

PMI

Caixin China
General Manufacturing
PMI Press Release

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Caixin China General Manufacturing PMI™

Output and new orders fall at faster rates in April

A further tightening of COVID-19 restrictions in China led to notably quicker falls in both output and new business at the start of the second quarter. Increased supply chain disruption meanwhile drove the second-fastest deterioration in average vendor performance on record. Softer demand conditions resulted in more marked falls in both purchasing activity and stocks of purchases. Inflationary pressures persisted, with the rate of input cost inflation exceeding that seen for selling prices, as efforts to stimulate sales restricted firms' pricing power.

Business confidence towards the 12-month outlook for output remained relatively subdued, as firms expressed concerns over how long it will take to fully contain the COVID-19 virus and its impact on supply chains and client demand.

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 – declined from 48.1 in March to 46.0 in April. The figure pointed to a second successive monthly deterioration in overall business conditions faced by Chinese manufacturers, and one that was the quickest since February 2020.

Dampening the headline index was a stronger reduction in output at the start of the second quarter. Production fell at the second-steepest since the survey began in early-2004 (beaten only by February 2020). The drop was frequently linked to the tightening of COVID-19 restrictions and subsequent impact on business operations, supply chains and demand.

Total new business likewise fell at the second-sharpest rate on record, as efforts to prevent the spread of COVID-19, including lockdowns, weighed on client demand. Some companies also noted that clients had cancelled orders due to difficulties in producing and shipping items. Logistical challenges also weighed on foreign demand, with new export orders falling at the quickest rate since May 2020.

The escalation of COVID-19 measures heavily impacted supply chain performance during April. The time taken for inputs to be delivered to manufacturers increased at the second-quickest rate on record and rapidly overall, as many firms noted lockdowns, travel restrictions and limited raw material availability had impacted delivery times.

Softer demand conditions meanwhile led to the sharpest drops in purchasing activity and stocks of inputs since February 2020. Inventories of goods also fell, albeit only modestly, as a number of firms noted difficulties shipping items to customers amid ongoing mobility restrictions.

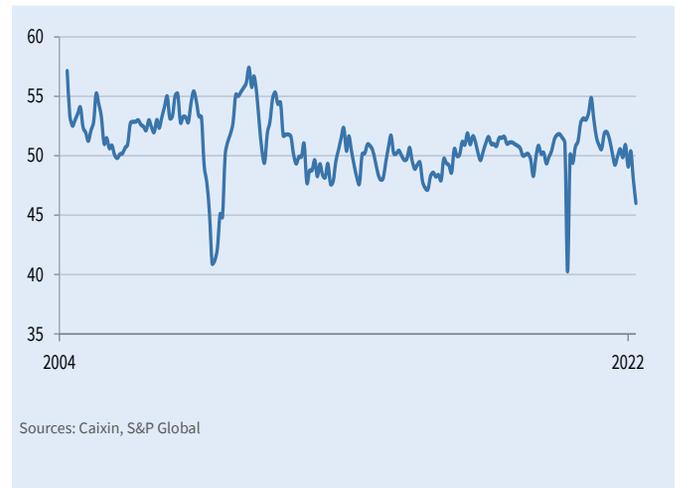
Disruption to normal business operations led to a further increase in backlogs of work, though the rate of accumulation was mild. At the same time, employment fell only slightly, with some companies noting that the pandemic had made it difficult for workers to return to factories.

Higher costs for transport and raw materials drove a further sharp increase in input costs in April. That said, the rate of inflation eased slightly since March. Efforts to remain competitive and attract new business led to only a modest increase in selling prices, however.

Although companies were generally optimistic that output would rise over the next year, the level of positive sentiment was little-changed from March's three-month low. Firms often expressed concerns over how long COVID-19 restrictions will be in place, and how long it will take for supply chains and demand conditions to improve.

