

Rise shows growth stabilizing: expert

By Wang Xinyuan Source: Global Times Published: 2014-4-28

China's industrial sector saw profits rise 10.1 percent year-on-year in the first quarter, with the growth rate accelerating from the first two months of this year, official data showed Sunday, indicating the economy is stabilizing despite downward pressure.

Total profit in the sector hit 1.29 trillion yuan (\$209 billion) from January to March, the National Bureau of Statistics (NBS) said on Sunday.

In March alone, industrial producers' profits totaled 513.2 billion yuan, up 10.7 percent from a year earlier, compared with a 9.4 percent year-on-year expansion in the first two months, the NBS said.

"It indicates that the economy is steady, despite downward pressure," Xu Hongcai, director of the Department of Information at the China Center for International Economic Exchanges, told the Global Times on Sunday.

The industrial profit data is consistent with industrial output data unveiled on April 16, which showed that output increased 0.2 percentage points in March from February.

Automakers ranked top in the first quarter, with 3.06 billion yuan of profit, followed by power producers, electronics manufacturers, non-metallic mineral producers and IT equipment makers, said He Ping, an economist at the NBS, in a statement posted on the NBS website Sunday.

These five industries accounted for nearly 80 percent of the total industrial profits, He noted.

Rising profits in automaking and electronics indicates an improvement in consumption, Xu noted.

Petrol and natural gas producers, nonferrous metal miners and coal miners suffered a year-on-year fall in profits ranging from 6.3 percent to 41.2 percent in the first quarter, according to the NBS.

The slump in these sectors' profits is partly due to China's efforts to curb overcapacity issues, as the majority of raw materials producers are still plagued by overcapacity and sluggish demand, Zhang Yingjie, research vice president at China Chengxin International Credit Rating Co, told the Global Times on Sunday.

State-owned enterprises in the industrial sector saw slower profit growth of 2.9 percent year-on-year compared to private businesses, which saw profit growth of 14.2 percent in the first quarter, the NBS data showed.

China's GDP growth reached 7.4 percent between January and March, its slowest pace in 18 months, and lower than the official 7.5 percent target for the whole year.

The slackening economy prompted measures to stabilize growth. The People's Bank of China, the central bank, on Friday cut the cash reserve requirement for some rural banks in order to help fuel credit growth in the agricultural sector.

In early April, the State Council announced tax breaks for small and micro-sized businesses and said it would speed up investment in railways.

The local governments of Guangdong, Hainan, Tianjin, Jiangxi and Guizhou have unveiled pro-growth investment plans worth a combined 7 trillion yuan for this year, Shanghai Securities News reported on April 15, citing local investment plans.

On Wednesday, the State Council decided to open 80 pilot programs in State-controlled sectors - such as railway and port construction, clean energy projects, and oil and gas pipeline building - to private investment, in the form of public-private partnerships.

The State Council also said it would open up oil and gas exploration, public utilities and airports to private investors.

The latest HSBC flash Purchasing Managers' Index, a leading gauge of manufacturing activity, rose to 48.3 in April from a final reading of 48 in March, HSBC said on Wednesday.

"We do not believe that this uptick in the HSBC PMI signals any sort of turning point for the economy and continue to believe that growth momentum is on a downtrend, with GDP growth likely to slow to 7.1 percent in the second quarter," Zhang Zhiwei, chief China economist at Nomura Securities, told the Global Times in a research note on Wednesday.