Mizuho China Weekly

Economics & Strategy | Asia ex-Japan

2 June 2025 | Serena Zhou | Senior China Economist

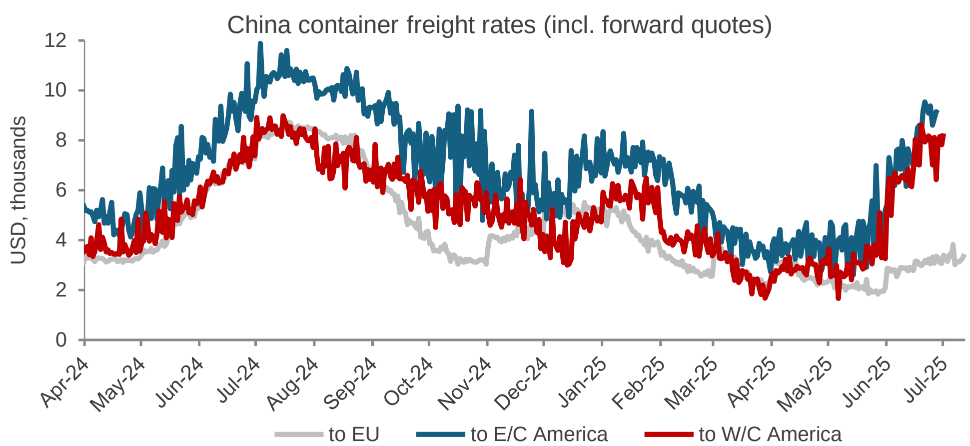
China Weekly Outlook

- China's official Manufacturing PMI rose to 49.5 in May, in line with market expectations and up from 49.0 in April. The improvement was driven by both demand and supply, with the sub-indices for production and new orders increasing to 50.7 and 49.8, respectively, from 49.8 and 49.2 in April. However, gains in other components, such as employment and raw materials, were modest, indicating a lack of full recovery in factory sentiment. By enterprise size, large manufacturers saw the most notable rebound, with their PMI rising above the expansion threshold to 50.7 in May, from 49.2 in April. Sector-wise, the equipment and consumer goods industries led the overall improvement in manufacturing sentiment.

- The official Non-manufacturing PMI edged down slightly to 50.3 in May (Apr: 50.4), as the Construction PMI declined to a four-month low of 51.0. This softening contrasts with a surge in government bond issuance, which reached RMB4.85trn in the first four months, nearly four times the amount issued during the same period last year. According to Wind data, only 49% of the net increase in local government bond financing is earmarked for new spending and investment, with the rest primarily allocated to debt refinancing. Meanwhile, the Service PMI saw a marginal uptick to 50.2 in May, from 50.1 in April.

- We believe the latest PMI readings may not fully reflect the recent recovery in trade-related activity following the unexpected China-US truce. The official PMI survey is typically conducted between the 22nd to 25th of each month (excluding weekends), meaning the May survey likely captured improvement over only a brief period after the truce announcement. Similarly, forward quotes for container freight rates suggest that shipping demand to the US will not significantly increase until early June (Fig i). As such, we expect that China's industrial activity data for May may present a more optimistic picture than the PMI figures.

Fig i Forward quotes for container freight rates suggest a jump in shipping demand to the US after early June



Source: Wind, Mizuho

Activity monitor (1/2)

Fig 1 Thermal coal: both supply and demand surged last week

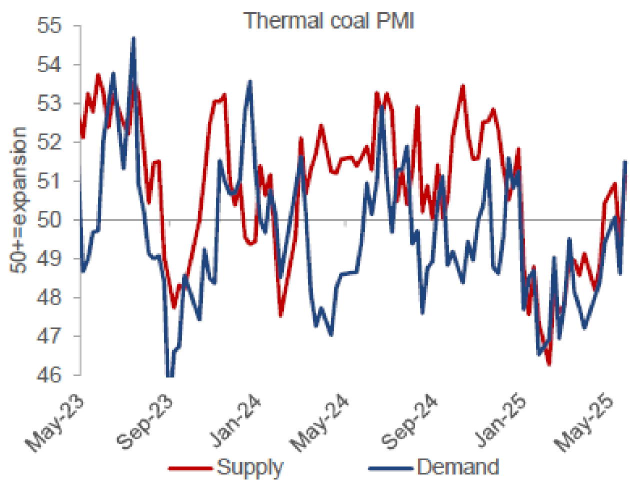
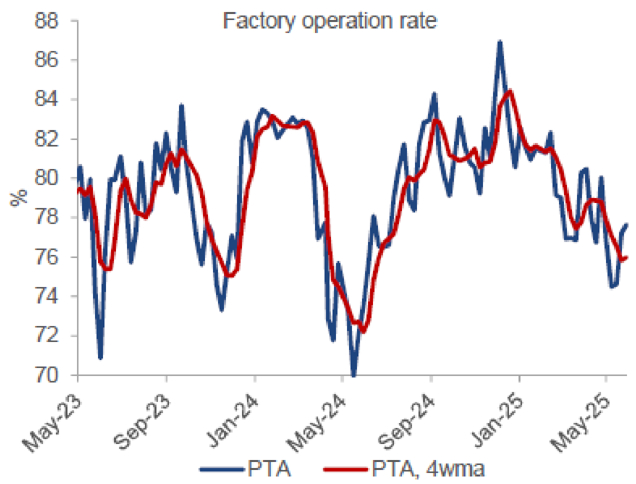


