

# PMI

Caixin China  
General Manufacturing  
PMI Press Release

2021.03



# Caixin China General Manufacturing PMI™

## Manufacturing output continues to expand modestly in March

Chinese manufacturing companies signalled a further improvement in operating conditions in March. Production and new orders continued to expand, albeit at mild rates, while employment moved closer to stabilisation. New export business meanwhile returned to growth, as global economic conditions continued to recover from the coronavirus disease 2019 (COVID-19) outbreak. At the same time, inflationary pressures intensified, with both input costs and output charges rising at steeper rates.

At 50.6 in 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 – signalled a sustained improvement in the health of China's manufacturing sector. The reading was down from 50.9 in February, however, to indicate a marginal rate of improvement that was the softest seen in the current 11-month period of expansion.

As has been the case in each of the past 13 months, Chinese manufacturers increased production during March. The rate of growth edged down to an 11-month low and remained modest overall. Firms frequently mentioned that a further recovery from the pandemic and rising customer orders had supported the latest upturn.

Total new work likewise expanded at a fractionally weaker pace than in February, and only slightly overall. Underlying data suggested that a softening of domestic demand was largely offset by increased foreign sales, which rose for the first time in three months. Companies often mentioned that overseas demand had picked up as global economic conditions continued to recover from the COVID-19 outbreak.

The sustained upturn in new orders led to renewed pressure on capacities, with backlogs of work rising modestly after a marginal drop in February. Concurrently, the rate of job shedding eased to a marginal pace. Where lower staff numbers were reported, it was often linked to the non-replacement of voluntary leavers.

After a solid deterioration in February, average vendor performance deteriorated only marginally during March. Notably, the degree to which delivery times lengthened was the softest since last June.

Although supply chain disruption eased, firms reported a sharp and accelerated rise in input costs during March amid reports of greater raw material prices. Notably, the rate of cost inflation was the steepest recorded for 40 months. Consequently, firms raised their selling prices and at the most marked rate since November 2016.

Input buying fell for the first time in 11 months in March, albeit only fractionally. A number of firms commented on having sufficient stocks in the latest survey period. On the inventories front, stocks of inputs fell marginally, while stocks of finished items were broadly stable.

Looking ahead, manufacturers were highly confident that output would continue to rise over the next year, with the level of positive sentiment among the highest seen over the past seven years. Growth projections were heavily linked to expectations that the pandemic will end, and that global demand will recover.

### China General Manufacturing PMI

sa, >50 = improvement since previous month

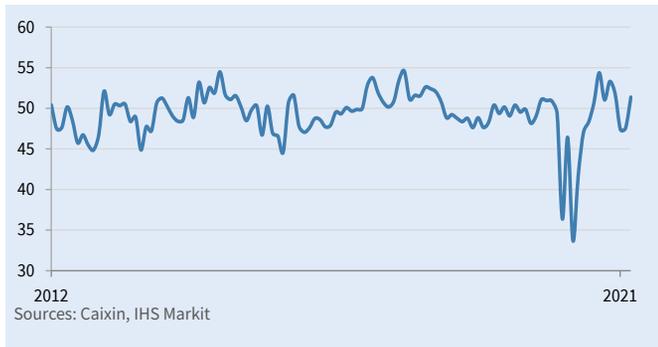


#### Key findings:

- Production increases again amid further uptick in sales
- Export orders rise for first time in three months
- Inflationary pressures pick up

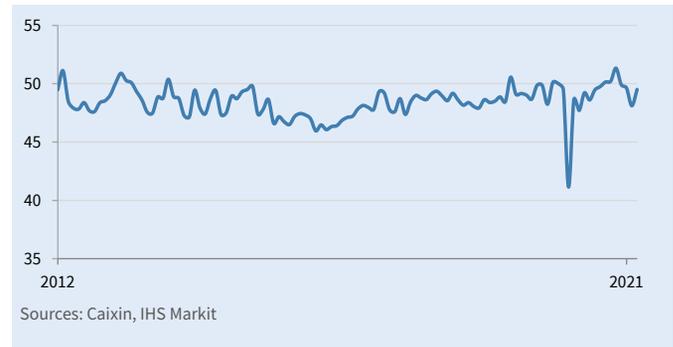
## New Export Orders Index

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 50.6 in March, down from 50.9 the previous month. The March reading was the lowest since April 2020, despite marking the 11th consecutive month of expansion. That indicates the post-epidemic recovery was continuing to falter.

1. Both supply and demand in the manufacturing sector continued to expand, but the pace of expansion has slowed for four straight months. Overseas demand became a bright spot, with the gauge of new export orders reaching into positive territory for the first time this year. Surveyed manufacturers said overseas demand largely increased as the epidemic situation improved.
2. The slower growth in both supply and demand added pressure to the labor market. Employment in March shrank for a fourth straight month, though at a slower pace than in February. Employment remained low because manufacturers weren't very motivated to replace departing workers.
3. The gauges for input and output prices both rose at a faster pace, indicating added inflationary pressure. Prices of raw materials, including industrial metals and crude oil, further rose, causing costs for manufacturing enterprises to soar. The gauge for input costs in March hit the highest level since November 2017. As a result, the gauge for factory gate prices reached the highest since November 2016. Surveyed companies said that rising prices also suppressed any further recovery of demand.
4. The economic slowdown further weakened manufacturers' motivation to replenish their stocks. The measure for stocks

of purchased items remained in negative territory for the third consecutive month, and the measure for quantity of purchases plunged into contractionary territory. Stocks of finished goods remained stable. The gauge for suppliers' delivery times increased, though it was still in negative territory, indicating that logistic delays were getting shorter.

“Overall, the manufacturing sector continued to recover in March, but the momentum of both supply and demand weakened. Overseas demand largely improved. The sector remained under employment pressure. Manufacturing enterprises were still confident that the economy will continue to recover and that the pandemic will be brought under control, with the gauge for future output expectations exceeding the long-term average. We should pay attention to inflation in future as the gauges for input and output prices have been rising for several months. The growing inflationary pressure limits the room for future policies and is not a good thing for sustaining an economic recovery in the post-epidemic period.”



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## 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](mailto:economics@ihsmarkit.com).

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## Survey dates and history

Data were collected 12-23 March 2021.

Data were first collected April 2004.

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## 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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## 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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