

# 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 falls to 50.3 in February

**Output, New Orders, Purchases of Inputs, Expanding.**

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

**Input Prices, Rising.**

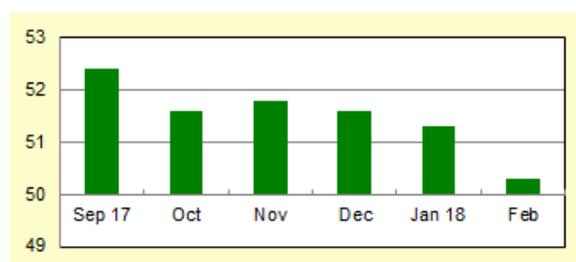
**Ex-factory Prices, Falling.**

**Suppliers' Delivery, Slower.**

**Business Expectations, Optimistic.**

## China Manufacturing PMI, seasonally adjusted

Month	PMI
Sep 17	52.4
Oct	51.6
Nov	51.8
Dec	51.6
Jan 18	51.3
Feb	50.3



China's manufacturing PMI fell to 50.3 in February from 51.3 in January, indicating that the manufacturing sector in China expanded at a slower pace around and during the Chinese New Year holidays this year.

11 of the 13 sub-indices were lower than their respective levels in the previous month. The output and the new orders indices fell by 2.8 pts and 1.6 pts respectively in February, showing a moderation in the output growth and the growth of overall new orders in the month.<sup>1</sup> Particularly noteworthy is that the input prices index dropped markedly by 6.3 pts from the previous month to 53.4 in February, showing an ease in upstream cost pressure. Meanwhile, the ex-factory prices index fell below the neutral level of 50, registering 49.2 in February. Chinese manufacturers slightly reduced the prices of their products in the month.

By size of enterprises, the PMI of 'large enterprises' came in at 52.2 in February, down from 52.6 in January. The PMI of 'medium enterprises' fell to 49.0 in February from 50.1 in January, while the PMI of 'small enterprises' dropped to 44.8 in February from 48.5 in January.

The output index was 50.7 in February, down from 53.5 in January. The output index of 'large enterprises' went down to 53.7 in February from 55.3 in January; the output index of 'medium enterprises' was 49.1 in February, down from 52.5 in January; the output index of 'small enterprises' fell to 41.5 in February from 48.4 in January.

<sup>1</sup> 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 dropped to 51.0 in February, compared to 52.6 in January. By size of enterprises, the new orders index of 'large enterprises' rose to 55.1 in February from 54.7 in January. Meanwhile, the new orders index of 'medium enterprises' went down to 47.3 in February, compared to 50.4 in January; the new orders index of 'small enterprises' came in at 41.4 in February, down markedly from 48.5 in January.

The new export orders index fell to 49.0 in February, compared to 49.5 in January. The new export orders index of 'large enterprises' was 50.9 in February. Meanwhile, the new export orders indices of 'medium enterprises' and 'small enterprises' remained below the critical 50-mark, registering 43.8 and 46.9 respectively in February.

The backlogs of orders index dropped to 44.9 in February, compared to 45.3 in January. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 47.5, 42.5 and 39.0 respectively in February.

The stocks of finished goods index fell to 46.7 in February, compared to 47.0 in January. 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 48.8, 45.0 and 41.4 respectively in February.

The purchases of inputs index was 50.8 in February, down from 52.9 in January. The purchases of inputs index of 'large enterprises' remained in the expansionary zone, registering 53.9 in February. Meanwhile, the purchases of inputs indices of 'medium enterprises' and 'small enterprises' were 47.8 and 44.1 respectively in February.

The imports index went down to 49.8 in February from 50.4 in January. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 52.2, 43.8 and 40.6 respectively in February.

The input prices index dropped markedly to 53.4 in February, compared to 59.7 in January. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50, registering 53.6, 53.2 and 53.1 respectively in February.

The stocks of major inputs index went up to 49.3 in February, compared to 48.8 in January. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 50.0, 50.1 and 45.0 respectively in February.

The ex-factory prices index was 49.2 in February, down from 51.8 in January.<sup>2</sup> The ex-factory prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 48.8, 49.6 and 49.9 respectively in February.

The employment index was 48.1 in February, down slightly from 48.3 in January. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 47.9, 48.3 and 48.7 respectively in February.

The suppliers' delivery time index came in at 48.4 in February, down from 49.2 in January. 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 48.9, 47.5 and 48.2 respectively in February.

The business expectations index rebounded to 58.2 in February from 56.8 in January, indicating that confidence among purchasing managers has improved recently.<sup>3</sup> The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 59.4, 57.6 and 54.7 respectively in February.

<sup>2</sup> The ex-factory prices index has been published since January 2017.

<sup>3</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.

**China Manufacturing at a Glance — February 2018**

<b>Index</b>	<b>S. Adj Index</b>	<b>Index Compared with the Previous Month</b>	<b>Direction</b>
PMI	50.3	Lower	Expanding
Output	50.7	Lower	Expanding
New Orders	51.0	Lower	Expanding
New Export Orders	49.0	Lower	Contracting
Backlogs of Orders	44.9	Lower	Contracting
Stocks of Finished Goods	46.7	Lower	Contracting
Purchases of Inputs	50.8	Lower	Expanding
Imports	49.8	Lower	Contracting
Input Prices	53.4	Lower	Rising
Ex-factory Prices	49.2	Lower	Falling
Stocks of Major Inputs	49.3	Higher	Contracting
Employment	48.1	Lower	Contracting
Suppliers' Delivery Time	48.4	Lower	Slowing
Business Expectations	58.2	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](http://www.funggroup.com) for more about the Fung Group.

---

Fung Business Intelligence.  
10/F, Li Fung Tower, 888 Cheung Sha Wan Road, Hong Kong  
Tel: (852) 2300 2470 Fax: (852) 2635 1598 E-mail: [fbicgroup@fung1937.com](mailto:fbicgroup@fung1937.com)

© Copyright 2018 Fung Business Intelligence. All rights reserved.

Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.