Chinese Manufacturing Rebounds In August

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SHANGHAI (AP) — Chinese manufacturing growth improved and auto sales rebounded in August, suggesting the world's second-biggest economy may not be slowing as quickly as feared.

Two surveys released Wednesday showed production, new orders and purchasing prices all rose in August, with the HSBC purchasing managers index — a seasonally adjusted index designed to measure the performance of the manufacturing economy — rising to its highest level in three months, at 51.9.

"This reconfirmed our long-held view that China is moderating rather than melting down," Hongbin Qu, chief economist for China at HSBC, said in the report.

The state-affiliated China Federation of Logistics and Purchasing said its PMI rose to 51.7 in August from 51.2 in July. Numbers above 50 show manufacturing activity expanding, and the federation's PMI readings have remained above 50 for 18 straight months after slowing in late 2008 and early 2009.

China's economic growth slowed to 10.3 percent over a year earlier in the second quarter, down from its blistering 11.9 percent first quarter pace. Many worry that the slowdown could weaken the global recovery if it cuts Chinese demand for imported iron ore, industrial machinery and other foreign goods.

But strong export demand, domestic consumption and investment are all still supporting steady growth, federation analyst Zhang Liqun said in its report. "The rise in the PMI for August shows that China's economy will not suffer a serious correction," Zhang said.

Signs that Chinese growth will continue at an elevated level may add to pressure from the U.S. and other major trading partners for Beijing to let the yuan rise at a faster rate. Some U.S. business groups say the yuan is undervalued by up to 40 percent and American lawmakers have called for punitive action against what they say are Chinese imports kept artificially cheap by exchange rate controls.

In June, China loosened the controls that had kept its currency trading at about 6.83 yuan per U.S. dollar since late 2008 to help Chinese exporters compete amid weak global demand. Late Wednesday, the yuan was trading at 6.8112 to the dollar.

The Chinese manufacturing figures along with forecasting-busting economic growth in Australia gave a boost to Asian stock markets, which have wilted the past month because of indicators from the U.S. to Japan suggesting that global growth is slowing. But some analysts remain skeptical that China's slowdown has already reached its trough.

While the official manufacturing survey showed no signs of a major slowdown, adjusted for seasonal factors, the index was basically flat and "suggests manufacturing activity growth remains significantly below its trend level," investment bank Goldman Sachs said in a report Wednesday.

China has moved aggressively to counter the impact of global economic malaise, spending hundreds of billions of dollars on new construction and subsidizing purchases of appliances and vehicles to help spur demand.

The extension of subsidies for energy saving vehicles, and stronger demand for imports thanks to gains in the Chinese currency helped push auto sales nearly 56 percent higher over a year earlier in August, the Cabinet's China Automotive Technology and Research Center said Wednesday. Sales totaled 1.21 million vehicles for the month.

The increase compared with 17 percent year-on-year growth in July and 19.4 percent in June.

The rebound is good news for automakers looking to China, now the world's biggest car market, to drive sales amid weak global demand. Sales this year are forecast to grow by no more than 20 percent, well off 2009's stunning 45 percent rise.

The automotive center, one of several sources of monthly data on Chinese auto sales and production, estimated sales in January to August at 9.5 million vehicles, up almost 32 percent from the same period of 2009.

Monthly sales growth had waned after March's 63 percent rise, prompting Beijing in June to renew subsidies of 3,000 yuan ($443) per vehicle for fuel-efficient cars and small trucks.

Although markets elsewhere got a boost from the rosy Chinese data, China's shares fell Wednesday as lingering concerns over slowing economic growth pulled the benchmark Shanghai Composite Index 0.6 percent lower to 2,622.88.

"The slight recovery will not change the economy from slowing down, if you look at it both from external and internal demands," said Zhang Xiang, an analyst for Guodu Securities in Beijing.

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Associated Press researcher Bonnie Cao in Beijing contributed to this report.