

China Economy

Broad-based weakening PMI reflected economic moderation

China PMI recorded its weakest October reading since 2008, reflecting a further slowdown in economic activity in 4Q25. Trade pressure mounted as both export and import order indices dropped to recent lows, while production and new order indices further contracted. Corporates procurement and orders on hand declined as demand softened. Non-manufacturing PMI inched up as service improved while construction extended its weakness. The broad-based weakening in PMI pointed to growth pressure in 4Q25 given the much higher base last year, which may prompt continued policy easing. We expect the central bank to further cut the RRR and LPR in Nov/Dec by 50bps and 10bps. The Ministry of Finance may also need to introduce additional fiscal stimulus measures, including accelerated fiscal spending and an early front-loading of the 2026 debt quota, to support households, consumption, and the property sector.

- Manufacturing PMI contracted to recent low as trade pressure mounted.** Manufacturing PMI dropped to 49% in Oct from 49.8%, missing market expectations at 50%. Both export and import order indices dropped to new lows at 45.9% and 46.8% since reciprocal tariffs in Apr, as export front-loading lost momentum. Production index slid into contraction at 49.7% from 51.9%, while new order index declined to 48.8% from 49.7%, both marking a new low since Dec 2023. The anti-involution policy continued to drive reflation, yet more mildly, in upstream sectors, as raw material purchase price index moderated to 52.5% in Oct from 53.2%. But the ex-factory price further contracted to 47.5% in Oct from 48.2%, indicating the final demand was still weak. Corporates procurement and orders on hand declined as demand softened. Breaking down by sector, food processing, auto and other transport equipment saw robust performance in both new orders and production, while textiles & apparel, chemical fibers, rubber, and plastic products, and non-metallic mineral products saw notable contraction.
- Non-manufacturing PMI edged up amid recovering service sector.** Non-manufacturing PMI edged up to 50.1% in Oct from 50%, missing the market expectation at 50.3%. Service PMI picked up to 50.2% from 50.1%, driven by smaller contraction in price and employment indices. New order and business expectation both fell. Breaking down by sector, holiday-related activities including rail & air transportation, lodging and culture, and sports & entertainment showed high prosperity, while insurance and real estate contracted. Construction PMI dipped to 49.1% in Oct from 50.6%, suggesting that weakness in infrastructure investment persisted into Oct.
- Broad-based weakening in PMI indicates further deterioration in economic activity.** Oct's PMI marked the weakest reading for the month since 2008, reflecting that economic momentum may slow notably in 4Q25 amid demand overdraft from earlier export frontloading and stimulus policy. Given the much higher base last year, growth pressure in 4Q25 may prompt moderate policy easing. We expect the central bank to further cut the RRR and LPR in Nov or Dec by 50bps and 10bps. The Ministry of Finance may also need to introduce additional fiscal stimulus measures, particularly those targeting households, consumption and property sector.

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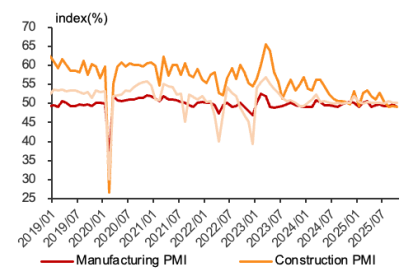
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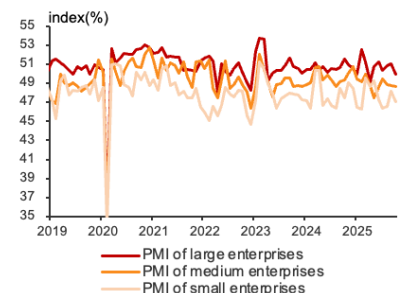
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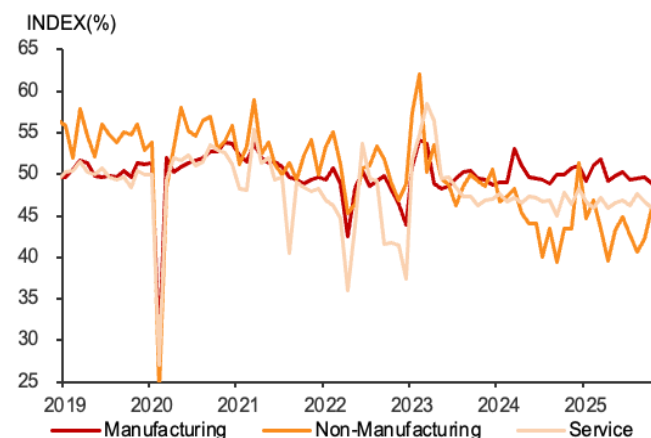
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Source: NBS, CMBIGM



