China: Both industrial profits and revenue edged up sequentially in August

Chelsea Song
+852-2978-0106 |
chelsea.song@gs.com
Goldman Sachs (Asia) L.L.C.

Bottom line:

China's industrial profits increased by 4.9% yoy, and revenue rose by 7.4% yoy in August (vs. +11.0% yoy and +6.5% yoy, respectively, in July). In seasonally adjusted sequential terms, industrial profits rose by 0.6% (vs. -3.1% in July), and revenue rose by 0.8% sa non-annualized (vs. -3.8% in July).

Key numbers:

Industrial profits: +4.9% yoy in August (sequential growth: +0.6% non-annualized, seasonally adjusted by GS); July: +11.0% yoy (sequential growth: -3.1% sa non-annualized).

Industrial revenue: +7.4% yoy in August (sequential growth: +0.8% non-annualized, seasonally adjusted by GS); July: +6.5% yoy (sequential growth: -3.8% sa non-annualized).

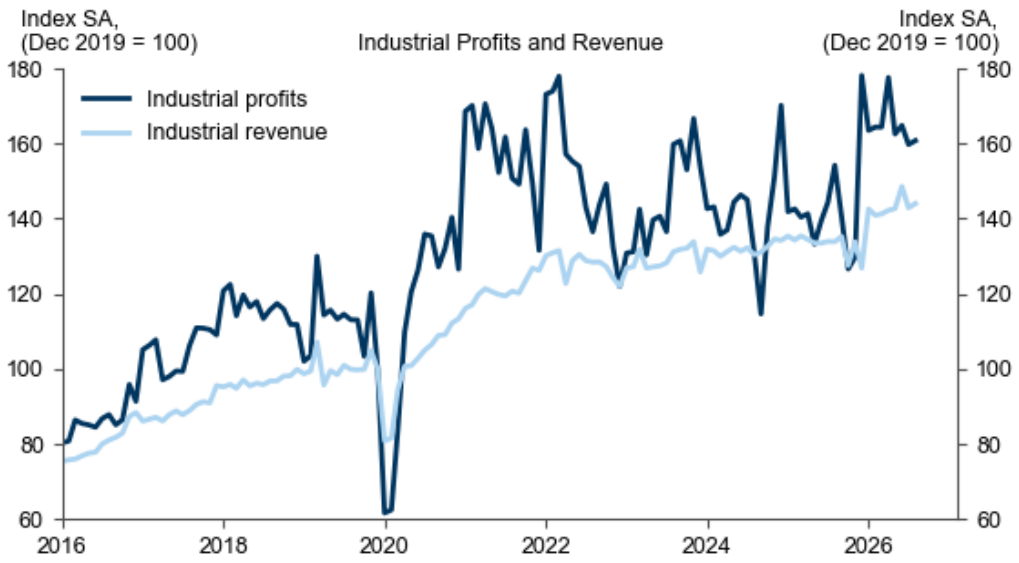
Main points:

1. In year-over-year terms, China's industrial profits increased by 4.9% yoy in August, compared to 11.0% yoy in July. In sequential terms, profits rose by 0.6% non-annualized in August after seasonal adjustment, following a decline of 3.1% in July (Exhibit 1).
2. On a year-over-year basis, downstream profits rose 0.5% yoy in August, decelerating from 9.6% yoy in July. Upstream profit growth rose to 19.8% yoy from 12.7% yoy in July, with the main contribution coming from coal mining and dressing, non-ferrous metal smelting and pressing, as well as petroleum, coking and nuclear fuels sectors. The NBS commented that the electronics sector contributed 9.7pp to the 15.7% industrial profit growth in Jan-August, followed by the raw materials manufacturing sector at 6.2pp.
3. In year-over-year terms, industrial revenue increased by 7.4% yoy in August, vs. 6.5% yoy in July. Sequentially, revenue rose by 0.8% non-annualized in August (vs. -3.8% in July). Overall profit margins (total profits divided by revenues) remained largely unchanged in August on a 12-month average basis (Exhibit 2).

Chelsea Song

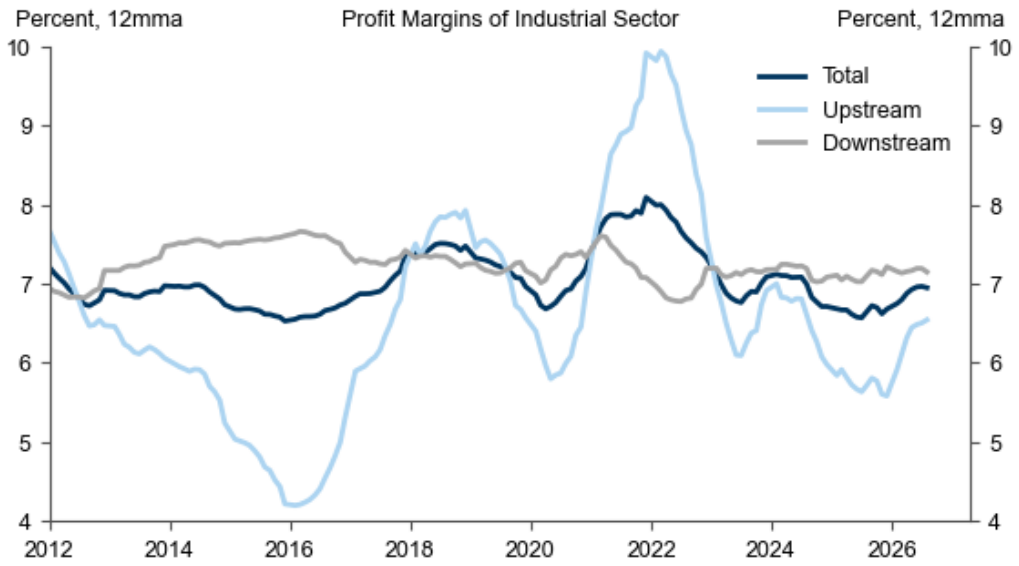
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Exhibit 1: Industrial profits and revenue edged up sequentially in August



Source: NBS, Goldman Sachs Global Investment Research

Exhibit 2: Upstream profit margins ticked up slightly in August on a 12-month average basis



Source: NBS, CEIC, Goldman Sachs Global Investment Research

The China Economics Team

Andrew Tilton
+852-2978-1802
andrew.tilton@gs.com
Goldman Sachs (Asia) L.L.C.

Hui Shan
+852-2978-6634
hui.shan@gs.com
Goldman Sachs (Asia) L.L.C.

Lisheng Wang
+852-3966-4004
lisheng.wang@gs.com
Goldman Sachs (Asia) L.L.C.

Xinquan Chen
+852-2978-2418
xinquan.chen@gs.com
Goldman Sachs (Asia) L.L.C.

Yuting Yang
+852-2978-7283
yuting.y.yang@gs.com
Goldman Sachs (Asia) L.L.C.

Chelsea Son
+852-2978-0106
chelsea.song@gs
Goldman Sachs (A

人在草木间