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ONE U$D EQUALS
SOURCE: REUTERS, 9PM TUESDAY

RMB	HKD	JPY	EUR	GBP	AUD	INR	CAD	KRW	THB	BRL
▼6.3858	▼7.7577	▼78.19	▼0.8270	▲0.6439	▲0.9731	▲56.16	▼1.0187	▼1148.50	▼31.74	▼2.0410

Local property markets under scrutiny

State Council sends inspectors to check policy implementation

By **YU RAN** in Shanghai and **LI WENFANG** in Guangzhou

The State Council said on Tuesday that it will send eight teams later this month to inspect the implementation of property policies as local authorities come up with various ways to relax property curbs.

FOCUS

The move aims to "further ensure that the property regulation measures are implemented, speculative housing demand is curbed, and to strengthen the effects of the property regulation measures", the State Council said in a statement.

The teams will go to 16 municipalities and provinces, to inspect how well policies on housing purchase limits and differential credit have been carried out, and check the supply and management of residential land and the implementation of tax policies, it said.

The municipalities and provinces include Beijing, Tianjin, Shanghai, Chongqing, Hebei, Jiangsu, Zhejiang and Fujian, according to the statement.

The inspection teams will urge regions where the property regulation measures are not strictly followed to rectify the situation, it said.

The move came just one day after Nanjing, the capital city of East China's Jiangsu province, proposed to promote the property market by offering favorable housing provident fund loans to first-time homebuyers and subsidizing purchases by "qualified professionals".

The city will also allocate as much as 2 billion yuan ($313 million) in provident fund loans to affordable housing construction by the end of the year, it said.

Yin Xiaobo, director of the Jiangsu branch of China Realty Research Center, said the policy could be seen as a way to ease the restrictions in the city's property market.

"It's a signal that local governments are trying to further boost the property market," Eric Zhang, a Beijing-based property analyst at China International Capital Co, the country's biggest investment bank, wrote in a note to clients on Monday.

"No major relaxation of the curbs could be accepted at the moment by the central government for now, so Nanjing has chosen to support first-time buyers and affordable housing."

Xue Jianxiong, an analyst from China Real Estate Information Corp, a realty information services provider, said the attention the central government is paying to the property market will obviously renew confidence among consumers.

Many cities have attempted to ease property curbs imposed by the central government since the second half of 2011 in response to diminishing revenues from land sales.

The measures have included subsidizing purchases of refurbished homes and allowing first-time buyers to borrow more from the public housing fund.

Apart from Nanjing, many other major cities, including Beijing, Shanghai and Tianjin, have introduced measures to ease property curbs since the end of 2011.

Beijing has offered certain tax incentives since the end of last year for purchasers of new homes.

The central government tightened curbs on the property sector in 2010, with house prices beyond the reach of average wage earners.

The government issued a series of restrictions to control house purchases in several cities by requiring higher down payments and introducing property taxes.

Although sales revenues in the property market have been affected severely by the restrictions, it has recovered in recent months due to the measures introduced in a number of areas.

According to China Index Academy, a realty information service provider, 20 cities it monitors in China experienced an obvious increase in sales revenue for new homes between July 16 and July 22.

A total of 75 deals were completed in those 20 cities, up more than 30 percent compared to the previous week.

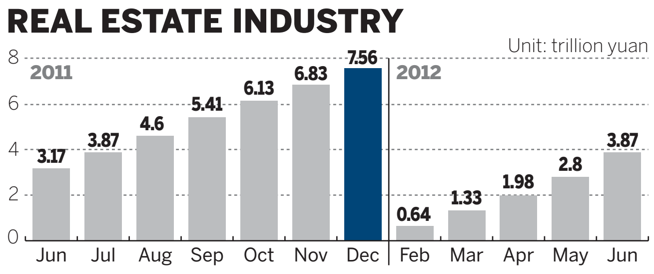
Sales of commercial residential properties in Guangdong province started to recover in the second quarter of this year, increasing month-by-month both in terms of floor space and revenue, according to a report released by the Guangdong Real Estate Association on Tuesday.

Developers have been offering bargains to boost sales, also due to easing monetary and credit policies, according to the report.

HAN YUQING / XINHUA

Potential homebuyers look at a model of a property development in Nanjing, Jiangsu province. The central government has stated again that property policies should be fully implemented.

CUMULATIVE INVESTMENT IN REAL ESTATE INDUSTRY



Source: Wind

SHEN WEI / CHINA DAILY

The property measure increased 1 percent on Tuesday morning, the biggest gain among five industry groups on the benchmark index.

China Vanke Co, the biggest listed developer on mainland exchanges, climbed 1.3 percent to 9.33 yuan in Shenzhen.

"Our company is planning to launch two new projects in the second half of the year as we believe that the property market is recovering quickly with more demand from potential purchasers," said Hu Bin, president of Zhongzhou International Holding Group, a real estate developer in Shanghai.

Bad loan risks

Chinese regulators are vigilant against potential risks regarding bank loans to the property sector following government curbs that have sapped the market and stripped developers of cash, local media reported on Tuesday.

The authorities are concerned about the influence of property market changes on bank assets and will rigorously control risks in real estate financing, Shanghai Securities News quoted an unidentified financial regulator as saying.

About half of China's major property companies have seen their debt ratios exceed 60 percent and most listed developers have a negative operating cash flow, which may increase risks in bank lending for property development and other related industries, the official noted.

