HKUST LI & FUNG
SUPPLY CHAIN INSTITUTE

CFLP

October 2025

PMI Quarterly on China Manufacturing

PMI 3Q25
Persistent yet easing downward pressure on the manufacturing sector

Policy Outlook
China to ramp up policy support in 4Q25

4Q25 Forecasts
GDP growth to slow to 4.5% yoy while PMI to stay below 50.0

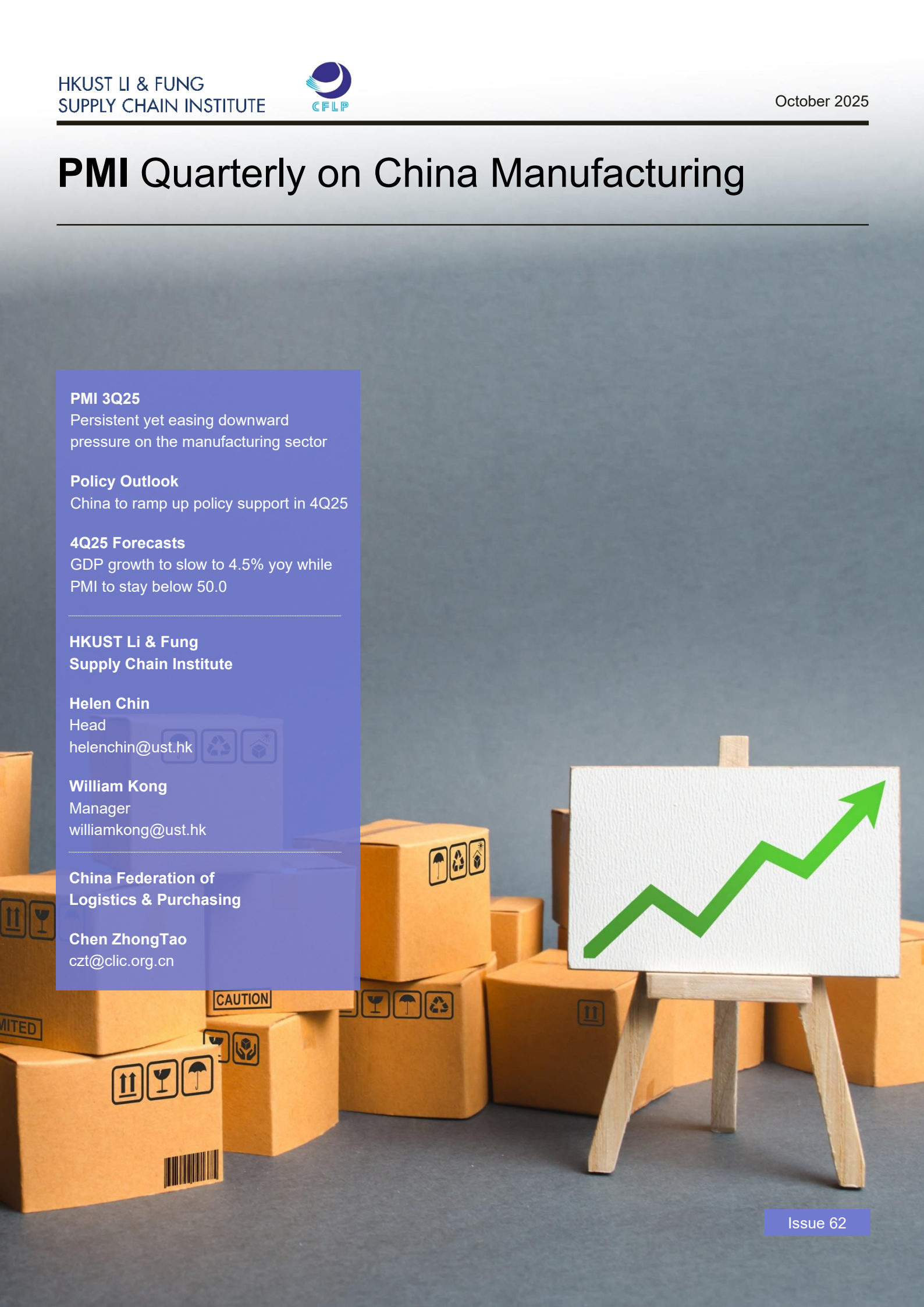
HKUST Li & Fung Supply Chain Institute

Helen Chin
Head
helenchin@ust.hk

William Kong
Manager
williamkong@ust.hk

China Federation of Logistics & Purchasing

Chen ZhongTao
czt@clic.org.cn



Issue 62

PMI points to persistent yet easing downward pressure on the manufacturing sector in 3Q25

Our observations

- Large enterprises expand at a faster pace while small and medium enterprises continue to contract.
- Manufacturing output growth accelerates.
- Overall market demand begins to stabilize.
- Manufacturers lower ex-factory prices despite rising input costs.
- Employment in the manufacturing sector slightly declines.

Policy outlook

- A meeting of the Political Bureau of the Communist Party of China Central Committee was held on 30 July. It emphasized the need for macro policies to be continuously strengthened and intensified as necessary.
- Given the ongoing China–US trade war, we expect that the Chinese government will ramp up policy support in 4Q25, which will help the economy navigate the challenging external environment.

Our forecasts for 4Q25

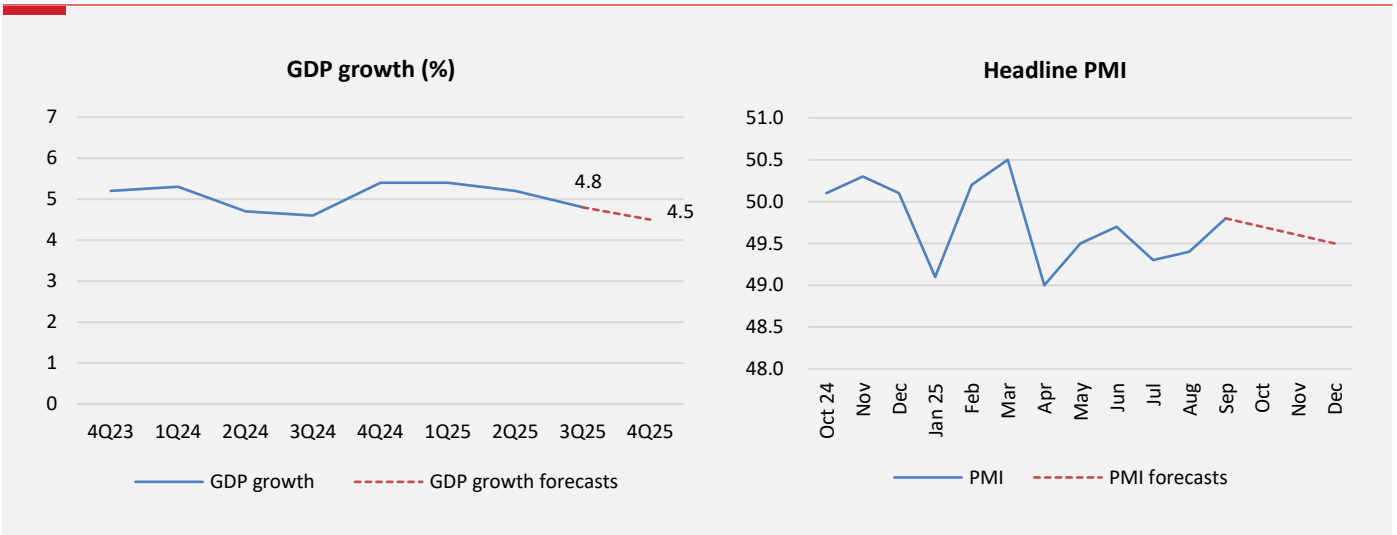
- We project a deceleration in manufacturing production growth due to the Trump trade war and the Chinese government's effort to address overproduction in key sectors.
- Headline PMI will remain below 50.0.
- VAIO growth will decelerate to 5.0% yoy.
- Real GDP growth will slow to 4.5% yoy.
- Exports will stay flat compared with the same period last year.
- Year-on-year growth rates for the purchaser price index and the PPI will remain negative but slightly improve, as the Chinese government prioritizes addressing overproduction in key sectors.

Helen Chin
Head
E: helenchin@ust.hk

William Kong
Manager
E: williamkong@ust.hk

HKUST Li & Fung Supply Chain Institute
LSK Business Bldg
The Hong Kong University of Science & Technology
Clear Water Bay Kowloon
Hong Kong
E: ustlfsci@ust.hk

Chen ZhongTao
czt@clic.org.cn
China Federation of Logistics & Purchasing



IN THIS ISSUE:

1. PMI points to persistent yet easing downward pressure on the manufacturing sector in 3Q25

We project that China's real GDP growth will slow to 4.5% yoy in 4Q25, primarily due to the slowdown in China's exports and manufacturing production amid the Trump trade war.

China's manufacturing sector in 3Q25

The ongoing China–US trade war and negotiations have created significant uncertainty for China's exports and manufacturing production. As a result, China's manufacturing PMI remained in contractionary territory throughout the quarter, dropping to 49.3 in July before rising to 49.4 in August and 49.8 in September.

The manufacturing PMI has been below the neutral level of 50 for six consecutive months since April, indicating continued downward pressure on the manufacturing sector. However, the slight pick-up in the index readings in September suggests that this downward pressure is beginning to ease. (See exhibit 1)

In 3Q25, manufacturing output growth accelerated, with the output index rising from 50.5 in July to 51.9 in September. There has also been improvement in overall market demand, as the new orders index rebounded from 49.4 in July to 49.7 in September, indicating that market demand is starting to stabilize.

