

PMI

Caixin China
General Manufacturing
PMI Press Release

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Caixin China General Manufacturing PMI™

Business conditions improve slightly in February

Latest PMI data signalled a slight improvement in business conditions across China's manufacturing sector in February. Firms recorded a slight increase in output amid the fastest increase in total sales since last June. However, the pandemic continued to weigh on external demand, with new export orders falling again. Firms meanwhile registered a further drop in employment, which contributed to a fresh increase in unfinished business. Inflationary pressures meanwhile picked up, with both input prices and output charges rising at quicker rates. The outlook brightened, however, with optimism regarding future output improving to an eight-month high in February.

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 49.1 at the start of 2022 to 50.4 in February, to signal a renewed improvement in overall business conditions. The rate of improvement was only slight, however, and softer than the long-run series average (51.0).

Supporting the higher headline index reading was a renewed increase in total new business placed with Chinese goods producers. Though modest, the rate of new order growth was the quickest seen for eight months, with a number of firms commenting on a relative improvement in market conditions and firmer customer demand. The increase in total sales was despite a further drop in new export business, which was often linked to the pandemic and difficulties in shipping items to clients.

The improvement in overall demand conditions helped to drive a fresh increase in output in February. Production has now risen in three of the past four months, though the latest expansion was only slight.

Firms maintained a relatively cautious approach with regards to staffing levels, which fell for the seventh month running in February. The pace of job shedding was only modest, however, having eased since January. Nonetheless, there were signs of renewed capacity pressures, as firms registered a fresh increase in backlogs of work.

After a slight reduction in January, purchasing activity increased during February amid reports of higher production requirements. The rate of increase was marginal, however, and softer than the series average. Inventories of both pre- and post- production items meanwhile fell again in February, and at quicker rates than at the start of the year. A number of firms mentioned increased usage of current stocks for production and the fulfilment of orders, partly due to higher purchasing costs.

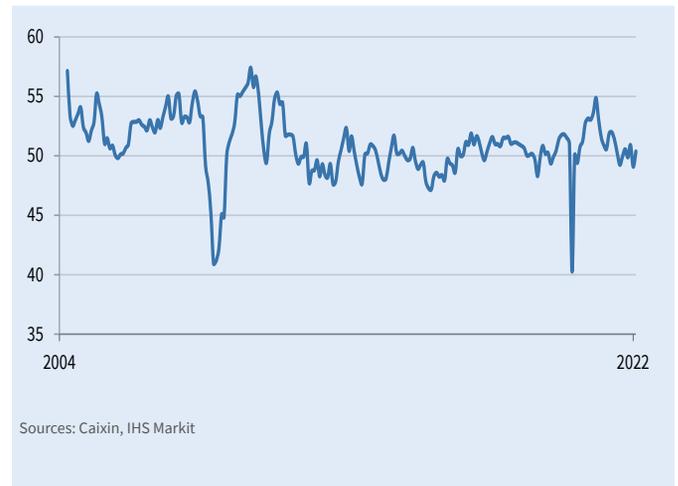
Suppliers' delivery times lengthened again in February amid reports of shipping delays and material and staff shortages. That said, delays were not as marked as those seen in January and only modest.

Prices data showed a sharp and accelerated rise in average input costs. Notably, the rate of inflation hit a four-month high, with firms citing greater costs for raw materials, staff and transport. Selling prices likewise increased at the steepest rate since last October.

Confidence regarding the 12-month outlook for output improved further in February to reach its highest since last June. Companies anticipate that a post-pandemic recovery and stronger demand conditions globally will help to support growth over the coming year.

