PMI

Caixin China General Manufacturing PMI Press Release

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Caixin China General Manufacturing PMI®

Fastest improvement in business conditions in over three years

China's manufacturing sector expanded at a more pronounced pace midway into 2024. Production growth was the fastest rate in two years, underpinned by rising new orders. Firms also acquired more inputs to support production, leading to higher stocks of purchases. Employment numbers were little changed, however.

On the price front, input cost inflation climbed to the highest since June 2022, resulting in the first increase in average selling prices so far this year. Firms were however concerned about rising competition and the possibility of slower growth ahead. Optimism was subsequently the lowest since November 2019.

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 51.8 in June, up from 51.7 in May. This indicated an eighth successive monthly improvement in the health of the sector. Furthermore, the rate of growth was the fastest since May 2021.

Manufacturing output expanded at the quickest pace in two years, with firms in the consumer segment once again recording especially sharp output growth in June. This was driven by higher new work inflows, attributed to new product launches and market development efforts by manufacturers. Export orders also continued to rise, though both the rates of new and export order books growth declined from May.

The rise in new work intakes nevertheless led to a fourth successive month of backlog accumulation. Some manufacturers opted to raise their staffing levels, though offset by redundancies and resignations at other firms. Overall, employment was subsequently close to stabilisation in June.

Purchasing levels were also raised at one of the highest rates in more than three years to keep pace with the increase in production. This led to a further accumulation of stocks of purchases. At the same time, stocks of finished goods increased marginally after depleting in May.

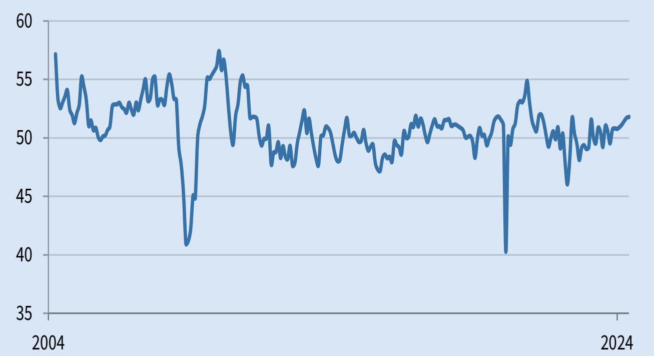
Suppliers' delivery times lengthened for the first time since February. Although marginal, this was just the third time that lead times have lengthened in the past nine months. Input material shortages and delivery constraints were often mentioned by panellists as reasons for the delays.

Further to the lengthening of delivery times, transport costs increased as well, which drove up average input costs alongside rising raw material prices. The rate of input price inflation climbed to the highest in two years, and spurred firms to lift selling prices for the first time in six months. The increase in average selling prices was the fastest in eight months and broad-based by industrial group. Export charge inflation also rose to a two-and-a-half year high.

Finally, sentiment in the Chinese manufacturing sector remained positive midway into 2024. That said, the level of confidence fell to the lowest in over four-and-a-half years, dampened by concerns over rising competition and uncertain market conditions.

China General Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Caixin, S&P Global PMI

Key findings:

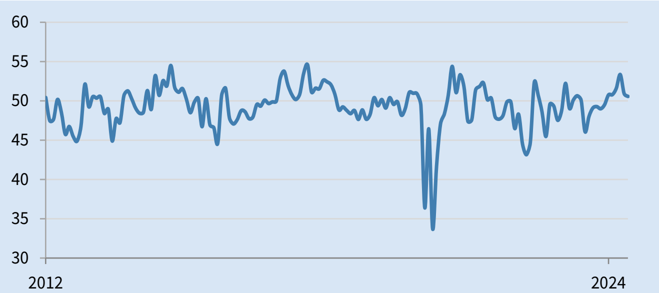
Output rises at quickest pace since June 2022 as new orders increase

Employment broadly stable

Output price inflation at eight-month high

New Export Orders Index

sa, >50 = growth since previous month



Sources: Caixin, S&P Global PMI

Employment Index

sa, >50 = growth since previous month

Sources: Caixin, S&P Global PMI

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 51.8 in June, up 0.1 of a point from the previous month. That marked the index’s eighth straight month in expansionary territory and its highest level since May 2021, showing ongoing improvement in the sector.

“Both supply and demand continued to expand. The pace of manufacturing output growth has increased for five straight months, with the production subindex hitting a two-year high. Demand also rose, keeping the subindex for total new orders in expansionary territory for the 11th consecutive month. Demand for consumer and intermediate goods was stronger than that for investment goods. Exports continued to grow, but at the slowest pace in six months, indicating slightly weaker overseas demand.

“The job market stabilized somewhat. Although the employment subindex remained in negative territory for 10 months consecutively, the magnitude of the contraction moderated in June, suggesting that the number of companies expanding their workforce was roughly equal to those reducing it. The employment picture was better at companies making consumer and intermediate goods than at those producing investment products.

“Continued growth in total new orders contributed to an increase in the backlogs of work for the fourth straight month, although the increase was slight.

“Prices rose slightly in June. Higher prices of raw materials such as steel, copper and aluminum coupled with rising freight costs pushed up input costs, causing the corresponding gauge to hit its highest in two years. Output prices ticked up, with the indicator entering expansionary territory for the first time this year.

“Supplier logistics were delayed. Delivery times increased for the first time in four months. Some regions had to deal with extreme weather and raw material shortages. Both raw material and finished goods inventories increased in June due to improved market demand and increased procurement.

“Company managers grew less optimistic. Although the gauge for future output expectations remained in positive territory, it fell by more than 3 points from the previous month, marking the lowest since November 2019. Concerns expressed by surveyed companies were focused on prominent downward pressure on the economy and intense market competition.

“Overall, the manufacturing sector kept improving in June, with supply, domestic demand, and exports continuing to grow. Manufacturers increased purchases with rising inventory and price levels. The contraction in employment moderated a bit. However, optimism among surveyed companies fell by a notable margin, indicating that market expectations need to be further strengthened.

“Recent macroeconomic data show that the economy continues to recover, with stable production, demand, employment and prices, as well as strong exports. The Caixin Manufacturing PMI has been in expansionary territory for eight consecutive months. Despite this, insufficient market confidence and effective demand remain key challenges. Looking ahead, policy support requires further consolidation. Efforts in optimizing real estate regulations, upgrading equipment on a large scale, replacing old consumer goods, and the “three major projects” — those involving affordable housing, urban village renovation, and dual-use public facilities that can be used for everyday and emergency purposes — need to be strengthened. In addition, fiscal and tax reforms should focus on creating more optimistic expectations among market participants.”

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 June 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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