

# 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 rose to 49.7 in December

**Output, New Orders, Purchases of Inputs, expanding.**

**New Export Orders, Stocks of Finished Goods, Backlogs of Orders, Imports, Stocks of Major Inputs, contracting.**

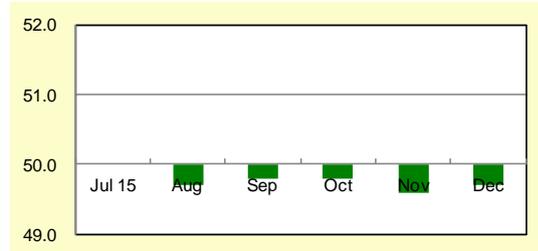
**Input Prices, falling.**

**Suppliers' Delivery, faster.**

**Business Expectations, pessimistic.**

## China Manufacturing PMI, seasonally adjusted

2015	PMI
Jul	50.0
Aug	49.7
Sep	49.8
Oct	49.8
Nov	49.6
Dec	49.7



China's manufacturing PMI came in at 49.7 in December, up from the recent low of 49.6 in November. The PMI has been slightly below the critical 50-mark for five consecutive months, indicating slow contraction in the manufacturing sector in China.

9 of the 12 sub-indices were higher than their respective levels in the previous month. The new orders index improved to 50.2 in December, returning to the expansionary zone in the month.<sup>1</sup> Besides, the purchases of inputs index rose strongly by 2.0 pts. from the previous month to 50.3 in December, indicating a recovery in purchasing activities. Meanwhile, the inputs price index came in at 42.4 in December. The index reading was well below the critical 50-mark in the month, indicating the prices of production inputs have dropped at a fast pace recently.

By size of enterprises, the PMI of 'large enterprises' went down to 50.9 in December from 51.2 in November. In contrast, the PMI of 'medium enterprises' rose to 49.6 in December from 48.3 in November, while the PMI of 'small enterprises' went up slightly to 44.9 in December from 44.8 in November.

The output index was 52.2 in December, up from 51.9 in November. The output indices of 'large enterprises' and 'medium enterprises' were 54.1 and 52.4 respectively in December. Meanwhile, the output index of 'small enterprises' stayed below the critical 50-mark, registering 42.8 in December.

<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 was 50.2 in December, up from 49.8 in November. By size of enterprises, the new orders index of 'large enterprises' was 52.1 in December, down slightly from 52.2 in November. The new orders index of 'medium enterprises' rebounded to 49.8 in December from 48.2 in November, while that of 'small enterprises' went up to 42.1 in December from 41.7 in November.

The new export orders index rose to 47.5 in December, compared to 46.4 in November. The new export orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 47.2, 48.5 and 46.9 respectively in December.

The backlogs of orders index went up to 43.6 in December, compared to 43.0 in November. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 44.5, 43.3 and 39.9 respectively in December.

The stocks of finished goods index came in at 46.1 in December, down from 46.7 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 47.3, 45.8 and 41.5 respectively in December.

The purchases of inputs index picked up to 50.3 in December, compared to 48.3 in November. The purchases of inputs index of 'large enterprises' rose to 52.4 in December, staying above the critical 50-mark. The purchases of inputs indices of 'medium enterprises' and 'small enterprises' remained below 50, registering 49.4 and 42.5 respectively in December.

The imports index was 47.6 in December, up from 46.7 in November. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, recording 48.2, 46.8 and 43.2 respectively in December.

The input prices index went up to 42.4 in December, compared to 41.1 in November. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' registered 40.7, 43.8 and 46.9 respectively in December.

The stocks of major inputs index came in at 47.6 in December, up from 47.1 in November. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 48.8, 46.4 and 44.0 respectively in December.

The employment index came in at 47.4 in December, down slightly from 47.6 in November. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, recording 47.4, 47.7 and 46.9 respectively in December.

The suppliers' delivery time index rose slightly to 50.7 in December from 50.5 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 51.0, 51.1 and 48.3 respectively in December.

The business expectations index dropped from 48.3 in November to 44.6 in December, staying below the critical 50-mark. The latest index reading indicates that purchasing managers have become more pessimistic about the near term outlook for their respective industries. The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 45.6, 43.8 and 41.2 respectively in December.

**China Manufacturing at a Glance — December 2015**

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	49.7	Higher	Contracting
Output	52.2	Higher	Expanding
New Orders	50.2	Higher	Expanding
New Export Orders	47.5	Higher	Contracting
Backlogs of Orders	43.6	Higher	Contracting
Stocks of Finished Goods	46.1	Lower	Contracting
Purchases of Inputs	50.3	Higher	Expanding
Imports	47.6	Higher	Contracting
Input Prices	42.4	Higher	Falling
Stocks of Major Inputs	47.6	Higher	Contracting
Employment	47.4	Lower	Contracting
Suppliers' Delivery Time	50.7	Higher	Quickening
Business Expectations	44.6	Lower	Pessimistic

## 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.



 Fung Business Intelligence Centre



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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.

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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](mailto:fbicgroup@fung1937.com)

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