

China factory activity sees contraction on outbreaks

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China's factory activity unexpectedly contracted in July, reversing earlier economic momentum as Covid outbreaks weigh on the recovery.

The official manufacturing purchasing managers index fell to 49 from 50.2 in June, the

National Bureau of Statistics said Sunday.

Economists had expected a reading of 50.3, according to the median estimate in a *Bloomberg* survey of econ-

omists. A reading above 50 show expansion from the previous month, while anything below indicates contraction.

The non-manufacturing gauge, which measures activity in the construction and services sectors, decreased to 53.8 from 54.7 the previous month. That was below the consensus forecast of 53.9.

China's economic recovery has been fragile as the government relaxes curbs with easing outbreaks, but then tightens them again wherever the virus pops back up. A flareup in the southern manufacturing hub of Shenzhen impacted factory

operations there, raising concerns about disruptions to global supply chains.

China's recovery is sputtering after only a short spurt in the wake of Shanghai's reopening. A surprise drop in July's official manufacturing PMI into contraction more than reversed June's rise — underlining an abrupt loss of

momentum.

Scattered Covid-19 outbreaks and fresh strains in the property sector are clearly taking a toll on the economy.

The data were grim across the board. The pullback in manufacturing was driven by weakening supply and demand (external and domestic) as well as deteriorating sentiment. The service sector — which has more ground to recoup in the recovery — saw its rebound lose steam, despite a policy boost that bolstered construction activity.

China's economy in the second quarter grew at the slowest pace since the initial Wuhan outbreak, and economists expect full-year growth could reach just 4 per cent or below. **BLOOMBERG**

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