China’s manufacturing slowed more than estimated last month, joining weaker-than-anticipated credit, production and investment data in suggesting the economy is losing momentum.

The government’s Purchasing Managers’ Index (MXAP) was at 51.1 for August, missing the median 51.2 estimate in a Bloomberg survey. The final reading of a separate manufacturing gauge from HSBC Holdings Plc and Markit Economics was 50.2. Both readings fell from 51.7 in July and remain above 50, indicating expansion.

A pullback in manufacturing, coming as the property market slumps, adds pressure on the government to step up efforts to meet its expansion target of 7.5 percent this year. More stimulus measures will be announced in the next few weeks, said Lu Ting, Bank of America Corp.’s Hong Kong-based head of Greater China economics.

“The two PMIs both show that the current recovery is relatively weak and choppy,” Lu said. Stimulus may include a greater re-lending quota from the central bank, and the government has “pretty firm confidence” it will keep the economy stable, he said.

The MSCI Asia Pacific Index of stocks climbed 0.1 percent at noon Hong Kong time on speculation China will take steps to bolster the economy. The Shanghai Composite Index was up 0.6 percent at the 11:30 a.m. local-time break.

‘Downward Pressure’

“There’s certain downward pressure in the current economic environment,” Zhang Liquan, a researcher with the State Council’s Development Research Center, said in a China Federation of Logistics and Purchasing statement. “Future industrial production growth may continue to drop slightly.”

Analyst estimates for today’s official PMI -- released by the National Bureau of Statistics and CFLP today in Beijing -- ranged from 50.3 to 51.7. The index is based on responses to surveys sent to purchasing executives at 3,000 companies.

The official measure typically registers a higher reading than the HSBC survey, which is based on responses from purchasing managers at more than 420 businesses and is weighted toward smaller private companies.

While the official PMI index for big enterprises remained at a level showing expansion, the PMI for
medium-sized enterprises dropped to 49.9, and for small businesses it tumbled to 49.1. The output subindex fell 1 point to 53.2, while the new-export order reading declined 1.1 points to 50.0, the dividing line between expansion and contraction.

“This official PMI is a bellwether of China’s largest and listed companies, so it suggests that they are still moving at a steady pace,” Liu Li-Gang, chief Greater China economist at Australia & New Zealand Banking Group Ltd. in Hong Kong, said on Bloomberg Television. China’s third-quarter growth tends to be slower, and the level of lending in August will be “very critical” for the economy, Liu said.

**PBOC Policy**

New credit plunged in July after a June surge, previously released data showed, suggesting People’s Bank of China Governor Zhou Xiaochuan will need to loosen policy to sustain growth if lending continues to dry up.

“We expect the government to interpret such an outlook as challenging its growth target and to take more, and more significant, measures to support growth,” Louis Kuijs, Royal Bank of Scotland Group Plc's chief Greater China economist in Hong Kong, said in a note today.

The central bank recently granted a 20 billion yuan ($3.3 billion) re-lending quota to some regional bank branches to support agriculture, according to a statement on its website last week. The PBOC will also cut interest rates on re-lending to some rural financial institutions meeting certain criteria in poor areas by 100 basis points.

To contact Bloomberg News staff for this story: Xiaoqing Pi in Beijing at xpi1@bloomberg.net

To contact the editors responsible for this story: Malcolm Scott at mscott23@bloomberg.net Scott Lanman