

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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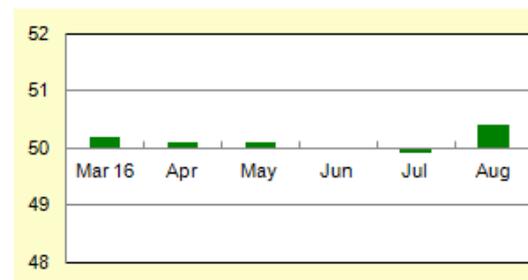
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PMI rises to 50.4 in August

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
Mar	50.2
Apr	50.1
May	50.1
Jun	50.0
Jul	49.9
Aug	50.4



China's manufacturing PMI rose from 49.9 in July to a 22-month high of 50.4 in August, returning to the expansionary zone. The August PMI shows signs of recovery of the manufacturing sector in China.

10 of the 12 sub-indices were higher than their respective levels in the previous month. The output index and the new orders index rose by 0.5 pts and 0.9 pts from the previous month to 52.6 and 51.3 respectively in August, indicating faster growth in both output and new orders.¹ Besides, the new export orders index went up from 49.0 in July to 49.7 in August, showing that the new export orders have contracted at a slower pace recently. Also noteworthy is that the input prices index rose by 2.6 pts from the previous month to 57.2 in August. In fact, the index has been above the critical 50-mark since February this year, indicating a continuous rise in the prices of production inputs. Upstream cost pressures on manufacturers have increased in past few months.

By size of enterprises, the PMI of 'large enterprises' went up to 51.8 in August from 51.2 in July, while the PMI of 'small enterprises' improved to 47.4 in August from 46.9 in July. The PMI of 'medium enterprises' was 48.9 in August, the same as in July.

The output index was 52.6 in August, up from 52.1 in July. The output index of 'large enterprises' went up to 54.9 in August from 54.1 in July; the output index of 'medium enterprises' was 50.1 in August, down slightly from 50.2 in July; the output index of 'small enterprises' rose to 47.8 in August from 47.7 in July.

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 51.3 in August, up from 50.4 in July. By size of enterprises, the new orders index of 'large enterprises' was 53.6 in August, up from 52.6 in July. The new orders index of 'medium enterprises' improved to 49.1 in August from 48.6 in July, while that of 'small enterprises' rose to 46.1 in August from 44.9 in July.

The new export orders index rose to 49.7 in August, compared to 49.0 in July. The new export orders index of 'large enterprises' stayed above 50, registering 50.6 in August. Meanwhile, the new export orders indices of 'medium enterprises' and 'small enterprises' were 48.1 and 46.5 respectively in August.

The backlogs of orders index went down to 45.0 in August, compared to 45.5 in July. The backlogs of orders indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, registering 46.0, 44.0 and 42.5 respectively in August.

The stocks of finished goods index came in at 46.6 in August, down slightly from 46.8 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, registering 47.1, 46.2 and 45.4 respectively in August.

The purchases of inputs index was 52.6 in August, up from 50.5 in July. The purchases of inputs indices of 'large enterprises' and 'medium enterprises' were in the expansionary zone, registering 54.7 and 50.3 respectively in August. Meanwhile, the purchases of inputs index of 'small enterprises' was 48.7 in August.

The imports index was 49.5 in August, up slightly from 49.3 in July. The imports indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 49.7, 48.2 and 52.0 respectively in August.

The input prices index went up to 57.2 in August, compared to 54.6 in July. The input prices indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all above 50, registering 57.9, 56.8 and 55.0 respectively in August.

The stocks of major inputs index came in at 47.6 in August, up from 47.3 in July. 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, 46.1 and 46.8 respectively in August.

The employment index came in at 48.4 in August, up from 48.2 in July. The employment indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were all below the neutral level of 50, recording 48.9, 48.1 and 47.2 respectively in August.

The suppliers' delivery time index rose slightly to 50.6 in August from 50.5 in July. 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 50.9, 50.3 and 49.9 respectively in August.

The business expectations index went up from 55.3 in July to 58.2 in August, indicating that confidence among purchasing managers has improved recently. The business expectations indices of 'large enterprises', 'medium enterprises' and 'small enterprises' were 60.2, 55.4 and 55.5 respectively in August.

China Manufacturing at a Glance — August 2016

Index	S. Adj Index	Index Compared with the Previous Month	Direction
PMI	50.4	Higher	Expanding
Output	52.6	Higher	Expanding
New Orders	51.3	Higher	Expanding
New Export Orders	49.7	Higher	Contracting
Backlogs of Orders	45.0	Lower	Contracting
Stocks of Finished Goods	46.6	Lower	Contracting
Purchases of Inputs	52.6	Higher	Expanding
Imports	49.5	Higher	Contracting
Input Prices	57.2	Higher	Rising
Stocks of Major Inputs	47.6	Higher	Contracting
Employment	48.4	Higher	Contracting
Suppliers' Delivery Time	50.6	Higher	Quickening
Business Expectations	58.2	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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