

# 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

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## PMI rises to 51.7 in August

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

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

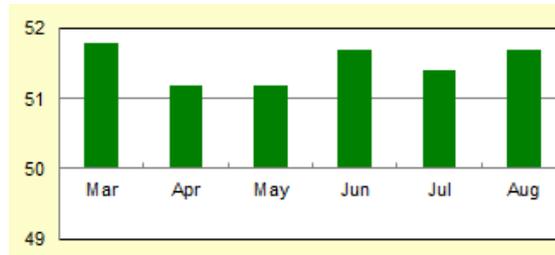
*Input Prices, Ex-factory Prices, Rising*

*Suppliers' Delivery, Slower.*

*Business Expectations, Optimistic.*

### China Manufacturing PMI, seasonally adjusted

Month	PMI
Mar	51.8
Apr	51.2
May	51.2
Jun	51.7
Jul	51.4
Aug	51.7



China's manufacturing PMI rebounded by 0.3 pts from the previous month to 51.7 in August, close to the recent peak of 51.8 in March this year, indicating that the manufacturing sector in China has expanded at a relatively fast pace recently.

7 of the 13 sub-indices were higher than their respective levels in the previous month. The output index rose from 53.5 in July to 54.1 in August, showing an acceleration in output growth. The new orders index gained 0.3 pts in August.<sup>1</sup> In contrast, the new export orders index fell by 0.5 pts in August. The figures indicate that the growth in new export orders decelerated and the growth in new domestic orders improved in the month. Particularly noteworthy is that the input prices and the ex-factory prices indices jumped by 7.4 pts and 4.7 pts respectively in August, showing a sharp rise in both the prices of production inputs and the ex-factory prices of finished products in the month.

By size of enterprises, the PMI of 'large enterprises' came in at 52.8 in August, down slightly from 52.9 in July. The PMI of 'medium enterprises' went up to 51.0 in August from 49.6 in July, while the PMI of 'small enterprises' rose to 49.1 in August from 48.9 in July.

The output index was 54.1 in August, up from 53.5 in July. The output index of 'large enterprises' fell to 55.5 in August from 56.0 in July; the output index of 'medium enterprises' was 52.9 in August, up from 51.2 in July; the output index of 'small enterprises' rose to 51.2 in August from 48.3 in July.

<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 went up to 53.1 in August, compared to 52.8 in July. By size of enterprises, the new orders index of 'large enterprises' was 54.8 in August, up from 52.8 in July. Meanwhile, the new orders index of 'medium enterprises' rose to 52.2 in August from 50.2 in July; the new orders index of 'small enterprises' improved to 48.0 in August from 47.7 in July.

The new export orders index dropped to 50.4 in August, compared to 50.9 in July. The new export orders index of 'large enterprises' was 51.3 in August. Meanwhile, the new export orders indices of 'medium enterprises' and 'small enterprises' remained below the critical 50-mark, registering 48.3 and 47.9 respectively in August.

The backlogs of orders index went down to 46.1 in August, compared to 46.3 in July. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 47.3, 43.6 and 45.9 respectively in August.

The stocks of finished goods index came in at 45.5 in August, down from 46.1 in July. 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 45.8, 45.2 and 44.9 respectively in August.

The purchases of inputs index was 52.9 in August, up slightly from 52.7 in July. The purchases of inputs indices of 'large enterprises' and 'medium enterprises' were in the expansionary zone, registering 54.8 and 51.1 respectively in August. Meanwhile, the purchases of inputs index of 'small enterprises' was 48.9 in August.

The imports index went up to 51.4 in August from 51.1 in July. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 53.0, 46.2 and 50.7 respectively in August.

The input prices index jumped to 65.3 in August, compared to 57.9 in July. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were above 50, registering 66.0, 65.9 and 61.7 respectively in August.

The stocks of major inputs index dropped slightly to 48.3 in August, compared to 48.5 in July. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 48.9, 47.5 and 47.6 respectively in August.

The ex-factory prices index was 57.4 in August, up sharply from 52.7 in July.<sup>2</sup> The ex-factory prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were above the neutral level of 50, registering 58.4, 56.8 and 54.7 respectively in August.

The employment index fell slightly to 49.1 in August from 49.2 in July. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 49.9, 48.1 and 47.8 respectively in August.

The suppliers' delivery time index dropped to 49.3 in August from 50.1 in July. 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 49.5, 48.6 and 49.7 respectively in August.

The business expectations index went up from 59.1 in July to 59.5 in August, indicating that confidence among purchasing managers has improved recently.<sup>3</sup> The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 61.8, 56.9 and 55.6 respectively in August.

<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 — August 2017**

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	51.7	Higher	Expanding
Output	54.1	Higher	Expanding
New Orders	53.1	Higher	Expanding
New Export Orders	50.4	Lower	Expanding
Backlogs of Orders	46.1	Lower	Contracting
Stocks of Finished Goods	45.5	Lower	Contracting
Purchases of Inputs	52.9	Higher	Expanding
Imports	51.4	Higher	Expanding
Input Prices	65.3	Higher	Rising
Ex-factory Prices	57.4	Higher	Rising
Stocks of Major Inputs	48.3	Lower	Contracting
Employment	49.1	Lower	Contracting
Suppliers' Delivery Time	49.3	Lower	Slowing
Business Expectations	59.5	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). 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.



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