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Figure 1: New Order Index

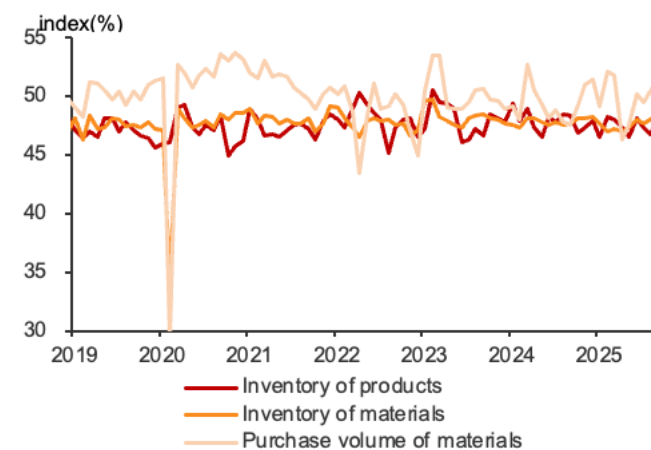
Source: Wind, CMBIGM

Figure 2 : Business Sentiment Index

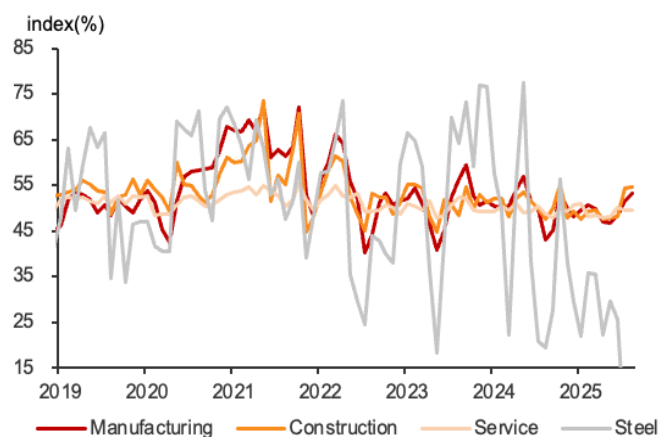
Source: Wind, CMBIGM

Figure 3: Export Order Index and Import Index

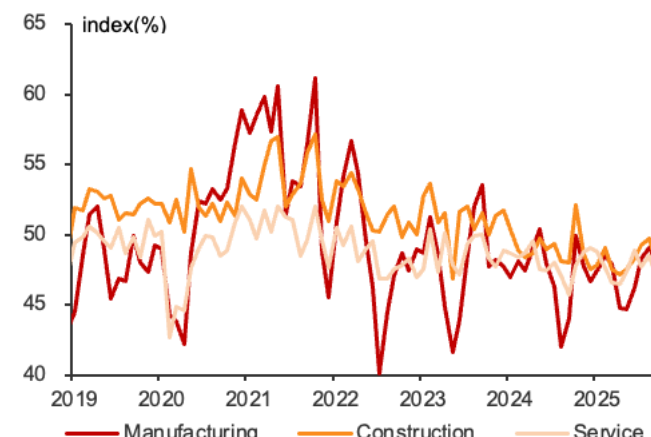
Source: Wind, CMBIGM

Figure 4: Inventory Index

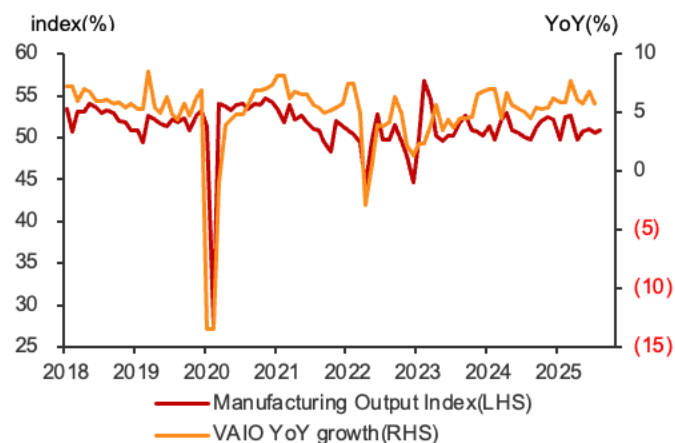
Source: Wind, CMBIGM

