

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 dropped to 49.0 in February

Output, expanding.

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

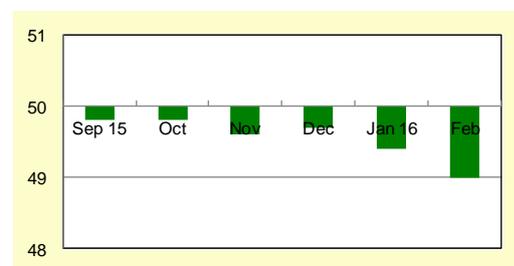
Input Prices, rising.

Suppliers' Delivery, slower.

Business Expectations, Optimistic.

China Manufacturing PMI, seasonally adjusted

| 15/16 | PMI |
|-------|------|
| Sep | 49.8 |
| Oct | 49.8 |
| Nov | 49.6 |
| Dec | 49.7 |
| Jan | 49.4 |
| Feb | 49.0 |



China's manufacturing PMI dropped by 0.4 pts from the previous month to 49.0 in February, the lowest level since December 2011. The fall in the PMI indicates that the manufacturing sector in China has contracted at a faster pace recently, amid the weakening demand.

6 of the 12 sub-indices were lower than their respective levels in the previous month. The new orders index dropped from 49.5 in January to 48.6 in February, showing that the reduction in new orders has continued.¹ Meanwhile, the output index fell by 1.2 pts from the previous month to 50.2 in February, close to the critical 50-mark, suggesting that the output showed almost no growth in the month. Also noteworthy is that the input prices index rose sharply from 45.1 in January to 50.2 in February. The index was above 50 for the first time in 19 months, showing sign of stabilization of prices of production inputs.

By size of enterprises, the PMI of 'large enterprises' went down to 49.9 in February from 50.3 in January, while the PMI of 'small enterprises' fell to 44.4 in February from 46.1 in January. The PMI of 'medium enterprises' was 49.0 in February, the same as in January.

The output index was 50.2 in February, down from 51.4 in January. The output indices of 'large enterprises' and 'medium enterprises' were 51.9 and 50.2 respectively in February, down from 52.6 and 51.2 respectively in January. Meanwhile, the output index of 'small enterprises' stayed below the critical 50-mark, registering 42.5 in February.

¹ 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 48.6 in February, down from 49.5 in January. By size of enterprises, the new orders index of 'large enterprises' was 50.5 in February, down from 51.3 in January. The new orders index of 'medium enterprises' fell to 47.5 in February from 48.4 in January, while that of 'small enterprises' went down to 41.6 in February from 44.0 in January.

The new export orders index rose to 47.4 in February, compared to 46.9 in January. The new export orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 46.9, 49.3 and 46.1 respectively in February.

The backlogs of orders index went up to 43.9 in February, compared to 43.4 in January. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 45.0, 44.0 and 38.0 respectively in February.

The stocks of finished goods index came in at 46.4 in February, up from 44.6 in January. 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 46.9, 48.3 and 40.3 respectively in February.

The purchases of inputs index fell to 47.9 in February, compared to 49.0 in January. The purchases of inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below 50, registering 48.9, 49.7 and 39.3 respectively in February.

The imports index was 45.8 in February, down from 46.4 in January. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, recording 45.2, 48.9 and 41.4 respectively in February.

The input prices index went up to 50.2 in February, compared to 45.1 in January. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' registered 50.2, 50.3 and 50.0, respectively, in February.

The stocks of major inputs index came in at 48.0 in February, up from 46.8 in January. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 48.3, 49.0 and 44.4 respectively in February.

The employment index came in at 47.6 in February, down slightly from 47.8 in January. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, recording 47.1, 48.4 and 48.0 respectively in February.

The suppliers' delivery time index dropped to 49.8 in February from 50.5 in January. 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 49.9, 50.1 and 48.8, respectively, in February.

The business expectations index rebounded strongly from 44.4 in January to 57.9 in February, rising above the critical 50-mark. The latest index reading indicates that purchasing managers have become optimistic about the near term outlook for their respective industries. The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 59.1, 57.0 and 53.9, respectively, in February.

China Manufacturing at a Glance — February 2016

| Index | S. Adj Index | Index Compared with the Previous Month | Direction |
|--------------------------|--------------|--|-------------|
| PMI | 49.0 | Lower | Contracting |
| Output | 50.2 | Lower | Expanding |
| New Orders | 48.6 | Lower | Contracting |
| New Export Orders | 47.4 | Higher | Contracting |
| Backlogs of Orders | 43.9 | Higher | Contracting |
| Stocks of Finished Goods | 46.4 | Higher | Contracting |
| Purchases of Inputs | 47.9 | Lower | Contracting |
| Imports | 45.8 | Lower | Contracting |
| Input Prices | 50.2 | Higher | Rising |
| Stocks of Major Inputs | 48.0 | Higher | Contracting |
| Employment | 47.6 | Lower | Contracting |
| Suppliers' Delivery Time | 49.8 | Lower | Slowing |
| Business Expectations | 57.9 | 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). 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.



The Fung Group is a privately held multinational group of companies headquartered in Hong Kong whose core businesses are trading, logistics, distribution and retailing. The Fung Group employs over 46,800 people across 40 economies worldwide, generating total revenue of over US\$24.65 billion in 2014. Fung Holdings (1937) Limited, a privately held business entity headquartered in Hong Kong, is the major shareholder of the Fung group of companies.

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The Fung Business Intelligence Centre (FBIC) collects and analyses market data on sourcing, supply chains, distribution and retail. It also provides thought leadership on technology and other key issues shaping their future.

Headquartered in Hong Kong, FBIC leverages unique relationships and information networks to track and report on trends and developments in China and other Asian countries. In addition, its New York-based Global Retail & Technology research team follows broader retail and technology trends, specialising in how they intersect and building collaborative knowledge communities around the revolution occurring worldwide at the retail interface.

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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