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ECONOMY

Rise in factory activity, but exports fall

Improved domestic orders may be due to more support for private sector

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Manufacturing activity improved marginally last month, as a rise in domestic demand offset a contraction in foreign orders, data showed yesterday.

The manufacturing purchasing managers' index compiled by Markit and published by Caixin inched up to 50.2, slightly above the 50.1 level forecast by analysts in a Bloomberg survey and the 50.1 reading in October.

A level above 50 is the dividing point between expansion and contraction. The figure means that the number of firms reporting a rise in activity was greater than those reporting a decline.

The Caixin result follows the official PMI data released on Friday that showed manufacturing sentiment posted a larger-than-expected drop to 50.0 in November from 50.2 in October – meaning manufacturing sector growth came to a halt last month.

The Caixin and official PMI data were collected before the announcement that presidents Xi Jinping and Donald Trump had reached agreement on a ceasefire in the US-China trade war for 90 days.

Overall orders increased last month despite a contraction in export orders caused by the trade war, according to the Caixin data.

The rise in domestic orders "may be due to a recent raft of policies aiming to support the private sector", Zhengsheng Zhong, director of macroeconomic analysis at CEBM Group said in the Caixin statement. "Overall, domestic demand across the manufacturing sector improved in November, while overseas demand was still subdued."

The Caixin survey respondents are dominated by smaller, mostly private firms, while the official PMI is a better gauge of activity among larger, mostly state-owned firms. As such, the Caixin result underscores the difficulties smaller private sector firms are having given the trade war and government campaign to reduce indebtedness.

> **Domestic demand improved, while overseas demand was still subdued**
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> ZHENGSHENG ZHONG, CEBM GROUP

Private sector firms in all sectors account for 60 per cent of the country's economic activity and 80 per cent of employment.

After a meeting in late September, the Politburo said there were "many difficulties with certain enterprises and the emergence of risks accumulated over long periods of time".

"We need to attach great importance to this situation and be more forward-looking to respond in a timely manner," a statement by Xinhua said.

But the government will not fall back on its usual large-scale monetary and fiscal stimulus.

According to the statement, the leaders had decided to continue with "proactive fiscal policy and prudent monetary policy" while again underscoring the need to "stabilise" employment, finance, trade, foreign capital, investment and expectations.