Mizuho China Weekly

Economics & Strategy | Asia ex-Japan

30 June 2025 | Serena Zhou | Senior China Economist

China Weekly Outlook

- China's official Manufacturing PMI rose to 49.7 in June, slightly exceeding market expectations of 49.6 and reaching a three-month high. **The improvement was broad-based, with both the production and new orders subindices climbing above the expansion threshold**, to 51 and 50.2, respectively. However, the employment subindex declined to 47.9, reflecting a more cautious outlook amid ongoing trade uncertainties.

- By enterprise size, the gains were driven by large and medium-sized manufacturers. Notably, the PMI for large enterprises increased to 51.2, returning to levels last seen before Trump's reciprocal tariffs. Sector-wise, PMI for raw materials saw the biggest pickup to 47.8, from 47 in May. Additionally, both the new export orders and import indices improved to multi-month highs, albeit remaining below the threshold of 50.

- **China's Non-manufacturing PMI also rose to a three-month high of 50.5 in June, driven by a rebound in construction activity** (Fig 7). The Construction PMI surged to 52.8 from 51.0 in May, supported by robust performance in infrastructure projects. In contrast, the Service PMI edged down to 50.1 in June, as consumer demand softened after the holiday boom in May.

- **At the quarterly monetary policy meeting last week, the PBoC adopted a slightly less dovish tone**. The post-meeting statement omitted previous language about "cutting the RRR and interest rates at an appropriate time," instead emphasizing more flexible counter-cyclical adjustments in terms of both magnitude and pace. **This suggests a potential shift toward reliance on short- and medium-term policy tools**, such as open market operations and Mid-term Lending Facilities (MLFs), **to replenish market liquidity**. The PBoC injected a net RMB118b through 1Y MLF in June, marking the fourth consecutive month of net liquidity injections.

- Additionally, **the central bank vowed to prevent excessive corrections in the RMB FX rate, signaling a preference for maintaining the CNY spot rate at a level slightly stronger than 7.2.** In fact, the PBoC has significantly scaled back its daily intervention in the RMB fixing rate since early June (Fig 27).

Activity monitor (1/2)

Fig 1 Thermal coal: both supply and demand trended up

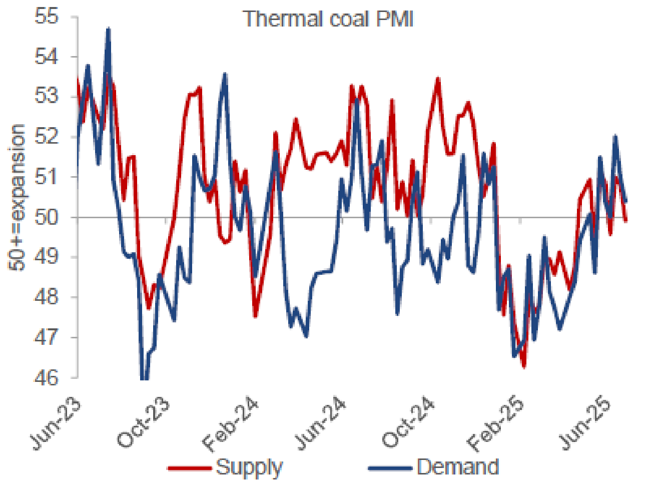
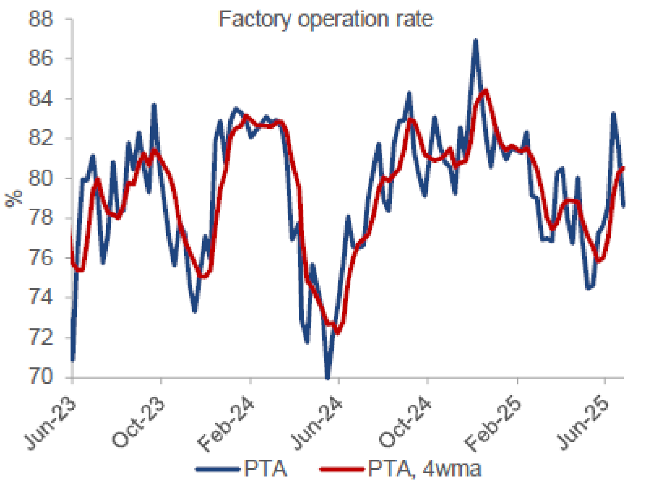


