

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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PMI moderates to 51.4 in December

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

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

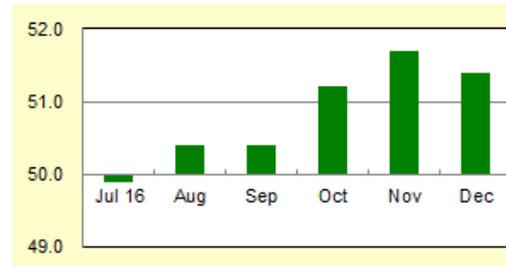
Input Prices, Rising.

Suppliers' Delivery, Stable.

Business Expectations, Pessimistic.

China Manufacturing PMI, seasonally adjusted

2016	PMI
Jul	49.9
Aug	50.4
Sep	50.4
Oct	51.2
Nov	51.7
Dec	51.4



China's manufacturing PMI dropped by 0.3 pts from the previous month to 51.4 in December, still the second highest level in the year. The December reading indicates that the manufacturing sector in China has continued to expand at a relatively fast pace recently.

9 of the 12 sub-indices were lower than their respective levels in the previous month, while 2 sub-indices were higher than their respective levels in the previous month. The output index dropped by 0.6 pts in December, showing a deceleration in output growth. Meanwhile, the new orders index stayed stable at 53.2 in December, after having risen for two consecutive months.¹ The input prices index went up further to 69.6 in December, well above the critical 50-mark. The latest reading indicates that the prices of production inputs have increased sharply.

By size of enterprises, the PMI of 'large enterprises' fell to 53.2 in December from 53.4 in November. The PMI of 'medium enterprises' dropped to 49.6 in December from 50.1 in November, while the PMI of 'small enterprises' went down to 47.2 in December from 47.4 in November.

The output index was 53.3 in December, down from 53.9 in November. The output index of 'large enterprises' went down to 56.1 in December from 57.1 in November; the output index of 'medium enterprises' was 50.8 in December, down slightly from 50.9 in November; the output index of 'small enterprises' rose to 46.5 in December from 46.4 in November.

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 was 53.2 in December, the same as in November. By size of enterprises, the new orders index of 'large enterprises' was 56.2 in December, up from 55.8 in November. The new orders index of 'medium enterprises' dropped to 50.4 in December from 51.2 in November, while that of 'small enterprises' went up slightly to 46.3 in December from 46.2 in November.

The new export orders index dropped to 50.1 in December, compared to 50.3 in November. The new export orders index of 'large enterprises' remained above the critical 50-mark, registering 51.2 in December. Meanwhile, the new export orders indices of 'medium enterprises' and 'small enterprises' were 48.4 and 44.3 respectively in December.

The backlogs of orders index went down to 46.2 in December, compared to 46.7 in November. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 47.1, 45.6 and 43.4 respectively in December.

The stocks of finished goods index came in at 44.4 in December, down from 45.9 in November. 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 45.0, 43.2 and 44.2 respectively in December.

The purchases of inputs index was 52.1 in December, down from 52.9 in November. The purchases of inputs index of 'large enterprises' stayed in the expansionary zone, registering 54.7 in December. Meanwhile, the purchases of inputs indices of 'medium enterprises' and 'small enterprises' were 49.3 and 46.7 respectively in December.

The imports index was 50.3 in December, down from 50.6 in November. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 51.3, 48.4 and 42.9 respectively in December.

The input prices index went up to 69.6 in December, compared to 68.3 in November. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50, registering 70.6, 68.7 and 67.2 respectively in December.

The stocks of major inputs index came in at 48.0 in December, down from 48.4 in November. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 49.7, 46.6 and 43.6 respectively in December.

The employment index came in at 48.9 in December, down from 49.2 in November. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, recording 49.6, 48.1 and 47.6 respectively in December.

The suppliers' delivery time index rose to 50.0 in December from 49.7 in November. 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 50.5, 49.9 and 48.1 respectively in December.

The business expectations index went down from 55.5 in November to 49.5 in December, indicating that purchasing managers have become pessimistic recently. The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 51.3, 47.4 and 46.1 respectively in December.

China Manufacturing at a Glance — December 2016

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	51.4	Lower	Expanding
Output	53.3	Lower	Expanding
New Orders	53.2	Unchanged	Expanding
New Export Orders	50.1	Lower	Expanding
Backlogs of Orders	46.2	Lower	Contracting
Stocks of Finished Goods	44.4	Lower	Contracting
Purchases of Inputs	52.1	Lower	Expanding
Imports	50.3	Lower	Expanding
Input Prices	69.6	Higher	Rising
Stocks of Major Inputs	48.0	Lower	Contracting
Employment	48.9	Lower	Contracting
Suppliers' Delivery Time	50.0	Higher	Unchanged
Business Expectations	49.5	Lower	Pessimistic

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 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.

There are 12 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, 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 was established in the year 2000.

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