

China's PMIs remained in contractionary territory in August

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China's purchasing managers' index data flashed mixed signals in August, with manufacturing rebounding and the non-manufacturing PMI holding steady. The data suggests that while industrial activity might stabilise in August, there will be no major turnaround amid slowing growth momentum

Manufacturing PMI beat forecasts but remained in contractionary territory

China's manufacturing PMI rose to 49.8, up from 49.2 in July. This was stronger than expectations (market: 49.5, ING: 49.5) and moved closer to the neutral level. Still, it remains in contractionary territory for a second straight month.

Encouragingly, the most important subindices recovered. Production (50.4), new orders (50.6), and new export orders (50.1) all returned to expansionary territory.

We also saw ex-factory prices rebound to 50.4, the first expansion in 3 months. Raw material prices rebounded to a 3-month high of 56.6.

After last month's softer-than-expected industrial production data, the data suggests we might see a modest uptick when the August data is released in a few weeks.

Non-manufacturing PMI disappoints

The non-manufacturing PMI remained unchanged at 49.0, disappointing market expectations (market: 49.4, ING: 49.4) for a slight recovery.

The subindex breakdown was generally unfavourable. New orders fell further to a 44-month low of 44.1, and orders on hand (42.8) fell to a 4-month low.

New export orders (47.0) and employment (45.4) remained unchanged on the month. Input prices, meanwhile, rose to 51.1, the first time above 50 in 3 months.

Because China's services sector is primarily domestically focused, this suggests domestic demand remained relatively sluggish in August. Policy support announced over the past month appears focused on interest subsidies. As positive impacts may be relatively marginal, more measures are expected in the weeks ahead.

For now, the PMI data suggests that we are due for another month of relatively sluggish domestic activity data in August, with any potential rebound likely to be limited.

Source: <https://think.ing.com/snaps/chinas-pmis-remained-in-contraction-territory-in-august/>