

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 stayed stable at 50.2 in June

Output, New Orders, Purchases of Inputs, expanding.

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

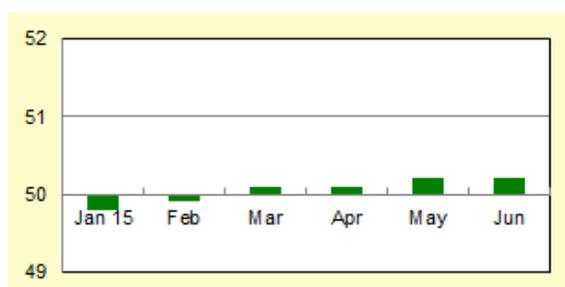
Input Prices, falling.

Suppliers' Delivery, faster.

Business Expectations, optimistic.

China Manufacturing PMI, seasonally adjusted

2015	PMI
Jan	49.8
Feb	49.9
Mar	50.1
Apr	50.1
May	50.2
Jun	50.2



China's manufacturing PMI came in at 50.2 in June, the same as in May. The index reading was slightly above the critical 50-mark, indicating weak growth momentum of manufacturing sector in China.

8 of the 12 sub-indices were lower than their respective levels in the previous month, and 3 sub-indices were higher than their respective levels in the previous month. The new orders index dropped to a 28-month low of 50.1 in June, indicating that the growth of overall orders has slowed.¹ Meanwhile, the input prices index fell to 47.3 in June, staying below the neutral level of 50 for eleven consecutive months. The index reading shows that the prices of production inputs have continued to drop. Also noteworthy is that the business expectations index fell sharply by 4.6 pts. from the previous month to 52.2 in June, suggesting that purchasing managers have become less optimistic about the near term outlook for their respective industries.

By size of enterprises, the PMI of 'large enterprises' went up slightly to 50.8 in June from 50.7 in May. In the meantime, the PMI of 'medium enterprises' fell to 50.2 in June from 50.4 in May, while the PMI of 'small enterprises' dropped to 47.5 in June from 47.9 in May.

The output index was 52.9 in June, the same as in May. The output indices of 'large enterprises' and 'medium enterprises' were 54.2 and 52.5 respectively in June. Meanwhile, the output index of 'small enterprises' remained in the contractionary zone, registering 47.7 in June.

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 50.1 in June, down from 50.6 in May. By size of enterprises, the new orders index of 'large enterprises' was 50.9 in June, down from 51.2 in May. Besides, the new orders index of 'medium enterprises' fell to 50.2 in June from 50.9 in May, while that of 'small enterprises' slid to 46.3 in June from 47.4 in May.

The new export orders index dropped to 48.2 in June, compared to 48.9 in May. The new export orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 49.0, 46.6 and 44.8 respectively in June.

The backlogs of orders index fell slightly to 44.6 in June, compared to 44.7 in May. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 45.1, 45.7 and 39.8 respectively in June.

The stocks of finished goods index came in at 47.7 in June, up from 47.5 in May. 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 48.3, 47.7 and 44.7 respectively in June.

The purchases of inputs index dropped slightly to 50.9 in June, compared to 51.0 in May. The purchases of inputs index of 'large enterprises' stayed above the neutral level of 50, registering 52.3 in June. Meanwhile, the purchases of inputs indices of 'small enterprises' and 'medium enterprises' were 49.9 and 46.5 respectively in June.

The imports index was 48.0 in June, up from 47.6 in May. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, recording 48.1, 48.2 and 46.3 respectively in June.

The input prices index went down to 47.3 in June, compared to 49.4 in May. The input prices indices of both 'large enterprises' and 'small enterprises' registered 47.6 in June. Meanwhile, the input prices index of 'medium enterprises' fell to 46.6 in June from 50.2 in May.

The stocks of major inputs index came in at 48.7 in June, up from 48.2 in May. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 48.8, 48.6 and 48.6 respectively in June.

The employment index came in at 48.1 in June, down slightly from 48.2 in May. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, recording 48.2, 48.5 and 47.1 respectively in June.

The suppliers' delivery time index went down to 50.3 in June, compared to 50.9 in May. 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 50.2, 50.4 and 50.5, respectively, in June.

The business expectations index fell from 56.8 in May to 52.2 in June. The latest index reading indicates that purchasing managers have become less optimistic about the near term outlook for their respective industries. The business expectations indices of 'large enterprises' and 'medium enterprises' were 53.2 and 51.1 respectively in June. Meanwhile, the business expectations index of 'small enterprises' dropped below 50, registering 49.6 in June.

China Manufacturing at a Glance — June 2015

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	50.2	Unchanged	Expanding
Output	52.9	Unchanged	Expanding
New Orders	50.1	Lower	Expanding
New Export Orders	48.2	Lower	Contracting
Backlogs of Orders	44.6	Lower	Contracting
Stocks of Finished Goods	47.7	Higher	Contracting
Purchases of Inputs	50.9	Lower	Expanding
Imports	48.0	Higher	Contracting
Input Prices	47.3	Lower	Falling
Stocks of Major Inputs	48.7	Higher	Contracting
Employment	48.1	Lower	Contracting
Suppliers' Delivery Time	50.3	Lower	Quickening
Business Expectations	52.2	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.

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.



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The Fung Business Intelligence Centre (FBIC) collects and analyses market data on sourcing, supply chains, distribution and retail. It also provides thought leadership on technology and other key issues shaping their future.

Headquartered in Hong Kong, FBIC leverages unique relationships and information networks to track and report on trends and developments in China and other Asian countries. In addition, its New York-based Global Retail & Technology research team follows broader retail and technology trends, specialising in how they intersect and building collaborative knowledge communities around the revolution occurring worldwide at the retail interface.

Since its establishment in 2000, the FBIC (formerly known as the Li & Fung Research Centre) has served as the knowledge bank and think tank for the Fung Group. Through regular research reports and other publications, it makes its market data, impartial analysis and expertise available to businesses, scholars and governments around the world. It also provides advice and consultancy services to colleagues and business partners of the Fung Group on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

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