Fig 2 PTA production picked up from a recent low



Source: Wind, Mizuho

Fig 3 Steel production has remained solid in May

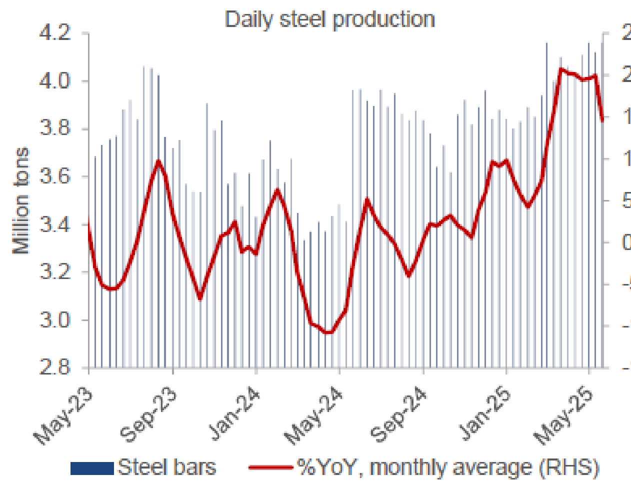


Fig 4 Steel tire production has recovered after the Labor Day

Source: Wind, Mizuho

Fig 5 CCFI: shipping prices to E/C America picked up the most

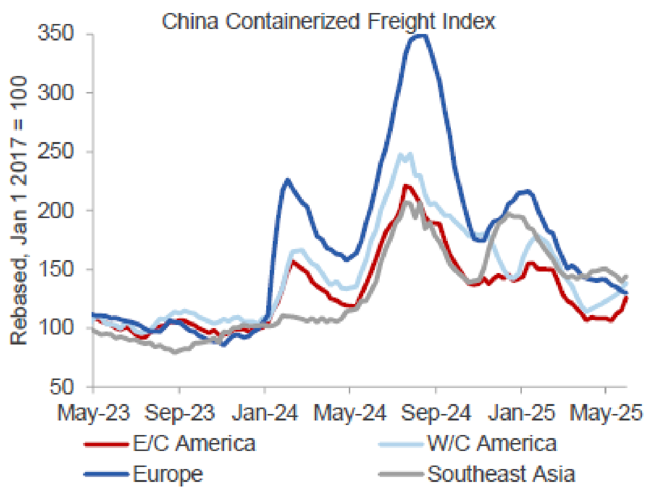
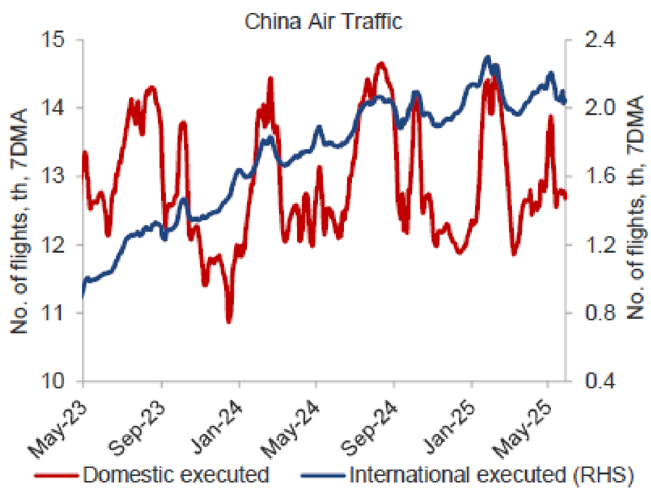


Fig 6 Air traffic fell notably after the Labor Day holiday



Source: Wind, Mizuho

Activity monitor (2/2)

Fig 7 Road construction weakend again last week

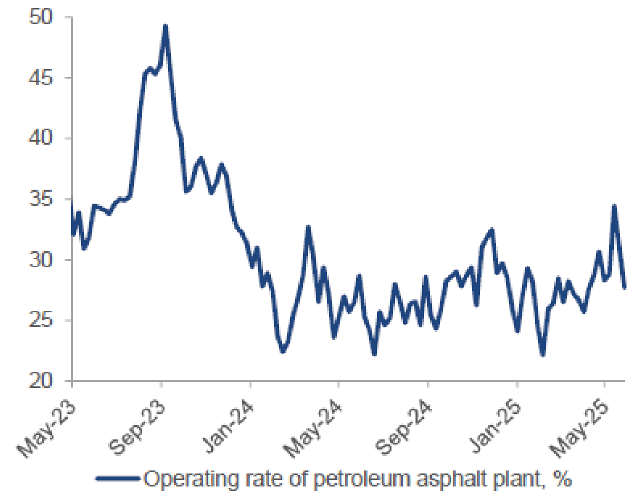
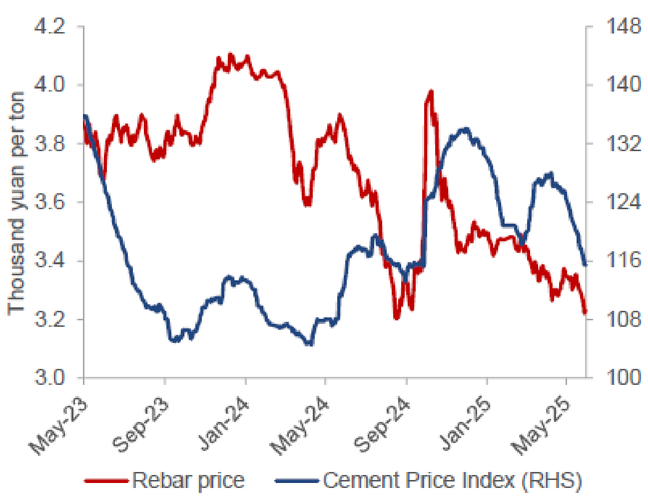


