CAPITAL ECONOMICS 凯投宏观

CHINA DATA RESPONSE

PMIs (Feb.)

A very rapid recovery

- **The latest survey data are exceptionally strong across the board, consistent with our expectation for a rapid near-term rebound. We expect this recovery to lose momentum later in the year but the risks to our forecasts look increasingly tilted to the upside.**
- The Caixin manufacturing PMI rose from 49.2 in January to 51.6 in February (the Bloomberg consensus was 51.3 and our forecast was 51.0). The official survey also beat expectations, jumping from 50.1 to a decade-high of 52.6 (Bloomberg: 50.7, CE: 51.5). (See Chart 1.)
- **Averaging across both surveys, the headline manufacturing index rose from 49.6 to 52.1, its strongest since late 2020**. The biggest improvement was in the output component, which jumped from 49.4 to 53.3. This partly reflects waning supply-side disruption from the reopening wave of infections – labour shortages eased, with the employment component rising above 50 for the first time since mid-2021, and supplier delivery times shortened at the fastest pace in 13 years. (See Chart 2.) But demand is also picking up – new orders jumped from 50.1 to 53.5. This was mostly due to the domestic recovery. But export orders also rose above 50 for the first time in eight months, hinting at a turnaround in foreign demand. (See Chart 3.)
- The Caixin services PMI won't be released until Friday, but **the official non-manufacturing PMI also published today strengthened from 54.4 to 56.3, its highest since early 2021** (Bloomberg & CE: 55.0). This was mostly due to a further rise in the services index from 54.0 to 55.6, with the press release noting that the transportation and accommodation sectors saw the biggest improvements. But the construction index also jumped, from 56.4 to 60.2, most likely due to the recent ramp up in special bond issuance and the resulting boost to infrastructure spending. (See Chart 4.)
- The high PMI readings partly reflect the economy's weak starting point coming into this year and are likely to drop back before long as the pace of the recovery slows. Nonetheless, they underscore just how quickly activity has bounced back following the reopening wave of infections. We had already been expecting a rapid near-term rebound, but **the PMIs suggest that even our above-consensus forecast for GDP growth of 5.5% this year may prove too conservative**.

Chart 1: Manufacturing PMIs

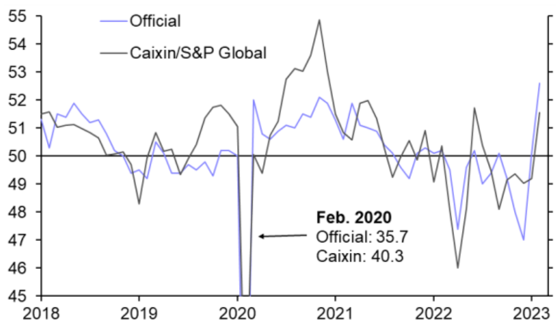


Chart 2: Manu. PMIs (Ave. of Official and Caixin)

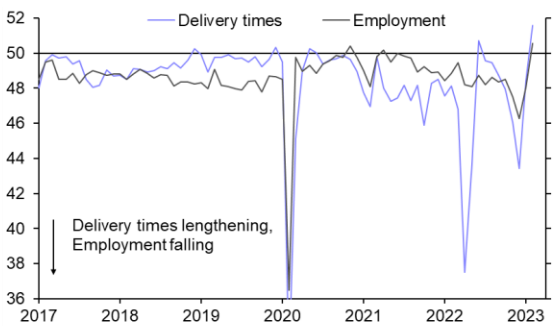


Chart 3: Exports & PMIs - Export Orders

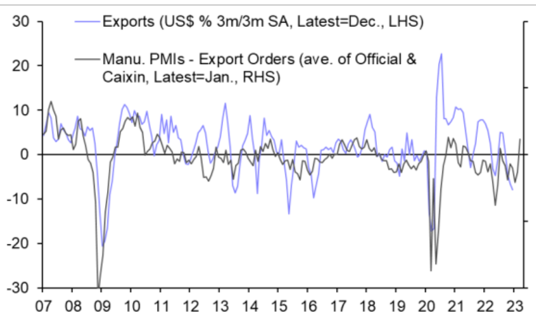
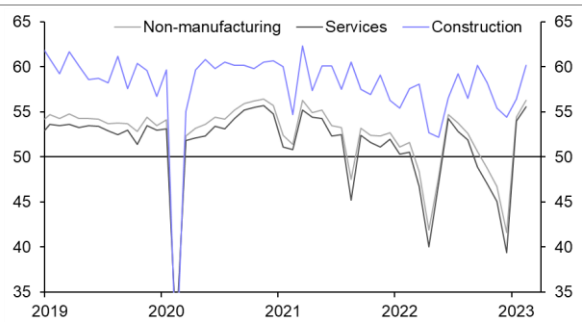


Chart 4: Official Non-Manufacturing PMI



Sources: CEIC, S&P Global, Capital Economics

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