

# 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 stays at 50.1 in May

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

**Stocks of Finished Goods, Backlogs of Orders, Imports, Stocks of Major Inputs, Contracting.**

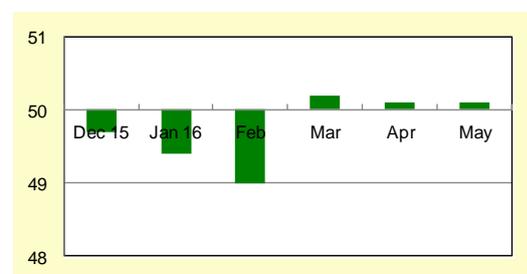
**Input Prices, Rising.**

**Suppliers' Delivery, Faster.**

**Business Expectations, Optimistic.**

## China Manufacturing PMI, seasonally adjusted

15/16	PMI
Dec	49.7
Jan	49.4
Feb	49.0
Mar	50.2
Apr	50.1
May	50.1



China's manufacturing PMI came in at 50.1 in May, staying above the critical 50-mark for three consecutive months. The latest PMI reading indicates that the manufacturing sector in China has continued to expand at a weak pace.

4 of the 12 sub-indices were lower than their respective levels in the previous month. The new orders index and the new export orders index fell by 0.3 pts and 0.1 pts from the previous month to 50.7 and 50.0, respectively, in May, indicating growth moderation of new domestic and export orders.<sup>1</sup> Meanwhile, the input prices index went down by 2.3 pts from the previous month to 55.3 in May, showing that prices of production inputs have risen at a slower pace recently. Meanwhile, the business expectations index dropped markedly from 60.3 in April to 55.9 in May, indicating 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 down to 50.3 in May from 51.0 in April. In contrast, the PMI of 'medium enterprises' rose to 50.5 in May from 50.0 in April, while the PMI of 'small enterprises' picked up to 48.6 in May from 46.9 in April.

The output index was 52.3 in May, up slightly from 52.2 in April. The output index of 'large enterprises' dropped to 52.8 in May, down from 53.3 in April. In contrast, the output indices of 'medium enterprises' and 'small enterprises' were 52.8 and 49.6 in May, up from 52.6 and 46.9, respectively, in April.

<sup>1</sup> 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 50.7 in May, down from 51.0 in April. By size of enterprises, the new orders index of 'large enterprises' was 50.9 in May, down from 52.9 in April. The new orders index of 'medium enterprises' rose to 51.1 in May from 50.1 in April, while that of 'small enterprises' went up to 48.9 in May from 45.0 in April.

The new export orders index fell slightly to 50.0 in May, compared to 50.1 in April. The new export orders index of 'medium enterprises' came in at 51.3, still above 50, in May. Meanwhile, the new export orders indices of 'large enterprises' and 'small enterprises' were 49.6 and 49.5 respectively in May.

The backlogs of orders index went up to 45.1 in May, compared to 44.8 in April. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 45.5, 45.0 and 43.5 respectively in May.

The stocks of finished goods index came in at 46.8 in May, up from 45.5 in April. 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 46.7, 46.8 and 47.3 respectively in May.

The purchases of inputs index rose slightly to 51.2 in May, compared to 51.0 in April. The purchases of inputs indices of 'large enterprises' and 'medium enterprises' were 52.0 and 51.2 respectively in May. Meanwhile, the purchases of inputs index of 'small enterprises' stayed below 50, registering 47.9 in May.

The imports index was 49.6 in May, up slightly from 49.5 in April. The imports index of 'small enterprises' was 54.9 in May. Meanwhile, the imports indices of 'large enterprises' and 'medium enterprises' were below the neutral level of 50, recording 49.6 and 48.4 respectively in May.

The input prices index went down to 55.3 in May, compared to 57.6 in April. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50, registering 56.3, 54.1 and 53.5 respectively in May.

The stocks of major inputs index came in at 47.6 in May, up from 47.4 in April. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 47.1, 48.9 and 47.2 respectively in May.

The employment index came in at 48.2 in May, up from 47.8 in April. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, recording 48.3, 48.4 and 47.3 respectively in May.

The suppliers' delivery time index rose to 50.4 in May from 50.1 in April. 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 50.0, 50.9 and 51.0 respectively in May.

The business expectations index went down from 60.3 in April to 55.9 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 57.2, 55.8 and 50.5 respectively in May.

**China Manufacturing at a Glance — May 2016**

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	50.1	Unchanged	Expanding
Output	52.3	Higher	Expanding
New Orders	50.7	Lower	Expanding
New Export Orders	50.0	Lower	Unchanged
Backlogs of Orders	45.1	Higher	Contracting
Stocks of Finished Goods	46.8	Higher	Contracting
Purchases of Inputs	51.2	Higher	Expanding
Imports	49.6	Higher	Contracting
Input Prices	55.3	Lower	Rising
Stocks of Major Inputs	47.6	Higher	Contracting
Employment	48.2	Higher	Contracting
Suppliers' Delivery Time	50.4	Higher	Quickening
Business Expectations	55.9	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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