Fig 8 Construction material prices have been subdued



Source: Wind, Mizuho

Fig 9 Land sales fell again last week

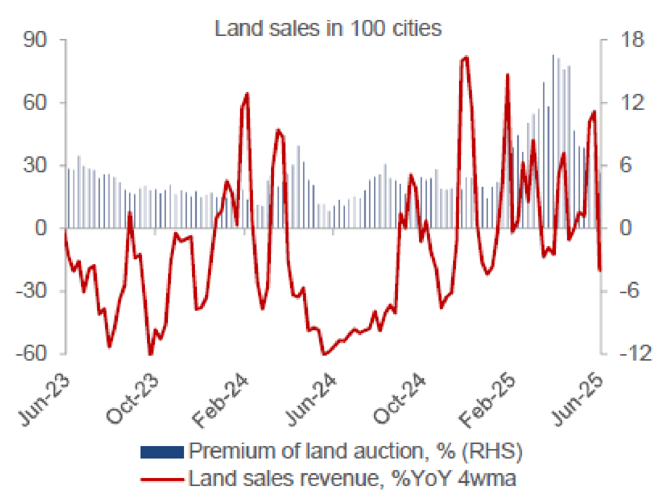
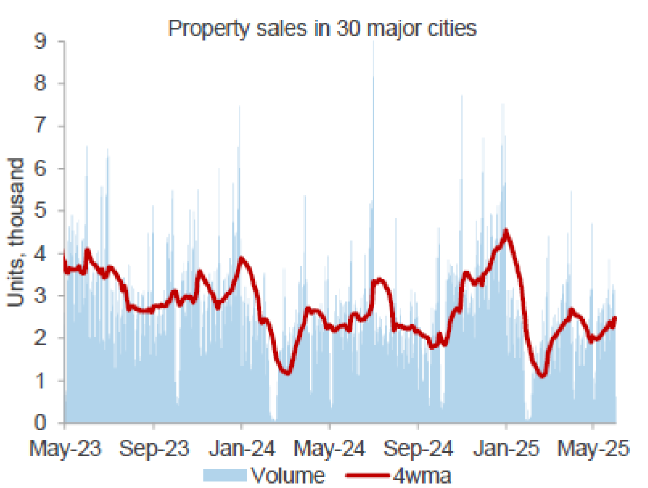


Fig 10 New home sales have slightly picked up in May



Source: Wind, Mizuho

Fig 11 Movie box office revenue continued to normalize

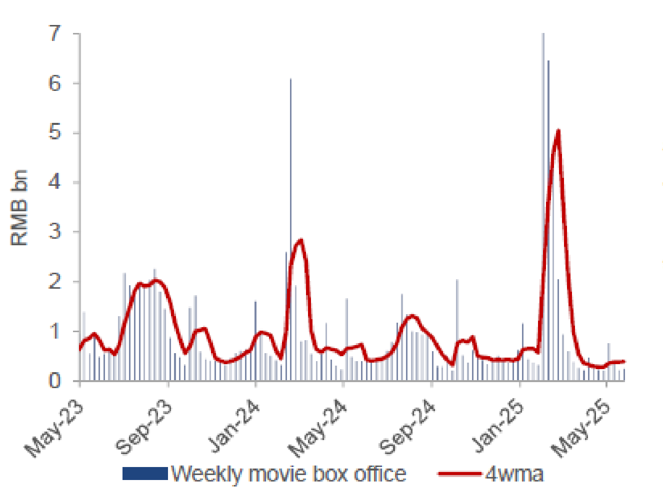
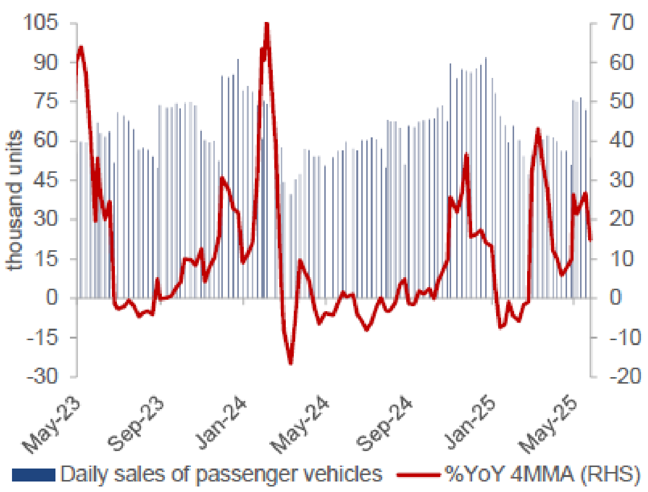