Prices of industrial products continued to decline, with the ex-factory prices index remaining below the critical 50-mark throughout the quarter. Meanwhile, the prices of materials have increased, as the input prices index stayed above 50 from July to September.

Exhibit 2 shows the contributions of the sub-indices to the change in the headline PMI. The rebound in the headline PMI since July was mainly driven by the increases in the output index (which weighs 25% in the computation of the headline PMI) and the employment index (which weighs 20%). Among the 12 sub-indices (excluding the suppliers' delivery time index), the indices of output, input prices, and business expectations remained in expansionary zone throughout the quarter. Meanwhile, the indices of new orders, new export orders, backlogs of orders, stocks of finished goods, stocks of major inputs, imports, ex-factory prices, and employment remained in contractionary zone. (See exhibit 3)

Policy outlook

A meeting of the Political Bureau of the Communist Party of China (CPC) Central Committee was held on 30 July. The meeting emphasized the need for macro policies to be continuously strengthened and intensified as necessary. It called for the effective implementation of a more proactive fiscal policy and a moderately loose monetary policy to fully realize their potential impact.

These wordings indicate that the Chinese government will not only maintain existing policies to support the economy but may also introduce new measures in response to changing circumstances, which is crucial given the uncertainty surrounding the China–US trade war.

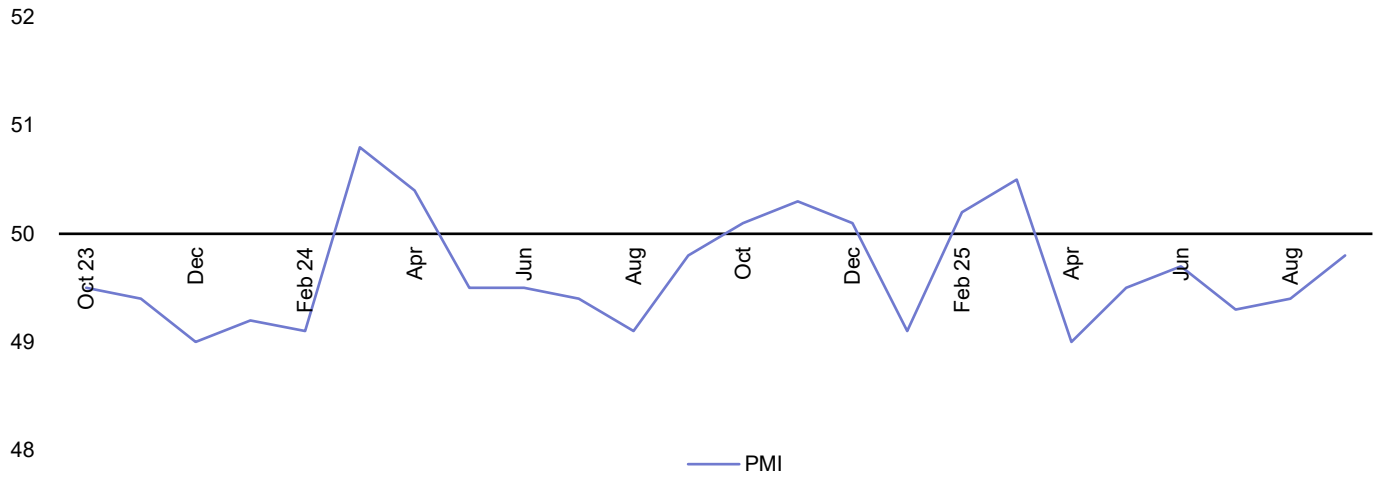
Looking ahead, we expect that the Chinese government will ramp up policy support in 4Q25, which will help the economy navigate the challenging external environment.

Forecasts for 4Q25

US President Donald Trump has threatened to impose an additional 100% tariff on Chinese imports starting 1 November, and the outcomes of the potential Xi-Trump meeting at the upcoming APEC summit and ongoing bilateral trade negotiations remain highly uncertain. Any further increase in US tariffs will negatively impact China's exports and manufacturing production. While we expect the Chinese government to ramp up policy support if necessary, these measures will take time to yield results and are unlikely to fully offset the negative effects of the tariffs. Overall, we predict that China's industrial production growth will decelerate to 5.0% yoy in 4Q25, while the headline PMI is expected to remain in contractionary territory in the quarter.

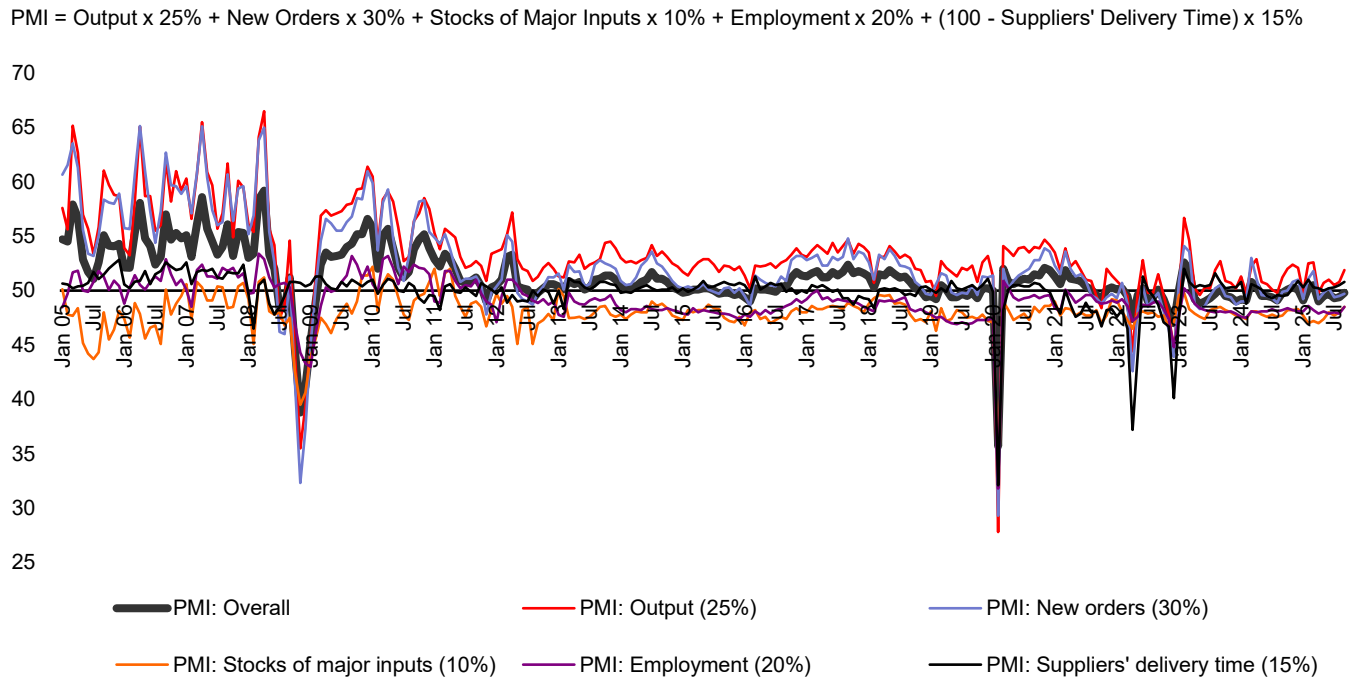
Exhibit 4 plots the quarterly real GDP growth rates versus the monthly PMIs since October 2020. We project that China's real GDP growth will slow to 4.5% yoy in 4Q25, primarily due to the slowdown in China's exports and manufacturing production amid the Trump trade war.

