

China's PMIs Softened Amid Lockdowns

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China's official **Manufacturing PMI** slid to 50.1 in January, down from 50.3. **Output** softened to 50.9 from 51.4. **New Orders** softened to 49.3 from 49.7. **Employment** fell further to 48.9 from 49.1, and the Supplier's delivery declined to 47.6 from 48.3. However, **Business Sentiment** jumped to 57.5 from 54.3, suggesting a bright outlook.

The **Non-Manufacturing PMI** also moderated to 51.1 from 52.7, reflecting weakened demand for services amid stringent lockdowns. **New Orders** fell to 47.8 from 48.4, remaining in the contractionary territory for eight months. **New Export Orders** slumped to 46 from 47.7, and **Employment** edged down to 46.9 from 47.6. Fortunately, **Business Sentiment** increased to 57.9 from 57.3.

The **Composite PMI** fell to 51 from 52.2.

Details – Weak Demand Remained Headwinds; Higher Costs Added Pressures

- **Manufacturing: New Export Orders** grew to 48.4 from 48.1, while **Imports** slowed to 47.2 from 48.2. Purchases Quantity slipped to 50.2 from 50.8. **Input Prices** surged to 56.4 from 48.1, and **Output Prices** rose to 50.9 from 45.5.
- Large enterprises continued improving to 51.6 from 51.3, while both medium and small enterprises weakened, to 50.5 and 46, from 51.3 and 46.5, respectively.
- **Non-manufacturing:** Input Prices jumped to 52.1 from 49.3, and Selling Prices rebounded to expansionary territory, rising to 51 from 48.1. Suppliers' delivery time fell to 49.1 from 49.6.

Supply Chain Snags to Fuel the Moderating Trend In addition to Subdued Demand

Weak demand has become the major headwind to China's economic growth. With the outbreaks worsening across the country, stricter curbs on travel and wider lockdowns have exacerbated weakness in consumer demand, dampening business activities.

Due to bad weather and stringent anti-virus measures, fewer workers slowed factory output, bringing the supply chain back into difficulties. Factory suspensions in Hebei Province, neighboring Beijing, as the Government sought a "clean sky" for the upcoming Winter Olympic Games, also hampered growth.

Under the Government's request of "restrained celebrations" during the Lunar New Year in fear of the virus spreading, restaurants, hotels, and the services sector should suffer from weak demand again after struggling with losses during the last Lunar New Year.

Stringent restrictions should continue at least until the Winter Olympics end in mid-February. Constrained demand should continue to drag business activities, while higher input costs due to snarled supply amid lockdowns could exacerbate demand weakness, fueling economic slowdown.

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