

# 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

Helen Chin, Timothy Cheung  
(852) 2300 2471  
helenchin@fung1937.com  
timothycheung@fung1937.com

## PMI fell to 50.8 in October

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

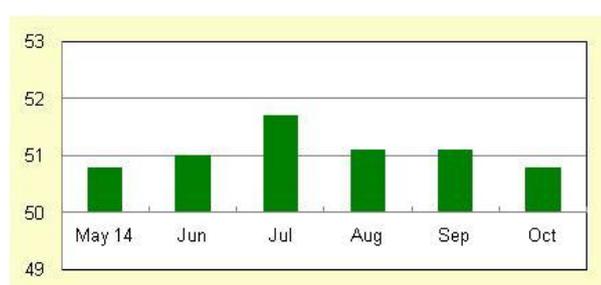
**New Export Orders, Stocks of Finished Goods, Backlogs of Orders, Imports, Stocks of Major Inputs, contracting.**

**Input Prices, falling.**

**Suppliers' Delivery, faster**

## China Manufacturing PMI, seasonally adjusted

| 2014 | PMI  |
|------|------|
| May  | 50.8 |
| Jun  | 51.0 |
| Jul  | 51.7 |
| Aug  | 51.1 |
| Sep  | 51.1 |
| Oct  | 50.8 |



China's manufacturing PMI fell from 51.1 in September to a five-month low of 50.8 in October, indicating that growth of China's manufacturing sector has been moderating.

Out of the 12 sub-indices, 9 were lower, and 2 were higher, than their respective levels in the previous month. Both domestic and export demand softened in October: The new orders index went down by 0.6 pts to a six-month low of 51.6 in October; the new export orders index dropped below the neutral level of 50 in October, indicating a month-on-month decrease in new export orders. The output index fell to a four-month low of 53.1 in October, suggesting that manufacturers have slowed production. Meanwhile, the input prices index was 45.1 in October, staying below the neutral 50-mark for three consecutive months. The recent readings of the index indicate a continuous fall in prices of production inputs.

By size of enterprises, the PMI of 'large enterprises' edged down to 51.9 in October from 52.0 in September. The PMI of 'medium enterprises' came in at 49.1 in October, down from 50.0 in September. Meanwhile, the PMI of 'small enterprises' fell slightly to 48.5 in October, compared to 48.6 in September.

The output index dropped to 53.1 in October from 53.6 in September. The output index of 'large enterprises' was 51.9 in October. Meanwhile, the output indices of 'medium enterprises' and 'small enterprises' dipped into the contractionary zone, registering 49.1 and 48.5 respectively in October.

The new orders index was 51.6 in October, down from 52.2 in September. By size of enterprises, the new orders index of 'large enterprises' edged up to 53.5 in October, compared to 53.4 in September. The new orders index of 'medium enterprises' was 48.7 in October, down from 50.9 in September. Meanwhile, the new orders index of 'small enterprises' went down to 48.3 in October, compared to 48.6 in

September.

The new export orders index dropped to 49.9 in October, compared to 50.2 in September. By size of enterprises, the new export orders index of 'large enterprises' fell from 51.3 in September to 50.7 in October, while that of 'small enterprises' dropped from 47.3 in September to 46.1 in October. On the contrary, the new export orders index of 'medium enterprises' came in at 48.4 in October, up from 47.4 in September.

The backlogs of orders index declined to 44.7 in October, compared to 45.6 in September. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in October, ranging from 43.4 to 45.4.

The stocks of finished goods index came in at 47.9 in October, up from 47.2 in September. 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 in October, ranging from 47.8 to 48.3.

The purchases of inputs index fell to 50.7 in October, compared to 51.2 in September. The purchases of inputs index of 'small enterprises' registered 45.1 in October. Meanwhile, the purchases of inputs indices of 'large enterprises' and 'medium enterprises' were 51.8 and 50.5 respectively in the month, above the 50-mark.

The imports index was 47.9 in October, down slightly from 48.0 in September. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below 50 in October, ranging from 47.9 to 49.1.

The input prices index went down to 45.1 in October, compared to 47.4 in September. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in October, ranging from 44.3 to 48.0.

The stocks of major inputs index came in at 48.4 in October, down from 48.8 in September. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in October, ranging from 47.2 to 49.2.

The employment index came in at 48.4 in October, up slightly from 48.2 in September. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in October, ranging from 47.2 to 49.0.

The suppliers' delivery time index edged up to 50.1 in October, the same as in September. 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' were 50.2, 50.3 and 49.3 respectively in October.

The business expectations index fell to 54.1 in October down from 56.0 in September, 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 October, ranging from 51.9 to 55.5.

### China Manufacturing at a Glance — October 2014

| Index                    | S. Adj Index | Index Compared with the Previous Month | Direction   |
|--------------------------|--------------|----------------------------------------|-------------|
| PMI                      | 50.8         | Lower                                  | Expanding   |
| Output                   | 53.1         | Lower                                  | Expanding   |
| New Orders               | 51.6         | Lower                                  | Expanding   |
| New Export Orders        | 49.9         | Lower                                  | Contracting |
| Backlogs of Orders       | 44.7         | Lower                                  | Contracting |
| Stocks of Finished Goods | 47.9         | Higher                                 | Contracting |
| Purchases of Inputs      | 50.7         | Lower                                  | Expanding   |
| Imports                  | 47.9         | Lower                                  | Contracting |
| Input Prices             | 45.1         | Lower                                  | Falling     |
| Stocks of Major Inputs   | 48.4         | Lower                                  | Contracting |
| Employment               | 48.4         | Higher                                 | Contracting |
| Suppliers' Delivery Time | 50.1         | Unchanged                              | Quickening  |
| Business Expectations    | 54.1         | 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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The Fung Business Intelligence Centre.  
10/F, Li Fung Tower, 888 Cheung Sha Wan Road, Hong Kong  
Tel: (852) 2300 2470 Fax: (852) 2635 1598 E-mail: [lfdc@lf1937.com](mailto:lfdc@lf1937.com)

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