Economics

Non-manufacturing PMI Returns To Expansion, Manufacturing PMI Holds At 50

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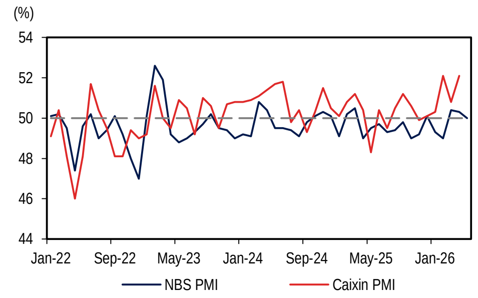
Highlights

- May's manufacturing PMI edged down to 50.0 (-0.3pt mom), matching Bloomberg's consensus of 50.0, as new orders sub-index slipped to 49.9 (-0.7pt mom) and new export orders sub-index fell to 48.6 (-1.7pt mom).
- Non-manufacturing PMI returned to expansion at 50.1 (+0.7pt mom), beating Bloomberg's consensus of 49.5, driven by services improving to 50.3 (+0.7pt mom), although construction remained contractionary at 48.8 (+0.8pt mom).
- Enterprise divergence widened as large-sized enterprises strengthened to 51.1 (+0.9pt mom), while both medium-sized (48.6, -1.9pt mom) and small-sized enterprises (48.5, -1.6pt mom) fell back into deeper contraction.

What's New

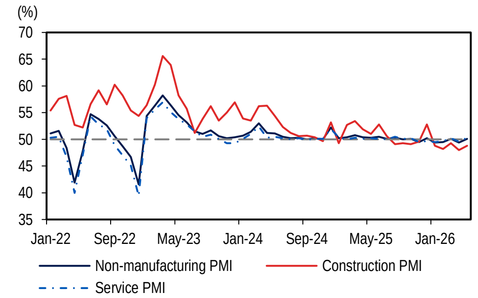
- **May's manufacturing PMI eased to 50.0 (-0.3pt mom),** in line with Bloomberg's consensus of 50.0. The manufacturing output sub-index stayed expansionary at 51.2 (-0.3pt mom), but the new orders sub-index slipped to 49.9 (-0.7pt mom), back into contraction. New export orders sub-index fell to 48.6 (-1.7pt mom), pointing to some softness in external demand. On the cost front, the purchase prices sub-index moderated to 60.5 (-3.2pt mom) and outdoor prices sub-index fell to 51.9 (-3.2pt mom); both eased but stayed elevated, with the wide level gap continuing to weigh on margins. Notably, the inventory of finished goods sub-index rose to 49.3 (+1.8pt mom), which alongside softer new orders points to some unintended stock build-up amid a cautious demand outlook. However, the business expectations sub-index held firm at 53.9 (-0.6pt mom).
- **Non-manufacturing PMI returned to expansion at 50.1 (+0.7pt mom) in May,** above Bloomberg's consensus of 49.5. The improvement was broad-based, led by the services industry index rising to 50.3 (+0.7pt mom), back above the threshold. The construction industry index improved to 48.8 (+0.8pt mom) but remained contractionary for a fifth consecutive month. New orders composite index edged up to 45.0 (+0.7pt mom), while new export orders sub-index for services improved to 48.1 (+0.8pt mom); both remain below 50. The input prices sub-index stayed expansionary at 52.2 (+0.5pt mom), still above the contractionary selling prices sub-index (48.8, +0.7pt mom); margin pressure persists despite the gap narrowing slightly. Business expectations sub-index held steady at 54.8 (+0.1pt mom).
- **Enterprise PMI stayed divergent.** The large-sized enterprises composite index strengthened to 51.1 (+0.9pt mom), maintaining solid expansion on the back of government-led infrastructure projects and better financing access. In contrast, the medium-sized enterprises composite index fell to 48.6 (-1.9pt mom) and the small-sized enterprises composite index declined to 48.5 (-1.6pt mom), both reversing April's brief move into expansion and highlighting the uneven, top-heavy nature of the recovery.
- **May's PMI data is broadly neutral with a slight positive tone.** The non-manufacturing return to expansion and the easing of input cost pressures are encouraging, but the slip in manufacturing new orders and export orders, alongside the renewed contraction in smaller firms, signals that the recovery remains fragile and reliant on larger-sized enterprises. Continued targeted policy support is needed to broaden the recovery.

