Caixin China General Manufacturing PMI Press Release

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财新 Caixin

Caixin China General Manufacturing PMI®

Operating conditions deteriorate amid a renewed fall in new orders

Operating conditions in China's manufacturing sector deteriorated at the start of the second half of 2024. A renewed reduction in new work inflows underpinned a marked slowdown in the pace of output growth. As a result, firms lowered their purchasing activity, though employment conditions remained relatively stable.

On the prices front, input cost inflation eased in the latest survey period, which alongside heightened competition led to Chinese manufacturers lowering average selling prices in July. Despite the latest softening of market conditions, business confidence improved across China's manufacturing sector.

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 49.8 in July, down from 51.8 in June. Easing below the 50.0 neutral mark, the latest data signalled that conditions in the manufacturing sector deteriorated for the first time in nine months, albeit only marginally.

Manufacturing output expansion was the slowest in the nine-month sequence during July, attributed to the first fall in new orders for a year. According to panellists, subdued demand conditions and reductions in client budgets underpinned the latest fall in new work. Export orders meanwhile continued to rise, but the rate of growth slowed from June to a modest pace.

Sub-sector data revealed that reductions in new orders mainly unfolded in the investment and intermediate goods segments while the consumer goods sector expanded slightly in July.

Purchasing activity declined for the first time since October 2023 as Chinese manufacturers reduced their buying activity in a period of falling new orders. This led to a renewed depletion of stocks of purchases.

On the other hand, stocks of finished goods rose again, though this was partially driven by delays in outbound shipments. Supply constraints were further reflected by data on average lead times for the delivery of inputs, which lengthened for a second successive month.

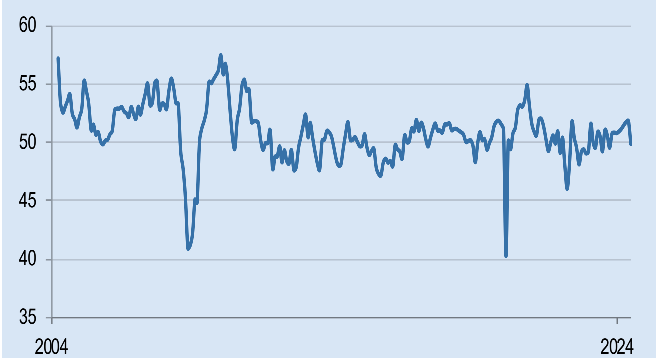
Employment levels remained relatively stable, falling only fractionally in July. While some firms added headcounts to cope with ongoing workloads, others opted to reduce staffing levels, anticipating lower production needs as new orders fell.

Turning to prices, average selling prices declined for the first time since May. Chinese manufacturers indicated reducing selling prices to support sales amid increased competition. This was partially supported by input cost inflation easing to the lowest in the current four-month sequence.

Finally, sentiment in the Chinese manufacturing sector remained positive in July, with the level of confidence rising from June's low. Despite the reduction in new work, firms were positive that business development efforts and the launch of new products can help to drive sales in the year ahead.

China General Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Caixin, S&P Global PMI

Key findings:

Output expands at the slowest pace in nine months

Average selling prices decline as input cost inflation eases

Business confidence improves in July

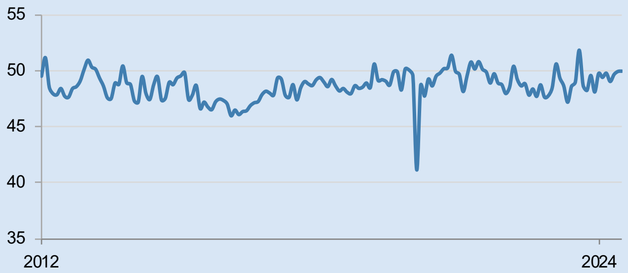
New Export Orders Index

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 49.8 in July, down 2 points from the previous month, falling into contractionary territory for the first time in nine months. That said, the sector somewhat stabilized.

“Supply continued to outpace demand. Manufacturers’ output grew for the ninth straight month in July, although the growth was marginal, indicating the production expansion was limited.

“Performance on the demand side was weaker, with total new orders declining for the first time since July last year. Clients’ subdued spending budgets resulted in sluggish demand. Sales of consumer products outperformed those of investment and intermediate goods. External demand continued to grow, but at a slightly slower pace. Overall, demand from overseas markets was stable.

“Employment remained steady. The sector’s labor market shrank for the 11th straight month in July, but the magnitude of contraction was minimal, indicating the number of companies increasing headcount was roughly equal to those reducing it.

“The backlogs of work for consumer goods manufacturers surpassed those of peers providing investment and intermediate goods. In July, the manufacturing sector’s overall backlogs of work expanded for the fifth straight month.

“Price levels were under pressure. An increase in prices for raw materials pushed up input costs moderately, keeping the gauge in expansionary territory for the fourth consecutive month. Output prices, however, decreased amid intensified market competition and sales pressure, with the corresponding gauge in contractionary territory for the sixth time in the past seven months.

“Supplier logistics were delayed, with delivery times extended for the second straight month in July and lengthened compared to the previous month. Manufacturers’ purchased items fell for the first time in nine months amid weak demand, bringing down inventories of raw materials accordingly. Meanwhile, inventories of finished goods ticked up.

“Businesses remained optimistic. Some surveyed companies expressed confidence that the release of new products would drive up sales. The gauge for future output expectations rebounded in July, but was still below its historical average, reflecting limited market optimism.

“Overall, the manufacturing sector largely stabilized in July. Supply expanded slightly, while domestic demand declined and external demand was steady. The reduction in business purchases was coupled with decreases in raw material stocks. The job market contraction was steady. Price levels faced pressure while market optimism improved slightly.

“The Third Plenum of the 20th Central Committee of the Communist Party outlined a strategic roadmap to further deepen reform comprehensively and advance Chinese modernization, providing direction for high-quality development of the economy in the future.

“Having said that, the latest data show that the real GDP growth in the second quarter slowed to 4.7% year-on-year. After achieving a good start in the first quarter, the growth rate in the second quarter was significantly lower than market expectations, making the annual growth target of around 5% challenging.

“The most prominent issues are still insufficient effective domestic demand and weak market optimism. Therefore, policy efforts should focus on stabilizing growth, improving employment, safeguarding people’s livelihoods, intensifying policy stimulus, ensuring effective implementation of previous policies, and unleashing market vitality.”

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 11-23 July 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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