

## China's October manufacturing PMI returned to expansion

Official manufacturing PMI beat forecasts to hit a six-month high of 50.1, eeking out a slight expansion



China's manufacturing PMI rose to 50.1 in October

### China's manufacturing PMI surprisingly returned to expansion

China's PMI beat expectations with an uptick to 50.1 in October, which marked the first expansion since April, and marked a six-month high. The 50.1 level is the smallest possible expansion for the PMI but nonetheless bucks expectations for continued contraction, and is a positive sign that the small bounce back of industrial production that we saw in September could continue.

Looking at the subindices, there are some signs that the domestic situation could be seeing a gradual improvement. The production subindex hit a six-month high of 52.0, and new orders also returned to a neutral state of 50.0 after contracting the previous five months. While still in contraction, employment (48.4 up from 48.2), purchases (49.3 up from 47.6), imports (47.0 up from 46.1), and backlog of orders (45.4 up from 44.0) also saw smaller declines compared to last month.

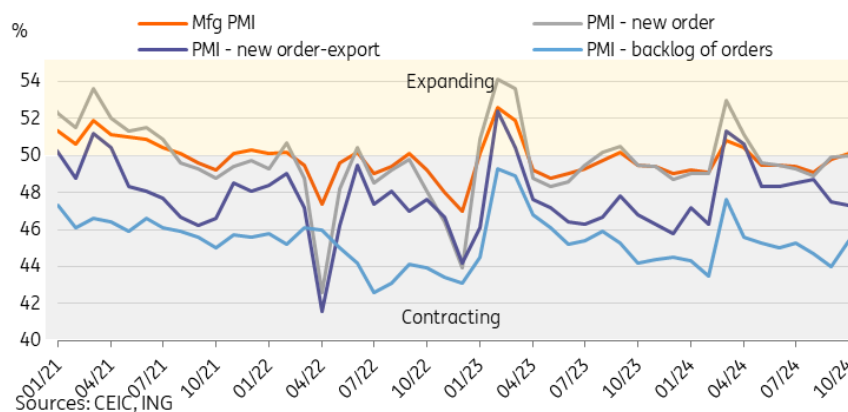
However, we continued to see that new export orders saw a further decline on the month, down to an eight-month low of 47.3. The downward trend from the last few months appears to signal that external demand continues to weaken; this aspect was one of the main drivers behind a stronger-

than-expected performance of manufacturing for much of 2024.

The overall improvement was driven by large enterprises (51.5 up from 50.6) and medium-sized enterprises (49.4 up from 49.2), while small enterprises (47.5 from 48.5) worsened on the month.

Moving forward we'll need to see if the stimulus rollout can lead to a recovery of domestic demand to offset potentially softer external demand picture, which could be even less favourable if we do see a Trump victory next week and a subsequent escalation of tariffs.

## Orders situation showed recovery domestically while export orders further slumped



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