

PMI

Caixin China
General Manufacturing
PMI Press Release

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Caixin China General Manufacturing PMI®

Business conditions improve amid fastest rise in new work in 14 months

The improvement in Chinese manufacturing sector conditions extended into the start of the second quarter, according to the latest PMI® data. Greater new work inflows, including from abroad, supported faster output growth in April. As a result, manufacturers raised their purchasing activity and inventory holdings.

That said, firms remained cautious with hiring even as backlogs accumulated. Average selling prices also declined even as input costs increased, whilst optimism in the future eased since March.

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 – rose to 51.4 in April, up from 51.1 in March. This indicated a sixth successive monthly improvement in the health of the sector, with growth the most pronounced in 14 months.

Underpinning the latest acceleration in manufacturing sector growth was better demand conditions. Incoming new orders expanded at the fastest pace in over a year, supported by improvements in underlying demand conditions and marketing efforts from manufacturers. Additionally, new orders from abroad expanded at the fastest pace for nearly three-and-a-half years. Global market demand improved at the start of the second quarter, according to panellists.

In turn, Chinese manufacturers raised their production levels at the fastest pace since May 2023, though that still resulted in additional backlog accumulation. Sub-sector data revealed that the investment goods sector recorded the fastest growth across the measures of new orders, output, and backlogs.

Purchasing activity meanwhile rose in line with higher production, further contributing to higher stocks of purchases in April. Anecdotal evidence revealed that some manufacturers also raised their holdings of raw material and semi-finished items for safety stock building. The level of post-production inventories similarly rose in April. Although marginal, this marked the first increase in warehouse goods in three months.

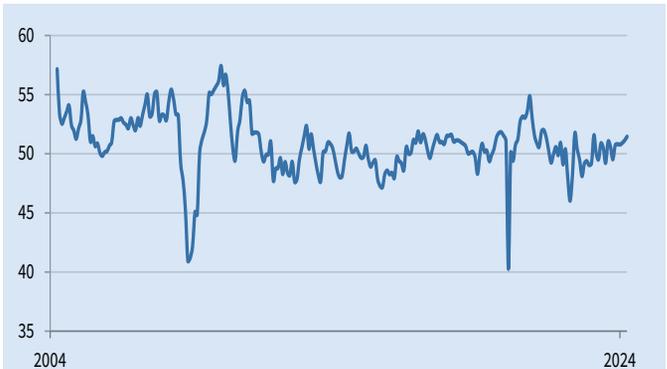
Despite rising new work inflows and capacity pressures, Chinese manufacturers remained cautious with hiring. Employment levels fell for an eighth straight month in April amidst resignations and redundancies due to restructuring efforts.

Additionally, average charges also declined alongside export charges even as input price inflation renewed in April. The rate at which average input costs rose was the fastest since October 2023 with higher metals, oil and other input material costs often mentioned by panellists. However, increased competition and promotional efforts aimed at supporting sales limited Chinese manufacturers' pricing power.

Finally, sentiment among Chinese manufacturers remained positive at the start of the second quarter with firms staying hopeful that sales can rise as economic conditions improve. That said, the level of confidence eased from March to a four-month low amidst concerns over rising costs and increased competition.

China General Manufacturing PMI

sa, >50 = improvement since previous month



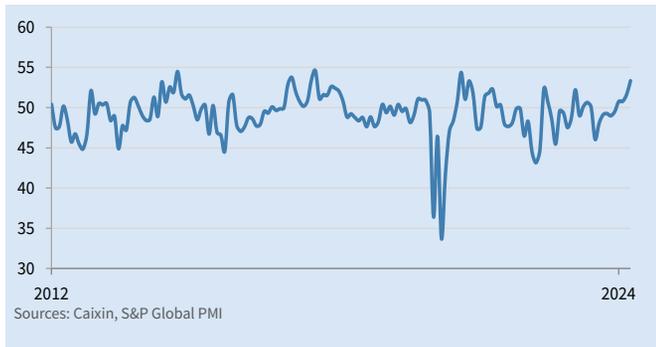
Sources: Caixin, S&P Global PMI

Key findings:

- Production expands at most pronounced pace since May 2023
- New export orders rise at the quickest pace in nearly three-and-a-half years
- Selling prices fell again despite highest cost inflation in six months

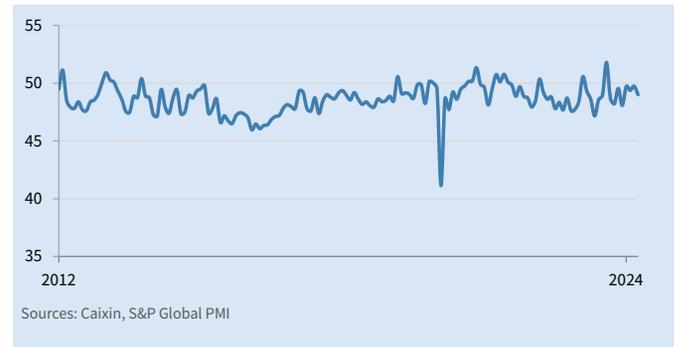
New Export Orders Index

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 51.4 in April, up 0.3 points from the previous month, the highest reading since February 2023. It also marked the sector’s sixth consecutive month of growth as the overall market continued to improve.

“Both supply and demand expanded at a faster pace amid the market upturn. In April, manufacturers’ output and total new orders continued to grow, with the corresponding subindexes reaching new highs since May 2023 and February 2023, respectively. The increase in external demand was even more notable, with the gauge for new export orders hitting a high not seen since November 2020. Investment goods outperformed both consumer and intermediate goods in terms of supply as well as demand at home and abroad.

“Employment declined slightly. Similar to previous months, the sector’s labor market remained contracted despite an overall market rally. Businesses remained reluctant to hire, keeping the corresponding subindex in contraction for the eighth consecutive month. In addition, backlogs of work rose on increased demand.

“Price levels remained low. Although the gauge for input costs reached a six-month high, the cost increase was limited. Some surveyed companies reported rising prices for metals, crude oil and other raw materials. On the sales front, intense market competition led businesses to slash prices, resulting in output prices declining for the fourth straight month.

“Supplier logistics continued to improve. In April, transportation and logistics operated efficiently, reflected in shortened supplier delivery times. Manufacturers were more willing to restock amid the market upturn, marked by increases in purchase quantity as well as inventories of raw materials and finished goods.

“Optimism was sustained. Surveyed companies were confident that market conditions would continue to improve, producing steady sales growth over the next year. Future output optimism continued to grow, albeit at a rate about 1 point lower than in March.

“Overall, in April, the manufacturing sector continued to improve, with accelerated expansion in supply and demand, sweetened by exceptional performance in overseas demand. Logistics and transportation functioned smoothly. Purchase quantity and inventories increased on a positive outlook among businesses. However, employment was yet to show improvement, and price levels remained low, particularly on the sales side, eating into profits.

“China’s economic performance in the first quarter surpassed market expectations, with steady growth in manufacturing and a gradual recovery in consumption. The strong start to the year is consistent with the Caixin Manufacturing PMI, which has remained in the expansionary territory for six straight months.

“Across different product categories, consumer goods were no longer the best performer as investment goods gained momentum in April with increased production and sales, showing signs of the improved downstream gradually benefiting upstream markets.

“Weak expectations remain one of the major hurdles facing economic development, leading to increasing pressure on employment and a greater risk of deflation. Therefore, consistent efforts should be made to ensure earlier policies are implemented effectively and promptly, maintaining the current economic recovery momentum and eventually improving overall 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 11-22 April 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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