PMI

# Caixin China General Manufacturing PMI Press Release

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财新 Caixin

# Caixin China General Manufacturing PMI™

## Manufacturing sector performance dampened by latest wave of COVID-19

The recent uptick in COVID-19 cases in China, and subsequent round of fresh restrictions, weighed on manufacturing performance at the start of 2022. Companies registered renewed falls in output and new orders during January, though in both cases rates of reduction were only modest. New export business meanwhile fell at the quickest pace since May 2020, and supply chain delays worsened. Average input prices rose at a slightly quicker, but modest rate. Prices charged meanwhile increased following a slight reduction in December.

Manufacturers were confident that output would increase over the next 12 months, often due to forecasts that market conditions will strengthen as the pandemic is brought under control.

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 – fell from 50.9 in December to 49.1 in January. This signalled the second deterioration in overall business conditions in the past three months, though the rate of decline was only slight.

After rising in the prior two months, manufacturing production across China fell during January. Though modest, the rate of reduction was the quickest seen since last August, with a number of firms linking the fall to lower sales amid the recent uptick in COVID-19 cases both at home and overseas.

Total new orders fell modestly at the start of the year, with weaker external demand a key factor weighing on overall sales. Moreover, new export orders fell at a solid pace that was the quickest seen since May 2020.

Lower intakes of new work led to a renewed, albeit marginal fall in purchasing activity during January. Inventories at manufacturing companies also declined, with both stocks of inputs and finished items falling for the first time in three months.

The rise in COVID-19 cases and fresh restrictions to contain the virus contributed to a further deterioration in supplier performance. The rate at which average delivery times lengthened was the most marked for three months.

As has been the case since August 2021, employment across China's manufacturing sector fell in January. Though modest, the rate of job shedding was the quickest seen since April 2020. Lower workforce numbers were often the result of company down-sizing and cost-cutting efforts, though there were also reports of difficulties finding staff to fill vacant roles.

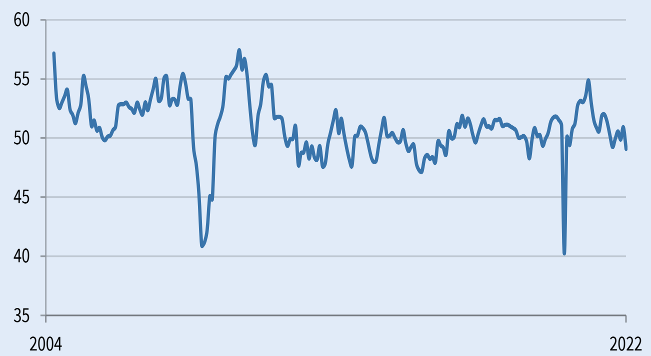
Latest data indicated that overall capacity pressure eased, with backlogs of work falling for the first time in 11 months. The rate of depletion, though modest, was the quickest seen since July 2013.

Although input prices rose at the fastest pace for three months, the rate of inflation was mild overall and much slower than that seen on average in 2021. Output prices rose at an identically mild pace, following a slight reduction in December.

Despite ongoing COVID-19 related disruption, manufacturers were highly upbeat regarding the 12-month outlook for output. Notably, the level the optimism strengthened from December, buoyed by forecasts of improving market conditions and reduced supply chain disruption once the pandemic recedes.

### China General Manufacturing PMI

sa, >50 = improvement since previous month




Sources: Caixin, IHS Markit

Key findings:

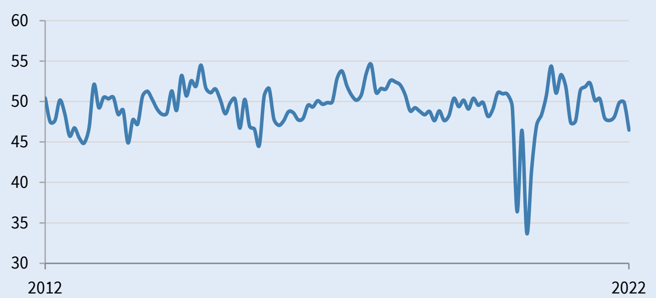
Firms register modest falls in output and new orders

