

PMI

Caixin China
General Manufacturing
PMI Press Release

2023.08

Caixin China General Manufacturing PMI™

Operating conditions improve for manufacturers in August

August PMI data signalled that operating conditions across China's manufacturing sector strengthened, and at the quickest rate for six months. Firms recorded fresh increases in both output and total new work amid reports of firmer market demand. This was despite a further drop in new export business, albeit one that was modest. As a result, manufacturers expanded their purchasing activity and staffing levels, with the latter growing at the fastest rate since March 2010. Cost pressures picked up slightly, however, with average input prices rising for the first time in six months. Competition for new work meant that firms continued to reduce their selling prices, though the pace of discounting was only marginal.

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 49.2 in July to above the neutral 50.0 threshold at 51.0 in August. This signalled a fresh improvement in the health of the sector, which has strengthened in three of the past four months. Though only mild, the rate of growth was the best seen since February.

Supporting the improvement in overall business conditions was a renewed increase in new order intakes. Companies indicated that firmer underlying market conditions had helped to boost client spending. The modest upturn in overall sales occurred despite a further drop in new business from abroad in August, suggesting that stronger domestic demand was the main source of growth. The downturn in new export orders did ease compared to July, however, and was only mild.

Companies responded to greater amounts of new work by expanding production during August. Though modest, the rate of output growth was among the best seen over the past year.

Improved intakes of new business encouraged firms to increase their purchasing activity, thereby offsetting a slight reduction in July. However, caution around stock building led to a slight reduction in inventories of inputs. In contrast, finished goods stocks increased slightly for the second month running.

Planned company expansions meanwhile supported a fresh rise in employment across China's manufacturing sector in August. Though modest, the rate of job creation was the most pronounced since March 2010. Despite higher payroll numbers, backlogs of work rose marginally for the third straight month. Increased sales and, in some cases, temporary closures due to high temperatures, reportedly pushed up unfinished workloads.

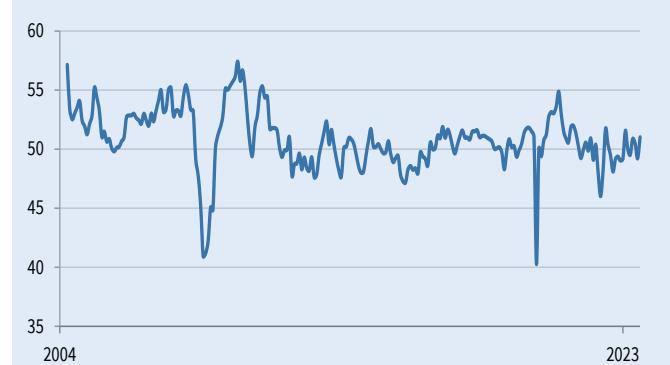
Supplier performance improved slightly in August, following a deterioration in July. Quicker lead times were generally linked to increased material availability and greater supplier capacity.

The higher cost of some raw materials, including metals, led to a renewed rise in operating expenses during August. Though marginal, the latest data marked the first upturn in input costs since February. However, competition for new business and client requests for discounts meant that average selling prices fell slightly.

Expectations regarding the 12-month outlook for output remained positive in August. Manufacturers often hoped that stronger global economic conditions and new product launches would support higher output over the coming months. That said, the overall degree of positive sentiment slipped to an 11-month low.

China General Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Caixin, S&P Global PMI

Key findings:

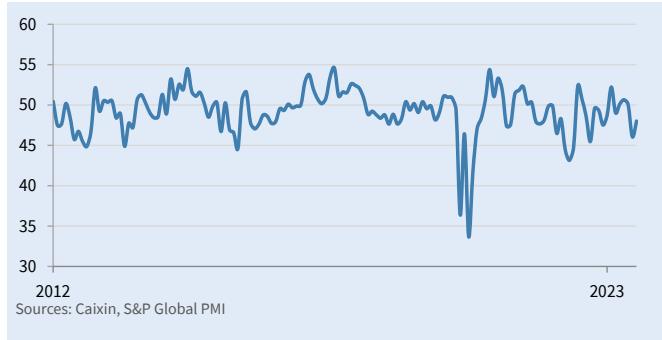
Fresh increases in output and new business

