China: Both official manufacturing and non-manufacturing PMIs fell in July

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Bottom line:

The NBS manufacturing PMI fell to 49.2 in July from 50.3 in June. Among the major sub-indexes, the new orders sub-index decreased the most, followed by the output sub-index. The NBS non-manufacturing PMI declined to 49.0 in July from 50.2, as both the construction and services PMIs decreased in July. Overall, the July NBS PMIs point to slower activity across manufacturing, services, and construction sectors.

Asia-MAP for official manufacturing PMI: -9 (3, -3)

3 out of 5 for relevance to growth

-3 on a scale of -5 to +5 for surprise relative to consensus

Key numbers:

China official NBS manufacturing PMI: 49.2 in July (GS forecast: 49.9; Bloomberg consensus: 50.1), vs. 50.3 in June.

Official non-manufacturing PMI: 49.0 in July (GS forecast: 49.6; Bloomberg consensus: 50.0), vs. 50.2 in June.

Main points:

1. The NBS manufacturing PMI headline index fell to 49.2 in July from 50.3 in June. Among major sub-indexes of NBS manufacturing PMI, the new orders sub-index fell to 48.5 from 51.2, the output sub-index decreased to 49.9 from 51.4, while the employment sub-index rose to 49.0 from 48.5. The suppliers' delivery times sub-index fell to 49.5 from 49.9, suggesting slower delivery times. NBS commented that the new orders and output sub-indexes of general equipment and computer, communication, and other electronic equipment sectors were above 53 in July. However, the manufacturing activity in non-metallic mineral products (mostly cement), ferrous metal smelting and rolling processing, and automobiles sectors softened in July.

2. On the trade-related sub-indexes, the manufacturing new export order sub-index fell to 49.6 in July from 50.1 in June. The import sub-index decreased to 47.5 in July from 49.6 in June. The raw material inventories sub-index inched down to 48.3 from 48.4, while the finished goods inventories sub-index increased to 48.6 from 47.7. By enterprise size, the PMI of large/medium/small enterprises fell to 49.5/49.7/47.4 from 50.7/50.5/48.2, respectively. The input cost sub-index fell to 53.2 from 54.2 in June, and the output price sub-index declined to 47.8 from 48.2, marking the fourth consecutive monthly decrease amid recent fluctuations in commodity prices. Both

price indices for the non-ferrous metal smelting and rolling processing industry fell below 45 in July, according to the NBS.

3. The official non-manufacturing PMI (comprising the services and construction sectors) fell to 49.0 in July (vs. 50.2 in June). The services PMI declined to 49.3 (vs. 50.4 in June). According to the survey, summer vacation boosted PMIs for air transportation, accommodation, and culture, sports, and entertainment industries. By contrast, sharp declines in PMIs for wholesale and monetary and financial services industries were the main drags on the services PMI in July. Meanwhile, PMIs for capital market services and real estate services sectors remained below 50. The construction PMI decreased to 47.0 in July (vs. 49.0 in June), remaining at a low level relative to historical averages. NBS noted that construction activity slowed due to adverse weather conditions, including recent high temperatures, heavy rainfall, and flooding in some regions.

4. Overall, the July NBS PMIs point to slower activity across manufacturing, services, and construction sectors. Manufacturing price indicators continued to decline in July, with the input price sub-index still well above 50 but the output price sub-index below 50, suggesting profit margins remained under pressure.

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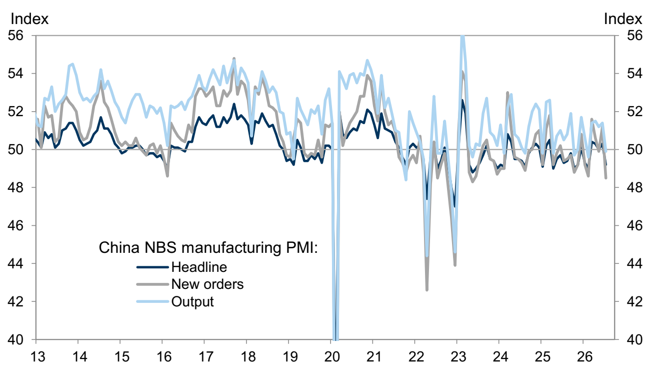
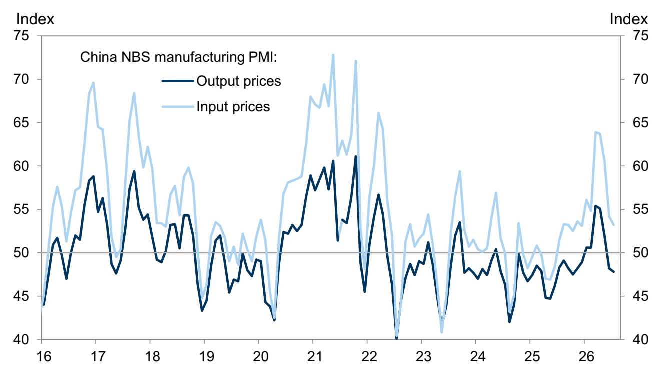
Exhibit 1: NBS manufacturing PMI fell in July



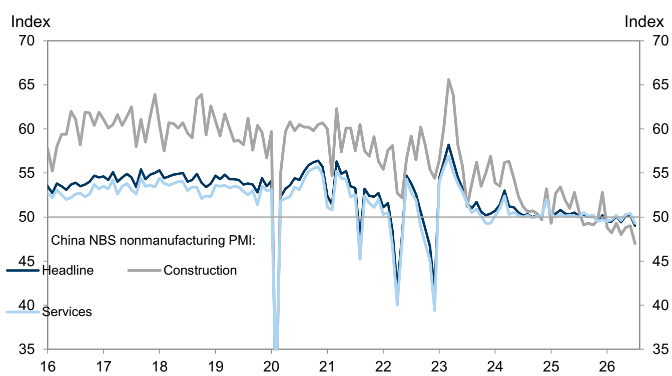
Source: NBS, S&P Global

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



Source: NBS

Exhibit 3: NBS non-manufacturing PMI fell in July, driven by a decrease in both construction and services PMIs



Source: NBS

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