

PMI

Caixin China
General Manufacturing
PMI Press Release

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Caixin China General Manufacturing PMI™

COVID-19 containment continues to dampen output at end of 2022

Chinese manufacturers signalled a further slight deterioration in overall business conditions at the end of 2022, as efforts to stop the spread of COVID-19 continued to disrupt operations and dampen client demand. While output fell at a softer rate compared to November, total new orders fell at a quicker pace as firms cited relatively weak market conditions. As a result, companies cut back on purchasing activity and reduced their headcounts further.

Encouragingly, business confidence around the 12-month outlook for output improved to the highest since February. Inflationary pressures meanwhile remained muted, as input costs rose modestly and prices charged fell slightly.

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 – edged down from 49.4 in November to 49.0 in December. The reading signalled a fifth successive monthly deterioration in operating conditions. Although quickening on the month to its strongest since September, the pace of decline remained marginal overall.

Weighing on the headline index was a quicker fall in overall new business during December. Though modest, the latest reduction in sales was the fastest seen for three months, with companies citing relatively weak demand conditions amid the ongoing pandemic. Foreign demand for Chinese manufactured goods also fell, and at a quicker pace than in November. Lower amounts of export work was often blamed on sluggish global economic conditions and the pandemic.

COVID-19 containment measures, including temporary factory closures, combined with softer customer demand to drive a further fall in manufacturing production at the end of the fourth quarter. The pace of contraction was the softest for four months and mild, however, with some firms noting a relative improvement in their operations compared to November.

In line with the trend observed for new orders, companies trimmed their purchasing activity at a quicker pace during December. Notably, the rate of decline was the strongest seen since April. At the same time, inventories of both purchased items and finished goods fell further.

The ongoing implementation of COVID-19 containment measures continued to impact logistics, with suppliers delivery times lengthening for the sixth month running. Though not as severe as that seen in November, the rate of deterioration was nonetheless solid overall.

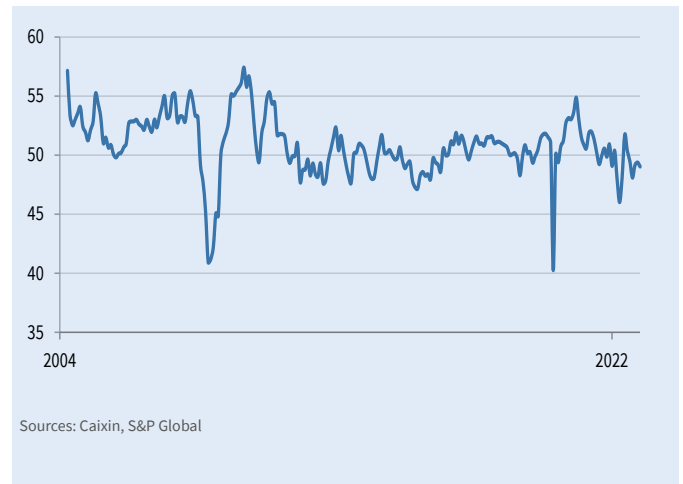
Lower production requirements and difficulties sourcing workers due to pandemic-related disruption led to a further fall in employment. The rate of reduction was only fractionally slower than November's 33-month record. Firms signalled little pressure on capacity though, as backlogs of work fell slightly for the third time in four months.

On the costs front, average input prices rose only slightly in December, with some firms noting an increase in expenses for some materials (notably metals). However, firms continued to lower their selling prices slightly as part of efforts to boost competitiveness and gain new business.

Chinese manufacturers expressed stronger optimism towards the year-ahead outlook for production in December. The level of positive sentiment improved to the highest for ten months, with companies often anticipating output to increase as the pandemic situation improves and market conditions strengthen.

