Economics

PMI Back In Contraction As Demand Weakens

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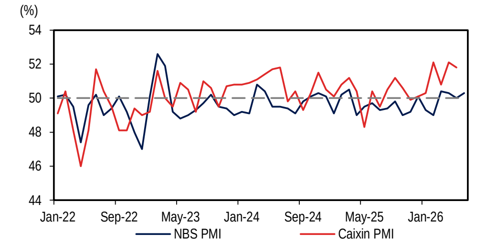
Highlights

- July's manufacturing PMI fell to 49.2 (-1.1ppt mom), below Bloomberg's consensus of 50.1, as the new orders sub-index dropped to 48.5 (-2.7ppt mom) and the manufacturing output sub-index slipped back into contraction at 49.9 (-1.5ppt mom). The new export orders index also eased, but only to 49.6 (-0.5ppt mom), suggesting the weakness was led by domestic demand.
- Non-manufacturing PMI fell to 49.0 (-1.2ppt mom), also below Bloomberg's consensus of 50.0, dragged by the construction industry index at 47.0 (-2.0ppt mom), a fresh cycle low, while the services industry index returned to contraction at 49.3 (-1.1ppt mom).
- The composite indices for all three enterprise sizes fell below 50 for the first time since Nov 25. The July Politburo meeting confirmed that there will be further demand-supportive measures in 2H26.

What's New

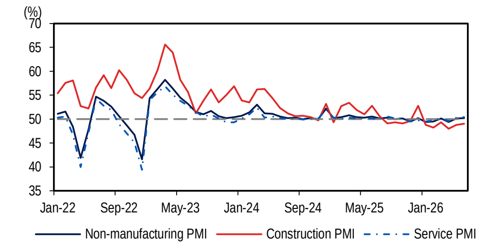
- **July's manufacturing PMI fell into the contractionary zone to 49.2 (-1.1ppt mom),** 0.9ppt below Bloomberg's consensus of 50.1. The new orders sub-index dropped to 48.5 (-2.7ppt mom), while the manufacturing output sub-index slipped back into contraction at 49.9 (-1.5ppt mom). The new export orders index also eased to 49.6 (-0.5ppt mom), but its smaller decline suggests the weakness was mainly led by domestic demand. The purchases index fell to 49.4 (-2.0ppt mom) and the imports index to 47.5 (-2.1ppt mom), pointing to more cautious input procurement, while the inventory of finished goods index rose to 48.6 (+0.9ppt mom), pointing to slower rundown of inventory. On the cost front, the purchase prices index eased to 53.2 (-1.0pt mom) but stayed expansionary, while the outdoor prices index fell further to 47.8 (-0.4pt mom), remaining in contractionary territory. With input costs still rising and output prices still falling, margin pressure persists. The employment sub-index rose to 49.0 (+0.5ppt mom), the only composite index to improve, with the business expectations index held at 54.1 (-0.2ppt mom).
- **Non-manufacturing PMI fell to 49.0 (-1.2ppt mom),** 1.0ppt below Bloomberg's consensus of 50.0. Construction industry index contracted sharply to 47.0 (-2.0ppt mom), a fresh cycle low, partly reflecting seasonal summer disruption to site activity, as seen in Jul 25 (-2.2ppt mom), but also showed continued property sector weakness. The services industry index slipped back below the threshold to 49.3 (-1.1ppt mom). The new orders sub-index fell to 44.4 (-3.6ppt mom), more than reversing June's gain, while the new export orders index for services eased to 47.0 (-0.9ppt mom). The input prices sub-index held flat at 49.7 (0.0ppt mom) against a softer selling prices sub-index (47.9, -0.5ppt mom), widening the gap to 1.8ppt and pointing to renewed margin pressure. The business expectations sub-index was resilient at 55.4 (+0.1ppt mom).
- **Enterprise PMI weakened across the board.** The large-sized enterprises composite index fell into contraction at 49.5 (-1.2pt mom), its first sub-50 reading since Nov 25 and the largest decline across firm sizes. The medium-sized enterprises composite index slipped to 49.7 (-0.8pt mom), giving up June's brief return to expansion. The small-sized enterprises composite index declined to 47.4 (-0.8pt mom), still lagging the other two.
- **July's PMI data is a clear negative surprise,** with both headline readings missing consensus and returning to contraction. The weakness was mainly led by domestic demand, as new orders sub-indices in both sectors fell

