China: Both industrial profits and revenue fell sequentially in July

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Bottom line:

China's industrial profits increased by 11.0% yoy, and revenue rose by 6.5% yoy in July (vs. +18.3% yoy and +11.4% yoy, respectively, in June). In seasonally adjusted sequential terms, industrial profits fell by 3.2% (vs. +1.3% in June), and revenue fell by 2.8% sa non-annualized (vs. +3.1% in June).

Key numbers:

Industrial profits: +11.0% yoy in July (sequential growth: -3.2% non-annualized, seasonally adjusted by GS); June: +18.3% yoy (sequential growth: +1.3% sa non-annualized).

Industrial revenue: +6.5% yoy in July (sequential growth: -2.8% non-annualized, seasonally adjusted by GS); June: +11.4% yoy (sequential growth: +3.1% sa non-annualized).

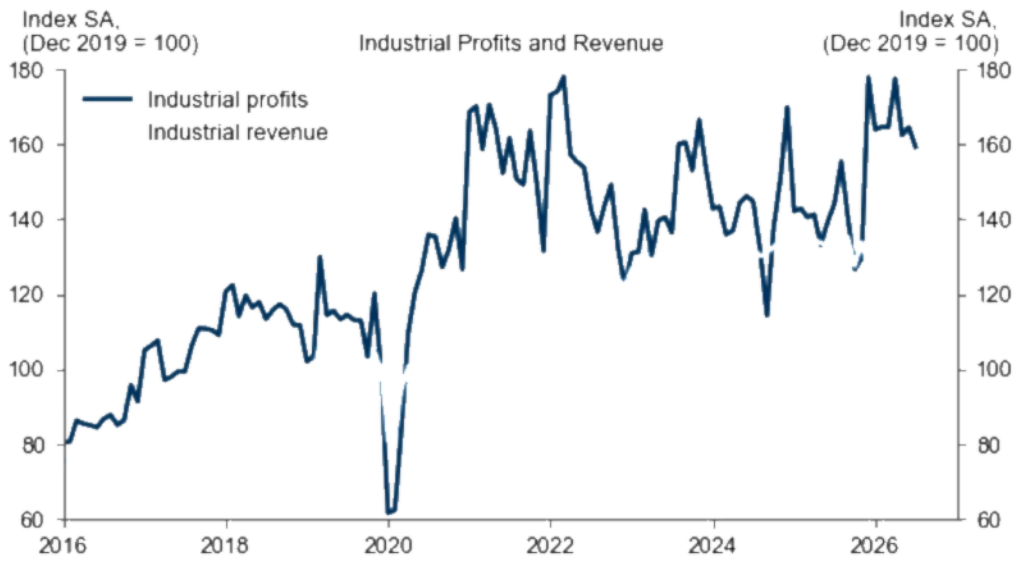
Main points:

1. In year-over-year terms, China's industrial profits increased by 11.0% yoy in July, compared to 18.3% yoy in June. In sequential terms, profits fell by 3.2% non-annualized in July after seasonal adjustment, following an increase of 1.3% in June (Exhibit 1).
2. On a year-over-year basis, downstream profits rose 9.6% in July, decelerating from 16.2% yoy in June. Upstream profit growth slowed further to 12.7% yoy, down from 24.5% yoy in June, with the main drag coming from chemical materials, non-metallic mineral products (e.g., cement), and petroleum, coking and nuclear fuels. The NBS commented that high-tech manufacturing sector contributed 9.6pp to the 17.6% industrial profit growth in the first seven months of the year, followed by the electronics sector at 9.3pp and the raw materials manufacturing sector at 7.1pp.
3. In year-over-year terms, industrial revenue increased by 6.5% yoy in July, vs. +11.4% yoy in June. Sequentially, revenue fell by 2.8% non-annualized in July (vs. +3.1% in June). Overall profit margins (total profits divided by revenues) remained largely unchanged in July on a 12-month average basis (Exhibit 2).

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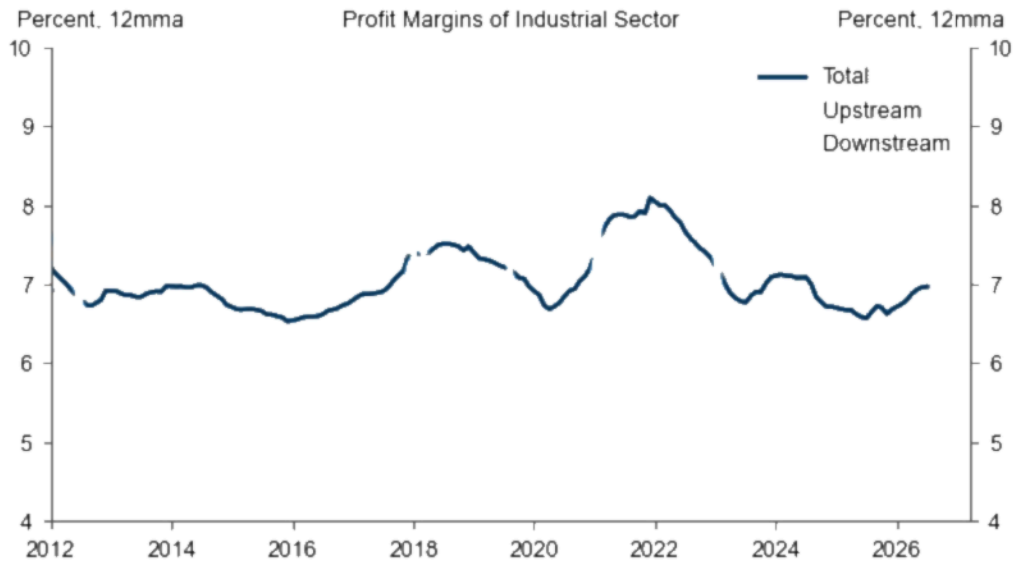
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Exhibit 1: Industrial profits and revenue fell sequentially in July



Source: NBS, Goldman Sachs Global Investment Research

Exhibit 2: Total profit margins remained largely unchanged in July on a 12-month average basis



Source: NBS, CEIC, Goldman Sachs Global Investment Research

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Reg AC

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