Fig 2 PTA production slowed from its previous peak



Source: Wind, Mizuho

Fig 3 Steel production: the increase has slowed in June

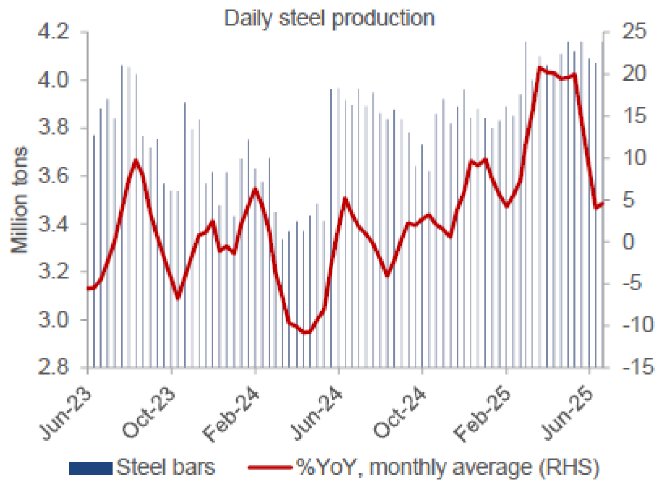
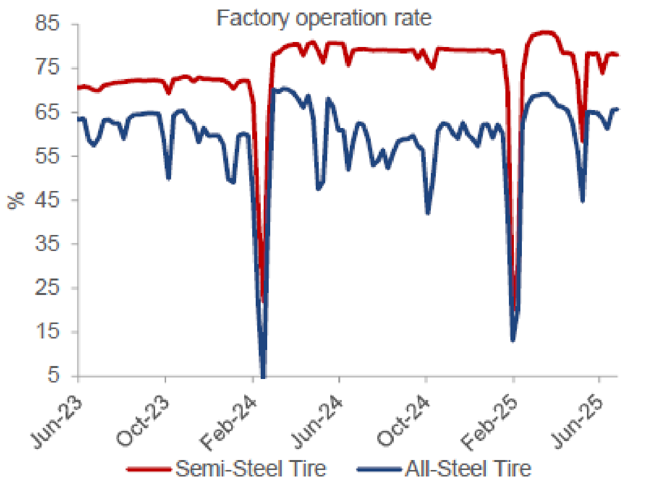


Fig 4 Steel tire production recovered quickly after holidays



Source: Wind, Mizuho

Fig 5 CCFI: shipping prices to the US picked up significantly

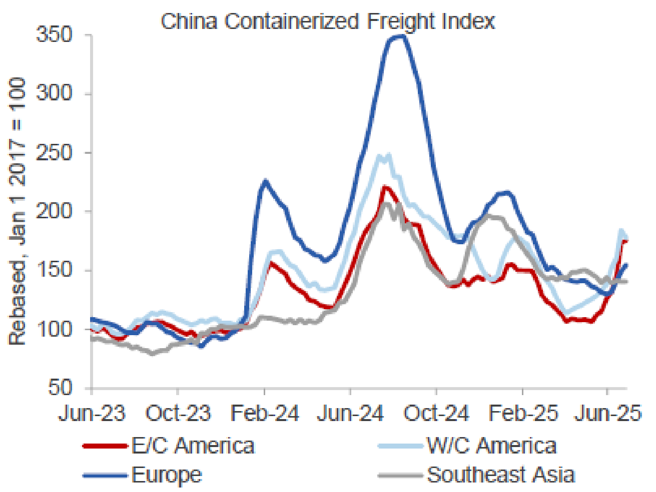
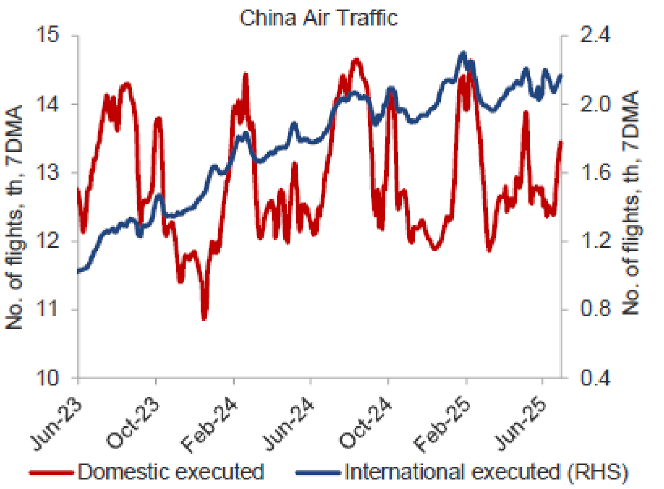


Fig 6 Air traffic started to climb in late June



Source: Wind, Mizuho

Activity monitor (2/2)

Fig 7 Road construction slightly improved

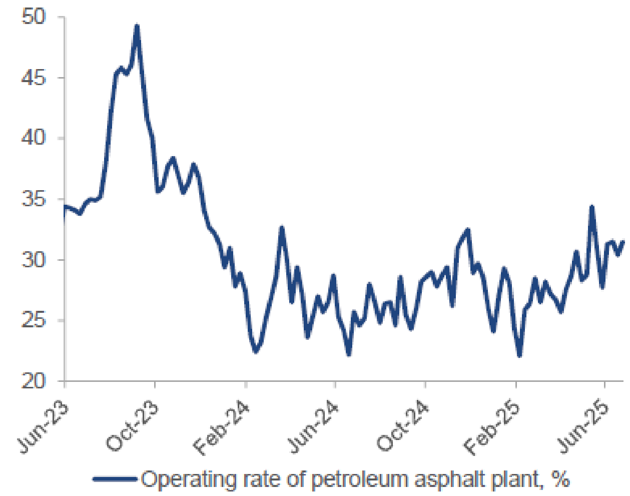
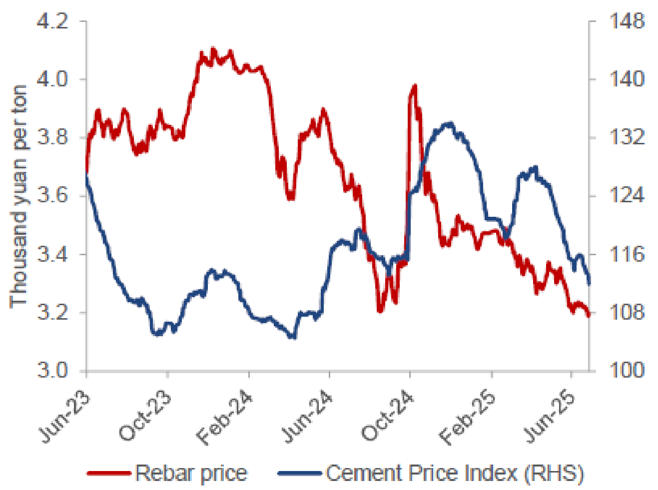


