

China PMI data suggests manufacturing had a solid start to 2025

Manufacturing returned to expansion for the fourth month in five as new orders and production hit 10-month highs



Beijing, China

50.2

 China's official manufacturing PMI

Higher than expected

Official manufacturing PMI beat expectations to return to expansion

China's February manufacturing purchasing managers' index (PMI) rebounded to 50.2, up from 49.1 in January, beating market forecasts of 49.9. This marked a return to expansion territory after a soft January reading.

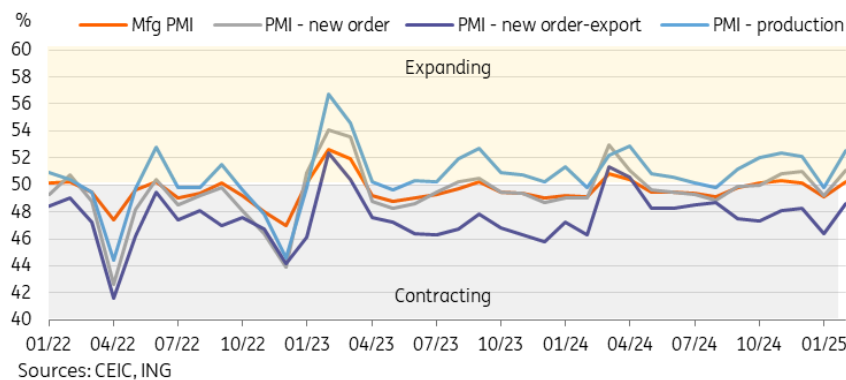
The rebound in February was led by strong bouncebacks in the new orders index, which recovered to 51.1 from 49.2. Also, the production index rebounded to 52.5 from 49.8. Both subindices marked

10-month highs.

New export orders saw an uptick during the month to 48.6 from 46.4. While this represented a tenth consecutive month in contraction, there doesn't appear to be any significant immediate impact from the first round of US tariffs in February.

By enterprise size, large enterprises (52.5) continued to outperform medium (49.2) and small (46.3) enterprises in February. This has been the prevailing theme since 2023. Large enterprises have mostly expanded, while medium and small enterprises have often stayed in contraction territory. Given the continued softness of smaller firms, we expect the government to roll out various policies to support the sector.

New orders and production drove the rebound in February

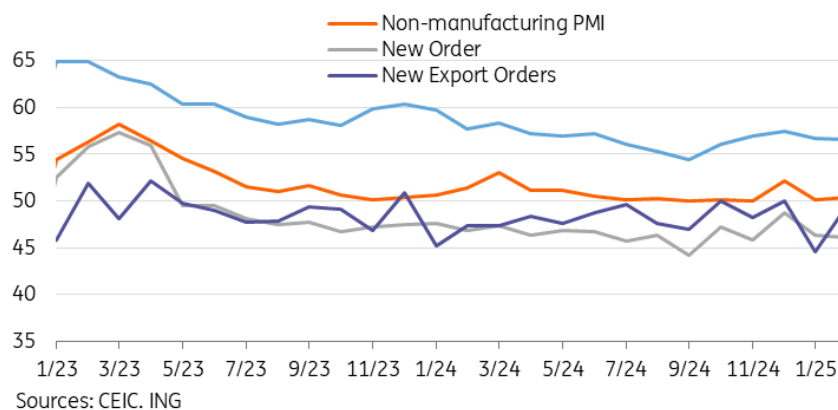


Non-manufacturing PMI remained in expansion but subindices look soft

The non-manufacturing PMI saw a smaller uptick in February, to 50.4 from 50.2, in line with consensus forecasts. The index has been at, or above, the 50 threshold for 26 months now.

The non-manufacturing subindices suggest things may be a little less rosy than what headline numbers suggest. Most of the subindices, including new orders and new export orders, contracted. The only exceptions were business expectations and supplier delivery times.

Non-manufacturing PMI stayed in expansion but new order activity remained soft



Caixin manufacturing PMI rebounded to 50.8

Caixin's manufacturing PMI also rebounded to 50.8 from 50.1, a three-month high, benefiting from an uptick in both output and new orders. This beat market forecasts for an uptick to 50.4.

As a reminder, Caixin's manufacturing PMI survey respondents tend to be more centred on smaller and export-oriented companies, with a higher representation of private sector firms. Economists will pay close attention to whether we see a greater divergence between the Caixin and official PMIs. This could be a valuable gauge of the impact new tariffs are having on the manufacturing sector. With an additional 10% tariff set to come into effect tomorrow, this seems likely.

Overall, PMI data from the first two months suggests industrial production growth remained relatively steady to start the year. However, an unfavourable base effect from the first two months of 2024 and a strong December could cause some moderation in the year-over-year numbers. We expect mid-single-digit growth for industrial production in 2025, with domestic demand likely to play a larger role to help offset any potential slowdown in exports.

Author

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

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