China Manufacturing Outlook: Stabilization Followed by Modest Growth

Material Handling Industry of America

A slowdown in China's economic expansion saw a deceleration to 7.6 percent growth in the second quarter of 2012 from 8.1 percent in the first quarter, according to a Manufacturers Alliance for Productivity and Innovation (MAPI) report, *China Manufacturing Outlook 2012-2013*.

Manufacturing production moderated considerably, but modest advancement should return in 2013. The report noted that the growth pace of industrial value-added decelerated to 9.5 percent by June 2012 compared with the 14 percent growth rate in 2011. The analysis, authored by Economist Yingying Xu, Ph.D., explains the sales revenue forecast for China's manufacturing in general, and provides a detailed analysis and forecasts for 2012 and 2013 for a selected group of 13 of its most important industries.

"Investment growth, the major driver for manufacturing production, slowed from an average of 27 percent during 2007-2011 to 20 percent in the first two quarters as stimulus support for public investment in infrastructure was withdrawn and credit-dependent private investment in residential property was impacted by authorities' prudent control over monetary policy," Xu said. "In addition, weaker external demand has been a key factor in China's manufacturing outlook. Export value increased only 11 percent by June, compared with more than 20 percent growth in 2011.

"We expect China's growth momentum to pick up in the second half of 2012, underpinned by the acceleration in infrastructure investment spending and social housing construction," Xu added.

China's economy grew 9.2 percent in 2011 and MAPI's forecasts are for 7.8 percent growth in 2012 and 8.0 percent growth in 2013. These figures are down from previous estimates of 8.4 percent growth in 2012 and 8.6 percent growth in 2013. MAPI predicts that final 2012 manufacturing sales revenue growth will be 8 percent, compared with the previous forecast of 16 percent in January 2012. In 2013, growth is forecast to accelerate to 17 percent, compared with the previous forecast of 19 percent.

Wood products are expected to show the most growth in 2012 and 2013, at 21 percent and 25 percent, respectively. Machinery and equipment sales revenue is anticipated to grow by 18 percent in 2012 and 21 percent in 2013, and food, beverages, and tobacco by 15 percent and 22 percent, respectively.

"While the downside risks from an uncertain external environment and domestic financial fragilities continue to linger, we think the government still has sufficient

room to further ease policy to sustain growth and avoid a hard landing," Xu said.

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