



International

## Chinese Market Shows Sign of Slowdown, Inflation on the Rise

Ivan Denisovich, 03.13.08, 7:20 PM ET

Recent announcements regarding inflation rates by Chinese government analysts have shaken consumer confidence in the Chinese market. On top of this, previous projections of slowed down economic growth and real-wage increase have caused concern in China's economic experts.

"Normally, inflation by itself is manageable," commented Professor Xie of Fudan University in Shanghai. "However," Xie continued, "coupled with the fact that the economy is slowing down, this new report could mean that the poorest individuals in China might be hit hardest."

Inflation has been a top concern of Chinese officials, who might recall the scare that increased pork prices caused last year. Economic growth, tied closely to the sagging American economy, is also slower than expected.

Part of this decline is partly attributed to recent failures of infrastructure projects after it was announced that construction of the four towers as well as the eight subway lines cannot be completed before the Olympics. The Chinese government issued the construction expecting the new subway lines and buildings to create more revenue from tourism. Unfortunately, it is now clear that such funds will never materialize.

Furthermore, the Chinese government also increased production of several domestic goods previously thought to be in high demand as a result of increased tourism. However, with the announcement, it is estimated over 40% of the products will be lost, or at the very least dumped on local markets at fire sale prices. All in all, the announcement is estimated to cost the Chinese government \$1.5 billion in this year alone.