

## Divergent Chinese PMIs suggest resilient external demand, but soft domestic environment

China's official manufacturing PMI slowed to 49.0, matching the 33-month low, while the RatingDog measure solidly beat expectations at 52.1. The divergence suggests that the domestic economy is off to a sluggish start to 2026, while external demand remains solid



China's manufacturing sector has slipped back into contraction territory.

**49.0** China's February manufacturing PMI

Lower than expected

### Manufacturing PMI showed significant divergence

China's official manufacturing PMI declined to 49.0 in February, down from 49.3. The data, published by the National Bureau of Statistics, came in weaker than market forecasts for 49.2. The

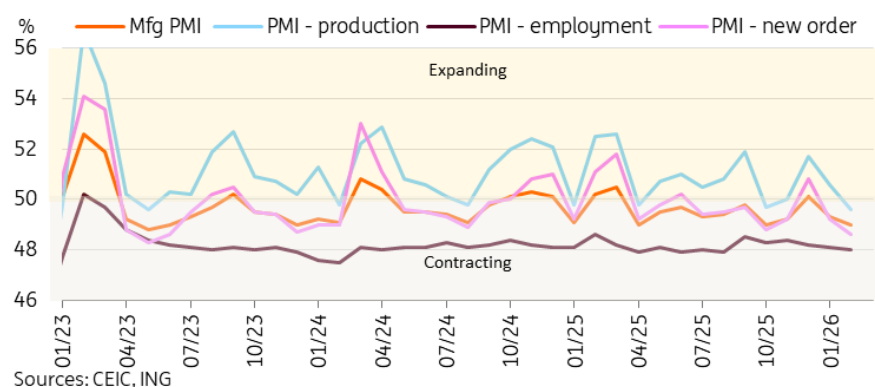
reading below the 50 threshold, which demarcates expansion and contraction, shows manufacturing has now contracted in 10 of the past 11 months. The 49.0 level itself is in line with multiple other months for a 33-month low.

The PMI subindices were softer across the board. The production subindex fell to 49.6, a 38-month low, and snapped a 3-month expansion streak. New orders softened notably, down to 48.6, a 32-month low, as new export orders slid to 45.0. Employment also remained at contractionary levels for a 36th consecutive month. Yet the price subindices suggest price recovery, with ex-factory costs up 50.6 and raw material purchase prices at 54.8.

In contrast, the RatingDog manufacturing PMI unexpectedly rose to 52.1, up from 50.3. It showed new orders hitting the highest level since 2020. This divergence is likely tied to the sample size of the surveyed companies; this measure is more focused on export-oriented and private enterprises versus the NBS survey. It suggests external demand likely remained resilient for China in the first two months of the year. We will be able to verify this when trade data is released next week.

Overall, the mixed bag of manufacturing PMI data suggests a similar trajectory to what we observed in 2025: resilient external demand continuing to drive growth, while domestic demand has been disappointingly soft. Without policy support rollout, domestic demand looks likely to continue to flounder.

## Key subcategories of the NBS manufacturing index all softened in February



## Services sector also mirrored the divergence in the manufacturing PMI

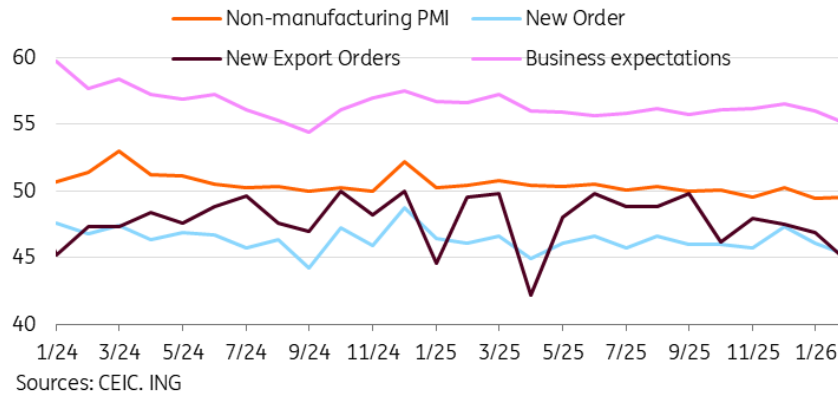
China's non-manufacturing PMI from the NBS edged up to 49.5, up from 49.4. While the headline number moved a little higher, it also came in a bit softer than the consensus forecast. It has remained in contraction for 3 of the past 4 months. The subindices also provided little reason for cheer, with new orders and export orders both dropping on the month.

The RatingDog services PMI, on the other hand, well surpassed market forecasts, reaching 56.7, the highest level since 2023.

Given policymakers' guidance to increase the role of services in the economy, including boosting support for the tourism, childcare, and elderly care sectors, the services sector should be an area

of relatively stronger performance over the medium term.

## Non-manufacturing PMI edged up but remained in contractionary territory



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