

PMI

Caixin China
General Manufacturing
PMI Press Release

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Caixin China General Manufacturing PMI™

Manufacturing conditions improve slightly in September

Manufacturing conditions across China improved slightly for the second consecutive month in September, according to latest PMI data. Production expanded at the strongest rate in four months amid a further modest increase in new business. Meanwhile, the decline in new export work moderated, with foreign sales falling only slightly in September. However, confidence regarding the year-ahead remained relatively subdued, which in turn contributed to a drop in employment at Chinese manufacturing plants. Prices data pointed to a quicker rise in average input costs, which increased at the fastest rate since January. As a result, prices charged by manufacturers increased in September after a six-month period of decline.

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 51.0 in August to 50.6 at the end of the third quarter, to signal an improvement in the health of the sector for the second month in a row. Although the PMI was consistent with only a marginal rate of improvement, it remained slightly above the average reading for 2023 to date.

Chinese manufacturers signalled a back-to-back increase in output during September, with the rate of growth improving to a four-month high. Firms often mentioned raising production due to firmer demand conditions, while others indicated that output had increased after unusually high temperatures during August had led to temporary work suspensions.

Total new work likewise rose for the second straight month, albeit at a modest rate that was little-changed from August. The upturn occurred despite a further drop in overseas orders, and suggesting the overall rise in new work was largely driven by firmer domestic demand. That said, new export business fell at a marginal pace that was the softest in three months.

After rising in August, manufacturing employment in China declined in September. The modest drop in workforce numbers was generally linked to cost cutting initiatives and decisions to not replace voluntary leavers. Combined with the sustained rise in overall new work, this led to a further increase in outstanding business during September. That said, capacity pressures remained mild overall, with the rate of backlog accumulation little-changed from August and only marginal.

Higher production requirements supported a further increase in purchasing activity during September, albeit one that was only slight. Inventories of finished items and inputs also expanded marginally.

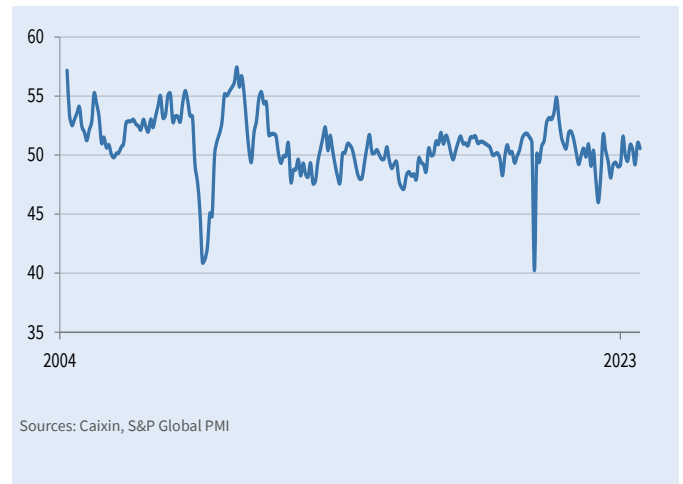
The average time taken for purchased items to be delivered increased fractionally in September. This followed an improvement in supply chains during August. There were reports that transportation in some areas had been impacted by poor weather conditions.

Price pressures picked up in September amid reports of higher raw material costs, with average input prices rising at the quickest degree since January. That said, the rate of inflation remained comfortably below the series average. Stronger cost pressures led firms to raise their selling prices for the first time in seven months, and to the greatest extent since March 2022.

Whilst manufacturers still anticipate output to rise over the next year, the level of confidence dipped to a 12-month low. Optimism was supported by projections of greater customer demand and investment in new equipment and product lines. However, muted global economic conditions weighed on overall growth forecasts.

China General Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Caixin, S&P Global PMI

Key findings:

- Production and new orders increase for second straight month
- Input cost inflation quickens to eight-month high
- Employment declines amid muted business confidence

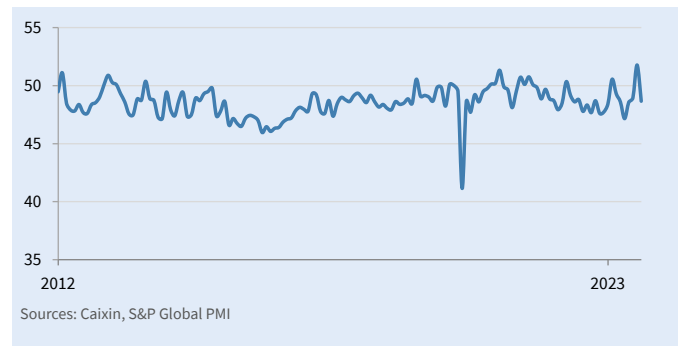
New Export Orders Index

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 50.6 in September, down 0.4 points from the previous month and marking the fourth time it has been above 50 in the past five months, as the manufacturing sector continued a slow recovery.”

“Supply expanded as production picked up pace in September after being impacted by the hot weather, while market demand increased steadily. Output and total new orders both expanded for the second straight month. But overseas demand remained weak, with the gauge for new export orders remaining below 50.”

“Employment returned to negative territory after recording a notable improvement in August, marking the sixth contraction in the past seven months. Producers of consumer, investment, and intermediate goods all cut staff. Meanwhile, backlogs increased slightly as demand expanded.”

“Both price gauges improved. Rising prices of chemicals, crude oil, industrial metals and other raw materials pushed up the measure for input costs to the highest since January. Manufacturers managed to pass high costs to customers due to improved demand, with output prices rising in September after six consecutive months of decline.”

“Suppliers’ delivery times lengthened, as logistics deteriorated slightly due to bad weather in some regions. This affected some deliveries, causing a slight increase in finished goods inventories. Purchases and raw material inventories also rose in response to improved demand.”

“Manufacturers remained optimistic, with the indicator for their expectations for future output remaining above 50. But the measure dropped to its lowest level since September last year due to concerns about the global economic outlook in the coming year.”

“Overall, the manufacturing sector continued to recover slowly in September. Supply and demand both expanded, price gauges rose, and purchases and raw material inventories increased steadily. However, external demand was weak, employment came under pressure, and business optimism fell to a one-year low.”

“Over the past few months, Beijing has introduced multiple policies aimed at stabilizing expectations, and promoting consumption and investment. Various important economic indicators have shown marginal improvement, and the macroeconomy has shown signs of stabilization. However, the economic recovery has yet to find a solid footing, with insufficient domestic demand, external uncertainties, and pressure on the job market.”

“The implementation and effectiveness of the economic stabilization policies should be the next focus of attention. More efforts may be needed to increase employment and income. In addition, as housing demand slumped, China has relaxed regulations to boost the market, but so far the effect has been limited. The consequent squeeze on household disposable income and other potential risks are worth attention.”



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@spglobal.com.

Survey dates and history

Data were collected 12-21 September 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.

www.spglobal.com/marketintelligence/en/mi/products/pmi

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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