

## China: Manufacturing expands slightly

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China's official reading of manufacturing sentiment showed mild expansion in December, an improvement from the slight contraction the month before, a government agency said Sunday.

But government officials were cautious, saying the economy continues to face challenges from key trading partners Europe and the United States.

The China Federation of Logistics and Purchasing's Purchasing Managers' Index rose to 50.3 last month from 49 in November, according to the government's official website. Any reading above 50 signals expansion in the sector.

The report came just two days after banking company HSBC revised its Chinese manufacturing index down to 48.7 in December from the initially reported 49, an indication of contraction. The December reading was up from 47.7 in November.

China, the world's second largest economy, has been hit by weaker demand from Europe, as well as local government efforts to tame the country's real estate boom. The country's top leaders are making progress in shifting their focus to stabilizing growth from curbing high inflation, which had been the top priority.

President Hu Jintao, in his New Year's address Sunday, said the nation made progress in the past year despite the problems presented from outside its borders.

Two national celebrations in December contributed to the growth, the federation said. Components for new orders and prices paid in the federation's index climbed, although both remained below the key 50 threshold.

A Goldman Sachs economist says the seasonal factors played a role in the rise, although there were indications that government policy played a part as well.

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"We believe manufacturing activity growth likely accelerated on a sequential basis, though there are considerable uncertainties regarding the magnitude of the acceleration," economist Yu Song said in a research note.

### China shifts gears

The federation's index is based on a survey of purchasing managers from more than 820 companies in 20 industries. HSBC compiles its index after surveying executives at more than 400 manufacturing companies

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