China General Manufacturing PMI

sa, >50 = improvement since previous month

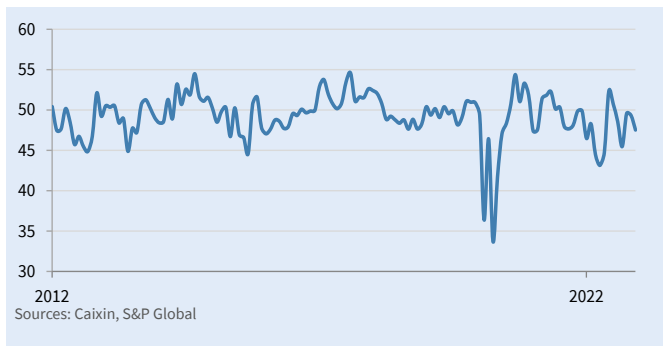


Key findings:

- Production declines further, albeit at slower rate
- Steeper fall in new orders
- Business confidence improves to 10-month high

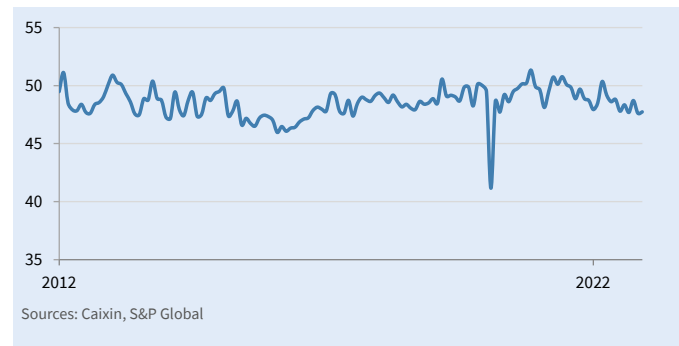
New Export Orders Index

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 in December fell 0.4 points from the previous month to 49, remaining in contractionary territory for the fifth consecutive month as Covid-19 outbreaks curtailed manufacturing activity.

“Both manufacturing supply and demand continued to shrink last month. Fallout from the pandemic was a drag on production and sales, with the subindexes for output and total new orders staying below 50 for the fourth and fifth straight months, respectively. Due to the economic downturn and weak demand overseas, the reading for new export orders also remained in contraction for the fifth straight month.

“Employment continued to shrink. The labor market was under pressure from both sluggish supply and demand. The corresponding subindex remained in contractionary territory for the ninth month running without sign of a significant rebound, logging the second-worst performance in 34 months. Due to weak demand, the sluggish hiring didn’t cause backlogs of work to rise. The gauge for backlogs fell into contraction in December.

“The gauges for input and output prices diverged amid modest inflationary pressure. Elevated prices of metals pushed up input costs, with the related measure staying slightly above 50 in December. Manufacturers’ bargaining power remained constrained given the limited demand. In December, the gauge for surveyed manufacturers’ output prices came in below 50 for the eighth straight month.

“Suppliers’ delivery times grew significantly, with the pandemic remaining the primary factor restricting the supply chain. The measure for suppliers’ delivery times rose modestly from November but stayed at a low level, indicating relatively sluggish logistics. In December, the quantity of purchases, stocks of raw materials, and inventories of finished products all

shrank for a second consecutive month.

“Optimism improved significantly among businesses. The reading for manufacturers’ expectations for future output reached the highest since February. Firms expressed strong confidence in an economic recovery following the easing of Covid containment measures.

“Overall, the pandemic continued to take a toll on the economy in December. Supply contracted, total demand remained weak, overseas demand shrank, employment deteriorated, logistics was sluggish, manufacturers faced growing pressure on their profitability, and the quantity of purchases as well as inventories stayed low. But optimism in the sector significantly improved thanks to further optimized Covid controls.

“Covid outbreaks rapidly spread across China in November, causing a number of macroeconomic indicators to fall sharply and adding to pressure on the economy. On Dec. 7, China announced 10 new measures to further optimize Covid containment. In the short term, infections are expected to explode, which will severely interfere with production and everyday life. How to effectively coordinate Covid controls with economic and social development has once again become a crucial question.

“Under pressure from shrinking demand, weakening expectations and a supply shock, the annual Central Economic Work Conference stated that the foundation for an economic recovery is not solid. Policymakers have made it clear that priority must be given to the recovery and expansion of domestic consumption. This requires not only elevated social expectations and confidence in development, but various policies to work in tandem in stabilizing the job market and effectively increasing the disposable income of residents.”



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 06-15 December 2022.

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>

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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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