

## China: Industrial profits hit a 25-month high amid signs of bottoming out

China's industrial profits reached a 25-month high of 10.2% YoY ytd in the first two months of 2024. Combined with earlier industrial production data, we see positive signs for industrials having bottomed out



Workers at an electronic factory in Eastern China

**10.2** China industrial profits growth  
YoY% ytd

Higher than expected

### Industrial profits recovered to positive growth

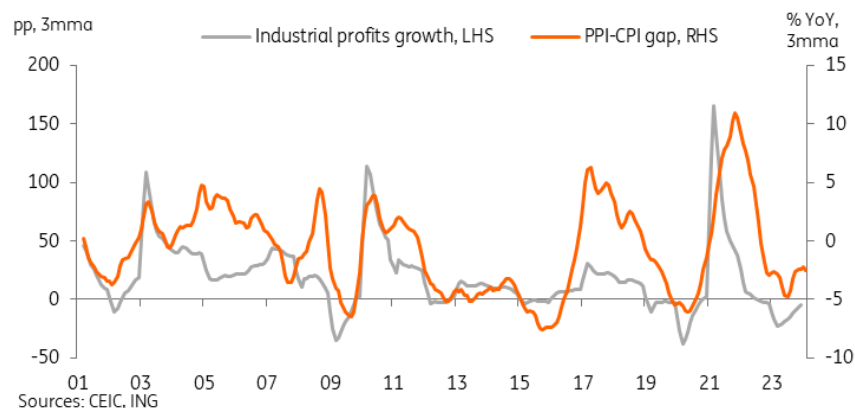
Industrial profits rose from -4.3% YoY in 2023 to 10.2% YoY ytd through February 2024. This was the first positive growth since June 2022 and was also the highest growth rate since December 2021.

By sector, this was mostly due to manufacturing profits recovering to 17% YoY ytd, up from -2.0% YoY in 2023. Mining remained in negative growth at -21% YoY, down from -19.7% YoY. Utilities continued to outperform with 63.1% growth, up from 54.7% YoY in 2023.

By industry, similar to the industrial production data, we saw a strong performance in the "computer, communications and other electronic equipment manufacturing" category, with profits up 210.9% YoY ytd, likely amid a tech self-sufficiency push as well as a consumer electronics upgrade cycle. Other industries seeing strong profit growth included ferrous metal mining and processing (101.3% YoY ytd), non-ferrous metal smelting and rolling processing (65.5% YoY ytd), and transportation equipment (90.1%). Industries continuing to see negative profit growth included coal (-36.8% YoY ytd), and pharmaceuticals (-4.4% YoY ytd).

By ownership structure, private enterprises continued to outperform, with profit growth of 12.7% YoY ytd, up from 2.0% YoY in 2023. Encouragingly, state-owned enterprises also returned to positive profit growth of 0.5% YoY ytd, up from -3.4% YoY in 2023.

## China's industrial profits confirm bottoming out



## More signs point to a recovery of industrials in 2024

After an upside surprise to industrial production to start the year, a further recovery of industrial profits sends another signal that we are indeed seeing a gradual recovery after a bottoming out last year. The PPI-CPI spread has also been trending in a favourable direction, though it remains to be seen if the rebound in CPI can be sustained as the boost from the Lunar New Year effect will no longer be in play in the upcoming months' data. A weak base effect through all of 2023 will boost the YoY numbers this year, and manufacturers could benefit from the trade-in policies expected to be implemented this year. If the recovery of manufacturing continues, it would contribute toward reaching the 2024 growth target, but more supportive policies are still needed to sustain the momentum and recovery.

### Author

**Lynn Song**

Chief Economist, Greater China

[lynn.song@asia.ing.com](mailto:lynn.song@asia.ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).