

PMI

Caixin China
General Manufacturing
PMI Press Release

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Caixin China General Manufacturing PMI™

Business conditions moderate slightly in April

Latest PMI data pointed to a marginal deterioration in overall business conditions across China's manufacturing sector during April. Firms signalled only a fractional rise in output amid a renewed drop in overall new business. Subdued demand conditions contributed to a further fall in overall employment in the sector, but helped to ease supply chain pressures, with lead times for inputs improving slightly. At the same time, average input costs declined at the quickest rate since January 2016, supporting a steeper reduction in selling prices as firms looked to attract new business.

When assessing the 12-month outlook for output, firms were hopeful that customer demand will pick up and drive production volumes higher. Notably, the degree of optimism was the second-strongest in two years.

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 – slipped from the neutral level of 50.0 in March to 49.5 in April. This signalled the first deterioration in the health of the manufacturing sector for three months, albeit one that was marginal overall.

Softer demand conditions were a key factor weighing on the performance of the sector, with total new orders falling slightly for the first time in three months. A number of firms indicated that sluggish market conditions and weaker-than-expected customer spending had dampened sales. Underlying data indicated that the fall was largely driven by softer domestic demand, as new export work was broadly stable.

Production growth meanwhile slowed for the second straight month in April, with output rising fractionally overall. Firms that recorded higher output often linked this to the return to more normal business operations.

In line with the trend seen for output, purchasing activity increased at the softest rate for three months in the latest survey period. Inventories of both pre- and post-production items were meanwhile little-changed compared to the previous month. A number of firms expressed a reluctance to stock build due to the softer demand environment.

Suppliers' delivery times improved for the third time in as many months in April. Companies often noted that vendors were less busy or that they had requested quicker lead times. That said, the rate at which delivery times shortened was only marginal.

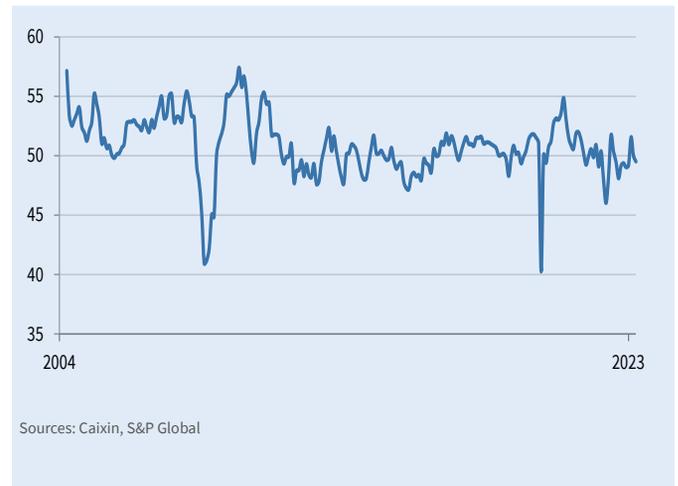
Muted client demand led firms to cut their staffing levels again in April, and at the quickest pace in three months. This was often through the non-replacement of voluntary leavers, though there were also reports of firms trimming headcounts to cut costs. Backlogs of work meanwhile expanded for the fourth month in a row, albeit at a modest pace.

Manufacturers registered the first fall in average input costs for seven months in April, with the rate of decline the quickest recorded since the start of 2016. Lower prices for some raw materials and fuel were linked to the renewed drop in expenses. Cost savings were often passed on to customers in the form of lower selling prices, which were cut at the fastest rate since December 2015, as firms sought to attract new business.

Optimism towards the 12-month outlook for output improved, as firms were hopeful that customer spending would pick up in the months ahead. New product releases, supportive state policies and investment in new equipment were also expected to drive growth.

China General Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Caixin, S&P Global

Key findings:

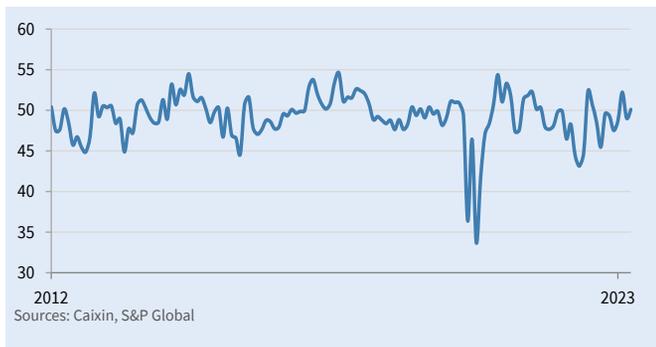
Output expands only fractionally...

