ANDAMAN PARTNERS
September 2026
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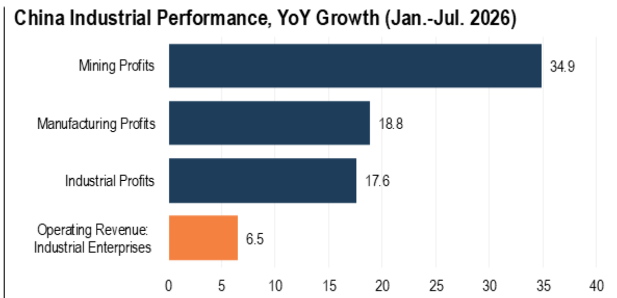
China's Industrial Profits Accelerate Despite Subdued Business Activity

Industrial profits rose 17.6% so far in 2026, nearly three times faster than revenue, while PMI readings remained around the 50-point threshold.



Industrial Profit Growth Varied Sharply Across Sectors (Jan.-Jul. 2026)

Laggards	**-36.9%** Timber & Wood Products	**-48.2%** Non-metallic Minerals	**-51.2%** Ferrous Metals Smelting	**-58.2%** Furniture Manufacturing
Winners	**+91.8%** Non-ferrous Metals	**+105%** Electronics	**+107.7%** Chemical Fibres	**+116.6%** Mining Support Activities

Source: National Bureau of Statistics of China, ANDAMAN PARTNERS Analysis

China's industrial picture in 2026 is stronger beneath the surface than headline activity suggests. Manufacturing PMI has hovered around the 50-point expansion threshold for much of the year and stood at 49.8 in August, while non-manufacturing PMI slipped below 50 in July and August. Against this subdued backdrop, industrial profits rose 17.6% year-on-year in January–July, compared with 6.5% revenue growth. Mining performed particularly strongly, with profits up 34.9%, while manufacturing profits increased 18.8%.

But the improvement is far from uniform. At the extremes, profits more than doubled in mining support activities, chemical fibres and electronics, while furniture, ferrous metals and non-metallic minerals recorded steep declines. The broader picture is more nuanced: non-ferrous metals (+91.8%), chemicals (+56.6%) and coal mining (+50.4%) also performed strongly, while automobiles (-20.4%) and electrical machinery (-7.6%) remained under pressure.

For businesses operating in China, subdued headline activity does not mean subdued opportunity everywhere. Profitability is shifting sharply between industries, making where you operate increasingly as important as how fast the overall economy is growing.

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