

# 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 stays unchanged at 51.2 in May

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

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

*Imports, Staying Unchanged.*

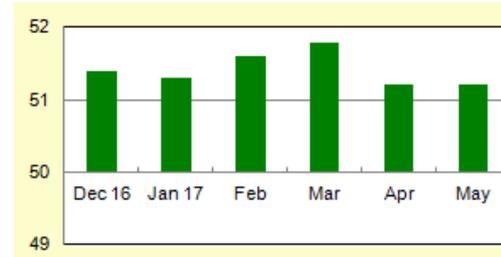
*Input Prices, Ex-factory Prices, Falling*

*Suppliers' Delivery, Faster.*

*Business Expectations, Optimistic.*

## China Manufacturing PMI, seasonally adjusted

Month	PMI
Dec 16	51.4
Jan 17	51.3
Feb	51.6
Mar	51.8
Apr	51.2
May	51.2



China's manufacturing PMI stayed unchanged at 51.2 in May, compared to April. The latest reading indicates that the growth in the manufacturing sector in China has stabilized recently.

7 of the 13 sub-indices were lower than their respective levels in the previous month, while 5 sub-indices were higher than their respective levels in the previous month. The new orders index was 52.3 in May, the same as in April. The May reading indicates that the new orders have maintained stable growth recently.<sup>1</sup> However, the output index went down to 53.4 in May, falling for two consecutive months. The downtrend suggests a continuous deceleration in output growth. Meanwhile, for the first time since February last year, the input prices index fell below the critical 50-mark, registering 49.5 in May. The latest reading indicates a drop in prices of production inputs. Against this backdrop, the ex-factory prices index remained below 50 in May.

By size of enterprises, the PMI of 'large enterprises' came in at 51.2 in May, down from 52.0 in April. The PMI of 'medium enterprises' rose to 51.3 in May from 50.2 in April, while the PMI of 'small enterprises' went up to 51.0 in May from 50.0 in April.

The output index was 53.4 in May, down from 53.8 in April. The output index of 'large enterprises' fell to 53.3 in May from 55.0 in April; the output index of 'medium enterprises' was 54.3 in May, up from 51.9 in April; the output index of 'small enterprises' rose to 52.3 in May from 50.3 in April.

<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 came in at 52.3 in May, the same as in April. By size of enterprises, the new orders index of 'large enterprises' was 52.7 in May, down from 54.1 in April. In contrast, the new orders index of 'medium enterprises' picked up to 52.2 in May from 50.4 in April; the new orders index of 'small enterprises' rose to 50.9 in May from 49.9 in April.

The new export orders index rose slightly to 50.7 in May, compared to 50.6 in April. The new export orders indices of 'large enterprises' and 'small enterprises' were above the critical 50-mark, registering 50.9 and 51.8 respectively in May. Meanwhile, the new export orders index of 'medium enterprises' came in at 50.0 in May.

The backlogs of orders index went up to 45.4 in May, compared to 45.0 in April. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 45.4, 45.8 and 44.8 respectively in May.

The stocks of finished goods index came in at 46.6 in May, down from 48.2 in April. 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 46.8, 45.7 and 48.0 respectively in May.

The purchases of inputs index was 51.5 in May, down from 51.9 in April. The purchases of inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all in the expansionary zone, registering 52.2, 50.7 and 50.2 respectively in May.

The imports index fell to 50.0 in May from 50.2 in April. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 51.2, 48.4 and 44.4 respectively in May.

The input prices index slid to 49.5 in May, compared to 51.8 in April. The input prices index of 'large enterprises' dropped below 50, registering 48.4 in May. Meanwhile, the input prices indices of 'medium enterprises' and 'small enterprises' were 50.7 and 51.5 respectively in May.

The stocks of major inputs index rose to 48.5 in May, compared to 48.3 in April. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 48.9, 48.1 and 48.2 respectively in May.

The ex-factory prices index was 47.6 in May, down from 48.7 in April.<sup>2</sup> The ex-factory prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 46.9, 48.1 and 49.9 respectively in May.

The employment index advanced to 49.4 in May from 49.2 in April. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 49.0, 49.4 and 50.9 respectively in May.

The suppliers' delivery time index fell to 50.2 in May from 50.5 in April. 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 50.4, 50.6 and 48.8 respectively in May.

The business expectations index went up slightly from 56.6 in April to 56.8 in May. The latest reading stayed above 50, indicating that purchasing managers have remained optimistic recently.<sup>3</sup> The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 57.4, 56.3 and 55.0 respectively in May.

<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 — May 2017**

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	51.2	Unchanged	Expanding
Output	53.4	Lower	Expanding
New Orders	52.3	Unchanged	Expanding
New Export Orders	50.7	Higher	Expanding
Backlogs of Orders	45.4	Higher	Contracting
Stocks of Finished Goods	46.6	Lower	Contracting
Purchases of Inputs	51.5	Lower	Expanding
Imports	50.0	Lower	Unchanged
Input Prices	49.5	Lower	Falling
Ex-factory Prices	47.6	Lower	Falling
Stocks of Major Inputs	48.5	Higher	Contracting
Employment	49.4	Higher	Contracting
Suppliers' Delivery Time	50.2	Lower	Quickening
Business Expectations	56.8	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.



**Fung Business Intelligence** collects, analyses and interprets market data on global sourcing, supply chains, distribution, retail and technology.

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