

ECONOMY

May manufacturing growth steady, private survey finds

Caixin index shows expansion as production and domestic orders offset decline in export orders

Reuters in Beijing

The mainland's manufacturing sector expanded at a steady pace in May as a pickup in production and domestic business offset a second month of declines in new export orders, a private survey showed yesterday.

The Caixin/Markit Manufacturing Purchasing Managers' index (PMI) was unchanged at 51.1 in May from April, and just above economists' forecast for a slowdown to 51. It remained above the 50-point mark, which separates growth from contraction, for the 12th consecutive month.

The output subindex rose to 51.8 in May, a three-month high, while manufacturers also saw stronger growth in domestic orders and increased their purchases of inputs.

The Caixin survey suggests Chinese factories have maintained solid overall growth despite the government's war on industrial pollution, a slowing housing market and trade tensions with the United States.

An official PMI released on Thursday showed manufacturing

grew at the fastest clip in eight months, signalling broad economic resilience even though many analysts expected pressure on growth in coming months from rising financing costs and the global trade friction.

Manufacturers in May were more optimistic about future growth prospects, the Caixin survey found, although there could be uncertainty about external markets as a reading on export orders was in contraction for a second month.

Exports have maintained solid growth this year, in line with broad strength among the region's big exporters, although the rate of expansion has slowed from last year.

But the US, China's largest



Mainland factories have retained solid growth overall.

export market, said this week that it would continue to pursue action on Chinese imports, including tariffs, just days after Washington and Beijing announced a tentative solution to their dispute and suggested that tensions had cooled.

"The index for new export orders picked up in May, but remained in contraction territory, reflecting that the export situation was still grim," Zhong Zhengsheng, director of Macroeconomic Analysis at CEBM Group, said in a note accompanying the survey.

Inflation pressures were picking up, as higher commodity prices pushed up input prices at the fastest pace in three months, the survey found. Zhong said industrial products price gains would help boost manufacturers' profits.

Manufacturers were able to raise their sales prices at the fastest pace this year, indicating stronger downstream demand was allowing factories to pass along most of their cost increases.

Indeed, the spread of the input price subindex over the output price subindex was the lowest since October 2016.

An employment subindex showed that mainland factories continued to shed workers as companies said they were looking to cut costs.