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business

CHINA DAILY 中国日报 CHINADAILY.COM.CN/BUSINESS

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ONE \$ DEQUALS

SOURCE: REUTERS, 9PM THURSDAY

▲ RMB	▼ HKD	▼ JPY	▼ EUR	▲ GBP	▲ AUD	▼ INR	▲ CAD	▲ KRW	▲ THB	▲ BRL
6.3590	7.7564	78.52	0.8103	0.6384	0.9442	55.23	0.9492	1126.73	31.47	2.0207

More rare earth players expected

By WANG ZHUOQIONG
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China's preeminent position in rare earths exports is likely to change after a couple of mining operations in the United States and Australia begin to produce the materials next year.

MINERALS Liu Yinan, vice-chairman of the China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters, said the new production could lead to greater fluctuations in the materials' global price.

China is now the source of 90 percent of the rare earths used in the world.

The materials — 17 metals needed to make various high-tech products — have fallen into short supply in recent times and become more expensive as a result. Seeing that, the United States, Australia and South Africa, all places rich in rare earths, have begun to undertake projects to produce the materials, Liu said on Thursday at the Rare Earth Industry Forum in Baotou, a city in North China's Inner Mongolia autonomous region.

Mike Vaisey, vice-president of research and technology at Lynas Corporation Ltd, an Australia-based rare earth

mining company, said it is undertaking rare earth mining projects in Australia and Malaysia. Together, they are expected to begin yielding 22,000 metric tons of rare earths a year in late 2013.

Sun Dekuan, chief representative of Molycorp Inc Beijing office, said the company has the ability to produce 40,000 tons of rare earths a year in the first half of 2013, although the amount it actually produces will depend on the demand for the materials.

Molycorp, the US mining company, used to be among the companies that produced the most rare earths in the world but ceased mining the materials when the cost of doing so increased and their price fell.

Ma Rongzhang, secretary-general of the Association of the China Rare Earth Industry, said the two companies will be able to produce enough rare earths to meet the demand outside of China.

Liu Yinan estimated that the widespread use of advanced technology will stoke the demand for rare earths in coming years. Rare earths will also be consumed in greater amounts in China, he said.

About 120,000 tons of rare earths are now used in the world a year. That amount is expected to increase to 160,000 tons by 2016, accord-

ing to research conducted by Dudley Kingsnorth, executive director of the Industrial Minerals Company of Australia Pty Ltd.

From 2011 to 2016, China is expected to go from using 70,000 tons of rare earths a year to 105,000 tons. In the rest of the world, the amount is expected to go from 35,000 tons a year to 55,000 tons during that period.

Jon Hykawy, clean technologies and materials analyst with Byron Capital Markets Ltd in Canada, said at the forum that "the new suppliers will make a significant shift in the global market by providing alternative sources and cause some Chinese small plants to be phased out."

"The change will inevitably affect the global price of rare earths," Liu said.

The amount of rare earths exported this year is expected to decrease to about 10,000 tons, far less than the 31,000 tons that can be shipped out under government quotas, Ma said. Last year, 16,900 tons of the materials were exported.

Liu said the country should export more light rare earths, which are mostly found in Inner Mongolia, and export less heavy rare earths, which are concentrated in Ganzhou, a city in Jiangxi province, and Longyan, a city in Fujian province.



A worker on a textile production line in Huaibei, Anhui province. China's industrial production growth dropped to 9.2 percent year-on-year in July, according to the National Bureau of Statistics.

Industrial output weakens in July

By LAN LAN
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The weakest increase in China's industrial production seen in more than three years has given rise to speculation that the country might further ease its monetary policies to stoke economic growth.

The rate of industrial production slowed to 9.2 percent year-on-year in July from 9.5 percent in the previous month, according to the National Bureau of Statistics.

The July figure came in below the rate of 9.7 percent called for in a previous forecast. Economists said the unexpectedly slow increase could prompt the government to adopt more monetary easing.

