

# 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 50.1 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.**

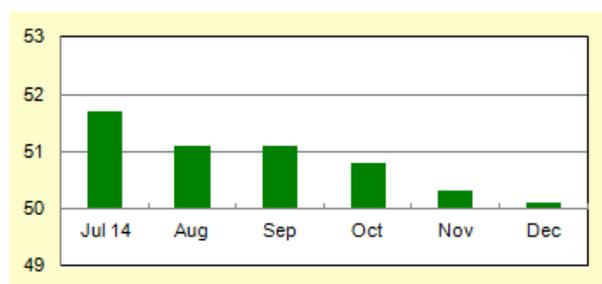
**Input Prices, falling.**

**Suppliers' Delivery, slower**

**Business Expectations, pessimistic**

### China Manufacturing PMI, seasonally adjusted

2014	PMI
Jul	51.7
Aug	51.1
Sep	51.1
Oct	50.8
Nov	50.3
Dec	50.1



China's manufacturing PMI fell from 50.3 in November to 50.1 in December, declining for three consecutive months. The figure was only marginally higher than the neutral level of 50, showing that China's manufacturing sector lacks growth momentum.

9 of the 12 sub-indices were lower than their respective levels in the previous month. Output growth moderated in December: The output index dropped by 0.3 pts in the month. The new orders index fell by 0.5 pts in December, suggesting a moderation in domestic demand. The new export orders index gained 0.7 pts in December but was still below 50, indicating softening export demand.

By size of enterprises, the PMI of 'large enterprises' edged down to 51.4 in December from 51.6 in November. The PMI of 'medium enterprises' came in at 48.7 in December, up from 48.4 in November. Meanwhile, the PMI of 'small enterprises' fell to 45.5 in December, compared to 47.6 in November.

The output index dropped to 52.2 in December from 52.5 in November. The output index of 'large enterprises' was 54.6 in December. The output indices of 'medium enterprises' and 'small enterprises' remained in the contractionary zone, registering 49.9 and 44.3 respectively in December.

The new orders index was 50.4 in December, down from 50.9 in November. By size of enterprises, the new orders index of 'large enterprises' was 52.7 in December, the same as in November. The new orders indices of 'medium enterprises' and 'small enterprises' were 47.7 and 43.5 in December, down from 48.3 and 47.2 respectively in November.

The new export orders index rose to 49.1 in December, compared to 48.4 in November. The new export orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, ranging from 45.3 to 49.9 in December.

The backlogs of orders index edged down to 43.8 in December, compared to 43.9 in November. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, ranging from 41.3 to 44.8 in December.

The stocks of finished goods index came in at 47.8 in December, up from 47.2 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, ranging from 44.6 to 48.7 in December.

The purchases of inputs index went down to 50.1 in December, compared to 50.5 in November. The purchases of inputs indices of 'medium enterprises' and 'small enterprises' were both below the neutral level of 50, registering 47.8 and 43.9 respectively in December. Meanwhile, the purchases of inputs index of 'large enterprises' was 52.1 in the month, staying above the critical 50-mark.

The imports index was 47.8 in December, up from 47.3 in November. The imports indices of 'large enterprises' and 'medium enterprises' were both below 50, registering 48.4 and 45.1 respectively in December. Meanwhile, the imports index of 'small enterprises' was 50.8 in the month.

The input prices index fell to 43.2 in December, compared to 44.7 in November. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, ranging from 42.0 to 45.7 in December.

The stocks of major inputs index came in at 47.5 in December, down slightly from 47.7 in November. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, ranging from 43.4 to 48.4 in December.

The employment index came in at 48.1 in December, down slightly from 48.2 in November. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, ranging from 47.2 to 48.4 in December.

The suppliers' delivery time index declined to 49.9 in December, compared to 50.3 in November. A reading above 50 implies faster delivery; below 50, slower delivery time. The suppliers' delivery time indices of 'medium enterprises' and 'small enterprises' were both below the neutral level of 50, registering 49.8 and 49.3 respectively in December. Meanwhile, the suppliers' delivery time index of 'large enterprises' was 50.0 in the month.

The business expectations index fell from 52.2 in November to 48.7 in December, below the critical 50-mark. The figure indicates that purchasing managers have become pessimistic about the near term outlook for their respective industries. The business expectations indices of 'medium enterprises' and 'small enterprises' came in at 46.6 and 44.2 respectively in the month. Meanwhile, the business expectations index of 'large enterprises' was still above the neutral level of 50, registering 50.3 in December.

### China Manufacturing at a Glance — December 2014

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	50.1	Lower	Expanding
Output	52.2	Lower	Expanding
New Orders	50.4	Lower	Expanding
New Export Orders	49.1	Higher	Contracting
Backlogs of Orders	43.8	Lower	Contracting
Stocks of Finished Goods	47.8	Higher	Contracting
Purchases of Inputs	50.1	Lower	Expanding
Imports	47.8	Higher	Contracting
Input Prices	43.2	Lower	Falling
Stocks of Major Inputs	47.5	Lower	Contracting
Employment	48.1	Lower	Contracting
Suppliers' Delivery Time	49.9	Lower	Slowing
Business Expectations	48.7	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). 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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