Fig 8 Construction material prices fell further last week



Source: Wind, Mizuho

Fig 9 Land sales fell at a faster pace YoY

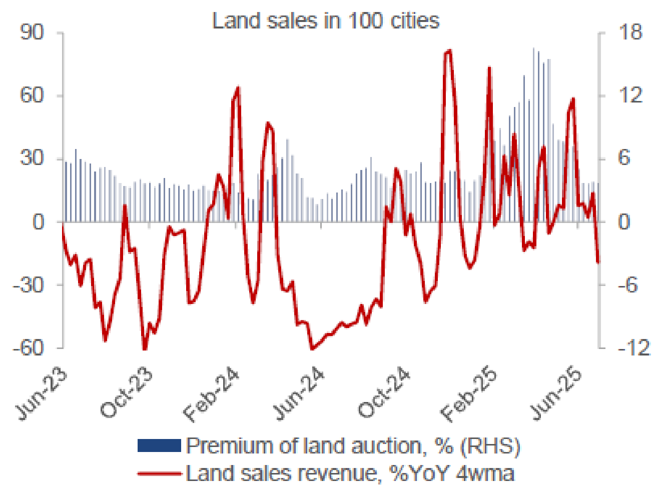
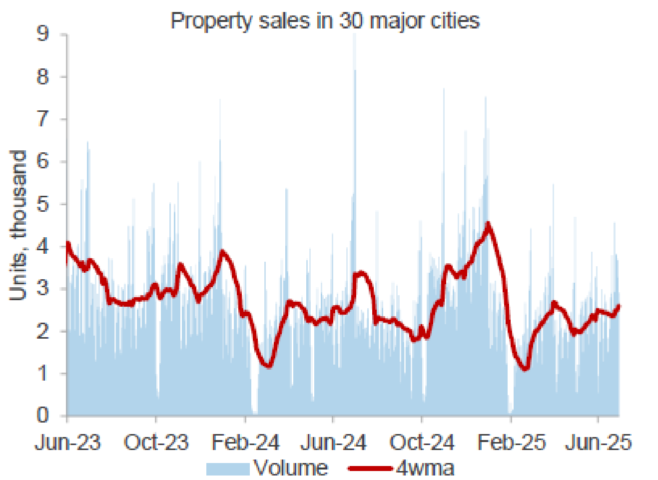


Fig 10 New home sales held up in higher-tier cities



Source: Wind, Mizuho

Fig 11 Movie box office revenue stayed subdued

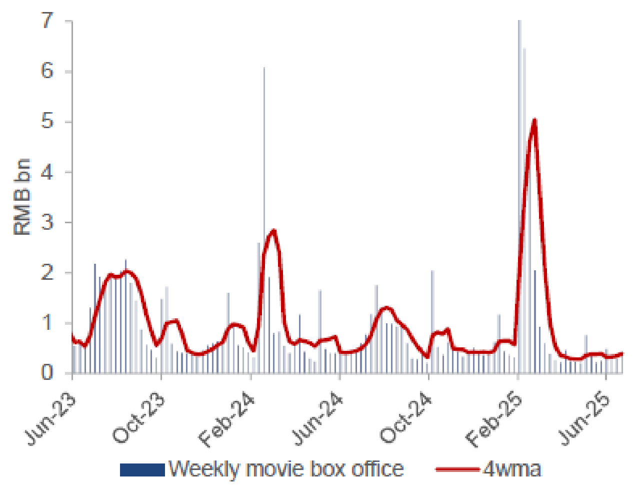
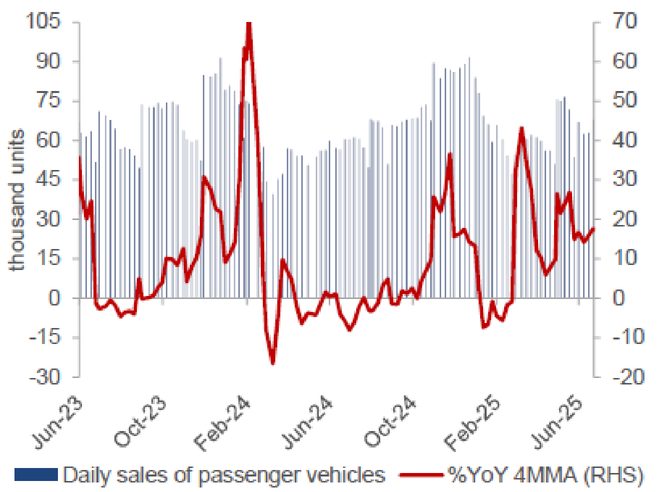


