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 rises to 51.8 in November
Output, New Orders, New Export Orders, Purchases of Inputs, Imports, Expanding.
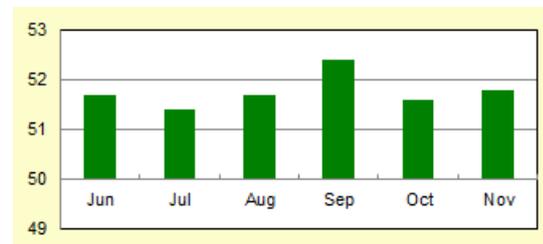*Stocks of Finished Goods, Stocks of Major Inputs, Backlogs of Orders, Contracting.*
Input Prices, Ex-factory Prices, Rising.
Suppliers' Delivery, Slower.
Business Expectations, Optimistic.

China Manufacturing PMI, seasonally adjusted

Month	PMI
Jun	51.7
Jul	51.4
Aug	51.7
Sep	52.4
Oct	51.6
Nov	51.8

China's manufacturing PMI rebounded slightly to 51.8 in November, after falling from its recent peak of 52.4 in September to 51.6 in October. In our view, the growth of the manufacturing sector in China has shown signs of stabilization.

8 of the 13 sub-indices were higher than their respective levels in the previous month, while 4 sub-indices were lower than their respective levels in the previous month. The output index gained 0.9 pts in November, showing that output growth has quickened lately. Moreover, both the new orders and the new export orders indices rose by 0.7pts in November, indicating an improvement in domestic and export demand.[1]
In contrast, the input prices index dropped by 3.6 pts from the previous month to 59.8 in November, showing that the prices of production inputs have continued to rise, albeit at a slower pace, recently.

By size of enterprises, the PMI of 'large enterprises' came in at 52.9 in November, down slightly from 53.1 in October. The PMI of 'medium enterprises' rose to 50.5 in November from 49.8 in October, while the PMI of 'small enterprises' improved to 49.8 in November from 49.0 in October.

The output index was 54.3 in November, up from 53.4 in October. The output index of 'large enterprises' went up to 56.1 in November from 55.9 in October; the output index of 'medium enterprises' was 52.3 in November, up from 51.0 in October; the output index of 'small enterprises' rose to 50.6 in November from 48.2 in October.

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 went up to 53.6 in November, compared to 52.9 in October. By size of enterprises, the new orders index of 'large enterprises' was 55.5 in November, down slightly from 55.6 in October. Meanwhile, the new orders index of 'medium enterprises' came in at 51.8 in November, up from 50.0 in October; the new orders index of 'small enterprises' rose to 49.5 in November from 48.1 in October.

The new export orders index improved to 50.8 in November, compared to 50.1 in October. The new export orders index of 'large enterprises' was 52.5 in November. Meanwhile, the new export orders indices of 'medium enterprises' and 'small enterprises' remained below the critical 50-mark, registering 46.7 and 48.0 respectively in November.

The backlogs of orders index advanced to 46.6 in November, compared to 45.6 in October. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 47.3, 46.2 and 44.3 respectively in November.

The stocks of finished goods index came in at 46.1 in November, the same as in October. 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 46.3, 47.1 and 43.5 respectively in November.

The purchases of inputs index was 53.5 in November, up from 53.2 in October. The purchases of inputs indices of 'large enterprises' and 'medium enterprises' remained in the expansionary zone, registering 55.7 and 51.5 respectively in November. Meanwhile, the purchases of inputs index of 'small enterprises' was 48.5 in November.

The imports index went up to 51.0 in November from 50.3 in October. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 52.2, 48.3 and 45.8 respectively in November.

The input prices index fell to 59.8 in November, compared to 63.4 in October. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50, registering 59.6, 60.1 and 60.1 respectively in November.

The stocks of major inputs index dropped to 48.4 in November, compared to 48.6 in October. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 49.1, 48.0 and 46.1 respectively in November.

The ex-factory prices index was 53.8 in November, down from 55.2 in October.[2] The ex-factory prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above the neutral level of 50, registering 53.5, 53.7 and 55.2 respectively in November.

The employment index was 48.8 in November, down slightly from 49.0 in October. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 49.3, 47.6 and 49.4 respectively in November.

The suppliers' delivery time index came in at 49.5 in November, up from 48.7 in October. 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 50.0, 49.2 and 48.2 respectively in November.

The business expectations index rose by 0.9 pts from the previous month to 57.9 in November, indicating that purchasing managers have become more optimistic recently.[3] The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 59.6, 56.2 and 54.5 respectively in November.

2 The ex-factory prices index has been published since January 2017.
3 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 — November 2017

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	51.8	Higher	Expanding
Output	54.3	Higher	Expanding
New Orders	53.6	Higher	Expanding
New Export Orders	50.8	Higher	Expanding
Backlogs of Orders	46.6	Higher	Contracting
Stocks of Finished Goods	46.1	Unchanged	Contracting
Purchases of Inputs	53.5	Higher	Expanding
Imports	51.0	Higher	Expanding
Input Prices	59.8	Lower	Rising
Ex-factory Prices	53.8	Lower	Rising
Stocks of Major Inputs	48.4	Lower	Contracting
Employment	48.8	Lower	Contracting
Suppliers' Delivery Time	49.5	Higher	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). 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.

Fung Business Intelligence was established in the year 2000.

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 39,900 people across 40 economies worldwide, generating total revenue of over US$22.5 billion in 2016. Fung Holdings (1937) Limited, a privately held business entity headquartered in Hong Kong, is the major shareholder of the Fung group of companies.

Please visit www.funggroup.com for more about the Fung Group.

FUNG BUSINESS INTELLIGENCE