

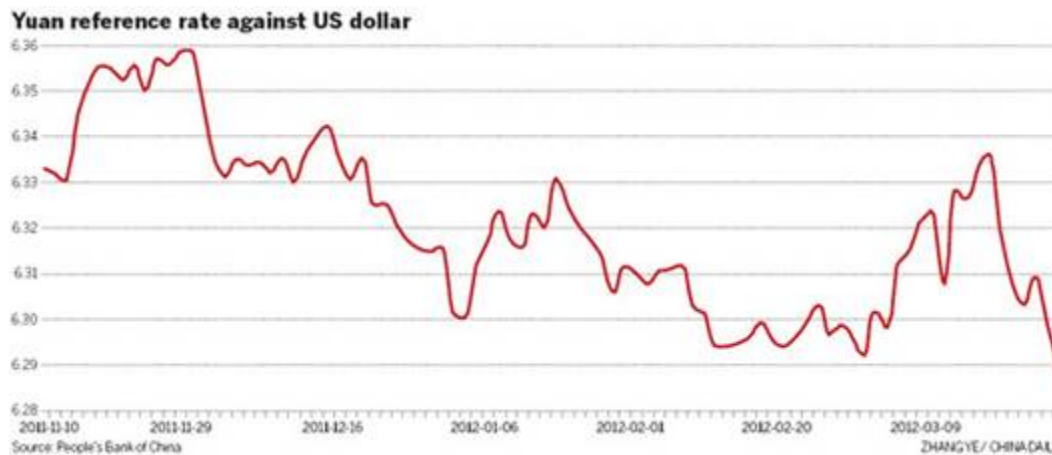
**SCI China Market Update – April 2012**

Dear friends,

China’s Qingming Festival holiday is celebrated from April 2 to 4. It is also called “Tomb Sweeping Day” or “Pure Brightness” in English, and usually falls around April 5 in the lunar year calendar. The Festival goes back some 2,500 years. In earlier times, the day before “Tomb Sweeping Day” was the traditional Chinese “Cold Food Day” when people used no fire and ate cold food. As time passed, the two festivals were gradually combined into one - the Qingming Festival. Two years ago, to keep alive this tradition of respect for ancestors, Beijing decided to make the Qingming Festival a paid national holiday to give people time to visit and pay homage to burial sites of relatives. Here in the US we need to work as usual, so below is some very recent China market news for your information:

**Yuan reference rate hits record point**

The Chinese currency Renminbi, or yuan, weakened to 6.2943 against the U.S. dollar on Friday, according to the China Foreign Exchange Trading System. The chart below shows this trend. For our clients who export to China, this is good news as it makes their products more affordable for China to import. For our clients who want to source more products from China, it is not so good news as buying from China becomes more expensive. Beijing wants a stable exchange rate.



**China's manufacturing expands for 4 straight months**

China's Purchasing Managers Index (PMI), a preliminary readout of the country's manufacturing activity, rose for 4 consecutive months to the highest level since last March, indicating the economy is on path of steady growth. PMI climbed to 53.1% in March of 2012, 2.1 points higher than a month

earlier, the China Federation of Logistics and Purchasing (CFLP) said Sunday. From November to February, PMI saw steady increases from 49% to 50.3%, 50.5% and 51%. A reading of 50% demarcates expansion from contraction. March's reading shows domestic demand rebounding, which was most prominently reflected in the machinery equipment-making industry, according to the report. The significant PMI rise in March showed the economy presented stable growth momentum, said Zhang Liqun, a researcher with the development research center of the State Council, China's cabinet. The CFLP's sub-index for new orders hit 55.1%, up 4.1 points from February. The data for new export orders added 0.8 points to reach 51.9%.

### **China to cut import duties**

China, the world's second-biggest importer, will cut import duties on selected energy products and raw materials as well as consumer goods to boost purchases, the State Council said in a statement on Friday. The decision underlines Beijing's intent to buy more from its trade partners to boost domestic consumption and comes after China posted its largest monthly trade deficit in at least a decade in February. Vice-Premier Li Keqiang said earlier this month that China will import \$10 trillion worth of goods and services in the five years ending 2015. The new move is expected to reduce China's trade surplus by increasing imports, which may help reduce trade frictions with other countries.

### **Beijing drafts China's toughest emission standards**

Stricter auto emission standards are likely to be adopted this year in the capital city as pollution in Beijing continues to cause concern. A draft plan by the Beijing Environmental Protection Bureau under public review until April 9 calls for the city to lead the way with tougher standards. "The Beijing V standard is equivalent to the Euro V standard," said a professor at the Environmental School of Tsinghua University. The standard calls for lower nitrogen oxide, carbon monoxide and hydrocarbon emissions. It also requires cleaner emissions as vehicles get older, upping the compliance limit to vehicles with 160,000 km on the odometer compared to 100,000 km in the national IV standard.

Though Beijing has been the pacesetter in implementing increasingly tough emission standards over the past decade, total tailpipe emissions in the city have continued to rise by more than 10 percent annually. "It will cost an automaker more than 10,000 yuan to upgrade an engine to meet the Beijing V standard," China Automotive Business News cited an industry insider as saying. A source at Shanghai GM's technology and engineering department said the company has already finished modifying its engine designs. When the new standard is officially implemented, the company will be able to supply models to meet the new standard right away, it said.

**Bigger middle class key to growth: Expert**

A great number of billionaires have emerged from China, but fostering the country's middle class should be a top priority in order to increase consumer spending, said Xiang Bing, founder and dean of the Cheung Kong Graduate School of Business. He called on entrepreneurs to contribute to building the middle class. Currently, national wealth is unequally distributed among the population, Xiang said. The top 1% of affluent Chinese families hold 41.4% of the nation's wealth, he said, citing a World Bank 2010 report. The issue of wealth inequality is very serious, he said. The success of China's entrepreneurs has been largely attributed to low production costs, he said. With the enforcement of stricter environmental rules and labor laws, the cost of Chinese products will increase accordingly, forcing businesses to increasingly rely on domestic middle-class consumers.

I will visit China again for clients in late April. For more information about today's China market and opportunities please visit our website at [www.s-c-i.com](http://www.s-c-i.com) or call me at the number below, or call Dr. Tim Weckesser at 610-828-8060.

Best regards,

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