Exhibit 1: Headline PMI, October 2023 to September 2025



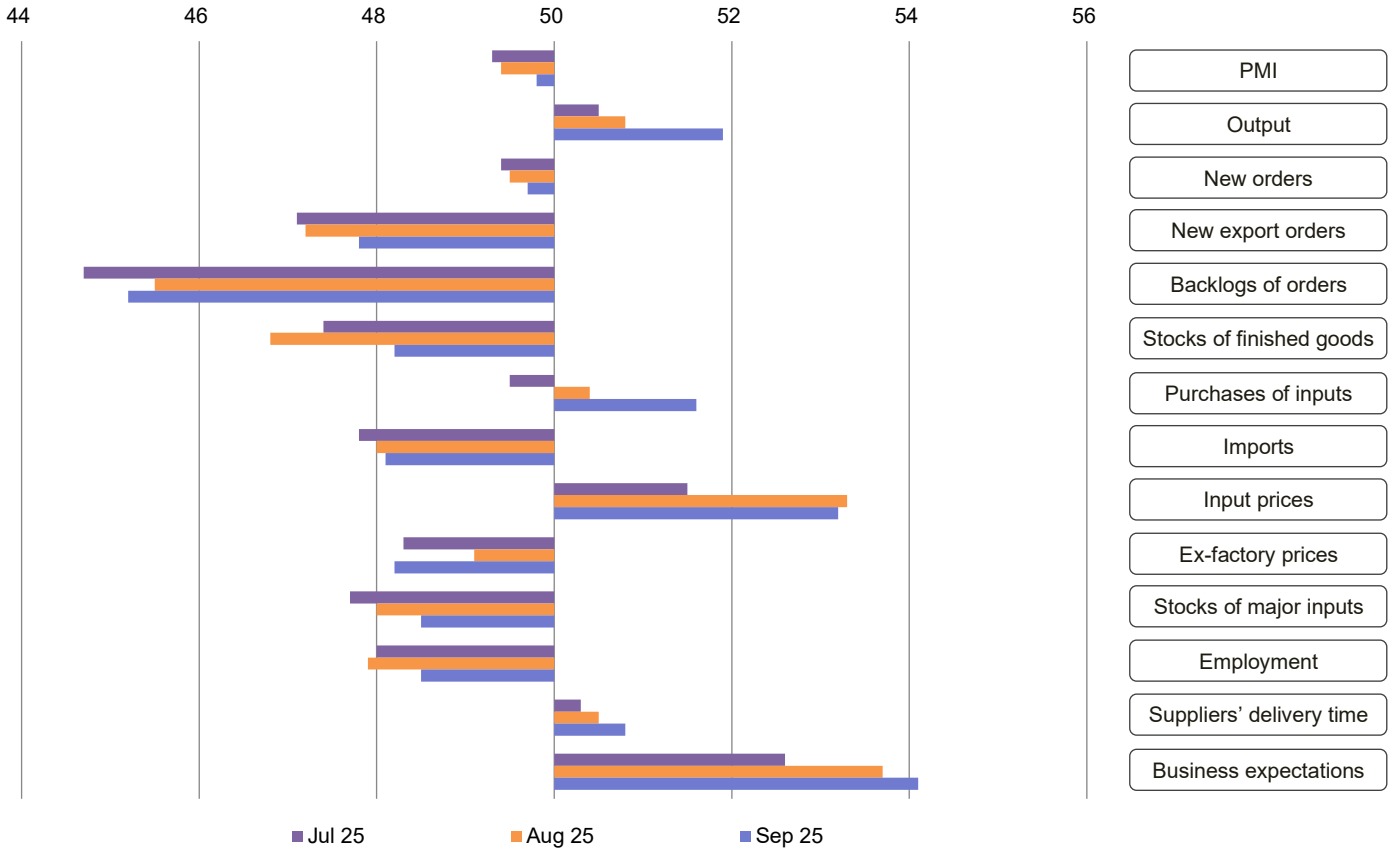
Source: China Federation of Logistics & Purchasing, China National Bureau of Statistics

Exhibit 2: Headline PMI and sub-indices, January 2005 to September 2025



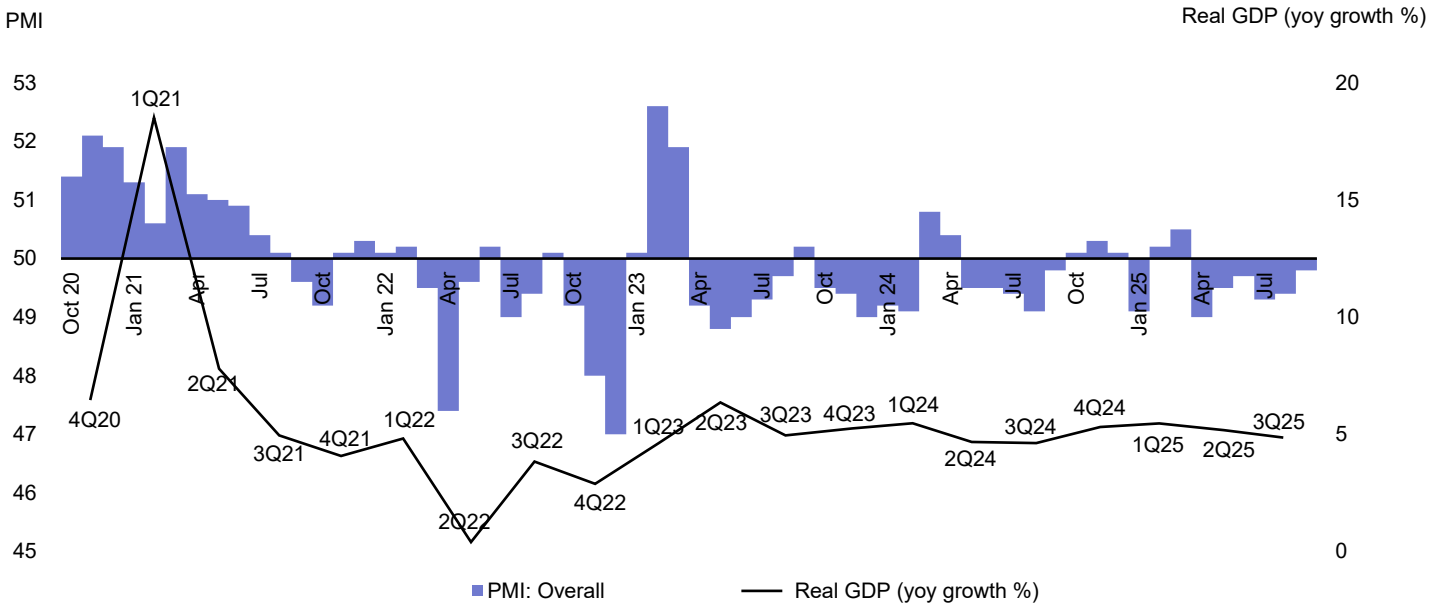
Source: China Federation of Logistics & Purchasing, China National Bureau of Statistics

Exhibit 3: Headline PMI and all sub-indices, July to September 2025



Source: China Federation of Logistics & Purchasing, China National Bureau of Statistics

Exhibit 4: Headline PMI and real GDP growth, October 2020 to September 2025



Source: China Federation of Logistics & Purchasing, China National Bureau of Statistics

2. What the PMI tells us about the performance of enterprises of different sizes

Large enterprises expand at a faster pace

The PMI of 'large enterprises' remained above the critical threshold of 50 throughout 3Q25, rising from 50.3 in July to 50.8 in August and reaching 51.0 in September. This uptrend indicates an acceleration in the expansion of 'large enterprises'.

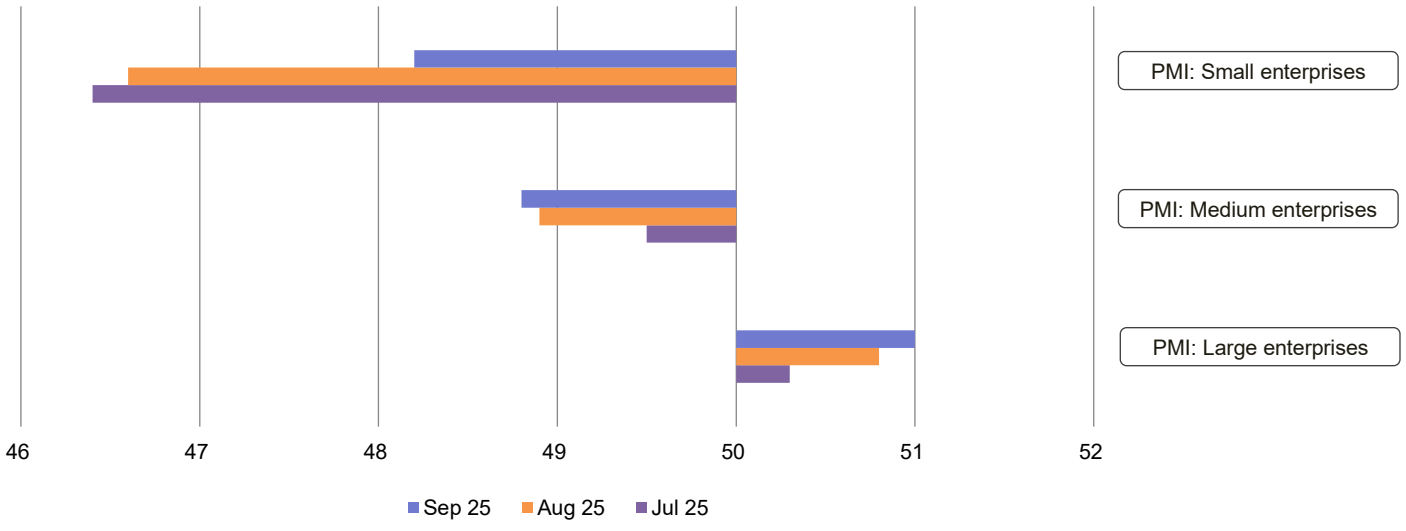
Small and medium enterprises continue to struggle

In contrast, the PMI of 'medium enterprises' fell from 49.5 in July to 48.9 in August and further to 48.8 in September. Meanwhile, the PMI of 'small enterprises' increased from 46.4 in July to 46.6 in August and then to 48.2 in September.

Both 'small enterprises' and 'medium enterprises' recorded PMI readings below 50 throughout the quarter, signalling ongoing operational challenges and contraction. However, the PMI of 'small enterprises' reached a four-month high in September, suggesting a slowdown in the rate of contraction. (See exhibit 5)

Large enterprises have fared better than small and medium enterprises, and this trend has been ongoing for several years. We expect it to continue, especially given the China–US trade war, since small and medium enterprises are more export-oriented.

