

Caixin China General Manufacturing PMI™

Production expands at slightly softer rate in November

Summary

Chinese manufacturing production continued to expand at a robust pace in November, despite the rate of growth easing since October's five-and-a-half year peak. At the same time, companies reported a softer expansion of total new orders, while new export work was broadly stable after a slight fall in October. Meanwhile, cost-cutting initiatives underpinned a further fall in staff numbers, though the rate of job shedding was the slowest seen in a year-and-a-half. November also saw a sharp pick up in inflationary pressures, with both input costs and prices charged rising at the fastest rates since early-2011.

At 50.9 in November, 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 a 27-month high of 51.2 in October, to signal a marginal improvement in overall operating conditions. Nonetheless, the health of the sector has now strengthened in each of the past three months, which marks the longest period of improvement since late-2014.

Chinese manufacturers noted a further rise in production volumes during November, stretching the current sequence of expansion to five months. Though solid overall, the rate of output growth softened since October. Companies that raised production generally commented on greater intakes of new work. However, in line with the trend for output, the rate of new order book expansion weakened since the previous month and was moderate overall. A number of panellists suggested that stronger domestic demand was behind the latest rise in new business. Furthermore, new export work was broadly unchanged in November, after a slight decline in the previous survey period.

Firms continued to increase their purchasing activity in November, with the rate of growth edging up to a four-month high. However, the use of inputs in the production process led to a marginal drop in inventories of purchased items for the second month in a row. In contrast, stocks of finished items rose slightly in November, which some firms attributed to increased output.

A lack of stock at suppliers contributed to a further lengthening of delivery times. That said, the rate at which vendor performance deteriorated was only marginal.

November signalled a further decline in Chinese manufacturing employment, as a number of companies sought to reduce their costs. That said, the rate of job shedding was the weakest seen in 18 months. Nonetheless, a combination of lower staff numbers and increased new work led to a further rise in outstanding business.

Inflationary pressures intensified over the month, with Chinese manufacturers signalling the sharpest increase in cost burdens since March 2011 during November. Anecdotal evidence suggested that higher prices for raw materials, particularly for items such as metals, had raised overall input costs. In order to help protect their margins, firms generally raised their prices charged, and to the greatest extent since February 2011.

Key Points

- Output and new orders both expand at weaker rates than in October
- Firms cut their workforce numbers at slowest pace in 18 months
- Input costs and output charges both rise at fastest rates since early-2011

"The Chinese economy continued to improve in November, although it lost some momentum compared to the previous month. Inventory and employment data also showed the foundation of growth is not solid yet and investors have to remain vigilant about the risk of a downturn in coming months."

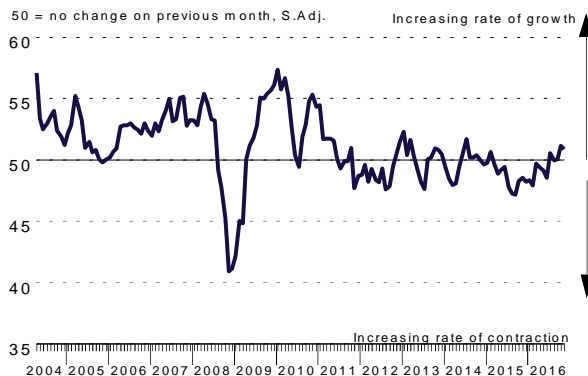
Comment

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

"The Caixin China General Manufacturing PMI came in at 50.9 in November, down from October's 51.2. It nonetheless marked the second-highest reading in two years, indicating the manufacturing industry continued to pick up steam."

"Index readings for both output and new orders declined, but those tracking input and output prices rose at a faster pace to hit their highest levels in five years, pointing to further intensification of inflationary pressure."

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Sources: IHS 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 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: 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@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.

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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/product/pmi.

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