

# 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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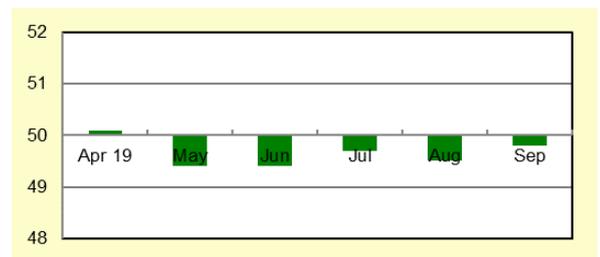
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## PMI rises to 49.8 in September

**Output, New Orders, Purchases of Inputs, Expanding. 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
Apr 19	50.1
May	49.4
Jun	49.4
Jul	49.7
Aug	49.5
Sep	49.8



China's manufacturing PMI went up to 49.8 in September from 49.5 in August. The PMI has stayed below the critical 50-mark for five consecutive months, indicating the continued contraction of the manufacturing sector.

11 of the 13 sub-indices were higher than their respective levels in the previous month. For example, the new orders index went up by 0.8 pts and the new export orders index rose by 1.0 pts from the previous month. The growth of production activities has also quickened: the output index increased by 0.4 pts from the previous month to 52.3 in September. Besides, the purchases of inputs index returned to the expansionary zone in the month, indicating a recovery in purchasing activities. The input prices index rose markedly from 48.6 in August to 52.2 in September, indicating a fast increase in input prices recently.

By size of enterprises, the PMI of 'large enterprises' came in at 50.8 in September, up from 50.4 in August. The PMI of 'medium enterprises' rose to 48.6 in September from 48.2 in August. The PMI of 'small enterprises' rose to 48.8 in September from 48.6 in August.

The output index was 52.3 in September, up from 51.9 in August. The output indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all in the expansionary zone, registering 53.4, 50.7 and 51.7 respectively in September.

The new orders index rose to 50.5 in September from 49.7 in August. By size of enterprises, the new orders index of 'large enterprises' came in at 52.5 in September, up from 50.6 in August. Meanwhile, the new orders indices of 'medium enterprises' and 'small enterprises' both remained below the critical 50-mark, registering 48.5 and 47.9 respectively in September.

The new export orders index was 48.2 in September, up from 47.2 in August. The new export orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' registered 49.9, 44.3 and 47.3 respectively in September, all below the neutral level of 50.

The backlogs of orders index edged down to 44.7 in September from 44.8 in August. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the critical 50-mark, registering 44.5, 45.4 and 44.2 respectively in September.

The stocks of finished goods index was 47.1 in September, down from 47.8 in August. The stocks of finished goods indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all stayed below the neutral level of 50, registering 47.0, 48.2 and 45.7 respectively in September.

The purchases of inputs index went up to 50.4 in September from 49.3 in August. The purchases of inputs index of 'large enterprises' came in at 52.3 in September. Meanwhile, the purchases of inputs indices of 'medium enterprises' and 'small enterprises' were in the contractionary zone, registering 48.1 and 48.5 respectively in the month.

The imports index went up to 47.1 in September from 46.7 in August. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 47.1, 47.7 and 45.5 respectively in September, all below the critical 50-mark.

The input prices index went up to 52.2 in September from 48.6 in August. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all rose above 50, registering 50.8, 52.4 and 55.7 respectively in September.

The ex-factory prices index was 49.9 in September, up from 46.7 in August.<sup>1</sup> The ex-factory prices index of 'large enterprises' came in at 48.5 in September. Meanwhile, the ex-factory prices indices of 'medium enterprises' and 'small enterprises' returned to the expansionary zone, registering 50.9 and 52.1 respectively in the month.

The stocks of major inputs index went up to 47.6 in September from 47.5 in August. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 48.4, 46.7 and 46.9 respectively in September.

The employment index was 47.0 in September, up from 46.9 in August. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 47.6, 46.0 and 46.7 respectively in September.

The suppliers' delivery time index came in at 50.5 in September, compared with 50.3 in August. A reading above 50 implies faster delivery; below 50, slower delivery. The suppliers' delivery time indices of 'large enterprises', 'medium enterprises' and 'small enterprises' registered 50.8, 50.0 and 50.5 respectively in September.

The business expectations index went up to 54.4 in September from 53.3 in August.<sup>2</sup> The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 55.5, 52.3 and 54.6 respectively in September.

<sup>1</sup> The ex-factory prices index has been published since January 2017.

<sup>2</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.

<b>China Manufacturing at a Glance — September 2019</b>			
<b>Index</b>	<b>S. Adj Index</b>	<b>Index Compared with the Previous Month</b>	<b>Direction</b>
PMI	49.8	Higher	Contracting
Output	52.3	Higher	Expanding
New Orders	50.5	Higher	Expanding
New Export Orders	48.2	Higher	Contracting
Backlogs of Orders	44.7	Lower	Contracting
Stocks of Finished Goods	47.1	Lower	Contracting
Purchases of Inputs	50.4	Higher	Expanding
Imports	47.1	Higher	Contracting
Input Prices	52.2	Higher	Rising
Ex-factory Prices	49.9	Higher	Falling
Stocks of Major Inputs	47.6	Higher	Contracting
Employment	47.0	Higher	Contracting
Suppliers' Delivery Time	50.5	Higher	Quickening
Business Expectations	54.4	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.

### 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.

Listed entities of the Group include Li & Fung Limited (SEHK: 00494), Global Brands Group Holding Limited (SEHK: 00787) and Convenience Retail Asia Limited (SEHK: 00831). Privately-held entities include LH Pegasus, Branded Lifestyle Holdings Limited, Fung Kids (Holdings) Limited, Toys "R" Us (Asia) and Suhyang Networks.

For more information, please visit [www.funggroup.com](http://www.funggroup.com).

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