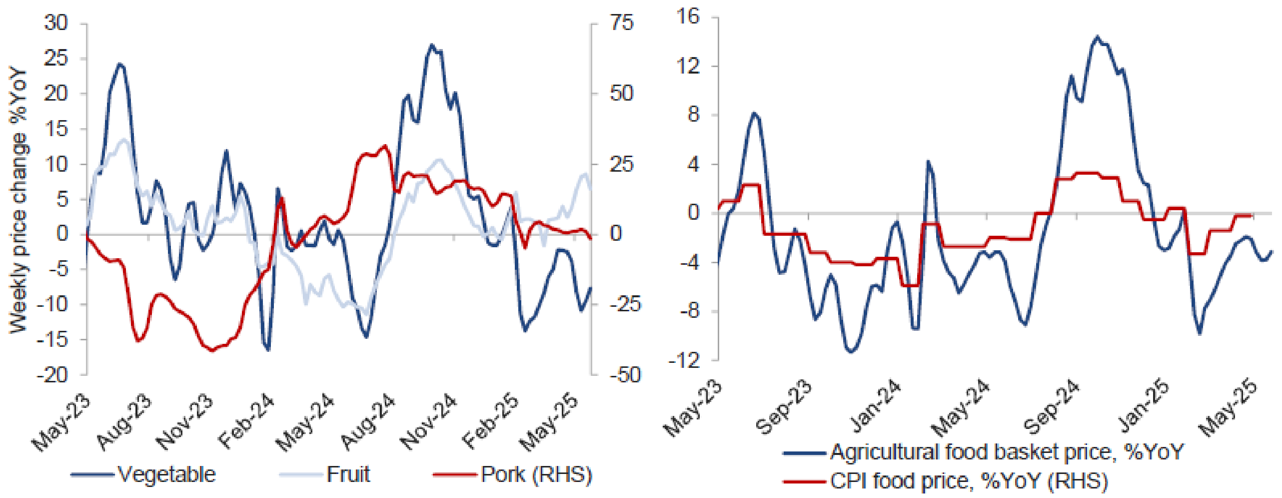
Fig 12 PV sales: YoY growth remained postive



Source: Wind, Mizuho

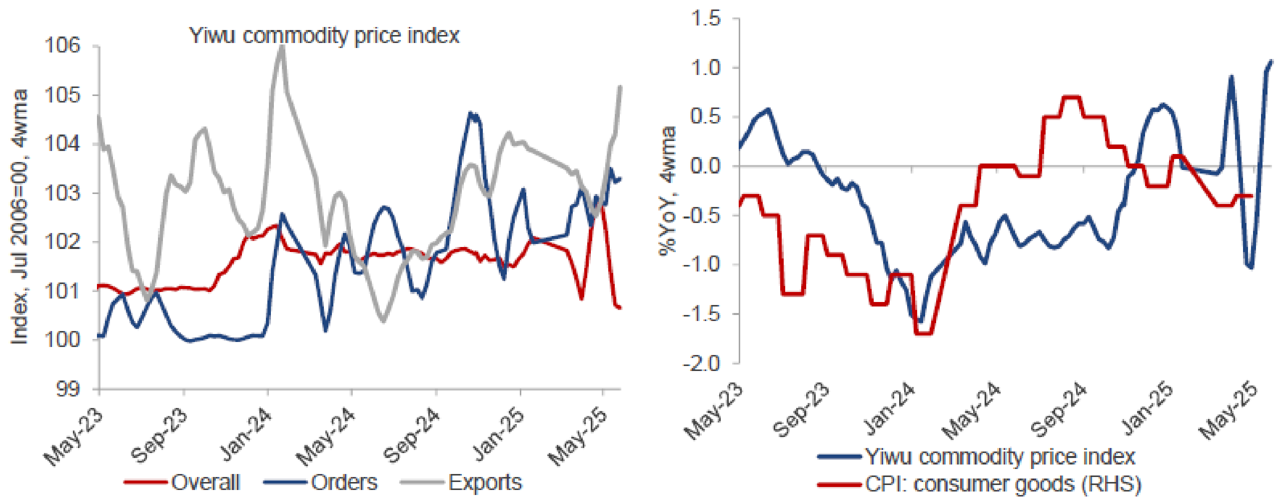
Price monitor

Fig 13 Agricultural prices continued to decline in May on lower vegetables prices



Source: CEIC, Mizuho

Fig 14 Yiwu Commodity Prices: YoY growth turned positive during the past three weeks



