

# China Fines Unilever For Increasing Yuan Inflation

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BEIJING (AP) — China's government said it fined consumer products maker Unilever for disrupting efforts to cool surging inflation by talking to Chinese media about expected price hikes for soap and triggering a buying rush.

The British-Dutch company was fined 2 million yuan (\$308,000) for "spreading information about price rises and disrupting market pricing order," the Cabinet's planning agency said Friday.

Beijing has told companies to hold down price increases to help cool inflation that spiked to a 32-month high of 5.4 percent in March. The communist government has declared taming inflation its priority and has raised interest four times since October and imposed lending and investment curbs.

Unilever is accused of violating orders to makers of noodles, liquor and hygiene products such as soap to avoid talking publicly about prices, according to the statement by the National Development and Reform Commission.

In a statement, Unilever said it concluded a case Friday with the Shanghai Price Bureau but gave no details.

"As a company with a long term commitment to China, we continue to be sensitive to the local environment. Therefore, we accept the decision of NDRC and Shanghai Price Bureau," the five-sentence statement said.

Chinese authorities have struggled since last year to tame a surge in prices that economists blame on rising consumer demand and a bank lending boom begun during the stimulus that helped China overcome the 2008 global crisis.

Inflation is politically dangerous for the Communist Party because it erodes economic gains that underpin the party's claim to power.

The high-profile penalty for Unilever appeared to be a warning to other companies to obey government price controls.

Managers of consumer products and other companies have been summoned by regulators to receive instructions on limiting price rises, according to the NDRC, but no details of price limits or other curbs have been released.

The ban on talking publicly about prices is aimed at cooling expectations that inflation will stay high. Authorities worry that might fuel a spiral of higher living costs by adding to pressure for bigger retail price hikes and wage increases.

The planning agency said Unilever managers talked to reporters from the official

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Xinhua News Agency and Chinese business newspapers about plans to raise prices in April. It said reports about those comments set off a "buying rush" in some markets.

It gave no details of the other companies or any indication whether they also might face penalties.

Unilever's personal hygiene brands in China include Dove and Lux soaps.

Economists say inflation should level off in coming months but stay high this year. The World Bank is forecasting full-year inflation of 5 percent, above the government's official 4 percent target.

March inflation was boosted by an 11.7 percent surge in food costs, which are especially sensitive in a society where poor families spend up to half their incomes on food.

Beijing has tried to cushion the impact on the public by paying subsidies to the poorest families and ordering local authorities to ensure adequate vegetable supplies in markets.

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