China: Manufacturing PMIs mixed, but continue to show inflation pressures; official non-manufacturing PMI ties post-Covid low

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Bottom line:

The NBS manufacturing PMI edged down to 50.3 in April from 50.4 in March, entirely driven by the slowdown in the new orders sub-index. The NBS non-manufacturing PMI fell to 49.4 in April from 50.1, as both the construction and services sectors experienced a slowdown in activity. NBS manufacturing PMI fell slightly while RatingDog manufacturing PMI rose in April, potentially due to their differences in sample coverage (RatingDog covers more export-oriented companies). Overall, both manufacturing PMIs suggest higher prices and rising export orders in April.

Asia-MAP for official manufacturing PMI: 0 (3, 0)

3 out of 5 for relevance to growth

0 on a scale of -5 to +5 for surprise relative to consensus

Key numbers:

China official NBS manufacturing PMI: 50.3 in April (GS forecast: 50.0; Bloomberg consensus: 50.1), vs. 50.4 in March.

Official non-manufacturing PMI: 49.4 in April (GS forecast: 49.7; Bloomberg consensus: 49.8), vs. 50.1 in March.

RatingDog manufacturing PMI: 52.2 in April (GS forecast: 51.0; Bloomberg consensus: 51.0), vs. 50.8 in March.

Main points:

1. The NBS manufacturing PMI headline index edged down to 50.3 in April from 50.4 in March. Among major sub-indexes of NBS manufacturing PMI, the output sub-index inched up to 51.5 from 51.4, the employment sub-index edged up to 48.8 from 48.6, while the new orders sub-index fell to 50.6 from 51.6. The suppliers' delivery times sub-index stayed flat at 49.5 in April. NBS commented that the new orders and output sub-indexes of railway, shipbuilding, and aerospace equipment, electrical machinery, and computer, communication and electronic equipment sectors were above 53 in April. However, the manufacturing activity in petroleum, coal, and other fuel processing, and chemical raw materials and products sectors softened in April.

2. On the trade-related sub-indexes, the manufacturing new export order sub-index rose to 50.3 in April from 49.1 in March. The import sub-index increased to 50.1 in April from 49.8 in March. The raw material inventories sub-index rose to 49.3 from

47.7, and the finished goods inventories sub-index increased to 47.5 from 46.7. By enterprise size, the PMI of large enterprise fell to 50.2 from 51.6. However, the PMI of medium and small enterprises rose to 50.5 and 50.1 from 49.0 and 49.3, respectively. The input cost sub-index edged down to 63.7 (vs. 63.9 in March) and the output prices sub-index fell to 55.1 from 55.4. From an industry perspective, the input cost and the output price sub-indexes of petroleum, coal and other fuel processing, and chemical raw materials and products industries have both remained above 70 for two consecutive months, according to the NBS statement.

3. The RatingDog manufacturing PMI was released later in the morning. The headline index rose to 52.2 in April from 50.8 in March. Surveyed companies mentioned that the improvement was linked to faster growth in new orders (new orders sub-index increased to 53.4 from 51.1 in March) and the upturn in production (output sub-index rose to 53.8 from 50.8 in March). Sub-indexes in the RatingDog manufacturing PMI suggest slightly lower employment sub-index (49.9 vs. 50.3 in March), a build-up of inventories of raw inputs (51.2 vs. 50.3 in March), higher suppliers' delivery sub-index (49.2 vs. 48.5 in March), and stronger new export orders (51.1 vs. 50.4 in March). Both input and output price sub-indexes increased in April, rising from 57.0 and 52.2 in March to 57.5 and 53.6, respectively. Surveyed companies noted that the supply chain continued to face raw material shortages, delivery disruptions, and rising input prices in April.

4. The official non-manufacturing PMI (comprising the services and construction sectors) fell to 49.4 in April (vs. 50.1 in March). The services PMI decreased to 49.6 (vs. 50.2 in March). According to the survey, the PMIs for railway transportation, postal services, and telecommunications, radio, television, and satellite transmission services industries were above 55. Conversely, the PMIs of wholesale, retail, and household services industries were below 50 in April. The construction PMI decreased to 48.0 in April (vs. 49.3 in March), marking its lowest level outside of the 2020 national lockdown, partly due to recent heavy rainfall in southern regions.

5. In April, the NBS manufacturing PMI fell slightly, while the RatingDog manufacturing PMI rose. This divergence is likely due to their differences in sample coverage (RatingDog covers more export-oriented companies) as well as different residual seasonality in the two series. Overall, price indices in both manufacturing PMIs stayed elevated in April, signaling persistent cost-push inflation due to the conflict in the Middle East.

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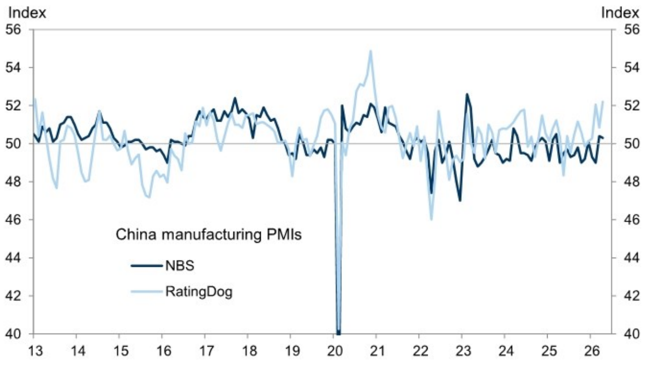
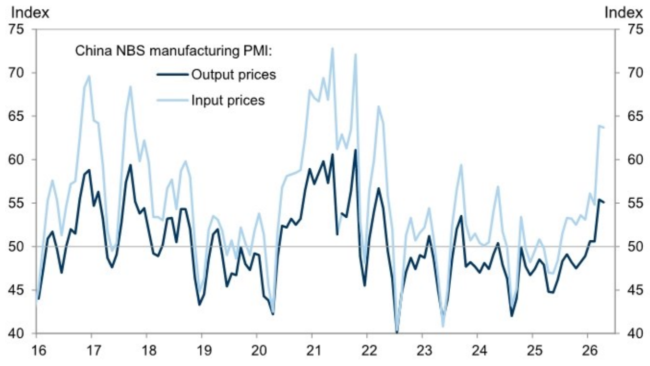
Exhibit 1: NBS manufacturing PMI edged down while RatingDog manufacturing PMI rose in April



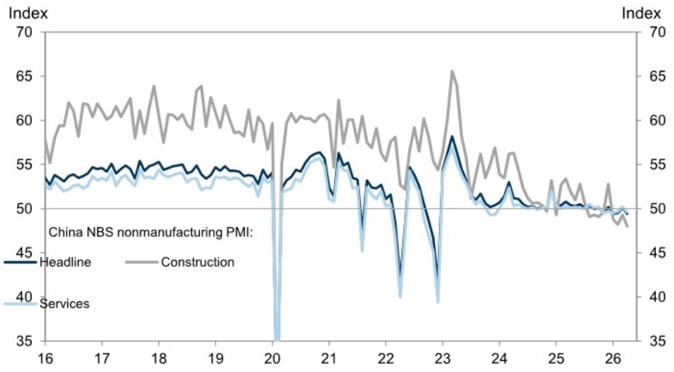
Source: NBS, S&P Global

Exhibit 2: Both the output and input prices sub-indexes of the NBS manufacturing PMI stayed elevated in April



Source: NBS

Exhibit 3: NBS non-manufacturing PMI fell in April, driven by a slowdown in both construction and services sectors



Source: NBS

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