Source: Wind, Mizuho

Fig 15 Non-ferrous metal prices picked up in recent weeks

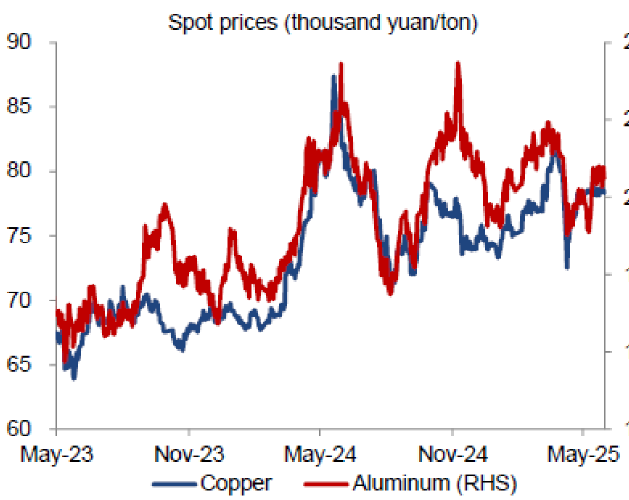
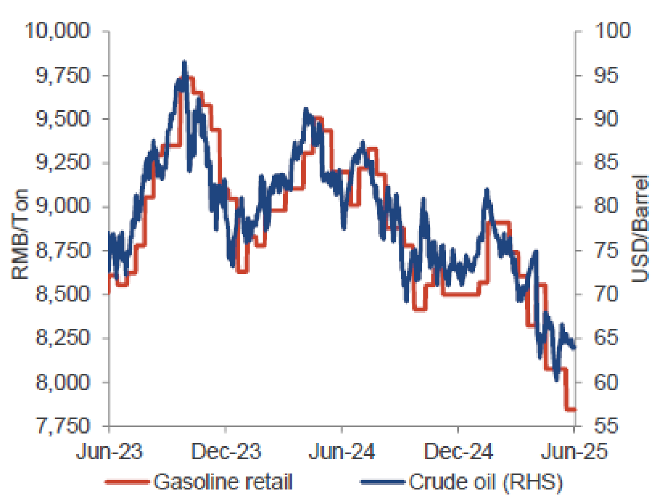


Fig 16 Oil prices have slumped further in May



Source: CEIC, Wind, Mizuho

Liquidity monitor

Fig 17 OMOs: net injection of RMB657b during 26 - 30 May

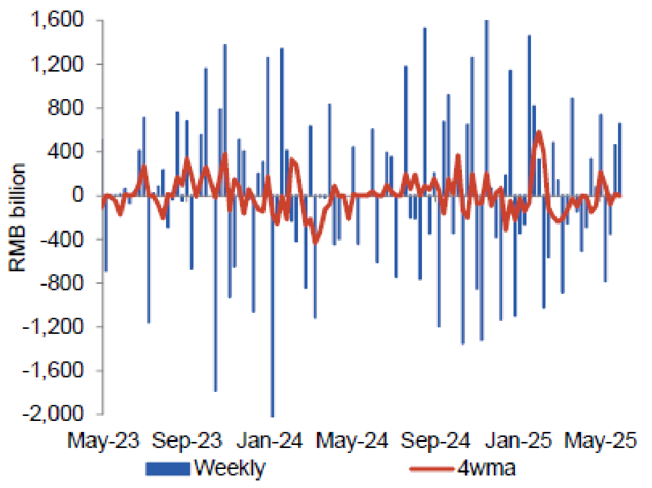
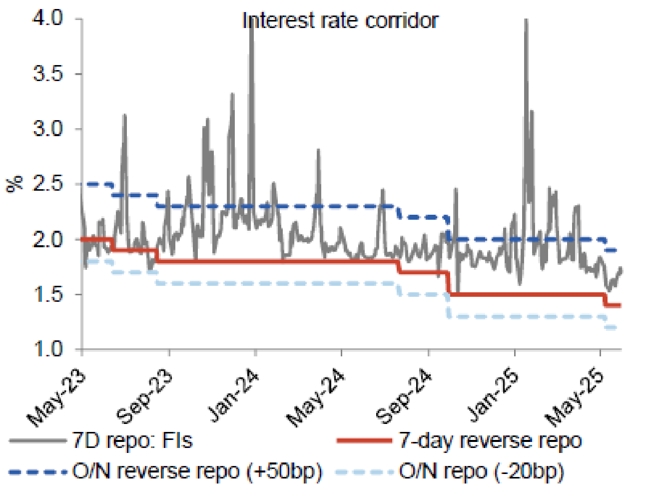


