

# PMI Report on China Manufacturing

## CFLP

### 中國物流與採購聯合會

China Federation of Logistics & Purchasing (CFLP) is the logistics and purchasing industry association approved by the State Council. CFLP's mission is to push forward the development of the logistics industry and the procurement businesses of both government and enterprises, as well as the circulation of factors of production in China. The government authorizes the CFLP to produce industry statistics and set industry standards. CFLP is also China's representative in the Asian-Pacific Logistics Federation (APLF) and the International Federation of Purchasing and Supply Management (IFPSM).

## NBS

### 國家統計局

The National Bureau of Statistics (NBS), an agency directly under the State Council in China, is in charge of the country's statistics. It is responsible for formulating statistical policies and establishing the national statistical system, drafting and enforcing the statistical laws and regulations, setting up and improving the national economic accounting system, conducting censuses, as well as making statistical analyses and forecasts of the macroeconomy, social development, scientific advancement, resources and environment.

## China Manufacturing PMI

### 中國製造業採購經理指數

The CFLP China Manufacturing Purchasing Managers' Index (PMI) provides an early indication each month of economic activities in the Chinese manufacturing sector. The CFLP and the NBS collaborate to collect data, compile and publish the index.

## Global Sourcing

### Fung Business Intelligence

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## PMI rises to 51.8 in March

**Output, New Orders, New Export Orders, Purchases of Inputs, Imports, Expanding.**

**Stocks of Finished Goods, Stocks of Major Inputs, Backlogs of Orders, Contracting.**

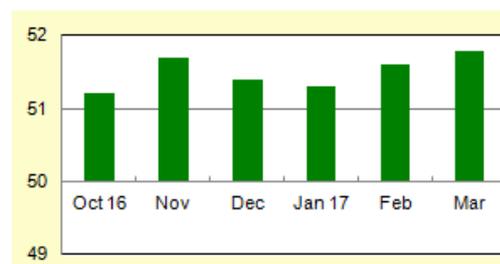
**Input Prices, Ex-factory Prices, Rising.**

**Suppliers' Delivery, Faster.**

**Business Expectations, Optimistic.**

## China Manufacturing PMI, seasonally adjusted

Month	PMI
Oct 16	51.2
Nov	51.7
Dec	51.4
Jan 17	51.3
Feb	51.6
Mar	51.8



China's manufacturing PMI rose from 51.6 in February to 51.8 in March, the highest level in almost five years. The March reading indicates that the manufacturing sector in China has expanded at a fast pace recently.

6 of the 13 sub-indices were higher than their respective levels in the previous month. The new orders index and the new export orders index gained 0.3 pts and 0.2 pts respectively in March, showing an improvement in both domestic and export demand.<sup>1</sup> Meanwhile, the output index rose by 0.5 pts from the previous month to 54.2 in March, the highest since August 2014, indicating a rapid growth in output. Also noteworthy is that the input prices index fell from 64.2 in February to 59.3 in March, showing that the prices of production inputs have risen at a slower pace.

By size of enterprises, the PMI of 'large enterprises' came in at 53.3 in March, the same as in February. The PMI of 'medium enterprises' fell slightly to 50.4 in March from 50.5 in February, while the PMI of 'small enterprises' came in at 48.6 in March, up from 46.4 in February.

The output index was 54.2 in March, up from 53.7 in February. The output index of 'large enterprises' went down to 56.1 in March from 56.6 in February; the output index of 'medium enterprises' was 53.1 in March, up from 51.6 in February; the output index of 'small enterprises' rose to 48.8 in March from 45.6 in February.

<sup>1</sup> The 'new orders index' covers both domestic and export orders. That is to say, the manufacturers are not asked to differentiate between domestic and export orders when filling in questionnaires.

The new orders index advanced to 53.3 in March, compared to 53.0 in February. By size of enterprises, the new orders index of 'large enterprises' was 55.5 in March, down from 55.8 in February. The new orders index of 'medium enterprises' was 50.6 in March, compared to 51.5 in February. Meanwhile, the new orders index of 'small enterprises' rose to 48.2 in March from 44.2 in February.

The new export orders index went up to 51.0 in March, compared to 50.8 in February. The new export orders index of 'large enterprises' remained above the critical 50-mark, registering 51.9 in March. Meanwhile, the new export orders indices of 'medium enterprises' and 'small enterprises' were 49.8 and 47.5 respectively in March.

The backlogs of orders index edged up to 46.1 in March, compared to 46.0 in February. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 47.1, 44.6 and 45.0 respectively in March.

