

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 edged up to 50.4 in April

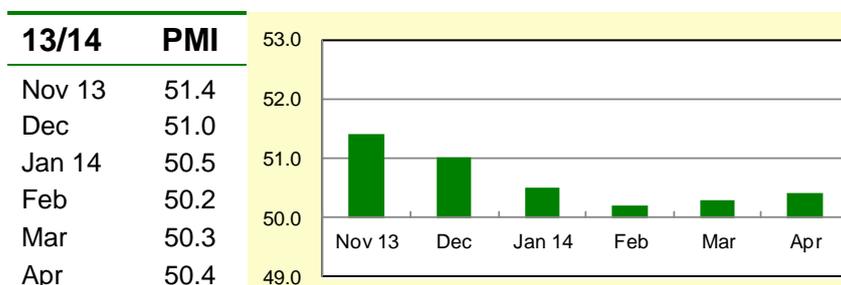
Output, New Orders, Purchases of Inputs, expanding.

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

Input Prices, falling.

Suppliers' Delivery, faster.

China Manufacturing PMI, seasonally adjusted



China's manufacturing PMI edged up from 50.3 in March to 50.4 in April, rising for two consecutive months. We believe that the latest trend of the headline PMI points to diminishing hard landing risk and a stabilizing economy.

Of the 12 sub-indices, 6 were higher and 5 were lower than their respective levels in the previous month. The good news is that the domestic demand has improved. The new orders index rose to 51.2 in April from 50.6 in March. Nevertheless, the figures also suggest that the export demand has weakened. The new export orders index fell by 1.0 pt from the previous month to 49.1 in April.

By size of enterprises, the PMI of 'large enterprises' edged down from 51.0 in March to 50.8 in April. The PMI of 'medium enterprises' came in at 50.3 in April, up from 49.2 in March. Meanwhile, the PMI of 'small enterprises' went down from 49.3 in March to 48.8 in April.

The output index inched down from 52.7 in March to 52.5 in April. By size of enterprises, the output index of 'large enterprises' fell to 52.8 in April, compared to 54.0 in March. The output index of 'medium enterprises' came in at 53.0 in April, up sharply from 50.4 in March. Meanwhile, the output index of 'small enterprises' went down from 50.7 in March to 49.4 in April.

The new orders index was 51.2 in April, up from 50.6 in March. By size of enterprises, the new orders index of 'large enterprises' edged up to 52.1 in April, compared to 51.9 in March. The new orders index of 'medium enterprises' was 50.4 in April, up from 48.9 in March. The new orders index of 'small enterprises' went up to 48.3 in April, compared to 47.5 in March.

The new export orders index fell to 49.1 in April, compared to 50.1 in March. By size of enterprises, the new export orders index of 'large enterprises' declined from 50.9 in March to 49.8 in April, while the new export orders index of 'medium enterprises' went down to 46.9 in April, compared to 47.5 in March. Meanwhile, the new export orders index of 'small enterprises' fell from 49.1 in March to 48.7 in April.

The backlogs of orders index was 44.9 in April, up slightly from 44.8 in March. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in April, ranging from 43.0 to 45.4.

The stocks of finished goods index came in at 47.3 in April, down from 48.3 in March. The stocks of finished goods indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below 50 in April, ranging from 46.9 to 48.0.

The purchases of inputs index rose to 50.6 in April, compared to 50.3 in March. By size of enterprises, the purchases of inputs index of 'large enterprises' edged down from 51.0 in March to 50.8 in April. The purchases of inputs index of 'medium enterprises' came in at 51.3 in April, up from 50.0 in March. Meanwhile, the purchases of inputs index of 'small enterprises' went down from 50.0 in March to 47.7 in April.

The imports index was 48.6 in April, down from 49.1 in March. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below 50 in April, ranging from 48.1 to 48.8.

The input prices index went up to 48.3 in April, compared to 44.4 in March. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in April, ranging from 47.6 to 49.8.

The stocks of major inputs index came in at 48.1 in April, up from 47.8 in March. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in April, ranging from 47.7 to 49.0.

The employment index came in at 48.3 in April, the same as in March. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in April, ranging from 47.5 to 48.7.

The suppliers' delivery time index rose to 50.1 in April, compared to 49.8 in March. 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 April, registering 49.7. In contrast, the suppliers' delivery time index of 'large enterprises' stayed above 50, registering 50.3 in April.

The business expectations index dropped from 62.7 in March to 59.6 in April, 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 April, ranging from 55.7 to 60.3.

China Manufacturing at a Glance — April 2014

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	50.4	Higher	Expanding
Output	52.5	Lower	Expanding
New Orders	51.2	Higher	Expanding
New Export Orders	49.1	Lower	Contracting
Backlogs of Orders	44.9	Higher	Contracting
Stocks of Finished Goods	47.3	Lower	Contracting
Purchases of Inputs	50.6	Higher	Expanding
Imports	48.6	Lower	Contracting
Input Prices	48.3	Higher	Falling
Stocks of Major Inputs	48.1	Higher	Contracting
Employment	48.3	Unchanged	Contracting
Suppliers' Delivery Time	50.1	Higher	Quickening
Business Expectations	59.6	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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