

PMI

Caixin China
General Manufacturing
PMI Press Release

2023.10



Caixin China General Manufacturing PMI®

Manufacturing production falls slightly in October

The latest PMI data signalled a renewed deterioration in overall manufacturing conditions across China in October, albeit one that was marginal overall. Firms registered a fresh fall in production amid slower growth in overall sales, with the latter dampened by weak foreign demand. As a result, goods producers trimmed their purchasing activity and ran down their inventories of inputs. Employment across the sector also fell, and at a quicker rate than in September. On the costs front, manufacturers signalled the quickest increase in average input prices since January, leading to a further rise in selling prices.

At 49.5 in October, 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 50.6 in September and below the neutral 50.0 threshold to signal a fresh deterioration in manufacturing conditions. Though only marginal, it was the first time that a deterioration has been recorded since July.

Weighing on the headline index was a renewed fall in manufacturing production during October. Though only slight, the decline contrasted with modest expansions in the prior two months. Companies that cut output levels often linked this to relatively muted sales, particularly from abroad.

Overall new business expanded for the third straight month, but the rate of growth eased to one that was only marginal. Panel members often noted that sluggish global economic conditions and high prices had dampened sales. Notably, new export business declined for the fourth straight month in October, albeit slightly.

Lower production and relatively muted client demand weighed on purchasing activity, which fell for the first time since July. Firms also made greater usage of current stocks, partly to help control costs, which led to a moderate decline in inventories of inputs. On the other hand, weaker-than-expected sales and the delayed shipment of goods led to the strongest rise in inventories of post-production items since September 2015.

Turning to supply chains, average delivery times for purchased inputs improved slightly in October. There were some reports that requests for expedited shipments had supported the slight shortening of lead times.

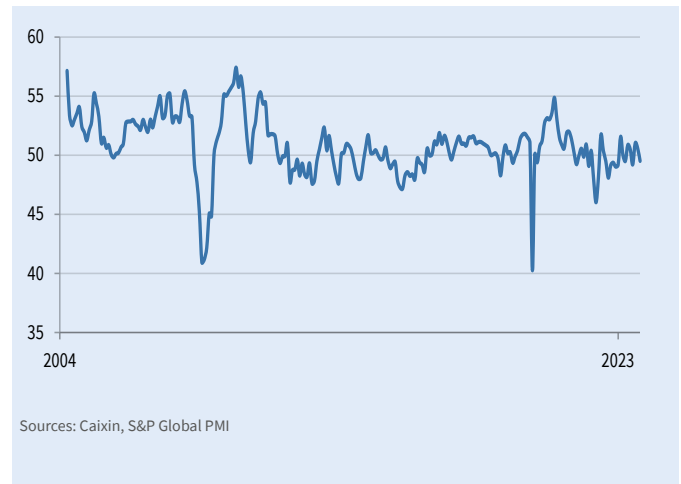
Manufacturers trimmed their staffing levels for the second straight month in October, with the rate of job shedding the quickest seen since May. There was evidence that softer customer demand and efforts to cut costs had led firms to readjust their workforce numbers. At the same time, backlogs of work continued to expand slightly, with some firms linking this to recent increases in new work and pressure on capacity.

Average input prices faced by Chinese manufacturers increased further in October. Though modest, the rate of inflation was the quickest recorded since January, with firms often citing higher prices for raw materials and oil. Greater operating expenses were partly passed on to clients in the form of higher selling prices, which likewise rose at a modest rate.

Business confidence regarding the 12-month outlook for production softened again in October, reaching its lowest since September 2022. While some companies were hopeful that new product launches and improved client demand both at home and overseas would support growth, others expressed concerns over the sluggish global economic climate.

China General Manufacturing PMI

sa, >50 = improvement since previous month



Key findings:

- Output reduced amid slower sales growth
- Purchasing activity and employment both decline
- Input cost inflation ticks up to nine-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 October, the Caixin China General Manufacturing PMI dropped 1.1 points from the previous month to 49.5, falling into contractionary territory for the first time in three months.

“Manufacturing demand expanded slowly, and supply contracted. Total new orders increased for the third consecutive month, but the pace of growth slowed for two months in a row. External demand continued to decline, with new export orders falling for the fourth straight month. As a result, manufacturers reduced their supply, leading production to shrink for the first time in three months.

“Manufacturing employment continued to fall. The employment subindex, which was in negative territory for the seventh time in eight months, hit its lowest since May. Manufacturers reduced employment due to market uncertainty and increased cost pressures. As capacity declined, backlogs increased, with the corresponding gauge staying in expansionary territory for the fifth consecutive month.

“Prices rose, with the measures for input costs and output prices both in expansionary territory — the former rising to a high not seen since January. The increase in cost pressure stemmed from rising raw material and crude oil prices. Meanwhile, rising costs contributed to higher output prices, but manufacturers had limited scope for price increases due to weak demand.

“Suppliers’ delivery times shortened slightly, as logistics and transportation pressures were modest. The subindex for delivery times was in positive territory for the seventh time in nine months. Inventories of raw materials decreased, as manufacturers’ purchases declined amid limited market sentiment. Weak demand led to a significant increase in stocks of finished goods.

“Business optimism continued to decline, with the corresponding gauge hitting the lowest since September last year despite remaining in expansionary territory. Respondents were concerned about the global economic outlook in the coming year.

“Overall, manufacturers were not in high spirits in October. Supply, employment and external demand all fell, while domestic demand expanded at a slower pace. Costs and output prices both rose, purchases fell, and inventories of finished goods increased. Business optimism continued to wane.

“Many of China’s economic data for the third quarter exceeded market expectations. Consumption, especially in the services sector, is resilient. The economy has showed signs of bottoming out, but the foundation of recovery is not solid. Demand is weak, many internal and external uncertainties remain, and expectations are still relatively weak.

“Policy-wise, China has rolled out measures to stabilize market expectations and boost consumption and investment. More recently, it has decided to issue an additional 1 trillion yuan of treasury bonds to support post-disaster reconstruction and enhance the capacity of disaster prevention, mitigation and relief. This policy will facilitate infrastructure investment and help stabilize the economy, but its impact on improving household income, employment and expectations remains to be seen.”



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 12-23 October 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.

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

For more information, please visit

www.caixin.com

www.caixinglobal.com

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

www.spglobal.com

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

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

S&P Global Market Intelligence

T: +44 1491 461 010

annabel.fiddes@spglobal.com

SungHa Park

Corporate Communications

S&P Global Market Intelligence

T: +82 2 6001 3128

sungha.park@spglobal.com

PMI[®]

by **S&P Global**