

Time to Pay even More Attention to China

Posted on Oct 26, Posted by [Marcus Goncalves](#) Category [BRIC Countries](#)

It is not news that investing on emerging markets is a good idea, especially with advanced economies struggling to gain some foothold. But watch for China's twelfth-straight month of manufacturing contraction, according to HSBC's survey of purchasing managers in China's manufacturing sector.

While the index rose slightly to 49.1 from 47.9 reported in September, it still came in below the vital demarcation of 50.0 that signals expansion in the sector. This is in line with my forecast back in April, in an article to benzinga.com titled "[China: the White Elephant Versus the Dragon](#)".

However, [China's Unstoppable Relevance](#), title of another article on mine in early September for the Worcester Business Journal, remains true. New orders are being reported at a six-month high of 49.7, and exports showed an upward trend to a five-month high. This is after the country reported a rise of 9.2% in industrial production for the month of September, up from 8.9% in August.

Beyond some planned infrastructure spending this summer and a hastened approval process for new projects, the government has been fairly quiet on monetary or fiscal stimulus since its last cut to the reserve requirement in May. The move followed several cuts to banks' required reserves ratio and two interest rate cuts.

While I do acknowledge my bias for the region, those interested on investing in China can make a reasonable bet on strength over the next few months, as production and investment data are showing positive momentum, and the manufacturing surveys are hovering just below 50. If a new government stimulus programs is announced, which likely will, the economy may jump-start and promote an even greater FDI (foreign direct investment) inflows into the country's economy.

Tags: [Asia](#) , [China](#) , [emerging Markets](#) , [PMI](#)