China: Both official manufacturing and non-manufacturing PMIs rose in June

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Bottom line:

The NBS manufacturing PMI rose to 50.3 in June from 50.0 in May. Among the major sub-indexes, the new orders sub-index increased the most, followed by the output sub-index. The NBS non-manufacturing PMI inched up to 50.2 in June from 50.1, as both the construction and services PMIs increased in June. Overall, June NBS PMIs suggest a modest pickup in manufacturing and services activity, and continued decline in the construction industry.

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 June (GS forecast: 49.9; Bloomberg consensus: 50.1), vs. 50.0 in May.

Official non-manufacturing PMI: 50.2 in June (GS forecast: 49.9; Bloomberg consensus: 49.9), vs. 50.1 in May.

Main points:

1. The NBS manufacturing PMI headline index rose to 50.3 in June from 50.0 in May. Among major sub-indexes of NBS manufacturing PMI, the new orders sub-index rose to 51.2 from 49.9, the output sub-index increased to 51.4 from 51.2, while the employment sub-index inched down to 48.4 from 48.6. The suppliers' delivery times sub-index rose to 49.9 from 49.2. NBS commented that the new orders and output sub-indexes of agricultural and sideline food processing, specialized equipment, and computer, communication, and electronic equipment sectors were above 54 in June. However, the manufacturing activity in chemical fiber, rubber and plastic products, and ferrous metal smelting and rolling processing sectors softened in June.

2. On the trade-related sub-indexes, the manufacturing new export order sub-index rose notably to 50.1 in June from 48.6 in May. The import sub-index increased to 49.6 in June from 48.8 in May. The raw material inventories sub-index fell to 48.4 from 48.6, and the finished goods inventories sub-index decreased to 47.7 from 49.3. By enterprise size, the PMI of medium enterprises rose to 50.5 from 48.6. However, the PMI of large and small enterprises fell to 50.7 and 48.2 from 51.1 and 48.5, respectively. The input cost sub-index fell to 54.2 (vs. 60.5 in May) and the output prices sub-index decreased to 48.2 from 51.9. The broad-based easing in

price indicators likely reflected the recent pullback in commodity prices, particularly oil, as concerns over Middle East supply disruptions eased after tanker traffic through the Strait of Hormuz increased.

3. The official non-manufacturing PMI (comprising the services and construction sectors) edged up to 50.2 in June (vs. 50.1 in May). The services PMI inched up to 50.4 (vs. 50.3 in May). According to the survey, the PMIs for telecommunications, broadcasting, television and satellite transmission services, internet software and information technology services, monetary financial services, and insurance industries were above 55. Conversely, the PMIs of air transport and real estate services industries were below 50 in June. The construction PMI increased to 49.0 in June (vs. 48.8 in May), remaining at a low level relative to historical averages. Adverse weather conditions such as summer heatwaves and heavy rainfall likely disrupted outdoor activity in June.

4. Overall, the June NBS PMIs point to a modest pickup in manufacturing and services activity, alongside a continued contraction in the construction sector. Manufacturing price indicators eased notably in June; however, the input price sub-index remained well above 50 while the output price sub-index was below 50, suggesting profit margins remained under pressure.

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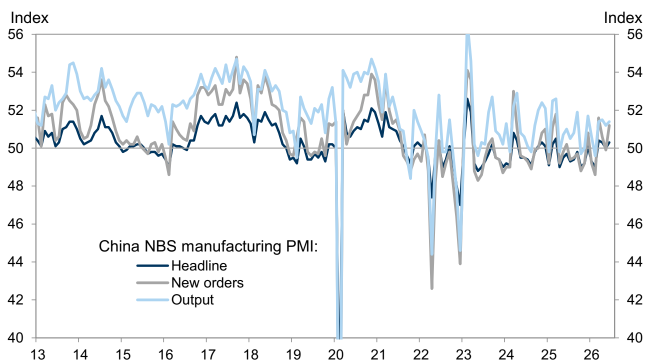
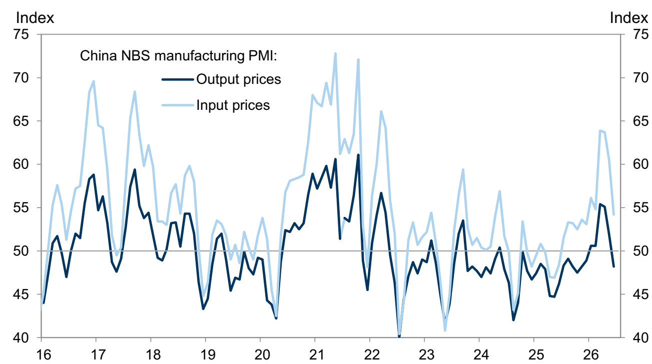
Exhibit 1: NBS manufacturing PMI rose in June



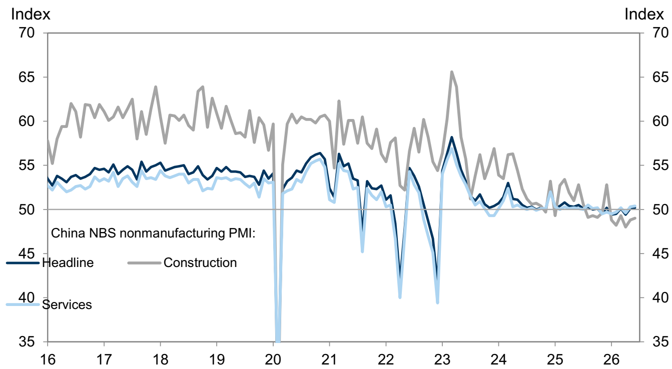
Source: NBS, S&P Global

Exhibit 2: Both the output and input prices sub-indexes of the NBS manufacturing PMI declined notably in June



Source: NBS

Exhibit 3: NBS non-manufacturing PMI rose in June, driven by an increase in both construction and services PMIs



Source: NBS

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