Caixin China General Manufacturing PMI Press Release

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财新 Caixin

Caixin China General Manufacturing PMI ™

Operating conditions improve at slowest rate for seven months

Business conditions faced by Chinese manufacturers improved at the slowest rate for seven months at the start of 2021, according to latest PMI data. Companies signalled softer increases in output and new orders, alongside a renewed decline in new export work, as the coronavirus disease 2019 (COVID-19) pandemic weighed on demand conditions. At the same time, stock shortages and shipping delays led to a further marked deterioration in supplier performance and added further upwards pressure on costs. Consequently, firms raised their selling prices at the steepest rate since mid-2018.

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 53.0 in December to 51.5 in January. This signalled a modest improvement in the health of the sector that was the weakest since last June. The reading also marked a further loss of momentum from November, when the headline index reached a decade high.

Chinese goods producers signalled a sustained rise in output during January, to extend the current period of expansion to 11 months. That said, the rate of growth was the least marked since last April and modest. The slowdown coincided with a weaker increase in total new work at the start of the year. Data indicated this was partly driven by a renewed drop in export orders, which fell for the first time in six months. Survey respondents often cited the resurgence of the COVID-19 virus globally when explaining the reduction.

After broadly stabilising at the end of 2020, employment at Chinese manufacturers fell in January. That said, the rate of decline was only marginal. Lower staff numbers were generally attributed to company restructuring and the non-replacement of voluntary leavers. At the same time, manufacturers recorded the slowest accumulation in backlogs of work for eight months.

Goods producers recorded a softer expansion of buying activity at the start of the year, with firms generally commented that purchasing rose in line with sales. Notably, the latest upturn was the weakest since the current period of recovery began last May. At the same time, stocks of purchases fell modestly after a slight increase at the end of 2020.

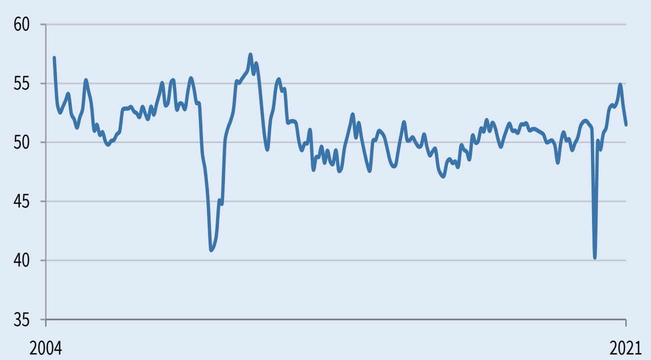
Stock shortages at suppliers and shipping delays led to a further increase in delivery times for inputs. Furthermore, average vendor performance deteriorated at the steepest rate since last March.

Low stock availability and higher raw material prices drove a further increase in operating expenses. Moreover, the rate of inflation eased only slightly from December's three-year high. As part of efforts to protect operating margins, manufacturers raised their selling prices at the steepest rate since June 2018.

Although manufacturers in China generally expect output to rise over the next year, the degree of positive sentiment edged down to an eight-month low in January. While many firms anticipate a rebound in global demand once the pandemic ends, there remained concerns over any resurgence of the virus at home and overseas, and further disruption to business operations and supply chains.

China General Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Caixin, IHS Markit

Key findings:

Production and new orders both expand at notably slower rates at start of 2021

Fresh decline in new export business

Input costs and output prices both rise sharply

New Export Orders Index

sa, >50 = growth since previous month

Sources: Caixin, IHS Markit

Employment Index

sa, >50 = growth since previous month

Sources: Caixin, IHS Markit

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 51.5 in January, down from 53 the previous month. The January reading was the lowest since June, despite marking the ninth consecutive month of expansion. That indicates the post-epidemic recovery continued but saw a marginal slowdown. The PMI dropped 3.4 points in the past two months after reaching the highest level in a decade in November.

1. Both supply and demand continued to expand, but at a much slower pace. The subindex for output in January was the lowest in nine months, and the one for total new orders was the lowest in seven months. Surveyed enterprises said that though market demand remained strong, it was impacted by the resurgence of the domestic epidemic. The ongoing global pandemic also significantly suppressed external demand. The gauge for new export orders plunged into negative territory and reached the lowest level since June.

2. The slower growth in both supply and demand added pressure to the labor market. The employment subindex fell further into contractionary territory, indicating manufacturing enterprises were still cautious about expanding hiring. The combined effects of declining employment and the slower expansion in demand added to manufacturers' outstanding workload. The gauge for backlogs of work was slightly above 50.

3. The gauges for input and output prices were both high, indicating added inflationary pressure. Prices of raw materials, especially industrial metals, rose sharply, and the gauge for input prices remained strong. As a result, factory gate prices continued to rise, with the gauge for output prices hitting the highest point since June 2018.

4. Manufacturing enterprises slowed their purchasing, as market demand expanded slower than expected. The measure for quantity of purchases significantly decreased from the previous month, despite remaining in positive territory. And the resurgence of the domestic epidemic also posed challenges to manufacturing enterprises' supply chains. The measure for suppliers' delivery times fell further into negative territory, as logistic delays were widespread.

"Overall, the manufacturing sector continued to recover in January, but the momentum of both supply and demand weakened, dragged by subdued overseas demand. The gauge for future output expectations was the lowest since May last year though it remained in positive territory, showing manufacturing entrepreneurs were still worried about the sustainability of the economic recovery. In addition, the weakening job market and the sharp increase in inflationary pressure should not be ignored. This year, we should pay attention to the effectiveness of domestic epidemic prevention amid the ongoing pandemic, and look at how to bring new momentum to the Chinese economy as uncertainties over overseas demand continue."

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.

Survey dates and history

Data were collected 11-20 January 2021.

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。

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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About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

Disclaimer

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