

China's PMI shows manufacturing resilience amid tariff headwinds

China's manufacturing purchasing managers' index continued to rise in March, hitting a twelve-month high. It suggests that the manufacturing sector has yet to be significantly impacted by tariffs in early 2025



Source: PBOC

50.5

China's March Manufacturing PMI

Higher than expected

Manufacturing PMI reached 12-month high

China's official manufacturing purchasing managers' index (PMI) rose to 50.5 in March from 50.2 in February, reaching a 12-month high. The manufacturing PMI has remained in expansion territory

for five of the past six months.

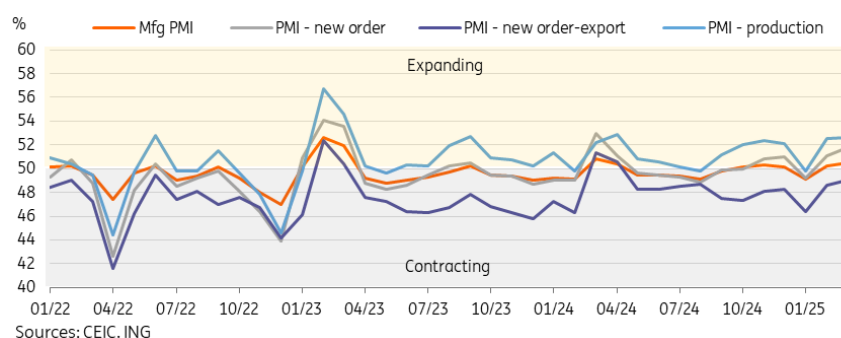
The uptick in March was fairly broad-based, and the key subindices showed some improvement on the month. Production saw a modest uptick to 52.6 from 52.5, while new orders rose to 51.8 from 51.1. New export orders also rose on the month despite additional tariffs taking effect on 4 March, rising to 49.0 from 48.6. Though still in contraction territory, it represents an 11-month high. The data doesn't suggest tariffs have had a significant impact on new orders so far. It could be argued, though, that importers are still front-loading orders out of fear April could bring another round of tariffs. Additional months of observation are still needed.

The discrepancy between total new orders and new export orders suggests domestic new orders played a significant role in the uptick. Though we have yet to see a significant hit to export orders, it's likely that policymakers will look to domestic demand to help offset an eventual slowdown in external demand. China's equipment renewal scheme and trade-in policies will be the two main levers for boosting domestic demand this year.

Other subindices suggest a continuation of recent trends. The employment subindex remained in contraction for the 25th consecutive month, as Chinese firms remain cautious on hiring, and manufacturing continues to pivot away from labour-intensive manufacturing. Producer prices remained in contraction territory for the tenth consecutive month, suggesting that deflationary pressure will remain significant amid heavy cost competition.

Large enterprises (51.2) continued to outperform, but medium (49.9) and small (49.6) enterprises saw improvement and moved closer to the key 50 threshold which divides expansion and contraction.

Domestic activity continues to be the key driver but export orders yet to show tariff shock



Non-manufacturing PMI also further recovered in March

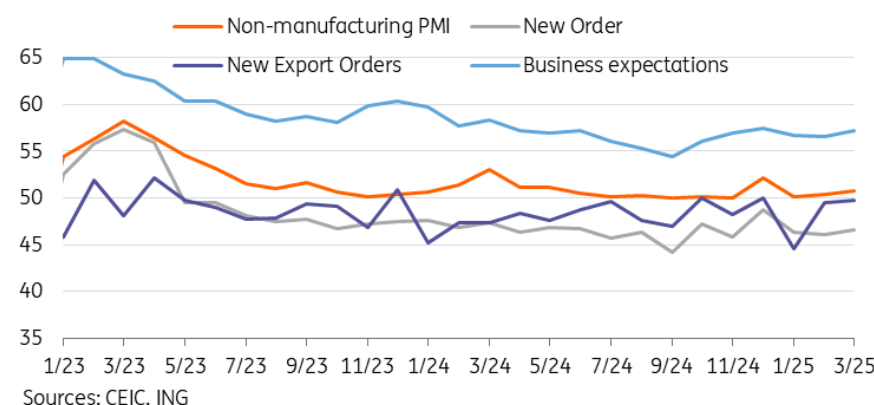
The non-manufacturing PMI also saw a respectable uptick in March, rising to 50.8 from 50.2. The non-manufacturing PMI has remained at 50 or above since the start of 2023.

In terms of subcategories, the continued strong performance of the business expectations at 57.2 continues to support the overall PMI, while many other subindices remained in contraction territory. New export orders for services also saw slight improvement, to 49.8 and actually outperformed the overall new orders subcategory, which came in at 46.6. Employment also

remained in contraction territory for a 25th consecutive month.

China's [action plan to boost consumption](#) calls on building out the services sector, including childcare and elderly care, so-called "life services" like catering, domestic services, healthcare and tourism. It's possible these industries could benefit from policy support in the coming months as well.

Business expectations helped keep non-manufacturing PMI in expansion territory



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