

PMI

Caixin China
General Manufacturing
PMI Press Release

2021.04

Caixin China General Manufacturing PMI™

Manufacturing PMI picks up to four-month high in April

Latest survey data indicated that growth momentum picked up across China's manufacturing sector in April, with firms reporting the strongest increases in output and sales for four months. This supported renewed expansions in employment and purchasing activity. However, the time taken for inputs to be delivered continued to lengthen amid reports of material shortages and logistical delays. Prices data meanwhile showed that higher raw material costs led to a steeper increase in input prices, which were generally passed on to clients in the form of higher charges.

The headline seasonally adjusted Purchasing Managers' Index™ (PMI™) – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – rose from an 11-month low of 50.6 in March to 51.9 in April. This signalled the strongest improvement in the health of the sector since December 2020, albeit one that was modest overall.

Total new orders rose for the eleventh month running in April, with manufacturers widely commenting on improved market conditions and greater customer demand. Though mild, the rate of growth was the strongest in 2021 to date, and supported by a further upturn in export sales.

Greater inflows of new work led goods producers in China to expand production volumes again in April, with the rate of expansion also improving to a four-month high.

The sustained increase in sales also led to a further accumulation in backlogs of work, with the rate of growth picking up since March. Consequently, manufacturers added to their staff numbers for the first time in five months. Though only marginal, the rate of job creation was the second-fastest seen in over eight years.

Goods producers in China also upped their purchasing activity in order to support higher production volumes. Though moderate, the rate of expansion was the steepest seen since December 2020. On the inventories front, stocks of inputs were broadly stable, while inventories of finished items fell modestly.

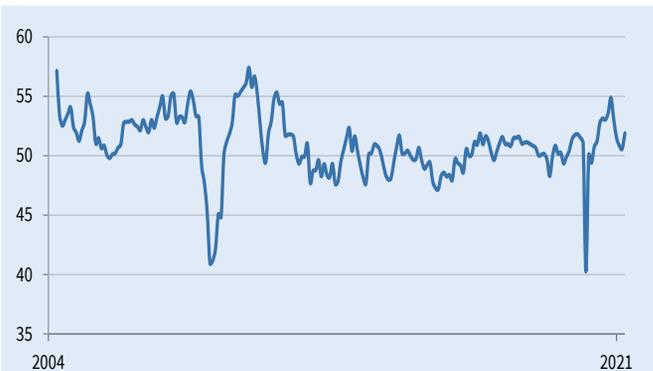
The time taken for purchased inputs to be delivered continued to lengthen in April, and to a greater extent than in March. Firms frequently mentioned that raw material shortages and logistical delays had driven the latest decline in vendor performance.

Prices data showed a further rapid increase in input costs amid reports of supplier price hikes (with metals and chemicals mentioned in particular). Notably, the latest increase in expenses was the quickest since November 2017. As part of efforts to alleviate pressure on margins, companies often passed on higher costs to customers through higher factory gate charges, which rose sharply overall.

Output expectations remained markedly upbeat in April, despite the level of positive sentiment edging down to a three-month low. Hopes of an end to the COVID-19 pandemic and the release of pent up demand, alongside new product releases, reportedly drove confidence.

China General Manufacturing PMI

sa, >50 = improvement since previous month



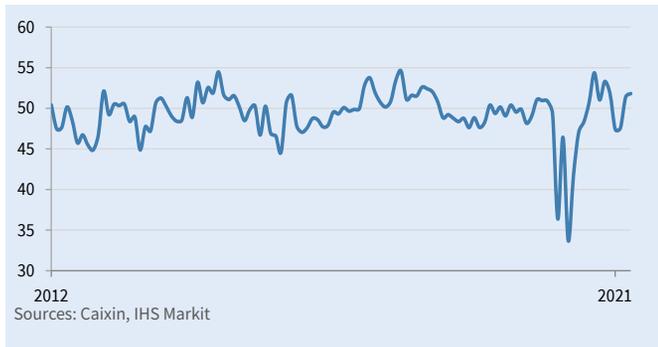
Sources: Caixin, IHS Markit

Key findings:

- Stronger increases in output and new orders
- Employment returns to growth
- Companies signal further marked rise in input costs

