

## China's PMI data softened slightly in July

Manufacturing and non-manufacturing PMIs both edged slightly lower in July dragged down by weak domestic demand



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# 49.4

 China's manufacturing PMI

As expected

### Manufacturing PMI remained in contraction

China's July official manufacturing PMI slowed slightly to 49.4, down from 49.5 in June. This marked the third consecutive month the PMI has been below 50 - the threshold between expansion and contraction - and also marked a 5-month low.

By subcategory, we saw some mixed performances but generally, the more important subcategories trended a little weaker. The biggest decline was in production, which fell from 50.6 to 50.1. New orders also fell further into contraction from 49.5 to 49.3, as domestic demand remains sluggish. In contrast, we saw slightly smaller contractions in new export orders (48.5) and imports (47.0) compared to June. The employment subcategory rose to 48.3 in July; while still in contraction, it nonetheless marked a 14-month high. Additionally, the producer prices component

weakened to a 13-month low of 46.3 on the month, which may signal weak inflation persisting for now.

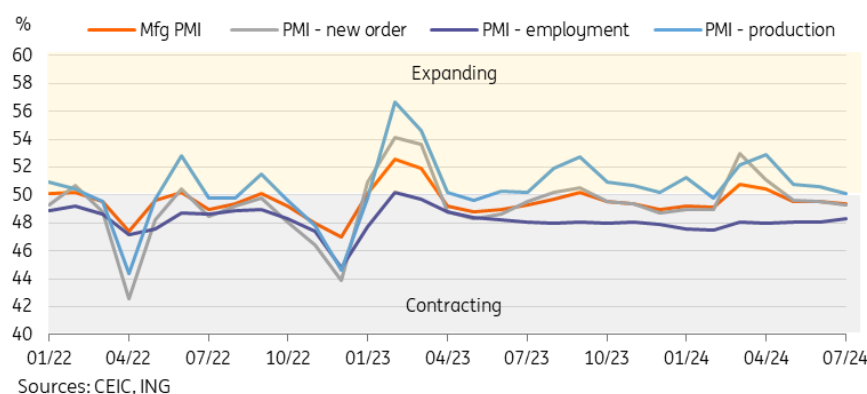
By enterprise size, we continued to see the same theme from previous months play out, with large enterprises remaining in expansion and outperforming medium and small enterprises which have been back into contraction in the past few months.

The non-manufacturing PMI also slowed in July, down from 50.5 to 50.2. While this remained in expansion for the 19th consecutive month, it also matched the lowest level of this period last seen in November 2023.

The data release indicated robust performances in various subcategories including rail and air transportation, postal services, telecoms, and sports and entertainment among other categories, but retail, financial services, and real estate were in contraction territory.

Service sector new orders have been in contraction for the last 15 months, and new export orders have been in contraction for the past 7 months. The continued weakness of new orders could add to pressure in upcoming months' data.

## China's manufacturing PMI trended slightly weaker



## A slowdown of manufacturing could increase the urgency to bolster growth in other areas of the economy

The softening of PMI data over the past three months, combined with incoming tariffs on EVs and other products, adds to the likelihood that industrial activity may also moderate in the coming months.

As one of the main drivers of growth through the first half of the year, if manufacturing begins to slow we will likely need to see other areas of the economy pick up the slack.

With consumption likely to remain soft amid still downbeat confidence, we may need to see an acceleration of state-led investment in the second half of the year to progress toward the 5% GDP growth target for the full year. As the July Politburo meeting signalled, the government will step up the issuance of special bonds, and utilise the proceeds from ultra-long-term bonds to facilitate this process.

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