

The state of play in the manufacturing trade war

[Dion Rabouin](#) Oct 1, 2019

Data: Caixin, Institute of Supply Management; Chart: Axios Visuals

The manufacturing sectors of the U.S. and China are moving in opposite directions, and data released Monday shows the gap is widening.

On one side: China's Caixin purchasing managers' index, a private survey of the country's manufacturing activity, had its strongest reading since February 2018. The improvement was driven largely by increased domestic demand, which has picked up as foreign sales continue to sink because of the trade war.

- "The Chinese government's stimulus measures, although relatively modest so far, are helping to buffer China's industrial sector," Eswar Prasad, a senior fellow at the Brookings Institution and former head of the IMF's China Division, tells Axios in an email.
- "The notion that China's economy faced a drastic slowdown was a bit overblown. They have been facing a steady gradual slowdown that they are not uncomfortable with as growth around 6 percent is a more sustainable rate, now that they are a \$13 trillion economy."

On the other side: The Chicago Business Barometer, which tracks Midwestern business activity steered mainly by trade and manufacturing, fell back into contraction in September. A measure of business confidence within the index dropped to its lowest level since 2009.

- The unexpected weakness "indicates strain in 'real economy' sectors like manufacturing that drive nationwide consumer spending," the [Wall Street Journal](#) notes.

- "The combined gross domestic product for states in the Great Lakes and Plains regions, as defined by the U.S. Bureau of Economic Analysis, account for almost one-fifth of U.S. GDP. Pain in the Midwest will quickly ripple outward."

Of note: Looking at the chart, 50 is the level separating expansion from contraction.

What's next: Today, the Institute for Supply Management will publish its monthly U.S. manufacturing survey, which declined in August for the first time in 3 years.

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