

# Caixin China General Manufacturing PMI™

PMI stands at six-and-a-half year low in September

## Summary

Latest survey data signalled the quickest deterioration in operating conditions faced by Chinese manufacturers since March 2009. Total new work fell at the quickest rate in over three years, partly driven by a steeper fall in new export business. As a result, companies cut output at the sharpest rate in six-and-a-half years, while staff numbers fell at the quickest pace since the start of 2009. Reduced production schedules also prompted firms to lower their purchasing activity again in September, while disappointing sales led to the strongest increase in stocks of finished goods for over three years. On the price front, both input costs and output charges fell at sharper rates.

Adjusted for seasonal factors, the *Purchasing Managers' Index™ (PMI™)* – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – registered at 47.2 in September, down fractionally from 47.3 in August. The health of the sector has now deteriorated in each of the past seven months. Furthermore, the latest deterioration was the most marked since March 2009.

A key factor weighing on the headline index was a sharper contraction of manufacturing output in September. According to panellists, worsening business conditions and subdued client demand had led firms to cut their production schedules. Weaker customer demand was highlighted by a further fall in total new orders placed at Chinese goods producers in September. Furthermore, the rate of reduction was the steepest seen for just over three years. Data suggested that the faster decline in total new business partly stemmed from a sharper fall in new export work. The latest survey showed new orders from abroad declined at the quickest rate since March 2009.

Reflective of lower workloads, manufacturing companies cut their staff numbers again in September. Moreover, the latest reduction in employment was the fastest seen in 80 months. Meanwhile, reduced production capacity led to an increased amount of unfinished work, though the pace of backlog accumulation was only slight.

Input buying fell for the third month in a row in September, amid reports of lower production schedules and fewer new orders. As a result, stocks of inputs declined again in September at a modest pace. A number of panellists mentioned adjusting their inventories to reflect reduced production requirements. Meanwhile, disappointing sales led to a build-up in stocks of finished goods for the second consecutive month. Moreover, the pace of accumulation was the strongest seen since August 2012.

Manufacturing companies noted a further steep decline in average cost burdens during September. Furthermore, the rate of deflation was the sharpest seen since April. Reports from panellists mentioned that lower raw material prices, particularly for oil-related products, had cut overall input costs. Increased competition for new work led manufacturing companies to generally pass on their savings to clients, as highlighted by a solid decline in output charges.

## Key Points

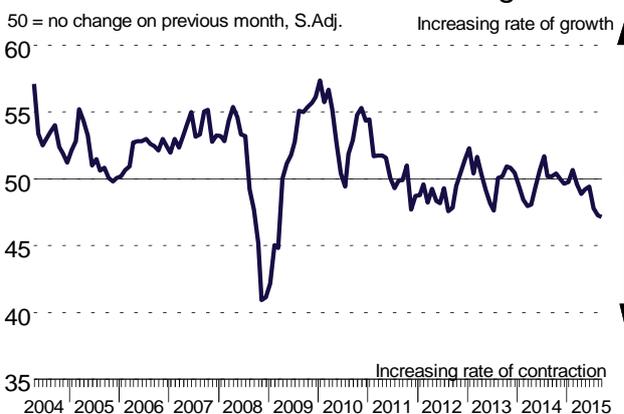
- Production cut at quickest rate since March 2009
- Total new orders contract at sharper rate amid steeper downturn in new export business
- Job shedding accelerates to 80-month record

## Comment

Commenting on the China General Manufacturing PMI™ data, Dr. He Fan, Chief Economist at Caixin Insight Group said:

*"The Caixin China General Manufacturing PMI for September is 47.2, slightly down from the reading for August. This indicates the continued weakness of the manufacturing industry, though the pressure driving the sector's decline has eased. The industry has reached a crucial stage in its structural transformation. Tepid demand is a main factor behind the oversupply of manufacturing and why it has not recovered."*

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Sources: Markit, Caixin.

## For further information, please contact:

### Caixin Insight Group

Dr. He Fan, Chief Economist  
Telephone +86-10-8590-5001  
Email fanhe@caixin.com

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

### Markit

Ed Canaday, Director, Corporate Communications  
Telephone +1-646-679-3031  
Email ed.canaday@markit.com

Laura Davis, Director, Corporate Communications  
Telephone +65-6922-4252  
Email laura.davis@markit.com

Joanna Vickers, Corporate Communications  
Telephone +44-207-260-2234  
Email joanna.vickers@markit.com

## Important notice:

Markit will discontinue issuing the Caixin China Flash PMI. The Caixin China Flash PMI released on 23 September 2015 was the final release. Markit will continue to issue the monthly Caixin China General Manufacturing PMI and the Caixin China General Service PMI on the first and third business day of the month at 09h45 Beijing time. The company remains committed to providing accurate and timely data on China's economy, which is important to stakeholders in China and outside the country.

## 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 420 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: 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 Markit. Please contact [economics@markit.com](mailto:economics@markit.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](http://www.caixin.com).

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## About PMI:

Purchasing Managers' Index™ (PMI™) surveys are now available for over 30 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/economics](http://www.markit.com/economics).

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