Manufacturing PMI



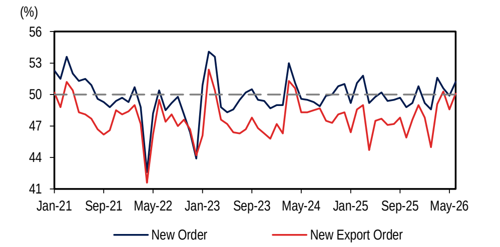
Source: NBS, Wind, UOB Kay Hian

Non-Manufacturing PMI



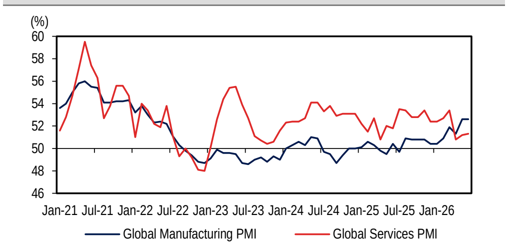
Source: NBS, Wind, UOB Kay Hian

New Orders And New Export Orders Sub-Indices Of Manufacturing PMI



Source: NBS, Wind, UOB Kay Hian

Global PMI



Source: Bloomberg, UOB Kay Hian

sharply and the construction industry index hit a cycle low, while manufacturing export orders eased marginally. With seasonality only partly explaining the decline, the July Politburo meeting confirmed that there will be further demand-supportive measures in 2H26.

Manufacturing PMI

		Jul 26	mom points chg	Jun 26	May 26
Manufacturing PMI		**49.2**	**-1.1**	**50.3**	**50.0**
Composite Indices	Manufacturing output	49.9	**-1.5**	51.4	51.2
	New orders	48.5	**-2.7**	51.2	49.9
	Raw material inventory	48.3	**-0.1**	48.4	48.6
	Employment	49.0	**0.5**	48.5	48.6
	Suppliers' delivery time	49.5	**-0.4**	49.9	49.2
Relevant Indices	New export orders	49.6	**-0.5**	50.1	48.6
	Imports	47.5	**-2.1**	49.6	48.8
	Purchases	49.4	**-2.0**	51.4	49.8
	Purchase prices	53.2	**-1.0**	54.2	60.5
	Outdoor prices	47.8	**-0.4**	48.2	51.9
	Inventory of finished goods	48.6	**0.9**	47.7	49.3
	Backlog orders	45.8	**-1.3**	47.1	46.8
	Business expectations	54.1	**-0.2**	54.3	53.9

Source: NBS, Wind, UOB Kay Hian

Non-Manufacturing PMI

		Jul 26	mom points chg	Jun 26	May 26
Non-manufacturing PMI		**49.0**	**-1.2**	**50.2**	**50.1**
Composite Indices	New orders	44.4	**-3.6**	48.0	45.0
	Input prices	49.7	**0.0**	49.7	52.2
	Selling prices	47.9	**-0.5**	48.4	48.8
	Employment	45.4	**-0.4**	45.8	45.6
	Business expectations	55.4	**0.1**	55.3	54.8
Relevant Indices	New export orders	47.0	**-0.9**	47.9	48.1
	Backlog orders	43.3	**-0.9**	44.2	43.8
	Inventory	45.1	**-0.2**	45.3	45.1
	Suppliers' delivery time	50.9	**-0.4**	51.3	51.2
Industry Indices	Construction	47.0	**-2.0**	49.0	48.8
	Services	49.3	**-1.1**	50.4	50.3

Source: NBS, Wind, UOB Kay Hian

PMI By Corporate Size

		Jul 26	mom points chg	Jun 26	May 26
Composite Indices	Large-sized enterprise	49.5	-1.2	50.7	51.1
	Mid-sized enterprise	49.7	-0.8	50.5	48.6
	Small-sized enterprise	47.4	-0.8	48.2	48.5

Source: NBS, Wind, UOB Kay Hian

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