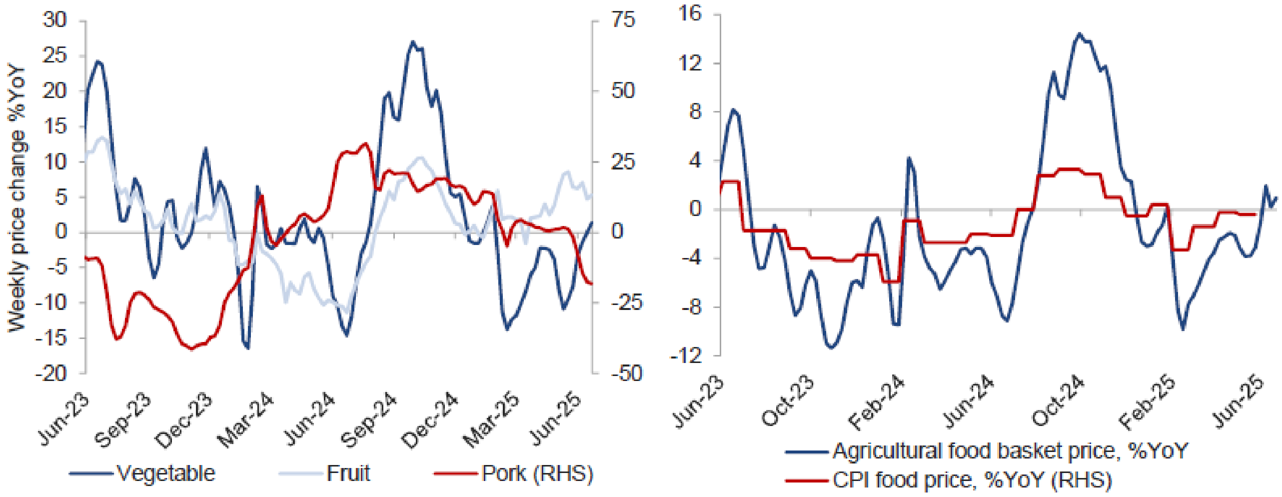
Fig 12 PV sales: YoY growth remained supported



Source: Wind, Mizuho

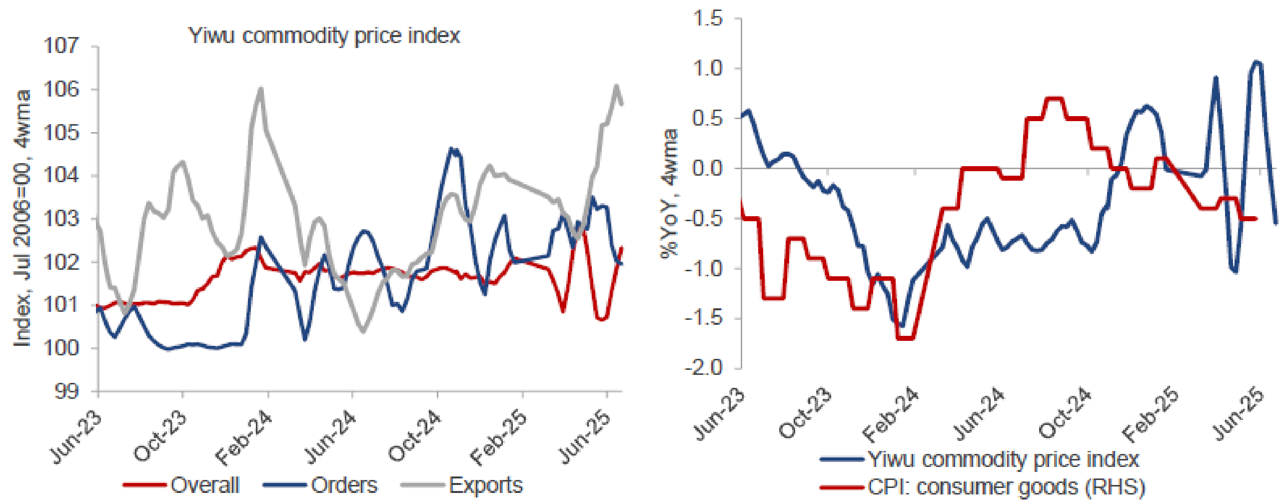
Price monitor

Fig 13 Agricultural prices saw another positive increase last week driven by higher fruit and vegetable prices



Source: CEIC, Mizuho

Fig 14 Yiwu Commodity Prices: export prices remained elevated last week



Source: Wind, Mizuho

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

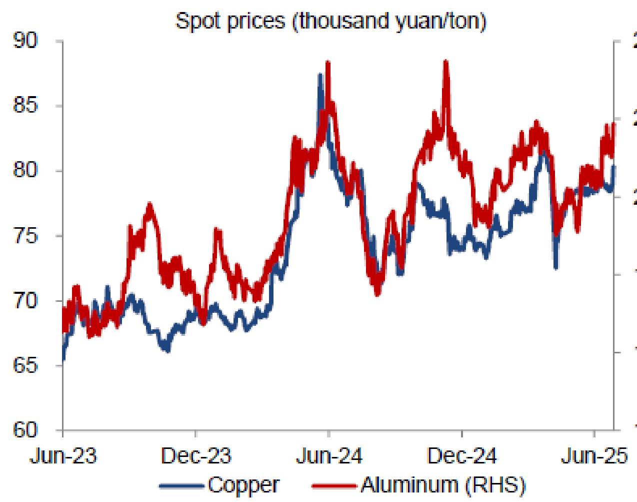
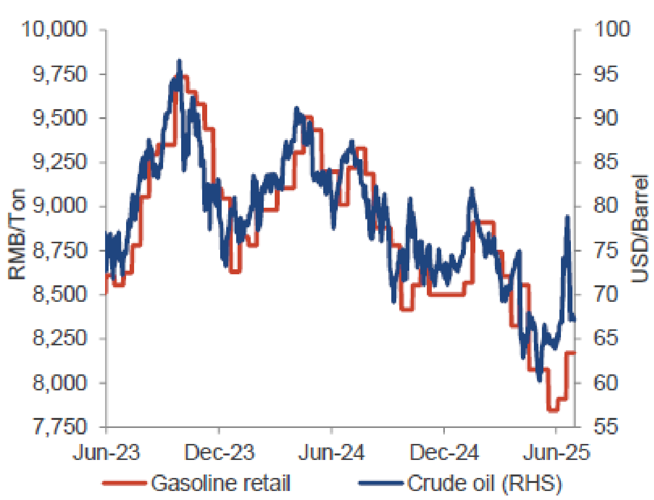


