

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 falls to 49.4 in May

Output, Purchases of Inputs, Expanding.

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

Input Prices, Rising.

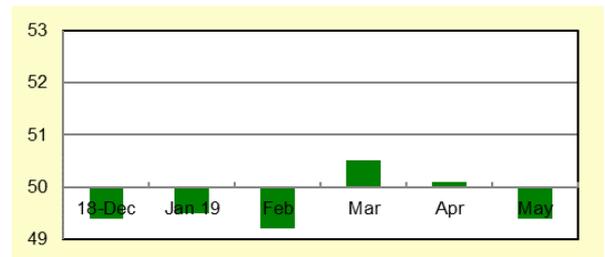
Ex-factory Prices, Falling.

Suppliers' Delivery, Faster.

Business Expectations, Optimistic.

China Manufacturing PMI, seasonally adjusted

Month	PMI
Dec 18	49.4
Jan 19	49.5
Feb	49.2
Mar	50.5
Apr	50.1
May	49.4



China's manufacturing PMI dropped to 49.4 in May from 50.1 in April, falling below the critical 50-mark. The latest reading indicates that the manufacturing sector has contracted recently amid the weakening domestic and export demand.

9 of the 13 sub-indices were lower than their respective levels in the previous month. For example, the new orders index dipped into the contractionary zone in May. Meanwhile, the new export orders index fell sharply by 2.7 pts from the previous month to 46.5 in May, indicating that new export orders have dropped at a faster pace recently. Against this backdrop, the growth of production activities has slowed: the output index went down by 0.4 pts from the previous month to 51.7 in May. In response to the sluggish demand, Chinese manufacturers have slashed the prices of their products lately: the ex-factory prices index dropped to 49.0 in May, down by 3.0 pts from the previous month.

By size of enterprises, the PMI of 'large enterprises' came in at 50.3 in May, down from 50.8 in April. The PMI of 'medium enterprises' fell to 48.8 in May from 49.1 in April. The PMI of 'small enterprises' went down to 47.8 in May from 49.8 in April.

The output index was 51.7 in May, down from 52.1 in April. The output index of 'large enterprises' rose slightly to 53.1 in May from 53.0 in April; the output index of 'medium enterprises' came in at 51.1 in May, the same as in April. Meanwhile, the output index of 'small enterprises' went down to 48.6 in May from 51.2 in April.

The new orders index went down to 49.8 in May from 51.4 in April. By size of enterprises, the new orders index of 'large enterprises' was 51.2 in May, down from 52.5 in April. Meanwhile, the new orders index of 'medium enterprises' and 'small enterprises' both dropped below the neutral level of 50, registering 49.4 and 46.7 respectively in May.

The new export orders index went down to 46.5 in May from 49.2 in April. The new export orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' registered 46.9, 46.8 and 42.4 respectively in May, all below the critical 50-mark.

The backlogs of orders index was 44.3 in May, up from 44.0 in April. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 44.5, 43.3 and 45.2 respectively in May.

The stocks of finished goods index went up to 48.1 in May from 46.5 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 49.3, 46.6 and 47.2 respectively in May.

The purchases of inputs index was 50.5 in May, down from 51.1 in April. The purchases of inputs index of 'large enterprises' dropped to 50.8 in May from 52.7 in April. Meanwhile, the purchases of inputs indices of 'medium enterprises' and 'small enterprises' returned to the expansionary zone, registering 50.2 and 50.2 respectively in the month.

The imports index went up to 47.1 in May from 49.7 in April. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 47.3, 46.0 and 48.5 respectively in May, all below the critical 50-mark.

The input prices index came in at 51.8 in May, down from 53.1 in April. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50, registering 51.5, 51.2 and 53.6 respectively in May.

The ex-factory prices index was 49.0, down from 52.0 in April.¹ The ex-factory prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 49.8, 47.8 and 48.3 respectively in the month, all below the critical 50-mark.

The stocks of major inputs index went up slightly to 47.4 in May, compared with 47.2 in April. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 47.3, 47.1 and 48.1 respectively in May.

The employment index was 47.0 in May, down from 47.2 in April. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 47.4, 45.8 and 47.3 respectively in May.

The suppliers' delivery time index came in at 50.9 in May, up from 49.9 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 50.8, 51.0 and 51.0 respectively in May.

The business expectations index fell to 54.5 in May from 56.5 in April.² The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 55.3, 53.3 and 54.1 respectively in May.

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 — May 2019			
Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	49.4	Lower	Contracting
Output	51.7	Lower	Expanding
New Orders	49.8	Lower	Contracting
New Export Orders	46.5	Lower	Contracting
Backlogs of Orders	44.3	Higher	Contracting
Stocks of Finished Goods	48.1	Higher	Contracting
Purchases of Inputs	50.5	Lower	Expanding
Imports	47.1	Lower	Contracting
Input Prices	51.8	Lower	Rising
Ex-factory Prices	49.0	Lower	Falling
Stocks of Major Inputs	47.4	Higher	Contracting
Employment	47.0	Lower	Contracting
Suppliers' Delivery Time	50.9	Higher	Quickening
Business Expectations	54.5	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.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

About Fung Group

Fung Holdings (1937) Limited, a privately-held business entity headquartered in Hong Kong, is the major shareholder of the Fung Group of companies, whose core businesses operate across the entire global supply chain for consumer goods including trading, logistics, distribution and retail. The Fung Group comprises 42,000 people working in more than 40 economies worldwide. We have a rich history and heritage in export trading and global supply chain management that dates back to 1906 and traces the story of how Hong Kong and the Pearl River Delta emerged as one of the world's foremost manufacturing and trading regions. We are focused on both creating the Supply Chain of the Future to help brands and retailers navigate the digital economy as well as creating new opportunities, product categories and market expansion for brands on a global scale.

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