China: Official manufacturing PMI rose while non-manufacturing PMI roughly flat in August

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Bottom line:

The NBS manufacturing PMI rose to 49.8 in August from 49.2 in July. Among major sub-indexes, the new orders sub-index increased the most, followed by the output sub-index. The NBS non-manufacturing PMI was broadly unchanged at 49.0 in August, with a slight decline in the construction PMI and flat services PMI. Overall, the August NBS PMIs suggest activity remained subdued across manufacturing, services, and construction sectors.

Asia-MAP for official manufacturing PMI: +3 (3, +1)

3 out of 5 for relevance to growth

+1 on a scale of -5 to +5 for surprise relative to consensus

Key numbers:

China official NBS manufacturing PMI: 49.8 in August (GS forecast: 49.4; Bloomberg consensus: 49.5), vs. 49.2 in July.

Official non-manufacturing PMI: 49.0 in August (GS forecast: 48.8; Bloomberg consensus: 49.4), vs. 49.0 in July.

Main points:

1. The NBS manufacturing PMI headline index rose to 49.8 in August from 49.2 in July. Among major sub-indexes of the NBS manufacturing PMI, the new orders sub-index rose to 50.6 from 48.5, the output sub-index increased to 50.4 from 49.9, while the employment sub-index fell to 48.7 from 49.0. The suppliers' delivery times sub-index rose to 50.1 from 49.5, suggesting faster delivery times. NBS commented that the new orders and output sub-indexes of electrical machinery and equipment, and computer, communication, and other electronic equipment sectors were above 53 in August. However, the manufacturing activity in chemical raw materials and chemical products, and ferrous metal smelting and rolling processing sectors softened in August.

2. On trade-related sub-indexes, the manufacturing new export order sub-index rose to 50.1 in August from 49.6 in July. The import sub-index increased to 48.6 in August from 47.5 in July. The raw material inventories sub-index inched down to 48.1 from 48.3, and the finished goods inventories sub-index edged down to 48.4 from 48.6. By enterprise size, the PMI of large and small enterprises rose to 50.6 and 47.9 from 49.5 and 47.4, respectively. However, the PMI of medium enterprises fell to 49.4 from 49.7. Both input and output price sub-indexes rose in August, to 56.6 and

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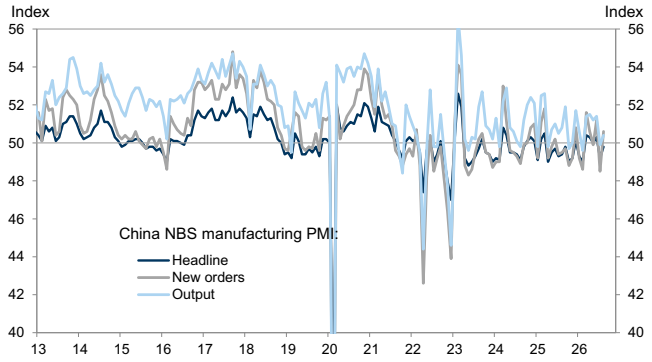
50.4 from 53.2 and 47.8 in July, respectively. The NBS attributed the increase to recent price gains in crude oil and non-ferrous metals. The NBS also noted that both price indices for the non-ferrous metal smelting and rolling processing industry surged above 60.0 in August.

3. The official non-manufacturing PMI (comprising the services and construction sectors) stayed roughly flat at 49.0 in August. The services PMI remained unchanged at 49.3 in August. According to the survey, the PMIs for postal services, telecommunications, broadcasting, television and satellite transmission services, as well as Internet, software, and IT services industries were above 55. By contrast, the PMIs for wholesale, retail, and capital market services sectors were below 50. The construction PMI inched down to 46.9 in August (vs. 47.0 in July), remaining at a low level relative to historical averages. NBS noted that the pace of construction progress decelerated due to adverse weather conditions, including heavy rain and typhoons in some regions.

4. The manufacturing PMI rose in August, partly reflecting residual seasonality, as quarter-start months such as July have recorded the lowest reading of the quarter over the past year. Services and construction PMIs remained weak. Overall, the August NBS PMIs point to subdued activity across all three sectors. Manufacturing price indicators rose after four consecutive monthly declines, but the input price sub-index remained well above the output price sub-index, suggesting continued pressure on profit margins.

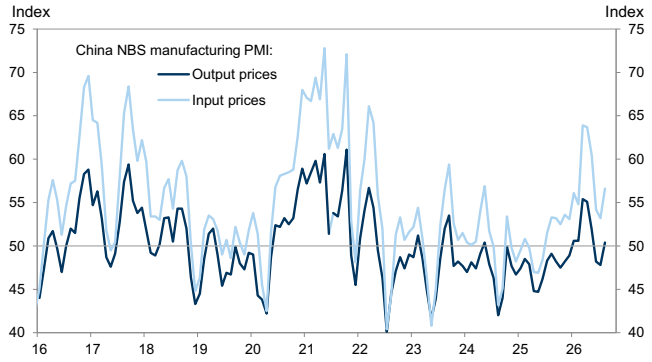
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Exhibit 1: NBS manufacturing PMI rose in August



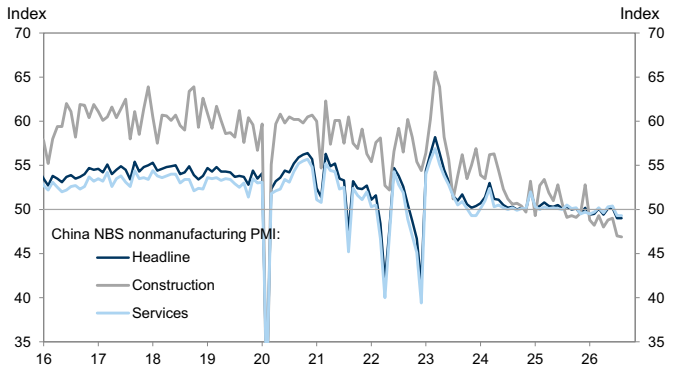
Source: NBS, S&P Global

Exhibit 2: Both output and input price sub-indexes of the NBS manufacturing PMI rose in August



Source: NBS

Exhibit 3: NBS non-manufacturing PMI stayed roughly flat in August



Source: NBS

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