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ECONOMY

Advanced manufacturing drives strong PMI data

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China's advanced manufacturing sector helped drive an upbeat monthly indicator of economic activities last month, amid official policy support.

Beijing introduced a comprehensive plan during the National People's Congress last month to upgrade its manufacturing capabilities by 2025 in eight areas.

The overall official manufacturing purchasing managers' index (PMI) – a survey of sentiment among factory owners – rose to 51.9 in March from 50.6 in February, according to data released by the National Bureau of Statistics (NBS) yesterday. A reading above 50 indicates growth in sector activity, while a reading below the mark represents contraction.

The higher the reading above 50, the faster the pace of expansion.

Within the survey of sentiment among factory owners, the readings for hi-tech manufacturing and equipment manufacturing were 53.9 and 52.9, respectively, and higher than the overall manufacturing PMI.

"I expect [advanced

manufacturing] to continue to outperform relative to the conventional manufacturing sector, given the policy support," said Zhiwei Zhang, chief economist at Pinpoint Asset Management.

The government has made it clear this is a top policy initiative in the new [five-year plan]. There are tax benefits as well as credit support."

Beijing's upgrade plan is focused on rare earth and special materials, robotics, aircraft engines, new energy vehicles and smart cars, high-end medical equipment and innovative medicine such as vaccines, agricultural machinery, major equipment used in shipbuilding, aviation and high-speed rail, as well as industrial applications of the Beidou global navigation satellite system.

Its emphasis on advanced manufacturing forms an integral part of the country's 14th five-year plan, which spells out the economic and development goals for 2020-25.

Manufacturing accounted for 38 per cent of China's gross domestic product in 2020, according to official data, and is considered the backbone of the country's industrial economy.

"Authorities will accept moderately slower growth and follow targets less closely as they focus on innovation and more balanced development. Consumption-facing sectors will gain somewhat more policy support, but through gradual structural reforms rather than direct stimulus," said a team of analysts at Eurasia Group, led by Michael Hirson.

"Beijing will intensify efforts to promote 'chokepoint' technologies and products critical to its supply chain and vulnerable to United States restrictions – including semiconductors, software, advanced manufacturing,

and life sciences," the report added. "Consumer e-commerce firms, by contrast, remain important in the economy but are not among [President Xi Jinping's] strategic priorities."

Beijing does not release industrial breakdowns of PMI data consistently or comprehensively, making it difficult for economists to fully analyse the health of the high-end manufacturing sector over the long term.

Readings for hi-tech manufacturing and equipment manufacturing, for example, were not released in February.

"PMI is mainly used as a short

term indicator of economic activities. The health of advanced manufacturing requires close analysis over a long term," said Xu Jianwei, senior China economist from French bank Natixis.

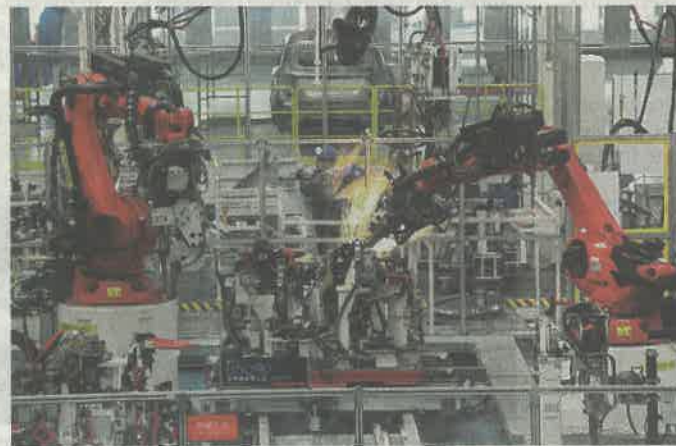
In combined industrial profits data for January and February, hi-tech manufacturing increased by 49.2 per cent year on year, while equipment manufacturing rose by 59.9 per cent.

Hi-tech and equipment manufacturing increased by 13 per cent and 10.2 per cent, respectively, averaged over the January-February period in 2020 and 2021, data from the NBS showed.

New-energy vehicles, trucks, industrial robots, and machinery for excavation work, shovelling and transport, as well as micro-computer equipment, all had year-on-year growth rates exceeding 100 per cent.

On Tuesday, the Politburo also promoted high-quality growth in the central region of the country, which is a key base for food production, energy and manufacturing and hi-tech industries, as well as transport.

The meeting, which was presided over by Xi, cited major achievements in the economic and social development of the central region since 2012.



Robotics is one of Beijing's priorities in its five-year plan. Photo: VCG