

HSBC China manufacturing index hits eight-month low
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Chinese manufacturing activity contracted in March to its weakest rate in eight months, data showed today, the latest indication that the world's number two economy is slowing down.

HSBC's preliminary purchasing managers' index (PMI), which tracks manufacturing activity in China's factories and workshops, fell to 48.1 from a final reading of 48.5 in February, the British bank said in a statement.

The figure is down from 49.5 in January and was the worst result since July's 47.7, according to the bank. The index is a closely watched gauge of the health of the Asian economic powerhouse and key driver of global growth.

A reading above 50 indicates growth, while anything below signals contraction.

China's National Bureau of Statistics said earlier this month that its own official PMI reading fell to an eight-month low of 50.2 in February.

The latest result "suggests that China's growth momentum continued to slow down" in March, Qu Hongbin, HSBC's Hong Kong-based chief China economist, said in the statement.

"Weakness is broadly-based with domestic demand softening further," he added.

HSBC expects Chinese authorities to take policy steps to stabilise the economy, with actions including easing barriers to private investment, spending on urban railways, public housing and fighting air pollution, as well as "guiding lending rates lower", Qu said.

Concerns have been rising over the outlook for China's economy this year on the back of a series of weak data.

This month the government said that industrial production for the first two months of the year rose at its slowest pace since 2009, while retail sales grew at their weakest rate in three years.

A snap AFP poll of economists earlier this month saw a median forecast of 7.4% economic growth in China this year.

The government this month announced its annual growth target of about 7.5%. If the actual result comes in below that figure it would be the first time in 16 years that the objective had not been reached.

Premier Li Keqiang said at his annual press conference two weeks ago that China's economy was set to "confront serious challenges this year".

The economy grew 7.7% in 2013, the same as in 2012 – which was the slowest rate of expansion since 1999.

The final PMI reading for March is due on April 1, HSBC said. – AFP, March 24, 2014.

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