

China Chartbook

How much the country has returned to work

Economics/Growth/Monetary/Fiscal/China

Group Research

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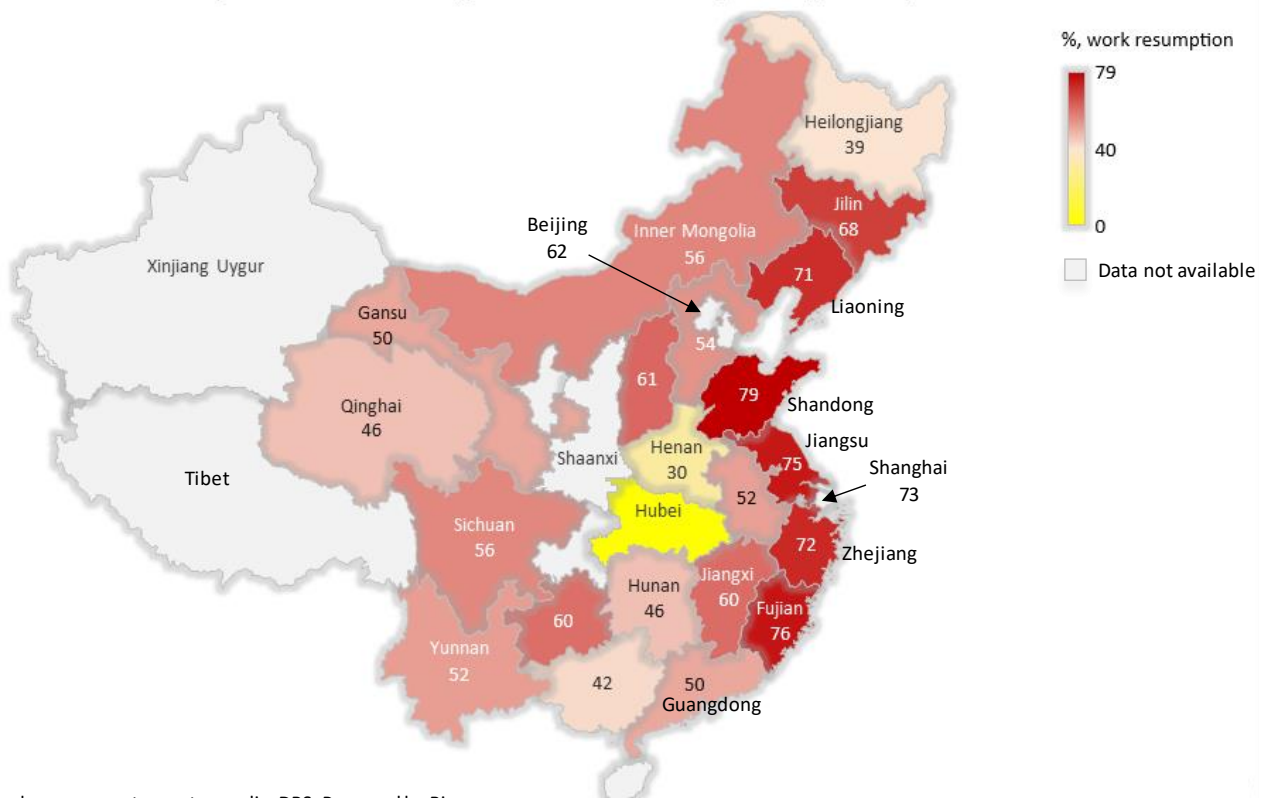


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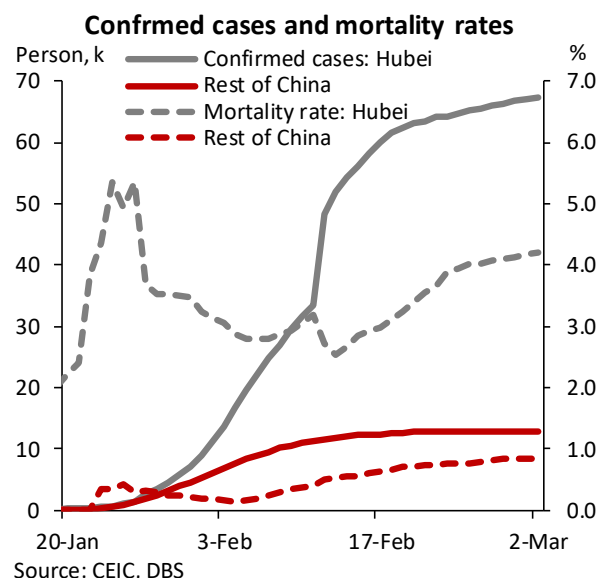
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- Large part of China has recently relaxed travel curbs while local governments prod factories to restart production.
- Big data shows a visible pickup in inbound population in major provinces.
- Early signs of stabilization can be seen in some manufacturing activity contraction.
- Still, the economy is operating far below capacity, signaling a sharp YOY slowdown for 1Q.

