

# Caixin China General Manufacturing PMI™

PMI points to slower improvement in operating conditions

## Summary

PMI data signalled a further modest improvement in the health of China's manufacturing sector in March. However, growth in production and new orders slowed since February, with new export sales increasing at the weakest pace in three months. Staffing levels meanwhile continued on a downward trend, though the rate of job shedding held close to February's marginal pace. More cautionary attitudes towards inventories were highlighted in the latest survey, with falls in both stocks of inputs and finished goods recorded in March. Meanwhile, optimism towards the one-year business outlook slipped from February's recent peak, but remained strong overall.

The seasonally adjusted Purchasing Managers' Index™ (PMI™) – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – posted 51.2 in March, down from 51.7 in February and signalling a further improvement in the health of the sector. Although pointing to only a modest rate of improvement, the latest index reading remained amongst the highest seen over the past four years.

Chinese goods producers increased output for the ninth successive month in March, with a number of companies citing improved market conditions and rising new order volumes. That said, the rate of expansion edged down from February and was moderate overall.

In line with the trend for production, growth in new business eased slightly in March, but remained solid overall. Data indicated that a softer increase in new export work was a key factor leading to weaker growth in total new orders. Moreover, March signalled the weakest increase in new export sales in 2017 so far.

Job shedding was reported for the forty-first month in a row in March. That said, the rate of payroll cuts held close to February's marginal pace. At the same time, there were further signs of capacity pressures, as shown by a further increase in backlogs of work, although the rate of accumulation was modest overall.

Firms continued to expand their purchasing activity in March but, in line with the trend for production, the rate of growth eased since February. The time taken for inputs to be delivered continued to lengthen, albeit at only a marginal pace. At the same time, companies appeared to take on a relatively cautious stance towards inventories in March. Stocks of purchases declined slightly, while inventories of finished goods fell at a rate that, though modest, was the quickest in ten months.

Manufacturers signalled a further slowdown in the rate of input price inflation at the end of the first quarter, though the rate of increase remained sharp overall. Output charges also increased in March, albeit at the slowest pace in six months.

Latest survey data signalled further optimism towards the 12-month business outlook, despite the degree of positive sentiment weakening slightly from February's recent peak. Confidence was partly linked to new product releases and forecasts of stronger market demand.

## Key Points

- Softer increases in output and total new business
- New export work rises at slowest pace in three months
- Staff numbers cut at marginal pace

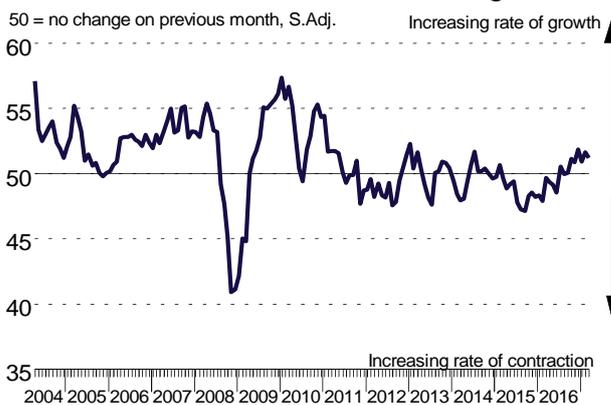
*continued to improve, but signs of a weakening have started to emerge ahead of the second quarter. Downward pressure may further increase."*

## 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 51.2 in March 2017, down 0.5 points from the previous month. The manufacturing industry still grew at a relatively fast rate. The output, new orders and employment sub-indices edged down, and stocks of purchases and stocks of finished goods both fell into contractionary territory. Manufacturers' willingness to restock seemed to have declined. The sub-indices for input prices and output prices remained high, although they have dropped for three consecutive months. Overall, the Chinese manufacturing economy*

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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*<sup>™</sup> (*PMI*<sup>™</sup>) 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](mailto: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<sup>™</sup>, components of which include the Caixin China General Manufacturing PMI<sup>™</sup> and Caixin China General Services PMI<sup>™</sup>. 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<sup>™</sup> (PMI<sup>™</sup>) 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](http://www.markit.com/product/pmi).

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