

Caixin China General Manufacturing PMI™

Manufacturing production stabilises in November

Summary

Chinese manufacturing firms signalled that output stabilised in November, thereby ending a six-month sequence of reduction. Meanwhile, total new work continued to decline, and at a similarly modest rate to that seen in October, despite a pick up in new export business growth. Relatively soft overall client demand led firms to scale back their purchasing activity again in November, while inventories also declined. Deflationary pressures intensified over the month, as highlighted by sharper decreases in both input costs and output prices.

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 – posted at 48.6 in November, up slightly from 48.3 in October. The health of the sector has now worsened in each of the past nine months. However, the latest deterioration was the weakest seen since June.

The higher PMI reading was partly driven by a stabilisation of output volumes in November. This contrasted with reduced production in each of the prior six months. However, lower volumes of overall new work placed at Chinese manufacturers continued to weigh on the PMI figure. The rate at which new orders declined was similar to that seen in October and moderate overall. Data indicated that weaker domestic demand had acted as a drag on new order books, as new export business expanded in November and at the quickest rate in 13 months. According to panellists, improved foreign client demand boosted new work from abroad.

Reflective of lower overall workloads, Chinese manufacturers reduced their purchasing activity again in November. That said, the pace of decline was the weakest in the current five-month sequence. Payroll numbers also fell during the month, albeit at the slowest rate since May.

Lower staffing levels contributed to a seventh successive monthly increase in the amount of work-in-hand (but not yet completed). Though modest, the rate of accumulation was the strongest seen since March.

Firms were relatively cautious towards their inventory holdings, as highlighted by cuts to both stocks of inputs and post-production goods in November. While stocks of inputs continued to fall at a modest pace, it was the first time that inventories of finished goods had declined since July.

Average vendor performance improved for the first time in seven months in November. That said, the degree to which lead times shortened was only marginal.

Manufacturing companies operating in China signalled a further fall in average input prices in November amid widespread reports of lower raw material costs. Furthermore, the rate of reduction quickened to the sharpest in nine months. As part of attempts to improve sales, companies generally passed on any savings to clients in the form of lower selling prices. In line with the trend for input costs, the rate of discounting accelerated since October and was the fastest recorded in 20 months.

Key Points

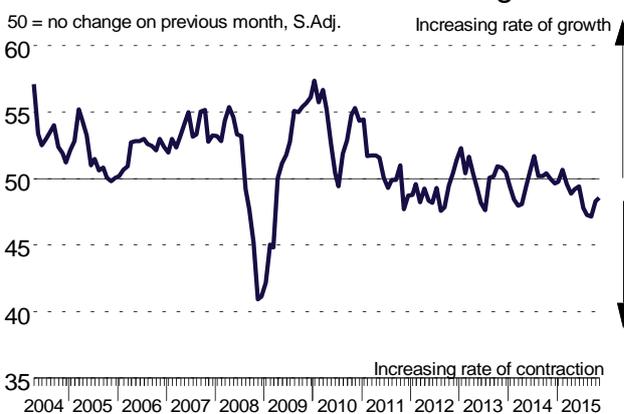
- Output stabilises following six-month sequence of decline
- Overall new business falls modestly, but new export work rises at fastest rate in over a year
- Sharper falls in input costs and output charges

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 November continued to show signs of recovery, reaching 48.6, compared to October's 48.3. This indicates that pressure on economic growth has eased and fiscal policy has had a strong effect. Overall, the economy is still on track to become more stable."

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Sources: Markit, Caixin.

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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.

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.

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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.

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