

China 'on track for a strong recovery'

YAJUN ZHANG
LIYAN QI

DOW JONES NEWSWIRES

CHINA'S economy is showing fresh signs of strength, with a preliminary gauge of manufacturing activity rising to a 14-month high in December.

The flash reading of the HSBC China Manufacturing Purchasing Managers' Index showed manufacturing activity expanded for a second straight month, adding to a raft of recent data signaling that the world's second-largest economy is steadily recovering.

"It confirmed China's ongoing growth recovery is gaining momentum, mainly driven by domestic demand conditions," said Qu Hongbin, HSBC's chief China economist.

The reading also pointed to solid economic growth in the fourth quarter. Nomura economist Zhang Zhiwei said the PMI reading reinforced his view that China's economy was "on track for a strong recovery", with growth likely to exceed 8 per cent in the fourth quarter.

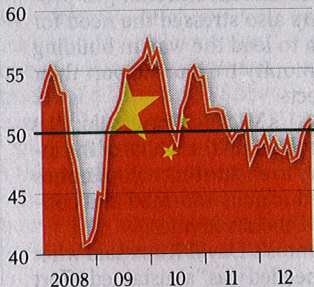
The government has targeted a 7.5 per cent rise in the economy this year.

Gross domestic product grew 7.4 per cent in the third quarter from a year earlier, its slowest pace since the first quarter of 2009.

The preliminary reading of the PMI for December rose to 50.9, compared with a final tally of 50.5 in November, HSBC said yesterday. A reading above 50 indicates expansion.

The result followed a surpris-

HSBC Flash China Manufacturing PMI



Source: HSBC

ingly strong reading for industrial output in November. Production expanded 10.1 per cent from a year earlier during the month, the fastest pace since March. Output rose 9.6 per cent in October, according to official data. Strength was also seen in electricity output, which some analysts consider a more reliable indicator of economic conditions than other official data.

Power output rose 7.9 per cent in November from a year earlier, the fastest pace this year.

However, trade conditions have not been as strong, reflecting persistently slack overseas demand. Exports rose just 2.9 per cent in November from a year earlier, well below October's 11.6 per cent rise, official data showed.

The latest PMI figures indicated new export orders remained weak, with the reading dropping to 49.5 from 52 in November.

The employment sub-index stopped contracting for the first time in 10 months in December but input price data was less encouraging, with growth slowing from the month before.