China Manufacturing Improves In October

Joe McDonald, AP Business Writer

BEIJING (AP) — China's manufacturing improved in October, adding to signs the world's second-largest economy might be recovering from its deepest slump since the 2008 global crisis, two business surveys showed Thursday.

The state-sanctioned China Federation of Logistics and Purchasing's monthly purchasing managers index improved to 50.2 from September's 49.8 on a 100-point scale on which numbers above 50 indicate activity is expanding. Separately, HSBC Corp. said its own PMI improved to an eight-month high of 49.5 from September's 47.9, though it still showed activity contracting.

The Chinese numbers are rare good news for the world economy, which has slowed as Europe's chronic debt crisis worsened and the American economy stagnated.

The improvement comes as Communist Party leaders prepare for a once-a-decade handover of power to younger leaders that is due to start at a party congress next week.

Economic growth fell to a 3 ½ year low of 7.6 percent in the quarter ending in September but other indicators including retail sales and investment are improving. Analysts expect overall growth to revive this quarter but say a rebound will be too weak to drive a global recovery without improvement in the United States and Europe.

The October data imply that "China's industrial activity continues to bottom out following a modest pickup last month," said HSBC economist Hongbin Qu in a statement. He said that was driven by an increase in new orders but the export outlook "remains challenging."

"We expect a continuation of policy easing to further boost domestic demand and counterbalance the external weakness, leading to a gradual growth recovery in the coming quarters," Qu said.

Analysts have cautioned that a Chinese recovery is likely to be "L-shaped," meaning the decline might have stopped but improvements in growth should be gradual. That would be a setback for exporters of iron ore, copper and other commodities that are counting on China to help drive a rebound in global demand.

The slowdown is due largely to government curbs imposed on investment and construction to cool overheating and try to nurture a more self-sustaining expansion supported by domestic consumption.

That has hurt China's large construction industry and demand for steel, cement and other materials. An unexpected slump in global demand for Chinese goods last year

hurt exporters.

Retail sales rose 14.4 percent in September, accelerating from the first half's 14.1 percent growth. Investment in factories and other fixed assets rose 20.5 percent in the first nine months of the year, up from a 20.2 percent rate for the first eight months.

Chinese leaders have cut interest rates twice since early June and are pumping money into the economy through higher spending by state companies and on building airports and other public works. They have avoided a larger stimulus after their multibillion-dollar spending in response to the 2008 global crisis fueled inflation and a wasteful building boom.

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