# China Indicators Suggest Slowdown Is Leveling Out

Joe McDonald, AP Business Writer

BEIJING (AP) — China's factory output and auto sales accelerated in July, adding to signs a slump in the world's second-largest economy might be stabilizing.

A decline in wholesale prices slowed, suggesting weak demand might be strengthening, according to figures released Friday. That added to earlier data showing July imports rebounded from the previous month's contraction.

The positive indicators could help to support Chinese leaders who have been resisting pressure to stimulate the economy. They have said they want to focus instead on longer-term reforms aimed at making the economy more efficient.

Despite the improvement in the latest indicators, growth is unlikely to return to earlier double-digit rates.

"The China boom is over and we need to get comfortable with steadily slower growth rates," said Andy Rothman of CLSA in a report. "The Party leadership is comfortable with current economic conditions and will focus on longer-term restructuring rather than on a short-term stimulus."

China's economic growth fell to a two-decade low of 7.5 percent in the second quarter but the latest trade and industrial data suggest the slowdown might be leveling out.

Growth in factory output accelerated to 9.7 percent from June's 8.9 percent, the National Bureau of Statistics reported. Investment in factories and other fixed assets rose 20.1 percent.

Producer prices, or prices of goods as they left factories, fell 2.3 percent from a year earlier. But that was smaller than June's 2.7 percent decline, suggesting demand might be strengthening following a slump that has caused producer prices to decline steadily for more than a year.

"The data came in generally better-than-expected, suggesting some decent pickup in activity momentum," said JP Morgan economist Haibin Zhu in a report.

Consumer inflation held steady at June's 2.7 percent level, below the official 3.5 percent target for the year. That could give Chinese leaders room to stimulate the economy with higher government spending or cuts in taxes or interest rates. They have tried, however, to avoid a costly, across-the-board stimulus after heavy spending in response to the 2008 global crisis fueled inflation.

Pressure for prices to rise has been relatively low because supply exceeds demand in many industries. That has led to price-cutting wars among competitors, squeezing companies financially and forcing some into bankruptcies. Communist leaders have ordered companies in industries including steel, cement and glass to shut down some factories to reduce excess production capacity.

Premier Li Keqiang said in June that there was little room to stimulate the economy with short-term measures such as higher government spending.

Li said communist leaders would focus on reforms aimed at supporting entrepreneurs and encouraging domestic consumption to reduce China's reliance on exports and investment. The government has cut taxes on small businesses and stepped up spending on building railways.

July imports soared 10.9 percent over a year earlier in a sign of stronger Chinese domestic demand.

"A solid increase in commodity imports in July suggests that investment is picking up, possibly helped by an official pivot towards rail investment," said Alaistair Chan of Moody's Analytics in a report.

Government efforts to cool surging housing costs with curbs on lending and sales have helped to slow a rise in prices but also have hurt purchases of furniture, appliances and other goods by home buyers.

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