

PMI

Caixin China
General Manufacturing
PMI Press Release

2021.06



Caixin China General Manufacturing PMI™

PMI edges down to three-month low in June

The Chinese manufacturing sector expanded at a softer pace in June, with firms recording slower increases in both output and new orders. Companies indicated that the recent uptick in COVID-19 cases and supply chain difficulties weighed on output, while the pandemic dampened demand both at home and abroad. Companies continued to add to their staff numbers, however, as capacity pressures persisted. At the same time, input cost inflation eased notably on the month, which led to a slower rise in prices charged.

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 – edged down from 52.0 in May to 51.3 in June, to signal a further modest improvement in the health of the sector. The reading was the lowest recorded in three months, however.

The headline Index was partly dampened by a softer increase in production at the end of the second quarter. The latest upturn was the slowest recorded since March 2020 and only slight. Panellists stated that the pandemic and difficulties obtaining inputs had weighed on growth.

Total new business likewise expanded at a slower rate in June. The modest increase was the softest seen for three months. Firms often linked higher sales to an ongoing improvement in underlying market demand. However, there were reports that the recent uptick in COVID-19 cases at home and abroad had dampened overall growth. Notably, new export work was broadly stagnant in June.

In line with the trend for new work, June data signalled a slower increase in purchasing activity, which rose modestly overall. The time taken for items to be delivered to manufacturers continued to lengthen solidly, however. Firms frequently mentioned that a lack of stock at vendors and logistical delays related to the pandemic had hampered supplier performance.

On the employment front, goods producers added to their workforce numbers again in June. Though marginal, the rate of job creation was the second-strongest since January 2013, with a number of companies attributing the upturn to sustained increases in new work and efforts to expand capacity. At the same time, backlogs of work rose for the fourth month in a row, though the rate of accumulation was only slight.

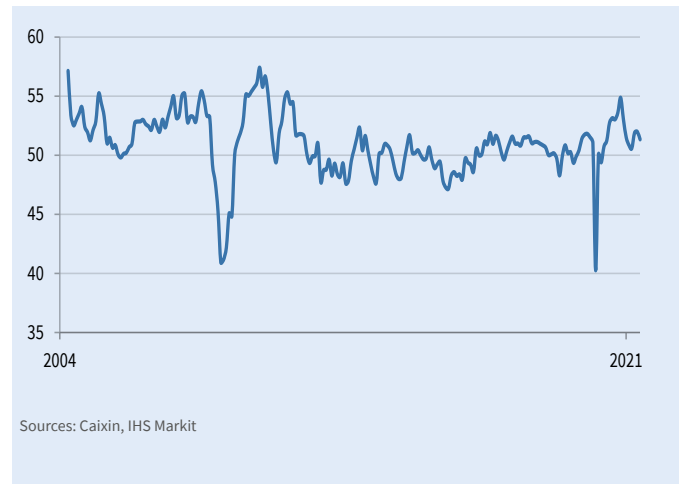
Manufacturers reported an increase in stocks of purchased items for the first time in six months, albeit only marginal. At the same time, inventories of finished goods fell at a solid and accelerated rate as firms increased their usage of current stocks to fulfil new orders.

Inflationary pressures meanwhile eased in June. Though sharp, the rate of input price inflation softened to a seven-month low. Higher cost burdens were overwhelmingly linked to greater raw material prices. At the same time, prices charged by manufacturers rose at the slowest rate since February.

Business confidence towards the year-ahead outlook for output remained strong in June, amid expectations that global economy will continue to recover from the pandemic. That said, the degree of optimism was unchanged from May's four-month low.

China General Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Caixin, IHS Markit

Key findings:

Softest increase in output for 15 months

Total new order growth slows as export sales stagnate

Employment continues to increase, as cost pressures ease

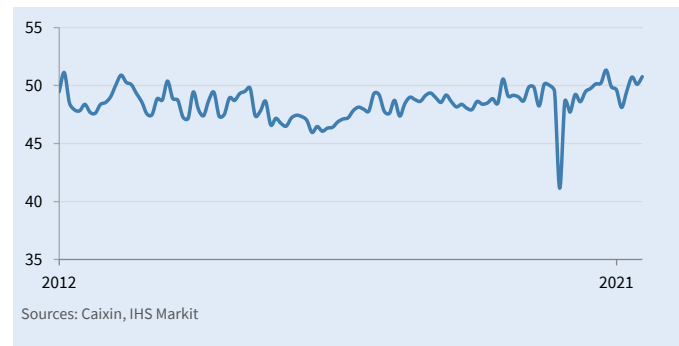
New Export Orders Index

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 51.3 in June, down from 52 the previous month. The June reading marked the 14th consecutive month of expansion.

“Both supply and demand in the manufacturing sector continued to expand. The gauges for output and total new orders in June remained in expansionary territory for the 16th consecutive month and the 13th consecutive month, respectively, though the rates of expansion were slower than the previous month. The measure for new export orders dropped at a steeper pace than those for output and total new orders. Surveyed enterprises said the resurgence of Covid-19 in Guangdong province and overseas impacted both supply and demand.

“The job market continued to improve. Employment expanded for the third straight month in June, with the rate of expansion faster than the previous month. The measure for employment hit the highest point in seven months and was also the second highest since January 2013. Enterprises accelerated hiring, showing that continued improvement in demand was increasingly being reflected in the job market.

“Inflationary pressure remained as price measures stayed high. Both the gauges for input costs and output prices in June fell seven points from the previous month, but still remained in expansionary territory. The upwards trend for prices that has lasted for months moderated. Enterprises said the main causes of rising costs were the high prices of industrial metals and energy commodities. As a result, factory-gate prices continued to increase, though at a slower pace.

“Manufacturing enterprises’ delivery times continued to lengthen. Their stocks of purchases increased, while stocks of finished goods fell. The

shortage of finished goods and the resurgence of the coronavirus in southern China lengthened suppliers’ delivery times. As a result, some manufacturing enterprises replenished their stocks, with the gauge for stocks of purchases rising into expansionary territory for the first time in six months. Due to rising demand, the gauge for stocks of finished goods remained in contractionary territory for four months in a row.

“Overall, the manufacturing sector continued to stably expand in June, despite the impact of the pandemic. Both demand and supply in the sector remained stable, as did external demand, showing the momentum of economic recovery still remained in the post-epidemic period. The job market continued to improve and businesses were highly optimistic, with the measure for future output expectations in June higher than the long-term average. Inflationary pressures eased somewhat, but manufacturing enterprises’ purchasing prices and factory-gate prices still rose. The shortage of raw materials continued in some regions. The manufacturing sector has gradually returned to normal. In the second half of this year, the low base effect from last year will weaken. Inflationary pressure, coupled with the economic slowdown, is still a serious challenge for China.”



Survey methodology

The Caixin China General Manufacturing PMI™ is compiled by IHS Markit 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 10-22 June 2021.

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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Contact

Dr. Wang Zhe
Senior Economist
Caixin Insight Group
T: +86-10-8590-5019
zhewang@caixin.com

Ma Ling
Brand and Communications
Caixin Insight Group
T: +86-10-8590-5204
lingma@caixin.com

Annabel Fiddes
Economics Associate Director
IHS Markit
T: +44 1491 461 010
annabel.fiddes@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
Telephone +44 207 260 2234
joanna.vickers@ihsmarkit.com