

**Flash Note**  
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**China - Unofficial data better than official**

Today's unofficial PMI reading in China suggests that growth may have held up better in October than yesterday's official PMI readings initially suggested.

The Caixin manufacturing PMI held steady in October. The breakdown shows a slowdown in current output but an increase in new orders. In contrast, the official manufacturing PMI (published yesterday) declined in October and pointed to both weaker output and demand.

The difference between the two surveys may be because the official index skews more heavily toward large firms in heavy industry, which are beginning to feel the heat from the ongoing environmental crackdown.

Independent analysts tend to put more weight on the Caixin PMI since the index has recently done a better job capturing cyclical trends in economic activity.

The latest reading is consistent with annualised 3m/3m growth on the China Activity Proxy holding fairly steady at around 6%. But this would still imply a decline in year-on-year growth last month given the increasingly unflattering base effects from the sharp economic recovery late last year.

Looking ahead, it is expected growth momentum to slightly weaken in the coming months as the drags from slower credit growth due to the stronger financial controls, reduced fiscal support post-Party Congress and the environmental crackdown all intensify.

Kind regards,

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