

Caixin China General Manufacturing PMI™

Manufacturing output remains stable in November

Summary

November data pointed to a marginal improvement in Chinese manufacturing operating conditions. Companies signalled a slightly stronger increase in total new work, despite reduced amounts of export orders. Production was meanwhile stable for the second month in a row. Relatively muted client demand and efforts to lower costs contributed to a further reduction in staff numbers, while confidence towards the year ahead remained subdued. At the same time, inflationary pressures eased, with input costs increasing at the softest pace for seven months and selling prices falling for the first time in a year-and-a-half amid efforts to attract new business.

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 – was little-changed from October's reading of 50.1 at 50.2 in November. This signalled a further fractional improvement in the health of China's manufacturing sector.

Chinese goods producers saw a slightly quicker, but still marginal, increase in total new orders during November. Data indicated that weaker external demand continued to weigh on overall sales, as export orders declined further midway through the final quarter. New business from abroad has now fallen in each of the past eight months.

According to panellists, a combination of relatively subdued sales and stricter environmental policies meant that production levels were unchanged for the second month in a row.

Workforce numbers continued to decline in November, with a number of firms commenting on softer demand conditions and company downsizing policies. The rate of reduction was similar to that seen in October and moderate. Nonetheless, this contributed to a further increase in the level of work-in-hand (but not yet completed).

Reflective of the trend for new orders, buying activity rose only slightly in November. As a result, stocks of purchased items expanded marginally, as has been the case in each of the past five months. Weaker than expected client demand also led to the first increase in stocks of finished goods for seven months.

Insufficient inventories of inputs at suppliers, alongside delays linked to environmental inspections, led to a further deterioration in vendor performance in November.

Although purchasing costs continued to increase in November, the rate of inflation eased to a seven-month low. At the same time, efforts to stimulate client demand led to a renewed fall in prices charged by manufacturers. That said, the rate of reduction was only fractional.

Business confidence picked up from October's 11-month low, but remained relatively weak in the context of the series history. While some firms anticipate new products and stronger demand conditions to boost output, a number of companies cited concerns over the impact of strict environmental policies and relatively sluggish market conditions.

Key Points

- Production unchanged for second month running
- Further increase in total new work, but export trend remains subdued
- Input cost inflation softens to seven-month low

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 inched up to 50.2 in November from the previous month. The subindex for new orders continued to rise, pointing to improved demand, which may be due to a recent raft of government policies aiming to support the private sector. The gauge for new export orders dropped further into contractionary territory in November, indicating the impact of the Sino-U.S. trade friction on exports.

"The employment subindex likewise dipped further into negative territory. The output subindex dropped to the dividing line of 50 that separates expansion from contraction, marking

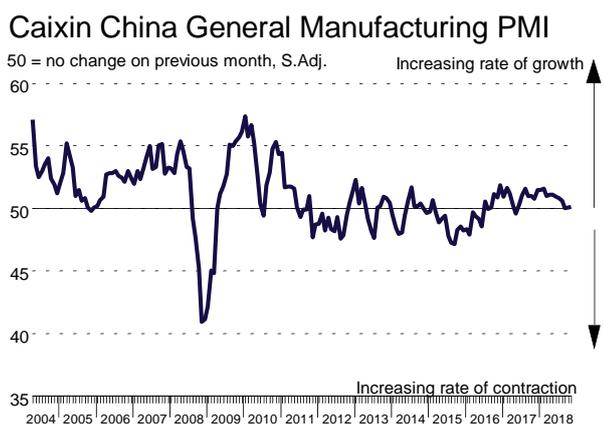
its lowest level since June 2016, which implied production was facing a slowing trend. One key reason for the slowdown may be the obvious increase in stocks of finished goods.

"The subindex for stocks of purchased items remained unchanged and stayed in positive territory. The measure for future output, which reflects manufacturers' production outlook over the next year, stayed in positive territory and rose modestly, suggesting business confidence was relatively stable. The subindex for suppliers' delivery times picked up marginally despite remaining in negative territory, implying capital turnover among goods producers slightly improved slightly.

"The gauges for output charges and input costs both dropped significantly, in line with the weakening domestic commodities market, which was impacted by plummeting oil prices across the globe, expectations about the loosening of restrictions on factory production that governments impose on the grounds of environmental protection, and weakening demand. Upward pressure on prices of industrial products was eased somewhat.

"Overall, domestic demand across the manufacturing sector improved in November, while overseas demand was still subdued. Production slowed, confidence was relatively stable, capital turnover was improved, and upward pressure on industrial product prices eased. China's economy was weak, but did not show significant signs of deterioration."

Continued...



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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Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to <https://ihsmarkit.com/products/pmi.html>

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