Fig 16 Oil prices fell on eased on the tentative ceasefire deal



Source: CEIC, Wind, Mizuho

Liquidity monitor

Fig 17 OMOs: net injection of RMB1067b during 23 - 27 June

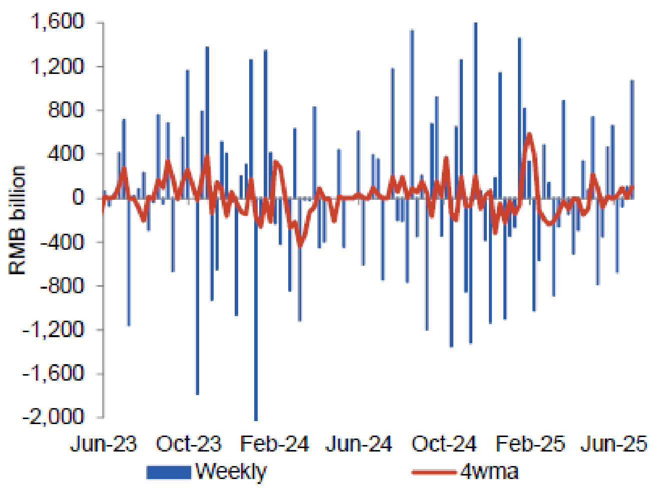
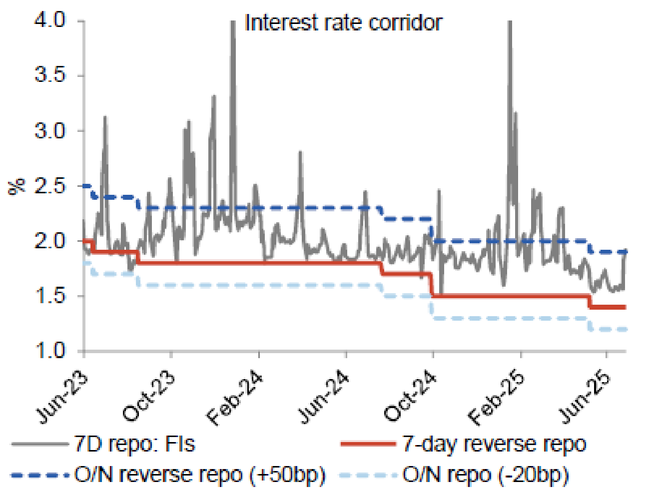


