

Caixin China General Manufacturing PMI™

PMI signals marginal improvement in operating conditions

Summary

April survey data pointed to a further marginal improvement in operating conditions across China's manufacturing sector. Although output rose at a slightly quicker rate, new order growth slowed amid a renewed fall in new export work. Consequently, purchasing activity rose only modestly, while firms noted higher inventories of both inputs and finished items. Staffing levels continued to decline, which in turn contributed to a further increase in unfinished workloads. Price pressures were relatively muted, with both input costs and output charges rising at much softer rates than those seen at the turn of the year. Softer demand conditions weighed on optimism towards the year ahead, with the degree of positive sentiment edging down to a four-month low in April.

The headline seasonally adjusted *Purchasing Managers' Index™ (PMI™)* – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – registered 51.1 in April, up fractionally from 51.0 in March. Operating conditions have now strengthened in each of the past 11 months, though the pace of improvement was only marginal.

Manufacturing production in China continued to increase during April. That said, the rate of expansion was modest, despite picking up slightly since March. According to panellists, output was raised in line with higher new order inflows. Indeed, latest data showed that total new business rose at the start of the second quarter, albeit at the slowest pace for seven months. Data indicated that weaker demand in international markets had partly weighed on overall growth, with new export sales declining for the first time since November 2016 (though only marginally).

Subdued demand coincided with a further reduction in headcounts in April. A number of companies commented on the non-replacement of voluntary leavers alongside efforts to improve operating margins. That said, the rate of job shedding was only slight, having eased to the least marked for three months. Concurrently, higher new work placed further pressure on operating capacities, as highlighted by a sustained rise in backlogs of work.

Companies continued to increase their purchasing activity in response to greater new order volumes. Although improving from March, the pace of growth remained modest overall. At the same time, companies were relatively cautious with regards to inventories, with stocks of finished items and purchased inputs both rising only slightly.

Delivery times for inputs at Chinese goods producers continued to increase in April amid reports of capacity pressures at suppliers. That said, the rate at which lead times lengthened was moderate.

Inflationary pressures were relatively muted in April, with the rate of input price inflation little-changed from March and output charges rising only modestly.

Confidence towards the year ahead dipped to a four-month low in April, with some firms citing concerns over future market conditions and the strength of global demand.

Key Points

- Output expands at slightly faster, albeit still modest, pace
- Slower increase in total new work amid renewed decline in export sales
- Staff numbers continue to fall, despite further rise in backlogs

Comment

Commenting on the China General Manufacturing PMI™ data, Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis at CEBM Group said:

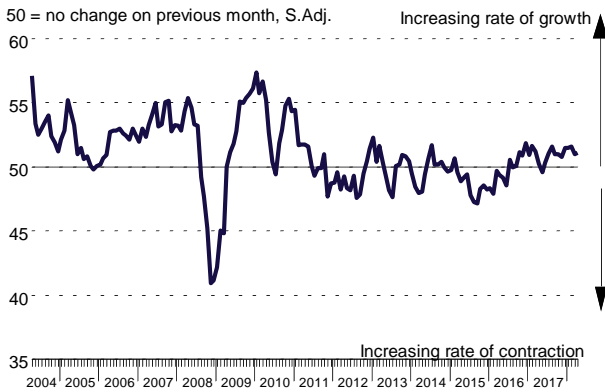
"The Caixin China General Manufacturing PMI edged up to 51.1 in April. Output increased at a faster rate last month from March, while the contraction in employment narrowed. However, growth of new business moderated for the second straight month, reflecting weakening demand across the manufacturing sector. Manufacturers are facing a sharply deteriorating foreign demand environment as new export orders declined for the first time in 17 months in April. The rate of output charge inflation eased slightly while growth in input

costs posted its first acceleration since September, likely due to increases in crude oil prices. This may squeeze the profit margins of manufacturers and has thus contributed to a decline in the sub-index of future output, a gauge of companies' confidence in their business outlook over the next 12 months. Stocks of finished goods expanded at a faster rate in April compared to March, suggesting that inventory levels for manufacturers have remained rather high.

"Overall, operating conditions across China's manufacturing sector continued to improve in April. But uncertainty in exports has increased significantly, and the dependence of the Chinese economy on domestic demand is rising."

Continued...

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Sources: IHS Markit, Caixin.

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Notes to Editors:

The Caixin China Report on General Manufacturing is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 500 manufacturing companies. The panel is stratified by company size and Standard Industrial Classification (SIC) group, based on industry contribution to Chinese GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The *Purchasing Managers' Index*[™] (*PMI*[™]) is a composite index based on five of the individual indexes with the following weights applied: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Historical data relating to the underlying (unadjusted) numbers and seasonally adjusted series are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

About Caixin:

Caixin Media is China's leading media group dedicated to providing financial and business news through periodicals, online content, mobile applications, conferences, books and TV/video programs.

Caixin Insight Group is a high-end financial data and analysis platform. The group encompasses the monthly Caixin China Purchasing Managers' Index[™], components of which include the Caixin China General Manufacturing PMI[™] and Caixin China General Services PMI[™]. These indexes are closely watched worldwide as reliable snapshots of China's economic health.

For more information, please visit www.caixin.com and www.caixinglobal.com.

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