

## Clocks, cars and plastic reindeer wait in vain for world to stock up for Christmas



Business at the Shengchi Christmas Artwork Company has been terrible China Photos/Getty Images

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Between the walls of Zhang Wenmei's shop-front and as far as the eye can see, it is Christmas in Yiwu. Plastic reindeer capable of digitised song in 12 European languages vie with tinsel-coated, alabaster elves for buyers' attention.

But, since September, something has been missing – the bustle of pre-Yule activity. Business at the Shengchi Christmas Artwork Company has been terrible, Ms Zhang told *The Times*.

And the problem, Beijing warned the world yesterday, is not restricted to Ms Zhang's small corner of the world's biggest wholesale market. Chinese export growth fell in November from the previous month and the Government expects the global trade situation to be "severe" in 2012.

Official trade figures will be published this week, but for markets already fretting about a "hard landing" slowdown in the world's second-biggest economy, this was far from encouraging. Concern over a Chinese slowdown or even global recession has been reflected in

currency trading, where the yuan has fallen against the dollar for six consecutive days.

The signals from Yiwu, viewed by some economists as among the most transparent pulse-points of China's export strength, are unambiguous. In previous years, Ms Zhang could sell six million yuan-worth of cheap, garish Christmas tree decorations to big suppliers in the United States, Britain and the eurozone. This year, she will be lucky to scrape past four million yuan.

It is a similar tale of despair for thousands of other store-keepers in the eastern trade hub of Yiwu, each one representing a Chinese factory ready to ramp up production of everything from remote-controlled cars to –genuine“ Swiss cuckoo clocks, but lacking the crucial orders from abroad.

There is no longer an argument that China can escape the turmoil in the eurozone unharmed and many are forecasting that Chinese export growth will turn out to have fallen to its lowest level in two years when the numbers are released on Saturday.

Those predictions appeared to be confirmed by Wang Shouwen, director of the foreign trade division of China's Commerce Ministry: –Next year, there won't be fundamental improvement in Europe or the US, and costs at home will stay as high as this year, so the foreign trade situation will be severe next year,“ he said.

To the south of Yiwu, in the factory heartlands of Guangdong province, the same issues are dishing out similar, if more far-reaching, pain. Slowing demand from Europe and America has again exposed China's over-capacity in many areas of manufacturing. That, combined with worker demands for higher wages, is creating above-average levels of worker unrest.

In recent weeks, strikes have crippled production for a number of large Western and Japanese brands. Today it will be the turn of Hitachi to face a protest and strike by 1,000 staff at its Shenzhen factory enraged by their latest pay deal.

Many believe that China will turn its attention to stimulus. Oliver Barron, a financial analyst at North Square Blue Oak, said: –In response to slowing external demand, Chinese authorities have already switched their focus from fighting inflation to supporting growth.

–As the 2008 stimulus created a variety of problems, from asset price inflation to potential non-performing loans, measures to support growth will be more targeted this time than last.“