

# 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 fell to 51.0 in December

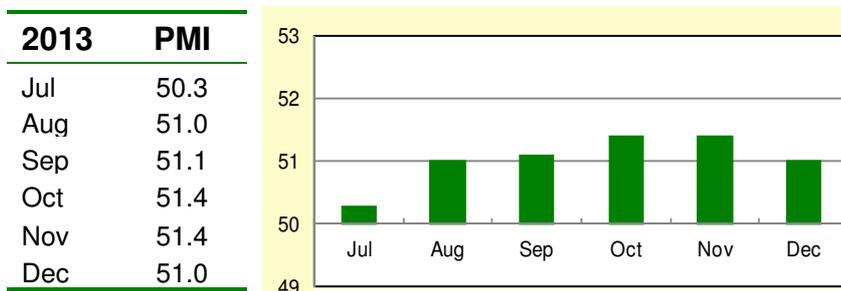
**Output, New Orders, Purchases of Inputs, expanding.**

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

**Input Prices, rising.**

**Suppliers' Delivery, faster.**

### China Manufacturing PMI, seasonally adjusted



China's manufacturing PMI fell modestly to 51.0 in December, compared to 51.4 in November. The index reading indicates that the pace of expansion of China's manufacturing sector has softened.

Except the input prices index, all sub-indices were lower than their respective levels in the previous month. For example, the new orders index dropped by 0.3 pts from the previous month to 52.0 in December. Besides, for the first time since August 2013, the new export orders index was below the neutral level of 50 in December, showing that growth of new export orders turned negative. Meanwhile, the business expectations index declined sharply by 5.5 pts to 49.4 in December, suggesting that purchasing managers have become slightly pessimistic about the near term outlook for their respective industries.

By size of enterprises, the PMI of 'large enterprises' fell from 52.4 in November to 52.0 in December. The PMI of 'medium enterprises' came in at 49.9 in December, down from 50.2 in November. Meanwhile, the PMI of 'small enterprises' dropped from 48.3 in November to 47.7 in December, staying below the neutral level of 50.

The output index dropped from 54.5 in November to 53.9 in December. By size of enterprises, the output index of 'large enterprises' was 55.3 in December, compared to 55.9 in November. The output index of 'medium enterprises' came in at 51.7 in December, down from 52.8 in November. Meanwhile, the output index of 'small enterprises' edged up from 50.1 in November to 50.2 in December.

The new orders index was 52.0 in December, down from 52.3 in November. By size of enterprises, the new orders index of 'large enterprises' was 53.4 in December, compared to 53.8 in November. The new orders index of 'medium enterprises' was 50.4 in December, the same as in November. The new orders index of 'small enterprises' fell slightly to 47.2 in December, compared to 47.3 in November.

The new export orders index went down to 49.8 in December, compared to 50.6 in November. By size of enterprises, the new export orders index of 'large enterprises' dropped from 51.5 in November to 50.7 in December, while the new export orders index of 'medium enterprises' went down to 46.7 in December, compared to 49.5 in November. In contrast, the new export orders index of 'small enterprises' rebounded strongly from 40.7 in November to 50.3 in December.

The backlogs of orders index was 45.1 in December, down slightly from 45.3 in November. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in December, ranging from 41.4 to 46.0.

The stocks of finished goods index came in at 46.2 in December, down from 47.9 in November. The stocks of finished goods indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below 50 in December, ranging from 44.4 to 47.1.

The purchases of inputs index fell to 52.7 in December, compared to 53.6 in November. By size of enterprises, the purchases of inputs index of 'large enterprises' declined from 55.2 in November to 54.3 in December. The purchases of inputs index of 'medium enterprises' came in at 50.9 in December, down from 51.8 in November. Meanwhile, the purchases of inputs index of 'small enterprises' went down from 48.4 in November to 47.6 in December.

The imports index was 49.0 in December, down from 50.5 in November. By size of enterprises, the imports index of 'large enterprises' fell from 51.3 in November to 49.6 in December. The imports index of 'medium enterprises' came in at 46.1 in December, down from 48.0 in November. In contrast, the imports index of 'small enterprises' climbed from 51.1 in November to 53.8 in December.

The input prices index edged up to 52.6 in December, compared to 52.5 in November. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above the neutral level of 50 in December, ranging from 51.4 to 53.2.

The stocks of major inputs index came in at 47.6 in December, down from 47.8 in November. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in December, ranging from 44.3 to 48.5.

The employment index went down to 48.7 in December, compared to 49.6 in November. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in December, ranging from 46.6 to 49.3.

The suppliers' delivery time index was 50.5 in December, compared to 50.6 in November. In general, a reading above 50 implies faster delivery and a cooling-down economy; below 50, slower delivery time and a booming economy. The suppliers' delivery time indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 50.6, 49.9 and 51.6 respectively in December.

The business expectations index dropped sharply from 54.9 in November to 49.4 in December, indicating that purchasing managers have become slightly pessimistic about the near term outlook for their respective industries. The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 51.5, 46.5 and 43.8 in December respectively.

### China Manufacturing at a Glance — December 2013

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	51.0	Lower	Expanding
Output	53.9	Lower	Expanding
New Orders	52.0	Lower	Expanding
New Export Orders	49.8	Lower	Contracting
Backlogs of Orders	45.1	Lower	Contracting
Stocks of Finished Goods	46.2	Lower	Contracting
Purchases of Inputs	52.7	Lower	Expanding
Imports	49.0	Lower	Contracting
Input Prices	52.6	Higher	Rising
Stocks of Major Inputs	47.6	Lower	Contracting
Employment	48.7	Lower	Contracting
Suppliers' Delivery Time	50.5	Lower	Quickening
Business Expectations	49.4	Lower	Pessimistic

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## 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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