

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 51.6 in October

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

Stocks of Finished Goods, Stocks of Major Inputs, Backlogs of Orders, Contracting.

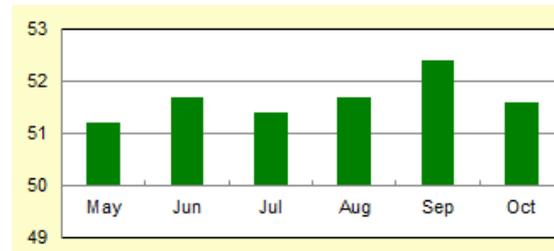
Input Prices, Ex-factory Prices, Rising

Suppliers' Delivery, Slower.

Business Expectations, Optimistic.

China Manufacturing PMI, seasonally adjusted

Month	PMI
May	51.2
Jun	51.7
Jul	51.4
Aug	51.7
Sep	52.4
Oct	51.6



China's manufacturing PMI dropped from its recent peak of 52.4 in September to 51.6 in October, indicating growth moderation of the manufacturing sector in China.

11 of the 13 sub-indices were lower than their respective levels in the previous month, while the stocks of finished goods index was higher than its respective level in the previous month. The output index fell by 1.3 pts in October, showing a deceleration in output growth. In addition, the new orders index dropped by 1.9 pts, while the new export orders index went down by 1.2 pts in October, indicating that the growth rates for both domestic and export orders have moderated.¹ Also noteworthy is that the input prices and the ex-factory prices indices plunged by 5.0 pts and 4.5 pts respectively in October, showing that both the prices of production inputs and the ex-factory prices of finished products have risen at a slower pace recently.

By size of enterprises, the PMI of 'large enterprises' came in at 53.1 in October, down from 53.8 in September. The PMI of 'medium enterprises' fell to 49.8 in October from 51.1 in September, while the PMI of 'small enterprises' dropped to 49.0 in October from 49.4 in September.

The output index was 53.4 in October, down from 54.7 in September. The output index of 'large enterprises' went down to 55.9 in October from 56.6 in September; the output index of 'medium enterprises' was 51.0 in October, down from 53.6 in September; the output index of 'small enterprises' fell markedly to 48.2 in October from 53.6 in September.

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 52.9 in October, compared to 54.8 in September. By size of enterprises, the new orders index of 'large enterprises' was 55.6 in October, down from 57.3 in September. Meanwhile, the new orders index of 'medium enterprises' came in at 50.0 in October, down from 52.2 in September; the new orders index of 'small enterprises' fell to 48.1 in October from 49.9 in September.

The new export orders index dropped to 50.1 in October, compared to 51.3 in September. The new export orders index of 'large enterprises' was 51.3 in October. Meanwhile, the new export orders indices of 'medium enterprises' and 'small enterprises' remained below the critical 50-mark, registering 47.8 and 45.9 respectively in October.

The backlogs of orders index went down to 45.6 in October, compared to 47.4 in September. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 46.7, 44.0 and 44.5 respectively in October.

The stocks of finished goods index came in at 46.1 in October, up from 44.2 in September. 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 46.9, 45.1 and 44.6 respectively in October.

The purchases of inputs index was 53.2 in October, down from 53.8 in September. The purchases of inputs indices of 'large enterprises' and 'medium enterprises' remained in the expansionary zone, registering 55.3 and 51.3 respectively in October. Meanwhile, the purchases of inputs index of 'small enterprises' was 48.6 in October.

The imports index went down to 50.3 in October from 51.1 in September. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 51.3, 48.2 and 45.4 respectively in October.

The input prices index plunged to 63.4 in October, compared to 68.4 in September. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50, registering 63.5, 63.0 and 63.9 respectively in October.

The stocks of major inputs index dropped to 48.6 in October, compared to 48.9 in September. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 49.4, 47.2 and 48.2 respectively in October.

The ex-factory prices index was 55.2 in October, down markedly from 59.4 in September.² The ex-factory prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above the neutral level of 50, registering 55.0, 55.1 and 56.3 respectively in October.

The employment index was 49.0 in October, the same as in September. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 49.3, 48.1 and 49.4 respectively in October.

The suppliers' delivery time index came in at 48.7 in October, down from 49.3 in September. 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 49.2, 48.3 and 47.5 respectively in October.

The business expectations index remained high at 57.0 in October, indicating that purchasing managers have remained optimistic recently.³ The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 59.0, 55.4 and 52.0 respectively in October.

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 — October 2017

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	51.6	Lower	Expanding
Output	53.4	Lower	Expanding
New Orders	52.9	Lower	Expanding
New Export Orders	50.1	Lower	Expanding
Backlogs of Orders	45.6	Lower	Contracting
Stocks of Finished Goods	46.1	Higher	Contracting
Purchases of Inputs	53.2	Lower	Expanding
Imports	50.3	Lower	Expanding
Input Prices	63.4	Lower	Rising
Ex-factory Prices	55.2	Lower	Rising
Stocks of Major Inputs	48.6	Lower	Contracting
Employment	49.0	Unchanged	Contracting
Suppliers' Delivery Time	48.7	Lower	Slowing
Business Expectations	57.0	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.

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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

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