

## **PM Datanote: NBS Mfg PMI, China, November**

**In one line: China's stimulus continues to give manufacturing activity a modest lift amid looming geopolitical uncertainty**

**-China: Manufacturing PMI rose to 50.3 in November from 50.1 in October Consensus was 50.2.**

China's NBS manufacturing PMI nudged up 0.2 point to 50.3 in

November, slightly higher than the consensus of 50.2. China's existing stimulus continues to boost manufacturing activity, leading to an improvement in the official headline reading for the second consecutive month, albeit at a more gradual pace than we expected.

Looking closer at the details, activity expanded at its fastest pace since April this year, driven mainly by new orders and production. The output index rose by 0.4 points to 52.4 in

November, while overall demand, as indicated by the new orders index, increased by a sizable 0.8 points to 50.8, likely led by higher domestic demand. Export new orders also improved, contracting at a slower pace of 48.1 in November compared to 47.3 in the previous month. The NBS noted that general equipment and car manufacturing sectors both saw their production and new orders indices remain above 54.0 in November, but those of petroleum refining and special equipment

manufacturing activities stayed below the key level of 50.0. Key strategic industries, such as high-tech and consumer goods manufacturing, saw their PMI indices rise by 1.1 and 1.3 points respectively, to 51.2 and 50.8. Notably, stock of purchases expanded for the first time since April (51.0), reflecting the gradual recovery in supply and demand.

Factory activity for small and medium-sized enterprises—the lifeblood of the economy—saw

marked improvement. Their headline PMIs rose by 1.6 and 0.6 points respectively, to 49.1 and 50.0 in November. In contrast, the PMI for large enterprises lost some of the ground gained in October (-0.6 points), coming in at 50.9 in November.

Looking ahead, we expect the economy to push hard in Q4 to reach the lower bound of the “around 5%” GDP target set by the NPC, thanks to faster and more effective

implementation of existing stimulus. That said, manufacturers are set to face more uncertainty next year in terms of both economic conditions and geopolitics. With a rising likelihood of more protectionist measures on international trade, China's external demand-led growth strategy—intended to balance out muted domestic demand—will continue to face severe challenges, leading to unexciting investment and employment growth. Indeed, October manufacturing FAI has not

yet experienced a significant pick-up, even as the decline in producer profits eased, particularly in equipment manufacturing, reflecting a degree of economic uncertainty. On top of this, PPI deflation—stemming from excess supply and still-low domestic demand despite the recent modest pick-up—will remain a drag on manufacturers in the near term. We believe subsidy policies are merely bringing forward demand, while property transactions are unlikely to improve materially unless the outlook for jobs, income,

and inflation brightens, which will hinge on further policy support.

Contributions to monthly change in NBS manufacturing PMI, pp

