China: Unofficial China manufacturing PMI edged down in June

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Bottom line:

The headline RatingDog China manufacturing PMI edged down to 51.7 in June from 51.8 in May. Among the major sub-indexes, the raw materials inventory decreased the most, followed by the output sub-index. In June, the NBS manufacturing PMI rose while the RatingDog manufacturing PMI edged lower; however, both remained above 50, indicating continued expansion in manufacturing activity.

Key numbers:

RatingDog manufacturing PMI: 51.7 in June (GS forecast: 52.1; Bloomberg consensus: 52.0), vs. 51.8 in May.

Main points:

1. China's RatingDog manufacturing PMI edged down to 51.7 in June from 51.8 in May (Exhibit 1). Among major sub-indexes, the new order sub-index inched up to 52.7 from 52.5, the employment sub-index rose to 50.5 from 49.8, while the output sub-index declined to 52.8 from 53.4. The suppliers' delivery times sub-index rose to 49.7 in June from 49.3 in May. Surveyed companies reported that supply delays were limited to the investment goods sector, while delivery times improved for both consumer and intermediate goods.

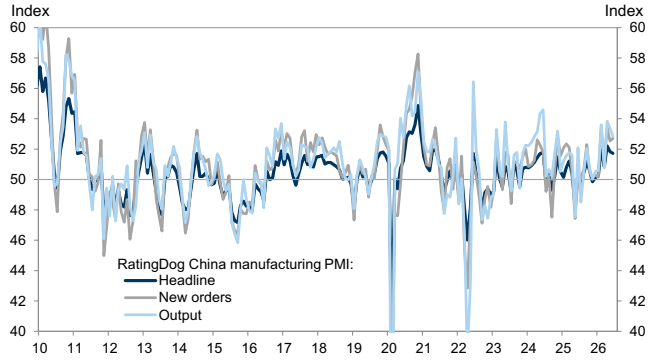
2. On the trade-related sub-indexes, the new export orders sub-index decreased to 49.4 in June from 49.6 in May. The raw materials inventory sub-index fell to 50.7 from 51.7 and the finished goods inventory sub-index decreased to 50.2 from 50.6. Price indicators suggest cost pressures eased notably in June. The input prices sub-index decreased to 52.4 from 55.8 while the output prices sub-index edged up to 52.2 from 52.0 in May. According to S&P Global commentary, output prices remained above 50 for the sixth consecutive month and rose at a slightly faster pace in June, suggesting that corporate cost pass-through to downstream sectors was still underway (Exhibit 2).

3. In June, the NBS manufacturing PMI rose while the RatingDog manufacturing PMI edged lower; however, both remained above 50, indicating continued expansion in manufacturing activity. Meanwhile, input price indices in both surveys dropped notably, following Brent crude oil prices falling from over $100/bbl to below $80/bbl in June.

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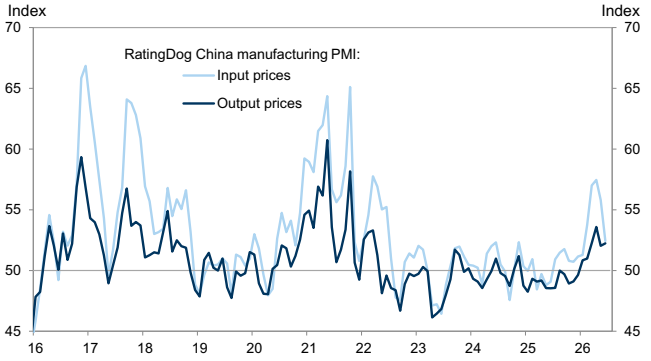
Investors should consider this report as only a single factor in making their investment decision. For Reg AC certification and other important disclosures, see the Disclosure Appendix, or go to www.gs.com/research/hedge.html.

Exhibit 1: RatingDog China manufacturing PMI edged down in June



Source: S&P Global

Exhibit 2: The input and output prices sub-indexes remained above 50 in June



Source: S&P Global

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