China's Industrial Output Rises 12.3 Percent

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SHANGHAI (AP) — China's recovery gained momentum in August as stimulus spending helped boost industrial output, investment and retail sales in the world's third-largest economy, offsetting a slump in exports.

The National Statistics Bureau reported that industrial production rose 12.3 percent from a year earlier, accelerating from July's 10.8 percent increase, while retail sales surged 15.4 percent. Consumer prices fell 1.2 percent from a year earlier, alleviating worries that massive stimulus spending might fuel a resurgence of inflation.

"Industrial activity should continue to grow in the coming months, underpinned by resilient domestic demand and a rebound in exports," Jing Ulrich, JP Morgan's chairwoman for China equities, said in a report.

Economic growth accelerated to 7.9 percent over a year earlier in the latest quarter, up from 6.1 percent the previous quarter, though is still far short of the 10 percent-plus growth rates of recent years. The government aims for 8 percent economic growth this year.

Despite the steady flow of positive figures over the past few months, China's exports have remained sluggish, crimped by feeble demand.

Exports fell 23 percent to $103.7 billion in August, customs data showed, while imports totaled $88 billion, down 17 percent year-on-year. China's overall trade surplus in August plunged 45 percent, to $15.7 billion.

Given the weakness in China's once-thriving foreign trade, leaders have remained cautious about the recent uptick in growth. Premier Wen Jiabao on Thursday repeated his pledges to continue the government's pro-active spending policies to ensure the economy continues to recover.

"The stabilization and recovery of the Chinese economy is not yet steady, solid and balanced," Wen, the country's top economic official, told an audience of 1,000 businesspeople, academics and government officials in the northern city of Dalian.

"Some of the stimulus measures will see their effect wane, and it will take time before those long-term policies show effect," the premier said. "We cannot and will not change our policy direction in the absence of proper conditions."

Beijing's 4 trillion yuan ($586 billion) plan to insulate the economy from the global recession with heavy spending on building highways and other public works helped

boost investment in factory equipment and construction so far this year. Such investment rose 33 percent in January-August from a year earlier, to 11.298 trillion yuan ($1.65 trillion), despite an expected waning of bank lending following a massive surge in the first half of the year.

New bank loans totaled 410.4 billion yuan ($60.1 billion), the central bank reported Friday, higher than estimated and well above the 355.9 billion yuan in new credit in July.

Bank credit traditionally tapers off late in the year. But lending this year still remains way above normal, having soared to a record 7.1 trillion yuan ($1.1 trillion) in the first half. It reached 8.15 trillion yuan ($1.2 trillion) by the end of August, the People's Bank of China reported.

Demand for China's exports appears to be recovering but still remains weak, government officials say.

"We still have much hard work to do to attain China's goal of 8 percent growth for this year. Many challenges lie ahead," Li Xiaochao, the statistics bureau's spokesman, told reporters in Beijing at a monthly briefing on the economy.

While it pushes ahead with its sweeping construction program, China is tinkering with its policy, aiming to keep growth strong while curbing excess investment in sectors burdened with overcapacity, such as steel, cement and some chemicals — a chronic problem.

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Associated Press writer Chi-chi Zhang in Beijing contributed to this report.

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