

China: PMI shows growth depends on domestic demand

China's manufacturing PMI stabilised in August while the non-manufacturing PMI showed faster growth. These outcomes stem from the low number of Covid-19 cases in China, providing an opportunity for economic growth



Passengers cheer up for Wuhan while waiting to take train K81 at Wuchang Railway Station in Wuhan, central China's Hubei Province, late April 7, 2020.

Source: Shutterstock

PMI shows growth continues to pick up

China's manufacturing PMI showed growth slowed just slightly in August (PMI edged lower to 51.0 in August from 51.1 in July). New orders (for domestic use) continued to experience faster growth, while new export orders kept shrinking, albeit at a slower rate.

China's non-manufacturing PMI rose significantly from 54.2 to 55.2 in August. Most of the growth came from new orders. This could be due to the strong demand for cross-provincial leisure trips as families spend summer holidays within Mainland China because overseas travel restrictions remain mostly unchanged.

Growing on its own

The growth engine is now clear. Overseas demand will only pick up slowly and travel restrictions will only be relaxed if Covid-19 cases subside overseas. Until then China will rely more on its own for economic growth.