

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 50.8 in May

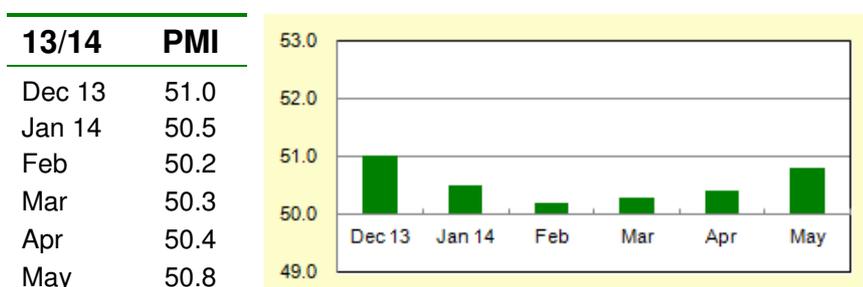
Output, New Orders, Purchases of Inputs, expanding.

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

Input Prices, unchanged.

Suppliers' Delivery, faster.

China Manufacturing PMI, seasonally adjusted



China's manufacturing PMI rose from 50.4 in April to a five-month high of 50.8 in May. The figures indicate that the manufacturing sector has expanded at a faster pace, amid improving domestic demand.

8 of the 12 sub-indices were higher than their respective levels in the previous month. The domestic demand has continued to strengthen. The new orders index came in at 52.3 in May, increasing for three consecutive months. Meanwhile, the input prices index went up from 48.3 in April to 50.0 in May, suggesting that prices of production inputs have stabilized.

By size of enterprises, the PMI of 'large enterprises' edged up to 50.9 in May from 50.8 in April. The PMI of 'medium enterprises' came in at 51.4 in May, up from 50.3 in April. Meanwhile, the PMI of 'small enterprises' was 48.8 in May, the same as in April.

The output index improved to 52.8 in May from 52.5 in April. By size of enterprises, the output index of 'large enterprises' came in at 52.8 in May, the same as in April. The output index of 'medium enterprises' rose to 54.2 in May, compared to 53.0 in April. Meanwhile, the output index of 'small enterprises' went up from 49.4 in April to 49.8 in May.

The new orders index was 52.3 in May, up from 51.2 in April. By size of enterprises, the new orders index of 'large enterprises' edged up to 52.3 in May, compared to 52.1 in April. The new orders index of 'medium enterprises' was 53.9 in May, up sharply from 50.4 in April. The new orders index of 'small enterprises' was 48.3 in May, the same as in April.

The new export orders index edged up to 49.3 in May, compared to 49.1 in April. By size of enterprises, the new export orders index of 'large enterprises' declined from 49.8 in April to 49.3 in May, while the new export orders index of 'medium enterprises' went up to 50.8 in May, compared to 46.9 in April. Meanwhile, the new export orders index of 'small enterprises' fell markedly from 48.7 in April to 42.5 in May.

The backlogs of orders index was 46.0 in May, up from 44.9 in April. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in May, ranging from 44.2 to 46.8.

The stocks of finished goods index came in at 47.1 in May, down slightly from 47.3 in April. The stocks of finished goods indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below 50 in May, ranging from 46.5 to 47.5.

The purchases of inputs index rose to 52.3 in May, compared to 50.6 in April. By size of enterprises, the purchases of inputs index of 'large enterprises' picked up from 50.8 in April to 52.7 in May. The purchases of inputs index of 'medium enterprises' came in at 52.9 in May, up from 51.3 in April. Meanwhile, the purchases of inputs index of 'small enterprises' went up from 47.7 in April to 48.5 in May.

The imports index was 49.0 in May, up from 48.6 in April. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below 50 in May, ranging from 45.6 to 49.2.

The input prices index went up to 50.0 in May, compared to 48.3 in April. The input prices indices of 'large enterprises' and 'medium enterprises' were below the neutral level of 50 in May, registering 49.2 and 49.9 respectively. In contrast, the input prices index of 'small enterprises' rose above 50 in May, recording 54.3.

The stocks of major inputs index came in at 48.0 in May, down slightly from 48.1 in April. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in May, ranging from 47.0 to 48.4.

The employment index came in at 48.2 in May, down slightly from 48.3 in April. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in May, ranging from 47.4 to 48.4.

The suppliers' delivery time index rose to 50.3 in May, compared to 50.1 in April. In general, a reading above 50 implies faster delivery; below 50, slower delivery time. The suppliers' delivery time index of 'small enterprises' was still below the neutral level of 50 in May, registering 49.6. In contrast, the suppliers' delivery time indices of 'large enterprises' and 'medium enterprises' were above 50, registering 50.3 and 50.6 respectively in May.

The business expectations index dropped from 59.6 in April to 56.2 in May, indicating that purchasing managers have become less optimistic about the near term outlook for their respective industries. The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above the neutral level of 50 in May, ranging from 53.3 to 56.6.

China Manufacturing at a Glance — May 2014

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	50.8	Higher	Expanding
Output	52.8	Higher	Expanding
New Orders	52.3	Higher	Expanding
New Export Orders	49.3	Higher	Contracting
Backlogs of Orders	46.0	Higher	Contracting
Stocks of Finished Goods	47.1	Lower	Contracting
Purchases of Inputs	52.3	Higher	Expanding
Imports	49.0	Higher	Contracting
Input Prices	50.0	Higher	Unchanged
Stocks of Major Inputs	48.0	Lower	Contracting
Employment	48.2	Lower	Contracting
Suppliers' Delivery Time	50.3	Higher	Quickening
Business Expectations	56.2	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.

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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