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.

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PMI falls to 49.4 in December
Output, Expanding.
New Orders, New Export Orders, Stocks of Finished Goods, Purchases of Inputs, Stocks of Major Inputs, Backlogs of Orders, Imports, Contracting.
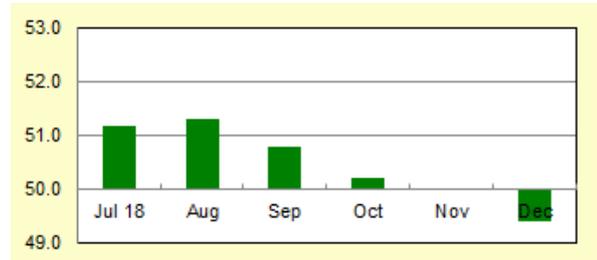*Input Prices, Ex-factory Prices, Falling.*
Suppliers' Delivery, Faster.
Business Expectations, Optimistic.

China Manufacturing PMI, seasonally adjusted

Month	PMI
Jul 18	51.2
Aug	51.3
Sep	50.8
Oct	50.2
Nov	50.0
Dec	49.4

China's manufacturing PMI came in at 49.4 in December, falling below the critical 50-mark for the first time since August 2016. The latest reading indicates that the manufacturing sector has contracted recently amid the weakening domestic and export demand.

Except the suppliers' delivery time index, all sub-indices were lower than their respective levels in the previous month. For the first time since March 2016, the new orders index dipped into the contractionary zone in December. Meanwhile, the new export orders index fell to 46.6 in December, the lowest level since December 2015. Against this backdrop, the growth of production activities has slowed: the output index went down to a ten-month low of 50.8 in December. Also noteworthy is that the input prices index dropped below 50, registering 44.8 in December. The latest reading shows a recent drop in prices of production inputs. In response to the sluggish demand and the fall in upstream prices, Chinese manufacturers have slashed the prices of their products lately: the ex-factory prices index dropped to 43.3 in December, well below 50.

By size of enterprises, the PMI of 'large enterprises' came in at 50.1 in December, down from 50.6 in November. The PMI of 'medium enterprises' fell to 48.4 in December from 49.1 in November. The PMI of 'small enterprises' went down to 48.6 in December from 49.2 in November.

The output index was 50.8 in December, down from 51.9 in November. The output index of 'large enterprises' dropped to 52.1 in December from 53.1 in November; the output index of 'medium enterprises' was 48.9 in December, down from 50.0 in November; the output index of 'small enterprises' fell to 49.5 in December from 51.3 in November.

The new orders index went down to 49.7 in December from 50.4 in November. By size of enterprises, the new orders index of 'large enterprises' fell to 50.8 in December from 51.5 in November. Meanwhile, the new orders index of 'medium enterprises' dropped to 48.4 in December, compared to 49.5 in November; the new orders index of 'small enterprises' came in at 48.4 in December, down slightly from 48.5 in November.

The new export orders index came in at 46.6 in December, down from 47.0 in November. The new export orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' registered 47.6, 43.0 and 49.9 respectively in December, below the critical 50-mark.

The backlogs of orders index was 44.1 in December, down from 44.3 in November. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 45.6, 42.9 and 41.2 respectively in December.

The stocks of finished goods index was 48.2 in December, down from 48.6 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 49.7, 46.6 and 45.8 respectively in December.

The purchases of inputs index was 49.8 in December, down from 50.8 in November. The purchases of inputs index of 'large enterprises' stayed in the expansionary zone, registering 51.1 in December. Meanwhile, the purchases of inputs indices of 'medium enterprises' and 'small enterprises' were 48.3 and 48.0 respectively in the same month.

The imports index went down to 45.9 in December from 47.1 in November. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 46.1, 44.9 and 47.5 respectively in December.

The input prices index came in at 44.8 in December, down sharply from 50.3 in November. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were below 50, registering 44.2, 45.4 and 45.7 respectively in December.

The stocks of major inputs index went down to 47.1 in December, compared to 47.4 in November. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 47.9, 46.1 and 46.1 respectively in December.

The ex-factory prices index was 43.3 in December, down from 46.4 in November.[1] The ex-factory prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 42.2, 44.0 and 45.7 respectively in the month.

The employment index was 48.0 in December, down from 48.3 in November. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 48.1, 47.8 and 47.9 respectively in December.

The suppliers' delivery time index came in at 50.4 in December, up slightly from 50.3 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 50.6, 50.5 and 49.7 respectively in December.

The business expectations index fell to 52.7 in December from 54.2 in November.[2] The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 54.8, 50.7 and 49.3 respectively in December.

1 The ex-factory prices index has been published since January 2017.
2 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 2018

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	49.4	Lower	Contracting
Output	50.8	Lower	Expanding
New Orders	49.7	Lower	Contracting
New Export Orders	46.6	Lower	Contracting
Backlogs of Orders	44.1	Lower	Contracting
Stocks of Finished Goods	48.2	Lower	Contracting
Purchases of Inputs	49.8	Lower	Contracting
Imports	45.9	Lower	Contracting
Input Prices	44.8	Lower	Falling
Ex-factory Prices	43.3	Lower	Falling
Stocks of Major Inputs	47.1	Lower	Contracting
Employment	48.0	Lower	Contracting
Suppliers' Delivery Time	50.4	Higher	Quickening
Business Expectations	52.7	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.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

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