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

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Bottom line:

The NBS manufacturing PMI fell to 49.3 in October from 50.1 in September. Among the major sub-indexes, the output sub-index decreased the most, followed by the new orders sub-index. The NBS non-manufacturing PMI declined to 49.7 from 50.2, as both the construction and services PMIs decreased in October. Overall, the October NBS PMIs point to slower activity across the manufacturing, services, and construction sectors.

Asia-MAP for official manufacturing PMI: -6 (3, -2)

3 out of 5 for relevance to growth

-2 on a scale of -5 to +5 for surprise relative to consensus

Key numbers:

China official NBS manufacturing PMI: 49.3 in October (GS forecast: 49.7; Bloomberg consensus: 49.9), vs. 50.1 in September.

Official non-manufacturing PMI: 49.7 in October (GS forecast: 49.9; Bloomberg consensus: 50.0), vs. 50.2 in September.

Main points:

1. The NBS manufacturing PMI headline index fell to 49.3 in October from 50.1 in September. Among the major sub-indexes, the output sub-index decreased notably to 49.8 from 51.7, and the new orders sub-index fell to 49.4 from 50.5, while the employment sub-index was broadly unchanged at 48.4. The suppliers' delivery times sub-index inched up to 50.2 from 50.1. The NBS commented that the new orders and output sub-indexes for the railway, shipbuilding, aerospace equipment, and computer, communication and electronic equipment sectors were above 53 in October. However, manufacturing activity in the textiles, non-metallic mineral products, and non-ferrous metal smelting and rolling sectors softened in October.

2. On trade-related sub-indexes, the NBS manufacturing new export orders sub-index fell to 48.7 in October from 50.0 in September. By enterprise size, the PMIs for large, medium, and small enterprises declined to 50.2, 48.4, and 47.5 from 50.6, 49.7, and 48.9, respectively. Both the input and output price sub-indexes declined in October, to 56.8 and 51.7, respectively, from 60.8 and 54.0 in September. The NBS attributed the declines to recent falls in commodity prices, including non-ferrous metals. It also noted that both price indices remained above 60.0 in October for petroleum, coal and other fuel processing, and chemical fiber, rubber and plastic

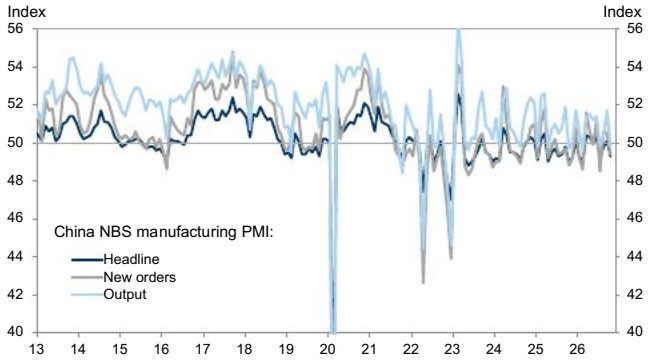
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products sectors, supported by continued increases in international crude oil prices.

3. The official non-manufacturing PMI, which covers services and construction, fell to 49.7 in October from 50.2. The services PMI edged down to 50.0 from 50.2. According to the survey, PMIs for National Day holiday-related travel and consumption sectors—including railway transportation, accommodation, culture, sports, and entertainment—remained above 50. By contrast, the PMI for capital market services was below 50, making it the main driver of the slight decline in the services PMI. The construction PMI fell to 48.0 from 50.3 in September, despite the faster disbursement of this year's RMB800bn in new policy-based financing tools in October.

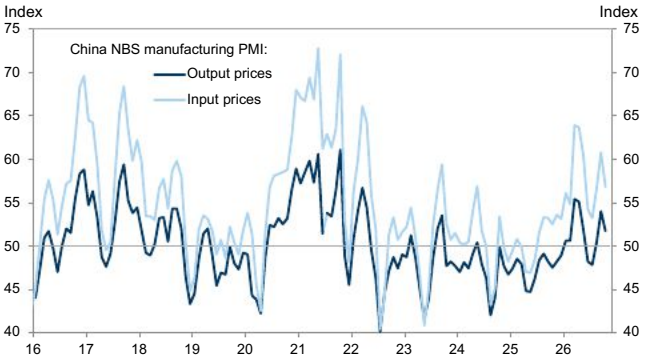
4. The official manufacturing PMIs fell in October, partly reflecting residual seasonality, as the first month of each quarter—including October—has typically posted the quarter's lowest reading over the past year. Overall, the October NBS PMIs indicate slower activity across all three sectors. Manufacturing price indicators declined, but the input price sub-index remained well above the output price sub-index, pointing to continued pressure on profit margins.

Exhibit 1: Official manufacturing PMIs fell in October



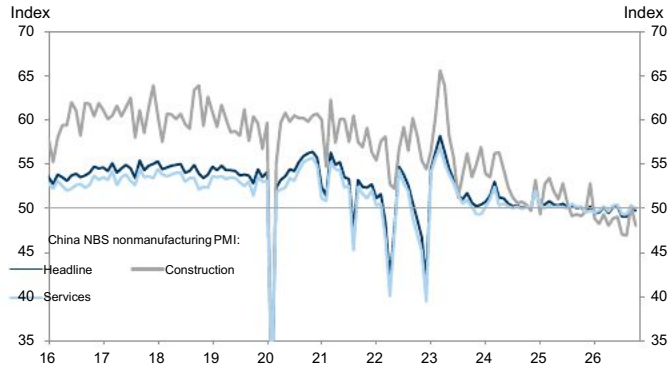
Source: NBS

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



Source: NBS

Exhibit 3: The NBS non-manufacturing PMI declined in October



Source: NBS

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