

China's July PMIs Moderated Yet Remained Expansionary

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China's official PMIs moderated in July as the economic Recovery on a stable track, while the recent torrential rainfall in Hebei Province also impeded business activities.

Manufacturing PMI slipped to 50.4 from 50.9. **Output** fell to 51 from 51.9, while **New Orders** eased to 50.9 from 51.5 and **New Export Orders** slowed to 47.7 from 48.1. **Business Sentiment** inched down to 57.8 from 57.9, while Employment improved to 49.6 from 49.2. It suggests that the Manufacturing Sector maintained strength.

Non-manufacturing PMI softened to 53.3 from 53.5 amid resurgent infections and the deadly rainfall. **New Orders** edged up to 49.7 from 49.6, and **New Export Orders** jumped to 47.7 from 45.4. Meanwhile, **Employment** rose to 48.2 from 48. **Business Sentiment** moved to 60.7 from 60.8, reflecting a positive outlook.

The **Composite PMI** eased to 52.4 from 52.9.

Details – Demand Weakened While Prices Rose Amid Resurgent Virus and Flood Rainfall

- **Manufacturing:** Purchases Quantity went down to 50.8 from 51.7. **Input Prices** rose to 62.9 from 61.2. **Output Prices** increased to 53.8 from 51.4. Suppliers' delivery improved to 48.9 from 47.9.
- Large enterprises stayed at 51.7 as last month. However, medium enterprises slid to 50 from 50.8, while small enterprises weakened to 47.8 from 49.1, reflecting a pullback in private businesses.
- **Non-manufacturing:** Input Prices rose to 53.5 from 53.4, while Selling Prices eased to 51.3 from 51.4, suggesting a softened demand. Suppliers' delivery time rose to 51.3 from 51.

Recovery To Remain Solid Though Pace To Ease

The economic Recovery remained solid and is becoming more balanced as the Service sector continued picking up.

Recently, renewed restrictions in some regions on resurgent infections dragged demand for services. With the contagious Delta variant spreading fast and the rainfall disaster hindering constructions, Recovery in the Service sector is likely to slow in August. However, improving demand for workers suggests strong confidence in future Recovery.

On the other hand, Manufacturing is set to stay robust though Export demand softened. However, the growth is projected to slow somewhat in the coming months as shortages of chips and electricity could curb production. In addition, higher raw material prices have loaded more burdens on small and mid-size companies, shadowing the outlook.