

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 drops to 51.2 in July

Output, New Orders, Purchases of Inputs, Expanding.

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

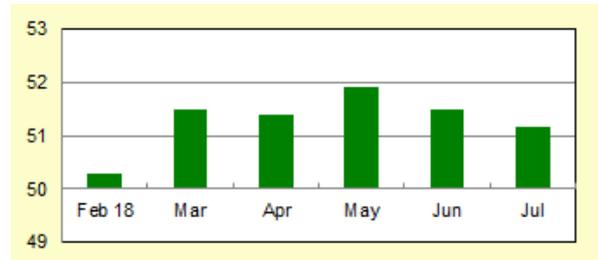
Input Prices, Ex-factory Prices, Rising.

Suppliers' Delivery, Stable.

Business Expectations, Optimistic.

China Manufacturing PMI, seasonally adjusted

Month	PMI
Feb 18	50.3
Mar	51.5
Apr	51.4
May	51.9
Jun	51.5
Jul	51.2



China's manufacturing PMI dropped slightly to 51.2 in July from 51.5 in June, indicating that the growth of the manufacturing sector has further moderated recently amid the escalating trade tensions between China and the US.

8 of the 13 sub-indices were lower than their respective levels in the previous month, while 4 sub-indices were higher than their respective levels in the previous month. The new orders index fell by 0.9 pts, while the new export orders index stayed stable in July.¹ This indicates that the growth of new domestic orders has decelerated lately. Meanwhile, the output index dropped to 53.0 in July from 53.6 in June, showing a moderation in the output growth. In addition, the input prices and the ex-factory prices indices fell by 3.4 pts and 2.8 pts respectively in July, indicating a slower rise in prices of production inputs and ex-factory prices of finished goods in the month.

By size of enterprises, the PMI of 'large enterprises' fell 52.4 in July from 52.9 in June. The PMI of 'medium enterprises' came in at 49.9 in July, the same as in June. Meanwhile the PMI of 'small enterprises' went down to 49.3 in July from 49.8 in June.

The output index was 53.0 in July, down from 53.6 in June. The output index of 'large enterprises' fell to 54.5 in July from 55.8 in June; the output index of 'medium enterprises' was 51.6 in July, up slightly from 51.5 in June; the output index of 'small enterprises' rose to 50.6 in July from 50.0 in June.

¹ 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 went down to 52.3 in July from 53.2 in June. By size of enterprises, the new orders index of 'large enterprises' rose to 54.3 in July from 53.2 in June. Meanwhile, the new orders index of 'medium enterprises' went down to 50.2 in July, compared to 50.4 in June; the new orders index of 'small enterprises' came in at 49.2 in July, down from 50.4 in June.

The new export orders index came in at 49.8 in July, the same as in June. The new export orders indices of 'large enterprises' and 'medium enterprises' were 50.1 and 50.5 respectively in July. Meanwhile, the new export orders index of 'small enterprises' stayed below the critical 50-mark, registering 44.8 in July.

The backlogs of orders index went up slightly to 45.7 in July, compared to 45.5 in June. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 46.2, 45.7 and 44.2 respectively in July.

The stocks of finished goods index rose to 47.1 in July, compared to 46.3 in June. 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, 47.0 and 45.3 respectively in July.

The purchases of inputs index was 51.5 in July, down from 52.8 in June. The purchases of inputs indices of 'large enterprises' and 'medium enterprises' stayed in the expansionary zone, registering 53.2 and 50.3 respectively in July. Meanwhile, the purchases of inputs index of 'small enterprises' was 48.0 in the same month.

The imports index went down to 49.6 in July from 50.0 in June. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 51.2, 45.7 and 45.2 respectively in July.

The input prices index came in at 54.3 in July, down from 57.7 in June. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50, registering 54.3, 53.7 and 55.3 respectively in July.

The stocks of major inputs index went up slightly to 48.9 in July, compared to 48.8 in June. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 49.6, 48.8 and 46.7 respectively in July.

The ex-factory prices index was 50.5 in July, down from 53.3 in June.² The ex-factory prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above the neutral level of 50, registering 50.7, 50.2 and 50.5 respectively in the month.

The employment index was 49.2 in July, up slightly from 49.0 in June. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 50.1, 47.9 and 48.4 respectively in July.

The suppliers' delivery time index came in at 50.0 in July, down slightly from 50.2 in June. 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 49.9, 50.3 and 49.9 respectively in July.

The business expectations index fell by 1.3 pts from the previous month to 56.6 in July, indicating that purchasing managers have become less optimistic recently.³ The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 57.6, 54.4 and 57.2 respectively in July.

² The ex-factory prices index has been published since January 2017.

³ 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 — July 2018

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	51.2	Lower	Expanding
Output	53.0	Lower	Expanding
New Orders	52.3	Lower	Expanding
New Export Orders	49.8	Unchanged	Contracting
Backlogs of Orders	45.7	Higher	Contracting
Stocks of Finished Goods	47.1	Higher	Contracting
Purchases of Inputs	51.5	Lower	Expanding
Imports	49.6	Lower	Contracting
Input Prices	54.3	Lower	Rising
Ex-factory Prices	50.5	Lower	Rising
Stocks of Major Inputs	48.9	Higher	Contracting
Employment	49.2	Higher	Contracting
Suppliers' Delivery Time	50.0	Lower	Stable
Business Expectations	56.6	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.

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 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

© 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.