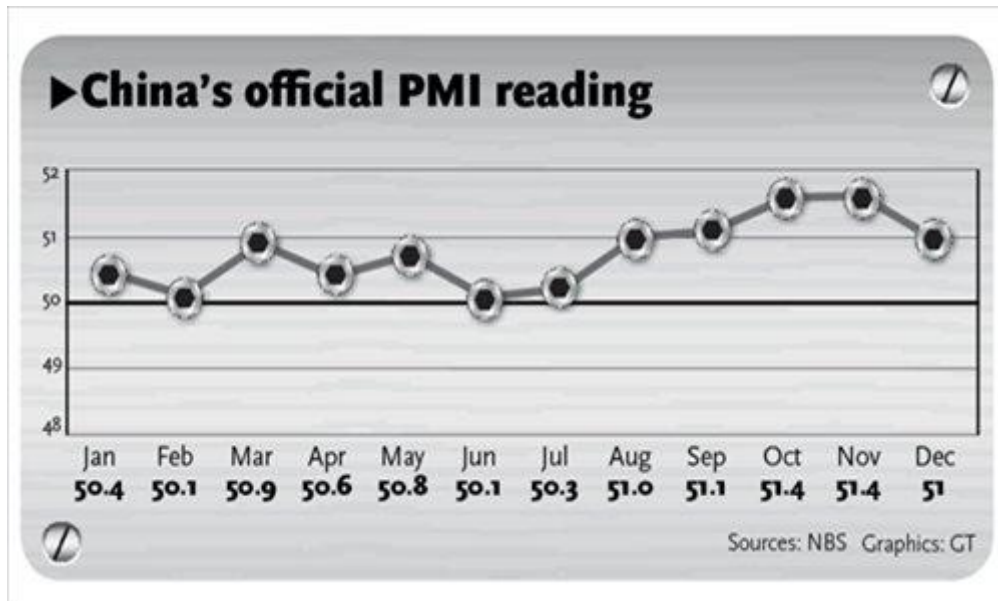


# Manufacturing PMI contracts in Dec

Global Times, 2014-1-1, By Liang Fei



China's official manufacturing purchasing managers' index (PMI) contracted to 51 in December from 51.4 in November, the National Bureau of Statistics (NBS) said Wednesday, but experts noted that the contraction does not necessarily indicate downward pressure in the overall economy, as the reading is still well above 50.

The December reading is also higher than the whole year average of 50.8, the NBS said. Despite the modest contraction last month, China's manufacturing PMI has remained above the 50 point mark for 15 months - a reading above 50 indicates an expansion while a reading below 50 means contraction.

The new orders sub-index eased to 52 in December from 52.3 a month earlier, but the new export orders sub-index contracted to 49.8 in December, compared to a reading of 50.6 in November.

"A modest easing in the manufacturing PMI alone is not enough to forebode a downward trend in the overall economy," Zhuang Jian, a senior economist at the Asian Development Bank, told the Global Times Wednesday.

Zhuang also noted that the export data may have been affected by some seasonal factors such as some overseas holiday orders having been finished before December.

"I think that China is facing a more positive prospect in terms of export this year given the obvious recovery in demand from developed economies like Europe and the US," he said.

**Xu Hongcai, director of the Department of Information at the China Center for International Economic Exchanges, told the Global Times Wednesday that the export is also partly affected by the appreciation of the renminbi recently - the yuan's central parity rate against the US dollar moved to a new record below 6.1 on December 31.**

**"But growth of the manufacturing sector remains stable, and a modest contraction in the reading can not affect the overall growth of the economy," Xu said.**

Zhuang predicted that China's GDP will grow at around 7.7 percent in 2013. In 2014, Zhuang predicted, the growth will slow down to around 7.4 percent, as a slower growth would be beneficial for reform of the economy.

The NBS said that large manufacturing companies have reported a PMI reading of 52 in December, but the reading of small and medium-sized companies have dropped to 47.7 and 49.9 in December respectively.

**"Small and medium-sized companies in the manufacturing sector are not as competitive as their larger peers. Smaller companies are facing obvious pressure from cost increases," Xu noted.**

The PMI reading from HSBC, which focuses more on smaller businesses, is expected on Thursday, and HSBC's flash PMI reading released on December 16 was 50.5 - a three-month low.