Fig 18 7D repo for FIs surged at the quarter-end



Source: CEIC, Wind, Mizuho

Fig 19 Short-end CGB yields edged lower last week

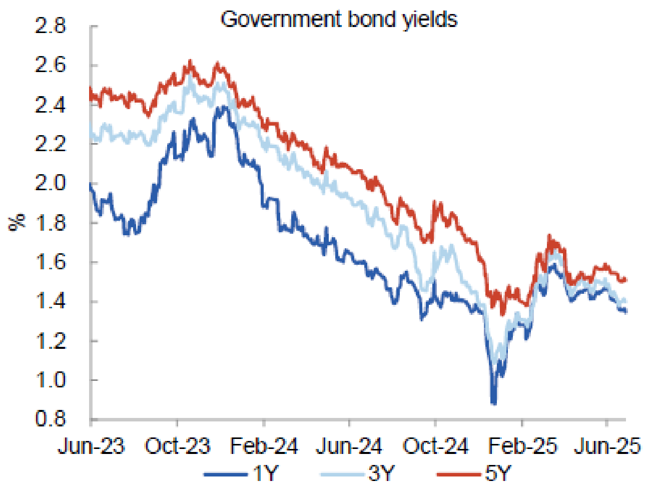
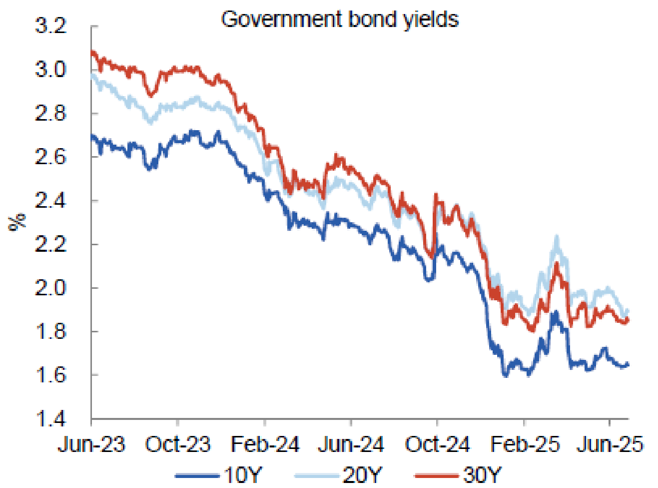
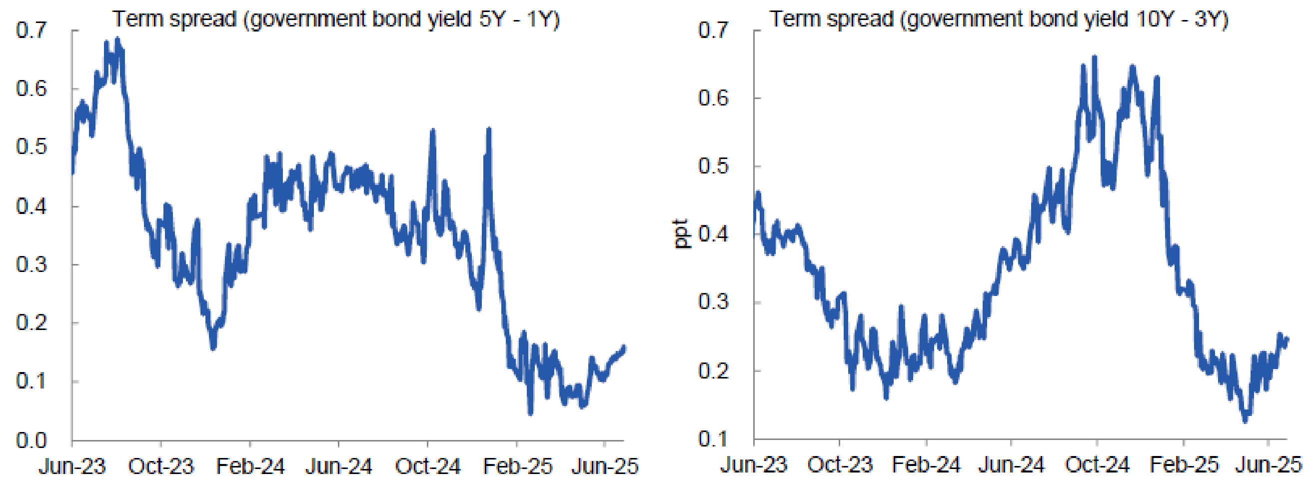


Fig 20 Long-end CGB yields ticked up



Source: Wind, CEIC, Mizuho

Fig 21 CGB term spreads continued to move wider



Source: CEIC, Mizuho

Credit monitor

Fig 22 IG Corporate bond yields trended lower

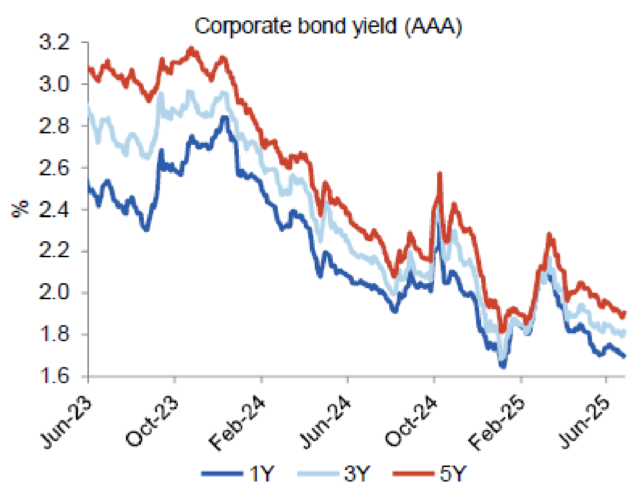
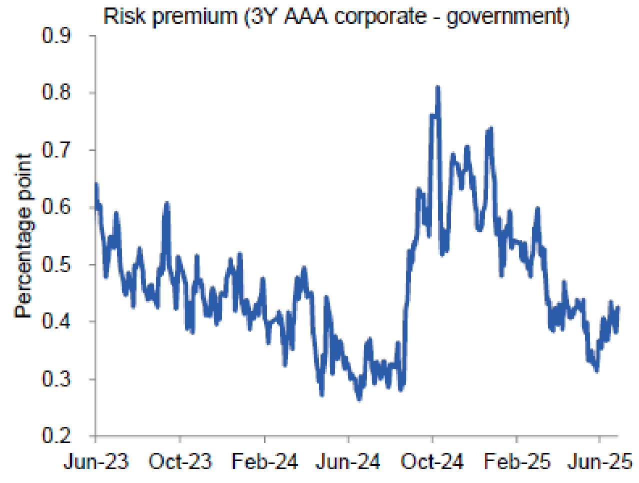


