PMI

Caixin China General Manufacturing PMI Press Release

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Caixin China General Manufacturing PMI®

Manufacturing new orders growth accelerates at the start of 2025

China's manufacturing sector expanded slightly at the start of 2025. Manufacturing production rose at a quicker pace amid higher new business inflows. As a result, purchasing activity and inventory levels both increased. Business sentiment also improved, though firms remained cautious with hiring as employment levels fell at the fastest pace in nearly five years. Output prices also declined at a quicker pace despite stable input costs, as firms offered discounts to support 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 – fell to 50.1 in January, down from 50.5 in December. Posting above the 50.0 neutral mark, the latest data signalled that conditions in the manufacturing sector improved for a fourth straight month, albeit only fractionally.

Manufacturing production in China increased for a fifteenth successive month at the start of 2025. Moreover, the pace of expansion accelerated from December, in line with the trend for new orders. According to panellists, higher new business, driven by better underlying demand and increased promotional efforts, supported the rise in output. Some manufacturers also noted that client desires to stockpile underpinned the growth in new work inflows. The rise in new orders stemmed mainly from improvements in domestic demand, however, as export orders fell fractionally in January.

On the back of better demand and hopes for further growth amid expectations of increased business development efforts and supportive government policies, sentiment improved among Chinese manufacturers at the start of the year. The level of business optimism remained below-average, however, as concerns over trade amidst US tariffs threats continued to weigh on the outlook.

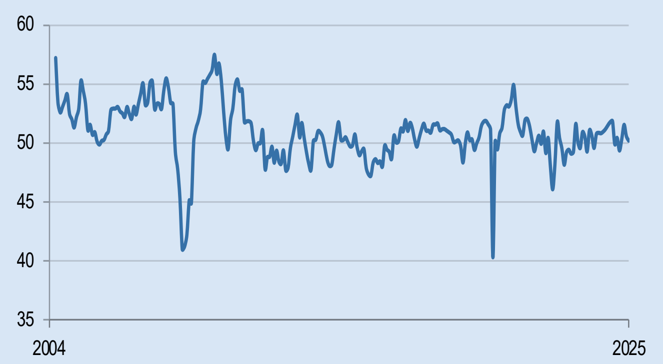
Concerns regarding expectations for growth also affected hiring decisions in January, as employment levels fell at the fastest pace since February 2020. A reduction in staffing levels and rising new orders nonetheless led to a fourth monthly accumulation of backlogged work in the Chinese manufacturing sector.

Meanwhile purchasing activity continued to expand in response to higher work inflows. The rise in input buying, coupled with an improvement in delivery times, enabled firms to grow their stocks of purchases for the sixth month in a row. Similarly for post-production inventories, a further accumulation was observed with panellists also indicating interests to retain additional inventory as buffer stocks.

Finally, average input prices stabilised at the start of the new year, with instances of suppliers offering discounts offsetting mentions of rising raw material costs. Some manufacturers therefore took the opportunity to lower selling prices to support sales, leading to a second monthly decline in average charges and at the quickest pace for one-and-a-half-years. Export charges meanwhile stabilised in line with the trend for input costs.

China General Manufacturing PMI

sa, >50 = improvement since previous month



Sources: Caixin, S&P Global PMI

Key findings:

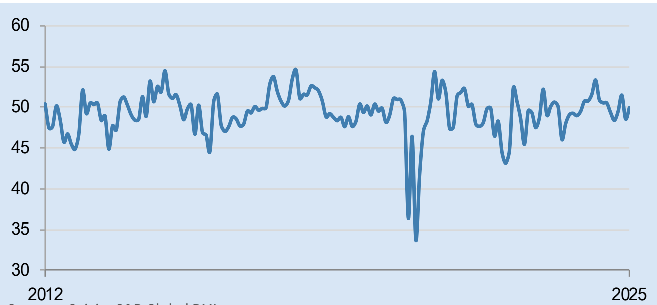
Manufacturing production growth improves in January

Staffing levels fall at quickest rate in nearly five years

Average selling prices decline at fastest pace since July 2023

New Export Orders Index

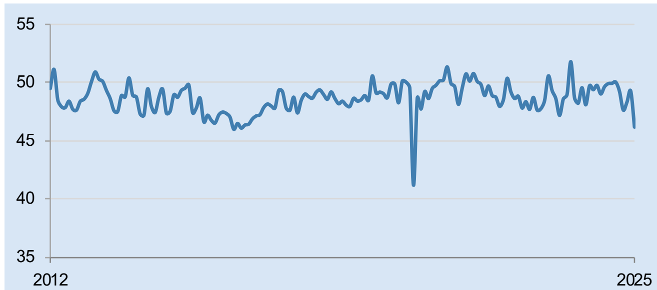
sa, >50 = growth since previous month



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 50.1 in January, down 0.4 points from December. Growth in the manufacturing sector, although limited, continued for the fourth straight month.

"Supply and demand continued to expand. Some downstream manufacturers increased inventories amid an improving market. Manufacturers' output and demand both grew at a slightly faster clip, with the gauge for output remaining in expansionary territory for the 15th consecutive month, while total new orders rose for the fourth straight month.

"The increased total new orders were driven mainly by domestic demand, as downward pressure on exports persisted with a dual decline in overseas demand for consumer goods and investment products. New export orders declined for the second consecutive month, although marginally.

"Employment fell significantly. Businesses continued to prioritize cost control, showing a muted motivation for new hires to fill vacancies. The gauge remained in contraction for the fifth straight month, reaching its lowest level since February 2020. Companies producing consumer goods experienced the sharpest contraction. Increased demand coupled with a reduced workforce kept backlogs of work growing, with the corresponding indicator in expansion for a fourth straight month.

"Prices were weak. Despite rising costs for some raw materials, some suppliers cut prices to promote sales, offsetting the effect of the increase and stabilizing the gauge for input costs. Output prices fell for the second straight month and at the sharpest rate since July 2023. Manufacturers compromised on prices in the hope of generating more sales.

"Supplier logistics accelerated moderately. Delivery times shortened with the subindex hitting a high not seen since May 2023 thanks to high logistics efficiency. In January, strong market demand prompted manufacturers to restock, keeping the indicators for purchases and inventories of raw materials and finished goods in expansionary territory.

"Businesses grew more optimistic. Surveyed companies remained hopeful about the economic outlook, although concerns over trade conditions between China and the U.S. persisted. Future output expectations continued to grow, but the reading was below its historical average.

"Overall, in January, growth in supply and demand accelerated with smooth logistics. Businesses sought to boost inventories, resulting in more purchases. The major challenges stemmed from a notable drop in employment, sluggish external demand and weak price levels.

"The policies introduced since September 2024 have delivered tangible results, enabling China to achieve its economic growth target for the year. However, the effectiveness of stimulus measures, such as large-scale equipment upgrades and trade-in programs for consumer goods, may diminish this year.

"Additionally, rising uncertainty in international policies could worsen China's export environment, posing significant challenges for the economy. In this context, macroeconomic policies must be well-prepared and adjusted promptly to adapt to evolving circumstances. Domestically, weak effective demand and sluggish consumer spending persist, underscoring the need for policies that boost disposable income. Moreover, with the number of new births in 2024 remaining at a low level, it is essential to prioritize incentives and other responsive measures to support population growth."

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 09-23 January 2025.

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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