

# China manufacturing

## Manufacturing stabilises in August

- **Flash manufacturing PMI rises to four-month high of 50.1 in August**
- **Job shedding eases**
- **Oil price rise drives up manufacturing prices**

China's manufacturing economy stabilised in August bringing a three-month period of decline to an end, according to the HSBC flash PMI produced by Markit. The headline PMI rose sharply from July's near post-crisis low of 47.7 to 50.1, edging above the no-change level of 50 for the first time since April.

Despite the rise in August, the average reading of the PMI so far in the third quarter is just 48.9, down from an average of 49.2 in the second quarter and 51.5 in the first three months of the year.

The survey therefore adds evidence to suggest that the rate of growth of the world's second largest economy has remained weak in the third quarter. On the other hand, the upturn in August suggests that the annual pace could improve on the [7.5% in the second quarter](#), which was the second-weakest pace seen for four years, providing September does not disappoint.

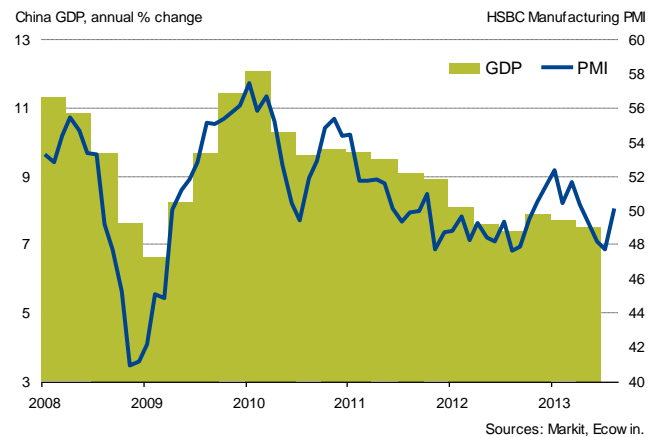
### Export struggle

Output grew marginally, rising for the first time since May on the back of a similarly modest increase in new orders, which rose for the first time since April.

The upturn in orders appears to have been driven by the domestic market; export orders fell for the fifth straight month, with the rate of decline gaining momentum compared with July.

While the new export orders index remained above the post-crisis low seen in June, the survey indicates that the recent weak trend in China's export performance persisted into August, held back in particular by sluggish demand in many neighbouring Asian countries and still-challenging situation in the Eurozone.

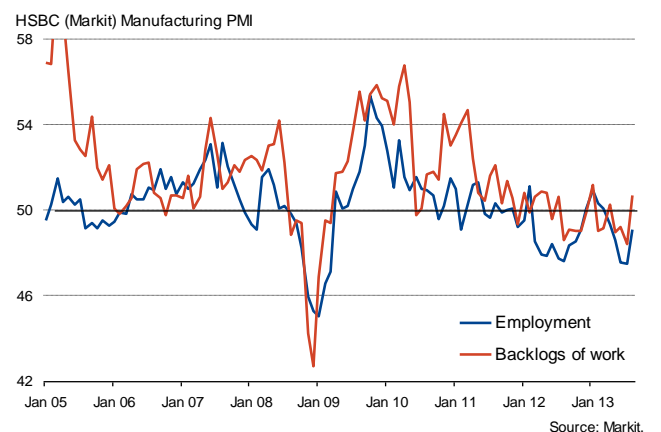
### PMI and GDP compared



### Exports



### Employment and order book backlogs



### Order books bode well for employment

Backlogs of work rose for the first time in four months, albeit only marginally. The upturn nevertheless bodes well for employment, with falling workloads in prior months having encouraged manufacturers to lay staff off. Although employment continued to fall in August, dropping for the fifth month in a row, the rate of job shedding was the slowest since April.