Fig 23 IG corporate risk premium widened again last week



Source: Wind, Mizuho

Fig 24 HY Corporate bond yields continued to move lower

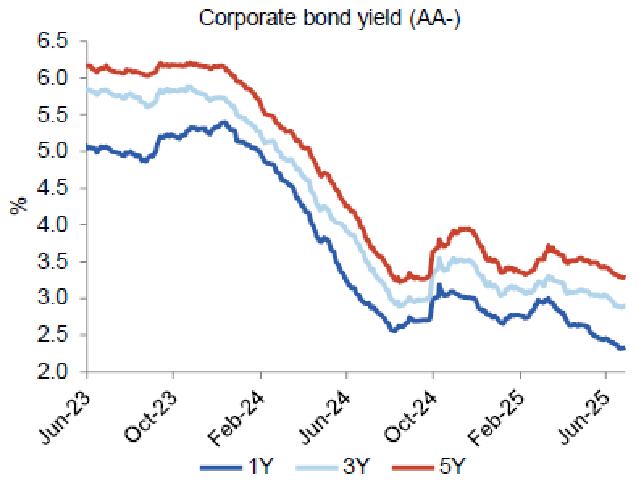
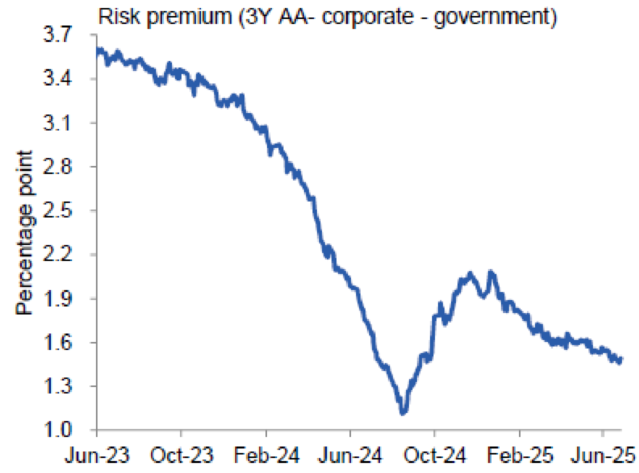
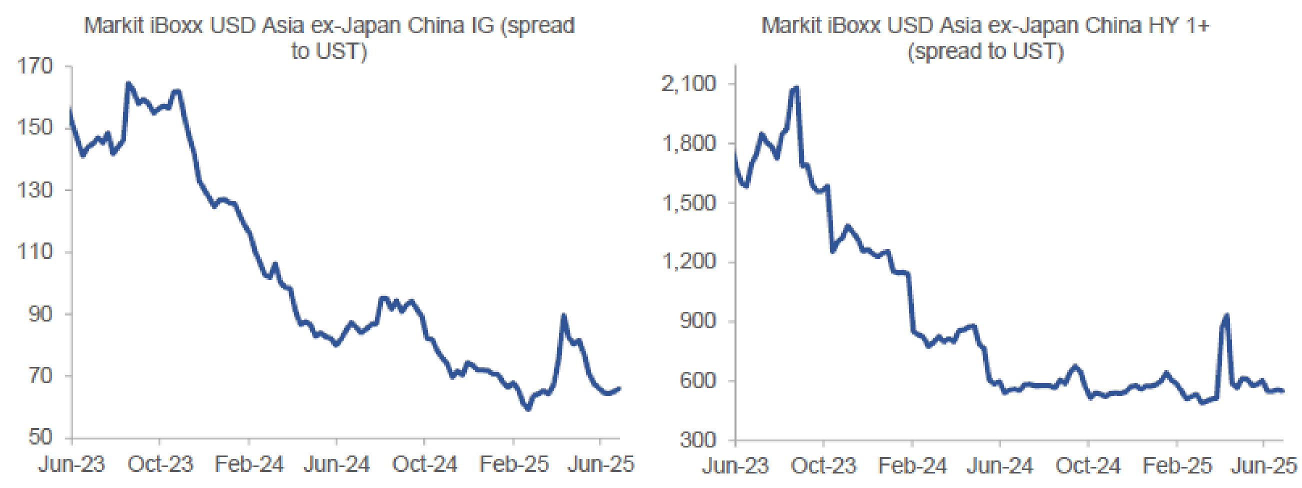


Fig 25 HY corporate risk premium edged lower last week



Source: Wind, Mizuho

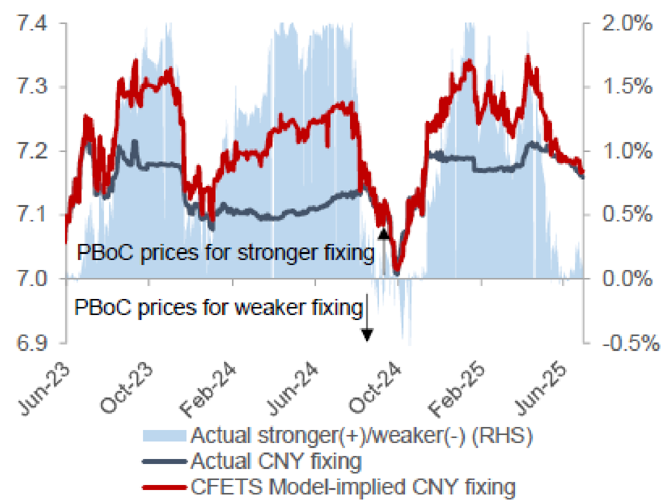
Fig 26 China USD credit spreads proved resilient last week despite a rally in US rates and heavy primary supply