Employment returns to growth

Input costs rise for first time since February

New Export Orders Index

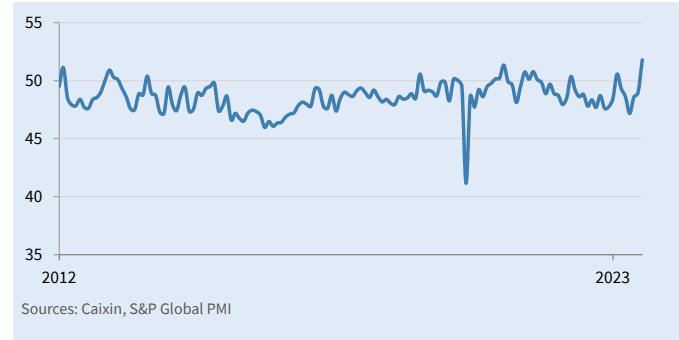
sa, >50 = growth since previous month



Sources: Caixin, S&P Global PMI

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 in August, 1.8 points higher than the July reading. It was the third time in four months that Chinese manufacturing conditions expanded, indicating that the sector was improving."

"Both supply and demand expanded. Despite the impact of high temperature on some manufacturers' production, overall market demand improved, and supply increased, with the gauges for total new orders and output both returning to expansionary territory. Overseas demand continued to drag on performance. Although the reading for new export orders rebounded, it was still well below 50, as the growing risk of recession in major economies subdued China's external demand."

"The job market in the sector also improved. As the sector expanded, the employment situation picked up accordingly for manufacturers of consumer goods, investment goods, and intermediate goods. In August, the reading for manufacturing employment rose into expansionary territory for the first time in six months, recording its highest level since March 2010. The reading for backlogs was slightly above 50, impacted modestly by extreme weather conditions."

"The gauges for prices rose marginally. Rising prices of raw materials, especially industrial metals, led the reading for manufacturing input costs to stand at or above 50 for the first time since March, but the expansion was limited. The fierce competition among manufacturers still restricted their bargaining space, and the gauge for prices charged by manufacturers to customers remained in contraction for the 15th time in the past 16 months."

"The time it took for suppliers to deliver products was shorter in August. The shortage in suppliers' inventory improved, as did the logistics situation, and the reading for suppliers' delivery times rose above 50. Manufacturers

boosted their purchases, but to a limited degree due partly to rising costs of raw materials. The inventory level of raw materials thus dropped slightly."

"Manufacturers remained optimistic. The August reading for their expectations for future output stayed above 50, though the figure was the lowest since September. Surveyed companies expressed concerns about prospects of domestic and external demand in the next 12 months."

"In August, the manufacturing sector showed overall improvement. Apart from sluggish exports, the gauges for supply, total demand, and employment were all in expansionary territory. The slight rise in prices buffered the pressure of deflation, logistics remained smooth, inventory of raw materials fell, and manufacturers held on to their optimism, although to a limited extent."

"At the beginning of the third quarter, economic indicators including those for consumption, investment, and industrial production, came in generally lower than market expectations again. The National Bureau of Statistics explained the situation with three reasons: the impact of normal seasonal fluctuations; high temperature and severe flooding in some regions; and complicated global political and economic situations, coupled with insufficient domestic demand."

"Looking ahead, seasonal impacts will gradually subside, but the problem of insufficient internal demand and weak expectations may form a vicious cycle for a longer period of time. Combined with the uncertainty in external demand, the downward pressure on the economy may continue to increase. Stabilizing expectations and increasing household income should still be the policy focus. The internal and external economic environments are becoming increasingly complex, adding to the urgency and necessity of implementing relevant supportive policies."



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@ihsmarkit.com.

Survey dates and history

Data were collected 10-22 August 2023.

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.

Read more: <https://www.caixinglobal.com/index/>

For more information, please visit

www.caixin.com

www.caixinglobal.com

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

www.spglobal.com

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

Contact

Dr. Wang Zhe

Senior Economist

Caixin Insight Group

T: +86-10-8590-5019

zhewang@caixin.com

Ma Ling

Brand and Communications

Caixin Insight Group

T: +86-10-8590-5204

lingma@caixin.com

Annabel Fiddes

Economics Associate Director

S&P Global Market Intelligence

T: +44 1491 461 010

annabel.fiddes@spglobal.com

SungHa Park

Corporate Communications

S&P Global Market Intelligence

T: +82 2 6001 3128

sungha.park@spglobal.com

PMI™

by **S&P Global**