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China's Manufacturing Expands at Fastest Pace on Record

Prices charged by Chinese manufacturers rose at the most marked rate since July 2008 mainly due to rising raw material costs.

*Monday, February 01, 2010**By . Agence France-Presse*

As improved economic conditions encouraged spending, the HSBC China Manufacturing PMI, or purchasing managers' index, rose to 57.4 last month from 56.1 in December, the highest since data were first collected in April 2004, the survey showed.

A reading above 50 means the sector is expanding, while a reading below 50 indicates an overall decline.

"Industrial activity continues to accelerate, implying stronger GDP (gross domestic products) growth in the first quarter," Qu Hongbin, chief economist for China at HSBC, said.

"But rising input and output prices also point to greater inflationary pressure, which will likely prompt more tightening measures in the coming months," he said.

The HSBC survey showed that new orders, supported by firmer market demand, rose at the fastest rate last month since the start of the survey while export sales also increased at a near-record rate.

Prices charged by Chinese manufacturers rose at the most marked rate since July 2008 mainly due to rising raw material costs, HSBC said.

A separate official PMI published by the China Federation of Logistics and Purchasing on Feb. 1 showed manufacturing activity expanded for the 11th consecutive month to 55.8 in January, slightly slower than 56.6 in December.

The world's third largest economy grew 8.7% last year and 10.7% in the fourth quarter, underpinned

to a large extent by a \$586 billion government stimulus package unveiled in November 2008.

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