

# Caixin China General Manufacturing PMI™

Manufacturing output expands only slightly in September

## Summary

Having stagnated in August, Chinese manufacturers signalled little-change to overall operating conditions during September. On a positive note, output and total new orders continued to expand, albeit marginally, while firms raised their purchasing activity for the third month in a row. However, cost-cutting initiatives contributed to a further marked reduction in employment. As a result, companies signalled a sustained squeeze on operating capacity as highlighted by a further increase in the amount of outstanding business. Inflationary pressures appeared to intensify during September, with both input costs and output charges rising at quicker rates than in August.

The seasonally adjusted *Purchasing Managers' Index™ (PMI™)* – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – rose only slightly from the no-change mark of 50.0 in August to 50.1 in September. Although this signalled only a fractional improvement in the health of the sector, it was only the second time the headline index had posted in positive territory since February 2015.

Chinese manufacturers continued to signal growth in new work during September. The rate of expansion remained marginal, however, despite quickening slightly from the previous month. Encouragingly, new business from abroad was broadly stable in September, which ended a nine-month sequence of reduction. While some firms mentioned that underlying client demand had improved, others mentioned that subdued market conditions had weighed on overall growth in new orders. As a result, companies took a more cautious approach to production, as highlighted by the slowest increase in output for three months.

Manufacturing employment in China continued its downward trend in September. Though the rate of job shedding weakened to its slowest in nine months, it remained marked overall. According to respondents, cost-cutting policies and efforts to boost efficiency led companies to cut their headcounts. However, lower workforce numbers and growth in new work added further to pressure on operating capacity. This was highlighted by sustained growth in backlogs of work, with the rate of accumulation the second-fastest since December 2014.

Purchasing activity increased in September, though the rate of growth was little-changed from August and modest overall. Consequently, stocks of purchased items rose slightly over the month. At the same time, relatively muted growth in new work contributed to a further accumulation of inventories of finished goods.

Stock shortages and adverse weather conditions contributed to a slight deterioration in vendor performance in September, after it was broadly stable in August.

Average cost burdens rose for the third month in a row during September and at a solid pace. As part of attempts to pass on higher input costs to clients, manufacturers raised their factory gate charges at a quicker pace than in the previous month.

## Key Points

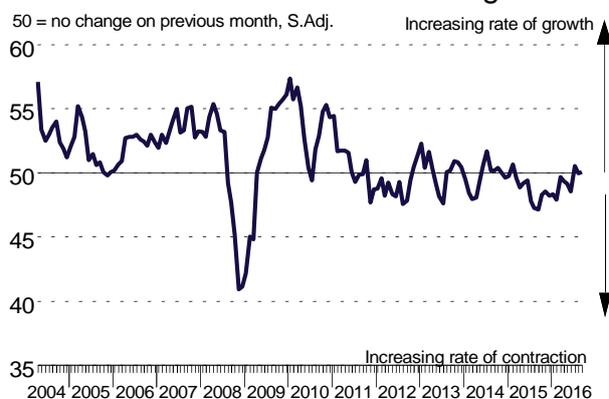
- Total new business rises marginally, as new export work stabilises
- Job shedding eases but remains marked
- Inflationary pressures show signs of picking up

## Comment

Commenting on the China General Manufacturing PMI™ data, Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis at CEBM Group said:

*“The Caixin China General Manufacturing PMI for September edged up slightly from the August level to 50.1, above the neutral 50-point level separating expansion from contraction. The index readings for new orders and stocks of purchases improved from the previous month while the reading for output slipped, but remained in expansion territory. The readings for the manufacturing PMI over the past three months seem to indicate that the economy has begun to stabilize. But given that the growth rate of fiscal income has slowed recently while expenditures have swung, there is insufficient momentum to drive future economic growth, and there is a risk that industrial output may decline.”*

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Sources: IHS Markit, Caixin.

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### Notes to Editors:

The Caixin China Report on General Manufacturing is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 500 manufacturing companies. The panel is stratified by company size and Standard Industrial Classification (SIC) group, based on industry contribution to Chinese GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The *Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Historical data relating to the underlying (unadjusted) numbers and seasonally adjusted series are available to subscribers from Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### About Caixin:

Caixin Media is China's leading media group dedicated to providing financial and business news through periodicals, online content, mobile applications, conferences, books and TV/video programs.

Caixin Insight Group is a high-end financial data and analysis platform. The group encompasses the monthly Caixin China Purchasing Managers' Index<sup>™</sup>, components of which include the Caixin China General Manufacturing PMI<sup>™</sup> and Caixin China General Services PMI<sup>™</sup>. These indexes are closely watched worldwide as reliable snapshots of China's economic health.

For more information, please visit [www.caixin.com](http://www.caixin.com).

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