

PMI

Caixin China
General Manufacturing
PMI Press Release

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Caixin China General Manufacturing PMI®

Manufacturing new orders decline at fastest pace in two years

Operating conditions in China's manufacturing sector deteriorated in September after improving during August. This was underpinned by a renewed downturn in new orders, including exports which fell again. While manufacturers managed to keep production in expansion by working through their backlogs, optimism levels eased noticeably in the latest survey period. Furthermore, firms lowered their hiring and purchasing activity.

Turning to prices, the slowdown in demand led to a fall in average input prices, further contributing to reduced charges in September. Export charges also eased as competition intensified.

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 – fell to 49.3 in September, down from 50.4 in August. Falling past the 50.0 neutral mark, the latest data signalled that conditions in the manufacturing sector deteriorated following a brief improvement in August. While marginal, the rate of decline was the fastest since July 2023.

Incoming new orders for Chinese manufactured goods declined at the fastest pace since September 2022, attributed to falling underlying demand, heightening competition and subdued market conditions, according to panellists. This included export orders, with softening economic conditions abroad negatively affecting foreign demand. Firms in the investment goods sector recorded the fastest fall in overall new work.

Chinese manufacturers nevertheless worked through existing orders to support production, though the rate at which output expanded eased to the joint slowest in the current sequence, matched only by July's marginal pace. The volume of unfinished work also shrank for the first time since February.

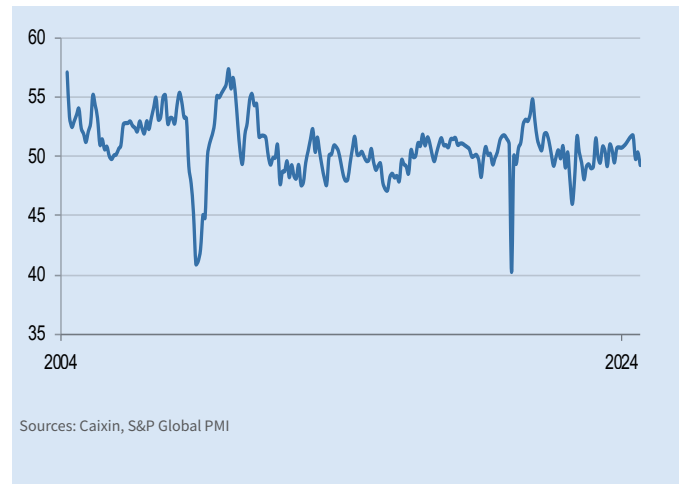
Overall confidence was affected by concerns over the global economic and trade outlooks. Optimism levels at Chinese manufacturers slipped to the second lowest recorded since data collection for this series began in April 2012. Firms also lowered headcounts amid reduced workloads and cost concerns.

Purchasing activity meanwhile declined amid reduced new work inflows and with adequate inventory holdings. In fact, the slowdown in production growth resulted in pre-production inventory holdings rising for a second successive month in September. Stocks of finished goods accumulated as well owing to outbound shipping delays and as new orders fell. Supply constraints and shipment delays notably led to another slight lengthening of lead times for the delivery of inputs to Chinese manufacturers.

The broad reduction in market demand also affected prices. Anecdotal evidence suggested that average input prices declined as orders fell. This included raw material such as metals. Manufacturers thereby lowered selling prices, including export charges, both to reflect lower input costs and to support sales as competition intensified. The rates at which input costs and output prices fell were the most pronounced in 15 and six months respectively.