China General Manufacturing PMI

sa, >50 = improvement since previous month



Key findings:

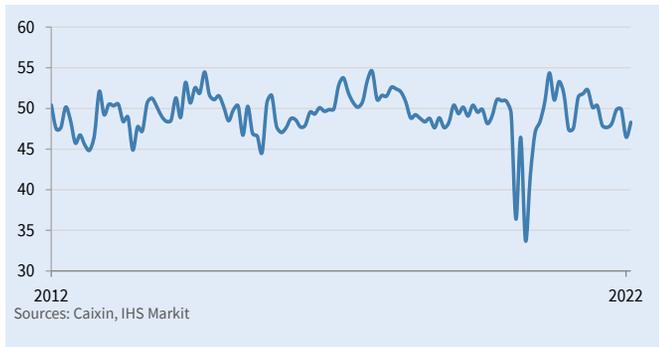
Output returns to growth amid quickest rise in new work for eight months

Pandemic continues to weigh on export sales

Business confidence picks up to highest since last June

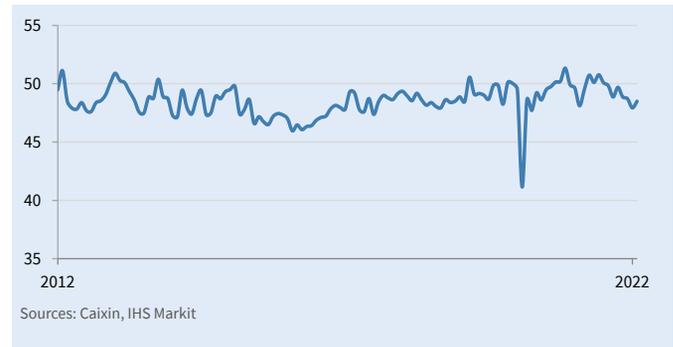
New Export Orders Index

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 came in at 50.4 in February, up from 49.1 the previous month, showing manufacturing activity bounced back into expansionary territory. Overall, the Chinese manufacturing sector stayed on the track for recovery.”

“Supply in the manufacturing sector improved. Overall demand was strong, though external demand remained subdued. The gauges for both output and total new orders returned to expansionary territory. The gauge for total new orders hit its highest level in eight months in February. Amid the worsening effects of the pandemic, which disrupted transportation, external demand remained weak. The gauge for new export orders in February remained in contractionary territory for the seventh straight month.”

“The job market remained under pressure. Although supply and demand in the manufacturing sector improved, goods producers remained cautious about hiring new staff. The measure for employment remained in contractionary territory for the seventh consecutive month, but the rate of contraction was milder than the previous month.”

“The quantity of purchases increased slightly in February as raw material prices remained high. Stocks of purchased items fell. Logistics delivery times got longer due to pandemic disruption. Stocks of finished goods fell. Due to rising new orders and a shortage of employees, backlogs of work increased.”

“Inflationary pressure grew. The gauges for input and output prices rose in February, with both hitting their highest levels since October. The price increases were mainly a result of rising transportation costs and raw material prices that remained elevated.”

“Business owners held a positive outlook. The measure of future output expectations rose to the highest in eight months. Surveyed companies

said they were confident that market demand would further improve and domestic outbreaks of Covid-19 would be controlled.”

“Overall, manufacturing activity expanded in February. Supply recovered, while demand more clearly improved. The level of optimism about the future business outlook increased further. However, the job market remained under high pressure. And we still need to keep an eye on inflationary pressure.”

“From January to February, several regions across China, including Jiangsu province and the Guangxi Zhuang and Inner Mongolia autonomous regions, suffered flare-ups of Covid-19. Epidemic control measures were strengthened, which restricted transportation and sales of manufactured goods. Under the “triple pressure” of demand contraction, supply shocks and weakening expectations, the manufacturing sector recovery is still not robust. Stabilizing economic growth remains an important focus of the government.”

“Policymakers should enhance support policies to encourage employment, strengthen structural support for small and midsize enterprises and effectively reduce tax burdens and fundraising costs for companies. Meanwhile, they should maintain a stable market environment, continue to stabilize commodity supply and prices, and lighten the cost burden on businesses in the middle and lower reaches of supply chains.”



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 10-18 February 2022.

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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