Exhibit 5: PMIs of large enterprises, medium enterprises and small enterprises, July to September 2025



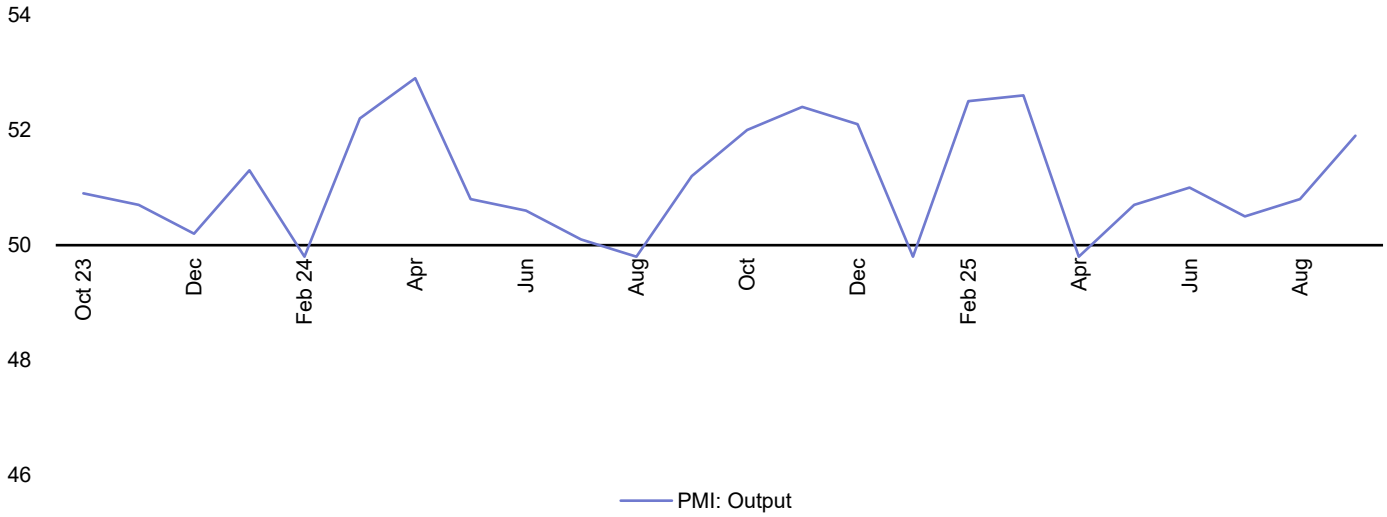
Source: China Federation of Logistics & Purchasing, China National Bureau of Statistics

3. What the PMI tells us about manufacturing production

Manufacturing output growth accelerates

The output index increased from 50.5 in July to 50.8 in August and further to 51.9 in September. The index readings remained in expansionary territory and continued to rise throughout the quarter, indicating an acceleration in manufacturing output growth. (See exhibit 6)

Exhibit 6: Output index, October 2023 to September 2025



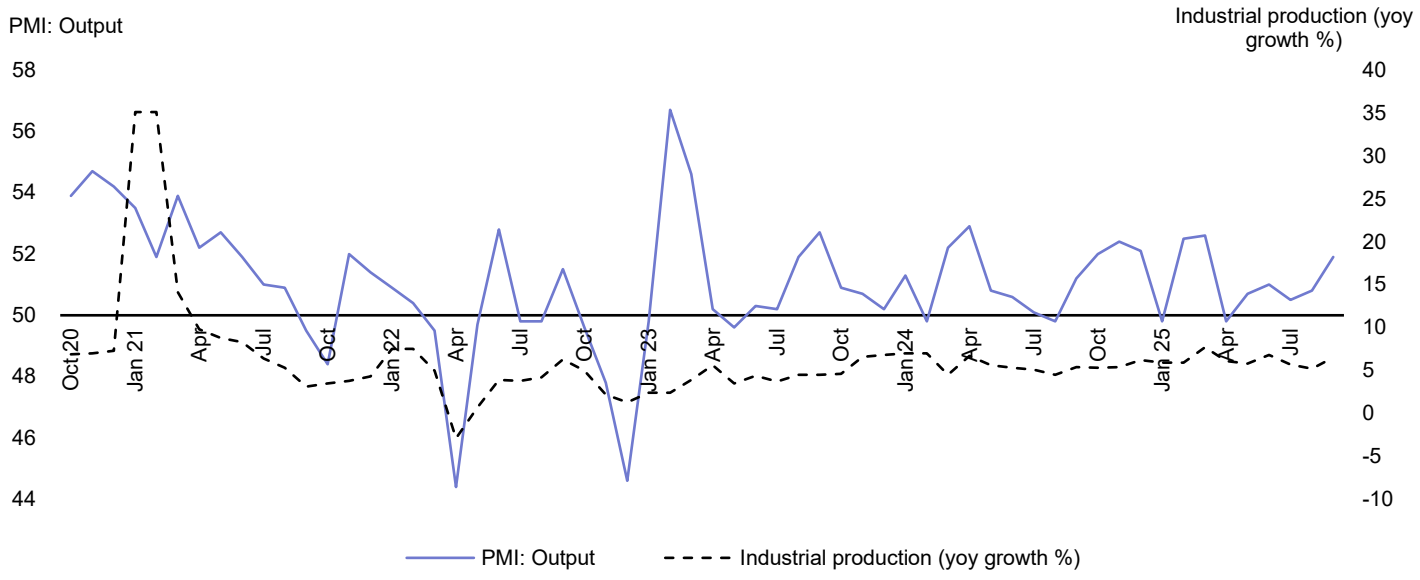
Source: China Federation of Logistics & Purchasing, China National Bureau of Statistics

Manufacturing production growth to slow down in 4Q25

Exhibit 7 illustrates the correlation (with some lags) between the output index and the year-on-year growth of value-added of industrial output (VAIO). Over the past few months, China's manufacturing output has experienced a temporary boost as exporters rushed to front-load shipments. However, this front-loading has pulled future demand forward, which could lead to reduced exports in the coming months. Uncertainty surrounding US tariff policies will also weigh on China's exports and manufacturing, especially now that Donald Trump has threatened to impose an additional 100% tariff on Chinese imports starting 1 November. Besides, the Chinese government is focused on addressing overproduction and 'involution-style' excessive competition in key sectors. Overall, we expect China's VAIO growth to decelerate to 5.0% yoy in 4Q25. Other challenges facing Chinese manufacturers include a global economic slowdown due to Trump's tariffs, the government's strong push to reduce industrial carbon emissions, and intense competition in the international market.

We expect China's VAIO growth to slow to 5.0% yoy in 4Q25. This deceleration is partly due to the front-loading of shipments in recent months, which could lead to reduced exports this quarter. Uncertainty surrounding US tariff policies and the Chinese government's efforts to address overproduction in key sectors will also weigh on the manufacturing sector.

Exhibit 7: Output index and industrial production growth, October 2020 to September 2025



Source: China Federation of Logistics & Purchasing, China National Bureau of Statistics

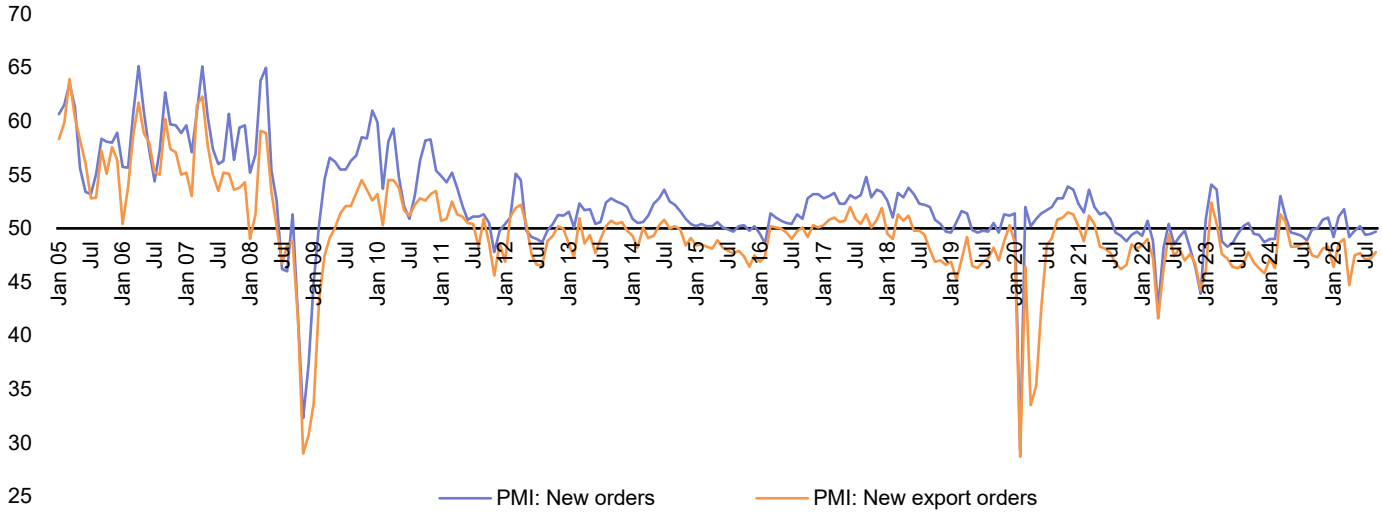
4. What the PMI tells us about overall market demand

Overall market demand begins to stabilize

The new orders index increased from 49.4 in July to 49.5 in August and then to 49.7 in September. While overall market demand continued to contract, the new orders index rebounded to near the critical 50-mark in September, indicating that overall market demand is starting to stabilize.

