



[For Immediate Release]

### **Xinhua Finance/MNI China Business Survey: Results Climb**

**Shanghai, January 26, 2007** – Xinhua Finance (TSE Mothers: 9399) and Market News International (MNI), a part of the news service line of Xinhua Finance, today announced the January Xinhua Finance/MNI China business sentiment survey. The results of the survey suggest Chinese companies have started the new year in strong shape financially and see current business conditions as ripe for further growth.

Although production growth slowed in what is traditionally a slack time of the year for Chinese companies, survey respondents reported conditions in January that led to the highest ever results in a number of indexes of the two-year-old survey.

The survey was conducted January 10-23 with 140 listed companies responding. A result greater than 50 implies growth or improving conditions (See accompanying story for more on the survey methodology). The full survey results can be found at <http://www.xinhuafinance.com/en/main/chinabizsurvey.html>

The indexes for overall business conditions, financial conditions and back orders all hit their highest levels ever, with other key indexes remaining at close to record levels.

"The surge in corporate confidence is remarkable," said Logan Wright, Beijing analyst for Stone and McCarthy Research Associates, a sister company to Market News. "It appears that companies have shaken off the effects of last year's macroeconomic controls, as future expectations of overall conditions and new orders are even higher than current levels."

The index showing output prices suggested companies are continuing to raise prices at a relatively fast rate while the index for input prices, which spiked in December, declined markedly.

Indexes reflecting expectations for future conditions suggest companies see the good times continuing for at least the near future.

The index for overall current business conditions rose to 80.71 in January from 75.21 in December, topping the 80 mark for the first time. The index for current financial positions rose to 77.70 in January from 73.31 in December, which itself had been the highest index result.

The index for order backlogs rose to 57.03 from 56.45 in December, which again had been the highest result up until that point. The growth of new orders remained high, with the January index showing the current state of new orders at 74.62, up from 74.04 in December and the highest result since the April survey last year.

While the index showing productive capacity grew slightly, to 70.44 in January from 68.75 in December, the index showing actual production declined. The index showing current production fell slightly to 72.46 from 73.85 in December, remaining above the levels experienced after the government imposed controls to slow down overheating parts of the economy early last year.

The indexes showing companies' expectations for conditions in three months time suggest most see growth remaining high.

The index for future overall conditions hit its second highest level, rising to 81.43 in January from 78.10 in December. The only time the index has been higher was in the first quarter of last year, before the government measures to slow the economy were introduced.

The index for future new orders was also the highest since the first quarter last year, at 76.52 from 73.08 in December while the index for future financial positions, while still high at 75.90, declined from 78.39 in December.

Companies expect their backlog of orders to continue rising, with the index for future expectations on that question rising to 56.25, up from 54.30 in December and the highest ever result.

The index showing expectations for production in three months rose to 75.00 from 71.56 in December, continuing to show steady gains from the sharp drop in the middle of last year on the government moves.

"This degree of confidence in a season where activity is typically slower indicates that companies retain strong incentives to initiate new investment projects and expand both production and new capacity," said Wright.

"While the central government wants to maintain a stable rate of investment growth, high corporate confidence and new expansions in production capacity may create new concerns among regulators about overcapacity. At present, however, companies see rising orders and improving financial positions."

Sentiment began to turn around in October, following six months of government tightening measures aimed at reining in credit and investment levels.

The credit availability index fell to 60.15 after hitting a record 64.08 in December. But the index reflecting interest rates companies are now paying also fell, to 54.89 in January from 61.32 in December.

The record results of the survey are even more impressive when seasonality is factored in (the results are not seasonally adjusted). While the fourth quarter tends to be the busiest in the calendar year -- particularly for Chinese exporters working to meet the Christmas rush -- the Chinese New Year, which comes in January or February, invariably guarantees that the first three months of the year are the slowest.

"The industry doesn't perform so well at this time of year," noted one respondent manufacturer. Other companies that use basic materials such as coal and steel reported that government efforts to control price rises in those sectors was having a result. "Thanks to the government regulating and controlling the small- and medium-sized coal mine, demand and supply tend to be balanced in the coal market," said one respondent.

A few companies reported increasing production to offset falling prices, a comment seen often in past surveys. But for the first time, a number of respondents also pointed to consolidation in their industries as having had a positive effect. "After a series of mergers and acquisitions, the group structure is optimized and it is more competitive," said one manufacturer.

And for the first time, a respondent attributed higher demand for his company's retail products



to the runup to the 2008 Olympic Games to be held in Beijing.

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### **Xinhua Finance/MNI China Business Survey Methodology**

The Xinhua Finance/MNI China Business Sentiment Survey was conducted January 10-23 with 140 listed companies taking part.

Survey questions were modeled on Japan's Tankan survey and the U.S. Institute for Supply Management's Report on Business.

Results were compiled for both current conditions compared with a month ago and for expectations of conditions one month ahead.

Indexes were compiled using the Institute for Supply Management's example: adding half of the percentage saying conditions were unchanged to the percentage of those saying conditions had improved generated the index. Therefore, a result higher than 50 indicates a net positive response.

Companies agreed to participate in the survey, and to provide comments about business conditions, under the assurance that individual survey responses would not be divulged except as part of the overall results.

Companies surveyed were all listed on domestic stock markets or in Hong Kong, although some also have foreign listings. The companies chosen were a mix of manufacturers and non-manufacturers with about 75% of the companies responding to the survey in manufacturing.

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**Notes to Editors:**

**About Xinhua Finance Limited**

Xinhua Finance Limited is China's unchallenged leader in financial information and media, and is listed on the Mothers board of the Tokyo Stock Exchange (symbol: 9399) (OTC ADRs: XHFNY). Bridging China's financial markets and the world, Xinhua Finance serves financial institutions, corporations and re-distributors through four focused and complementary service lines: Indices, Ratings, Financial News and Investor Relations. Founded in November 1999, the Company is headquartered in Shanghai with 20 news bureaus and offices in 19 locations across Asia, Australia, North America and Europe.

For more information, please visit [www.xinhuafinance.com](http://www.xinhuafinance.com).

**About Market News International**

Market News International (MNI), a Xinhua Finance company ([www.xinhuafinance.com](http://www.xinhuafinance.com)), is a financial news and information company dedicated to the global fixed income and foreign exchange markets. MNI joined the Xinhua Finance family in March 2004, bringing its niche expertise and extensive distribution network. Headquartered in New York, MNI has news



bureaus and offices throughout the US, Europe and Asia.

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