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## ECONOMIC REPORT

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# China manufacturing rises at fastest pace in 18 months

By [Chris Oliver](#), MarketWatch

**HONG KONG (MarketWatch) -- China's manufacturing accelerated at its fastest pace in 18 months in October, according to HSBC's China Purchasing Manager's Index, echoing a bullish picture painted by earlier official data.**

The PMI came in at 55.4, up from 55.0 in September, HSBC said in an emailed statement Monday.

The headline PMI figure was the seventh straight month that the index has held above 50, the threshold marking whether the factory sector is expanding or shrinking.

The survey showed that "operating conditions in the sector improved at the most pronounced rate for 18 months," HSBC said.

Export orders climbed to 55.6 from 54.4, the fifth straight month of gains, and the most robust pace seen since June 2007. Exports orders were particularly pronounced to North America, according to manufacturers' comments compiled by the survey.

"The ongoing strong recovery in the manufacturing sector should gain further momentum in the coming months" said Hongbin Qu, chief economist for China at HSBC.

Other components of the indexes pointed to still-rapid growth, but an easing from highs of recent months.

The index's gauge of output and new orders both slowed to the weakest levels in three months. Output slipped to 57.2 from 57.6, while new orders softened to 57.6 from 58.

On Sunday, a competing index, compiled on behalf of China's National Bureau of Statistics, indicated manufacturing activity had entered its eighth straight month of expansion. That index's forward-looking indicators of export and general orders pointed to further gains in activity.

Comments by a government researcher that were released along with the official version of the PMI, said China's economy could grow 9.5% in the fourth quarter, marking the third quarterly pick up. [See full story on Sunday's PMI data.](#)

Meanwhile, HSBC said the acceleration in factory activity could be felt in the labor market, with job creation the strongest recorded since the survey began tracking the data in April 2004. Much of the employment gains were driven by new businesses and stepped up graduate recruitment, it said.

HSBC also said average input costs faced by manufacturers rose at their weakest rate in four months, while output prices set by manufacturers rose for a fourth month.