

## China PMIs remain downbeat

A further slowdown in the service sector recovery coupled with a slight moderation in manufacturing contraction does not amount to any meaningful improvement to the overall economic backdrop



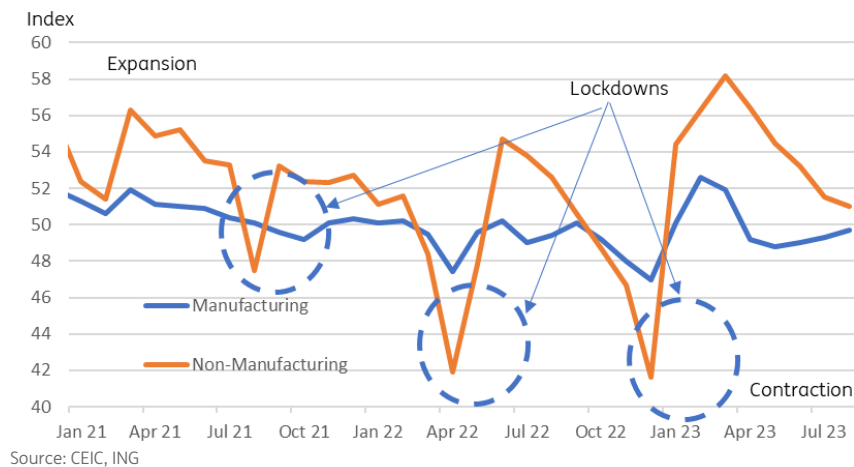
Beijing, China

### Mixed news - but no real improvement in total

The latest official PMI data were not uniformly bad. The manufacturing index actually rose slightly, to 49.7, and this is the third consecutive increase since the May trough of 48.8. But it remains below the 50-level that is associated with expansion, and so merely represents a moderation in the rate of decline. That may be of some comfort to those of a sunny disposition.

The non-manufacturing series, which had reflected the bulk of the post-re-opening recovery, fell further in August. The index of 51.0 was a little lower than the forecast figures (51.2) but it is at least still slightly above contraction territory.

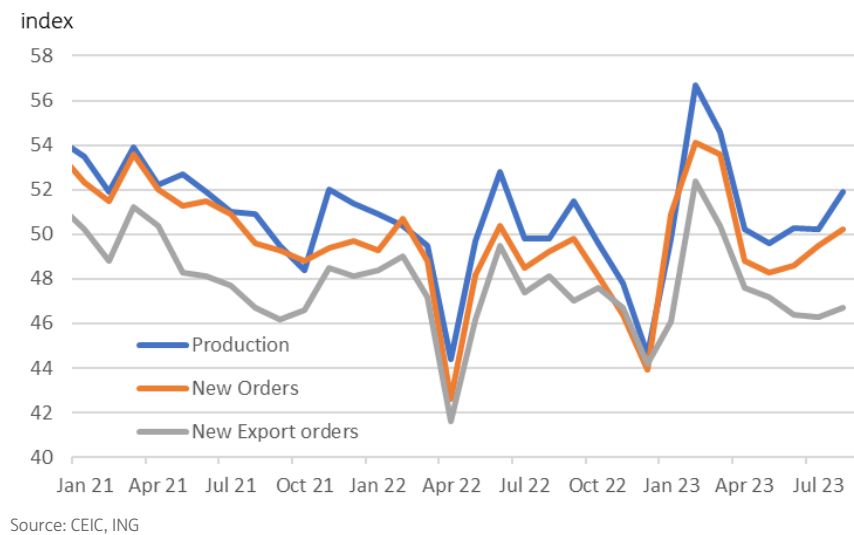
## China official PMIs (50 = threshold for expansion / contraction)



### Brighter signs in manufacturing

Looking at the components underlying both series and starting with the manufacturing series: the latest data show an improvement in production to a point which actually points to expansion. That has to be tempered by the forward-looking elements of orders. Here, the data is mixed. Total orders have improved to hit the 50 threshold signalling that contraction has ended. This must be mainly domestic orders, as the export orders series remains bombed out. But that at least provides some encouragement about the near-term outlook.

### Manufacturing PMI components

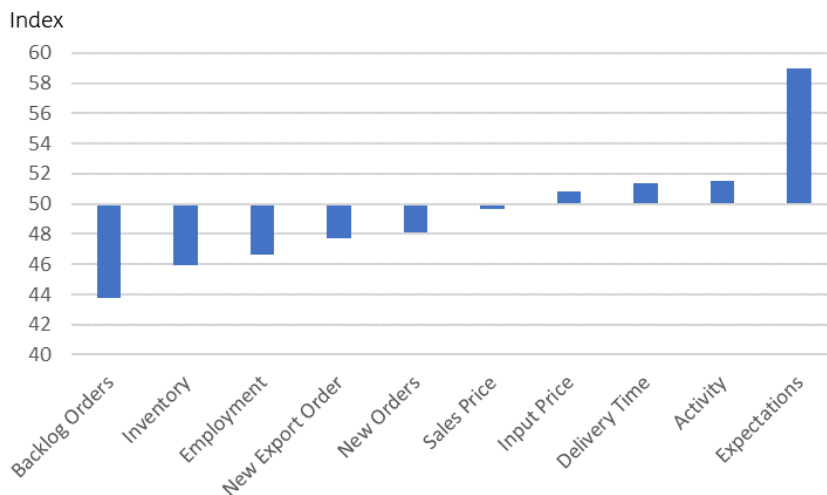


### Outlook for service sector remains negative

The forward-looking elements of the service sector PMI index remain in contraction territory, unlike their manufacturing counterparts, and that suggests that the headline index has probably not yet troughed and will fall further. A glimmer of hope may be in the export series, which, while clearly continuing to signal contraction, did fractionally rise this month.

Overall, though, both series seem to be converging on a point close to 50 consistent with an economy that is neither expanding nor contracting. Things could be worse. But markets are not likely to take too much comfort from this set of data.

## Non-manufacturing PMI sub-components



Source: CEIC, ING

### 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>.