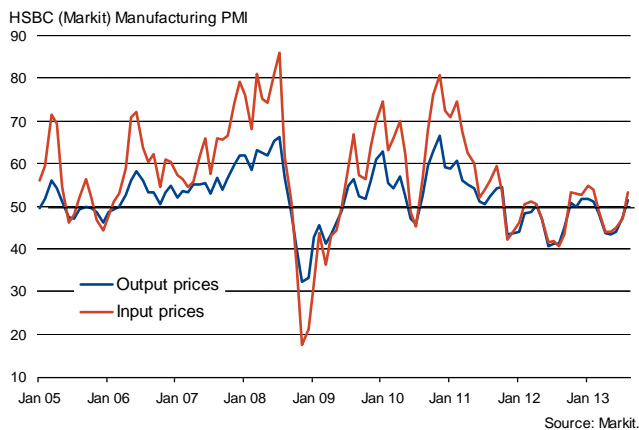
Stocks of finished goods showed the largest monthly fall since March of last year, due in many instances to sales beating expectations, but many companies also continued to deliberately run down their inventory levels due to cost considerations. Stocks of purchases likewise fell, down for the seventh straight month, though the decline was the weakest in the current sequence as companies increased their purchasing of inputs for the first time since April.

### Oil prices push up costs

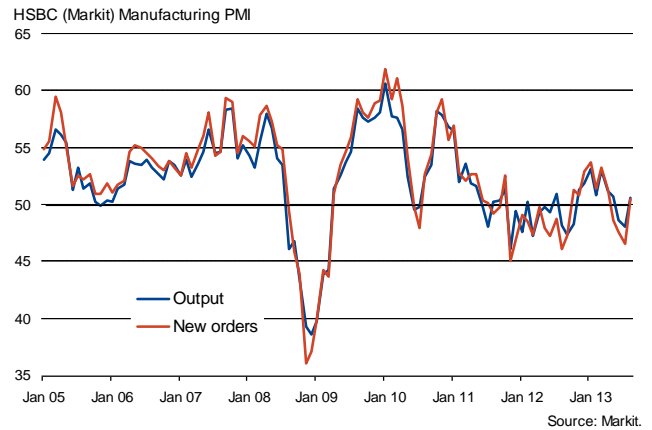
The survey also found evidence of higher oil prices feeding through to the manufacturing sector. Input costs and prices charged for goods by manufacturers both rose for the first times in six months in August. The increase in costs was often attributed to higher oil and petrol prices. Global (WTI) oil prices were around 16% higher on average over the August survey period compared to their low at the end of May.

The flash PMI is based on approximately 85% of usual monthly replies and provides an accurate indication of the final results, which will be published on 2 September.

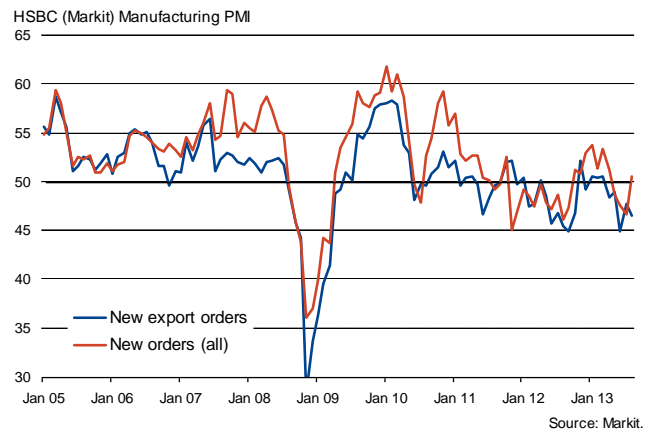
### Prices



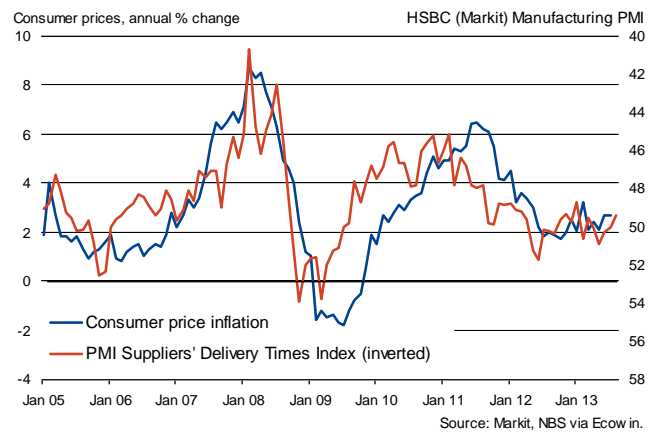
### Orders and output



### Orders (total) and export orders



### Suppliers' delivery times (a measure of supply-chain price pressures) v. consumer price inflation



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