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Manufacturing Expands in China

May marks third month of expansion

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By . Agence France-Presse

China's manufacturing activity expanded in May for the third consecutive month, according to official data released on June 1. The official Purchasing Managers' Index, or PMI, for the manufacturing sector pulled back slightly to 53.1 in May, down from 53.5 in April, the China Federation of Logistics and Purchasing said.

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

"We expect manufacturing activity will continue to expand in the coming months, supported by the roll-out of the government stimulus," Jing Ulrich, a Hong Kong-based economist with JP Morgan, said.

Beijing announced a four-trillion-yuan (US\$585 billion) stimulus package last year in a bid to prop up growth in the world's third largest economy by boosting spending on infrastructure and other government-backed projects.

The PMI sank to a record low of 38.8 in November due to the global financial crisis, but improved continuously in the five months until April, moving above 50 in March.

A separate PMI published by independent brokerage CLSA pointed to a second straight month of production growth in May, with the index standing at 51.2, up from 50.1 in April and 44.8 in March.

"The index provided further evidence to suggest that operating conditions in the Chinese manufacturing sector have stabilised, and that solid growth momentum may be building," the Hong Kong-based brokerage said.

Manufacturing accounts for more than 40% of China's economy.

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