

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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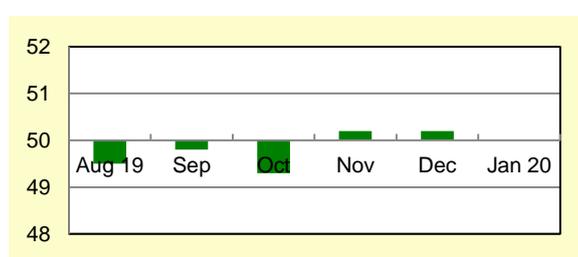
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PMI falls to 50.0 in January

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, Slower. Business Expectations, Optimistic.

China Manufacturing PMI, seasonally adjusted

Month	PMI
Aug 19	49.5
Sep	49.8
Oct	49.3
Nov	50.2
Dec	50.2
Jan 20	50.0



China's manufacturing PMI dropped to 50.0 in January from 50.2 in December. The latest PMI reading indicates that China's manufacturing sector lacks growth momentum.

6 of the 13 sub-indices were lower than their respective levels in the previous month. For example, the output index declined by 1.9 pts from the previous month to 51.3 in January, indicating that the growth of production activities has slowed. Moreover, the new export orders index fell below the critical 50-mark in January, returning to the contractionary zone. In contrast, the new orders index edged up from 51.2 in December to 51.4 in January, indicating that the new orders have increased at a faster pace lately.

By size of enterprises, the PMI of 'large enterprises' came in at 50.4 in January, down from 50.6 in December. The PMI of 'medium enterprises' dropped to 50.1 in January from 51.4 in December. The PMI of 'small enterprises' went up to 48.6 in January from 47.2 in December.

The output index came in at 51.3 in January, down from 53.2 in December. The output indices of 'large enterprises' and 'medium enterprises' stayed above the critical 50-mark, registering 51.5 and 52.2 respectively in January. Meanwhile, the output index of 'small enterprises' stayed below the critical 50 mark, registering 49.3 in the month.

The new orders index edged up to 51.4 in January from 51.2 in December. By size of enterprises, the new orders indices of 'large enterprises' and 'medium enterprises' remained in the expansionary zone, registering 52.6 and 51.3 respectively in the month. Meanwhile, the new orders index of 'small enterprises' dipped below the critical 50-mark, registering 48.2 in January.

The new export orders index was 48.7 in January, down from 50.3 in December. The new export orders indices of 'large enterprises' and 'medium enterprises' dropped below the neutral level of 50, registering 48.1 and 49.3 respectively in January. Meanwhile, the new export orders index of 'small enterprises' jumped to 51.0 in January from 46.1 in December.

The backlogs of orders index came in at 46.3 in January, up from 45.0 in December. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' all stayed below the critical 50-mark, registering 48.5, 44.8 and 42.5 respectively in January.

The stocks of finished goods index was 46.0 in January, up from 45.6 in December. The stocks of finished goods indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 47.4, 45.7 and 42.5 respectively in January.

The purchases of inputs index went up to 51.6 in January from 51.3 in December. The purchases of inputs index of 'large enterprises' came in at 53.5 in January. Meanwhile, the purchases of inputs indices of 'medium enterprises' and 'small enterprises' were in the contractionary zone, registering 49.8 and 49.1 respectively in the month.

The imports index fell to 49.0 in January from 49.9 in December. The imports indices of 'medium enterprises' and 'small enterprises' dropped below the critical 50-mark, registering 46.5 and 47.7 respectively in January. Meanwhile, the imports index of 'large enterprises' came in at 50.0.

The input prices index went up to 53.8 in January from 51.8 in December. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50, registering 54.3, 53.4 and 53.1 respectively in January.

The ex-factory prices index was 49.0 in January, down from 49.2 in December.¹ The ex-factory prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 48.6, 49.2 and 49.7 respectively in January.

The stocks of major inputs index edged down to 47.1 in January from 47.2 in December. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 48.6, 45.4 and 45.4 respectively in January.

The employment index was 47.5 in January, up from 47.3 in December. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 46.7, 48.2 and 48.8 respectively in January.

The suppliers' delivery time index came in at 49.9 in January, compared with 51.1 in December. 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 49.8, 50.0 and 49.8 respectively in January.

The business expectations index went up markedly to 57.9 in January from 54.4 in December.² The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 61.2, 54.8 and 53.2 respectively in January.

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 – January 2020			
Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	50.0	Lower	Stable
Output	51.3	Lower	Expanding
New Orders	51.4	Higher	Expanding
New Export Orders	48.7	Lower	Contracting
Backlogs of Orders	46.3	Higher	Contracting
Stocks of Finished Goods	46.0	Higher	Contracting
Purchases of Inputs	51.6	Higher	Expanding
Imports	49.0	Lower	Contracting
Input Prices	53.8	Higher	Rising
Ex-factory Prices	49.0	Lower	Falling
Stocks of Major Inputs	47.1	Lower	Contracting
Employment	47.5	Higher	Contracting
Suppliers' Delivery Time	49.9	Lower	Slowing
Business Expectations	57.9	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 global market data on sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to monitor, research and report on these global issues with a particular focus on business trends and developments in China. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments 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 consulting 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.

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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