

# 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

Helen Chin, Timothy Cheung

(852) 2300 2471

helenchin@fung1937.com

timothycheung@fung1937.com

## PMI drops to 51.5 in June

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

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

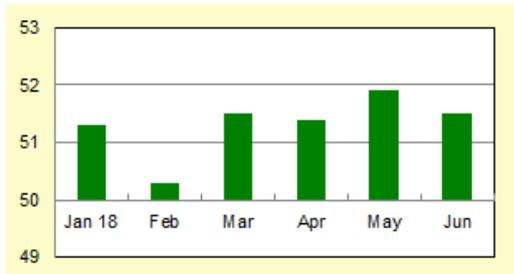
**Input Prices, Ex-factory Prices, Rising.**

**Suppliers' Delivery, Faster.**

**Business Expectations, Optimistic.**

## China Manufacturing PMI, seasonally adjusted

Month	PMI
Jan 18	51.3
Feb	50.3
Mar	51.5
Apr	51.4
May	51.9
Jun	51.5



China's manufacturing PMI dropped to 51.5 in June from 51.9 in May, indicating a moderation in the growth of the manufacturing sector in China.

9 of the 13 sub-indices were lower than their respective levels in the previous month. The new orders and the new export orders indices fell by 0.6 pts and 1.4 pts respectively in June, showing that both the domestic and the export demand weakened in the month.<sup>1</sup> Meanwhile, the output index dropped to 53.6 in June from 54.1 in May, indicating that the output growth has decelerated lately. In contrast, the input prices index gained 1.0 pt in June, showing a faster rise in prices of production inputs in the month.

By size of enterprises, the PMI of 'large enterprises' came in at 52.9 in June, down from 53.1 in May. The PMI of 'medium enterprises' fell to 49.9 in June from 51.0 in May, while the PMI of 'small enterprises' went up to 49.8 in June from 49.6 in May.

The output index was 53.6 in June, down from 54.1 in May. The output index of 'large enterprises' fell to 55.8 in June from 56.4 in May; the output index of 'medium enterprises' was 51.5 in June, down from 52.2 in May; the output index of 'small enterprises' rose to 50.0 in June from 49.6 in May.

<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 down to 53.2 in June, compared to 53.8 in May. By size of enterprises, the new orders index of 'large enterprises' rose to 55.5 in June from 55.2 in May. Meanwhile, the new orders index of 'medium enterprises' went down to 50.4 in June, compared to 52.8 in May; the new orders index of 'small enterprises' came in at 50.4 in June, down from 50.9 in May.

The new export orders index fell to 49.8 in June, compared to 51.2 in May. The new export orders index of 'large enterprises' was 51.3 in June. Meanwhile, the new export orders indices of 'medium enterprises' and 'small enterprises' were below the critical 50-mark, registering 47.5 and 43.4 respectively in June.

The backlogs of orders index went down to 45.5 in June, compared to 45.9 in May. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 46.5, 44.6 and 43.9 respectively in June.

The stocks of finished goods index rose slightly to 46.3 in June, compared to 46.1 in May. 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, 45.2 and 44.7 respectively in June.

The purchases of inputs index was 52.8 in June, down slightly from 53.0 in May. The purchases of inputs indices of 'large enterprises' and 'medium enterprises' stayed in the expansionary zone, registering 54.7 and 50.8 respectively in June. Meanwhile, the purchases of inputs index of 'small enterprises' was 50.0 in the same month.

The imports index went down to 50.0 in June from 50.9 in May. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 50.2, 49.1 and 51.6 respectively in June.

The input prices index came in at 57.7 in June, up from 56.7 in May. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50, registering 58.2, 57.7 and 56.1 respectively in June.

The stocks of major inputs index went down to 48.8 in June, compared to 49.6 in May. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 50.0, 46.7 and 48.3 respectively in June.

The ex-factory prices index was 53.3 in June, up slightly from 53.2 in May.<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 54.4, 52.5 and 51.0 respectively in the month.

The employment index was 49.0 in June, down slightly from 49.1 in May. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 49.0, 48.3 and 50.2 respectively in June.

The suppliers' delivery time index came in at 50.2 in June, up slightly from 50.1 in May. 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 50.1, 49.9 and 51.0 respectively in June.

The business expectations index was 57.9 in June, well above the critical 50-mark, indicating that purchasing managers have remained optimistic recently.<sup>3</sup> The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 59.5, 54.7 and 58.0 respectively in June.

<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 — June 2018

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	51.5	Lower	Expanding
Output	53.6	Lower	Expanding
New Orders	53.2	Lower	Expanding
New Export Orders	49.8	Lower	Contracting
Backlogs of Orders	45.5	Lower	Contracting
Stocks of Finished Goods	46.3	Higher	Contracting
Purchases of Inputs	52.8	Lower	Expanding
Imports	50.0	Lower	Stable
Input Prices	57.7	Higher	Rising
Ex-factory Prices	53.3	Higher	Rising
Stocks of Major Inputs	48.8	Lower	Contracting
Employment	49.0	Lower	Contracting
Suppliers' Delivery Time	50.2	Higher	Quickening
Business Expectations	57.9	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.



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Fung Business Intelligence.  
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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