Source: IHS Markit, Mizuho

FX monitor

Fig 27 RMB fixing rate: the PBoC withdrew intervention in Jun



Source: CEIC, Bloomberg, Mizuho

Fig 28 RMB trade-weighted index moved lower alongside the USD

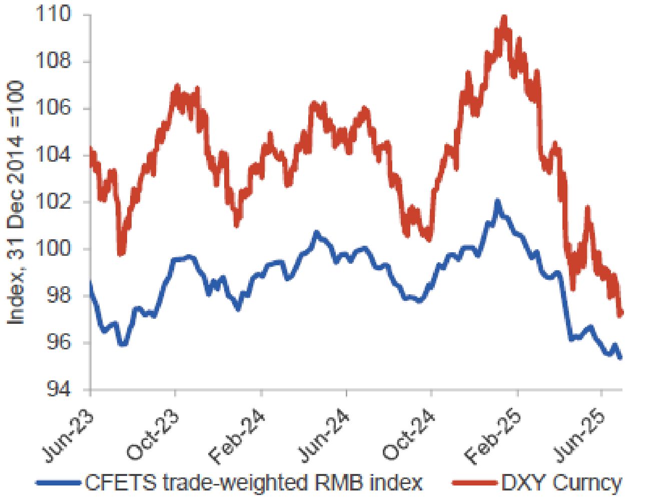
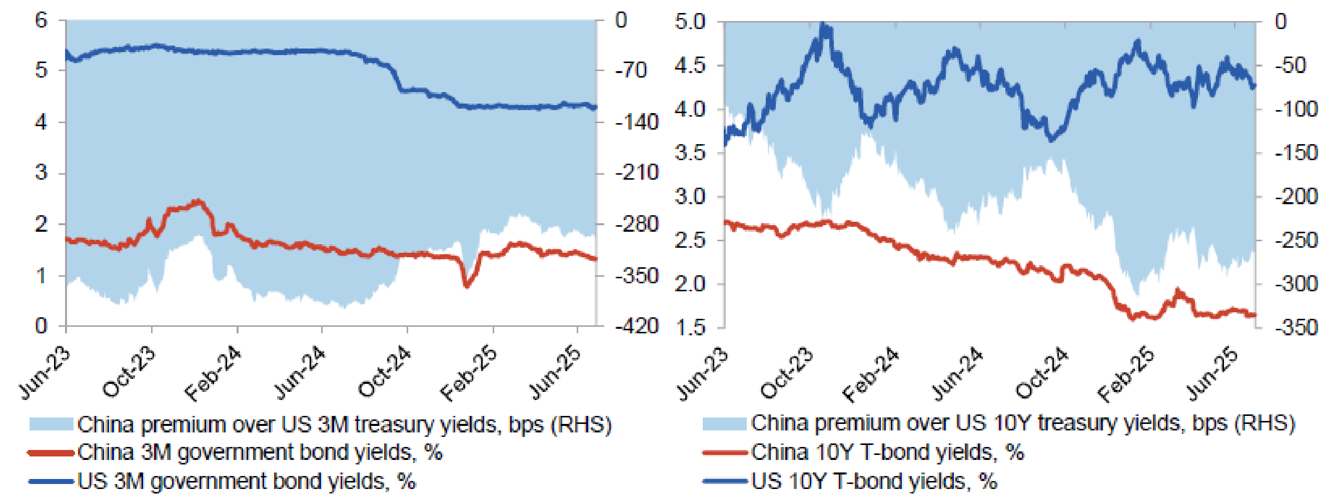
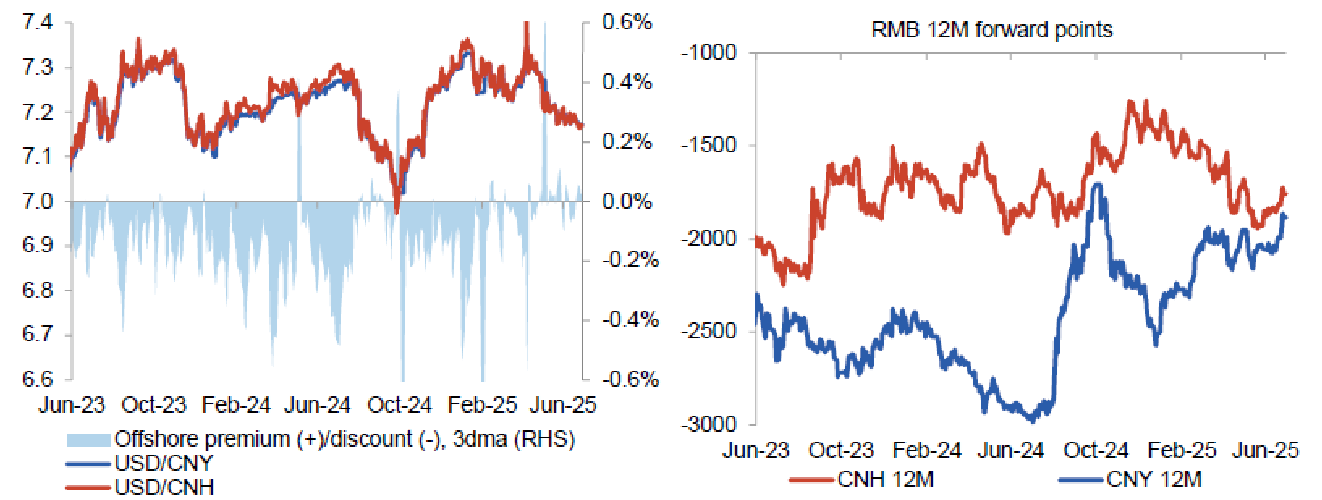


Fig 29 China-US interest rate spreads were slightly wider at the front-end



Source: CEIC, Bloomberg, Mizuho

Fig 30 Offshore RMB (CNH) is trading on par with the CNY, with a similar forward outlook



Source: Bloomberg, Mizuho

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