

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 rises to 51.2 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.

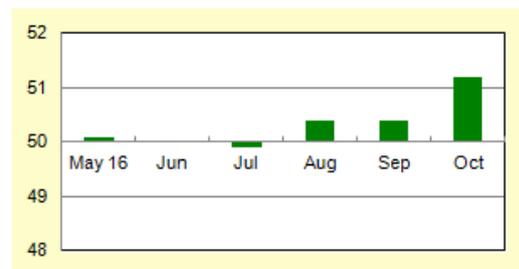
Input Prices, Rising.

Suppliers' Delivery, Faster.

Business Expectations, Optimistic.

China Manufacturing PMI, seasonally adjusted

2016	PMI
May	50.1
Jun	50.0
Jul	49.9
Aug	50.4
Sep	50.4
Oct	51.2



China's manufacturing PMI rose to 51.2 in October, the highest level since August 2014. The latest set of PMI data indicates that the manufacturing sector in China has expanded at a relatively fast pace recently, driven mainly by the strengthening domestic demand.

10 of the 12 sub-indices were higher than their respective levels in the previous month. The new orders index rose strongly by 1.9 pts from the previous month to 52.8 in October; the new export orders index fell to 49.2 in October from 50.1 in September.¹ The figures show that the domestic demand has improved, while the export demand has weakened. Against this backdrop, the output index climbed to a 25-month high of 53.3 in October, indicating that output growth has further accelerated lately. It is worth noting that the input prices index went up to 62.6 in October, well above the critical 50-mark, indicating that the prices of production inputs have risen at a fast pace. Cost pressure on manufacturers has increased.

By size of enterprises, the PMI of 'large enterprises' dropped slightly to 52.5 in October from 52.6 in September. The PMI of 'medium enterprises' rose to 49.9 in October from 48.2 in September, while the PMI of 'small enterprises' went up to 48.3 in October from 46.1 in September.

The output index was 53.3 in October, up from 52.8 in September. The output index of 'large enterprises' went down to 55.4 in October from 56.1 in September; the output index of 'medium enterprises' was 51.4 in October, up from 50.2 in September; the output index of 'small enterprises' rebounded to 48.1 in October from 44.2 in September.

¹ 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 52.8 in October, up from 50.9 in September. By size of enterprises, the new orders index of 'large enterprises' was 55.2 in October, up from 54.5 in September. The new orders index of 'medium enterprises' rose to 50.7 in October from 46.9 in September, while that of 'small enterprises' went up to 47.0 in October from 43.9 in September.

The new export orders index dropped to 49.2 in October, compared to 50.1 in September. The new export orders index of 'large enterprises' fell below 50, registering 49.9 in October. Meanwhile, the new export orders indices of 'medium enterprises' and 'small enterprises' were 48.5 and 43.5 respectively in October.

The backlogs of orders index went up to 45.8 in October, compared to 45.2 in September. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 46.9, 44.3 and 43.8 respectively in October.

The stocks of finished goods index came in at 46.9 in October, up from 46.4 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, registering 47.3, 46.5 and 46.0 respectively in October.

The purchases of inputs index was 52.4 in October, up from 51.9 in September. The purchases of inputs indices of 'large enterprises' and 'medium enterprises' were in the expansionary zone, registering 54.5 and 50.1 respectively in October. Meanwhile, the purchases of inputs index of 'small enterprises' was 48.2 in October.

The imports index was 49.9 in October, down from 50.4 in September. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 50.0, 49.8 and 48.8 respectively in October.

The input prices index went up to 62.6 in October, compared to 57.5 in September. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50, registering 63.5, 62.0 and 59.9 respectively in October.

The stocks of major inputs index came in at 48.1 in October, up from 47.4 in September. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 48.5, 47.4 and 47.8 respectively in October.

The employment index came in at 48.8 in October, up slightly from 48.6 in September. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, recording 49.1, 48.4 and 48.5 respectively in October.

The suppliers' delivery time index rose to 50.2 in October from 49.9 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' registered 50.4, 50.5 and 48.9 respectively in October.

The business expectations index went up slightly from 58.4 in September to 58.5 in October, well above the critical 50-mark, indicating that purchasing managers have remained optimistic recently. The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 60.9, 56.0 and 53.8 respectively in October.

China Manufacturing at a Glance — October 2016

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	51.2	Higher	Expanding
Output	53.3	Higher	Expanding
New Orders	52.8	Higher	Expanding
New Export Orders	49.2	Lower	Contracting
Backlogs of Orders	45.8	Higher	Contracting
Stocks of Finished Goods	46.9	Higher	Contracting
Purchases of Inputs	52.4	Higher	Expanding
Imports	49.9	Lower	Contracting
Input Prices	62.6	Higher	Rising
Stocks of Major Inputs	48.1	Higher	Contracting
Employment	48.8	Higher	Contracting
Suppliers' Delivery Time	50.2	Higher	Quickening
Business Expectations	58.5	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). Fung Business Intelligence 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.



Fung Business Intelligence collects, analyses and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

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Fung Business Intelligence was established in the year 2000.

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