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China’s Factories Report Surge in Activity After Lockdowns End

Manufacturing activity rose in February to its highest level in more than a decade, bolstering China’s recovery after restrictions paralyzed much of the country.

By Patricia Cohen

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After being brutally battered by the coronavirus pandemic last year, Chinese factories bounced back with unexpected vigor last month.

The official index of manufacturing activity, based on surveys of purchasing managers at companies in China, shot up in February from the month before to its highest level in more than a decade. The index of service sector activity also rose. Both measures suggested that business had expanded for a second straight month, after contracting during the Covid restrictions.

After a year of unrelenting lockdowns, quarantines and coronavirus testing that paralyzed much of the country, Beijing lifted restrictions without warning in early December. The abrupt reversal in policy resulted in a rampage of infections, and rough estimates suggest that up to 1.5 million people have died in the Covid wave. But it also freed the economy to begin a revival.

“Overnight we’ve seen a decent change in momentum for risk as upbeat China data has revived optimism for the reopening trade that has been flagging of late,” analysts at Deutsche Bank wrote after the statistics were released. The Hang Seng stock index in Hong Kong rose more than 4 percent on Wednesday.

The upbeat news came just days before China’s leaders gather for the annual meeting of the National People’s Congress.

China is the second-largest economy in the world, after the United States, but its manufacturing capacity is gargantuan, producing more of the globe’s factory output than the United States, Germany and Japan combined.

The health of China’s economy ripples through other economies. “China’s economic resurgence, coming after the disruptions caused by the zero-Covid policy and then its abrupt reversal, is a positive omen for the global economy's prospects this year," said Eswar Prasad, a trade policy professor at Cornell.

China's economic growth rate of 3 percent in 2022 was one of its worst showings in nearly half a century. Economists expect growth to rebound this year, with the International Monetary Fund forecasting an expansion of 5.2 percent. Investors betting on a recovery have pushed Chinese stocks higher this year.

The manufacturing data released on Wednesday further fed some analysts' optimism: Schroders, an investment manager, raised its forecast for economic growth in China this year to 6.2 percent, from 5 percent.

But the damage from three years of China's "zero Covid" policies will take time to heal. Extended lockdowns forced small businesses to permanently shutter, and wide-scale testing burdened government finances.

Analysts at Mitsubishi UFJ Morgan Stanley noted that China's national statistics bureau cautioned that demand remained weak. It may become clear this weekend whether the political leadership decides to offer support that would prop up private firms, the sagging real estate sector and infrastructure investment.

Despite the weaknesses, the recent news suggested that China could see relatively good growth this year, Mr. Prasad of Cornell said. He added that the latest figures "will ease some of the pressure on the country's leadership to announce significant stimulus measures at the forthcoming meeting of the National People's Congress."

Patricia Cohen is the global economics correspondent based in London. Since joining The Times in 1997, she has also written about theater, books and ideas. She is the author of "In Our Prime: The Fascinating History and Promising Future of Middle Age." @PatcohenNYT • Facebook