

PMI

Caixin China
General Manufacturing
PMI Press Release

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Caixin China General Manufacturing PMI®

PMI improves to three-month high in November

Chinese manufacturing firms signalled a fresh improvement in the health of the sector during November, according to the latest PMI data. A sustained rise in new orders helped to lift factory production for the third time in the past four months, albeit marginally. New export business fell slightly, however, with firms often linking this to subdued global demand conditions. At the same time, manufacturers registered only a marginal drop in staffing levels and a slight rise in purchasing activity, as confidence around the year-ahead ticked up.

On the inflation front, average input costs rose at a modest pace that remained much slower than the series average, while selling prices were broadly unchanged.

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 – increased from 49.5 in October to a three-month high of 50.7 in November, to signal a renewed improvement in manufacturing conditions. Though only marginal, it marked the third time in the past four months that the health of the sector has strengthened.

Supporting the above 50.0 PMI figure was a sustained and quicker rise in overall new business received by Chinese goods producers in November. Though modest, the rate of new order growth was the best seen since June, with firms often noting that firmer market conditions had helped to lift sales. However, new work from overseas continued to fall slightly, underscoring a relatively challenging external demand environment.

The further increase in total new orders prompted firms to expand their production schedules after a slight reduction in October. The rate of growth was quicker than the post-pandemic trend, albeit modest overall.

In line with the trend seen for output, purchasing activity also returned to expansion in November. Input buying has now increased in three of the past four months, though the latest rise was only slight. Concurrently, stocks of purchases fell at a weaker pace, while the upturn in production contributed to a stronger rise in inventories of finished goods.

Supply chain performance meanwhile improved slightly for the second month in a row. A number of firms mentioned that improved capacity at vendors had meant that they were more able to fulfil requests of quicker deliveries.

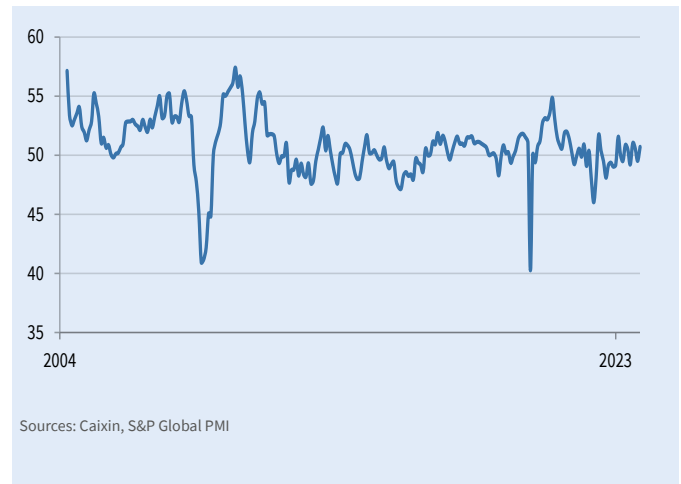
Although employment across China's manufacturing sector continued to contract, the rate of job shedding eased in November. Notably, the rate of payroll cuts was the slowest seen in the current three-month sequence of falling headcounts and only marginal.

The weaker reduction in staffing levels coincided with an improvement in business confidence midway through the final quarter of the year. Optimism regarding the 12-month outlook for output picked up to the highest since July. Firms were often hopeful that greater customer demand at home and overseas will support growth over the coming year. However, overall sentiment remained softer than the historical trend.

Prices data indicated that cost pressures remained subdued in November, with average input costs rising at a modest pace that was slower than in October. At the same time, efforts to attract and secure sales curbed overall pricing power, and output charges were broadly unchanged on the month.

China General Manufacturing PMI

sa, >50 = improvement since previous month



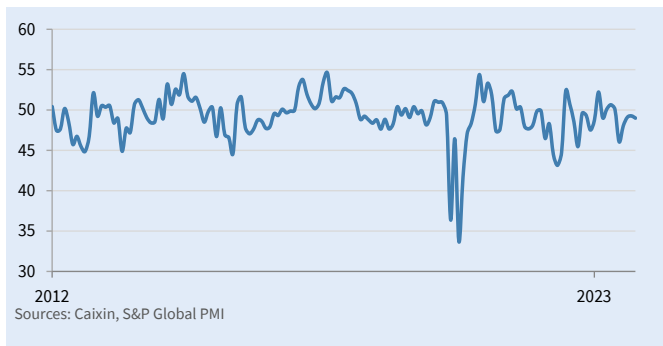
Sources: Caixin, S&P Global PMI

Key findings:

- Production returns to growth amid sustained rise in total new work
- Softer reduction in employment
- Business confidence ticks up to four-month high

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 November, the Caixin China General Manufacturing PMI rose 1.2 points from the previous month to 50.7, hitting a three-month high and indicating that the sector improved.”

“Manufacturing output returned to expansion from a contraction in October, with the corresponding subindex coming in above 50 for the third time in the past four months.”

“Demand continued to grow, as the gauge for new orders remained in expansionary territory for the fourth consecutive month, hitting the highest since June. Compared with consumer goods and intermediate goods, the supply and demand of investment goods were weaker.”

“Overseas demand remained sluggish, with the measure for new export orders staying in contraction for the fifth straight month.”

“The manufacturing job market worsened for another month. The gauge for employment recorded a contraction for the eighth time in the past nine months, as manufacturers generally remained cautious about hiring. However, manufacturers of consumer goods increased hiring.”

“The overall decline in employment combined with the increase in demand led to an increase in backlogs of work, with the corresponding gauge staying above 50 for the sixth consecutive month.”

“Prices in the manufacturing sector were mostly stable in November. Input costs increased, but by the smallest amount in the past three months. Prices of chemicals and industrial metals were outliers, rising relatively significantly. The gauge for output prices charged marked a minor contraction, as manufacturers were under pressure to sell products and clear inventory.”

“Suppliers’ logistics continued to improve. The November reading for their delivery times was above 50 for the eighth time in the past 10 months, indicating smoother logistics and improving transportation efficiency. Manufacturers, especially of consumer goods and intermediate goods, increased their quantity of purchases. Inventories of raw materials dropped as some companies took a cautious approach to inventory management.”

“Business optimism rebounded in November. Manufacturers’ sentiment improved and the reading for expectations for future output hit a four-month high. But surveyed companies were still worried about the global economic outlook in the next 12 months.”

“Overall, the manufacturing sector improved in November. Supply and demand both expanded, prices remained stable, logistics improved, purchasing quantities increased, and manufacturers were more optimistic. However, external demand remained sluggish and employment weak, while manufacturers leaned toward caution in inventory management.”

“The macro economy has been recovering. Household consumption, industrial production and market expectations have all improved. But domestic and foreign demand is still insufficient, employment pressure remains high, and economic recovery has yet to find solid footing.”

“Policies should focus on expanding consumption, increasing income, promoting employment and stabilizing expectations. Considering that economic growth in the third quarter slightly exceeded expectations and the base number for fourth-quarter year-on-year growth is low, achieving the target of around 5% for the whole year looks attainable. Ultimately, policies should aim to lay a solid foundation for long-term economic growth and cultivate long-lasting market confidence.”



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 09-22 November 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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