Figure 5: Material Purchase Price Index

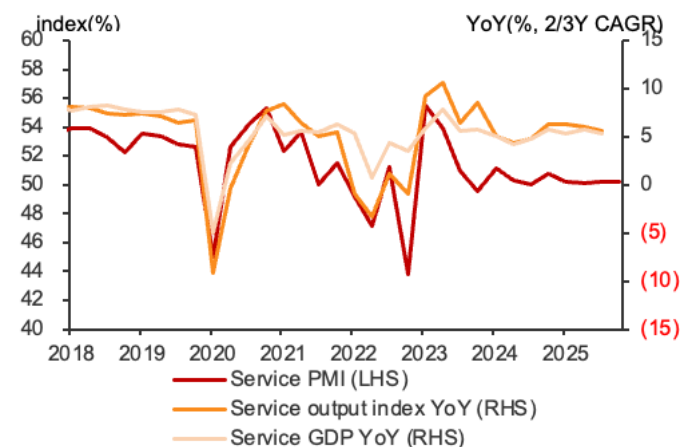
Source: Wind, CMBIGM

Figure 6: Ex-factory Price Index

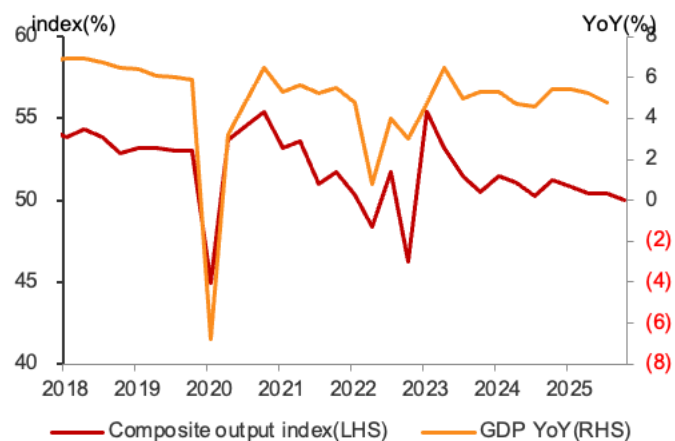
Source: Wind, CMBIGM

Figure 7: Manufacturing Output Index

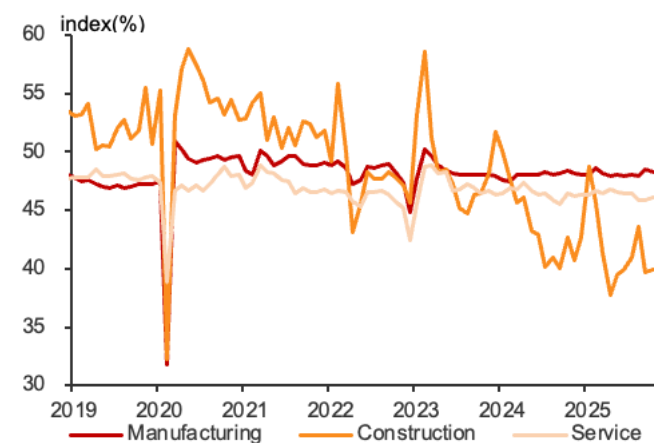
Source: Wind, CMBIGM

Figure 8: Service PMI & Output Index

Source: Wind, CMBIGM

Figure 9: Composite Output Index

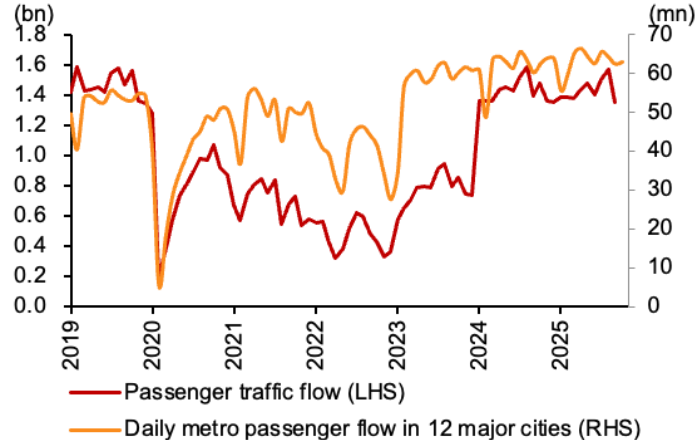