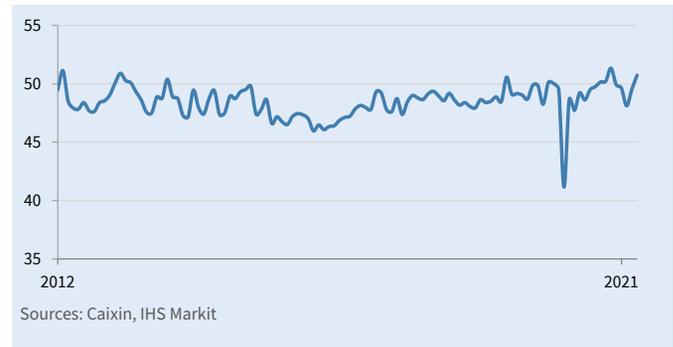
New Export Orders Index

sa, >50 = growth since previous month



Employment Index

sa, >50 = growth since previous month



Commenting on the China General Manufacturing PMI™ data, Dr. Wang Zhe, Senior Economist at Caixin Insight Group said:

“The Caixin China General Manufacturing PMI came in at 51.9 in April, its 12th straight month of expansion. The reading was the highest this year, indicating an accelerated recovery of manufacturing activity.

1. Both supply and demand expanded steadily as market sentiment improved. The subindexes for output and total new orders both reached the highest in four months. Overseas demand remained strong although some countries suffered resurgences in Covid-19 cases. New export orders expanded month-on-month for the second straight month and the pace of expansion picked up.

2. The job market improved as the subindex for employment stepped into positive territory after shrinking for four months in a row. Manufacturers added staff as the market sentiment improved. The subindex reached the second-highest level since January 2013.

3. Prices continued to rise and inflationary pressure heightened. The gauge for input costs climbed further into expansionary territory and hit the highest level since November 2017. Raw material prices kept pushing up manufacturers’ costs. The prices of industrial metals — especially steel — and chemical raw materials continued to surge. Manufacturers’ output prices also rose fast, with the prices of intermediate products experiencing a steep increase.

4. Logistics delivery times grew significantly. The subindex of suppliers’ delivery times fell deeper into negative territory in April, mainly due to the shortage of raw materials. The gauge had been in contractionary range in 15 of the 16 months from January 2020 to April 2021, mainly due to the adverse impact of the pandemic on

logistics.

5. Manufacturers were not in a hurry to replenish inventory. They bought more amid the high market demand, as the gauge for quantity of purchases saw a big jump. A lot of final product inventories were consumed as the gauge for stocks of finished goods fell further into contractionary territory. Meanwhile, companies lacked the willingness to replenish inventory as the subindex of stocks of purchases was basically stable.

“To sum up, manufacturing demand and supply expanded significantly in April. Overseas demand remained solid and the job market recovered. Manufacturing growth remained strong as the post-epidemic economic recovery kept its momentum. Manufacturers stayed confident about the economic recovery and keeping Covid-19 under control as the gauge for future output expectations was still higher than the long-term average. In the future, the focus will be on inflation as the price gauges have maintained an upward trend for several months.

“Policymakers have expressed concerns about rising commodity prices on several occasions and urged adjusting raw material markets and easing businesses’ cost pressure. In the coming months, rising raw material prices and imported inflation are expected to limit policy choices and become a major obstacle to the sustained economic recovery.”



Survey methodology

The Caixin China General Manufacturing PMI™ is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 500 private and state-owned manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. For the purposes of this report, China is defined as mainland China, excluding Hong Kong SAR, Macao SAR and Taiwan.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For more information on the survey methodology, please contact: economics@ihsmarkit.com.

Survey dates and history

Data were collected 12-22 April 2021.

Data were first collected April 2004.

About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 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.

<https://ihsmarkit.com/products/pmi.html>

About Caixin

Caixin is an all-in-one media group dedicated to providing financial and business news, data and information. Its multiple platforms cover quality news in both Chinese and English. Caixin Insight Group is a high-end financial research, data and service platform. It aims to be the builder of China's financial infrastructure in the new economic era.

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Contact

Dr. Wang Zhe
Senior Economist
Caixin Insight Group
T: +86-10-8590-5019
zhewang@caixin.com

Ma Ling
Senior Director
Brand and Communications
Caixin Insight Group
T: +86-10-8590-5204
lingma@caixin.com

Annabel Fiddes
Economics Associate Director
IHS Markit
T: +44 1491 461 010
annabel.fiddes@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
Telephone +44 207 260 2234
joanna.vickers@ihsmarkit.com