

Economics

PMI

PMIs Back In Expansion; Construction Rebounds From Cycle Low

- September's manufacturing PMI returned to expansion at 50.1 (+0.3ppt mom), in line with Bloomberg's consensus estimate, driven by the manufacturing output sub-index rising to 51.7 (+1.3ppt mom). The new orders sub-index dipped slightly to 50.5 (-0.1ppt mom). Notably, the purchase prices index (60.8, +4.2ppt mom) rose faster than the outdoor prices index (54.0, +3.6ppt mom), widening margin pressure.
- Non-manufacturing PMI returned to expansion at 50.2 (+1.2ppt mom), well above Bloomberg's consensus of 49.2. The construction industry index jumped to 50.3 (+3.4ppt mom), its first expansionary reading since Dec 25, and the services industry index rose to 50.2 (+0.9ppt mom).
- The small-sized enterprises composite index rose the most at 48.9 (+1.0ppt mom), while the large-sized enterprises composite index held steady at 50.6, narrowing the divergence across firm sizes.

What's New

- September's manufacturing PMI returned to expansion at 50.1 (+0.3ppt mom)**, in line with Bloomberg's consensus estimate of 50.1 and the first expansionary reading since Jun 26. The gain was driven by the manufacturing output sub-index rising to 51.7 (+1.3ppt mom), partly offset by the new orders sub-index dipping slightly to 50.5 (-0.1ppt mom) and the employment sub-index easing to 48.4 (-0.3ppt mom). The backlog orders index (46.0, -0.7ppt mom) and the inventory of finished goods index (47.6, -0.8ppt mom) both declined. This suggests production was clearing existing orders and stock, rather than responding to a pick-up in fresh demand. On the cost front, the purchase prices index rose to 60.8 (+4.2ppt mom), the highest since Apr 26, outpacing the outdoor prices index at 54.0 (+3.6ppt mom). The gap widened to 6.8ppt from 6.2ppt, intensifying margin pressure. The NBS attributed the price rise as crude oil and international commodity prices edged higher. The business expectations index was unchanged (53.8, 0ppt mom).
- Non-manufacturing PMI returned to expansion at 50.2 (+1.2ppt mom) in September**, 1.0ppt above Bloomberg's consensus of 49.2. The construction industry index jumped to 50.3 (+3.4ppt mom), the highest this year and well above the change of +0.2ppt mom the same time last year. The improvement followed Rmb521.3b of new local government special-purpose bond issuance in August. However, notably, the margin squeeze for construction has intensified, with selling prices falling to 48.5 (-1.3ppt mom) while input prices rose to 54.0 (+2.8ppt mom). In addition, the services industry index rose to 50.2 (+0.9ppt mom), led by telecommunications and financial services. For non-manufacturing overall, the new orders sub-index improved to 46.5 (+2.4ppt mom), pointing to firmer demand, despite remaining in contraction. The selling prices sub-index returned to expansion at 50.3 (+1.0ppt mom), but the input prices sub-index rose faster to 52.5 (+1.4ppt mom), widening the margin gap to 2.2ppt.
- Enterprise PMI divergence narrowed.** The small-sized enterprises composite index posted the largest gain at 48.9 (+1.0ppt mom), its highest since Apr 26. The medium-sized enterprises composite index rose to 49.7 (+0.3ppt mom), while the large-sized enterprises composite index held at 50.6 (0.0ppt mom).
- September's PMI data was positive**, with both headline readings back in expansion. However, the manufacturing gain was output-led, and the

Analyst(s)

