

PMI

Caixin China
General Manufacturing
PMI Press Release

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Caixin China General Manufacturing PMI®

Manufacturing sector expansion holds steady in January

January PMI® data indicated that China's manufacturing sector continued to expand, with firms signalling sustained increases in both output and new orders. While production growth was broadly stable, the upturn in overall new business did lose some momentum since December, despite a fresh rise in new export work. Nevertheless, firms were more buoyant when assessing the year-ahead outlook, and the rate of job shedding across the sector eased notably on the month.

Prices data indicated that cost pressures remained relatively weak, with input costs rising at an historically slow pace that was the weakest in five months. Meanwhile, competition for new business led companies to discount their selling prices slightly.

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 – posted 50.8 in January, unchanged from December, and pointed to a further mild improvement in business conditions. The health of the sector has now strengthened for three successive months, to mark the longest period of continuous improvement for two-and-a-half years.

Chinese manufacturing companies signalled an expansion of output for the third month running in January. The rate of growth was little-changed from December and, though modest, was among the fastest recorded over the past year-and-a-half. Firms often mentioned raising output due to firmer market conditions and higher sales.

Overall new business increased for the sixth successive month, though the rate of growth slipped to the slowest since last October. The softer rise in total sales was despite a renewed improvement in foreign demand. New export orders increased for the first time since last June, albeit marginally.

In line with rising business requirements, manufacturers expanded their purchasing activity in January. Whilst modest, the rate of growth was the best recorded since last August. Inventories of purchased inputs and finished items also increased at the start of the year, though rates of accumulation were only slight in both cases.

Supply chain performance improved for the third time in the past four months, albeit fractionally. Firms often mentioned that suppliers had sufficient capacity to deliver orders in a timely manner.

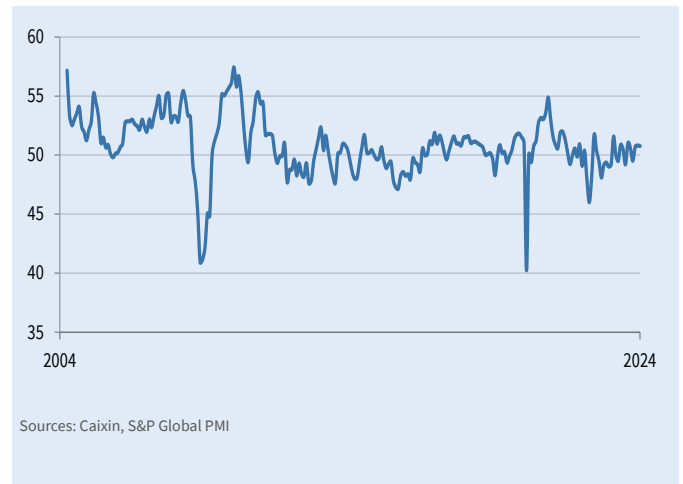
Capacity pressures at manufacturing firms in China were also relatively muted, as highlighted by a back-to-back decline in unfinished workloads. This led firms to trim their workforce numbers again at the start of the year. However, the rate of job shedding moderated notably from December and was the weakest recorded in five months.

The softer drop in employment coincided with an improvement in business confidence around the 12-month outlook for production. The degree of positive sentiment was the most pronounced in nine months, and supported by forecasts of stronger global demand conditions, planned investment, new product releases and efforts to expand into new markets.

Finally, prices data indicated that inflationary pressures remained muted at the start of 2024. Average inputs costs increased at a marginal pace that was the slowest in five months. At the same time, efforts to attract and secure new business prompted manufacturers to cut their own selling prices slightly in January.

China General Manufacturing PMI

sa, >50 = improvement since previous month



Key findings:

Production continues to expand modestly, but total sales growth softens

New export business rises for first time in seven months

Business confidence improves to nine-month high

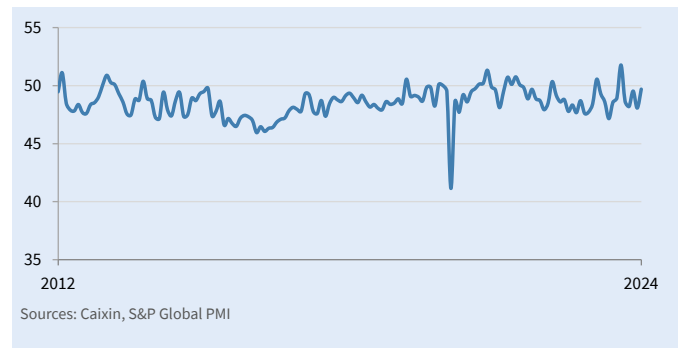
New Export Orders Index

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:

“The Caixin China General Manufacturing PMI was 50.8 in January, unchanged from December. This marks the first time since May 2021 that the index has remained in the expansion zone for three straight months.

“Both supply and demand expanded, with supply outpacing demand. Market sentiment continued to improve with manufacturing output growing for the fifth time in the past six months. The subindex for total new orders remained in expansionary territory for six consecutive months.

“Overseas demand picked up slightly with new export orders expanding for the first time in seven months. Surveyed companies reported that the largest output increase was in investment goods, while the improvement in external demand was mainly seen in intermediate goods.

“Employment continued to decline. Cutting costs and improving efficiency remained companies’ top concerns, so the upturn in market activity failed to fully translate into new jobs. The labor market shrank in January for the 10th time in the past 11 months, though less drastically than in the previous month. Despite continued staff cuts, companies were able to reduce backlogs of work, with the gauge dipping moderately.

“Price levels remained weak. Increases in input costs were limited due to the slight increase in raw material prices. The measure for input costs hit the lowest level since August. Output prices were even weaker, as growing market competition constrained companies’ bargaining power, pushing the gauge back into contractionary territory.

“Supplier logistics speeds increased. Supply growth resulted in a rise in manufacturers’ purchases. Coupled with a recovery in supplier capacity, this shortened delivery times. Meanwhile, companies increased inventories of raw materials and finished products.

“Market optimism improved, with the gauge for future output expectations hitting its highest level since last April, despite remaining slightly below the historical average. Some surveyed companies indicated that their own production will grow with the expected increase in market demand in the new year.

“Overall, the manufacturing sector continued to improve in January, with both supply and demand increasing. Quicker logistics, increased procurement, and rising inventories reflected improved business confidence. However, employment remained in the contraction zone, price levels were subdued, and deflationary pressures persisted.

“China hit the growth target set in early 2023, but economic growth in the first quarter was slower than the third quarter on a quarter-on-quarter basis, indicating that the recovery was losing momentum.

“Currently, the economy contends with significant challenges marked by numerous uncertainties and adverse factors. Specifically, they are tepid demand, heightened employment pressures and subdued market expectations. This status quo has yet to experience a fundamental reversal.

“Policy efforts should concentrate on boosting employment, income, and expectations. Given there is still room for further adjustments in fiscal and monetary policies, policy measures need to be strengthened. Crucially, policies should facilitate effective communication and positive interaction with the market. In addition, collaboration and coordination among different government departments are imperative to enhance the coherence of 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@spglobal.com.

Survey dates and history

Data were collected 11-23 January 2024.

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.

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