China's factory activity stuns with fastest growth in a decade

China's manufacturing activity expanded at the fastest pace in more than a decade in February, an official index showed on Wednesday, smashing expectations as production zoomed after the lifting of COVID-19 restrictions late last year.
The manufacturing purchasing managers' index (PMI) shot up to 52.6 from 50.1 in January, according to China's National Bureau of Statistics, above the 50-point mark that separates expansion and contraction in activity. The PMI far exceeded an analyst forecast of 50.5 and was the highest reading since April 2012.
The world's second-largest economy recorded one of its worst years in nearly half a century in 2022 due to strict COVID lockdowns and subsequent widespread infections. The curbs were abruptly lifted in December as the highly transmissible Omicron spread across the country.
Global markets cheered the big surprise in the PMI with Asian stocks and the Australian dollar reversing earlier losses, the offshore yuan perking up and oil rallying, as investors took a more optimistic view on China's economic prospects.
"The high PMI readings partly reflect the economy's weak starting point coming into this year and are likely to drop back before long as the pace of the recovery slows," said Julian Evans-Pritchard, head of China economics at Capital Economics.
"We had already been expecting a rapid near-term rebound, but the latest data suggest that even our above-consensus forecasts for growth of 5.5% this year may prove too conservative."
Markets expect the annual meeting of parliament, which kicks off this weekend, will set economic targets and elect new top economic officials.
"The decent PMI readings provide a positive note for the upcoming National People's Congress. We expect the government to roll out further supportive policies to cement the economic recovery," said Zhou Hao, economist at Guotai Junan International.
The official PMI came out just before an upbeat private sector index from Caixin/S&P that showed activity rising for the first time in seven months.
Businesses accelerated their resumption of work and production, as the effect of economic stabilisation policies was felt by the sector while the impact of COVID-19 receded, the NBS said in a separate statement.
Furniture manufacturing, metal products and electrical machinery equipment saw big improvements, with production and new orders indexes in these industries all above 60.0.
New export orders rose for the first time since April 2021, the PMI showed.
At the same time, China's PMI contrasted with more downbeat factory activity readings from other Asian economies for February, showing conditions abroad were sluggish.
More broadly, the outlook remains mixed as the country's major trading partners deal with surging interest rates and cost pressures.
China's manufacturing sector had been under pressure this year with factory-gate prices falling in January, data last month showed, due to still cautious domestic consumption and uncertain foreign demand.
Manufacturing companies have also seen surging purchasing prices in steel and related downstream industries, the NBS said.
The official non-manufacturing purchasing managers' index (PMI) rose to 56.3 from 54.4 in January, indicating the fastest pace of expansion since March 2021.
Construction activity, which is part of the official non-manufacturing PMI, picked up further, standing at 60.2 from 56.4, partly due to the resulting boost to infrastructure spending and increasing financing to help developers complete stalled projects.

Workers direct a crane lifting ductile iron pipes for export at a port in Lianyungang, Jiangsu province, China June 30, 2019.
Stringer/ REUTERS

Bank of England: Cost of living crisis has forced families to dig into savings

DW

Families are saving far less than they did over the course of the Covid-19 pandemic and maxing on credit cards to maintain spending amid the cost of living crisis, official figures have revealed.
Brits set aside £3.5bn in January in savings accounts, a slight increase from December, but below the pre-pandemic monthly average increase of £4.6bn, according to the Bank of England.
Household finances are being crushed by the worst cost of living crisis in a generation, fueled by inflation surging to a 40-year high.
The rate of price increases – running at 10.1 per cent, although lower for three straight months now – has outstripped pay growth, meaning households are having to either use up savings or borrow to maintain spending.
Economists have calculated the amount of extra cash set aside since the pandemic is around £200bn, raising expectations Brits could continue consuming despite their real incomes falling rapidly.
However, fears of a coming recession and being made unemployed has whacked consumer confidence, resulting in people being more cautious with their money.
"Households were more willing in January than in previous months to draw on savings and to borrow more to support their consumption, but it is too soon to call a decisive shift in their behavior," Samuel Tombs, chief UK economist at consultancy Pantheon Macroeconomics, said.
Bank of England has bumped rates higher ten times in a row to 15-year high of four per cent to tackle inflation, which has raised incentives for people to save instead of spend.
The flip side of those moves has been to ramp up rates on credit cards and mortgages.
But Brits showed no sign of turning their noses up at taking on debt to fund shopping, with credit card spending up £1.1bn in January, reversing a net £200m repayment in December.
Higher credit card spending indicates inflation has partially eroded the value of consumers' savings, meaning those war chests risk being unable to allow Brits to maintain normal spending patterns.
"Household savings built up during pandemic have, in real terms, by and large been eroded," Ashley Webb, UK economist at consultancy Capital Economics, said.
The UK's top economic institutions including the Bank of England and Office for Budget Responsibility have assumed a run down in savings may support spending and cushion any recession in the country.
On Webb's reasoning, spending is only likely to recover once real incomes begin to rise, which would require inflation to fall markedly.

