume of passenger vehicles in China.

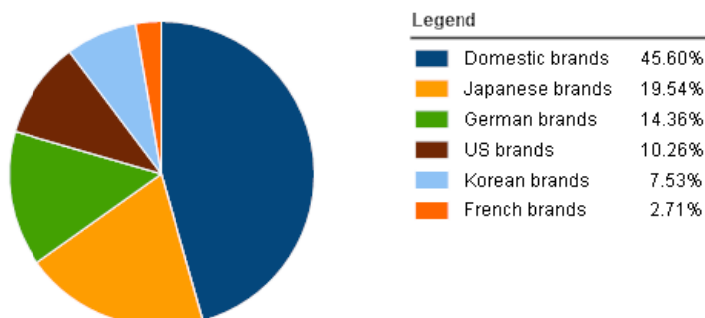
Since 1st January 2011, the reduction in purchase tax of vehicles with less than 1.6L displacement had been cancelled. However, sales volumes of these vehicles are expected to continue increasing rapidly in the following years due to the huge potential market in China.

Major Passenger Vehicles Market Segments, 2010



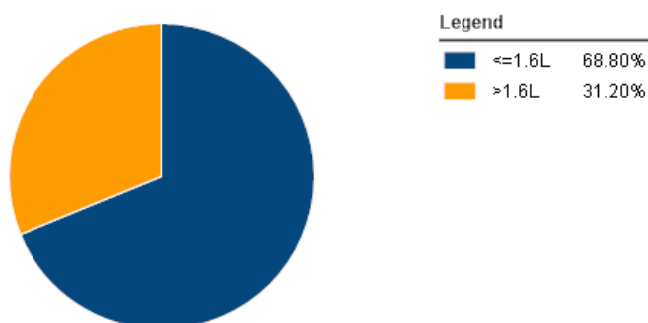
Source: China Automobile Industry Association

Sales Volume Shares of Passenger Vehicles by Country, 2010



Source: China Automobile Industry Association

Major Passenger Vehicles Market Segments by Displacement, 2010



Source: China Automobile Industry Association

Key Statistics of the Automobile Manufacturing Industry in China, 2010

Indicator	Value	Year-on-year Growth (%)



ACMR Newsletter

February 2011

Industry Revenue (USD Million)	338912.0	32.0
Industry Profit (USD Million)	32535.6	81.1
Exports (USD Million)	8766.7	29.4
Imports (USD Million)	40809.2	75.0
Automobile Output Volume (Thousands Units)	18264.7	32.4

Source: National Bureau of Statistics, China Customs, ACMR

Major Industry Participants List

Company Name
China FAW Group Corporation
Dongfeng Motor Co., Ltd.
Shanghai Automotive Industry Corporation
Beijing Auto Industry (Holding) Corporation
ChangAn Auto Group

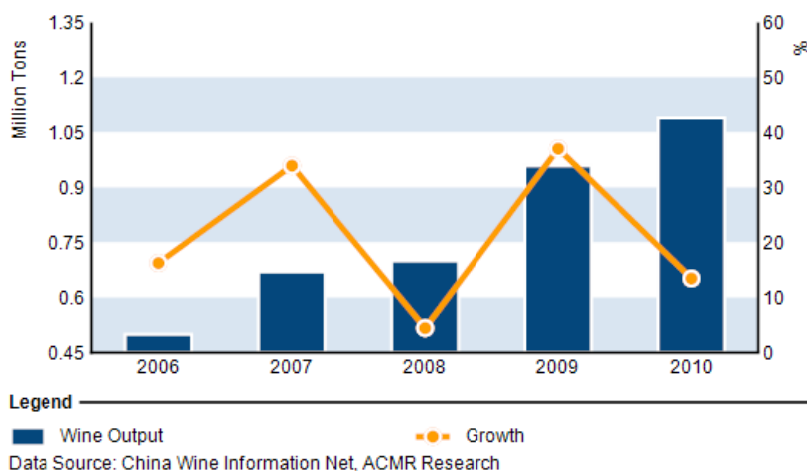
Source: National Bureau of Statistics, ACMR

Wine Manufacturing in China:

The Domestic Wine Market Prospect is Promising

Over the past decade, Chinese wine market has maintained rapid growth and major domestic enterprises has seized the market. Changyu, COFCO, Dynasty and Weilong accounted for most of the domestic market share. At the same time, Chinese wine market has shown a trend of internationalization and more and more imported wine brands have appeared in the market.

Wine Output in China 2006-2010



With fast development of the Wine Manufacturing in China and growing pressure of market competition at home and abroad, the whole industrial chain will become the only way to survive and the construction of grape growing bases will be particularly urgent and important for Chinese enterprises.

In 2010, the wine manufacturers in China all focused on the building of grape growing bases. Yantai-Changyu Pioneer Wine Company Limited began to develop the grape growing base project in Shihezi, Xinjiang and Ningxia Qingtongxia, Ningxia. Dynasty Fine Wines Group Limited and COFCO Group completed the investment of grape growing bases in Helan Mountain and Xinjiang. In addition, the manufacturers of second-line grape brands, such as Qingdao Huadong and Shangri-La, etc, began to build grape growing bases in Penglai.

With increasing of market demand for wine, the material for wine manufacturing has become the foundation supporting increasing output of wine manufacturers, which means that enterprises in this industry will pay more attention to building of grape growing bases.

