

# 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 50.2 in February

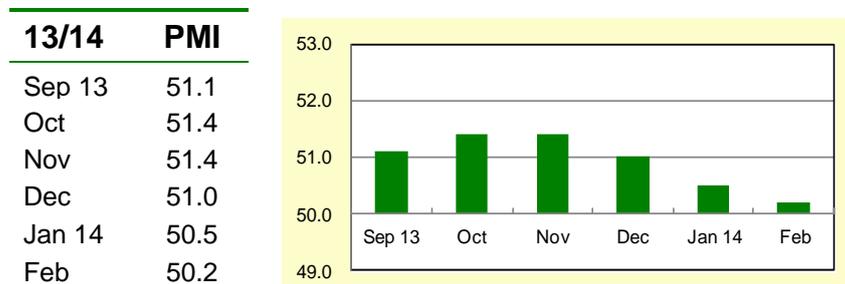
**Output, New Orders, expanding.**

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

**Input Prices, falling.**

**Suppliers' Delivery, slower.**

### China Manufacturing PMI, seasonally adjusted



China's manufacturing PMI fell to an eight month-low at 50.2 in February, indicating weak growth momentum of manufacturing sector in China.

9 of the 12 sub-indices were lower than their respective levels in the previous month. The output index dropped to a six month-low of 52.6 in February. Also noteworthy is that the new export orders index fell to 48.2 in February, staying in the contractionary zone for three consecutive months. The only good news is that the business expectations index rose strongly by 10.5 pts from the previous month to 61.8 in February, indicating that purchasing managers have become more optimistic about the near term outlook for their respective industries.

By size of enterprises, the PMI of 'large enterprises' fell from 51.4 in January to 50.7 in February. The PMI of 'medium enterprises' came in at 49.4 in February, down slightly from 49.5 in January. In contrast, the PMI of 'small enterprises' rebounded from 47.1 in January to 48.9 in February.

The output index dropped from 53.0 in January to 52.6 in February. By size of enterprises, the output index of 'large enterprises' edged down to 54.0 in February, compared to 54.2 in January. The output index of 'medium enterprises' came in at 49.7 in February, down sharply from 52.4 in January. Meanwhile, the output index of 'small enterprises' went up from 47.0 in January to 51.7 in February.

The new orders index was 50.5 in February, down from 50.9 in January. By size of enterprises, the new orders index of 'large enterprises' dropped to 51.2 in February, compared to 52.6 in January. The new orders index of 'medium enterprises' was 50.3 in February, up from 48.5 in January. The new orders index of 'small enterprises' rebounded to 47.1 in February, compared to 46.3 in January.

The new export orders index came in at 48.2 in February, down from 49.3 in January. By size of enterprises, the new export orders index of 'large enterprises' dropped from 50.0 in January to 48.9 in February, while the new export orders index of 'medium enterprises' fell to 46.4 in February, compared to 47.0 in January. Meanwhile, the new export orders index of 'small enterprises' went down from 49.6 in January to 47.1 in February.

The backlogs of orders index was 45.1 in February, down from 45.7 in January. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in February, ranging from 40.8 to 46.4.

The stocks of finished goods index came in at 47.8 in February, up from 46.5 in January. The stocks of finished goods indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below 50 in February, ranging from 42.9 to 49.6.

The purchases of inputs index fell to 49.4 in February, compared to 51.0 in January. By size of enterprises, the purchases of inputs index of 'large enterprises' declined from 53.2 in January to 50.6 in February. The purchases of inputs index of 'medium enterprises' came in at 48.1 in February, down from 49.5 in January. Meanwhile, the purchases of inputs index of 'small enterprises' went down from 46.7 in January to 45.8 in February.

The imports index was 46.5 in February, down from 48.2 in January. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below 50 in February, ranging from 44.8 to 47.0.

The input prices index declined to 47.7 in February, compared to 49.2 in January. The input prices indices of both 'large enterprises' and 'medium enterprises' were below the neutral level of 50 in February, registering 46.5 and 49.1 respectively. In contrast, the input prices index of 'small enterprises' still stayed above 50, registering 51.1 in February.

The stocks of major inputs index came in at 47.4 in February, down from 47.8 in January. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in February, ranging from 46.9 to 47.5.

The employment index went down slightly to 48.0 in February, compared to 48.2 in January. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in February, ranging from 47.6 to 48.2.

The suppliers' delivery time index edged up to 49.9 in February, compared to 49.8 in January. In general, a reading above 50 implies faster delivery and a cooling-down economy; below 50, slower delivery time and a booming economy. The suppliers' delivery time indices of both 'medium enterprises' and 'small enterprises' were below the neutral level of 50 in February, registering 49.2 and 49.6 respectively. In contrast, the suppliers' delivery time index of 'large enterprises' stayed above 50, registering 50.3 in February.

The business expectations index rose strongly from 51.3 in January to 61.8 in February, indicating that purchasing managers have become more 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 February, ranging from 55.3 to 63.7.

### China Manufacturing at a Glance — February 2014

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	50.2	Lower	Expanding
Output	52.6	Lower	Expanding
New Orders	50.5	Lower	Expanding
New Export Orders	48.2	Lower	Contracting
Backlogs of Orders	45.1	Lower	Contracting
Stocks of Finished Goods	47.8	Higher	Contracting
Purchases of Inputs	49.4	Lower	Contracting
Imports	46.5	Lower	Contracting
Input Prices	47.7	Lower	Falling
Stocks of Major Inputs	47.4	Lower	Contracting
Employment	48.0	Lower	Contracting
Suppliers' Delivery Time	49.9	Higher	Slowing
Business Expectations	61.8	Higher	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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