

China Manufacturing Sees February Gains

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SHANGHAI (AP) — China's manufacturing gained momentum in February, helped by strength in new orders, export demand and production, a government survey showed, though inflation pressures remain a concern.

The state-affiliated China Federation of Logistics and Purchasing said its purchasing managers index, or PMI, rose 0.5 points to 51.0 from January's 50.5 and December's figure of 50.3 in a third straight month of steady improvement.

The reading was the strongest since June 2011 and came a day after Japan, which is the second biggest economy in Asia after China, reported that its factory production rose for a second straight month in January.

However, the February figure was likely boosted by seasonal factors, namely the lack of a major holiday in February since the Lunar New Year was relatively early this year, in mid-January.

A similar survey by HSBC said that after adjusting for seasonal factors its index rose to 49.6 in February, up from 48.8 the month before but still below the 50-level that signifies expansion.

HSBC economist Qu Hongbin said that despite a pickup in production and hiring after the Lunar New Year, "deteriorating external demand is adding more downside risks to growth in the absence of a strong comeback in domestic demand."

Qu said he expects China's central bank to further ease policy to counter weakness both at home and abroad.

A government-engineered cooling of the property sector, coupled with the slump in global demand, has battered export-driven manufacturing. The index's decline in November to below 50 had added to concerns over the potential for a sharp economic slowdown. It was the first contraction in manufacturing since early 2009.

Economic growth declined to 8.9 percent in the final quarter of last year after Beijing hiked interest rates and tightened other controls to cool inflation. Chinese leaders reversed course in December and promised more bank lending to help companies cope with the slump in global demand but changes have been gradual.

The federation said February's indicators suggest China's economy may have stabilized.

It said the rise in new orders, export orders and purchasing volume reflects "expansion of production and business activity" in manufacturing of mechanical, electrical and transportation equipment and machinery. Order backlogs also rose.

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Export orders expanded for the first time since August, as the U.S. economy has recently gained strength and there were some signs of improvement in Europe despite its debt crisis, the federation said.

However, it pointed to a rise in purchasing prices for manufacturing materials, especially oil-related commodities and chemicals, as a sign that "imported inflationary pressures cannot be ignored."

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