

PMI

Caixin China
General Manufacturing
PMI Press Release

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Caixin China General Manufacturing PMI™

Manufacturing sector returns to growth in February

Latest PMI data indicated that China's manufacturing sector returned to growth in February amid the recent roll back of pandemic restrictions. Firms signalled renewed and solid upturns in both production and new orders as operations and customer demand revived. Fresh increases in employment and purchasing activity were also seen, while pressure on supply chains eased and lead times improved to the greatest extent in eight years.

The return to more normal business conditions and expectations of further increases in client demand pushed up business confidence regarding the year-ahead to a 23-month high.

At 51.6 in February, 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 49.2 in January and signalled an improvement in overall business conditions across China's manufacturing sector. Though modest, it marked the first improvement for seven months, with the reading the second-highest recorded by the survey since May 2021.

The higher headline index reading was supported by a renewed increase in production volumes in February. This marked the first upturn in output since last August, with the rate of expansion the steepest since June 2022. Firms frequently mentioned that the recent easing of COVID-19 containment measures and recovery of operations and client demand had underpinned the increase in production.

Similarly, total new business expanded for the first time in seven months, and at the quickest rate since May 2021. Higher sales were linked to the recent roll back of pandemic restrictions and subsequent improvement in demand conditions. Companies also noted an improvement in foreign demand for Chinese manufactured goods, with new export orders rising for the first time since July 2022.

Higher production requirements and improved sales also drove a renewed increase in employment during February. Although staffing levels rose marginally overall, it was the first expansion seen since March 2022. There were signs of increased pressure on operating capacities, however, as backlogs of work rose for the second straight month and at the quickest rate since October 2021.

Purchasing activity meanwhile increased for the first time in four months, and at the fastest rate since June 2021. Inventories data indicated that both stocks of pre- and post-production items fell again in February, albeit at slower rates than in January. A number of firms mentioned the increased usage of current input inventories to supplement production, as well as of finished goods to fulfil incoming new orders.

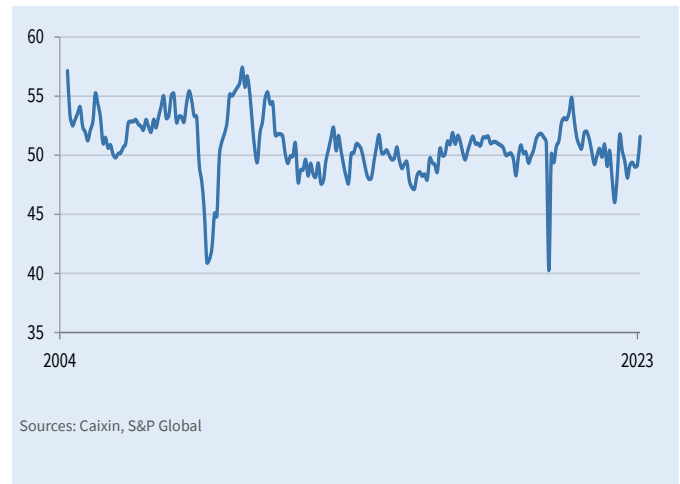
The removal of COVID-19 restrictions, including those around mobility, also had a positive impact on supply chains in February. Average delivery times for inputs improved for the first time since last June, and to the greatest extent in eight years.

Prices data indicated that inflationary pressures remained relatively muted, with input costs rising only modestly in February. Average selling prices were meanwhile lifted for the first time in ten months, albeit only slightly.

Business confidence continued to strengthen in February, with overall optimism the highest since March 2021. Companies widely anticipate further increases in production over the next year amid expectations of a sustained recovery in customer demand.

China General Manufacturing PMI

sa, >50 = improvement since previous month



Key findings:

- Renewed increases in output, new orders and employment
- Suppliers' delivery times improve at quickest rate for eight years
- Business confidence strengthens to near two-year high

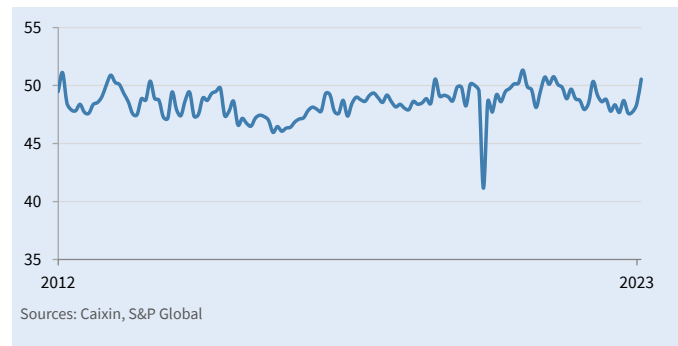
New Export Orders Index

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 February, the Caixin China General Manufacturing PMI grew 2.4 points from the previous month to 51.6, rising above 50 for the first time in seven months and logging a new high since June. The recovery in manufacturing activity came as the most recent wave of Covid-19 infections subsided.

“Both manufacturing supply and demand expanded last month, as production gradually returned to normal while both domestic and external demand improved after a Covid policy shift. The readings for output, total new orders and new export orders all rose into expansionary territory, each logging a new high in eight, 21 and eight months, respectively.

“Employment in the sector picked up. Improved market supply and demand as well as an increase in orders significantly boosted employment, driving the subindex above 50 for the first time in 11 months. But the growing number of workers were not able to fulfil all new orders, with the measure for backlogs of work climbing within expansionary territory.

“Prices remained stable in February. Both input and output prices ticked up, albeit only marginally under modest inflationary pressure. The rise in input costs was mainly driven by elevated industrial metal prices, whereas output prices increased as market demand picked up. It is worth noting that the last time the output prices index was above 50 was in April 2022.

“Suppliers’ delivery times continued to improve. With Covid controls optimized, the subindex for suppliers’ delivery times rose to a new high since February 2015 as logistics were restored to normal at a faster pace. In February, the quantity of purchases rose, while stocks of raw materials and inventories of finished products shrank modestly as market activity rebounded.

“Optimism continued to improve among manufacturers in February. The reading for their expectations for future output reached a high not seen since

March 2021. They expressed strong confidence in a post-Covid economic recovery.

“In a nutshell for February, the economy saw a faster pace of recovery following a peak in the recent wave of Covid infections as supply and demand expanded, overseas demand surged, employment started to rebound, and logistics recovered at a faster pace. The quantity of purchases also increased, while inventories dropped, and prices remained stable. Manufacturers expressed stronger confidence in future economic activity.

“Covid infections quickly reached its peak after a Covid policy shift, with the economy entering a post-Covid recovery period. But the impact of the pandemic remains far-reaching. Currently, the foundation for economic recovery is not yet solid, and it will take time to fully restore production and social order to normal. The central government said restoring and expanding consumption should be prioritized. Income and expectation are the basis of consumption. In the coming period, relevant policies should focus more on increasing household income and improving market expectations.”



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@ihsmarkit.com.

Survey dates and history

Data were collected 10-20 February 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.

<https://ihsmarkit.com/products/pmi.html>

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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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