Work resumption rates for larger industrial enterprises (official)

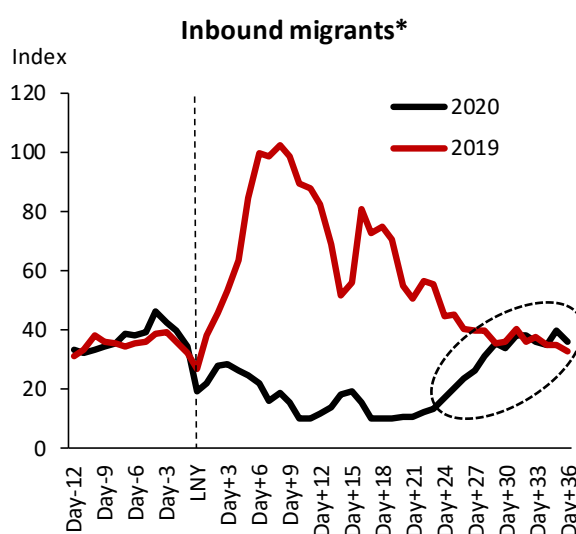


- Urged to restore economic activity by President Xi Jinping, large part of the country has relaxed curbs on transport and travel last week as reported new cases of coronavirus outside Hubei fell to the lowest in a month.



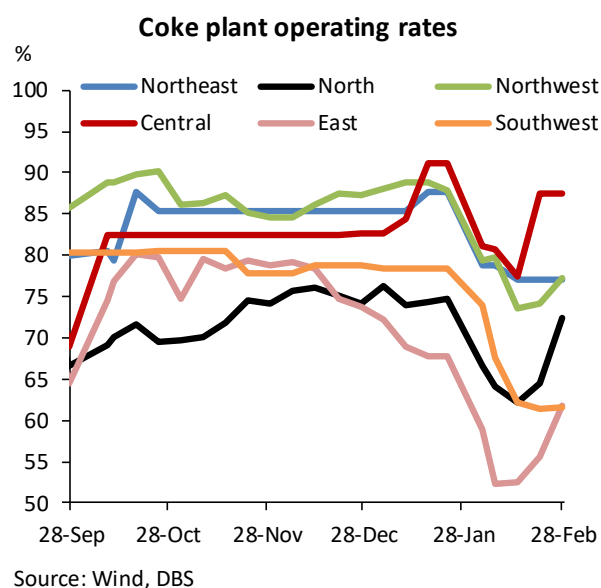
- Inbound population in major manufacturing hubs registered a visible pickup as a result, according to Baidu Qianxi Index.

(Qianxi index is calculated using big data from Baidu users' mobile phones location services, combined with Baidu's flight tracker and transportation information systems for e.g. trains and buses that are integrated with Baidu.)



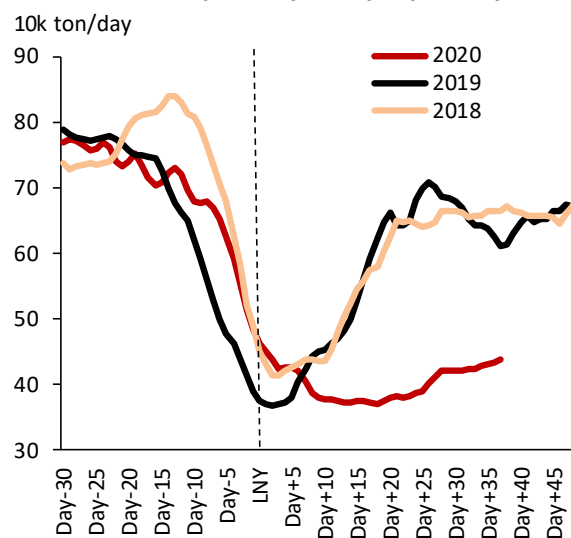
Source: Baidu, DBS; *Aggregate data for Guangdong, Jiangsu, Shandong, and Zhejiang

- Factories are rumbling back into production, evidenced by a rebound in coke plant operation rates.



- Coal demand from major coastal power generators, a widely-tracked gauge of industrial production, has started to stabilize.

Coal consumption by 6 major power plants

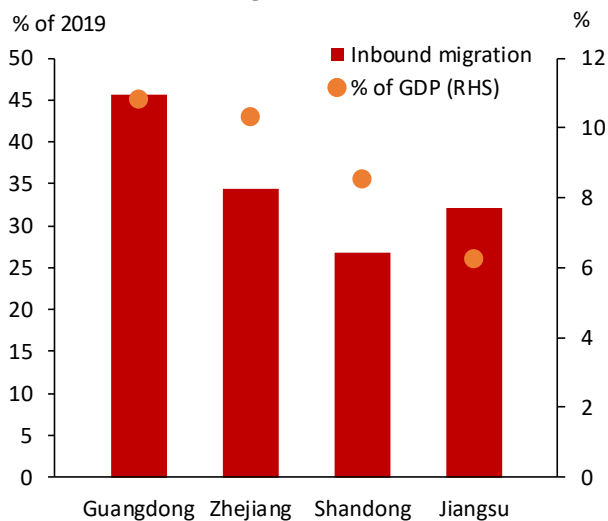


Source: Wind, DBS

- But many companies will remain understaffed in the near term. Cumulatively, inbound migration since LNY was just about 26-45% of the 2019 levels in Guangdong, Jiangsu, Shandong, and Zhejiang (four economically most important provinces).

