



ECONOMIC NEWS

China: No Recovery for Manufacturing

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HIGHLIGHTS

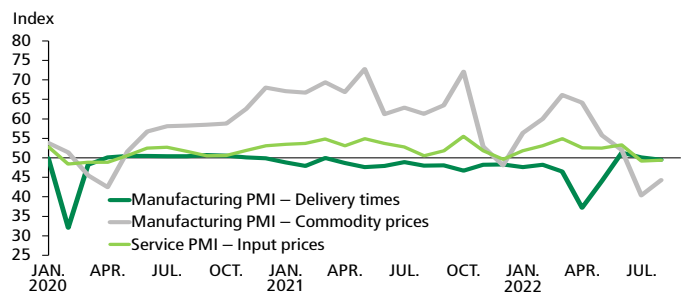
- ▶ China's composite PMI index dipped 0.8 points over the last month, falling from 52.5 points in July to 51.7 points in August.
- ▶ The manufacturing index ticked up 0.4 points, but remains under the 50-point mark for the second month running, posting 49.4 points in August. Finished goods inventory fell 2.8 points while new orders rose 0.7 points.
- ▶ The non-manufacturing index slipped 1.2 points last month, going from 53.8 points in July to 52.6 points in August. Among the sub-indexes, construction saw the largest decrease (-2.7 points), but it remains high at 56.5 points.

COMMENTS

Further disappointing manufacturing PMI index results is a sign that the disruptions caused by strict lockdowns persist. The supplier delivery times sub-index for manufacturing has yet to show any indications of a lasting recovery. As long as the zero-COVID policy is in place, any rebound will be difficult, as manufacturing could slow down or stop at any time. However, there is some good news. The commodity price index for the

GRAPH 2

Supplier deliveries fell below the 50-point mark



Sources: National Bureau of Statistics of China and Desjardins, Economic Studies

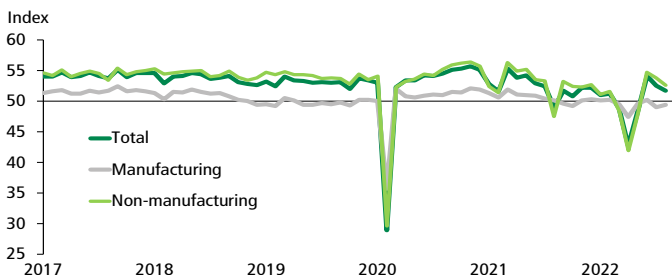
manufacturing sector has stayed below the 50-point mark since July. The situation appears to be the same for service inputs. Inflationary pressure on goods prices could therefore be mitigated by lower input prices.

IMPLICATIONS

China's economy is recovering more slowly than in 2020. The manufacturing sector is having a hard time getting back on its feet after the strict lockdowns in recent months. Without a rebound in manufacturing, China's GDP growth could remain low for 2022.

GRAPH 1

The manufacturing PMI index isn't showing any signs of a recovery



Sources: National Bureau of Statistics of China and Desjardins, Economic Studies