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China – October PMIs split widened

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China's official PMIs slipped back into contraction in October, missing consensus on both manufacturing and non-manufacturing, while the private RatingDog survey held firmly in expansion territory. The divergence reflects a structural split between large state-linked enterprises and export-oriented private manufacturers. Separately, the PBoC today formally adopted the overnight reverse repo rate as its new primary policy anchor, marking a key shift in China's monetary framework.

Official PMIs miss across the board

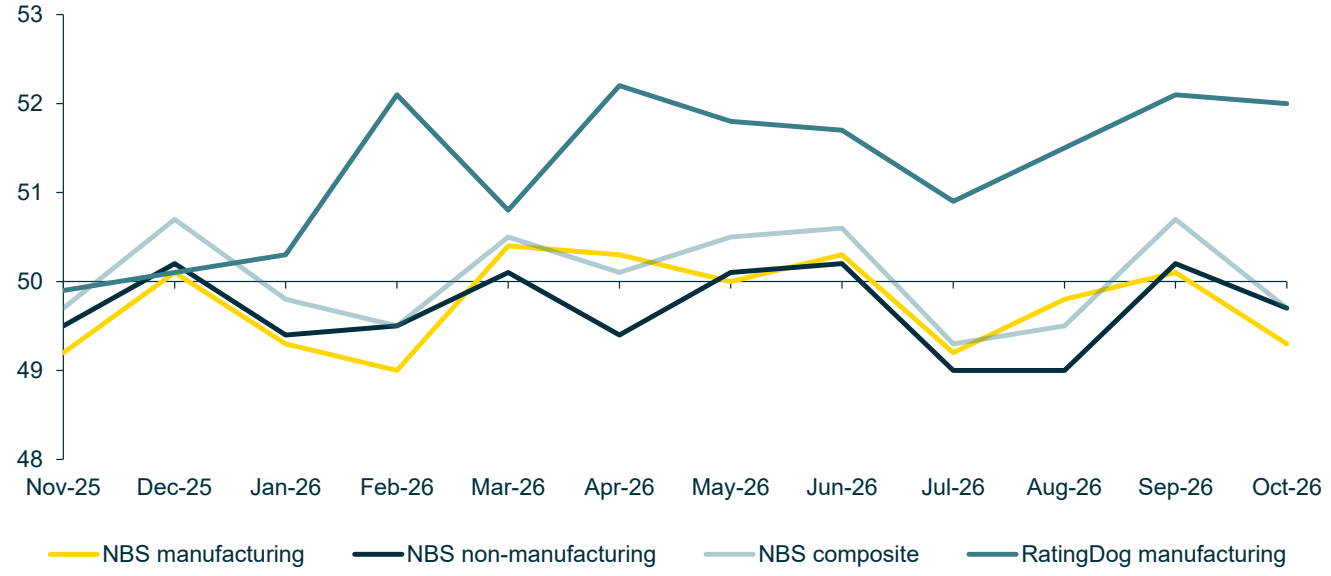
China's official manufacturing PMI fell to 49.3 (Bloomberg consensus: 49.9) vs 50.1 in September. The reading slips back into contraction after just one month of expansion, reinforcing the view that September's recovery was partly a seasonal artifact. The National Bureau of Statistics (NBS) attributed a portion of the October softening to demand being brought forward ahead of the National Day Golden Week holiday, which temporarily lifted September activity. The NBS non-manufacturing PMI eased to 49.7 (Bloomberg consensus: 50.0) vs 50.2 previously, with construction activity weighing most heavily on the headline. The composite PMI settled at 49.7, marking a broad-based loss of momentum across both goods and services (Chart 1).

Private survey holds, but export orders cool

The RatingDog China manufacturing PMI printed at 52.0 in October, matching the Bloomberg consensus and edging down marginally from 52.1 in September. While the index remains comfortably in expansion territory, the deceleration is notable: it marks the first monthly softening since July and reflects a cooling in overseas demand. New export orders weakened through the month, calling into question the durability of the export-led growth impulse that powered the Q3 GDP beat of 4.5% yoy. The persistent gap between the private and official surveys continues to reflect a familiar structural divergence, with export-oriented and high value-added manufacturers outperforming the broader domestic economy.