Fig 18 7D repo for FIs moved slightly higher since the rate cut



Source: CEIC, Wind, Mizuho

Fig 19 Short-end CGB yields picked up on the China-US truce

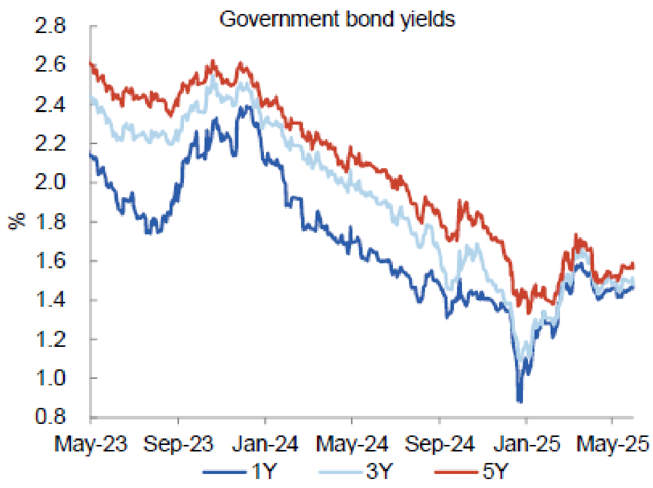
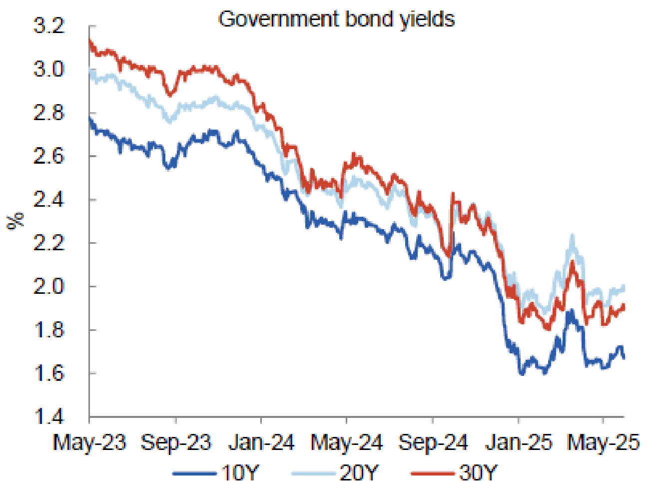
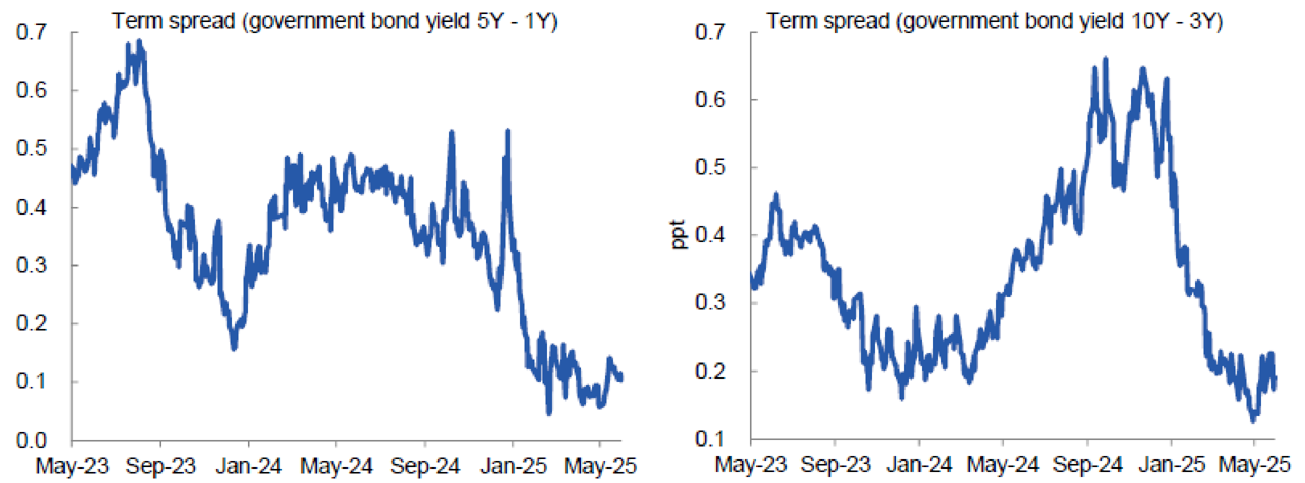


Fig 20 Long-end CGB yields also rose slightly



Source: Wind, CEIC, Mizuho

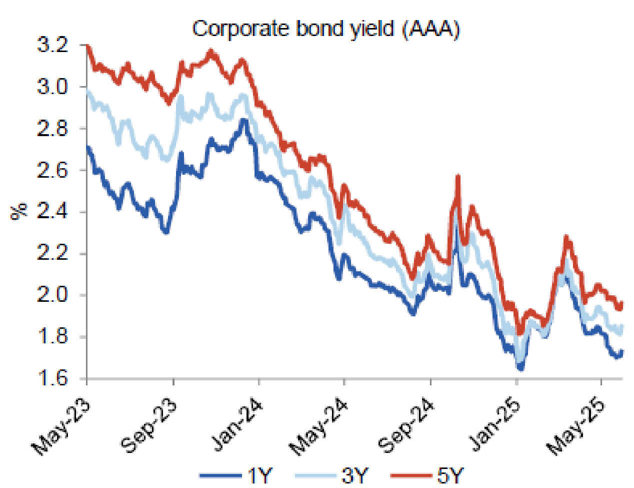
Fig 21 CGB term spreads slightly widened in recent weeks