Meanwhile, the new export orders index picked up from 47.1 in July to 47.2 in August and 47.8 in September, suggesting a persistent but smaller decline in new export orders lately. (See exhibit 8)

Exhibit 8: New orders index and new export orders index, January 2005 to September 2025



Source: China Federation of Logistics & Purchasing, China National Bureau of Statistics

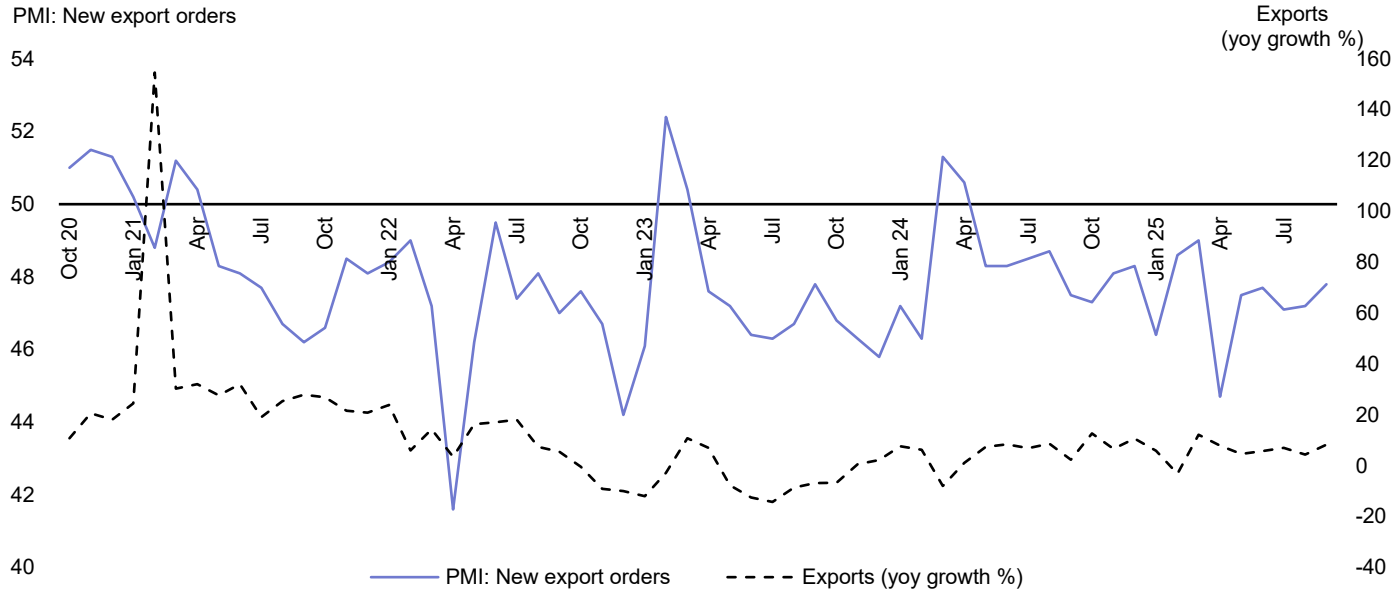
China's exports to remain flat in 4Q25 compared with the same period last year

Exhibit 9 plots the new export orders index against the year-on-year growth rates of China's exports. From exhibit 10, we can see that the new export orders index has been strongly correlated to the external economies. The OECD's G20 composite leading indicator[1] has risen recently, suggesting an improvement in external demand for China's exports. However, this uptick is unlikely to be sustained. First, Chinese exporters have front-loaded shipments in recent months, pulling future demand forward. Second, there is significant uncertainty surrounding US tariff policy, especially now that Donald Trump has threatened to impose an additional 100% tariff on Chinese imports starting 1 November. Moreover, the global economy is likely to start feeling the effects of Trump's tariff hikes soon, which will also weigh on China's exports. Overall, we forecast that China's exports will remain flat in 4Q25 compared with the same period last year.

We forecast that China's exports will remain flat in 4Q25 compared with the same period last year amid the Trump trade war.

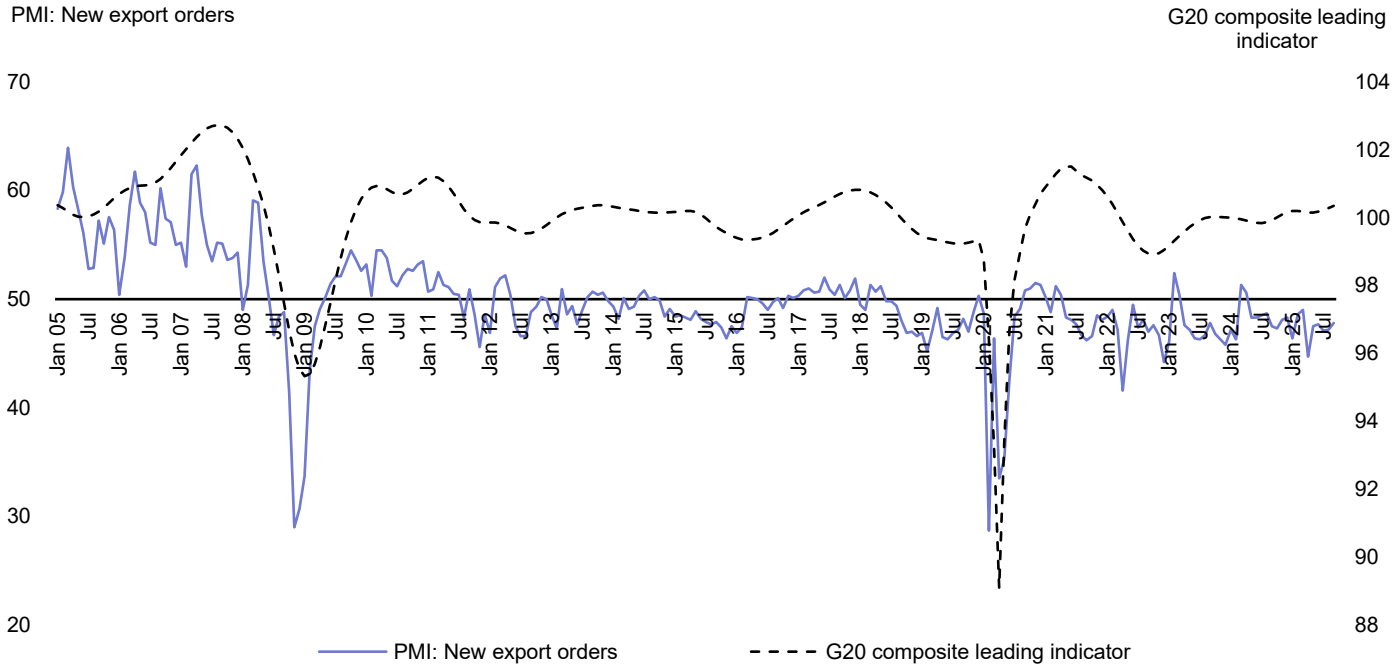
1 The G20 composite leading indicator, compiled by the Organization for Economic Cooperation and Development (OECD), is designed to provide early signals of turning points (peaks and troughs) between expansions and slowdowns of economic activity, and covers Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, South Africa, Turkey, UK, and the US.

Exhibit 9: New export orders index and export growth, October 2020 to September 2025



Source: China Federation of Logistics & Purchasing, China National Bureau of Statistics, China Customs

Exhibit 10: New export orders index and G20 composite leading indicator, January 2005 to September 2025



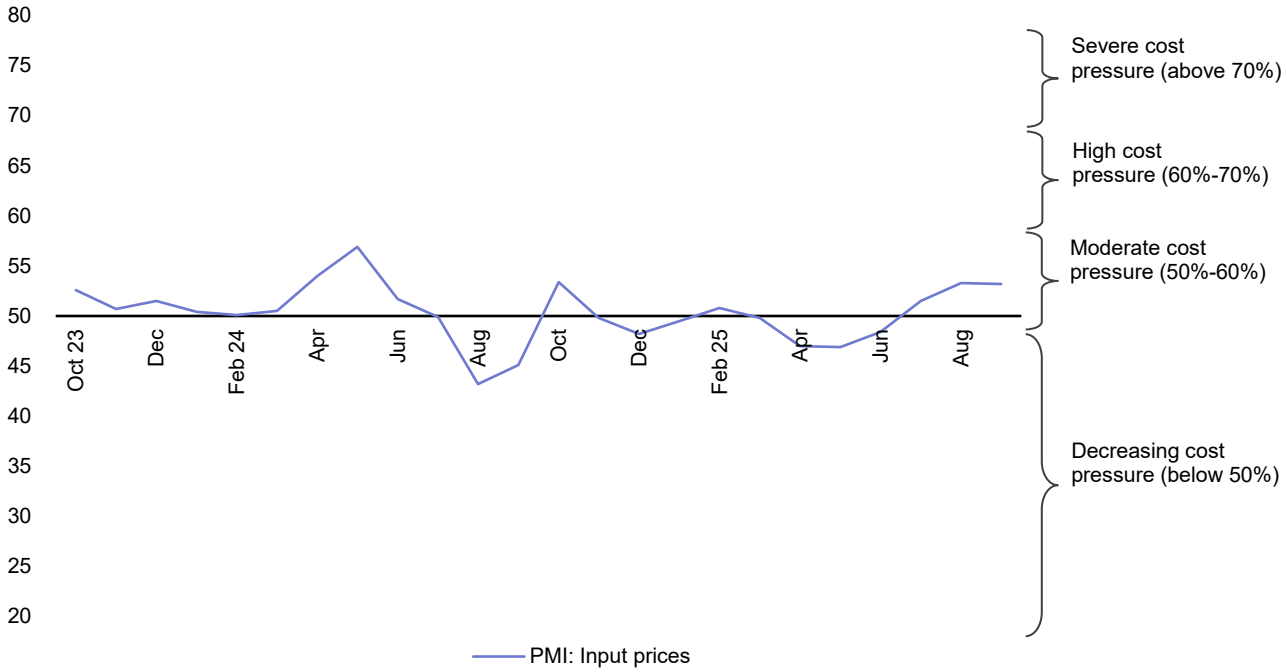
Source: China Federation of Logistics & Purchasing, China National Bureau of Statistics, Organization for Economic Cooperation and Development

