

China PMI in Feb

Free fall due to COVID-19

China's PMI experienced a free fall in Feb as the nation is fighting against the COVID-19. Both manufacturing and non-manufacturing PMI plunged to historical low (even below the lowest point during the global financial crisis), reading 35.7%/29.6% respectively. Economic figures are doomed to be disastrous in Feb. However, as more employees have returned to work and COVID-19 prone to be under control, a rebound is likely soon in production activities. On the demand side, recovery of export orders recovery may lag that of domestic ones.

- PMI to historical low.** The coronavirus has inflicted almost all aspects of economic activities that PMI figures foreshadow. Manufacturing production fell abruptly. Demand shrank in both domestic and international markets, though to a lesser extent than production. Input and output prices declined accordingly. Large-, medium- and small-sized firms recorded drop from the previous month by similar magnitudes ranging from 14.1 to 14.6ppt. Due to vulnerability of SMEs, governments at all levels have continuously rolled out relief measures particularly to help SMEs in mire.

- Impact was varied across industries.** Though all surveyed industries recorded below-50 PMI, industries related to people's living and basic needs experienced less severe abruption. These include food, agricultural manufacturing and healthcare. On the other hand, PMI declines of chemicals, equipment, automobile, etc. were more phenomenal partly because of production base locating in Hubei and other coronavirus-stricken areas. Construction PMI read 26.6%, below average.

- What to expect next?**

1) Production to gradually resume. Feb's PMI reflected conditions before 25 Feb. Since firms and employees speeded up returning to work particularly since the last week of Feb, we expect V-shaped rebound in production activities soon. According to the NBS, surveyed sample of large and medium-sized firms said that 78.9% of their workers had returned to work up till 25 Feb. That ratio was 85.6% for the manufacturing sample.

2) Demand recovery may turn out to be more robust in domestic market than in international market as the COVID-19 impact began to unfold. That said, import orders may take longer to come back, exerting further pressures on China's export growth this year.

Data Summary

PMI and subindices	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
Manufacturing PMI	49.3	50.2	50.2	50.0	35.7
- Production	50.8	52.6	53.2	51.3	27.8
- New orders	49.6	51.3	51.2	51.4	29.3
- New export orders	47	48.8	50.3	48.7	28.7
- Inventory of raw materials	47.4	47.8	47.2	47.1	33.9
- Employment	47.3	47.3	47.3	47.5	31.8
Non-manufacturing PMI	52.8	54.4	53.5	54.1	29.6

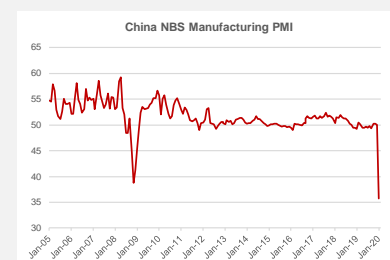
Source: NBS, CMBIS

Ding Wenjie, PhD

(852) 3900 0856 /

(86) 755 2367 5597

dingwenjie@cmbi.com.hk



Source: NBS, CMBIS

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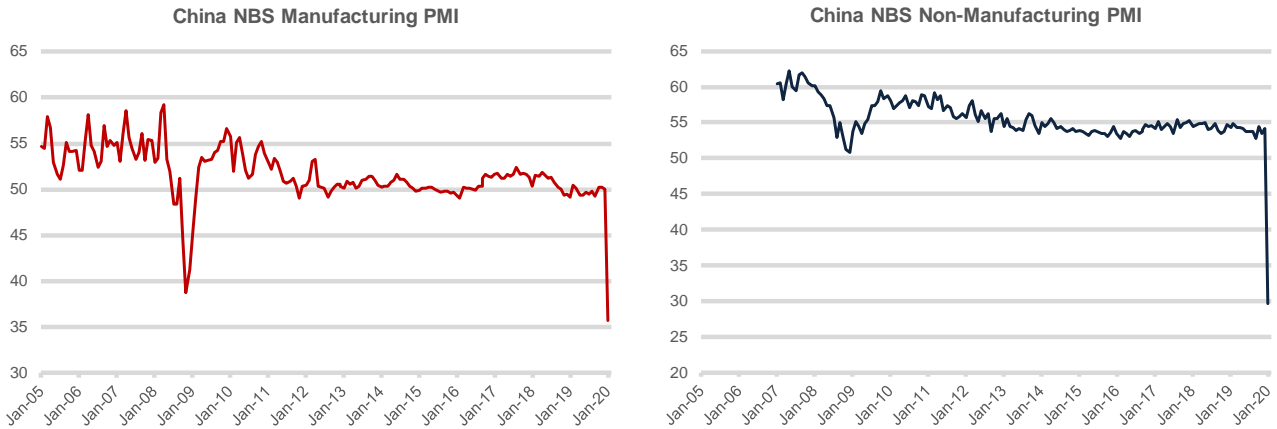
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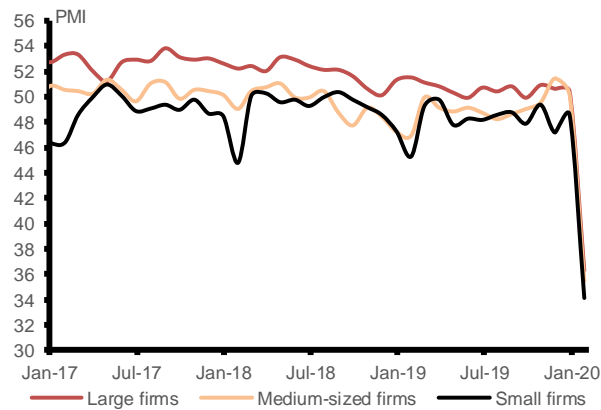
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Figure 1: Both manufacturing and non-manufacturing PMI dropped to historical low



