

Caixin China General Manufacturing PMI™

Manufacturing sector continues to improve at modest pace in February

Summary

Business conditions continued to improve across China's manufacturing sector in February. Although growth in production softened from that seen in January, total new work expanded at a slightly faster pace. Meanwhile, companies continued to shed staff as part of efforts to reduce costs, which contributed to a further rise in the level of outstanding work. Although the rate of input price inflation eased further in February, it remained sharp overall and remained much stronger than that seen for output charges. Business sentiment remained strongly positive in February, with the degree of optimism reaching an 11-month high.

Adjusted for seasonal factors, including the Chinese New Year, the headline *Purchasing Managers' Index™ (PMI™)* – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – edged up to 51.6 in February, from 51.5 in January, to signal a further improvement in the health of the sector. Though only modest, the latest reading signalled the strongest improvement in operating conditions for six months.

Manufacturing output in China continued to rise in February, albeit at a modest pace that was slightly softer than seen at the start of the year. According to panellists, production volumes rose due to greater amounts of new work. In contrast to the trend for output, growth in new orders quickened since January. This was despite new export sales rising to the softest extent for three months.

February data signalled a further drop in Chinese manufacturing employment as a number of firms sought to reduce costs through the implementation of down-sizing measures. Despite quickening slightly since January, the rate of job shedding remained marginal, however. Reduced staffing levels and higher new orders led backlogs of work to accumulate again, albeit at a weaker pace than seen at the start of the year.

Purchasing activity continued to increase in February, albeit modestly. Nonetheless, the sustained increase in buying activity underpinned the fastest rise in stocks of purchases for just over a year-and-a-half. Inventories of finished items also rose in February, following an eight-month sequence of decline.

The amount of time taken for inputs to be delivered to manufacturers continued to increase, albeit modestly, with some reports linking delays to poor weather conditions.

Input prices continued to rise sharply, despite the rate of inflation easing to a seven-month low. Panellists widely attributed greater cost burdens to higher raw material prices. As a result, firms raised their selling prices again in February, albeit at a modest rate that was similar to that seen in January.

Finally, business confidence strengthened to its highest level for nearly a year in February. Positive expectations towards the 12-month outlook were widely supported by upcoming product releases and expectations that client demand will continue to improve over the year ahead.

Key Points

- Softer rises in production and buying activity
- Total new work expands at slightly faster, but still modest, pace
- Input prices continue to rise faster than output charges

"The stocks of finished products and stocks of purchases indices on average showed increases in the range that indicates economic expansion, reflecting that companies were making active preparations to start work in March. This was also reflected in a rise for the future output index."

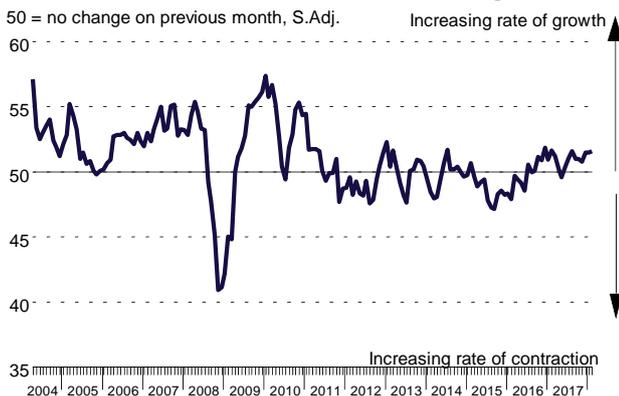
Comment

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 (PMI) for February stood at 51.6, up slightly from the previous month. Within the headline composite index, the output and employment indices subsided, and the new orders index was up slightly, reflecting stable demand that was slightly stronger than output. Under those conditions, the index for output prices stopped declining and rose slightly, and the input prices index came down at a gradual rate."

"For now, the durability of the Chinese economy will persist. Looking ahead, whether demand generated from the beginning of work in March will gain strength will be key in determining China's economic direction for 2018."

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
© 2018 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 <https://ihsmarkit.com/products/pmi.html>

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](#).