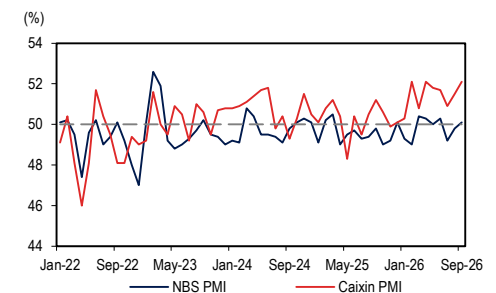
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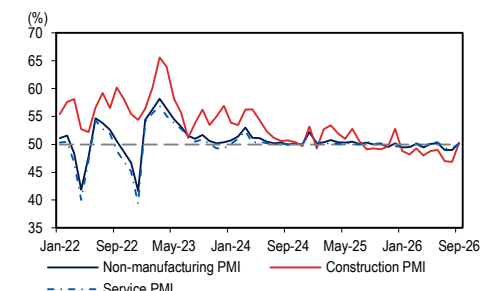
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Manufacturing PMI



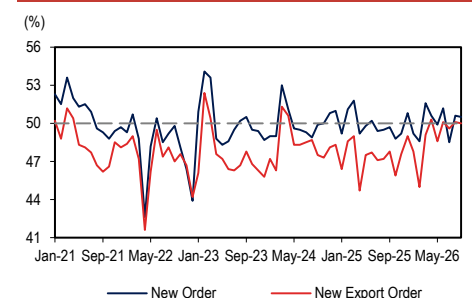
Source: NBS, Wind, UOB Kay Hian

Non-Manufacturing PMI



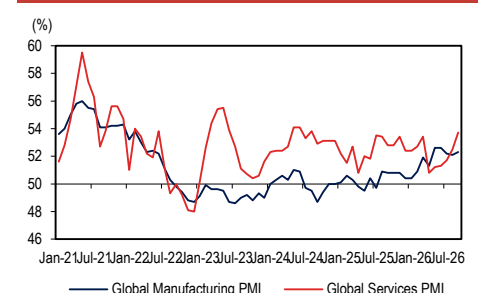
Source: NBS, Wind, UOB Kay Hian

Manufacturing PMI New Orders



Source: NBS, Wind, UOB Kay Hian

Global PMI



Source: Bloomberg, UOB Kay Hian

widening price gaps point to persistent margin pressure. The PBOC's targeted easing announced on 29 September, prioritising infrastructure and smaller firms, should support activity in 4Q26.

Manufacturing PMI

	Sep 26	mom points chg	Aug 26	Jul 26
Manufacturing PMI	50.1	0.3	49.8	49.2
Composite Indices	Manufacturing output	1.3	50.4	49.9
	New orders	-0.1	50.6	48.5
	Raw material inventory	0.1	48.1	48.3
	Employment	-0.3	48.7	49.0
	Suppliers' delivery time	0.0	50.1	49.5
Relevant Indices	New export orders	-0.1	50.1	49.6
	Imports	0.6	48.6	47.5
	Purchases	0.5	50.5	49.4
	Purchase prices	4.2	56.6	53.2
	Outdoor prices	3.6	50.4	47.8
	Inventory of finished goods	-0.8	48.4	48.6
	Backlog orders	-0.7	46.7	45.8
	Business expectations	0.0	53.8	54.1

Source: NBS, Wind, UOB Kay Hian

Non-Manufacturing PMI

	Sep 26	mom points chg	Aug 26	Jul 26
Non-manufacturing PMI	50.2	1.2	49.0	49.0
Composite Indices	New orders	2.4	44.1	44.4
	Input prices	1.4	51.1	49.7
	Selling prices	1.0	49.3	47.9
	Employment	0.5	45.4	45.4
	Business expectations	0.5	55.0	55.4
Relevant Indices	New export orders	1.5	47.0	47.0
	Backlog orders	1.0	42.8	43.3
	Inventory	0.7	45.6	45.1
	Suppliers' delivery time	0.1	51.2	50.9
Industry Indices	Construction	3.4	46.9	47.0
	Services	0.9	49.3	49.3

Source: NBS, Wind, UOB Kay Hian

PMI By Corporate Size

	Sep 26	mom points chg	Aug 26	Jul 26
Composite Indices	Large-sized enterprise	0.0	50.6	49.5
	Mid-sized enterprise	0.3	49.4	49.7
	Small-sized enterprise	1.0	47.9	47.4

Source: NBS, Wind, UOB Kay Hian

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