Survey: China Manufacturing Weakening

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BEIJING (AP) — China's manufacturing [1] growth decelerated this month, a survey showed Monday, adding to questions about the strength of the recovery in the world's second largest economy.

HSBC Corp. said Tuesday the preliminary version of its monthly purchasing managers index declined to 50.5 from March's 51.6 on a 100-point scale on which numbers above 50 represent an expansion.

China reported an unexpected decline in economic growth to 7.7 percent in the first three months of the year from the previous quarter's 7.9 percent. Private sector economists and the World Bank have reduced their outlook for annual growth, though to a still-robust level of about 8 percent.

This month, the HSBC survey showed output growth slowed while new export orders and employment contracted.

"Beijing is expected to respond strongly to sustain the economic recovery by increasing efforts to boost domestic investment and consumption in the coming month," said HSBC economist Hongbin Qu in a statement.

The bank's preliminary PMI is based on responses from 85 to 90 percent of the 420 manufacturers surveyed. The full survey is due to be released on May 1.

Analysts have warned China's recovery still is being supported by government-led investment and lending, while consumer spending is sluggish. Some have said the rebound could be vulnerable if exports or investment slow.

A slowdown in Chinese growth and demand for goods ranging from iron ore and other raw materials to factory technology and consumer products could send out ripples in the global economy.

Last week, the government promised steps to boost domestic consumption as an economic driver. It promised changes in medical, pension and other social programs to free up more of household budgets for consumer spending but gave no details.

Also Monday, Capital Economics said its China Activity Proxy, a measure that combines cargo, power consumption and other indicators, showed first quarter growth might have fallen more sharply than official figures indicated, possibly tumbling to 6.5 percent.

"Growth appears to have picked up slightly at the end of the quarter," said economists Mark Williams and Qinwei Wang in a report. However, they said, "our figures suggest actual growth was once again slower than the GDP data reveal."

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