

China

Official data add to survey evidence of fourth quarter economic upturn

- **Retail sales growth accelerates to 13.7% in November**
- **Industrial production grows 10.0%, buoyed by surge in exports**

A widely-held expectation that economic growth would slow in China in the fourth quarter is being challenged by robust official data. The data are confirming the more upbeat view of the economy portrayed by business survey evidence, notably the all-sector HSBC PMI™, produced by Markit, which rose to an eight-month high in November.

Government data showed retail sales growth accelerating to the highest since late last year in November, accompanied by robust growth of industrial production and a surge in exports.

Robust industrial production growth accompanied by pick up in retail sales

Industrial production grew 10.0% on a year ago in November. Although down from 10.3% in October and the weakest growth rate seen since July, the official data underline a reassuring resilience of the goods-producing sector in the fourth quarter that has been highlighted by the business surveys.

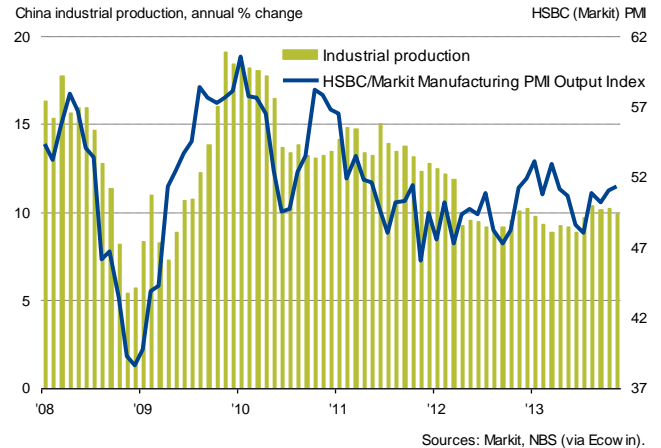
The survey data also suggest growth could pick up again. The Markit-produced HSBC Manufacturing PMI Output Index, which tends to move in advance of changes in the official annual growth rate, rose in November to its highest since March.

Retail sales meanwhile rose 13.7% on a year ago in November, up from 13.3% in the previous two months. The rate of increase was the strongest since the end of last year, though remains well below the average growth rates seen in 2010-2012.

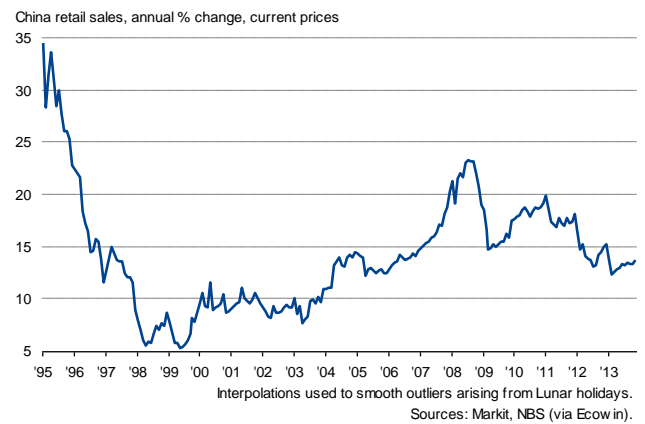
Export upturn

Tuesday's industrial production and retail sales data follow news earlier in the week which showed exports surging 12.7% on a year ago in November, up from 5.6% in October and registering the fastest rate of

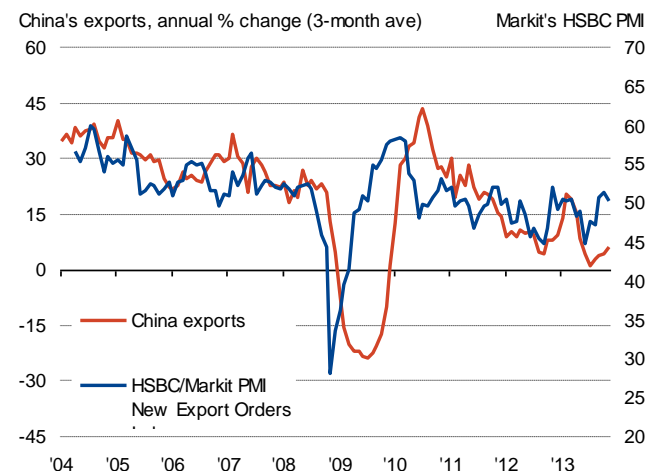
Industrial production



Retail sales



Manufacturing exports



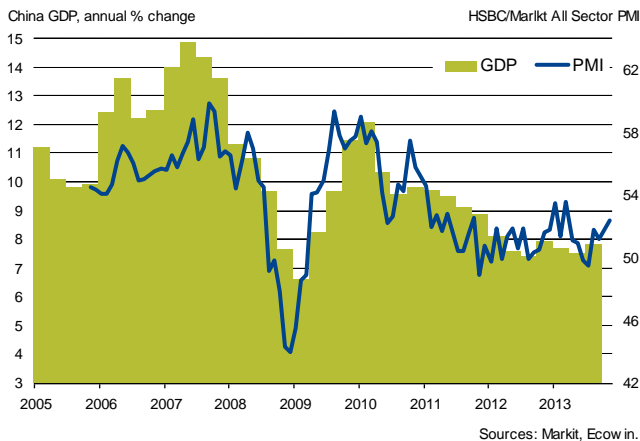
increase since April. The trade data are very volatile, but even after using a three-month average the annual rate of growth is up to 6.0% in November, its best since May.

PMI survey data also point to a further improvement in exports in coming months. The manufacturing New Export Orders Index has been above 50 in each of the three months to November, albeit dipping slightly in the latest month.

GDP growth to accelerate

The official data for the fourth quarter are therefore now starting to align with the PMI business surveys, which have signalled acceleration in the pace of economic growth since bottoming out in July. The all-sector ('composite') PMI, which covers both manufacturing and services, rose from 51.8 in October to 52.3 in November, its highest since March. The PMI data indicates that the pace of economic growth will accelerate in the fourth quarter from the 7.8% pace seen in the three months to September.

China GDP and the all-sector PMI



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