

Source: South China Morning Post

Date: 2/12/2020

ECONOMY

Small factories keep up strong growth in activity

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Data released yesterday provided further evidence of strong growth in China's manufacturing activity last month.

The Caixin/Markit manufacturing purchasing managers' index (PMI) rose to 54.9 last month from 53.6 in October, the sharpest improvement since November 2010.

The health of the sector has improved in each of the past seven months, underlining China's recovery from Covid-19. A Bloomberg survey had predicted a slight decline to 53.5.

The Caixin/Markit PMI focuses on small private firms, unlike the official index for which respondents come mostly from larger state-owned entities.

A reading of 50 separates growth from contraction. The further the level above or below

50, the faster the expansion or contraction.

"Manufacturing recovered at a faster clip in November as supply and demand improved at the same time," said Wang Zhe, senior economist at Caixin Insight Group.

"Employment recovered markedly and overseas demand kept expanding. Manufacturing enterprises added to their inventories to meet demand and they were quite confident about the economic outlook for the next 12 months. The gauge for future output expectations stayed high.

"We expect the economic recovery in the post-epidemic era to continue for several months. At the same time, deciding how to gradually withdraw the easing policies launched during the epidemic will require careful planning, as uncertainties still exist inside and outside China."

On Monday, China's official manufacturing PMI came in at

52.1 for November, up from 51.4 in October and the highest level since September 2017.

The economy has bounced back strongly from the impact of the pandemic after a record contraction in the first quarter.

Gross domestic product grew by 4.9 per cent in the third quarter compared with a year earlier, and China is the only Group of 20 nation expected to see expansion in 2020 due to its better-than-expected recovery, which has

been fuelled largely by state-led infrastructure investment and a property boom.

"Unlike the official survey, which saw the delivery times measure soften, all components in the Caixin survey improved," said Julian Evans-Pritchard, the senior China analyst at Capital Economics.

"Particularly encouraging was the employment component, which rose to its highest since 2011. This supports our view that a tightening labour market will drive a further recovery in consumption over the coming months.

"Similar to the official survey, the export orders component of the Caixin PMI increased, from 51 to 53.3.

"This suggests foreign demand for Covid-19-related products remains strong amid fresh lockdowns abroad. It also hints at a further acceleration in export growth in the near term."



A manufacturer in Shijiazhuang in Hebei province. The health of the sector has improved in each of the past seven months. Photo: Xinhua