

PMI

Caixin China
General Manufacturing
PMI Press Release

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Caixin China General Manufacturing PMI®

Operating conditions improve at quickest pace since February 2023

Manufacturing sector conditions in China further improved at the end of the first quarter of 2024, according to the latest PMI® data. This was driven by greater inflows of new work, including from abroad. In turn, Chinese manufacturers increased production, while also raising their purchasing levels amid improved optimism. That said, a cautious stance was maintained with regards to staffing levels.

Meanwhile input costs fell for the first time in eight months, enabling Chinese manufacturers to further lower selling prices in a bid to drive sales.

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 to 51.1 in March, up from 50.9 in February. This signalled a fifth successive monthly improvement in the health of the sector and at the most pronounced pace in 13 months.

Supporting the latest advancement of manufacturing sector health was better demand conditions. Incoming new orders, including export orders, grew at accelerated rates as both domestic and external market conditions improved according to panellists. Although modest, the rate at which new export orders rose was the fastest in just over a year.

As a result of a quicker rise in new orders, Chinese manufacturers raised their production in March. Adjusted for seasonal factors, the rate at which manufacturing output recovered to the fastest since last May. Nonetheless there was a renewed accumulation of backlogged work in March, albeit at a marginal pace.

Employment levels declined again in March. While resignations partly accounted for the decline in headcounts, comments from panellists further indicated that firms were cautious about hiring in an attempt to rein in costs.

Purchasing activity meanwhile rose across the Chinese manufacturing sector in line with growth in new work. Firms also opted to raise their holdings of raw materials and semi-finished items to meet current and future production needs. In contrast, the level of post-production inventories fell for a second successive month as rising new orders led to increased outbound shipments of goods for the fulfilment of orders.

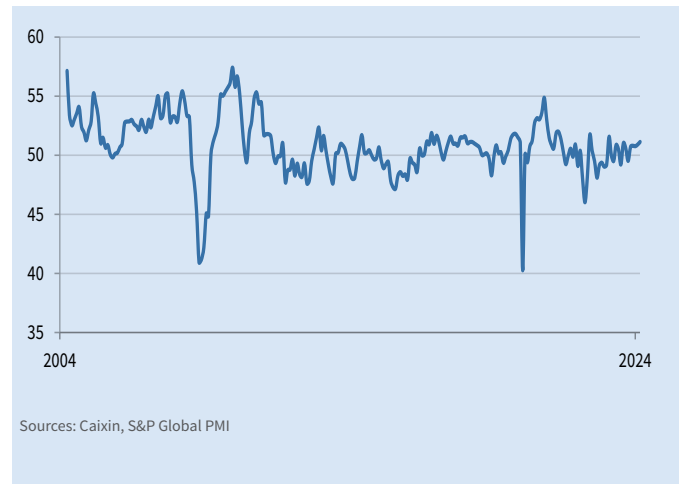
Turning to prices, average input costs fell for the first time since July 2023, albeit only marginally. Survey respondents often linked the reduction in input prices to a fall in raw material costs.

In turn, Chinese manufacturers lowered their selling prices for a third straight month and at the most pronounced pace in eight months. Export charges similarly declined in March and at a modest pace that was comparable with overall selling prices. Firms indicated being able to reduce selling prices with lower costs, which further helped to drive sales at the end of the first quarter of 2024.

Overall optimism among Chinese manufacturers improved for a third straight month in March. Firms pinned hopes of rising manufacturing activity upon a better economic outlook. The level of business confidence was the highest seen since April 2023.

China General Manufacturing PMI

sa, >50 = improvement since previous month



Key findings:

- Production expands at most pronounced pace in ten months
- Business confidence rises to highest in just under a year
- Selling prices fall at fastest pace since last July amid lower costs

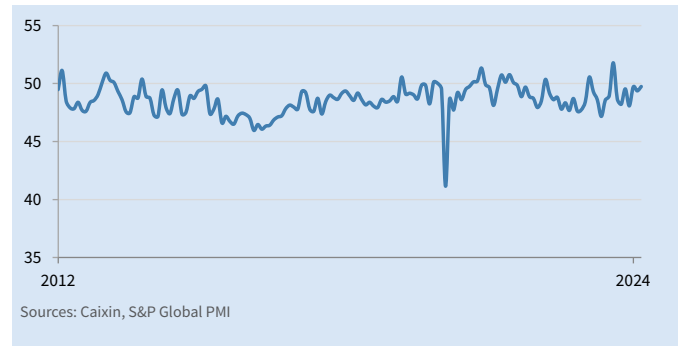
New Export Orders Index

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 ticked up 0.2 points from February to 51.1 last month, reaching its highest level since February 2023. The index remained in the expansion zone for a fifth straight month, indicating a continued improvement in the sector.”

“Both supply and demand expanded at a faster pace amid the market upturn. In March, growth in manufacturers’ output and total new orders accelerated, with the former hitting a 10-month high. External demand also picked up pace thanks to the recovery in the global economy, pushing the gauge for new export orders to its highest level since February 2023.”

“Employment edged lower. The labor market remained contracted despite the expansion of supply and demand. Manufacturers showed reluctance to fill vacant roles out of cost concerns. The corresponding measure remained in contraction for the seventh consecutive month, albeit higher than in February. Meanwhile, backlogs of work rose on increased demand.”

“Prices remained low. A drop in raw material prices reduced production costs for manufacturers, providing leeway for them to lower prices amid fierce market competition. Both gauges for input costs and output prices reached new lows since July 2023.”

“Supplier delivery times were shortened due to a quick recovery in logistics, which had been affected by poor weather conditions in some regions, bringing the corresponding gauge back to expansion. Meanwhile, following the market upturn, manufacturers were more willing to increase their purchases, while the gauge for raw material inventories recorded its highest level since November 2020.”

“Market optimism continued to grow, with the measure tracking future output expectations rising for the third straight month. Surveyed companies expected sustained increases in production and sales over the coming year.”

“Overall, the manufacturing sector continued to improve in March, with expansion in supply and demand accelerating, and overseas demand picking up. Manufacturers increased purchases and raw material inventories amid continued improvement in business optimism. However, employment remained in contraction and a depressed price level worsened.”

“The economic performance in the first two months of this year was better than expected, while the Caixin manufacturing PMI has remained in expansionary territory for five consecutive months. This indicates a generally stable and positive economic recovery.”

“However, the economy still faces headwinds with prevalent uncertainties and unfavorable factors. Downward economic pressures persist, employment remains subdued, prices remain low, and insufficient effective demand has not been fundamentally resolved, underscoring the need to further boost domestic and external demand.”

“A slew of policies introduced earlier this year to stabilize growth are gradually having an effect. Given the current economic hurdles and an ambitious goal for economic growth this year, consistent efforts should be made to accelerate growth while improving the quality and efficiency of economic development.”



Survey methodology

The Caixin China General Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 650 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@spglobal.com.

Survey dates and history

Data were collected 12-20 March 2024.

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.

www.spglobal.com/marketintelligence/en/mi/products/pmi

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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