中国日報
CHINA DAILY
BUSINESS

MARKET

(As of 9pm yesterday, Beijing time)

Index	Last	% Chg
Shanghai Comp	2618.172	1.49
CSI 300 Index	2788.562	2.32
Shenzhen Comp	872.194	2.63
Shanghai B	168.324	2.13
Shenzhen B	391.092	1.94
Xinhua/FTSE China A	9537.29	1.82
Xinhua/FTSE China 25	15105.33	-0.71
Xinhua FTSE 200	7692.28	2.27
Dow Jones	8418.77	-1.82
NASDAQ	1731.24	-0.45
FTSE	4445.57	0.23
Nikkei	9298.61	-1.62
Frankfurt	4911.547	0.92
Hang Seng	17153.64	0.38
Taipei	6432.55	-3.23
Bangkok	544.54	1.75
Kuala Lumpur	1023.02	-0.24
Seoul	1403.51	-0.82
Singapore	2178.13	0.56
Manila	2253.91	-0.51
Jakarta	1842.022	0.62
Mumbai	12158.03	4.07

Bloomberg

EXCHANGERATE

Market exchange rates in RMB set by the People's Bank of China (May 12)

Currency	Unit	Rate
US dollar	100	682.42
Euro	100	927.34
Japanese yen	100	6.9934
HK dollar	100	88.05

Bank of China exchange rates in RMB

Currency	Unit	Buying	Selling
British pound	100	1037.46	1045.79
HK dollar	100	87.84	88.18
US dollar	100	680.8	683.52
Swiss franc	100	614.59	619.53
Singapore dollar	100	466.19	469.94
Swedish krone	100	87.18	87.88
Danish krone	100	124.42	125.41
Norwegian krone	100	105.77	106.62
Japanese yen	100	6.9696	7.0256
Canadian dollar	100	585.39	590.09
Australian dollar	100	519.26	523.43
Euro	100	926.74	934.19
Macao pataca	100	85.32	85.64
Philippine peso	100	14.39	14.51
Thai baht	100	19.61	19.77
NZ dollar	100	410.82	414.12
ROK won	100		0.5598

Spending on core sector up

▶ Exports down 22.6% from year ago in April; imports slump 23%

By Wang Xu

Fixed asset investment continued to surge in April thanks to the government's stimulus package, but the nation's exports dropped further, reflecting weaker demand in overseas markets.

The nation's spending on fixed assets such as roads, bridges and new plants grew 30.5 percent in the first four months from a year earlier. That compares with a 28.6 percent surge in the first quarter, the National Bureau of Statistics said yesterday.

Meanwhile, exports dropped 22.6 percent from a year earlier to $91.94 billion in April, the Customs said yesterday. This was steeper than March's 17.1 percent decline. Imports slumped 23 percent in April, compared with a 25.1 percent decline in March.

"We expect fixed asset investment to be the single most important contributor to China's GDP growth in 2009," Jing Ulrich, chairwoman of China Equities at JPMorgan said in Beijing yesterday. Ulrich reckoned that investment could account for 45 percent of China's economy this year, if it maintains a growth rate between 25 percent and 30 percent for the rest of the year.

Analysts said the recent recovery of the housing market was likely to lend more support to investment growth. Real estate investment, accounting for more than one third of the nation's fixed asset investment, grew 4.9 percent in the first four months of the year, up from 4.1 percent for the first quarter.

Meanwhile, the pickup in housing prices may also help fuel investment in the sector. According to the National Development and Reform Commission, average housing prices in the 70 major cities edged up 0.4 percent in April from a month earlier, although it represented a 1.1 percent drop from a year earlier.

Investment represented 42 percent of China's GDP, compared with consumption's 48 percent and net exports' 9 percent. Analysts have long criticized the economy's excessive reliance on investment and exports, which make it particularly vulnerable to economic fluctuation abroad.

