

## China's solid PMIs hint at a high GDP target at the Two Sessions

Both manufacturing and non-manufacturing PMIs for February were very strong. Some sub-indices are the highest in several years. This supports our view that the Two Sessions government meeting will set a high GDP growth target



Beijing, China

**52.6, 56.3** Manuf. and non-manuf. PMIs

Higher than expected

### Both manufacturing and non-manufacturing PMIs were very strong

The official manufacturing and non-manufacturing PMI indices came in at 52.6 and 56.3, respectively, in February compared to 50.1 and 54.4 in January. The CAIXIN manufacturing PMI was 51.6 in February up from 49.2 in January. This set of numbers is stronger than market

expectations.

Not only were headline PMI numbers very strong but some sub-indices were the highest in several years.

For manufacturing, new orders reached 54.1, the highest since September 2017, while new export orders reached 52.4, the highest since March 2011. These two reflect strong demand expected by retailers. Moreover, suppliers' delivery times reached 52, rising over 50 for the first time since July, and beating the previous highs from December 2007. The job market is also making a comeback as manufacturing employment rose to 50.2, which was the first expansion in two years.

Meanwhile, the non-manufacturing employment sub-index increased by the most since August 2018.

In short, this set of PMI data implies that the recovery is still on track.

### Spending power should rise with the strong employment data



PMI subindices of manufacturing and non-manufacturing employment surpassed previous highs in February

### Reopening boosts orders, implying lower risk of relocation of factories from China



This is more about reopening for new export orders, and more about recovery for new orders for the domestic market

## The Two Sessions may set a high GDP growth target

We believe that the government will set a GDP growth target of 5.5% to 6% [at the Two Sessions on 5 March](#). This set of PMI data gives the government a very good reason to set a high growth target. Even though the recovery is on track, this year will not be easy with the central government requiring local governments to grow their economies with high-quality growth prospects in mind. The two KPIs for local governments mean that there could be more business opportunities for ESG.