



[For Immediate Release]

Xinhua Finance/MNI China Business Survey: Price Drop Signals Deflation

Shanghai, December 26, 2008 - New orders have dropped sharply and prices have plunged to the point where deflation may become the Chinese leadership's next battle, the results of the latest Xinhua Finance/MNI China Business Sentiment Survey indicate.

The headline overall sentiment index hit its third successive record low at 35.20, down from 39.87 in November, and that gloom was reflected in other key indicators such as new orders and production.

But the most alarming signal in the latest monthly survey was seen in the indexes for prices. The index for input prices, which was in the 80s as recently as August as the government fought inflation on a number of fronts, hit an all-time low of 26.36, a record low for the third straight month. The index was at 31.89 last month.

The index for prices received rose slightly but remained near the record low set last month. The index was 36.82 in December, up from 35.56 last month.

Perhaps even more worrying for the prospects of Chinese macroeconomic and monetary policy is that companies appear to expect prices to continue falling.

The survey was released today by Xinhua Finance (TSE Mothers: 9399) and Market News International (MNI), a part of the news service line of Xinhua Finance.

The monthly survey was conducted December 8-23.

Since its inception in January, 2005, the survey has accurately tracked and predicted overall Chinese economic conditions, providing important intelligence ahead of government data.

To receive a full version of the survey, or to find out more about Xinhua Finance and Market News International, please contact us via mni@xinhuafinance.com

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Notes to Editors:

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About Market News International

Market News International (MNI), a Xinhua Finance company (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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