Supply chain delays worsen

Inflationary pressures pick up, but remain modest overall

## New Export Orders Index

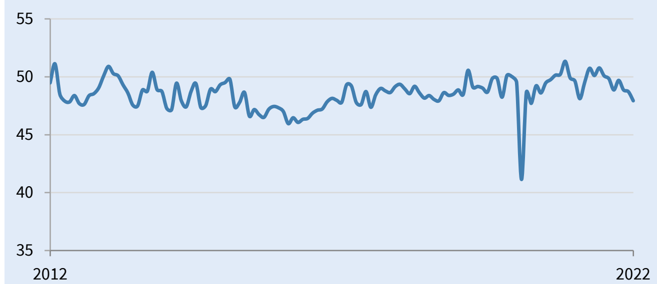
sa, >50 = growth since previous month




Sources: Caixin, IHS Markit

## Employment Index

sa, >50 = growth since previous month




Sources: Caixin, IHS Markit

Commenting on the China General Manufacturing PMI™ data, Dr. Wang Zhe, Senior Economist at Caixin Insight Group said:

*"The Caixin China General Manufacturing PMI fell to 49.1 in January, down from 50.9 the previous month. The index slumped into negative territory for the fourth time since February 2020, with January's reading being the lowest in 23 months. Over the past month, there were Covid-19 flare-ups in several regions in China, underscoring the downward pressure on the economy.*

*"Both supply and demand in the manufacturing sector weakened. Several regions tightened epidemic control measures following the resurgence, which impacted production and sales of manufactured goods. Both the subindexes for output and total new orders in January fell to their lowest since August. Overseas demand shrank at an even faster pace. The spread of the omicron variant of Covid-19 overseas dampened China's external demand, with the gauge for new export orders in January being the lowest in 20 months.*

*"Pressure on the job market intensified. The measure for employment fell to its lowest since April 2020, marking its sixth straight month in contractionary territory. Because market demand was subdued, manufacturers reduced hiring to keep costs down. Meanwhile, some companies said they had trouble recruiting staff.*

*"Both stocks and quantity of purchases fell due to subdued market demand. Logistics times lengthened. The gauges for the quantity of purchases, stocks of purchases and stocks of finished goods all fell into negative territory. Backlogs of work declined for the first time in 11 months. Meanwhile, due to tightening epidemic control measures, suppliers' delivery times got longer.*

*"Inflationary pressure remained stable in January. The gauges for both manufacturers' input costs and output prices rose from the previous month — which was mainly because prices of some raw materials remained high — but the growth rates were stable. The gauges' January readings were well below their 2021 average.*

*"Manufacturers retained a positive business outlook. The measure of future output expectations, remaining in positive territory, rose from the previous month. Surveyed companies said they were confident China will be able to get Covid under control and market demand and logistics will further recover.*

*"Overall, manufacturing activity contracted in January. Supply shrank, and demand, especially external demand, was under pressure. Employment remained weak. Stocks and purchases of raw materials fell. Meanwhile, inflationary pressure eased, with the gauges of input costs and output prices remaining stable. The level of manufacturers' optimism held to its long-term average.*

*"From December to January, the resurgence of Covid-19 in several regions including Xi'an and Beijing forced local governments to tighten epidemic control measures, which restricted production, transportation and sales of manufactured goods. It became more evident that China's economy is straining under the triple pressures of contracting demand, supply shocks and weakening expectations.*

*"This year, policymakers should make stability their focus. They should prioritize improvements to employment and optimize the structure of the economy. The government should also enhance support for small and micro enterprises, lower the financing costs of businesses, enhance the predictability of policies and respond to market concerns in a timely manner."*

## 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 12-21 January 2022.

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.

Read more: https://www.caixinglobal.com/index/

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## About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.



## Disclaimer



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