It suggests the official figures on the front page may overstate the reality, as it is based on the number of companies that have started operating, without factoring in whether their capacity has been fully restored.

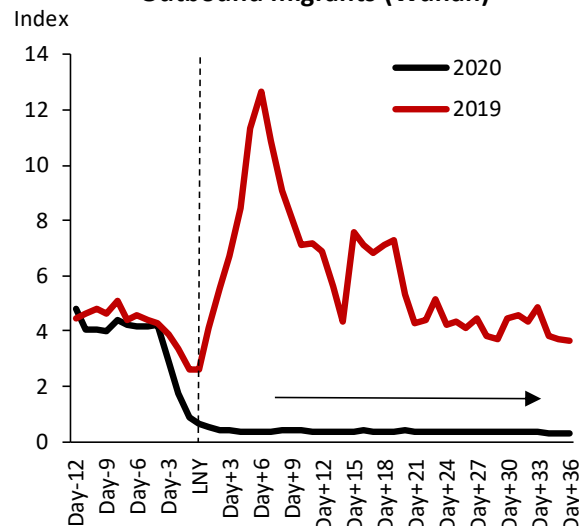
Inbound migration (LNY - Mar 2)



Source: Baidu, DBS

- What's it like in Wuhan? Traffic flow in the city and the entire Hubei province drastically reduced as all outbound trains and flights have been halted since late January. Likewise for its neighboring Henan province.

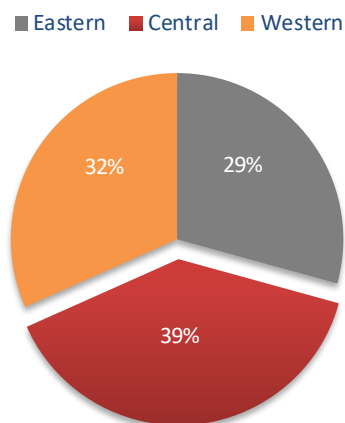
Outbound migrants (Wuhan)



Source: Baidu, DBS

- *Impact must not be underestimated. The central hinterland has long been the critical source of migrant workers.*

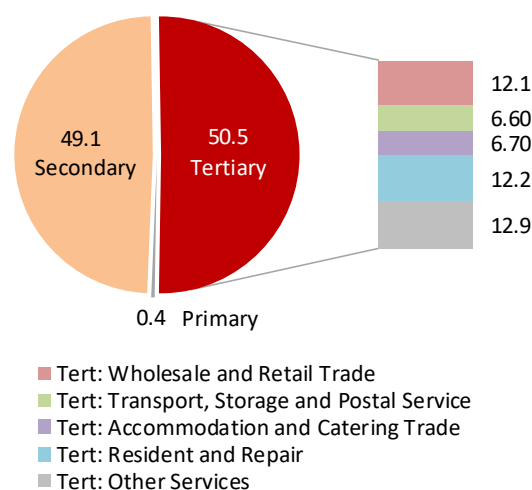
Resident location of migrant workers (%)



Source: CEIC, DBS

- *Delayed return of labors could disrupt not only the manufacturing but also services sectors, which do not have the luxury of working from home.*

Migrant workers by industry (%)

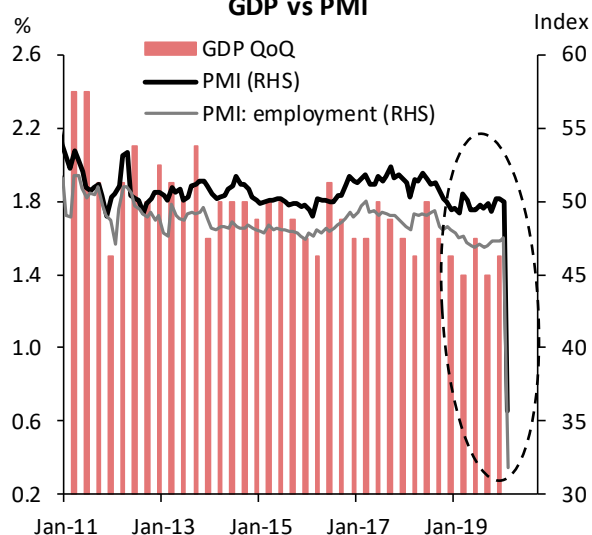


Source: CEIC, DBS

- *February's PMIs help shed light on how hard the economy has been hit by COVID-19. Manufacturing PMI fell to a record low of 35.7 while the non-manufacturing index sank to 29.6.*

Some pickup is likely in March, reflecting government's progress in restoring production. Still, the economy is operating far below capacity. We expect policy support to strengthen in the coming months.

GDP vs PMI



Source: Bloomberg, DBS

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Sources: Data for all charts and tables are from CEIC, Bloomberg and DBS Group Research (forecasts and transformations).

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