

Caixin China General Manufacturing PMI™

PMI signals further marginal deterioration in operating conditions in April

Summary

Operating conditions across China's manufacturing sector continued to deteriorate in April, albeit marginally. Output was little-changed from the previous month, as total new orders stagnated and new export work fell for the fifth month in a row. Relatively weak market conditions and muted client demand contributed to a further solid decline in staff numbers. Companies also displayed cautious inventory policies in April, with stocks of finished goods and inputs both falling at faster rates. Prices data indicated that inflationary pressures intensified across the sector in April, with input costs rising at the quickest pace since January 2013, which in turn underpinned the quickest rise in output charges since October 2011.

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 – remained below the neutral 50.0 value at 49.4 in April. This was down from a reading of 49.7 in March, and pointed to a further deterioration in the health of the sector, albeit marginal. Operating conditions have now worsened in each of the past 14 months.

After a slight increase in March, production at Chinese manufacturers was broadly unchanged in April. According to panellists, relatively weak market conditions and softer client demand led firms to be cautious towards their production schedules. Furthermore, new order books stagnated in April, following a slight expansion in the previous month. Latest data indicated that weaker foreign demand continued to weigh on overall new orders, with new export work falling for the fifth month running.

Subdued market conditions led some firms to implement down-sizing policies in April, while others chose not to replace voluntary leavers. As a result, overall employment declined again, with the rate of job shedding only fractionally slower than February's post-global financial crisis record. Meanwhile, backlogs of work rose only slightly.

Stagnant new orders contributed to a renewed fall in purchasing activity in April. Lower buying activity and relatively muted client demand underpinned the fastest fall in stocks of purchases for 12 months. Meanwhile, cautious inventory policies were also evident with regard to stocks of finished goods, which declined at the quickest pace since the start of 2009.

Despite reduced input buying, supplier performance deteriorated in April and at the fastest rate since May 2011. Some respondents noted that stock shortages at vendors had lengthened lead times.

Average input costs faced by Chinese goods producers rose for the second month running in April. Moreover, the rate of inflation accelerated to the fastest since January 2013. A number of monitored firms mentioned that greater raw material costs had put upward pressure on cost burdens. Companies generally passed on increased input prices in the form of higher charges for their goods. The rate of charge inflation also quickened since March, and was the most marked since October 2011.

Key Points

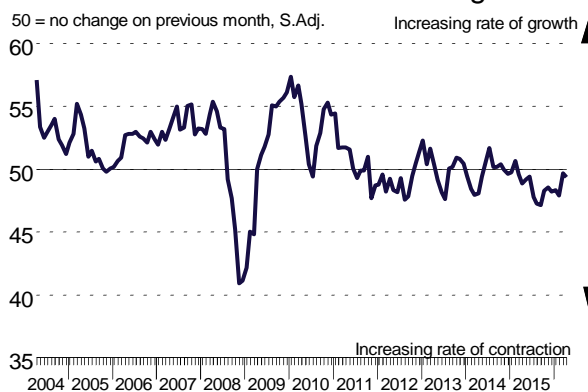
- Output broadly unchanged as new business stagnates
- Further solid reduction in staff numbers
- Inflationary pressures intensify

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 April came in at 49.4, down 0.3 points from March's reading. All of the index's categories indicated conditions worsened month-on-month, with output slipping back below the 50-point neutral level. The fluctuations indicate the economy lacks a solid foundation for recovery and is still in the process of bottoming out. The government needs to keep a close watch on the risk of a further economic downturn."

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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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