

# China PMI

## PMI survey hits new low in November, raises risk of sub-8% economic growth

- **PMI survey points to GDP growth sliding below 8% in Q4.**
- **Downside risks to 2009 forecasts.**

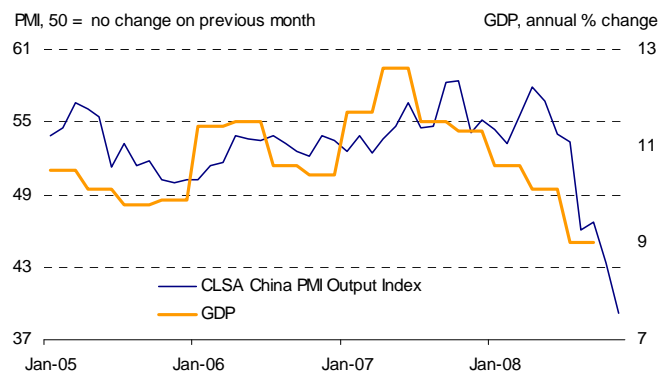
China's gross domestic product (GDP) has slowed more sharply than most had anticipated. The annual rate of increase has fallen from a peak of 12.6% in Q2 2007 to a five-year low of 9.0% in Q3 2008, which was well below the consensus forecast for Q3 of 9.7%.

The CLSA Purchasing Managers' Index survey, compiled by Markit and published today, indicates a further deceleration of economic growth in November. The PMI survey's output index suggests that the annual rate of GDP growth may have slipped below 8%. A further weakening of the PMI in December would therefore raise the risk of Q4 GDP growth dropping under 8%.

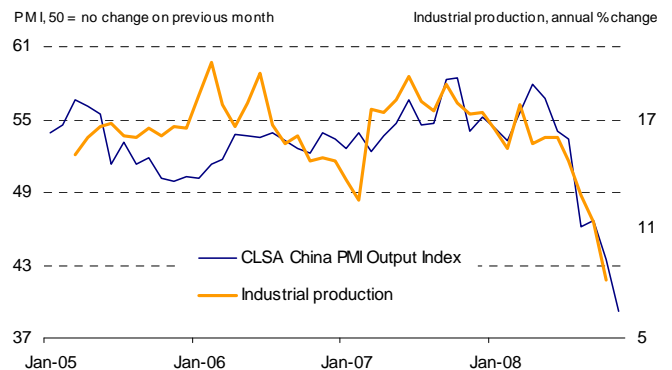
The slowdown is being led by manufacturing, with the PMI survey's output index consistent with industrial production growth slowing to less than 7% in November. This has been caused primarily by falling demand for Chinese exports, with the PMI's new export orders index hitting a record low in November. PMIs for the Eurozone, US and other countries have recently signalled sharp reductions in output, meaning reduced demand for imports from China.

Looking further ahead, Chinese manufacturers also slashed headcounts at the fastest rate in the survey history in November, as companies cut capacity in the expectation that demand has further to fall. The IMF recently reduced its forecast for Chinese GDP growth in 2009 to 7.5%. Just three months earlier it had forecast growth of 9.2% for next year. However, the latest PMI numbers point to downside risks to even this revised forecast.

### China GDP



### China industrial production



Sources: Markit Economics, National Bureau of Statistics.

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