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## **Rays of recovery - Chinese manufacturing expands for fourth Month - PMI**

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Bloomberg reported that China manufacturing expanded for fourth month as a CNY 4 trillion stimulus plan and record bank lending revive the world's third largest economy.

The Federation of Logistics and Purchasing said the official Purchasing Managers Index rose to a seasonally adjusted 53.2 in June from 53.1 in May. A reading above 50 indicates an expansion.

Mr Zhou Xiaochuan central bank Governor said the Shanghai Composite Index rose above 3000 points for the first time in a year, copper gained and the yen fell as the report added to signs that the global economy may be over the worst of its slump. China's economy may keep improving in the third and fourth quarters enabling the nation to meet its 8% economic growth target for this year.

Mr Lu Ting an economist with Bank of America Merrill Lynch in Hong Kong said "China's recovery is gathering further momentum. It has been recovering faster than the market had expected."

Another PMI released by CLSA Asia-Pacific Markets also showed an expansion.

### 1. U-Shaped Recovery

Mr Fan Gang central bank adviser said at a forum that China recovery will be U-shaped, with export growth returning to normal by the end of this year or early 2010. The nation is the world's second biggest exporter. He said that the economy will revive faster or earlier than elsewhere because China limited asset bubbles including in housing.

The government backed PMI showed an export order index rose to 51.4 in June from 50.1 in May expanding for a second month. A measure of new orders fell to 55.5 from 56.2.

Mr Sherman Chan an economist with Moody's Economy.com in Sydney said "Fiscal stimulus projects are gathering steam and everything is going according to plan. The pickup in export orders is the most encouraging sign for an economy that's been very externally dependent."

The survey showed that, output and employment indexes climbed. Input prices jumped as raw material costs rose.

Mr Zhang Liqun an economist at the State Council Development and Research Center said in the statement that growth is likely to continue to improve in June and describing the economy as in a preliminary recovery.

### 2. Stimulus, Lending

The Bank of Japan's Tankan survey showed in Tokyo that the outlook for China contrasts with that of Japan, where sentiment among large manufacturers rose less than economists estimated in June signaling the economy may be slow to recover from its deepest postwar recession. An index of confidence climbed to minus 48 from a record minus 58 in March.

Mr Jing Ulrich Hong Kong-based chairwoman of China equities at JPMorgan Chase & Co said "China's stimulus program is having a demonstrable effect on domestic spending which has resulted in increased manufacturing activity."

Bank of America Merrill Lynch and JPMorgan raised this week their forecasts for Q2 economic growth. The former expects 7.6% compared with 7.2% previously. JPMorgan increased its forecast to 6.9% from 6%.

### 3. Copper, Steel

Prices of copper, used for autos and construction, have climbed more than 60 percent this year as Chinese buyers boost imports to records to replenish stockpiles.

Higher coking coal prices are adding to evidence that demand for steel is recovering. Fushan International Energy Group Ltd a producer of steelmaking coal said last month that it raised prices for the first time since January.

China's lending boom sparked a 32.9% surge in urban fixed-asset investment in the first five months, the fastest growth in five years. New loans in June may exceed CNY 1 trillion triple lending in the same month a year earlier.

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(Sourced from Bloomberg)

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