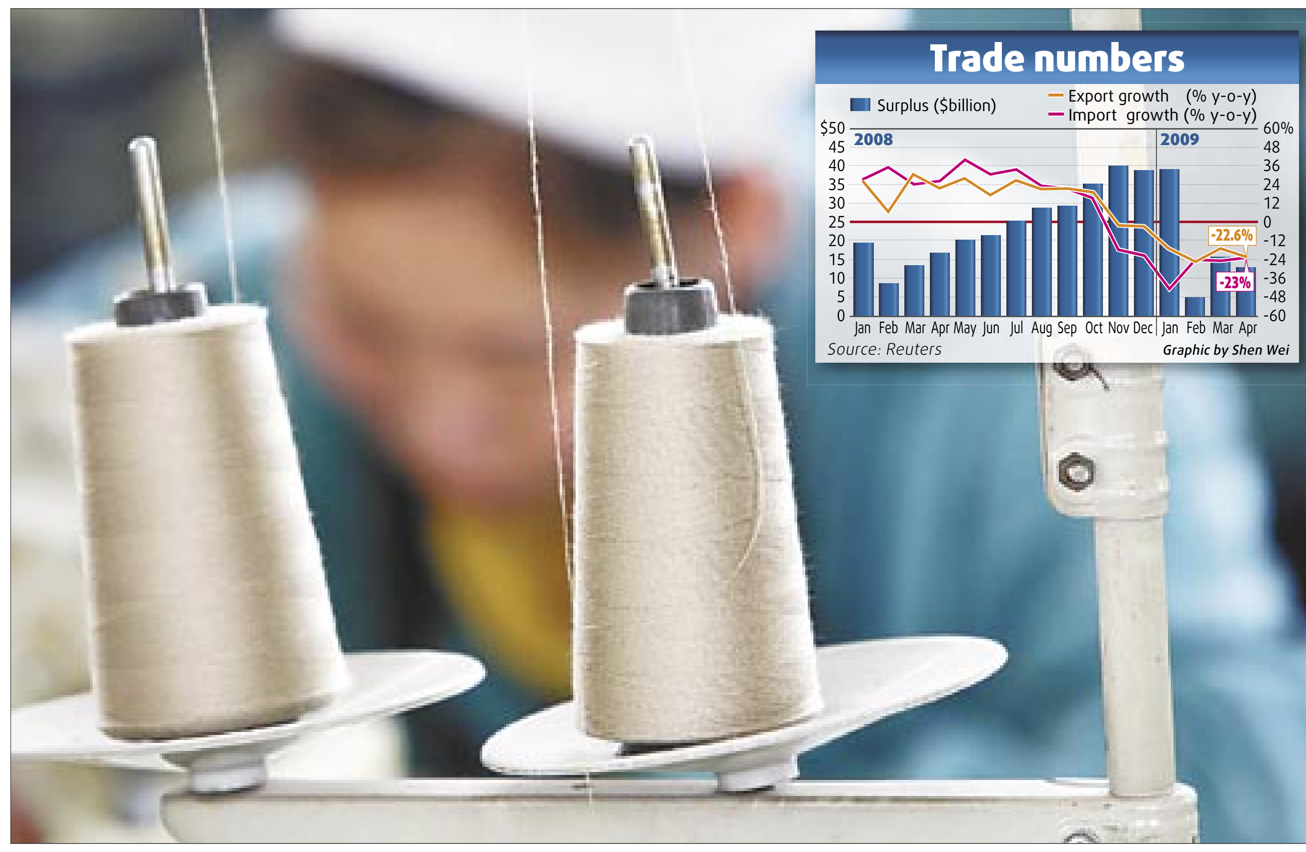
"In the short run, the rise of government-led investment is necessary to stabilize the economy," Ulrich said. "But the money should not be spent on building new manufacturing capacity, given the prevalent capacity in some industries."

Investment related to the government stimulus package is expected to help cushion the impact of the drastic decline in foreign demand.

The nation's foreign trade sector provided more than 80 million job opportunities, the Ministry of Commerce said in a statement yesterday. It said the nation's foreign trade sector is still facing serious challenges, despite the government's moves to boost the sector.

The World Trade Organization estimated that global trade is likely to drop 9 percent in 2009, the steepest decline since World War II.

China's leading trade fair, the Canton Fair, concluded last Thursday with export orders down 17 percent, which analysts said was a sign of further weakness of the sector.



A worker processing yarn at an export-oriented garment factory in Huaibei city, Anhui province. CFP

Action plan booster shot for equipment manufacturers

By Li Fei

China will take a wide range of measures such as tax exemption, subsidy and industry consolidation to support its equipment manufacturing industry as part of its latest efforts to stimulate the economy, according to a detailed industry stimulus plan released yesterday by the State Council.

The government will exempt value-added tax (VAT) and import tax on key parts and raw materials needed in the manufacturing of major equipment products, the stimulus action plan said, without specifying the items falling into the category.

The plan said the government would set up a mechanism under which the customers who use the first batch of major equipment produced by domestic companies will get risk compensation, a policy designed to spur the homegrown industry.

The detailed action plan, which said the domestic industry should at least occupy 70 percent of the local market share, said the government would push forward industry consolidation and overseas expansion by extending financing support.

The government will extend support to companies involved in mergers and acquisitions (M&A) during their applications for issuing stocks, corporate bonds, bills and bank loans, the plan said.

It said the government would offer interest subsidies to domestic companies that acquire overseas peers and their R&D facilities.

Financial institutions, the plan said, would be encouraged to issue loans to companies that plan to make M&A moves, both in the local and overseas markets.

"The stimulus policy certainly will give the industry a boost, but its growth will ultimately rely on the performance of the economy," Fu Caixia, machinery industry analyst with China Minzu Securities, said.

"The leading industry players are expected to benefit from industry consolidation."

