

Dismal China, India Data Signal Slowing Growth

Elaine Kurtenbach, AP Business Writer

SHANGHAI (AP) — Dismal data from China and India on Friday may signal a further weakening of the global recovery, undermining hopes the dynamic emerging economies of Asia can help prop up growth.

China reported its industrial production rose 9.3 percent from a year earlier in April, below expectations and down from nearly 12 percent in March. Investment and retail sales also slowed, though easing inflation offers leeway for fresh moves to boost growth.

India's industrial output fell 3.5 percent in March from a year earlier on weak manufacturing and investment. Output for the fiscal year ending in March rose 2.8 percent, down from 8.2 percent the year before.

The anemic indicators suggest Asia's ability to counter slowing growth in Europe may be limited. It also shows that the brief burst of vitality partly fueled by European stimulus late last year is likely wearing off.

"It's possible we're seeing the tailwind fall out of that," said Tony Nash, managing director at IHS Global Insight in Singapore. "We've been looking for more easing. It might start any time given these numbers."

The figures come a day after China announced that its trade surplus widened in April as imports barely budged, sharpening fears the economy is not doing enough to stimulate domestic demand and counter a slowdown.

Already, commodity prices are falling as China's slowdown bites into demand for oil, industrial components and consumer goods at a time when U.S. and European growth are weak.

Friday's data are especially troubling because they indicate weakening domestic demand in India and China, markets many had looked to hopefully as bastions of growth in the faltering global economy.

"Things look very shaky in Europe and the U.S. economy is decelerating. The last thing we need is for the emerging world to downshift. Unfortunately the data today points in that direction," said Frederic Neumann, co-head of Asian economics research at HSBC in Hong Kong.

"We fear that without further stimulus India and China will continue to slow," he said.

China's economy grew 8.1 percent in the first quarter of the year, a still robust rate but its slowest pace since 2009 and below the previous quarter's 8.9 percent.

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Friday's news dashed hopes the slowdown might have bottomed out.

"In India and China we expected exports to slow given the trouble in Europe. For both, Europe is a bigger export market than the U.S. The bigger surprise is the weakness on the domestic side," said Neumann. "It was the Chinese consumer we had banked on to carry the global economy forward," he said.

China's leaders face a challenge in keeping politically sensitive inflation under control while spurring growth. Growth has fallen steadily since 2010 as Beijing tightened lending and investment curbs to cool an overheated economy and surging inflation, so slowing output and investment figures are not all that surprising, said Nash.

"It's just that with these global headwinds, this is a difficult time for China to be going through this transition," he said.

Last year's drop in demand for China's exports due to U.S. and European economic woes prompted Beijing to reverse course, easing controls on bank lending to help struggling manufacturers.

Most analysts expect the central bank to cut bank reserve ratios again soon, freeing up more money for lending.

"We are still optimistic that China will pick up later in the year, especially since low inflation gives policymakers room to loosen policy further," said Daniel Martin, an economist with Capital Economics in Singapore.

"This should support global demand, even as the eurozone remains mired in recession," he said.

The stimulus versus inflation dilemma is more acute for India, where the central bank faces enormous political pressure to stoke growth, despite persistent inflation and soaring deficits.

"It is very disappointing," Chakravarthy Rangarajan, chairman of the Prime Minister's Economic Advisory Council, said of Friday's data. "One had not expected such a sharp decline."

Concerns about governance and policy uncertainty are weighing on investment, while India's twin current account and fiscal deficits have alarmed economists and punished the rupee.

Hong Kong, meanwhile, reported Friday that its first-quarter economic growth stalled, expanding only 0.4 percent, as exports shrank. The government of the southern Chinese financial center warned Friday of further risks from the European debt crisis.

The news from Asia is not entirely bad, though.

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Indonesia, Southeast Asia's biggest economy, is still growing at a 6 percent pace. Across the region, authorities have eased monetary policies to counter feeble European demand and spur growth.

Japan, Asia's second biggest economy, saw its industrial output rise 1 percent in March, helped by a recovery in household spending. Rebuilding in areas devastated by the March 11, 2011 tsunami also could help support industrial production despite weak global demand.

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