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## Growing consumer market attracts foreign investment

By Wang Yanlin | 2008-6-13 |  NEWSPAPER EDITION

FOREIGN direct investment in China rose 37.94 percent in May from a year earlier to US\$7.76 billion, the Ministry of Commerce said yesterday.

The growth decreased from the peak in January when FDI posted a 110-percent hike and compared with an increase of 54.97 percent in the first five months.

New foreign-funded firms fell 10.94 percent in May to 2,425, while the data through May dropped 20.95 percent from the previous year to 11,915.

"China is very cautious about the inflow of hot money, or speculative money, when the yuan has accelerated in appreciation. The slower pace of FDI and the cut in new foreign-funded firms indicated such concerns but also demonstrated investors' focus on bigger and more capital-intensive projects," said Li Maoyu, an analyst with Changjiang Securities Co.

The Chinese currency has appreciated about 5.3 percent so far this year against the dollar. The pace was much faster than the combined growth of 7 percent for the entire year of 2007.

But what can't be denied is that China's rapidly expanding consumer market also made the country an attractive destination for investment.

Robert Brown, chairman of Watson Wyatt Global Investment Committee, said China was fit for stable investment in the long term because of the dynamics and the established infrastructure here. Watson Wyatt provides investment consulting services to clients, including many institutional investors.

Meanwhile, the slower pace of FDI growth can help ease government concern over excess liquidity and lead to a less harsh macroeconomic control after consumer prices also eased in May, analysts said. The central bank ordered lenders to set aside more money as reserves last Saturday to curb liquidity and inflation.

The Consumer Price Index, the main gauge of inflation, eased to 7.7 percent in May from April's 8.5 percent, the National Bureau of Statistics said yesterday.

Investment from United States companies increased 25.09 percent in May from a year earlier while spending from European Union countries gained 35.2 percent.

Last year, China's FDI grew 13.6 percent to US\$74.8 billion.

In the first five months this year, the figure jumped by 54.97 percent to US\$42.8 billion.

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