

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.

The Fung Business Intelligence Centre

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PMI rose to 51.7 in July

Output, New Orders, New Export Orders, Purchases of Inputs, expanding.

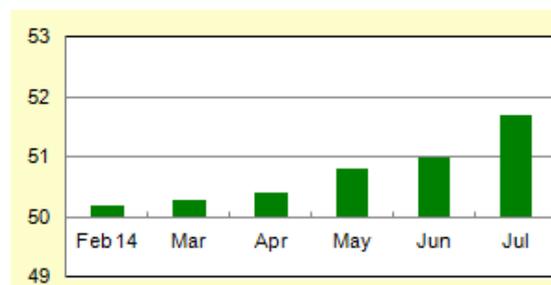
Stocks of Finished Goods, Backlogs of Orders, Imports, Stocks of Major Inputs, contracting.

Input Prices, rising.

Suppliers' Delivery, faster.

China Manufacturing PMI, seasonally adjusted

2014	PMI
Feb	50.2
Mar	50.3
Apr	50.4
May	50.8
Jun	51.0
Jul	51.7



China's manufacturing PMI rose from 51.0 in June to 51.7 in July, the highest level since April 2012. The July PMI points to stronger growth momentum of the manufacturing sector in China.

10 of the 12 sub-indices were higher than their respective levels in the previous month. The output index went up to an eight-month high of 54.2 in July, indicating fast growth of output. Meanwhile, the new orders and the new export orders indices gained 0.8 pts and 0.5 pts respectively in July, implying continuous improvement in the domestic and the external demand. Against this backdrop, manufacturers have increased their purchases: The purchases of inputs index went up to 53.0 in July from 52.0 in June.

By size of enterprises, the PMI of 'large enterprises' went up to 52.6 in July from 51.5 in June. The PMI of 'medium enterprises' came in at 50.1 in July, down from 51.1 in June. Meanwhile, the PMI of 'small enterprises' rebounded to 50.1 in July, compared to 48.4 in June.

The output index improved to 54.2 in July from 53.0 in June. The output indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50 in July, ranging from 51.0 to 56.0.

The new orders index was 53.6 in July, up from 52.8 in June. By size of enterprises, the new orders index of 'large enterprises' rose to 55.0 in July, compared to 53.6 in June. The new orders index of 'medium enterprises' was 51.9 in July, down from 52.9 in June. The new orders index of 'small enterprises' rose to 50.3 in July, compared to 48.5 in June.

The new export orders index went up to 50.8 in July, compared to 50.3 in June. By size of enterprises, the new export orders index of 'large enterprises' went up from 50.8 in June to 52.2 in July, while the new export orders index of 'medium enterprises' fell to 47.5 in July, compared

to 48.9 in June. Meanwhile, the new export orders index of 'small enterprises' dropped from 48.5 in June to 46.2 in July.

The backlogs of orders index edged up to 46.4 in July, compared to 46.2 in June. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in July, ranging from 44.9 to 47.0.

The stocks of finished goods index came in at 47.6 in July, up from 47.3 in June. By size of enterprises, the stocks of finished goods indices of both 'large enterprises' and 'medium enterprises' registered 47.3 in July. Meanwhile, the stocks of finished goods index of 'small enterprises' was 50.3 in the month.

The purchases of inputs index rose to 53.0 in July, compared to 52.0 in June. The purchases of inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above the neutral level of 50 in July, ranging from 50.9 to 54.3.

The imports index was 49.3 in July, up slightly from 49.2 in June. The imports indices of both 'large enterprises' and 'medium enterprises' were below 50 in July, registering 49.7 and 47.8 respectively. Meanwhile, the imports index of 'small enterprises' was 52.8 in the month.

The input prices index went up to 50.5 in July, compared to 50.1 in June. The input prices index of 'large enterprises' remained below the neutral level of 50, registering 49.9 in July. Meanwhile, the input prices indices of 'medium enterprises' and 'small enterprises' were 51.2 and 52.2 respectively in the same month.

The stocks of major inputs index came in at 49.0 in July, up from 48.0 in June. The stocks of major inputs indices of both 'large enterprises' and 'medium enterprises' stayed below the neutral level of 50, registering 48.7 and 48.2 respectively in July. Meanwhile, the stocks of major inputs index of 'small enterprises' came in at 52.5 in the month.

The employment index came in at 48.3 in July, down from 48.6 in June. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in July, ranging from 47.3 to 48.9.

The suppliers' delivery time index fell to 50.2 in July, compared to 50.5 in June. In general, a reading above 50 implies faster delivery; below 50, slower delivery time. The suppliers' delivery time indices of both 'large enterprises' and 'medium enterprises' were above 50 in July, registering 50.4 and 50.2 respectively. Meanwhile, the suppliers' delivery time index of 'small enterprises' was 49.4 in the same month.

The business expectations index improved from 54.8 in June to 55.3 in July, indicating that purchasing managers have become more optimistic about the near term outlook for their respective industries. The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above the neutral level of 50 in July, ranging from 53.1 to 56.4.

China Manufacturing at a Glance — July 2014

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	51.7	Higher	Expanding
Output	54.2	Higher	Expanding
New Orders	53.6	Higher	Expanding
New Export Orders	50.8	Higher	Expanding
Backlogs of Orders	46.4	Higher	Contracting
Stocks of Finished Goods	47.6	Higher	Contracting
Purchases of Inputs	53.0	Higher	Expanding
Imports	49.3	Higher	Contracting
Input Prices	50.5	Higher	Rising
Stocks of Major Inputs	49.0	Higher	Contracting
Employment	48.3	Lower	Contracting
Suppliers' Delivery Time	50.2	Lower	Quickening
Business Expectations	55.3	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). The Fung Business Intelligence Centre 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 21 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.

Survey responses reflect the change of each indicator, if any, in the current month compared to the previous month. There are 12 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, Employment, Suppliers' Delivery Time and Business Expectation. For each of the indicators, this report shows the percentage of enterprises reporting each response, the difference between the percentage of responses in the positive economic direction and the negative economic direction, and the diffusion index. The diffusion index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indices have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change. An index reading above 50 indicates an overall positive change in that variable; below 50, an overall negative change.

The PMI is a composite index based on the seasonally adjusted diffusion indices for five of the 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 22 countries and regions conducting the PMI survey and compilation, based on an internationally standardized methodology.

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