China’s economy slowed in November as factory shutdowns exacerbated weaker demand, raising pressure on the central bank to add further stimulus.

Bloomberg’s gross domestic product tracker came in at 6.78 percent year-on-year in November, down from 6.91 percent in October and a fourth month below 7 percent, according to a preliminary reading. Factory production rose 7.2 percent from a year earlier, retail sales gained 11.7 percent, and investment in fixed assets expanded 15.8 percent in January through November from a year earlier, official data showed.

The government ordered some factories to close in Beijing and surrounding provinces during the Asia-Pacific Economic Cooperation forum in early November to curb pollution. China’s central bank has been seeking to ease monetary conditions including with a cut to benchmark interest rates last month, helping spur a rebound in the broadest measure of new credit.

“The accelerated lending could lend some support to short-term growth,” said Le Xia, chief Asia economist at Banco Bilbao Vizcaya Argentaria SA. “However, banks need to find more funds to support the lending, which could prompt the authorities to cut RRR to provide more liquidity.”

Aggregate financing rose to 1.15 trillion yuan ($186 billion) in November, the People’s Bank of China’s said in Beijing, compared with 662.7 billion yuan previously reported in October and the 895 billion yuan median estimate in a Bloomberg survey of analysts.

New local-currency loans were 852.7 billion yuan, and M2 money supply grew 12.3 percent from a year earlier compared with the median estimate of 12.5 percent. New yuan loans, which measure new lending minus loans repaid, compared with economists’ median estimate of 655 billion yuan and 548.3 billion yuan reported in October.

Giving Hope

“The lending numbers give hope that investment will pick up now that there is more funds available to pay for capital spending projects,” said Dariusz Kowalczyk, senior economist at Credit Agricole SA in Hong Kong.

China is forecast to follow up the interest rate reduction by lowering banks’ required reserve ratio to...
China’s Slowdown Deepens as Factory Output Growth Wanes: Economy - Bloomberg

19.5 percent in the first quarter of 2015 and to 19 percent in the second quarter, according to a separate survey by Bloomberg News.

The Shanghai Composite Index (SHCOMP), which surged about 18 percent since the central bank announced on Nov. 21 it was cutting lending and deposit rates, climbed 0.4 percent.

The investment and industrial output data “adds to evidence of weakness in China’s economy,” Bloomberg’s Beijing-based economist Tom Orlik wrote in a note. “The People’s Bank of China’s hands may be tied by the speculative surge on the mainland’s equity markets. Fear of adding further fuel to the fire appears to have constrained the PBoC to return to targeted measures, at least temporarily.”

**Liquidity Injection**

The PBOC this week injected 400 billion yuan into the banking system, according to a person familiar with the matter. The latest injection and the stock market gains may signal that an RRR cut is less likely this month, according to Shen Jianguang, Hong Kong-based chief Asia economist at Mizuho Securities Asia Ltd.

China’s economy is showing resilience and potential even as it slows, giving the government plenty of room to maneuver, the official Xinhua News Agency said yesterday in a summary of a policy-setting meeting of top leaders. The country will keep a prudent monetary policy with more attention on the balance between loosening and tightening, Xinhua reported.

Electricity output rose 0.6 percent in November from a year earlier, while crude steel output fell 0.2 percent.

Industrial production’s 7.2 percent rise compares with October’s 7.7 percent expansion. The retail sales increase beat October’s 11.5 percent rise, which was also the median economist estimate.

**Property Slump**

Fixed asset investment matched the 15.8 percent median estimate in a Bloomberg News survey, slowing from the 15.9 percent growth in January through October. New property construction and home sales value fell in the first 11 months from a year earlier, underscoring a slowdown in housing.

“What is more worrisome is property sales,” said Wang Tao, Chief China economist at UBS Group AG in Hong Kong. “Property sector downturn remains the largest risk to growth in 2015, and we expect further policy easing and support to offset this downturn.”

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