

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

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PMI falls to 49.5 in August

Output, Expanding.

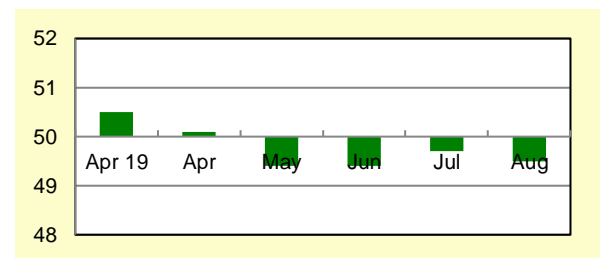
New Orders, New Export Orders, Backlogs of Orders, Stocks of Finished Goods, Stocks of Major Inputs, Purchases of Inputs, Imports, Employment, Contracting, Input Prices, Ex-factory Prices, Falling.

Suppliers' Delivery, Faster.

Business Expectations, Optimistic.

China Manufacturing PMI, seasonally adjusted

Month	PMI
Mar 19	50.5
Apr	50.1
May	49.4
Jun	49.4
Jul	49.7
Aug	49.5



China's manufacturing PMI dropped to 49.5 in August from 49.7 in July. The PMI has stayed below the critical 50-mark for four consecutive months, indicating the continued contraction of the manufacturing sector amid the sluggish 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 went down by 0.1 pts in August from the previous month. Amid the weak demand, the growth of production activities has also eased: the output index decreased by 0.2 pts from the previous month to 51.9 in August. Besides, the purchases of inputs index returned to the contractionary zone in the month, indicating a reduction in purchasing activities. The input prices index fell markedly from 50.7 in July to 48.6 in August, indicating a fast drop in input prices recently.

By size of enterprises, the PMI of 'large enterprises' came in at 50.4 in August, down from 50.7 in July; and the PMI of 'medium enterprises' fell to 48.2 in August from 48.7 in July. Meanwhile, the PMI of 'small enterprises' rose to 48.6 in August from 48.2 in July.

The output index was 51.9 in August, down from 52.1 in July. The output indices of 'large enterprises' and 'small enterprises' were in the expansionary zone, registering 53.2 and 51.3 respectively in August. Meanwhile, the output index of 'medium enterprises' came in at 49.9 in the month.

The new orders index edged down to 49.7 in August from 49.8 in July. By size of enterprises, the new orders index of 'large enterprises' came in at 50.6 in August, down from 51.1 in July. Meanwhile, the new orders indices of 'medium enterprises' and 'small enterprises' both remained below the critical 50-mark, registering 49.2 and 48.1 respectively in July.

The new export orders index was 47.2 in August, up from 46.9 in July. The new export orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' registered 47.6, 46.7 and 45.7 respectively in August, all below the neutral level of 50.

The backlogs of orders index went up to 44.8 in August from 44.7 in July. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the critical 50-mark, registering 46.0, 43.8 and 43.0 respectively in August.

The stocks of finished goods index was 47.8 in August, up from 47.0 in July. The stocks of finished goods indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all stayed below the neutral level of 50, registering 49.0, 47.4 and 44.9 respectively in August.

The purchases of inputs index went down to 49.3 in August from 50.4 in July. The purchases of inputs index of 'large enterprises' came in at 50.1 in August. Meanwhile, the purchases of inputs indices of 'medium enterprises' and 'small enterprises' were in the contractionary zone, registering 47.9 and 49.0 respectively in the month.

The imports index went down to 46.7 in August from 47.4 in July. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 46.4, 47.3 and 48.0 respectively in August, all below the critical 50-mark.

The input prices index fell to 48.6 in August from 50.7 in July. The input prices indices of 'large enterprises' and 'medium enterprises' dropped below 50, registering 47.3 and 49.4 respectively in August. Meanwhile, the input prices index of 'small enterprises' came in at 51.1 in the month.

The ex-factory prices index was 46.7 in August, down from 46.9 in July.¹ The ex-factory prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 45.4, 47.5 and 49.3 respectively in the month, all below the critical 50-mark.

The stocks of major inputs index went down to 47.5 in August from 48.0 in July. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 48.1, 47.1 and 46.5 respectively in August.

The employment index was 46.9 in August, down from 47.1 in July. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 48.5, 44.8 and 45.6 respectively in August.

The suppliers' delivery time index came in at 50.3 in August, compared with 50.1 in July. 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 50.2, 51.0 and 49.4 respectively in August.

The business expectations index declined to 53.3 in August from 53.6 in July.² The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 53.7, 51.6 and 54.7 respectively in August.

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 — August 2019			
Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	49.5	Lower	Contracting
Output	51.9	Lower	Expanding
New Orders	49.7	Lower	Contracting
New Export Orders	47.2	Higher	Contracting
Backlogs of Orders	44.8	Higher	Contracting
Stocks of Finished Goods	47.8	Higher	Contracting
Purchases of Inputs	49.3	Lower	Contracting
Imports	46.7	Lower	Contracting
Input Prices	48.6	Lower	Falling
Ex-factory Prices	46.7	Lower	Falling
Stocks of Major Inputs	47.5	Lower	Contracting
Employment	46.9	Lower	Contracting
Suppliers' Delivery Time	50.3	Higher	Quickening
Business Expectations	53.3	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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