The stocks of finished goods index came in at 47.3 in March, down from 47.6 in February. By size of enterprises, the stocks of finished goods indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 48.7, 45.9 and 45.2 respectively in March.

The purchases of inputs index was 53.4 in March, up from 51.4 in February. The purchases of inputs indices of 'large enterprises' and 'medium enterprises' were in the expansionary zone, registering 55.2 and 51.8 respectively in March. Meanwhile, the purchases of inputs index of 'small enterprises' was 49.4 in March.

The imports index was 50.5 in March, down from 51.2 in February. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 51.2, 47.6 and 52.9 respectively in March.

The input prices index fell to 59.3 in March, compared to 64.2 in February. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50, registering 59.7, 58.2 and 59.9 respectively in March.

The stocks of major inputs index came in at 48.3 in March, down from 48.6 in February. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 49.1, 47.0 and 47.9 respectively in March.

The ex-factory prices index was 53.2 in March, down from 56.3 in February.<sup>2</sup> The ex-factory prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above the neutral level of 50, registering 53.8, 52.3 and 52.6 respectively in March.

The employment index came in at 50.0 in March, up from 49.7 in February. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 51.2, 48.5 and 48.4 respectively in March.

The suppliers' delivery time index dropped to 50.3 in March from 50.5 in February. A reading above 50 implies faster delivery; below 50, slower delivery time. The suppliers' delivery time indices of 'large enterprises', 'medium enterprises' and 'small enterprises' registered 50.5, 50.0 and 50.5 respectively in March.

The business expectations index went down from 60.0 in February to 58.3 in March, but was still well above the critical 50-mark. The latest reading indicates that purchasing managers have remained optimistic recently.<sup>3</sup> The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 58.9, 58.1 and 56.4 respectively in March.

<sup>2</sup> The ex-factory prices index has been published since January 2017.

<sup>3</sup> Since January 2017, a new method of seasonal adjustment to the business expectations index has been adopted; and accordingly, the historical readings of the index have been revised.

**China Manufacturing at a Glance — March 2017**

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	51.8	Higher	Expanding
Output	54.2	Higher	Expanding
New Orders	53.3	Higher	Expanding
New Export Orders	51.0	Higher	Expanding
Backlogs of Orders	46.1	Higher	Contracting
Stocks of Finished Goods	47.3	Lower	Contracting
Purchases of Inputs	53.4	Higher	Expanding
Imports	50.5	Lower	Expanding
Input Prices	59.3	Lower	Rising
Ex-factory Prices	53.2	Lower	Rising
Stocks of Major Inputs	48.3	Lower	Contracting
Employment	50.0	Higher	Stable
Suppliers' Delivery Time	50.3	Lower	Quickening
Business Expectations	58.3	Lower	Optimistic

## About China Manufacturing PMI:

China Manufacturing Purchasing Managers' Index (PMI) provides an early indication each month of economic activities in the Chinese manufacturing sector. It is jointly published by China Federation of Logistics & Purchasing (CFLP) and the National Bureau of Statistics (NBS). Fung Business Intelligence is responsible for drafting and disseminating the English PMI report.

Every month questionnaires are sent to 3,000 manufacturing enterprises all over China. The data presented herein is compiled from the enterprises' responses about their purchasing activities and supply situations. CFLP makes no representation regarding the data collection procedures, nor does it disclose any data of individual enterprises. The PMI should be compared to other economic data sources when used in decision-making.

3,000 manufacturing enterprises in 31 industries from Eastern, Northeastern, Central and Western China are surveyed. The sampling of the enterprises involves the use of Probability Proportional to Size Sampling (PPS), which means the selection of enterprises surveyed is largely based on each industry's contribution to GDP, and the representation of each geographical region.

There are 13 sub-indicators in the survey: Output, New Orders, New Export Orders, Backlogs of Orders, Stocks of Finished Goods, Purchases of Inputs, Imports, Input Prices, Stocks of Major Inputs, Ex-factory Prices, Employment, Suppliers' Delivery Time and Business Expectations. An index reading above 50 indicates an overall positive change in a sub-indicator; below 50, an overall negative change.

The PMI is a composite index based on the seasonally adjusted indices for five of the sub-indicators with varying weights: New Orders—30%; Output—25%; Employment—20%; Suppliers' Delivery Time—15%; and Stocks of Major Inputs—10%. A PMI reading above 50 indicates an overall expansion in the manufacturing sector; below 50, an overall contraction.

Currently there are more than twenty countries and regions conducting the PMI survey and compilation, based on an internationally standardized methodology.



**Fung Business Intelligence** collects, analyses and interprets market data on global sourcing, supply chains, distribution, retail and technology.

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