

China

Chinese economy expanded at the slowest pace since quarterly GDP data were first released in 1992

Q1 growth disappoints

Official data released on 16 April showed that Chinese GDP growth slowed to an annual rate of 6.1% in Q1, after a gain of 6.8% in the previous quarter. The expansion was the weakest since quarterly records began in 1992, and was slightly below the consensus forecast of 6.3%.

But has the bottom been reached?

Although the latest growth estimate is lacklustre by China's historical standards, it looks like aggressive stimulus measures implemented by the Chinese government at the end of 2008 may have begun to yield significant results. Fixed asset investment – which accounted for 40% of GDP in 2008 – increased 28.8% in the first quarter, while industrial production rose 8.3% on a year earlier.

Furthermore, the decline in exports – which has weighed particularly heavy on the Chinese economy – eased from 25.7% to 17.1% in March. This cooler rate of contraction has been signalled by the export component of the CLSA China Manufacturing PMI throughout the first quarter of 2009 (see chart 3), suggesting that export demand is showing signs of stabilisation.

The CLSA China Manufacturing PMI Output Index, compiled by Markit, has meanwhile risen in each month since hitting a record low of 38.6 last December. The PMI has been an accurate gauge of trends in actual economic activity since its inception almost five years ago, displaying **correlations of 0.83 and 0.85** against official GDP and industrial production estimates respectively (see charts 1 & 2). The upward trend in the PMI and its components – recognised as advanced indicators of economic tendencies – alongside improved official data for March suggests that China's GDP growth rate marked its low point in Q1.

Chart 1: China GDP

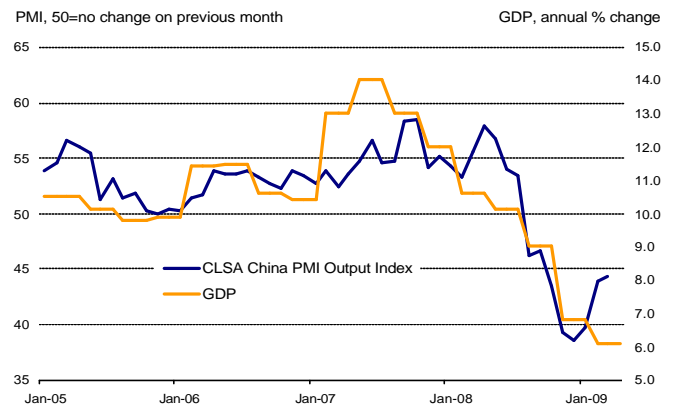


Chart 2: China Industrial Production

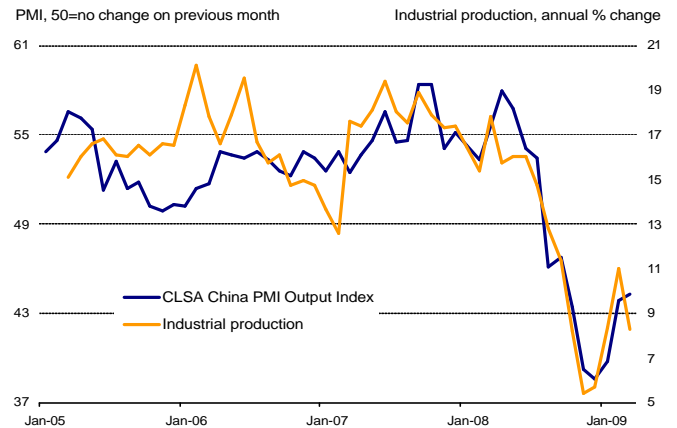
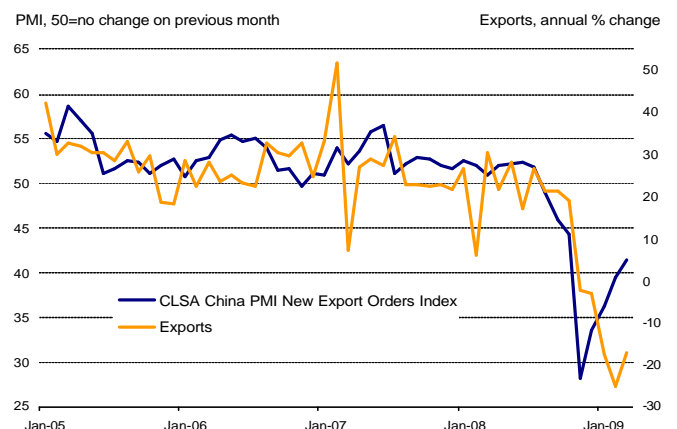


Chart 3: China Exports



The next snapshot of economic conditions in China will be provided by the CLSA China Manufacturing PMI, released 4th May and covering the April data period. To find out how to receive data from the surveys, or obtain copies of the reports please contact economics@markit.com

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