

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 Centre

Helen Chin, Timothy Cheung

(852) 2300 2471

helenchin@fung1937.com

timothycheung@fung1937.com

PMI rises to 50.2 in March

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

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

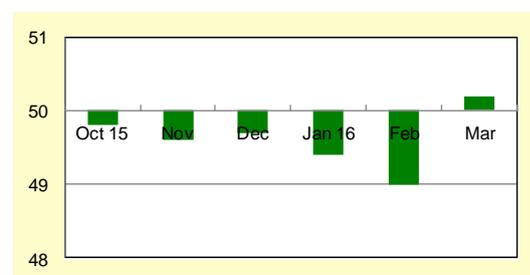
Input Prices, Rising.

Suppliers' Delivery, Faster.

Business Expectations, Optimistic.

China Manufacturing PMI, seasonally adjusted

15/16	PMI
Oct	49.8
Nov	49.6
Dec	49.7
Jan	49.4
Feb	49.0
Mar	50.2



China's manufacturing PMI came in at 50.2 in March, above the critical 50-mark for the first time since July last year. The latest PMI reading indicates the expansion of the manufacturing sector in China.

Except the stocks of finished goods index, all sub-indices were higher than their respective levels in the previous month. Both the new orders index and the new export orders index rose above the critical 50-mark in March, indicating expansion of new domestic and export orders.¹ In response to the improvement in demand, manufacturers have increased their output recently. The output index went up by 2.1 pts from the previous month to 52.3 in March. Also noteworthy is that the input prices index rose sharply from 50.2 in February to 55.3 in March. The index has stayed above 50 for two consecutive months, showing sign that prices of production inputs have been bottoming out.

By size of enterprises, the PMI of 'large enterprises' went up to 51.5 in March from 49.9 in February, while the PMI of 'medium enterprises' rose slightly to 49.1 in March from 49.0 in February. The PMI of 'small enterprises' rebounded to 48.1 in March from 44.4 in February.

The output index was 52.3 in March, up from 50.2 in February. The output indices of 'large enterprises' and 'medium enterprises' were 54.4 and 50.7 respectively in March, up from 51.9 and 50.2 respectively in February. Meanwhile, the output index of 'small enterprises' rebounded sharply to 48.8 in March from 42.5 in February.

¹ 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 was 51.4 in March, up from 48.6 in February. By size of enterprises, the new orders index of 'large enterprises' was 53.5 in March, up from 50.5 in February. The new orders index of 'medium enterprises' rose to 49.1 in March from 47.5 in February, while that of 'small enterprises' went up to 48.0 in March from 41.6 in February.

The new export orders index rose to 50.2 in March, compared to 47.4 in February. The new export orders index of 'large enterprises' rose above the neutral level of 50, registering 51.4 in March. The new export orders indices of 'medium enterprises' and 'small enterprises' were still below 50, registering 47.9 and 46.0 respectively in March.

The backlogs of orders index went up to 45.7 in March, compared to 43.9 in February. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 46.4, 44.1 and 45.5 respectively in March.

The stocks of finished goods index came in at 46.0 in March, down from 46.4 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 46.0, 45.6 and 46.3 respectively in March.

The purchases of inputs index went up to 52.6 in March, compared to 47.9 in February. The purchases of inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50, registering 53.7, 51.2 and 50.9 respectively in March.

The imports index was 50.1 in March, up from 45.8 in February. The imports index of 'large enterprises' was 51.2 in March. Meanwhile, the imports indices of 'medium enterprises' and 'small enterprises' were still below the neutral level of 50, recording 47.0 and 48.5 respectively in March.

The input prices index went up to 55.3 in March, compared to 50.2 in February. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50, registering 55.6, 55.6 and 53.1 respectively in March.

The stocks of major inputs index came in at 48.2 in March, up slightly from 48.0 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 48.3, 48.5 and 47.1 respectively in March.

The employment index came in at 48.1 in March, up from 47.6 in February. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, recording 48.5, 47.6 and 47.4 respectively in March.

The suppliers' delivery time index rose to 51.3 in March from 49.8 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 51.4, 51.0 and 51.6 respectively in March.

The business expectations index rose strongly from 57.9 in February to 62.6 in March, staying above the critical 50-mark for two consecutive months. The latest index reading indicates that purchasing managers have become more optimistic about the near term outlook for their respective industries. The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 64.2, 61.3 and 58.0 respectively in March.

China Manufacturing at a Glance — March 2016

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	50.2	Higher	Expanding
Output	52.3	Higher	Expanding
New Orders	51.4	Higher	Expanding
New Export Orders	50.2	Higher	Expanding
Backlogs of Orders	45.7	Higher	Contracting
Stocks of Finished Goods	46.0	Lower	Contracting
Purchases of Inputs	52.6	Higher	Expanding
Imports	50.1	Higher	Expanding
Input Prices	55.3	Higher	Rising
Stocks of Major Inputs	48.2	Higher	Contracting
Employment	48.1	Higher	Contracting
Suppliers' Delivery Time	51.3	Higher	Quickening
Business Expectations	62.6	Higher	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). The Fung Business Intelligence Centre 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 21 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 12 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, 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.



The Fung Group is a privately held multinational group of companies headquartered in Hong Kong whose core businesses are trading, logistics, distribution and retailing. The Fung Group employs over 46,800 people across 40 economies worldwide, generating total revenue of over US\$24.65 billion in 2014. Fung Holdings (1937) Limited, a privately held business entity headquartered in Hong Kong, is the major shareholder of the Fung group of companies.

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The Fung Business Intelligence Centre (FBIC) collects and analyses market data on sourcing, supply chains, distribution and retail. It also provides thought leadership on technology and other key issues shaping their future.

Headquartered in Hong Kong, FBIC leverages unique relationships and information networks to track and report on trends and developments in China and other Asian countries. In addition, its New York-based Global Retail & Technology research team follows broader retail and technology trends, specialising in how they intersect and building collaborative knowledge communities around the revolution occurring worldwide at the retail interface.

Since its establishment in 2000, the FBIC (formerly known as the Li & Fung Research Centre) has served as the knowledge bank and think tank for the Fung Group. Through regular research reports and other publications, it makes its market data, impartial analysis and expertise available to businesses, scholars and governments around the world. It also provides advice and consultancy services to colleagues and business partners of the Fung Group on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

The Fung Business Intelligence Centre.
10/F, Li Fung Tower, 888 Cheung Sha Wan Road, Hong Kong
Tel: (852) 2300 2470 Fax: (852) 2635 1598 E-mail: fbicgroup@fung1937.com

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