...as demand conditions soften

Input costs and selling prices fall at quickest rates in over seven years

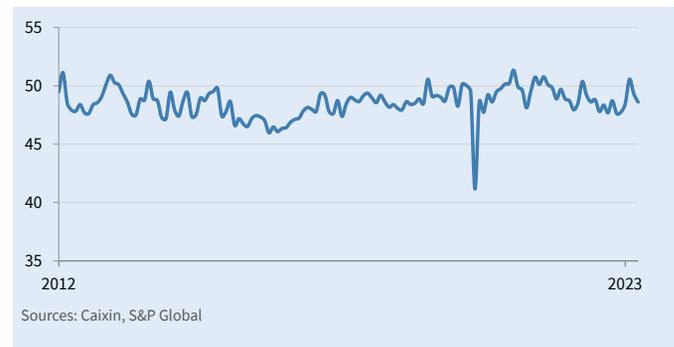
New Export Orders Index

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 in April dropped 0.5 points from the previous month to 49.5, slipping into contractionary territory for the first time in three months. This suggests that China’s economic recovery significantly slowed after Covid-19 infections peaked at the start of this year, given that the index stood at 51.6 and 50 in February and March, respectively.

“Manufacturing supply ticked up marginally, but demand contracted. While the economy continued to recover in the post-Covid era, the rebound was weaker than expected, with the subindex for output standing only slightly above 50. The recovery in demand was even worse. Domestic demand became a main drag, as the subindex for total new orders fell back into contraction. The gauge for new export orders remained stable as more Covid restrictions were lifted, but external demand remained limited.

“Employment in the sector deteriorated further. The subindex for employment only climbed above 50 once in February 2023 since March 2022. In April, the job market contracted for the second straight month and at a sharper pace. As market demand remained subdued, businesses trying to slash costs were reluctant to hire more workers, with some even announcing layoffs. Meanwhile, backlogs of work grew marginally, with the corresponding measure staying in expansionary territory for the fourth consecutive month.

“Prices plunged with the gauges for input and output prices both dropping well below 50 in April, logging new lows since January 2016 and December 2015, respectively. Input prices were dragged by falling energy and raw material costs, while fees charged to customers were weighed down by sluggish demand. In April, the gauge for output prices stumbled below 50 for the 11th time in the past 12 months.

“Suppliers’ delivery times continued to shorten. In February and March, delivery times accelerated mainly due to eased Covid restrictions. However,

logistics volume fell in April, which boosted the speed of deliveries, with the subindex for suppliers’ delivery times continuing to stand above 50. In addition, manufacturers’ willingness to replenish inventories remained subdued, with stocks of raw materials and finished products staying largely stable.

“Manufacturers remained highly optimistic, with the reading for their expectations for future output in April significantly higher than the long-term average, as they expressed strong confidence in market demand recovery and the implementation of relevant supportive policies.

“In a nutshell, manufacturing activity weakened in April. Manufacturing supply saw a marginal slowdown of expansion, demand dipped month-on-month, the labor market worsened further, logistics was relatively smooth, inventories remained stable, and prices plunged. Despite all these factors, businesses maintained high confidence in the economic outlook.

“A recent slew of official first-quarter economic data beat market expectations, suggesting that China’s economy was recovering at a fast pace after the country lifted Covid controls. Yet it remains to be seen if the rebound is sustainable after a short-term release of pent-up demand. The Caixin China manufacturing PMI in April, in particular, pointed to the fact that the economic recovery has yet to find a stable footing. Employment is also a prominent issue faced by the current economy, especially for young people. Recently, deflation has become a hot topic in the market. The rapid decline in the gauges for input and output prices should draw enough attention. In the future, relevant policies should focus on expanding domestic demand, stabilizing employment and improving expectations, as well as improving the monetary transmission mechanism and creating a virtuous circle of economic development.”



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 650 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 12-20 April 2023.

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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