Source: CEIC, Mizuho

Credit monitor

Fig 22 IG Corporate bond yields fell further last week



Source: Wind, Mizuho

Fig 23 IG corporate risk premium gapped wider

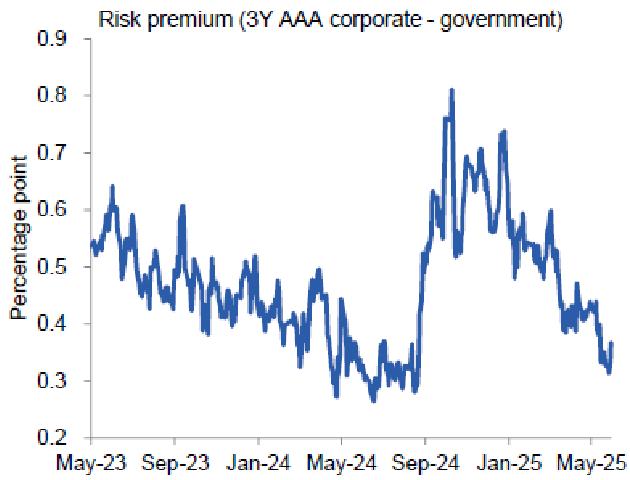
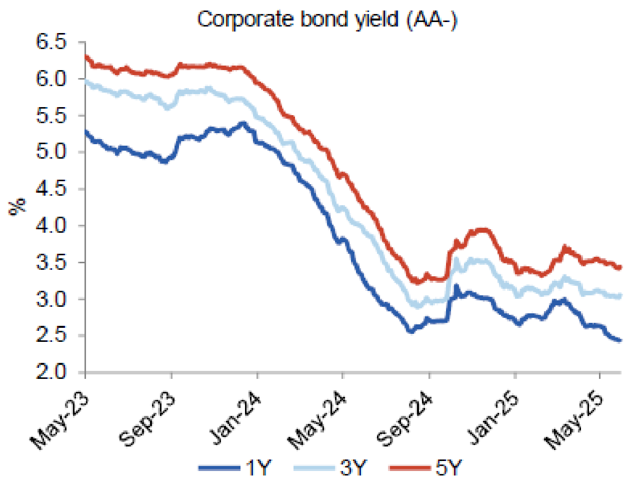


Fig 24 HY Corporate bond yields moved slightly lower



Source: Wind, Mizuho

Fig 25 HY corporate risk premium remained relatively stable

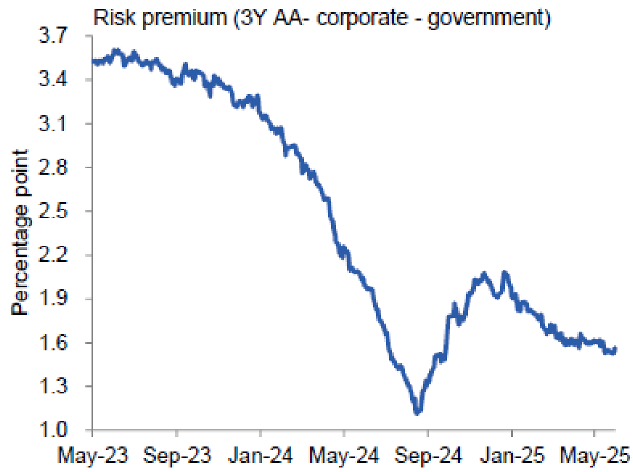
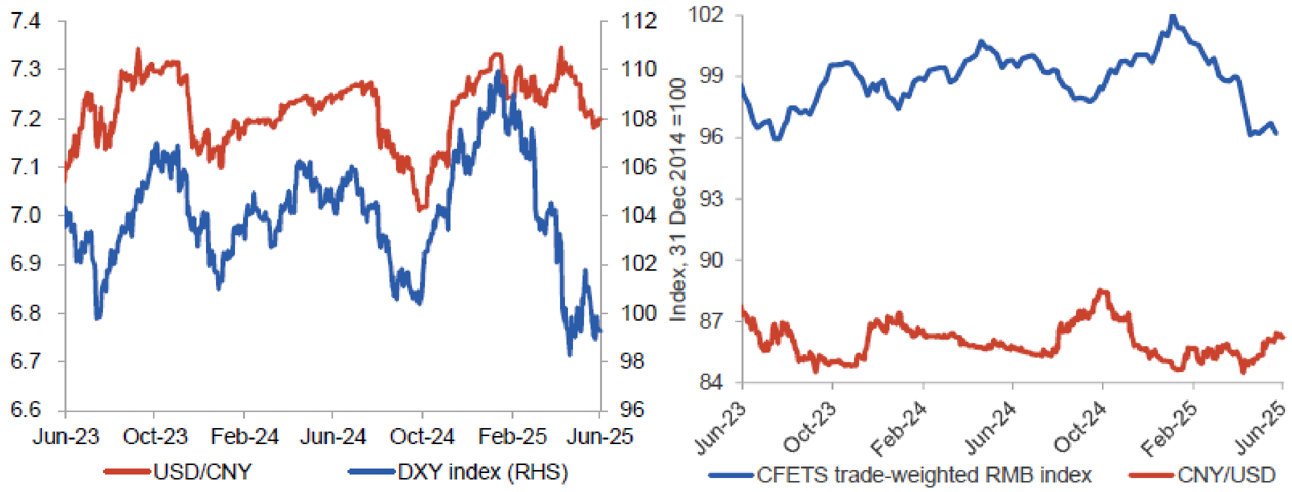