Zhang Zhiwei, chief China economist at Nomura Securities Co Ltd in Hong Kong, said the slower growth came at a time when many industries are reducing their inventories.

Such de-stocking is often a sign that the economic cycle is likely to recover, as production increases to replace depleted inventories.

In July, the finished goods inventory sub-index of the manufacturing purchasing managers index decreased to 48 from 53.2 in the previous month.

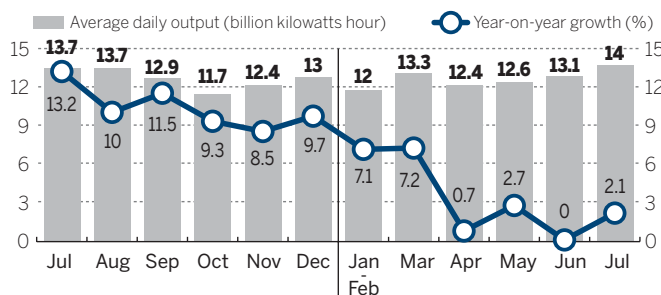
A score above 50 indicates expansion and one below indicates contraction.

Meanwhile, the monthly

YEAR-ON-YEAR GROWTH IN INDUSTRIAL ADDED VALUE



AVERAGE DAILY ELECTRICITY OUTPUT AND YEAR-ON-YEAR GROWTH



Source: National Bureau of Statistics

producer price index, which measures average changes in the prices manufacturers get for their products, decreased 2.9 percent year-on-year in July, compared with 2.1 percent in June.

The lower producer prices suggested that demand for raw materials has weakened, he said.

He also said the low prices indicate room exists for further monetary easing, and that he expects to see a reduction in the reserve requirement ratio for banks this month.

The possibility of an interest rate cut has also increased, he said, adding that such a change

is likely to further inflate any property bubble and hinder banks' ability to make profit.

Apart from further monetary easing, Alistair Thornton, an economist at the information company IHS Global Insight Inc in Beijing, thinks that more investment will be made at the local level.

To stabilize the economy, the government has taken steps to ensure projects can obtain required approvals more quickly, and has introduced a series of policies to encourage private investment.

Local governments, meanwhile, are adopting stimulus plans and banks have been

asked to extend more credit.

"The stimulus has yet to feed into the real economy, so growth continues to be slow," Thornton said. "We should not expect to see a sharp recovery."

He said observers have long expected to see an economic rebound, but that isn't likely to happen until the end of the third quarter.

"The short-term cycle of inventory de-stocking might be coming to an end, and government investment will finally help stoke demand for important industrial goods," he said.

If the rate of increase for industrial production remains around 9.2 percent this month and next, China's gross domestic product may rise from 7.4 percent to 7.5 percent in the third quarter, according to Lu Ting, a Hong Kong-based economist with Bank of America Merrill Lynch.

Electricity production, another indicator of economic growth, also shows signs of increasing.

In July, 453.6 billion kilowatt hours of power were generated, up from 393.4 billion kWh in June, the State Electricity Regulatory Commission said on Thursday.

Affected by sluggish economic growth, the amount of electricity produced in China increased by 5.5 percent year-on-year in the first half of the year, a result largely of persistent weakness in the industrial demand for electricity in the past several months.

FIRM SEEKS FOREIGN PARTNERS

The world's largest light rare earth producer is looking for opportunities overseas to develop heavy rare earth projects as it seeks to diversify its products.

Zhang Zhong, general manager of Inner Mongolia Baotou Steel Rare Earth (Group) Hi-Tech Co Ltd, said that with more discoveries of heavy rare earths overseas, the company is in discussion with some foreign companies.

The company's pursuit of heavy rare earths comes as a result of its goal to develop products that use both light and heavy rare earths. The company

is expected to form the North Rare Earth Group to consolidate small and medium-sized rare earth enterprises in the north and some in the south, where heavy rare earths are available.

