

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 50.2 in October

Output, New Orders, Purchases of Inputs, Expanding.

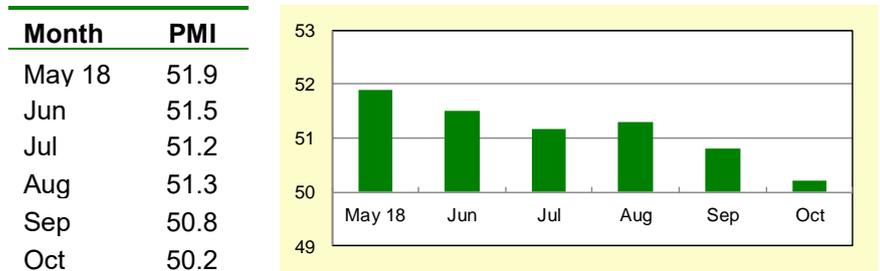
New Export Orders, Stocks of Finished Goods, Stocks of Major Inputs, Backlogs of Orders, Imports, Contracting.

Input Prices, Ex-factory Prices, Rising.

Suppliers' Delivery, Slower.

Business Expectations, Optimistic.

China Manufacturing PMI, seasonally adjusted



China's manufacturing PMI fell to 50.2 in October, the lowest level since August 2017, from 50.8 in September. The index has dropped for two consecutive months, indicating that the growth of production and economic activities in China has further decelerated amid the escalating China-US trade war.

12 of the 13 sub-indices were lower than their respective levels in the previous month, while the business expectations index was same as its level in the previous month. The new orders index fell by 1.2 pts while the new export orders index dropped by 1.1 pts in October, suggesting that both domestic demand and export demand have moderated. Meanwhile, the output index slid 1.0 pt in the same month, showing a deceleration in the output growth. Also noteworthy is that the input prices index dropped by 1.8 pts, but stayed high at 58.0 in October, indicating that prices of production inputs still rose at a fast pace in the month.

By size of enterprises, the PMI of 'large enterprises' came in at 51.6 in October, down from 52.1 in September. The PMI of 'medium enterprises' fell to 47.7 in October from 48.7 in September. The PMI of 'small enterprises' went down to 49.8 in October from 50.4 in September.

The output index was 52.0 in October, down from 53.0 in September. The output index of 'large enterprises' dropped to 54.1 in October from 54.7 in September; the output index of 'medium enterprises' was 48.6 in October, down from 50.2 in September; the output index of 'small enterprises' fell to 50.8 in October from 52.2 in September.

The new orders index went down to 50.8 in October from 52.0 in September. By size of enterprises, the new orders index of 'large enterprises' fell to 52.8 in October from 54.1 in September. Meanwhile, the new orders index of 'medium enterprises' went down to 47.0 in October, compared to 49.0 in September; the new orders index of 'small enterprises' came in at 50.6 in October, up from 50.2 in September.

The new export orders index came in at 46.9 in October, down from 48.0 in September. The new export orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' registered 48.7, 42.3 and 46.6 respectively in October, below the critical 50-mark.

The backlogs of orders index went down to 44.3 in October, compared to 45.2 in September. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 45.4, 43.5 and 42.1 respectively in October.

The stocks of finished goods index was 47.1 in October, down from 47.4 in September. 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 47.7, 46.5 and 46.2 respectively in October.

The purchases of inputs index was 51.0 in October, down from 51.5 in September. The purchases of inputs index of 'large enterprises' stayed in the expansionary zone, registering 53.5 in October. Meanwhile, the purchases of inputs indices of 'medium enterprises' and 'small enterprises' were 47.9 and 48.0 respectively in the same month.

The imports index went down to 47.6 in October from 48.5 in September. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 48.9, 44.3 and 45.6 respectively in October.

The input prices index came in at 58.0 in October, down from 59.8 in September. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50, registering 58.8, 56.6 and 57.8 respectively in October.

The stocks of major inputs index went down to 47.2 in October, compared to 47.8 in September. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 48.9, 45.1 and 45.2 respectively in October.

The ex-factory prices index was 52.0 in October, down from 54.3 in September.¹ The ex-factory prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above the neutral level of 50, registering 52.0, 51.3 and 53.3 respectively in the month.

The employment index was 48.1 in October, down from 48.3 in September. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 48.5, 47.1 and 48.5 respectively in October.

The suppliers' delivery time index came in at 49.5 in October, down slightly from 49.7 in September. 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 49.4, 50.1 and 48.8 respectively in October.

The business expectations index was 56.4 in October, the same as in September.² The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 57.9, 53.8 and 55.8 respectively in October.

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 — October 2018

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	50.2	Lower	Expanding
Output	52.0	Lower	Expanding
New Orders	50.8	Lower	Expanding
New Export Orders	46.9	Lower	Contracting
Backlogs of Orders	44.3	Lower	Contracting
Stocks of Finished Goods	47.1	Lower	Contracting
Purchases of Inputs	51.0	Lower	Expanding
Imports	47.6	Lower	Contracting
Input Prices	58.0	Lower	Rising
Ex-factory Prices	52.0	Lower	Rising
Stocks of Major Inputs	47.2	Lower	Contracting
Employment	48.1	Lower	Contracting
Suppliers' Delivery Time	49.5	Lower	Slowing
Business Expectations	56.4	Unchanged	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.

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Fung Business Intelligence was established in the year 2000.

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