Fig 26 China USD credit spreads were mixed last week amid back-and-forth tariff headlines

Source: IHS Markit, Mizuho

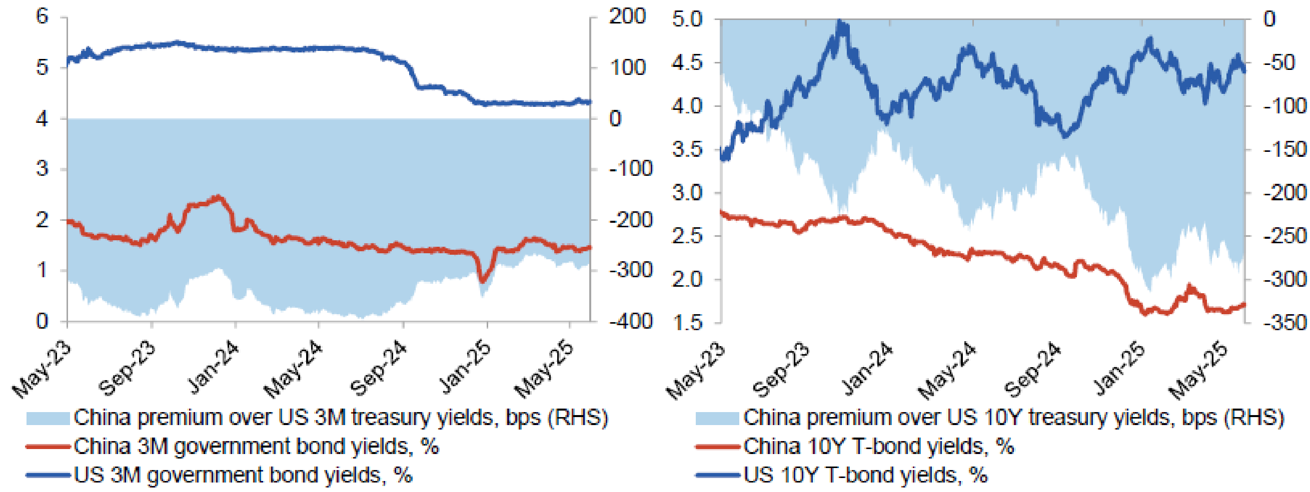
FX monitor

Fig 27 RMB exchange rates slightly depreciated against the US dollar last week



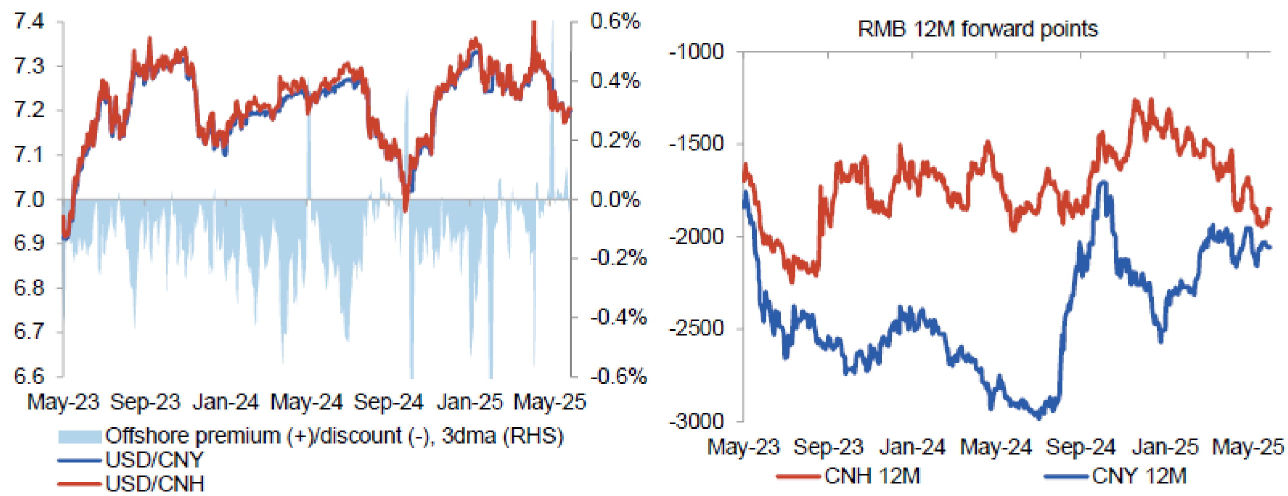
Source: CEIC, Bloomberg, Mizuho

Fig 28 China-US interest rate spreads moved slightly tighter at both ends



Source: CEIC, Bloomberg, Mizuho

Fig 29 RMB onshore vs. offshore: the gap between CNH and CNY spots has been contained



Source: Bloomberg, Mizuho