

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 51.0 in June

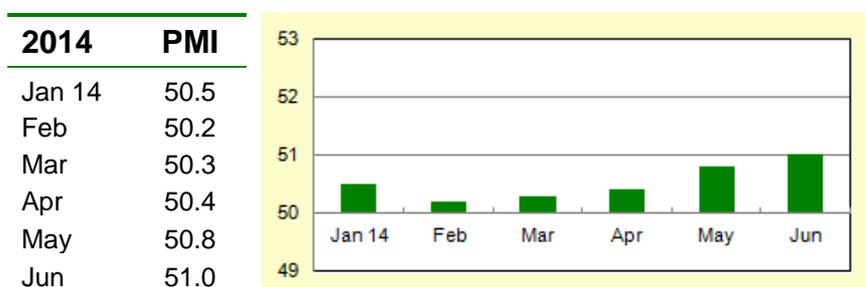
Output, New Orders, New Export Orders, Purchases of Inputs, expanding.

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

Input Prices, rising.

Suppliers' Delivery, faster.

China Manufacturing PMI, seasonally adjusted



China's manufacturing PMI rose from 50.8 in May to a six-month high of 51.0 in June, indicating quicker expansion of manufacturing sector.

9 of the 12 sub-indices were higher than their respective levels in the previous month, and 2 sub-indices were lower than their respective levels. Export demand has improved. The new export orders index rose above the neutral level of 50 in June, indicating expansion of new export orders.

By size of enterprises, the PMI of 'large enterprises' went up to 51.5 in June from 50.9 in May. The PMI of 'medium enterprises' came in at 51.1 in June, down from 51.4 in May. Meanwhile, the PMI of 'small enterprises' dropped to 48.4 in June, compared to 48.8 in May.

The output index improved to 53.0 in June from 52.8 in May. By size of enterprises, the output index of 'large enterprises' rose to 53.5 in June, compared to 52.8 in May. The output index of 'medium enterprises' fell to 53.8 in June, compared to 54.2 in May. Meanwhile, the output index of 'small enterprises' went down from 49.8 in May to 48.5 in June.

The new orders index was 52.8 in June, up from 52.3 in May. By size of enterprises, the new orders index of 'large enterprises' rose to 53.6 in June, compared to 52.3 in May. The new orders index of 'medium enterprises' was 52.9 in June, down from 53.9 in May. The new orders index of 'small enterprises' was 48.5 in June, compared to 48.3 in May.

The new export orders index went up to 50.3 in June, compared to 49.3 in May. By size of enterprises, the new export orders index of 'large enterprises' rebounded from 49.3 in May to 50.8 in June, while the new export orders index of 'medium enterprises' fell to 48.9 in June, compared to 50.8 in May. Meanwhile, the new export orders index of 'small enterprises' rose markedly from 42.5 in May to 48.5 in June.

The backlogs of orders index edged up to 46.2 in June, compared to 46.0 in May. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in June, ranging from 43.8 to 47.0.

The stocks of finished goods index came in at 47.3 in June, up slightly from 47.1 in May. The stocks of finished goods indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below 50 in June, ranging from 47.0 to 48.5.

The purchases of inputs index fell to 52.0 in June, compared to 52.3 in May. By size of enterprises, the purchases of inputs index of 'large enterprises' edged up from 52.7 in May to 52.9 in June. The purchases of inputs index of 'medium enterprises' came in at 53.2 in June, up from 52.9 in May. Meanwhile, the purchases of inputs index of 'small enterprises' went down from 48.5 in May to 44.2 in June.

The imports index was 49.2 in June, up slightly from 49.0 in May. The imports indices of 'large enterprises' and 'medium enterprises' were below 50 in June, registering 49.4 and 48.0 respectively. Meanwhile, the imports index of 'small enterprises' was 53.6 in the month.

The input prices index inched up to 50.1 in June, compared to 50.0 in May. The input prices index of 'large enterprises' has remained below the neutral level of 50, registering 49.2 in June. Meanwhile, the input prices indices of 'medium enterprises' and 'small enterprises' were 51.0 and 53.2 respectively in June.

The stocks of major inputs index came in at 48.0 in June, the same as in May. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in June, ranging from 46.8 to 48.6.

The employment index came in at 48.6 in June, up from 48.2 in May. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in June, ranging from 48.3 to 48.8.

The suppliers' delivery time index edged up to 50.5 in June, compared to 50.3 in May. In general, 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' were all above 50 in June, ranging from 50.5 to 50.6.

The business expectations index dropped from 56.2 in May to 54.8 in June, indicating that purchasing managers have become less optimistic about the near term outlook for their respective industries.

China Manufacturing at a Glance — June 2014

| Index | S. Adj Index | Index Compared with the Previous Month | Direction |
|--------------------------|--------------|--|-------------|
| PMI | 51.0 | Higher | Expanding |
| Output | 53.0 | Higher | Expanding |
| New Orders | 52.8 | Higher | Expanding |
| New Export Orders | 50.3 | Higher | Expanding |
| Backlogs of Orders | 46.2 | Higher | Contracting |
| Stocks of Finished Goods | 47.3 | Higher | Contracting |
| Purchases of Inputs | 52.0 | Lower | Expanding |
| Imports | 49.2 | Higher | Contracting |
| Input Prices | 50.1 | Higher | Rising |
| Stocks of Major Inputs | 48.0 | Unchanged | Contracting |
| Employment | 48.6 | Higher | Contracting |
| Suppliers' Delivery Time | 50.5 | Higher | Quickening |
| Business Expectations | 54.8 | 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). 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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