5. What the PMI tells us about upstream and midstream prices

Rising upstream prices exert cost pressure on manufacturers

The input prices index jumped from 51.5 in July to 53.3 in August, and then stayed high at 53.2 in September. The index readings stayed above the neutral level of 50 throughout the quarter, indicating a sustained increase in production input prices. This would increase cost pressure on Chinese manufacturers. (See exhibit 11)

Exhibit 11: Input prices index, October 2023 to September 2025

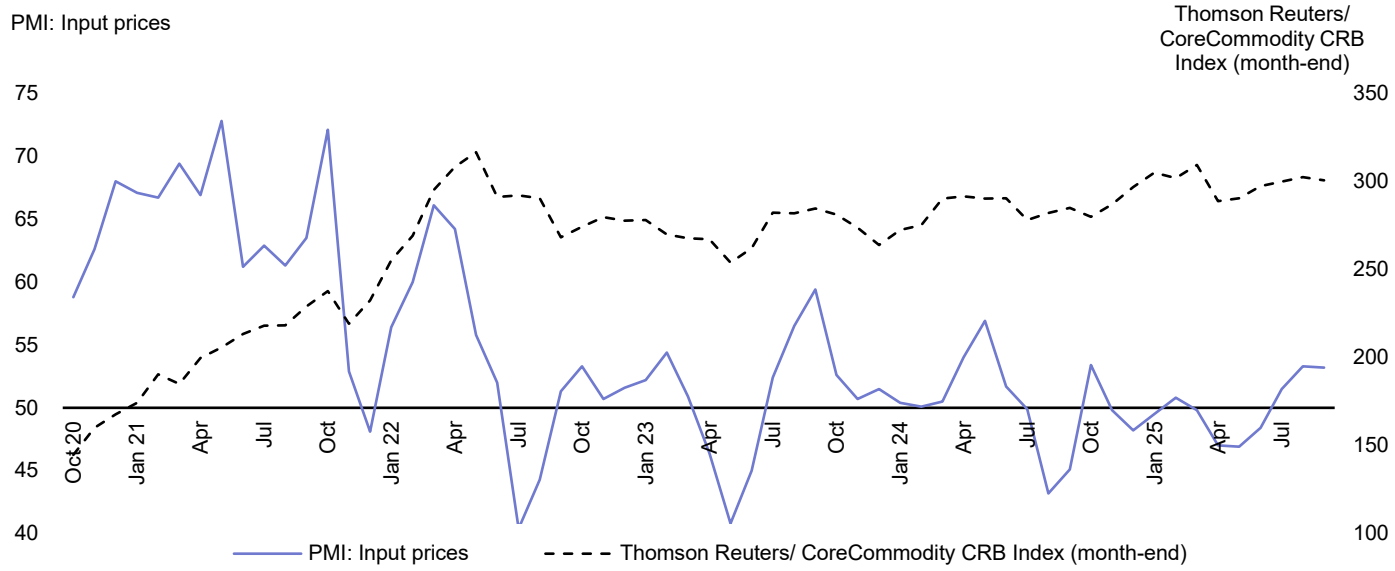


Source: China Federation of Logistics & Purchasing, China National Bureau of Statistics

To see the extent to which input costs of Chinese manufacturers are affected by global commodity prices, exhibit 12 puts together the input prices index and the Thomson Reuters/ CoreCommodity CRB index.[2]

2 The Thomson Reuters/ CoreCommodity CRB Index, which comprises 19 commodities such as crude oil, aluminum, corn, cotton, gold, natural gas, soybeans, etc, has served as one of the most recognized measures of global commodity prices.

Exhibit 12: Input prices index and Thomson Reuters/ CoreCommodity CRB Index, October 2020 to September 2025

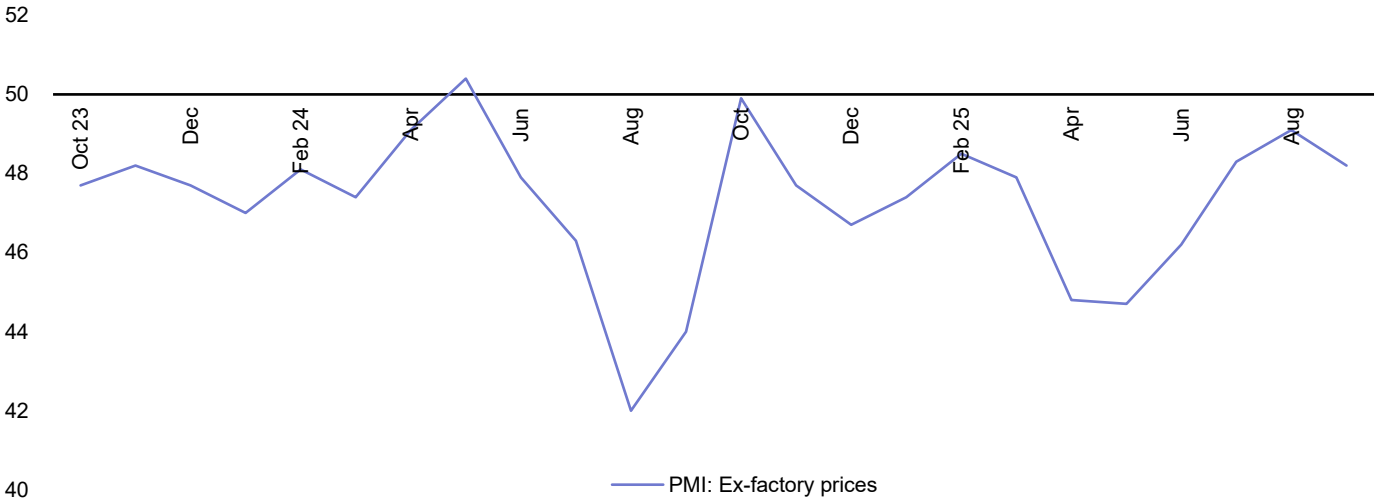


Source: China Federation of Logistics & Purchasing, China National Bureau of Statistics, Thomson Reuters

Manufacturers continue to lower ex-factory prices

The ex-factory prices index rebounded from 48.3 in July to 49.1 in August, but then dipped to 48.2 in September. The index readings have remained in contractionary territory since June 2024, indicating that Chinese manufacturers have been continuously reducing the ex-factory prices of their finished products. Combined with rising input costs, this suggests that profit margins for manufacturers are shrinking. (See exhibit 13)

Exhibit 13: Ex-factory prices index, October 2023 to September 2025



Source: China Federation of Logistics & Purchasing, China National Bureau of Statistics

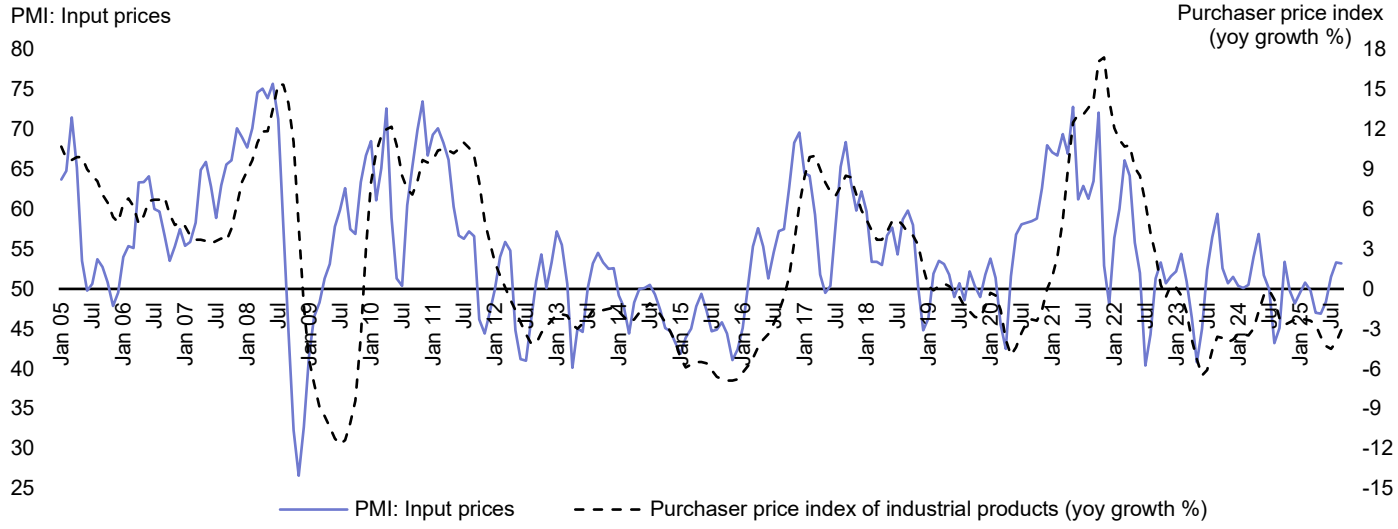
Downward pressure on input prices and ex-factory prices to ease in 4Q25

Exhibit 14 shows that the input prices index serves as a useful leading indicator for upstream prices. To illustrate the relationship between the input prices index and 'midstream' prices, we plot the input prices index against the year-on-year growth of the producer price index (PPI)[3] in exhibit 15.