China General Manufacturing PMI

sa, >50 = improvement since previous month



Key findings:

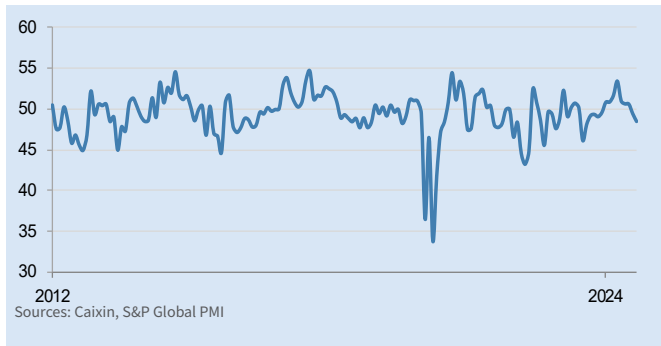
Manufacturing production growth ease to a marginal pace in September

Input prices decline at sharpest pace since June 2023

Business confidence slides to second lowest on record

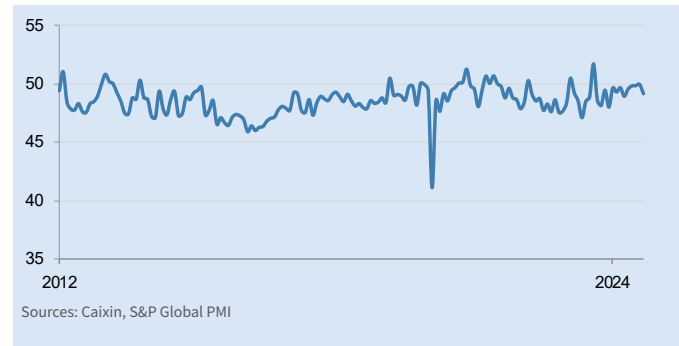
New Export Orders Index

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 was 49.3 in September, down 1.1 points from the previous month. This marked the index’s lowest reading since July 2023, reflecting the sector’s weaker climate.”

“Supply edged up while demand shrank in September. The market was characterized by diminished demand coupled with fierce competition. The gauge for total new orders fell into contractionary territory, reaching the lowest since September 2022, with demand for investment products suffering the sharpest decline.”

“Overseas demand contracted too. The corresponding indicator remained in negative territory for the second straight month, dropping to a 13-month low. In light of the notable decline in demand, existing orders were a major driver of production. In September, output grew fractionally, with the gauge standing just above 50.”

“The sector’s labor force shrank. As new orders fell, manufacturers were inclined to reduce their workforce, taking the indicator into contractionary territory, marking the 12th time in the negative zone over the past 13 months. Staff numbers at businesses producing investment and consumer products suffered even more. The remaining workforce was sufficient to absorb new orders. Backlogs of work shrank for the first time in seven months.”

“Price levels came under pressure. Input costs fell for the second month in a row, while output prices were down for the third straight month. The gauge for the former came in at the lowest level since June 2023, and the one for the latter reached the lowest since March. September’s subdued input costs were partly attributed to falling metal prices. Lower input costs together with fierce market competition pushed output prices down.”

“Supplier logistics suffered delays. Deliveries slowed for the fourth consecutive month with the time delayed remaining essentially unchanged

from the previous month. Tepid demand resulted in manufacturer purchases declining for the third straight month. Meanwhile, inventories of both raw materials and finished goods increased.”

“Business optimism was limited. Surveyed companies expressed confidence in the market for the following 12 months, but were also concerned about an economic slowdown. In September, manufacturers’ future output expectations grew only moderately, with the gauge coming in at the second-lowest level since April 2012, higher only than in June 2019.”

“Overall, market conditions in the manufacturing sector worsened in September, marked by a limited expansion in supply and a significant contraction in demand. Overseas demand came under pressure while employment deteriorated. Deliveries were delayed, manufacturer inventories grew and deflationary pressure increased. Business confidence fell to its lowest level in recent years.”

“Across the board, the latest macroeconomic data have fallen short of market expectations. The issue of insufficient effective domestic demand remains prominent, with significant pressure on employment and weak optimism constraining people’s willingness and ability to spend.”

“Meanwhile, a complex and severe external environment creates greater uncertainty for overseas demand. The economy grew 5% year-on-year in the first half of this year, and the recovery momentum in the third quarter was weak, making it challenging to achieve the annual growth target.”

“On the policy front, measures currently in the works should be sped up to take effect sooner, while the need for additional policies has only grown more urgent. Currently, there is relatively sufficient policy space. Fiscal and monetary policies should play a greater role in safeguarding people’s livelihoods, improving the job market and stimulating demand.”



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 September 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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