

# 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 51.3 in January

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

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

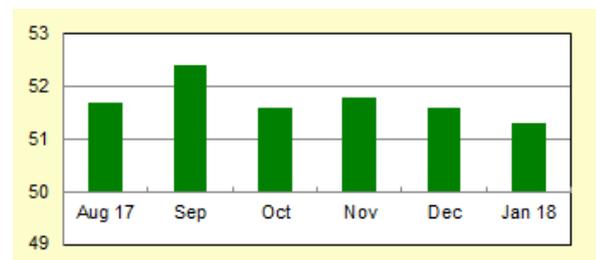
**Input Prices, Ex-factory Prices, Rising.**

**Suppliers' Delivery, Slower.**

**Business Expectations, Optimistic.**

## China Manufacturing PMI, seasonally adjusted

Month	PMI
Aug 17	51.7
Sep	52.4
Oct	51.6
Nov	51.8
Dec	51.6
Jan 18	51.3



China's manufacturing PMI came in at 51.3 in January, falling for two consecutive months. The continuous drop in the PMI indicates a growth moderation in the manufacturing sector in China.

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 0.5 pts and 0.8 pts respectively in January, showing that output growth moderated amid a deceleration in the growth of overall new orders in the month.<sup>1</sup> Besides, for the first time in 15 months, the new export orders index fell below the critical 50-mark in January, showing a contraction in new export orders. Also noteworthy is that the input prices index went down by 2.5 pts from the previous month to 59.7 in January, showing that the prices of production inputs have increased at a slower pace recently.

By size of enterprises, the PMI of 'large enterprises' came in at 52.6 in January, down from 53.0 in December. The PMI of 'medium enterprises' fell to 50.1 in January from 50.4 in December, while the PMI of 'small enterprises' dropped slightly to 48.5 in January from 48.7 in December.

The output index was 53.5 in January, down from 54.0 in December. The output index of 'large enterprises' went down to 55.3 in January from 56.4 in December; the output index of 'medium enterprises' was 52.5 in January, up from 51.8 in December; the output index of 'small enterprises' fell to 48.4 in January from 48.8 in December.

<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 52.6 in January, compared to 53.4 in December. By size of enterprises, the new orders index of 'large enterprises' fell to 54.7 in January from 55.7 in December. Meanwhile, the new orders index of 'medium enterprises' went down to 50.4 in January, down from 51.1 in December; the new orders index of 'small enterprises' came in at 48.5 in January, the same as in December.

The new export orders index fell to 49.5 in January, compared to 51.9 in December. The new export orders index of 'large enterprises' was 50.5 in January. Meanwhile, the new export orders indices of 'medium enterprises' and 'small enterprises' remained below the critical 50-mark, registering 46.8 and 49.1 respectively in January.

The backlogs of orders index dropped to 45.3 in January, compared to 46.3 in December. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 46.4, 44.5 and 42.4 respectively in January.

The stocks of finished goods index rose to 47.0 in January, compared to 45.8 in December. 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, 46.7 and 45.0 respectively in January.

The purchases of inputs index was 52.9 in January, down from 53.6 in December. The purchases of inputs indices of 'large enterprises' and 'medium enterprises' remained in the expansionary zone, registering 54.5 and 52.5 respectively in January. Meanwhile, the purchases of inputs index of 'small enterprises' was 47.5 in January.

The imports index went down to 50.4 in January from 51.2 in December. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 50.3, 51.2 and 48.3 respectively in January.

The input prices index dropped to 59.7 in January, compared to 62.2 in December. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50, registering 60.7, 58.5 and 57.9 respectively in January.

The stocks of major inputs index went up to 48.8 in January, compared to 48.0 in December. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 49.5, 47.9 and 47.7 respectively in January.

The ex-factory prices index was 51.8 in January, down from 54.4 in December.<sup>2</sup> The ex-factory prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above the neutral level of 50, registering 51.9, 51.2 and 52.2 respectively in January.

The employment index was 48.3 in January, down from 48.5 in December. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 48.9, 47.6 and 47.4 respectively in January.

The suppliers' delivery time index came in at 49.2 in January, down slightly from 49.3 in December. 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 48.7, 50.0 and 49.5 respectively in January.

The business expectations index fell from 58.7 in December to 56.8 in January, indicating that purchasing managers have become less optimistic recently.<sup>3</sup> The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 58.4, 56.1 and 52.0 respectively in January.

<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 — January 2018**

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	51.3	Lower	Expanding
Output	53.5	Lower	Expanding
New Orders	52.6	Lower	Expanding
New Export Orders	49.5	Lower	Contracting
Backlogs of Orders	45.3	Lower	Contracting
Stocks of Finished Goods	47.0	Higher	Contracting
Purchases of Inputs	52.9	Lower	Expanding
Imports	50.4	Lower	Expanding
Input Prices	59.7	Lower	Rising
Ex-factory Prices	51.8	Lower	Rising
Stocks of Major Inputs	48.8	Higher	Contracting
Employment	48.3	Lower	Contracting
Suppliers' Delivery Time	49.2	Lower	Slowing
Business Expectations	56.8	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.



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