Looking ahead, we expect that the year-on-year growth rates for both the purchaser price index and the PPI will remain negative but slightly improve in 4Q25, as the Chinese government has prioritized addressing overproduction and excessive 'involution-style' competition in key sectors, which is likely to boost upstream and midstream prices.

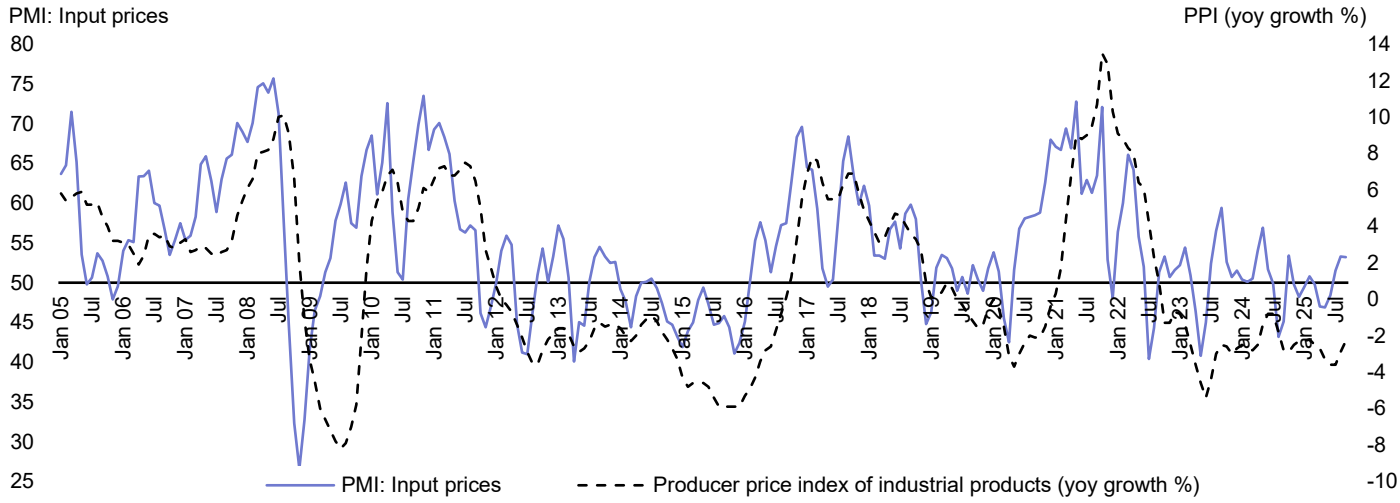
We expect that the year-on-year growth rates for both the purchaser price index and the PPI will remain negative but slightly improve in 4Q25, as the government prioritizes addressing overproduction in key sectors.

Exhibit 14: Input prices index and purchaser price index of industrial products, January 2005 to September 2025



Source: China Federation of Logistics & Purchasing, China National Bureau of Statistics

Exhibit 15: Input prices index and producer price index, January 2005 to September 2025



Source: China Federation of Logistics & Purchasing, China National Bureau of Statistics

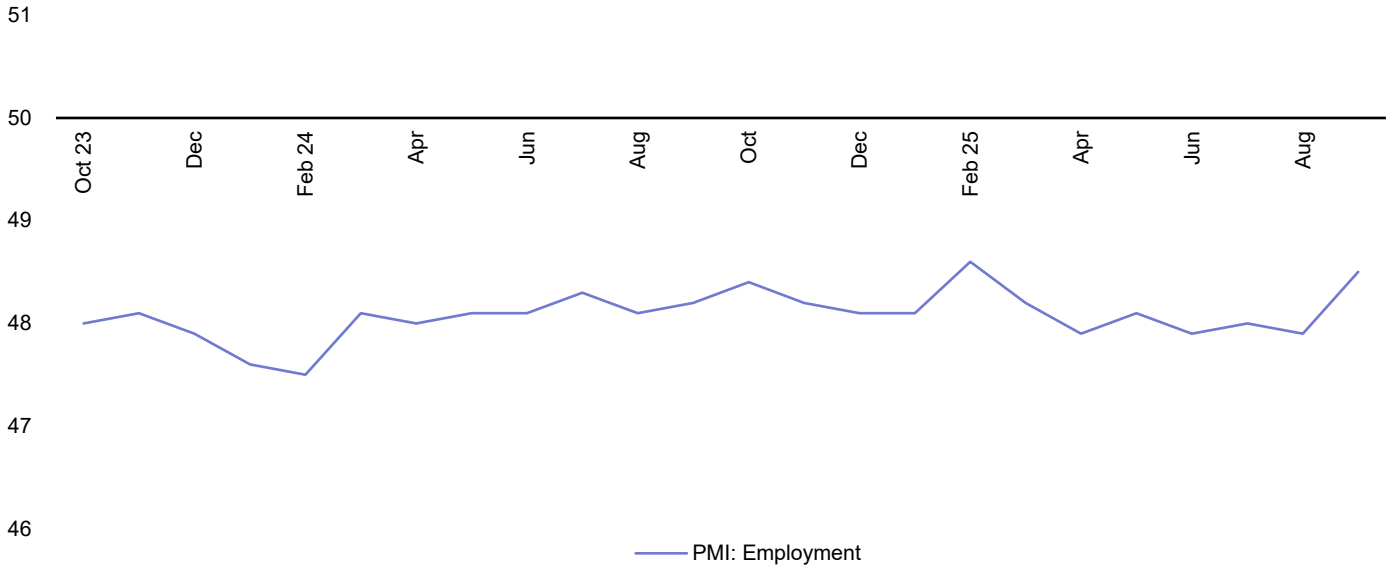
[3] The producer price index of industrial goods (PPI), compiled by China National Bureau of Statistics, measures the prices of industrial products when they are sold for the first time after production.

6. What the PMI tells us about manufacturing employment

Employment in the manufacturing sector slightly declines

The employment index remained low, fluctuating between 47.9 and 48.5 from June to September. This suggests a slight decrease in employment within the manufacturing sector. (See exhibit 16)

Exhibit 16: Employment index, October 2023 to September 2025

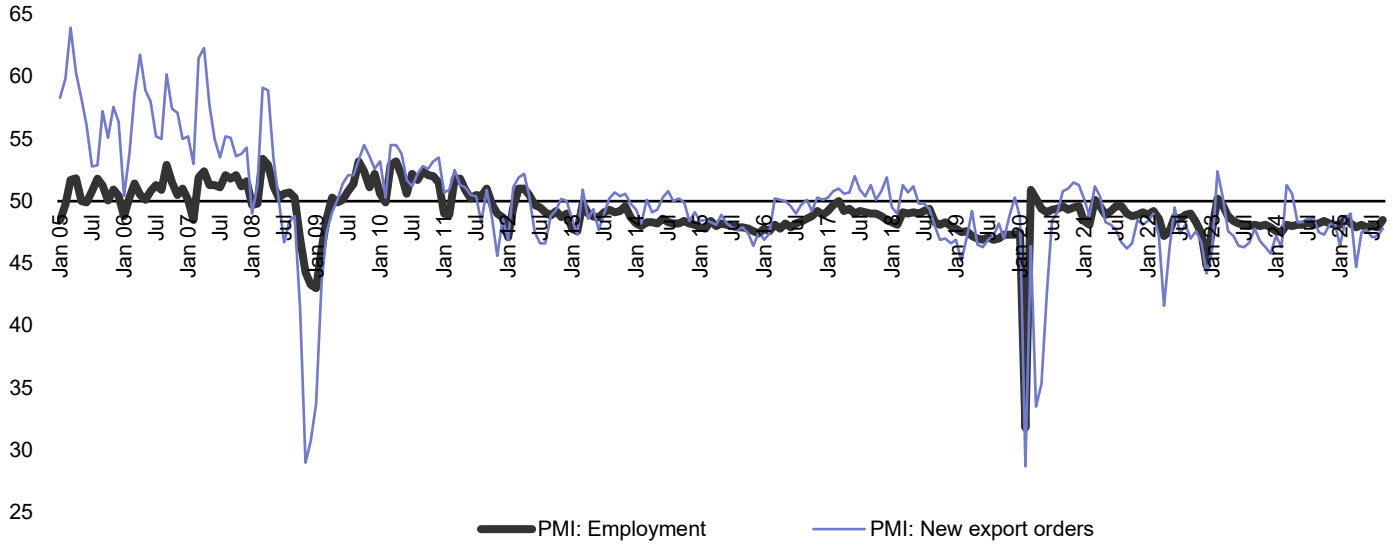


Source: China Federation of Logistics & Purchasing, China National Bureau of Statistics

Exhibit 17 shows that the employment in China's manufacturing sector heavily relies on the export sector. Exhibit 18 and 19 provide insights into how the employment situation improves or deteriorates in relation to the manufacturing sector and the overall economy. With a slowdown expected in exports and the overall Chinese economy, we believe that manufacturing employment will remain weak in 4Q25.

