

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 51.1 in August

Output, New Orders, Purchases of Inputs, expanding.

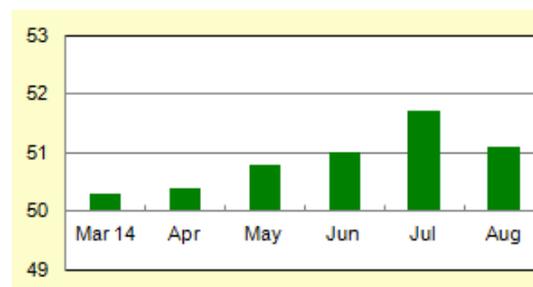
Stocks of Finished Goods, Backlogs of Orders, Imports, Stocks of Major Inputs, contracting.

Input Prices, falling.

New Export Orders, Suppliers' Delivery, unchanged

China Manufacturing PMI, seasonally adjusted

2014	PMI
Mar	50.3
Apr	50.4
May	50.8
Jun	51.0
Jul	51.7
Aug	51.1



China's manufacturing PMI fell from 51.7 in July to 51.1 in August, indicating growth moderation in the manufacturing sector in China. That being said, the August reading was still the second highest in nine months, meaning that the sector has remained relatively robust.

10 of the 12 sub-indices were lower than their respective levels in the previous month. Particularly noteworthy is that the indices of output, new orders and new export orders all posted month-on-month drop in August, indicating slower growth of production and demand. Besides, for the first time in four months, the input prices index dropped below the critical 50-mark in August, pointing to a drop in prices of production inputs.

By size of enterprises, the PMI of 'large enterprises' went down to 51.9 in August from 52.6 in July. The PMI of 'medium enterprises' came in at 49.9 in August, down slightly from 50.1 in July. Meanwhile, the PMI of 'small enterprises' fell to 49.1 in August, compared to 50.1 in July.

The output index dropped to 53.2 in August from 54.2 in July. The output indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50 in August, ranging from 51.7 to 54.1.

The new orders index was 52.5 in August, down from 53.6 in July. By size of enterprises, the new orders index of 'large enterprises' dropped to 54.1 in August, compared to 55.0 in July. The new orders index of 'medium enterprises' was 50.4 in August, down from 51.9 in July. The new orders index of 'small enterprises' fell to 48.7 in August, compared to 50.3 in July.

The new export orders index went down to 50.0 in August, compared to 50.8 in July. By size of enterprises, the new export orders index of 'large enterprises' went down from 52.2 in July to 50.7 in August, while the new export orders index of 'medium enterprises' inched down to 47.4 in August, compared to 47.5 in July. Meanwhile, the new export orders

index of 'small enterprises' rebounded from 46.2 in July to 52.0 in August.

The backlogs of orders index declined to 45.9 in August, compared to 46.4 in July. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in August, ranging from 43.4 to 46.3.

The stocks of finished goods index came in at 48.1 in August, up from 47.6 in July. 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 August, ranging from 47.0 to 48.6.

The purchases of inputs index fell to 51.9 in August, compared to 53.0 in July. The purchases of inputs indices of both 'medium enterprises' and 'small enterprises' registered 49.2 in August, dropping below the neutral level of 50. Meanwhile, the purchases of inputs index of 'large enterprises' remained above 50, registering 53.6 in the month.

The imports index was 48.5 in August, down from 49.3 in July. The imports indices of both 'large enterprises' and 'medium enterprises' stayed below 50 in August, registering 48.6 and 47.0 respectively. Meanwhile, the imports index of 'small enterprises' was 54.5 in the month.

The input prices index went down to 49.3 in August, compared to 50.5 in July. The input prices index of 'large enterprises' remained below the neutral level of 50, registering 48.4 in August. Meanwhile, the input prices indices of 'medium enterprises' and 'small enterprises' were 50.1 and 52.3 respectively in the same month.

The stocks of major inputs index came in at 48.6 in August, down from 49.0 in July. The stocks of major inputs indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in August, ranging from 46.3 to 48.9.

The employment index came in at 48.2 in August, down slightly from 48.3 in July. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50 in August, ranging from 46.4 to 48.8.

The suppliers' delivery time index edged down to 50.0 in August, compared to 50.2 in July. A reading above 50 implies faster delivery; below 50, slower delivery time. The suppliers' delivery time indices of both 'large enterprises' and 'medium enterprises' registered 50.1 in August, while the suppliers' delivery time index of 'small enterprises' was 49.3 in the same month.

The business expectations index improved from 55.3 in July to 57.9 in August, 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 August, ranging from 55.9 to 59.0.

China Manufacturing at a Glance — August 2014

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	51.1	Lower	Expanding
Output	53.2	Lower	Expanding
New Orders	52.5	Lower	Expanding
New Export Orders	50.0	Lower	Unchanged
Backlogs of Orders	45.9	Lower	Contracting
Stocks of Finished Goods	48.1	Higher	Contracting
Purchases of Inputs	51.9	Lower	Expanding
Imports	48.5	Lower	Contracting
Input Prices	49.3	Lower	Falling
Stocks of Major Inputs	48.6	Lower	Contracting
Employment	48.2	Lower	Contracting
Suppliers' Delivery Time	50.0	Lower	Unchanged
Business Expectations	57.9	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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