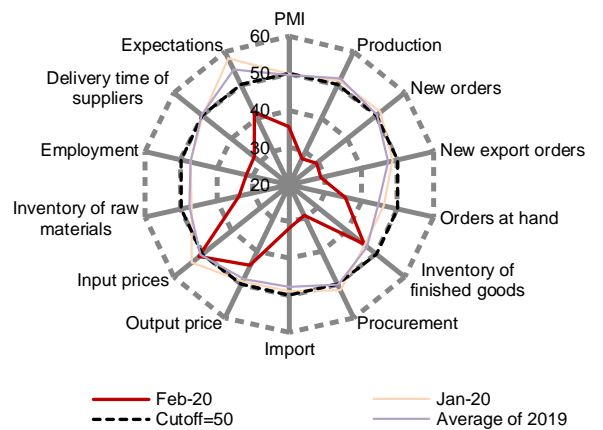
Source: NBS, Wind, CMBIS

Figure 2: Manufacturing PMI plunged across all firm sizes



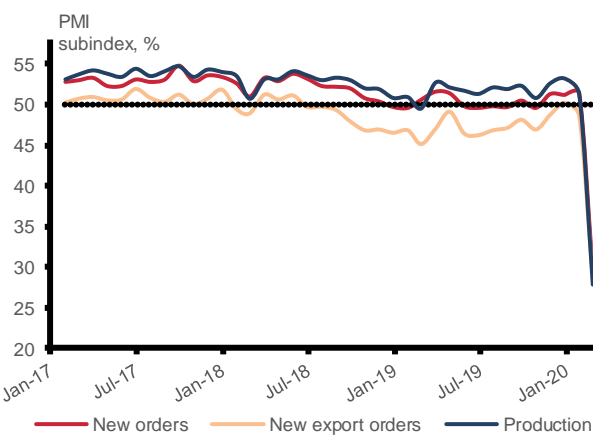
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Figure 3: Abrupt and phenomenal shrinkage of both supply and demand



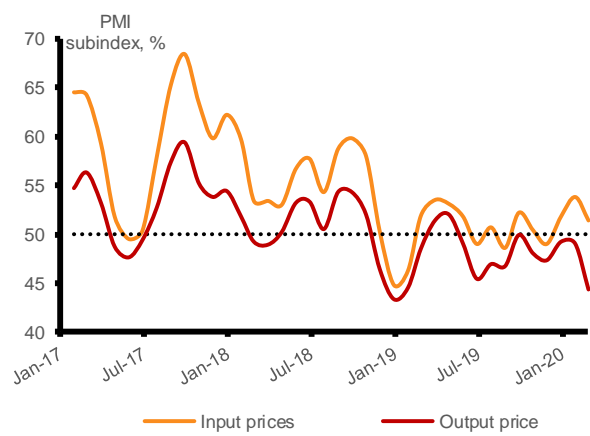
Source: NBS, Wind, CMBIS

Figure 4: Production and orders



Source: NBS, Wind, CMBIS

Figure 5: Price sub-indices



Source: NBS, Wind, CMBIS

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CMB International Securities Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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