Source: Wind, CMBIGM

Figure 10: Employment Index

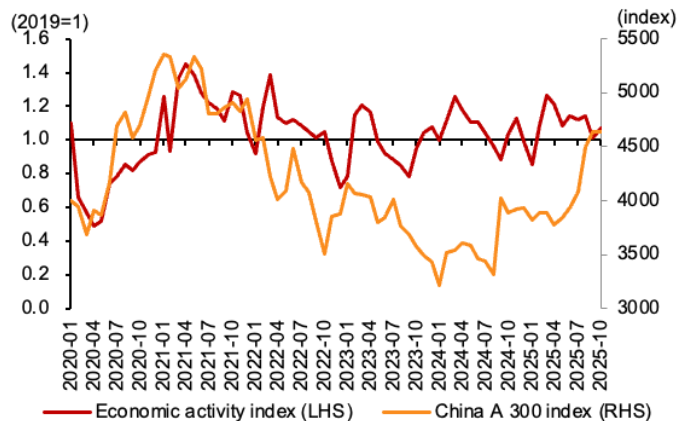
Source: Wind, CMBIGM

Figure 11: Supply Delivery Index

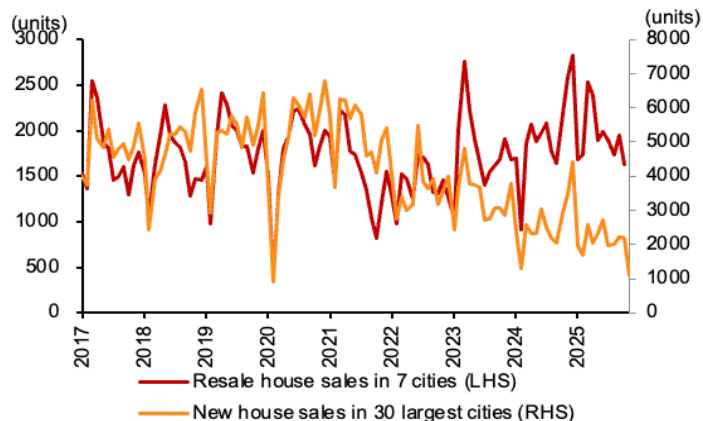
Source: Wind, CMBIGM

Figure 12: Passenger flow

Source: Wind, CMBIGM

Figure 13: Economic Activity & A Share Index

Source: Wind, CMBIGM

Figure 14: House sales

Source: Wind, CMBIGM

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