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Chart 1 - October official PMIs miss, private survey holds
50 means no change from last month

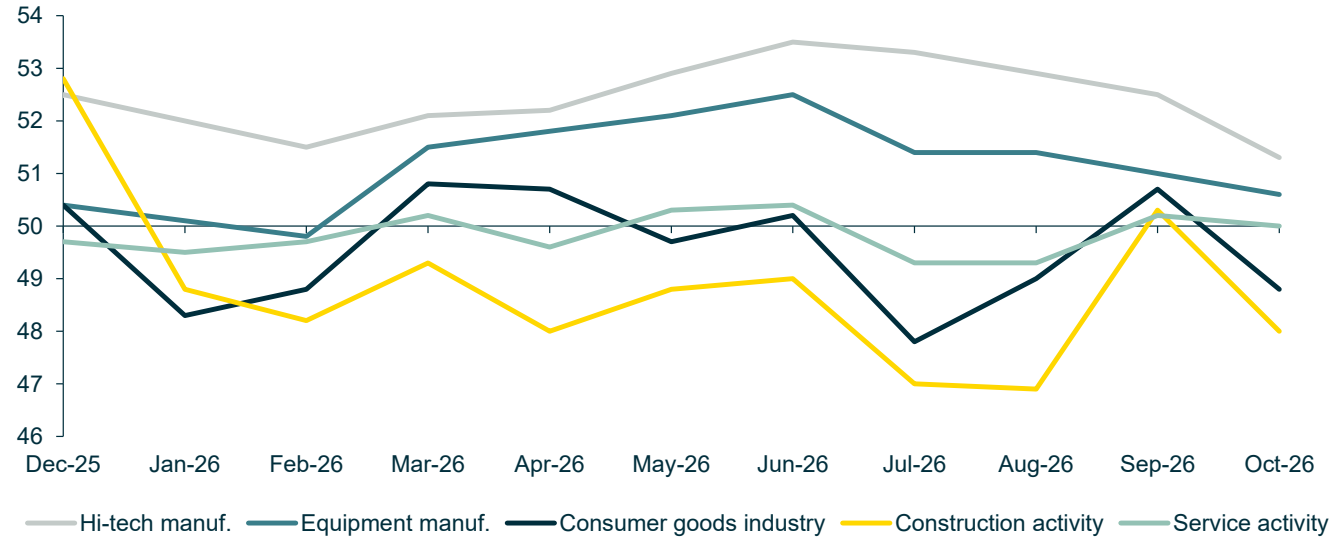


Source: NBS, RaitngDog, Commerzbank Research

High-tech holds, domestic demand sectors slip

Within the official manufacturing breakdown, high-tech manufacturing and equipment manufacturing both held in expansion territory, sustaining the technology-led growth narrative that has underpinned China's industrial policy pivot. Consumer goods manufacturing softened, consistent with subdued household spending that has persisted through much of 2026. Construction posted the sharpest decline within the non-manufacturing PMI, confirming that the property sector drag remains a structural headwind despite successive rounds of targeted support. Services activity remained broadly stable, with holiday-related consumption providing a partial offset in categories such as catering and tourism. The overall picture is one of a two-track economy: technology and export-oriented sectors holding firm while domestic demand-facing industries continue to struggle (Chart 2).

Chart 2 - High-tech expansion outpaces domestic demand drag
PMI by key industry, 50 = no change from last month



Source: NBS, Commerzbank Research

PBoC formalizes overnight rate as new anchor

Meanwhile, in a structurally significant move, the PBoC formally launched daily overnight reverse repurchase operations on Monday, conducting CNY541bn at a rate of 1.25% and resulting in a net liquidity withdrawal of CNY515bn from the banking system. The overnight rate, disclosed publicly for the first time last Friday at 1.25%, sits below the previous seven-day reverse repo benchmark of 1.4%, establishing a structurally lower reference point for short-term borrowing costs. Official media framed the shift as a step toward sharper price-based monetary guidance and cleaner policy signal transmission rather than an immediate easing of credit conditions. The move aligns China's monetary framework more closely with global central bank practice and creates the conditions for a more transparent rate corridor going forward.

Q4 growth target pressure mounts

The October PMI data arrives at a critical juncture for policymakers. Q3 GDP came in at 4.5% yoy, nudging back into the government's target range of 4.5-5.0%, but sustaining that pace through Q4 now requires a reversal of October's broad-based softening. With both official manufacturing and non-manufacturing gauges in contraction simultaneously, the data provides clear justification for additional policy support. The PBoC's new overnight rate framework, set below the previous benchmark, creates structural room for borrowing costs to drift lower as the framework beds in. The probability of further monetary easing, whether through reserve requirement ratio cuts or targeted lending rate reductions, has therefore risen materially heading into year-end. Market attention now turns to the China International Import Expo in Shanghai and the APEC summit, where any accompanying policy signals and trade diplomacy posture will be closely watched.

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