

**HD** **China's April Manufacturing, Property Data Show Signs of Weakness--Update-3-**

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**WC** 707 words

**PD** 13 May 2014

**ET** 23:38

**SN** Dow Jones Newswires Chinese (English)

**SC** RTNW

**LA** English

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BEIJING--**China's** disappointing manufacturing and **property** data reveal fresh signs of weakness that could pressure Beijing to prop up the economy.

Economists have been looking for some indication that **China's** first-quarter slump is reversing, which could help the government reach its official 7.5% growth rate for this year.

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But April data released on Tuesday suggest the slowdown in the **property** market is having a knock-on effect on factory output, retail sales, and investment in machinery, land and other physical assets, all of which posted slower growth rates compared with a year ago.

"The figures are rather serious, a signal that perhaps economic activity hasn't moved up but is still at the bottom," said Li-Gang Liu, an economist at Australia & New Zealand Banking **Group** Ltd. "It's a wake-up call for policy makers for more decisive action if they're serious about their 7.5% growth target."

At least two local governments in recent weeks have rolled back housing restrictions set amid a frothy **property** market. Eased policies include extending preferential **purchase** rights to residents of neighboring communities and relaxing residency requirements for outsiders buying **property**.

Spending on real **estate**, including indirect **purchases** such as furniture and management fees, accounts for about a quarter of **China's** economy, a proportion large enough to cause a domino effect if the sector hits a wall.

"The risk to the **property** sector is my most worrisome concern for the **Chinese** economy this year," said UBS AG economist Wang Tao.

Home sales in the first four months of the year fell 9.9% to 1.53 trillion yuan (\$245.6 billion), according to **China's** National Bureau of Statistics, compared with a 7.7% decline for the three months ended March. The statistics agency relies on year-to-date figures and doesn't break out individual months.

Demand weakened in more **Chinese** cities as banks continued to tighten mortgage lending and buyers stood on the sidelines, expecting developers to cut prices further.

**Property** investment in the first four months of 2014 rose 16.4% year-over-year to 2.23 trillion yuan, but that was down from the 16.8% growth seen in the first quarter.

Despite concerns of mounting debt, the central bank needs to relax its lending policies to **property** developers and households to invigorate the sluggish real-**estate** market, said Société Générale economist Yao Wei. If current tight credit policies remain much longer, she said, Beijing won't be able to turn around the real-**estate** market in the near term.

Tepid production, investment and real-**estate** data leading into the second quarter--traditionally a stronger period as investment growth kicks in after the winter--could pressure **China's** central bank to cut the reserve-ratio requirement, the amount of deposits and notes **commercial** banks must hold in reserve, analysts said.

Industrial production by the nation's factories and mines rose 8.7% year-over-year in April, the statistics agency said, a slight decline from 8.8% in March.

Fixed-asset investment in machinery, land and buildings, excluding rural areas, meanwhile rose 17.3% in the January to April period, compared with the same period a year earlier, a decline from the 17.6% increase in the January to March period.

Retail sales for the month rose by 11.9%, a decline from the 12.2% year-over-year increase in March.

In a bid to prop up faltering demand, **Chinese** leaders in February announced a set of mini-stimulus measures, including tax cuts for smaller companies and increased transportation spending. Such measures are seen as a more targeted approach than a major stimulus program that ultimately could fuel more bad debt. Still, the latest figures suggest this wasn't enough to counteract weaker fundamentals, some analysts said.

"Today's data made clear that the government's mini-stimulus measures haven't fully shown effects," said USB's Ms. Wang.

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13-05-14 1338GMT

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