

## China: Momentum waned in October

PMI data for October showed momentum in China's economy waned following recent improvements in hard activity data. The manufacturing PMI dropped back into contraction territory and the non-manufacturing PMI also fell



Source: Shutterstock

**49.5** Manufacturing PMI index  
Down from 50.2  
**Lower than expected**

### Economic momentum slowed in October

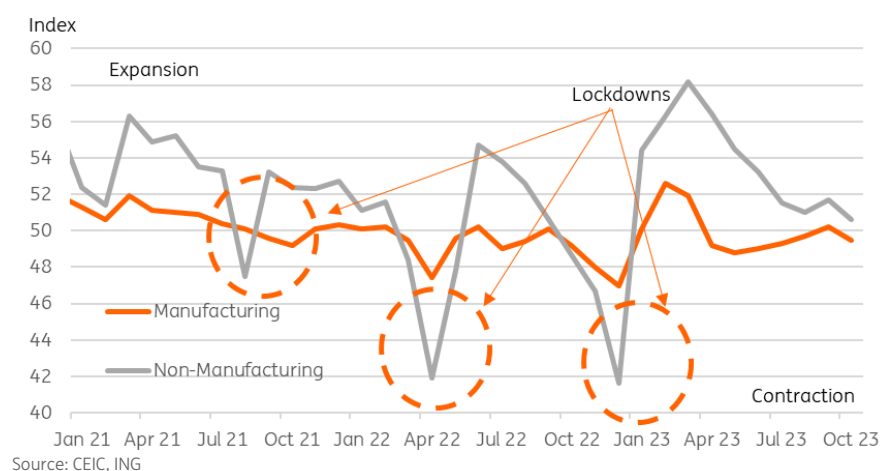
China's Official PMI numbers fell in October, which comes as a slight shock as recent activity data had been firming, and this suggests that the economy is still struggling despite the better-than-expected 3Q23 GDP figures reported recently.

China's composite PMI dropped from 52.0 to only 50.7 - consistent with only very slow overall economic growth. Within this total, the manufacturing PMI index fell into contraction territory (49.5, down from 50.2). There was a bigger fall in the non-manufacturing index to 50.6 from 51.7,



but it managed to remain in expansion territory (just).

## China's Official PMI indices (headlines)

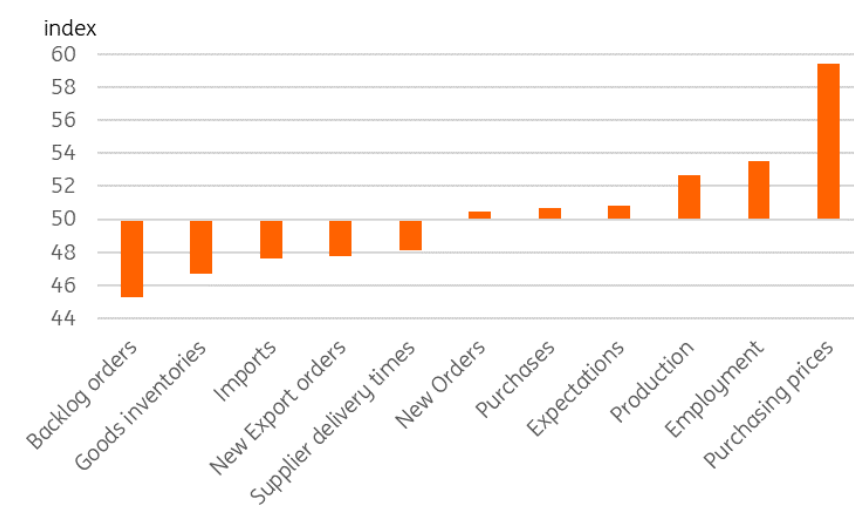


## Most industries saw growth slow

By industry type, most manufacturing sectors experienced a slowdown in growth in October, though for companies that are heavy consumers of energy, activity actually declined slightly, perhaps affected by recent increases in the prices of crude energy.

Focusing on the manufacturing sector, the sub-components of the PMI index were quite mixed. Weak export orders and an inventory buildup, together with weak imports weighed on the headline index. Manufacturing production itself was not so bad, and employment also looked stronger, though quite a lot of the increase can be attributed to higher purchasing prices, which isn't necessarily a good thing.

## October 2023 Manufacturing PMI - subcomponents



Source: CEIC, ING



## 4Q23 GDP could slow

If reflected in hard activity data, today's PMIs suggest that the momentum of China's economic growth ebbed at the beginning of the fourth quarter. Talk of recent support measures, including a wider central government deficit, will help offset any tendency for the economy to slow, though such measures will probably have more of an impact on growth at the beginning of 2024, given that we are already a third of the way through 4Q23.

Even so, today's data suggest that although it has weakened, economic growth is still ongoing. And if this initial set of data is representative of what will follow for the rest of the quarter, it should still be enough for China to hit its 5% GDP target for 2023 though on slower incremental growth in the fourth quarter of 2023.

That said, 5% is a low hurdle, and reaching it doesn't mean that all of China's growth worries are over.

### Author

#### Robert Carnell

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@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 <http://www.ing.com>.