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23.04.2012 **HSBC PMI gives a first disappointing outlook on the growth in the first quarter**

The HSBC PMI gives a first indication for the economic development in the second quarter. Indeed, the index improved but it remained below the expansion level of 50. The HSBC PMI reflects the situation in China better than the official PMI does.

While large entprises in China benefits from loans given by the government, the small and medium size entepises, which are focussed by the HSBC PMI, are more exposed to real conditions. Chinese banks are pressured by falling house prices and rising bad loans.

A restrictive loan supply is the consequence, which is a burden for small companies. The domestic and foreign demand could improve somewhat but it is still far away from levels which could indicate a dynamic economic situation. Growth in the second quarter will be disappointing again.

China: HSBC PMI (MP3, 1149 KB)

13.04.2012 **The Chinese GDP gained by 8.1% (Y-Y) in first quarter 2012.**

The consensus forecast expected a plus of 8.4%. VP Bank's expectations got confirmed: The consensus forecast was too optimistic. The GDP growth was the weakest since the 2nd quarter 2009. The growth outlook for the upcoming quarters remains weak. Investments are loosing its dynamic. Investment growth is the weakest since ten years, as published in today's data.

Furthermore net exports will not add growth impulses in the quarters ahead. Easing of reserve ratios and infrastructure projects undertaken by the government are able to lift growth rates in the second half of 2012. Up to this time China has to get used to weaker growth rates.

09.03.2012 **The Chinese CPI fell from 4.5% to 3.2% in February.**

The inflation rate fell to a 20 months low in February. The decline was stronger than expected. Behind the fall can been seen the restrictive monetary policy as well as base effects. The People Bank of China gets a green light for lowering reserve rations further. Also China`s administration is getting support from the fall in inflation.

The National People`s Congress is looking for a stronger domestic economy. This is not working without a stronger credit supply. Therefore, the CPI figure is a straight line for the central bank: A further lowering of reserve rations will follow.

09.03.2012 **Industrial production and Retail sales fare falling**

Industrial production fell from 13.9% to 11.4% in February (Year to date).
Retail sales fell from 17.1% to 14.7% in February (Year to date).

The increase in the industrial production and retail sales is clearly weaker than expected. It`s likely that in Peking the alarm bells went on. The industrial production as well as the retail sales fit in the picture of a weakening Chinese economy. The increases of the industrial production have been falling since the beginning of 2010. On the one hand the weaker dynamic might fit to the growth target of 7.5%, which the National People`s Congress is looking for. On the other hand the administration in China fears of a stronger than expected slowdown. Therefore, the People Bank of China will be forced to lower reserve rations quickly.

Mehr Informationen

- Investment Views in brief (PDF, 51 KB) 16.03.2012
- Financial market news

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