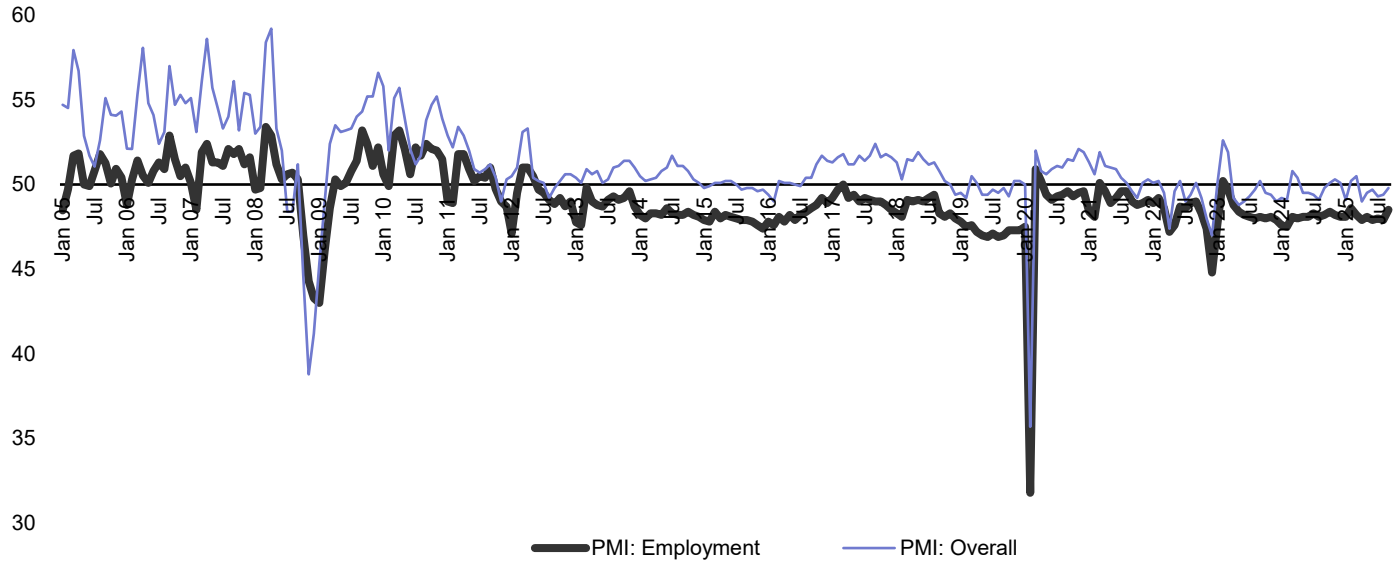
With a slowdown expected in the export sector and the overall Chinese economy, we believe that manufacturing employment will remain weak in 4Q25.

Exhibit 17: Employment and new export orders, January 2005 to September 2025



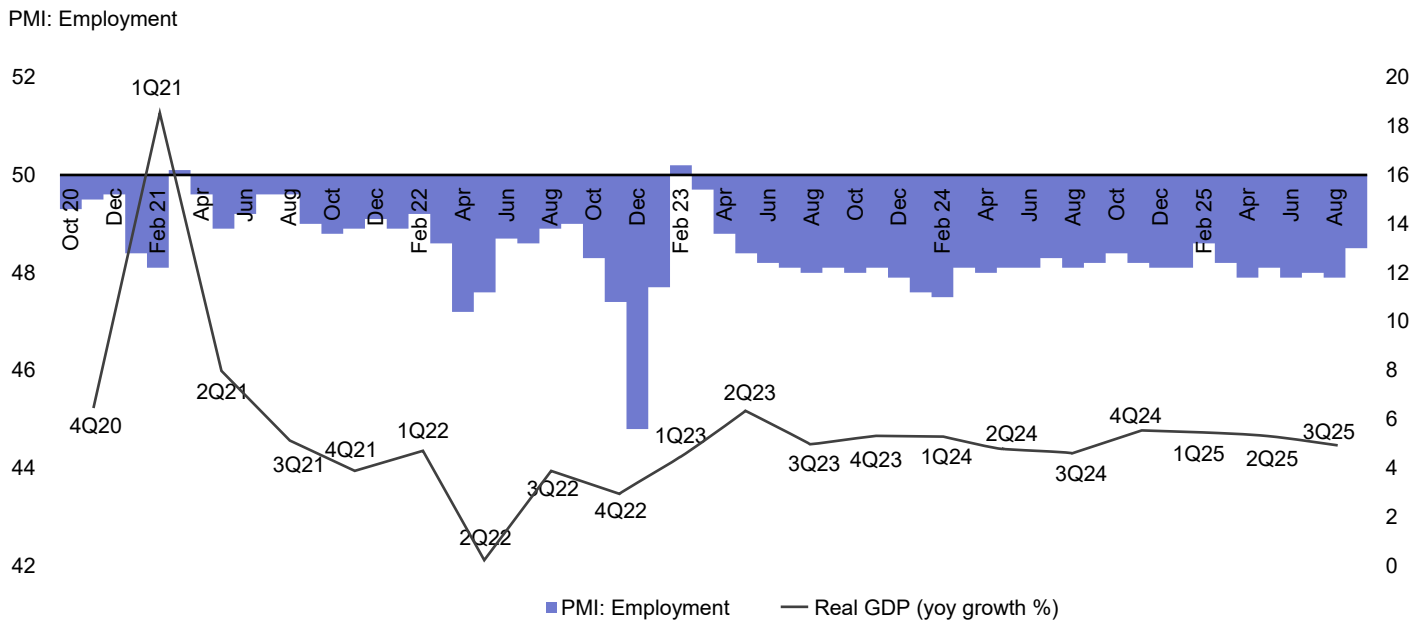
Source: China Federation of Logistics & Purchasing, China National Bureau of Statistics

Exhibit 18: Employment index and headline PMI, January 2005 to September 2025



Source: China Federation of Logistics & Purchasing, China National Bureau of Statistics

Exhibit 19: Employment index and real GDP growth, October 2020 to September 2025



Source: China Federation of Logistics & Purchasing, China National Bureau of Statistics

About China Manufacturing PMI:

China Manufacturing Purchasing Managers' Index (PMI) provides an early indication each month of economic activities in the Chinese manufacturing sector. It is jointly published by China Federation of Logistics & Purchasing (CFLP) and the National Bureau of Statistics (NBS). The HKUST Li & Fung Supply Chain Institute is responsible for drafting and disseminating the English PMI report.

Every month questionnaires are sent to 3,200 manufacturing enterprises all over China. The data presented herein is compiled from the enterprises' responses about their purchasing activities and supply situations. CFLP makes no representation regarding the data collection procedures, nor does it disclose any data of individual enterprises. The PMI should be compared to other economic data sources when used in decision-making.

3,200 manufacturing enterprises in 31 industries from Eastern, Northeastern, Central and Western China are surveyed. The sampling of the enterprises involves the use of Probability Proportional to Size Sampling (PPS), which means the selection of enterprises surveyed is largely based on each industry's contribution to GDP, and the representation of each geographical region.

There are 13 sub-indicators in the survey: Output, New Orders, New Export Orders, Backlogs of Orders, Stocks of Finished Goods, Purchases of Inputs, Imports, Input Prices, Stocks of Major Inputs, Ex-factory Prices, Employment, Suppliers' Delivery Time and Business Expectations. An index reading above 50 indicates an overall positive change in a sub-indicator; below 50, an overall negative change.

The PMI is a composite index based on the seasonally adjusted indices for five of the sub-indicators with varying weights: New Orders—30%; Output—25%; Employment—20%; Suppliers' Delivery Time—15%; and Stocks of Major Inputs—10%. A PMI reading above 50 indicates an overall expansion in the manufacturing sector; below 50, an overall contraction.

Currently there are more than twenty countries and regions conducting the PMI survey and compilation, based on an internationally standardized methodology.

About the Organizations:

China Federation of Logistics & Purchasing

China Federation of Logistics & Purchasing (CFLP) is the logistics and purchasing industry association approved by the State Council. CFLP's mission is to push forward the development of the logistics industry and the procurement businesses of both government and enterprises, as well as the circulation of factors of production in China. The government authorizes the CFLP to produce industry statistics and set industry standards. CFLP is also China's representative in the Asian-Pacific Logistics Federation (APLF) and the International Federation of Purchasing and Supply Management (IFPSM).

HKUST Li & Fung Supply Chain Institute

The HKUST Li & Fung Supply Chain Institute (Institute) accelerates the creation, global dissemination, and practical application of new knowledge for managing tomorrow's supply chains.

The Institute seeks to develop local and international talent in supply chain management through teaching, professional development, and exchanges at specialist conferences. It brings together leaders in industry, academia, and the public sector in a new collaboration for research, executive education and practice focused on innovation in business models, sustainable supply chain design, process re-engineering, and the rapid adoption of new technologies. These outcomes are vital in addressing the need for visionary, innovative supply chain management in the face of rapid technological advancements, disruption from geopolitical tensions, and concerns related to sustainability and climate.

Jointly established by HKUST and supply chain industry leader Li & Fung, the Institute brings together research excellence and industry expertise in supply chain management to drive real-world impact across the Greater Bay Area, Greater China, Asia, and globally, while contributing to Hong Kong's development as a multinational supply chain management center.