Key Statistics of the Wine Manufacturing Industry in China, 2010

Indicator	Value	Year-on-year Growth (%)
Industry Revenue (USD Million)	4605.8	17.9
Industry Profit (USD Million)	536.2	16.2
Exports (USD Million)	24.4	285.8
Imports (USD Million)	799.5	74.7
Output Volume (Million Tons)	1.1	13.3

Source: National Bureau of Statistics, China Customs, ACMR

Major Industry Participants List

Company Name
Yantai Changyu Pioneer Wine Company Limited
Dynasty Fine Wines Group Limited
COFCO Group
Yantai Weilong Grape Wine Co., Ltd.

Source: National Bureau of Statistics, ACMR

Canned Food Manufacturing in China:

Export Recovery and Strong Revenue Growth

The Canned Food Manufacturing Industry in China has experienced rapid development in recent years, and China's canned food is one of the first food products entering the international market. China has become one of the main manufacturers and exporters of canned food in the world, working as one of the main competitors in the international markets. Driven by both domestic and foreign demand, China's Canned Food Manufacturing Industry has maintained steady and rapid growth.

Export Recovery

China's canned food has relied much on exports, and the domestic market was placed in the weak position. More than half of the canned food production is for exports. Moreover, the domestic canned food industry is mainly engaged in processing trade, heavily depending on the foreign importers. In 2008, suffered from the global financial crisis, some foreign importers have to face the adverse factor of fund shortage, and the application of Chinese Yuan, rising price of both raw materials and labor costs also contributed to decrease of exports in the year.

After the impact from the global financial crisis, exports of China's canned food resumed its growth in 2010. In the first nine months of 2010, the export volume of China's canned food totaled 2.17 million tons, up 24.8% from the same period in 2009, and it is forecast to reach 3 million tons for the whole year. The international market has vigorous demand for canned food products, and Chinese canned food possesses certain competitive power in the market.

Output and Sales Revenue Increased Steadily

In the first 11 months of 2010, revenue of the canned food manufacturing industry totaled \$11.79 billion, and it is forecast to reach \$13.70 billion (constant 2011 dollars) for the whole year, up by 24.6% from 2009. At the same time, the output of China's canned food totaled 9.19 million tons in 2010, up by 23.3% from 2009. The output surge was mainly driven by the international market, giving rise to obvious export increase. Both domestic and foreign demands contribute to output growth.

With China's economic and social development, people's life keeps improving. Continent, healthy, nutritious and safe canned food is gaining more recognition from the consumers. Canned food manufacturing is expected to maintain steady growth in the future.

Key Statistics of the Canned Food Manufacturing in China, 2010

Indicator	Value	Year-on-year Growth (%)
Industry Revenue (USD Million)	13702.0	24.6%
Exports (USD Million)	4559.6	17.9%
Imports (USD Million)	321.1	3.6%
Canned Food Output (Million Tons)	9.19	23.3%

Source: National Bureau of Statistics, China Customs, ACMR, China Canned Food Industry Association (CCFIA)

Notes: Estimated data for exports and imports

Major Industry Participants List

Company Name
Xinjiang Chalkis Tomato Co., Ltd.
Shanghai Maling Aquarius Co., Ltd.
Sichuan Meining Industrial Corporation
Xiamen Gulong Canned Food Co., Ltd.
Zhejiang Iceman Group Co. Ltd.

Source: National Bureau of Statistics, ACMR



ACMR Newsletter

February 2011

What's New?

We currently have 177 China industry reports available across 18 economy sectors, and the number of reports is expected to reach 182 by the end of February 2011.

Recent reports and reports to be released include:

Published in January 2011:

- 0330** Poultry Farming in China
- 3421** Metal Cutting Tools Manufacturing in China
- 3761** Aircraft Manufacturing and Repairing in China
- 5110** Inter-urban Railway Transportation of Passengers in China
- 5531** Airports in China
- 7220** Realty Management in China

To be released in February 2011/March 2011:

- 0916** Aluminum Ore Mining in China
- 1320** Pet Food and Animal Feed Manufacturing in China
- 1451** Canned Food Manufacturing in China
- 4062** Bare Printed Circuit Board Manufacturing in China
- 7230** Real Estate Intermediation (Brokers and Agents) in China

Updated in January 2011

- 0790** Support Activities for Oil and Gas Mining in China
- 7440** Advertising Agencies in China
- 8511** General Hospitals in China
- 0810** Iron Ore Mining in China
- 2614** Organic Chemical Material Manufacturing in China
- 1711** Cotton Fabric and Yarn Manufacturing in China
- 3613** Building Construction Equipment Manufacturing in China
- 3070** Plastic Parts Manufacturing in China
- 3931** Wire and Cable Manufacturing in China
- 2411** Stationery and Office Supplies Manufacturing in China
- 6620** Motels in China
- 2421** Sporting Equipment Manufacturing in China
- 6592** Mail-order and Electronic Shopping Operators in China
- 8441** Higher Education in China
- 6020** Internet Services in China
- 4411** Thermal Power Generation in China
- 1440** Liquid Dairy and Dairy Products Manufacturing in China



ACMR Newsletter

February 2011

3711 Rail Transportation Equipment Manufacturing in China

7433 Business Management Consulting Services in China

4042 Computer Network Equipment Manufacturing in China

6930 Securities Investment in China

0610 Coal Mining in China

3726 Automobile Repair Services in China

0221 Timber Logging in China

5320 Underground Rail and Subway Transportation in China

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