

Caixin China General Manufacturing PMI™

Manufacturing sector expands at softer pace

Summary

Manufacturing operating conditions in China continued to improve at the end of the third quarter, albeit only marginally. Production and new orders both expanded at softer rates, with firms also signalling slower growth in export sales. As a result, purchasing activity increased at a weaker pace while staffing levels continued on a downward trend. Environmental inspection policies meanwhile weighed on supplier performance, with delivery times lengthening to the greatest extent since January. At the same time, inflationary pressures picked up, with average input costs and output prices both rising sharply.

The 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 51.6 in August to 51.0 in September, but remained above the crucial no-change 50.0 mark for the fourth month in a row. That said, the index was consistent with only a marginal improvement in the health of China's manufacturing sector.

The decline in the headline index coincided with a weaker expansion in total new business during September. Furthermore, latest data pointed to the slowest increase in new orders for three months. While some panellists commented that improved market conditions had helped to lift sales, other firms mentioned that subdued client demand had weighed on growth. Notably, new export work increased only marginally during the latest survey period.

In line with the trend for new orders, growth in output was the least marked since June and moderate overall.

Purchasing activity also increased at a weaker pace at the end of the third quarter. Despite demand for inputs moderating slightly, the average time taken for purchased items to be delivered to manufacturers continued to lengthen in September. Moreover, vendor performance deteriorated at the quickest rate since the start of the year. A number of respondents linked longer lead times to environmental inspection policies and stock shortages.

Chinese manufacturing employment declined again in September amid reports of company down-sizing policies. That said, the rate of job shedding weakened to a marginal pace. Lower staffing levels and a further upturn in new work placed further pressure on operating capacity, as shown by a sustained increase in backlogs of work. However, the rate of accumulation eased to its weakest for five months.

On the inventories front, stocks of purchases declined for the first time since June, albeit at a modest pace. The amount of finished goods held by manufacturers also declined modestly during September.

Latest data signalled a sharp and accelerated rise in average cost burdens. Furthermore, the rate of inflation was the steepest seen for nine months, with a number of panellists linking inflation to greater raw material costs. As a result, factory gate charges rose at a faster pace.

Manufacturers remained optimistic that output would increase over the next year, though the degree of optimism weakened slightly since August.

Key Points

- September data signals weaker increases in output and new orders
- Employment continues to decline, albeit marginally
- Input prices and output charges both rise sharply

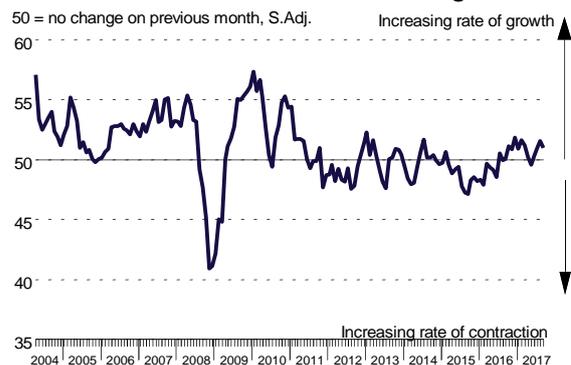
Comment

Commenting on the China General Manufacturing PMI™ data, Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis at CEBM Group said:

"The Caixin China General Manufacturing Purchasing Managers' Index fell 0.6 points to 51.0 in September, still staying in expansionary territory. The sub-index for output indicated that production rose at a slightly slower pace than in the previous month as growth in new orders decelerated. The sub-indices for output prices and input costs increased further, both hitting their highest level seen this year. However, the sub-index measuring stocks of finished goods fell for the fourth straight month in September while

stocks of purchases also contracted. The manufacturing sector continued to expand in September, although at a slightly weaker rate. The Chinese economy was stable in the third quarter. But the outstanding price pressure from upstream industries will be a drag on the continued improvement of companies' profitability."

Caixin China General Manufacturing PMI



Sources: IHS Markit, Caixin.

For further information, please contact:

Caixin Insight Group

Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis
Telephone +86-10-8104-8016
Email zhongzhengsheng@cebm.com.cn

Ma Ling, Director of Communications
Telephone +86-10-8590-5204
Email lingma@caixin.com

IHS Markit

Annabel Fiddes, Principal Economist
Telephone +44-1491-461-010
Email annabel.fiddes@ihsmarkit.com

Jerrine Chia, Marketing and Communications
Telephone +65 6922-4239
E-mail jerrine.chia@ihsmarkit.com

Bernard Aw, Principal Economist
Telephone +65-6922-4226
E-mail bernard.aw@ihsmarkit.com

Notes to Editors:

The Caixin China Report on General Manufacturing is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 500 manufacturing companies. The panel is stratified by company size and Standard Industrial Classification (SIC) group, based on industry contribution to Chinese GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The *Purchasing Managers' Index*[™] (*PMI*[™]) is a composite index based on five of the individual indexes with the following weights applied: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Historical data relating to the underlying (unadjusted) numbers and seasonally adjusted series are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

About Caixin:

Caixin Media is China's leading media group dedicated to providing financial and business news through periodicals, online content, mobile applications, conferences, books and TV/video programs.

Caixin Insight Group is a high-end financial data and analysis platform. The group encompasses the monthly Caixin China Purchasing Managers' Index[™], components of which include the Caixin China General Manufacturing PMI[™] and Caixin China General Services PMI[™]. These indexes are closely watched worldwide as reliable snapshots of China's economic health.

For more information, please visit www.caixin.com.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge 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 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners
© 2017 IHS Markit Ltd. All rights reserved.

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. To learn more go to www.markit.com/product/pmi.

The intellectual property rights to the Caixin China General Manufacturing PMI provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit 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 IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index*[™] and *PMI*[™] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Caixin use the above marks under license. IHS Markit is a registered trade mark of IHS Markit Limited.

If you prefer not to receive news releases from IHS Markit, please joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).