

China: April PMIs – weaker manufacturing PMIs on heightened US tariffs

Bottom line:

Due to the negative impact of significantly higher US tariffs, the NBS manufacturing PMI fell to 49.0 in April from 50.5 in March, much lower than consensus expectations. The Caixin manufacturing PMI fell to 50.4 in April from 51.2 in March. The NBS non-manufacturing PMI decreased to 50.4 in April from 50.8 in March, moderately below market expectations and driven by weakness in both construction and services 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: 49.0 in April (GS forecast: 50.0; Bloomberg consensus: 49.7), vs. 50.5 in March.

Official non-manufacturing PMI: 50.4 in April (GS forecast: 50.4; Bloomberg consensus: 50.6), vs. 50.8 in March.

Caixin manufacturing PMI: 50.4 in April (GS forecast: 49.8; Bloomberg consensus: 49.7), vs. 51.2 in March.

Main points:

1. The NBS manufacturing PMI headline index fell to 49.0 in April from 50.5 in March, the lowest reading since May 2023. Among major sub-indexes of NBS manufacturing PMI, the output sub-index fell to 49.8 from 52.6, the new orders sub-index declined to 49.2 from 51.8, and the employment sub-index fell to 47.9 from 48.2. The suppliers' delivery times sub-index inched down to 50.2 in April from 50.3 in March. NBS commented that the output and new orders sub-indexes of textile and metal products were below 50 in April.

2. On the trade-related sub-indexes, the manufacturing new export order sub-index decreased notably to 44.7 in April (vs. 49.0 in March), the lowest reading since December 2022. The import sub-index fell to 43.4 in April (vs. 47.5 in March). Inventory and price sub-indexes showed inventory drawdowns and deflationary pressures. The raw material inventories sub-index edged down to 47.0 from 47.2, and

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 Song

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

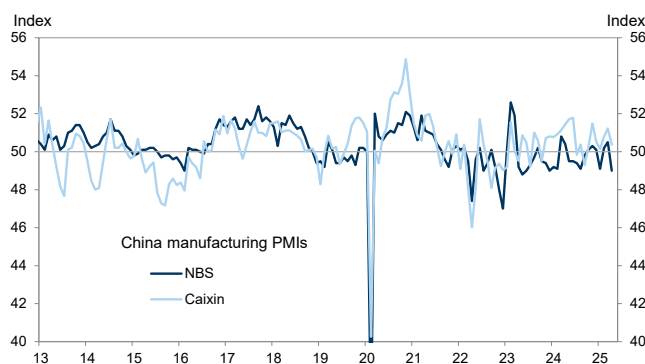
the finished goods inventories sub-index decreased to 47.3 from 48.0. The input cost sub-index decreased sharply to 47.0 (vs. 49.8 in March). The output prices sub-index also fell to 44.8 (vs. 47.9 in March). Larger manufacturers appeared to show a bigger activity deceleration. By enterprise size, the PMI of large/medium/small enterprises fell to 49.2/48.8/48.7 from 51.2/49.9/49.6 in April, respectively.

3. The Caixin manufacturing PMI was released later in the morning. The headline index fell to 50.4 in April from 51.2 in March. Sub-indexes in the Caixin manufacturing PMI suggest a modest decline in the output sub-index in April (51.6 vs. 51.8 in March), a significant slowdown in new orders (50.5 vs. 52.1 in March), weaker employment (49.0 vs. 50.1 in March), and deflationary pressures in price indicators (input prices increased to 49.7 from 48.4 and output prices increased to 49.2 from 49.1). The new export orders sub-index fell sharply to 47.5 in April from 52.0, the lowest reading since July 2023, suggesting weaker external demand amid higher US tariffs. Surveyed companies noted that greater competition among vendors amid subdued demand for inputs led to a drop in input costs in April. Firms often shared cost savings with their customers, and lowered their selling prices accordingly.

4. The official non-manufacturing PMI (comprised of the services and construction sectors) fell to 50.4 in April (vs. 50.8 in March). The services PMI decreased to 50.1 (vs. 50.3 in March). According to the survey, the PMIs of air transportation, telecommunications, radio, insurance, television and satellite transmission services sectors were above 55 while the PMIs of water transportation and capital market services were below 50 in April. The construction PMI fell in April to 51.9 (vs. 53.4 in March). NBS noted that the growth of the infrastructure-related construction PMI rose to 60.9 in April from 54.5 in March.

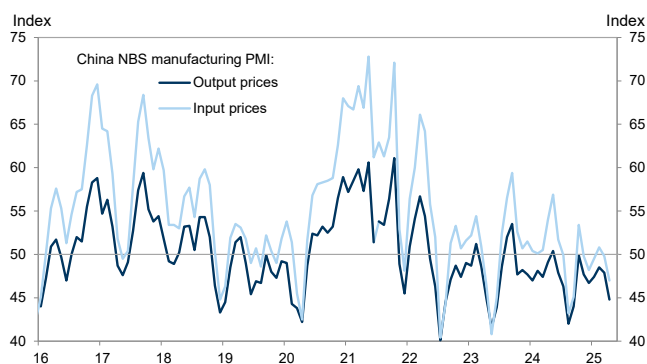
Yuting Yang

Exhibit 1: Both NBS and Caixin manufacturing PMIs fell in April



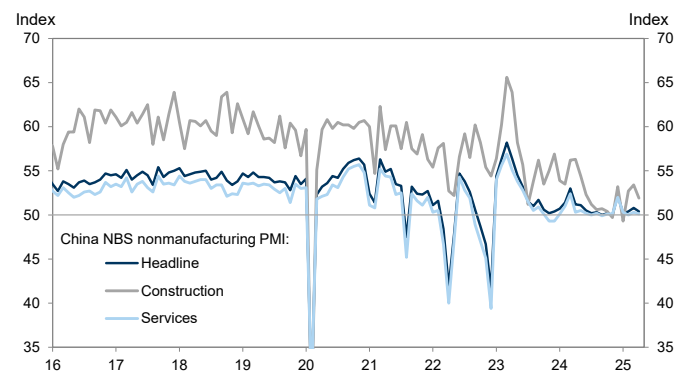
Source: NBS, Caixin

Exhibit 2: Price indicators suggest deflationary pressures picked up in April



Source: NBS

Exhibit 3: NBS non-manufacturing PMI decreased in April



Source: NBS

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