

# 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 drops to 51.6 in December

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

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

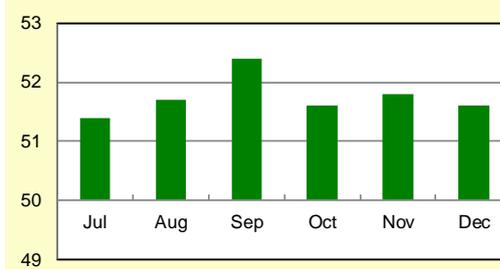
**Input Prices, Ex-factory Prices, Rising.**

**Suppliers' Delivery, Slower.**

**Business Expectations, Optimistic.**

### China Manufacturing PMI, seasonally adjusted

| Month | PMI  |
|-------|------|
| Jul   | 51.4 |
| Aug   | 51.7 |
| Sep   | 52.4 |
| Oct   | 51.6 |
| Nov   | 51.8 |
| Dec   | 51.6 |



After rising slightly from 51.6 in October to 51.8 in November, China's manufacturing PMI edged down to 51.6 in December, indicating that the manufacturing sector in China has expanded at a stable pace recently.

7 of the 13 sub-indices were lower than their respective levels in the previous month. The output index fell by 0.3 pts in December, showing a modest deceleration in the output growth. Besides, the new orders index dropped by 0.2 pts in December.<sup>1</sup> In contrast, the new export orders index gained 1.1 pts. in the same month. The index readings show that the domestic demand moderated while the export demand improved over the period. Also noteworthy is that the input prices index went up to 62.2 in December, well above the critical 50-mark, showing a marked rise in the prices of production inputs.

By size of enterprises, the PMI of 'large enterprises' came in at 53.0 in December, up slightly from 52.9 in November. The PMI of 'medium enterprises' moderated to 50.4 in December from 50.5 in November, while the PMI of 'small enterprises' fell to 48.7 in December from 49.8 in November.

The output index was 54.0 in December, down from 54.3 in November. The output index of 'large enterprises' went up to 56.4 in December from 56.1 in November; the output index of 'medium enterprises' was 51.8 in December, down from 52.3 in November; the output index of 'small enterprises' fell to 48.8 in December from 50.6 in November.

<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 dropped slightly to 53.4 in December, compared to 53.6 in November. By size of enterprises, the new orders index of 'large enterprises' was 55.7 in December, up from 55.5 in November. Meanwhile, the new orders index of 'medium enterprises' came in at 51.1 in December, down from 51.8 in November; the new orders index of 'small enterprises' dropped to 48.5 in December from 49.5 in November.

The new export orders index improved to 51.9 in December, compared to 50.8 in November. The new export orders index of 'large enterprises' was 53.5 in December. Meanwhile, the new export orders indices of 'medium enterprises' and 'small enterprises' remained below the critical 50-mark, registering 48.8 and 45.7 respectively in December.

The backlogs of orders index moderated to 46.3 in December, compared to 46.6 in November. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 46.8, 46.6 and 43.9 respectively in December.

The stocks of finished goods index fell to 45.8 in December, compared to 46.1 in November. 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 45.9, 45.4 and 46.4 respectively in December.

The purchases of inputs index was 53.6 in December, up slightly from 53.5 in November. The purchases of inputs indices of 'large enterprises' and 'medium enterprises' remained in the expansionary zone, registering 56.3 and 51.0 respectively in December. Meanwhile, the purchases of inputs index of 'small enterprises' was 47.9 in December.

The imports index went up slightly to 51.2 in December from 51.0 in November. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 51.7, 50.2 and 47.9 respectively in December.

The input prices index rose to 62.2 in December, compared to 59.8 in November. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50, registering 62.2, 62.3 and 62.1 respectively in December.

The stocks of major inputs index dropped to 48.0 in December, compared to 48.4 in November. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 48.4, 47.9 and 46.6 respectively in December.

The ex-factory prices index was 54.4 in December, up from 53.8 in November.<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 54.9, 53.5 and 54.1 respectively in December.

The employment index was 48.5 in December, down from 48.8 in November. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 49.0, 47.9 and 47.8 respectively in December.

The suppliers' delivery time index came in at 49.3 in December, down from 49.5 in November. 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 50.0, 48.5 and 48.3 respectively in December.

The business expectations index rose by 0.8 pts from the previous month to 58.7 in December, well above the critical 50-mark, indicating that purchasing managers have stayed optimistic recently.<sup>3</sup> The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 60.7, 57.2 and 53.8 respectively in December.

<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 — December 2017**

| Index                    | S. Adj Index | Index Compared with the Previous Month | Direction   |
|--------------------------|--------------|--|-------------|
| PMI                      | 51.6         | Lower                                  | Expanding   |
| Output                   | 54.0         | Lower                                  | Expanding   |
| New Orders               | 53.4         | Lower                                  | Expanding   |
| New Export Orders        | 51.9         | Higher                                 | Expanding   |
| Backlogs of Orders       | 46.3         | Lower                                  | Contracting |
| Stocks of Finished Goods | 45.8         | Lower                                  | Contracting |
| Purchases of Inputs      | 53.6         | Higher                                 | Expanding   |
| Imports                  | 51.2         | Higher                                 | Expanding   |
| Input Prices             | 62.2         | Higher                                 | Rising      |
| Ex-factory Prices        | 54.4         | Higher                                 | Rising      |
| Stocks of Major Inputs   | 48.0         | Lower                                  | Contracting |
| Employment               | 48.5         | Lower                                  | Contracting |
| Suppliers' Delivery Time | 49.3         | Lower                                  | Slowing     |
| Business Expectations    | 58.7         | 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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