A PetroChina Co gas station attendant fills up a tank for a customer in Shanghai. Bloomberg News

PetroChina to raise 100b yuan

By Si Tingting and Wan Zhihong

PetroChina Co, the country's largest oil and gas producer, plans to raise as much as 100 billion yuan via debt this year to finance key projects including exploration, refining, oil and gas pipeline networks and overseas operations, company executives said yesterday.

The 100-billion yuan is sufficient to keep the company's projects going this year, said Zhou Jiping, president of PetroChina.

Earlier media reports said that the company would need 150 billion yuan this year.

This year PetroChina plans to boost its oil exploration arm in the Erdos and Tarim basins in northern China and to make strategic adjustments to its refining and chemical projects in the coastal areas, Zhou told reporters on the sidelines of the company's annual shareholders' meeting yesterday.

The company also expects to see sizable and sustained growth in its overseas operations in the next eight to ten years, company Chairman Jiang Jiemin said yesterday.

PetroChina will boost cooperation with national oil companies in resources-rich countries such as Kazakhstan, Venezuela and Qatar, said Jiang.

PetroChina's parent company China National Petroleum Corp (CNPC) and Venezuela have agreed to build two oil refineries in China, one of which has already kicked off infrastructure construction and is located in the southern Guangdong province, said Jiang.

> **"Although we do expect to see difficulties in the deployment, we will actively but cautiously select more overseas strategic projects."**
>
> ZHOU JIPING
> **President of PetroChina**

"If all goes well, China could get 40 million tons of crude oil and heavy oil every year from Venezuela," he said.

PetroChina is also building a pipeline that transports 20 million tons of Kazakhstan oil to China annually. The project will be fully operational by the end of the third quarter.

According to Zhou, overseas mergers and acquisitions will be a key strategic development target for the company, and now is a "good time" to do so since oil prices have fallen 60 percent from last July's record high of $147 a barrel.

"Although we do expect to see difficulties in the deployment, we will actively but cautiously select more overseas strategic projects," said Zhou, adding that the financial crisis has made the company more demanding on the project profitability front.

PetroChina has adjusted its investment plan by lowering the investment volume of ongoing projects by 10 percent while lowering operational cost by 5 percent, Zhou said.

However, he clarified that PetroChina will keep its total investment at the same level as last year's because it expects "long-term energy shortages" in China.

The financial crisis also presented PetroChina a rare strategic opportunity to take advantage of low commodity prices to expand reserves, Zhou said.

PetroChina spokesman Mao Zefeng said last week in Hong Kong that the company would stockpile steel, copper, cement and other raw materials for use in the construction of oil refineries, chemical plants and pipelines.

CNOOC gas terminal in Zhuhai

By Wan Zhihong

China National Offshore Oil Corp (CNOOC) plans to invest 20 billion yuan in Zhuhai in Guangdong province to build an offshore engineering base and a gas terminal, a move that will further expand its presence in southern China.

The country's largest offshore oil producer signed a framework agreement with the local government in Zhuhai for the investment last weekend, said a source with CNOOC yesterday. The 20-billion-yuan investment will mainly go towards construction of the engineering base, he said.

But both parties have not yet decided when to complete the 20-billion-yuan investment, he said, declining to be named.

The gas terminal in Zhuhai will either receive natural gas produced by CNOOC's oilfields in the South China Sea, or gas imported from foreign countries, said the source.

Compared to the four LNG (liquefied natural gas) bases in operation or under construction by CNOOC currently, the capacity of the Zhuhai terminal would be relatively small, he said.

CNOOC had its first LNG terminal in Shenzhen, in Guangdong province. It started operation in May 2006.

Analysts said CNOOC's investment plan in Zhuhai is in line with the company's plan to emerge as a stronger player in southern China.

The Beijing-based CNOOC earlier started its Huizhou refinery in Guangdong province. The project, which can process 12 million tons of crude oil annually, was CNOOC's first refinery in China.

Fu Chengyu, president of CNOOC, had said earlier that the company would invest more than 300 billion yuan in the southern Guangdong province in the next five years.

The investment will mainly go towards development of oil and gas fields in the South China Sea, construction of petrochemical projects in Huizhou, and the building of a natural gas pipeline in the region, said Fu.

Guangdong is a key base for CNOOC's future development, said Fu. The company has invested over 120 billion yuan in the province, and in 2008 alone, it invested 33 billion yuan in the region.

CNOOC has set a goal of growing 7 percent to 11 percent between 2005 and 2010 in terms of output, with a goal of producing 225 to 231 million barrels of oil equivalent for 2009, said Fu.

The company is now taking a patient approach to overseas deals rather than rushing for overseas oil and gas assets, he had said.

Winson Fong, a fund manager at SG Asset Management with assets of $2 billion, had told Reuters last month that China's energy stocks were safe bets for investors and they prefer CNOOC for its strong production targets.

"The market is positive on CNOOC's operational structure," Brynjar Bustnes, a JP Morgan analyst, was cited by Reuters as saying. "It's one of the best upstream companies fundamentally, in terms of growth production and cost control."