

PMI

Caixin China
General Manufacturing
PMI Press Release

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Caixin China General Manufacturing PMI™

Manufacturing sector expands at solid pace in August

China's manufacturing sector continued to expand strongly in August, adding to signs of a further recovery in conditions after the coronavirus disease 2019 (COVID-19) virus outbreak earlier in the year. Production and new orders both expanded at sharper rates than in July, while firms reported the first increase in export sales in 2020 to date. Firmer demand conditions led to a sustained increase in purchasing activity, although the rate of expansion eased slightly since July. Meanwhile, staffing levels fell at only a fractional, hinting that employment was close to stabilisation as firms registered a further increase in backlogs of work. Prices data meanwhile indicated softer increases in both input costs and output charges compared to the previous month.

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 – rose from 52.8 at the start of the third quarter to 53.1 in August. The reading was indicative of a solid overall improvement in the health of the sector, and one that was the most marked since January 2011.

Helping to lift the headline PMI were steeper increases in both output and new orders in August. Total new work expanded at the sharpest rate since the start of 2011 amid reports of firmer client demand as the domestic and global economy continued to recover from the pandemic. Notably, manufacturers registered the first increase in new export sales since December 2019.

Higher new business led to a further expansion of output. The rate of growth also picked since July and was the most marked since January 2011.

Manufacturing employment in China edged closer to stabilisation in August. Staff numbers fell at a fractional pace that was the slowest in the year to date. While some firms cut staff numbers to contain costs, others mentioned increasing their headcounts due to rising workloads. Furthermore, a combination of reduced staffing levels and rising sales drove a solid increase in outstanding business.

Greater amounts of new work also led to a sustained rise in buying activity in August, with the latest expansion solid overall. Consequently, stocks of purchases rose for the third month in a row, albeit only slightly.

Inventories of finished items meanwhile increased for the first time since April. Though only slight, the upturn reflected efforts among a number of firms to restock as a result of the improved sales trend.

Vendor performance continued to deteriorate in August, albeit to a weaker extent than in the previous month. Panellists often mentioned that delivery times had lengthened due a lack of stock at suppliers.

Chinese goods producers faced a further increase in average input costs during August. Though not as strong as in July, the rate of inflation remained solid overall amid reports of greater raw material costs. Companies partially passed on their higher operating expenses to clients in the form of higher selling prices. That said, the rate of increase was mild overall.

Although firms generally expect output to rise over the next year, the degree of optimism edged down to a three-month low in August. While many companies anticipate global economic conditions to improve further, many expressed concerns over how long the pandemic would impact operations and customer demand.

China General Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Caixin, IHS Markit

Key findings:

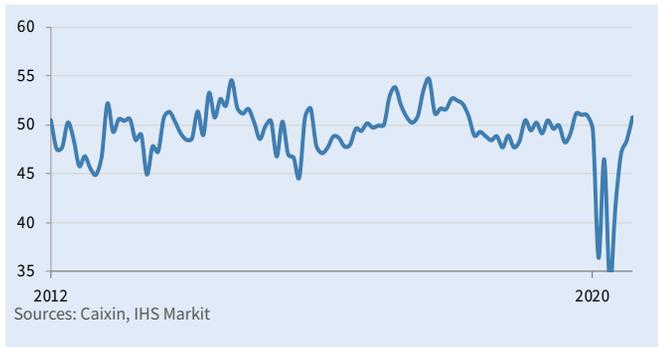
Sharpest increases in output and new orders since the start of 2011

New export work rises for first time in 2020 to date

Employment moves closer to stabilisation

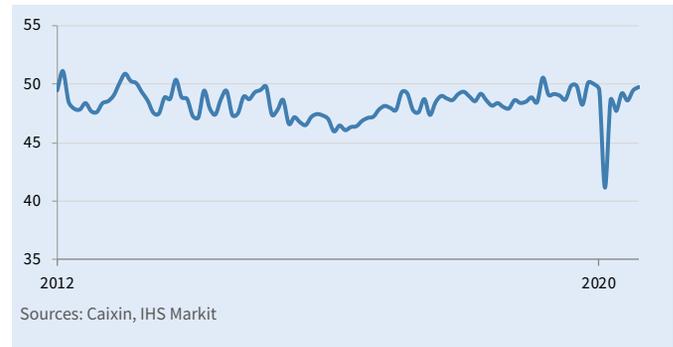
New Export Orders Index

sa, >50 = growth since previous month



Employment Index

sa, >50 = growth since previous month



Commenting on the China General Manufacturing PMI™ data, Dr. Wang Zhe, Senior Economist at Caixin Insight Group said:

“The Caixin China General Manufacturing PMI stood at 53.1 in August, up from 52.8 the previous month, staying in expansionary territory for the fourth consecutive month. The index has now risen for four months in a row, reflecting that the manufacturing sector continued to recover from the impact of the pandemic, and that the momentum of the recovery remained strong.

1) Manufacturing demand and supply continued to recover, and overseas demand started to pick up. In August, the subindices for output and total new orders again hit their highest levels since January 2011. The gauge for new export orders entered expansionary territory for the first time this year, due mainly to the slowing spread of the pandemic overseas.

2) Companies were willing to replenish their stocks as demand continued to expand. In August, the gauge for the quantity of purchases edged down, but remained in positive territory. Stocks of purchased items expanded for the third consecutive month, while stocks of finished goods expanded for the first time in four months.

3) Employment remained subdued, but approached a turning point. After the domestic epidemic peaked, output and demand continued to recover, but the labor market remained weak. In August, the employment subindex stayed in negative territory for the eighth consecutive month, but it was the closest to positive territory this year. While some companies remained cautious about expanding hiring and continued to lay off workers to reduce costs, the survey found that some other companies increased recruitment to meet production needs. In August, backlogs of work expanded at a faster pace than the previous month, which could be seen as a positive signal that a turning point is approaching for employment.

4) Input costs and output prices both rose. In August, the gauges for input costs and output prices both continued to increase, albeit at a slower pace. Raw material prices continued to recover, pushing up costs for manufacturing enterprises and further influencing the output prices of downstream companies. Export charges rose slightly in August, as companies surveyed held a cautious attitude toward the outlook of overseas demand.

“Overall, the post-epidemic economic recovery in the manufacturing sector continued. Supply and demand expanded with the pickup in overseas demand. Backlogs of work continued to increase. Both quantity of purchases and stocks of purchased items also grew. Companies’ future output expectations remained strong, reflecting a positive outlook for the manufacturing sector for the year ahead. Employment remained an important focus. An expansion of employment relies on long-term improvement in the economy. Macroeconomic policy supports are essential, especially when there are still many uncertainties in domestic and overseas economies. Relevant policies should not be significantly tightened.”



Survey methodology

The Caixin China General Manufacturing PMI™ is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 500 private and state-owned manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. For the purposes of this report, China is defined as mainland China, excluding Hong Kong SAR, Macao SAR and Taiwan.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For more information on the survey methodology, please contact: economics@ihsmarkit.com.

Survey dates and history

Data were collected 11-19 August 2020.

Data were first collected April 2004.

About PMI

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.

<https://ihsmarkit.com/products/pmi.html>

About Caixin

Caixin is an all-in-one media group dedicated to providing financial and business news, data and information. Its multiple platforms cover quality news in both Chinese and English. Caixin Insight Group is a high-end financial research, data and service platform. It aims to be the builder of China's financial infrastructure in the new economic era.

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