

# 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 stayed stable at 51.1 in September

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

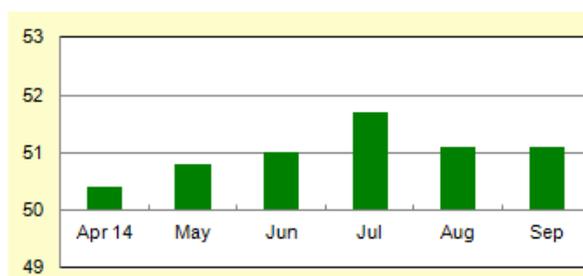
**Stocks of Finished Goods, Backlogs of Orders, Imports, Stocks of Major Inputs, contracting.**

**Input Prices, falling.**

**Suppliers' Delivery, faster**

### China Manufacturing PMI, seasonally adjusted

2014	PMI
Apr	50.4
May	50.8
Jun	51.0
Jul	51.7
Aug	51.1
Sep	51.1



China's manufacturing PMI came in at 51.1 in September, the same as in August. The September PMI indicates that the manufacturing sector in China has been expanding at a steady pace.

4 of the 12 sub-indices were higher than their respective levels in the previous month, and 7 sub-indices were lower than their respective levels. It is noteworthy that the new export orders index rose above the neutral level of 50 in September, suggesting an improvement in export demand. However, the new orders index dropped for the second consecutive month to 52.2 in September, indicating a moderation in domestic demand. Also noteworthy is that the input prices index remained below 50 in September, showing a continuous fall in prices of production inputs.

By size of enterprises, the PMI of 'large enterprises' edged up to 52.0 in September from 51.9 in August. The PMI of 'medium enterprises' came in at 50.0 in September, up slightly from 49.9 in August. On the contrary, the PMI of 'small enterprises' fell to 48.6 in September, compared to 49.1 in August.

The output index rose to 53.6 in September from 53.2 in August. The output indices of 'large enterprises' and 'medium enterprises' were 55.3 and 51.8 in September respectively. Meanwhile, the output index of 'small enterprises' dropped below 50 in September, registering 48.2.

The new orders index was 52.2 in September, down from 52.5 in August. By size of enterprises, the new orders index of 'large enterprises' dropped to 53.4 in September, compared to 54.1 in August. The new orders index of 'medium enterprises' was 50.9 in September, up from 50.4 in August. The new orders index of 'small enterprises' edged down to 48.6 in September, compared to 48.7 in August.

The new export orders index went up to 50.2 in September, compared to 50.0 in August. By size of enterprises, the new export orders index of 'large enterprises' improved from 50.7 in August to 51.3 in September, while that

of 'medium enterprises' came in at 47.4 in September, the same as in August. The new export orders index of 'small enterprises' dropped from 52.0 in August to 47.3 in September.

The backlogs of orders index declined to 45.6 in September, compared to 45.9 in August. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in September, ranging from 44.0 to 46.1.

The stocks of finished goods index came in at 47.2 in September, down from 48.1 in August. 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 September, ranging from 44.6 to 48.4.

The purchases of inputs index fell to 51.2 in September, compared to 51.9 in August. The purchases of inputs indices of 'medium enterprises' and 'small enterprises' registered 49.9 and 46.9 respectively in September. Meanwhile, the purchases of inputs index of 'large enterprises' remained above 50, registering 52.4 in the month.

The imports index was 48.0 in September, down from 48.5 in August. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below 50 in September, registering 48.1, 47.8 and 48.0 respectively.

The input prices index went down to 47.4 in September, compared to 48.5 in August. The input prices indices of 'large enterprises' and 'medium enterprises' were below the neutral level of 50, registering 45.9 and 48.8 respectively in September. Meanwhile, the input prices index of 'small enterprises' was 51.7 in the same month.

The stocks of major inputs index came in at 48.8 in September, up slightly from 48.6 in August. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in September, ranging from 47.3 to 49.6.

The employment index came in at 48.2 in September, the same as in August. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in September, ranging from 47.6 to 48.3.

The suppliers' delivery time index edged up to 50.1 in September, compared to 50.0 in August. 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 50.1, 50.7 and 48.7 respectively in September.

The business expectations index registered 56.0 in September, indicating that purchasing managers are still 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 September, ranging from 53.8 to 57.2.

### China Manufacturing at a Glance — September 2014

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	51.1	Unchanged	Expanding
Output	53.6	Higher	Expanding
New Orders	52.2	Lower	Expanding
New Export Orders	50.2	Higher	Expanding
Backlogs of Orders	45.6	Lower	Contracting
Stocks of Finished Goods	47.2	Lower	Contracting
Purchases of Inputs	51.2	Lower	Expanding
Imports	48.0	Lower	Contracting
Input Prices	47.4	Lower	Falling
Stocks of Major Inputs	48.8	Higher	Contracting
Employment	48.2	Unchanged	Contracting
Suppliers' Delivery Time	50.1	Higher	Quickening
Business Expectations	56.0	Lower	Optimistic

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## 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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