Manufacturing PMI



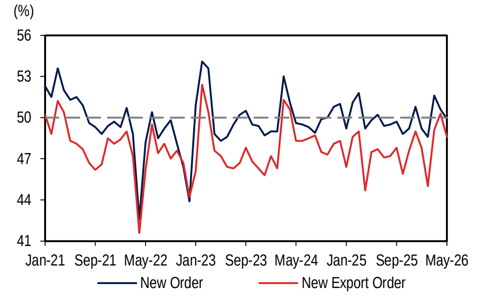
Source: NBS, Wind, UOB Kay Hian

NON-Manufacturing PMI



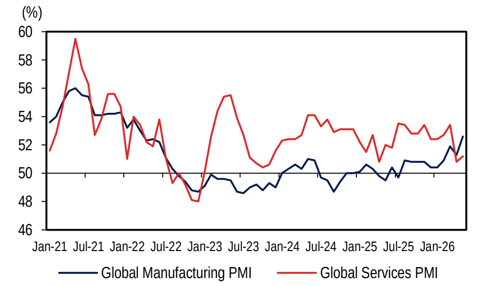
Source: NBS, Wind, UOB Kay Hian

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



Source: NBS, Wind, UOB Kay Hian

Global PMI



Source: Bloomberg, UOB Kay Hian

Manufacturing PMI

		May 26	mom points chg	Apr 26	Mar 26
Manufacturing PMI		50.0	-0.3	50.3	50.4
Composite Indices	Manufacturing output	51.2	-0.3	51.4	49.6
	New orders	49.9	-0.7	51.6	48.6
	Raw material inventory	48.6	-0.7	47.7	47.5
	Employment	48.6	-0.2	48.6	48.0
	Suppliers' delivery time	49.2	-0.3	49.5	49.1
Relevant Indices	New export orders	48.6	-1.7	49.1	45.0
	Imports	48.8	-1.3	49.8	45.6
	Purchases	49.8	-1.3	50.9	48.2
	Purchase prices	60.5	-3.2	63.9	54.8
	Outdoor prices	51.9	-3.2	55.4	50.6
	Inventory of finished goods	49.3	1.8	46.7	45.8
	Backlog orders	46.8	0.6	47.1	44.0
	Business expectations	53.9	-0.6	53.4	53.2

Source: NBS, Wind, UOB Kay Hian

NON-Manufacturing PMI

		May 26	mom points chg	Apr 26	Mar 26
Non-manufacturing PMI		50.1	0.7	49.4	50.1
Composite Indices	New orders	45.0	0.7	44.3	45.0
	Input prices	52.2	0.5	51.7	52.3
	Selling prices	48.8	0.7	48.1	49.9
	Employment	45.6	0.1	45.5	45.2
	Business expectations	54.8	0.1	54.7	54.2
Relevant Indices	New export orders	48.1	0.8	47.3	48.8
	Backlog orders	43.8	1.4	42.4	43.2
	Inventory	45.1	-0.2	45.3	43.5
	Suppliers' delivery time	51.2	0.3	50.9	51.5
Industry Indices	Construction	48.8	0.8	48.0	49.3
	Services	50.3	0.7	49.6	50.2

Source: NBS, Wind, UOB Kay Hian

PMI By Corporate Size

		May 26	mom points chg	Apr 26	Mar 26
Composite Indices	Large-sized enterprise	51.1	0.9	50.2	51.6
	Mid-sized enterprise	48.6	-1.9	50.5	49.0
	Small-sized enterprise	48.5	-1.6	50.1	49.3

Source: NBS, Wind, UOB Kay Hian