To raise their pricing power and regulate the industry, Baotou Steel Rare Earth and nine other rare earth companies launched a national trading platform on Wednesday, a move some believe will help break down regional barriers among them.

To enhance his company's business, Zhang urged the country to

reserve more light rare earths. He disagreed with opinions of some that light rare earths are not worth reserving because of their large stockpiles and low value.

He said light rare earths, which are not renewable, will have more advantages in costs if the country reserves them earlier.

In one or two years, the world rare earth supply layout will change significantly, resulting in the decrease of China's supply. A sufficient reserve in rare earths will help China, he said.

WANG ZHUOQIONG

Property curb decisions 'to be based on July, August prices'

By WU YIYAO in Shanghai
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Decision-makers are likely to introduce new policy controls on the property market based on housing sales in July and August, according to one of the country's leading property market analysts.

REALTY Xue Jianxiong, an analyst with China Real Estate Information Corp, a property information services provider, said that housing price curbs have helped control price surges — but they cannot change the upward trend if supplies cannot meet demand.

July and August offer enough

time for decision-makers to analyze the realty market before making further decisions, said Xue.

He added that too much uncertainty still exists about the government's policies, and if housing prices continue to surge around the country, tougher curbs on purchases or even taxation policies may be introduced.

Xue's comments came as new data from the National Bureau of Statistics showed that the value of home sale transactions fell around 16 percent from June to July.

Meanwhile, according to a report in 21st Century Business Herald on Thursday, teams sent by the central gov-

ernment to check the national implementation of property curbs have returned to Beijing to submit reports that will be used to determine future property policy changes.

Eight teams were sent to 16 provinces and municipalities last month, having the aim of tamping down property speculation and evaluating the effects of the curbing measures that have been introduced so far, the central government said.

Separate data from Chartered Bank (China) Ltd, also released on Thursday, suggested that as many as 90 percent of the homebuyers surveyed said they were buying property for genuine needs — either as their

first homes or to improve housing condition — rather than as an investment.

Quoting a source close to the Ministry of Housing and Urban-Rural Development, 21st Century Business Herald said officials will decide whether or not to introduce new curbing policies based on the finding of the teams.

The report added that the ministry has already started drafting possible new policies.

According to data released on Thursday by the National Bureau of Statistics, the value of home sales transactions fell from 531.3 billion yuan (\$83.5 billion) in June to 454.4 billion yuan in July.

The bureau data showed that investment in homes, office buildings, malls and other real estate reached 3.7 trillion yuan between January and July, a 15.4 percent increase year-on-year.

However, the increase is less than in the first seven months of 2011, which was 33.6 percent.

The data showed there was new property construction completed occupying an area of 1.04 billion square meters, a 9.8 percent year-on-year decrease.

Xue at China Real Estate Information Corp said the bureau data alone were unlikely to be strong enough for the government to introduce new tightening measures, adding

that the new housing supply in the first seven months of 2012 was 29 percent lower than in 2011, and new homes are still in short supply in Shanghai.

However, if the situation remains the same in the fourth quarter, then there will be another price surge in big cities such as Shanghai, he said.

He added that it takes time to consolidate curbing controls, because the interests of various parties involved in the realty market continue to change and have to be considered.

A report by SouFun.com, a real estate website, said July new home prices showed their biggest gain since June 2011. The prices of new homes rose

by 0.3 percent from June to July, rising to 8,717 yuan per square meter of space. The increase was 0.05 percent in June.

Quoted in Shanghai Securities News on Thursday, Wang Jueli, deputy director of the Policy Research Center with the Ministry of Housing and Urban-Rural Development, said the realty market in the first half of 2012 is cooler than projected.

He added that the market in some first- and second-tier cities did warm up in the first half of 2012.

However, housing consumption may lead to a rebound in prices and undermine government controls, he said.