China General Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Caixin, S&P Global

Key findings:

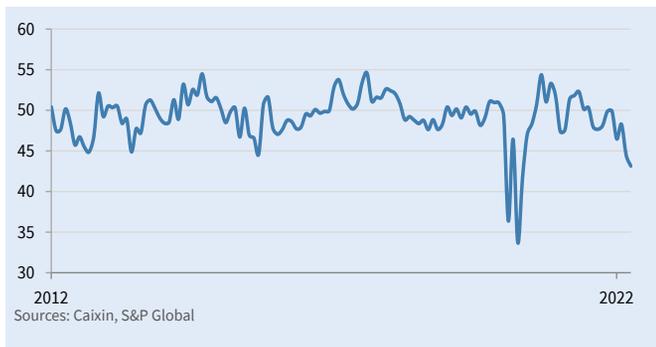
Production and sales fall at quickest rates since February 2020 as COVID-19 restrictions escalate

Suppliers' delivery times lengthen at second-quickest rate on record

Input costs rise sharply, but selling prices increase only modestly

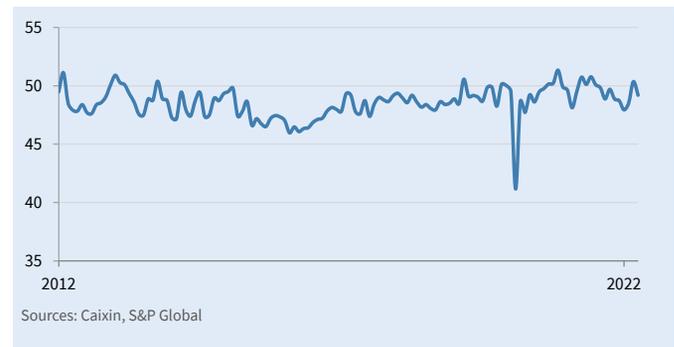
New Export Orders Index

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:

“In April, the Caixin China General Manufacturing PMI fell 2.1 points from the previous month to 46, the lowest reading since February 2020, as the latest outbreaks of Covid-19 took a toll on the economy.

“Manufacturing supply and demand continued to contract in April. Continuous regional Covid outbreaks disrupted production and logistics in manufacturing, and impacted demand. In April, the subindexes for output and total new orders each came in at their lowest since February 2020. The impact on logistics also spilled over into external demand, with the reading for new export orders hitting its lowest level since May 2020.

“Employment declined slightly. Some companies indicated that demand was weak due to Covid outbreaks, and some said the main problem was the difficulty of getting workers back on the job. Employment has declined in eight of the last nine months, including April.

“Inflationary pressure remained high. In terms of costs, the measure for input costs slipped, but remained well above 50. Surveyed enterprises said that logistics were hampered by the dual factors of China’s Covid-19 outbreaks and the Russia-Ukraine war, causing raw material prices to rise. In contrast, the gauge for output prices, though still in the expansionary range, hit a new low in 2022 as business activities were restricted. Therefore, it was difficult for companies to pass on higher costs to their customers.

“Covid control measures have done a number on logistics. The latest round of outbreaks and the corresponding control measures have caused the subindex for suppliers’ delivery times to drop significantly (as the times were prolonged) — hitting a low not seen since February 2020. Affected by the outbreaks, manufacturers significantly cut purchases, so stocks of purchased items fell significantly, and backlogs of work increased.

“Entrepreneurs remained optimistic. The gauge for business confidence more or less held steady with the previous month’s reading — though still lower than the long-term average. They believed that the Covid-19 outbreaks will eventually be brought under control, but some respondents worried that the control measures would last too long.

“Overall, in April, local Covid outbreaks continued, and activity in the manufacturing sector weakened. Supply shrank, demand was under pressure, external demand deteriorated, supply chains were disrupted, delivery times were prolonged, backlogs of work grew, workers found it difficult to return to their jobs, inflationary pressures lingered, and market confidence remained below the long-term average.

“Since April, the Covid-19 situation in regions like Shanghai remained severe, and the impact on business production and people’s lives continued, especially in logistics. Currently, the most important job of policymakers is to optimize the flow of personnel and goods and focus on stabilizing supply chains, while resolutely adhering to the established policy of “dynamic zero-Covid”.

“In addition, for enterprises in industries that are greatly affected by the outbreaks, the government should boost support to stabilize market expectations. During the recent round of outbreaks, many company employees, gig workers and low-income groups have watched their incomes shrink and their lives grow more difficult. That’s something policymakers shouldn’t ignore.”



Survey methodology

The Caixin China General Manufacturing PMI™ is compiled by S&P Global 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 11-21 April 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>

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