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Chinese manufacturers report growth

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Manufacturing in China rebounded last month and remained strong in India according to new business surveys released on Wednesday, even if other parts of Asia showed signs of slackening demand.

Amid fears that the Chinese economy could suffer a sharp slowdown in the second half of the year due to government tightening measures, two separate purchasing managers' indexes increased in August from the month before, an indication that the economy could be stabilising.

However, other Asian economies, including Japan, South Korea and Taiwan, did not perform as strongly, which partly reflected weaker global demand for their exports.

The Asian data came as the eurozone manufacturing purchasing managers' index was revised slightly higher, on Wednesday confirming robust growth in the sector. However, at 55.1 in August, compared with 56.7 in July, the pace of expansion was slowing. The headline index masked widening divergences within the eurozone. Germany and France reported by far the fastest increases in output while the pace of expansion was more modest in Italy, Spain and the Netherlands.

The Chinese purchasing managers' surveys published on Wednesday registered improvements from July. China's official PMI index rose half a point to 51.7, while a closely watched HSBC poll increased 2.5 points to 51.9.

The 50-point mark separates contraction from expansion. The HSBC index had hit a 16-month low in July while the official index declined in May, June and July.

Although international investors have been reacting nervously to each report of slowing growth in China, many economists in the country predict the economy is likely to witness a soft landing from **recent efforts to cool the property market** and to slow bank lending, rather than an abrupt slowdown.

In India, the HSBC PMI dropped slightly to 57.2 in August, pointing to continued strength in demand. New Delhi on Tuesday said the Indian economy grew 8.8 per cent in the second quarter, the fastest rate since early 2008.

"India's economy is showing no signs of cooling," wrote Frederic Neumann and Prithviraj Srinivas, HSBC economists. "There is plenty of fire power still to come."

They warned, however, that tight capacity and shortage of some inputs might impede growth, with inflation remaining a threat.

Elsewhere in Asia, PMI results fell close to their lowest points in a year and a half. The HSBC index for Taiwan fell below 50 for the first time in 18 months, sliding 1.3 points to 49.2 in August. Last month, growth in orders for Taiwan's exports slowed more than expected due to falling global demand, with a drop off in inventory restocking.

In **Japan, one of the slowest-growing countries in Asia** because of subdued demand for exports, stalled domestic consumption and the surging yen, the Nomura/JMMA PMI slipped 2.7 points to 50.1.

South Korea's PMI fell 2.3 points from July to 50.9, despite data released on Wednesday showing exports rose 29.6 per cent in August from a year before with help from a weakened won.

"Amid growing concern over the global economic recovery, Korea's growth engine let off a little steam in August," said Song Yi Kim, HSBC economist.

While the whole of Asia has been suffering from a slowdown in demand in the US, Europe and Japan, China has been somewhat immunised by its vast and solid domestic market, said Ting Lu, China economist at Bank of America Merrill Lynch.

"Other Asian countries are also benefiting from growing Chinese demand but of course the impact they feel will not be as obvious as it is on China itself," said Mr Lu.