Some developers have also raised funds through real estate private equity funds and real estate investment trusts, as well as from overseas markets and the domestic private lending market, and will face significant repayment pressures.

However, the official told the newspaper that the country's banking regulator is unlikely to suspend property-related loans or real estate investment trust operations.

China saw outstanding loans for property development and mortgages rise 10.3 percent year-on-year to 11.32 trillion yuan at the end of June, according to central bank data.

The growth was 0.2 percentage points higher than in the previous quarter. It marked the first quarter of growth after eight consecutive quarters of declines, which analysts attributed to lower borrowing costs and a looser monetary supply.

China's central bank cut benchmark interest rates for the first time since December 2008 in June and further cut the rates earlier this month to support the softening economy.

Diminishing revenues from land sales may result in more risks for bank loans to financing vehicles, or companies set up by local governments to raise funds and bypass restrictions on direct government financing, the anonymous financial regulator warned.

Xinhua and Bloomberg contributed to this story.

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China alert to threat of EU anti-dumping investigation

By **LI JIABAO** and **DU JUAN**

China is keeping a close eye on an anti-dumping complaint that the German solar giant SolarWorld AG filed over Chinese manufacturers' practices and will probably take countermeasures if the European Commission begins investigating the matter, the Ministry of Commerce said on Tuesday.

TRADE

"The solar industry is of great concern to China," a ministry official who declined to be named told China Daily. "We have paid more attention to this case than any other trade remedy case because of the high value of (the industry's) exports.

"We haven't received any notice from the European Commission yet. But if the commission opens an anti-dumping investigation against Chinese solar makers, China will probably take countermeasures."

The Financial Times has cited an unnamed source as saying that the anti-dumping complaint filed by SolarWorld accuses Chinese manufacturers of selling photovoltaic cells in the European Union below the cost of producing that equipment. The commission, the EU's executive arm, will have 45 days from the date of the case's filing to decide if it will start an investigation.

An industry insider with knowledge of the case told China Daily that the commission has rejected SolarWorld AG's complaints many times.

"The European company's actions are incomprehensible at a time when the EU is contending with a debt crisis," the official said. "China and the EU can indeed cooperate on developing the solar industry."

Experts said the investigation, if opened, will inflict a severe blow to China's solar industry, which has to pay anti-dumping and countervailing duties on exports to the United States.

"If the European Commission accepts SolarWorld AG's complaint, and I foresee a high probability of that happening, that means the commission is ready and is in a position to initiate an anti-dumping probe into Chinese solar cells," said Liu Huijuan, director of the legal department of the China Chamber of Commerce for Import and Export of Machinery of Electronic Products.

"The case will be a very, very important one for China's solar industry, and domestic solar manufacturers will surely defend themselves in the investigation," Liu said.

"We strongly oppose the EU's anti-dumping investigation into the Chinese solar industry. No punitive tariff will be acceptable because the progress of the Chinese solar industry ... has pushed the development of the world solar industry forward.

"We strongly urge the government to take effective measures if the EU decides to overlook the interests of fair trade and to turn to trade protectionism."

SONG ZHENPING / XINHUA

Tourists visit a solar energy park in Xinyu, Jiangxi province. China is watching closely the anti-dumping complaint by German solar giant SolarWorld AG over Chinese solar panel makers' practices.

A senior employee at Trina-Solar Ltd, a photovoltaic solar company in China, said its officials have been informed of the possibility of an investigation and the company's board on Tuesday discussed ways to respond to the situation. It plans to release an official statement after the EU has taken further official action on the case.

Sang Baichuan, director of the Institute of International Business at the University of International Business and Economics in Beijing, agreed that the commission is likely to accept the complaint, saying that doing so will be seen as a way to protect the interests of European companies.

"They still have a long way to go with various procedures before a final ruling about the investigation can be made," Sang said. "But once these measures are imposed on Chinese solar products exported to the EU, Chinese solar manufacturers will see their market share in the bloc decrease sharply. Some solar companies are even likely to pull out of the EU market."

The EU is by far the world's largest solar market, having 51,000 megawatts of installed solar generating capacity last year, more than 10 times that of the US.

"The EU market was the destination for almost 60 percent of China's solar product exports," said Xu Zheng, head of the Solar Energy Institute at Beijing Jiaotong University. "Once the EU starts anti-dumping or anti-subsidy investigations into Chinese solar products, domestic solar manufacturers will be dealt a series of fatal blows."

The Chinese solar industry's fast development in the past decade has brought domestic producers of such equipment into competition with overseas rivals, Sang said. As a result, trade bodies have begun to misuse remedies intended to prevent unfair trade practices, Sang said.

"Chinese makers of solar products need to explore emerging markets to reduce their exposure to trade investigations in the EU and the US, where the market for such products has shrunk," Sang said.

US solar manufacturers, led by SolarWorld USA, a unit of the German solar giant, accused Chinese companies last year of selling solar panels in the US at prices that were far below what US-made panels could be sold for.

In a preliminary ruling in May, the US Department of Commerce imposed anti-dumping tariffs on solar panels imported from China, setting them at between 31.14 percent and 249.96 percent of the price of those products. Two months before, it had imposed countervailing duties equal to 2.9 percent to 4.73 percent of the price of Chinese panels.

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