Germany's gas bill surged 109% last year despite slashed buying

Economy Desk

Germany's natural gas import costs more than doubled in 2022 despite volumes being slashed by 30%, official data from the Federal Office for Economic Affairs and Export Control (BAFA) showed.
The ongoing war between Russia and Ukraine which began last February triggered a spike in energy prices and prompted Germany to seek alternatives to Russian supply while imposing measures to curb use.
Germany's import bill increased to 74.0 billion euros ($78.74 billion) from 35.4 billion a year earlier, the BAFA data showed.
Import volumes fell to 3,524,126 TJ, equivalent to 100.2 billion cubic meters (bcm), from 5,008,943 TJ a year earlier.
The average price paid at the border jumped 197.3% to 21,007.58 euros per terajoule (TJ).
The average import price in December stood at 26,050.71 euros/TJ, equivalent to 9.38 cents per kilowatt hour (kWh), and was up 74% from a year earlier.
Helping spur Germany's hunt for alternatives to Russian energy was the closure of the Nord Stream I gas pipeline from Russia last August.
Germany in response bought more piped gas from European neighbors and sought liquefied natural gas (LNG) imports, while mild weather helped curb demand.
Still, the jump in prices and concerns about supply in Germany have contributed to inflation and triggered fears of a recession in Europe's biggest economy.

Electrical power pylons with high-voltage power lines are seen near Weselitz, Germany November 18, 2022.
Lisi Niesner/ REUTERS

Russia helps OPEC+ stabilize market

Sadeq Dehqan
Staff writer

EXCLUSIVE

The Organization of the Petroleum Exporting Countries (OPEC) and its allies, collectively known as OPEC+, have been working to stabilize the global oil market. While all members of OPEC+ have played a crucial role in this effort, Russia, in particular, has emerged as a key player in the energy market.
Russia, has been an active member of OPEC+ since 2016 and the largest oil producer of the group. After that, it has played a positive role in stabilizing oil prices and reducing volatility in the market.
In April 2020, OPEC+ made the historic decision to cut oil production to 9.7 million barrels per day (bpd) in response to the drop in demand caused by the COVID-19 pandemic. This was the largest production cut in history and was aimed at rebalancing the market.
Russia played a crucial role in making the decision, as it was one of the largest producers to agree to the cuts.
The production cuts have been successful in reducing the oversupply of oil in the market and stabilizing it. As a result, oil prices have gradually recovered from their lows in April 2020. This has been a positive development for both producers and consumers, as it has helped restore confidence in the market and ensure the long-term stability of the industry.
In January 2021, OPEC+ agreed to gradually increase oil production by 500,000 bpd from February 2021. Russia played a key role in this decision, which was aimed at meeting the growing demand for oil as the global economy slowly recovers from the pandemic.
Moreover, Russia has been actively engaging with other producers beyond OPEC+ to promote cooperation and stability in the energy market. This demonstrates Moscow's commitment to working with other producers to ensure the long-term stability of the energy market.
In summary, as the world continues to grapple with the ongoing energy problems, Russia's continued support for OPEC+ and its efforts to promote market stability will be crucial in ensuring the long-term sustainability of the energy industry.